



Main Tax and Legal measures introduced by the Italian Government to face the COVID-19 Outbreak Law-Decree, No.23 of 8 April 2020 (“Liquidità” Decree)

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Abstract

As many other Countries in the World, Italy is currently facing the COVID-19 health emergency and the related lockdown restrictions imposed to many businesses and people.

On March 17th, 2020 the Italian Government urgently approved the Law-Decree No. 18 of March 17th, 2020 (“Cura Italia” Decree), that includes several measures aimed at reducing the economic and financial impact of such a pandemic and provide economic support to families, workers and businesses.

A second Law-Decree, No.23 of April 8th, 2020 (“Liquidità” Decree) introduces further measures for Italian businesses, partially affecting and extending the measures set out by the "Cura Italia" Decree.

Here follow our first comments on the new Government’s provision.

On April 6th, 2020, the Italian Government approved a new Law-Decree, published in the Official Gazette on 8th April, 2020, which introduces measures to **grant liquidity for businesses**: 200 billion will be reserved for the internal market and other 200 billion for export.

New **tax and accounting measures** are also set out: payments of VAT, withholdings and contributions for the months of April and May 2020 are suspended, in addition to the **deferral already provided for by the "Cura Italia" Decree**.

Here follow the main measures envisaged (we are commenting a draft Decree: please note that the final version could partially not match with the draft Decree):

- a) The new Decree **postpones the tax payments in June**, with the possibility of five instalments, using a selective approach through a mechanism linked to the turnover, as follows:
- Persons with **revenues or fees not exceeding 50 million** euros in the tax period preceding the one in progress on the date of entry into force of the Decree, are granted the suspension of the terms expiring in April and May 2020, if there is a decrease in revenues or fees of at least 33% in each month compared to the previous year.
 - The same suspension is provided for taxpayers with **revenues or remunerations in excess of 50 million** euros, provided however that revenues or remunerations have decreased by at least 50%.



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- For the residents in the most affected zones, however (Bergamo, Brescia, Cremona, Lodi, Piacenza), the condition for the suspension of the VAT payment is the drop in turnover of at least 33%, regardless of the turnover threshold of 50 million euros.
- These payments are suspended in any case for the subjects who started operating from 1st April 2019.

The suspension of withholding taxes on income from self-employment provided for by the "Cura Italia" Decree is also extended to the deadlines of April and May.

Another significant change is the provision of no penalties or interest due of all payments to public administrations expiring on March 16th, 2020 (extended to March 20th, 2020 by the "Cura Italia" Decree), if paid by April 16th.

- b) With reference to **tax credits**, the 50% tax for the sanitation costs of the workplace is extended to the purchase of personal protective equipment, masks and glasses.
- c) The Decree approved also provides for the postponement of the **deadline concerning the deferral of hearings of civil and criminal proceedings** pending at all the judicial offices, from April 15th to May 11th, as well as the suspension of the fulfilment of any act of civil and criminal proceedings.

The terms of all fulfilments and procedural acts (including the terms for the introduction appeals or decision appeals) are also suspended for the same period of tax and administrative procedures.

- d) With reference to the “going concern” principle applicable to companies, the Decree allows to evaluate the criteria of prudence and continuity in light of the situation emerging from the last closed financial statements and **deactivating the causes of company dissolution due to the reduction or loss of the share capital**.

The financial statements process is ongoing in Italy for the most part of the Italian companies and this measure is applicable with particular focus for those being in balance before the crisis and with a view of business continuity.

- e) The new Decree provides **guarantees by the Government** for a total of approximately 200 billion euros granted through the company SACE Simest in favour of banks providing liquidity to businesses.

Furthermore, the Guarantee Fund for SMEs “Fondo di Garanzia per le PMI” is further increased.

Based on what is indicated in the draft Decree, the guarantee of the Central Guarantee Fund of SMEs is extended until December 31st, 2020 up to an amount of 5 million euros and can be related to all companies with a number of employees not exceeding 499.

The guarantee will be free of charge until the end of the year.



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In general, the percentage of coverage of the guarantee is 90%, with an assessment of creditworthiness according to the evaluation model provided for by the operational provisions of the Fund, but in some cases it can even reach 100%.

The 100% guarantee is granted to SMEs, individual entrepreneurs and self-employed professionals whose business has been damaged by the COVID-19 emergency, as per a self-certified declaration, in the presence of certain requirements.

The financial loans must:

- envisage the start of the capital repayment not earlier than 18/24 months;
- have a minimum duration of 24 to 72 months;
- have an amount not exceeding 25% of the amount of the beneficiary's revenues, as resulting from the last financial statements filed or from the last tax return presented at the date of the application for the guarantee and in any case not exceeding 25,000 euros.

A second hypothesis of 100% guarantee is envisaged, again according to the draft Decree, for SMEs only with an amount of revenues not exceeding € 800,000 and for a maximum limit of 15% of the same revenues. In this case, the granting of the guarantee requires the application of the evaluation model.

In a third hypothesis, the guarantee is 100% with the intervention, however, of “Confidi”, limited to the beneficiaries with an amount of revenues not exceeding 3.2 million euros. In this case, the loans must be of an amount not exceeding the lower between 25% of revenues and the amount of 800,000 euros.

Finally, it should be noted that while the cases of application of the 100% guarantee should be immediately operational, the extension to 90% for the other cases will be subject to prior authorization from the European Commission.

The interest rate of above-mentioned loans will be probably determined between a minimum of 0.25% to a maximum of 2.5%, depending on the specific cases and will be provided a six years duration.