



**Belluzzo**  
International Partners



# TAXATION OF FOREIGN LENDERS ON INTEREST PAYABLE BY ITALIAN RESIDENT INDIVIDUALS

**Belluzzo International Partners**

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# Taxation of foreign lenders

## Facts

With answer No. 41 of October 2018 to a request of Ruling filed by a Swiss bank with no PE in Italy, the Italian tax authority states that **interest payable by Italian resident individuals to foreign lenders need to be subject to taxation in Italy.**

In case the resident **individual is not a withholding agent** interest must be taxed in the hands of the **foreign lenders who must file the relevant tax return in Italy.**

If the lender is resident in a country that has a tax treaty in force with Italy that limits the taxation of the interest, the **treaty reduced rate may be directly applied** in the tax return (*i.e.*, instead of the ordinary corporate tax – 24% - the foreign lender may apply the treaty rate which, in the case at hand, was 12,5%).

# Taxation of foreign lenders

## Comments

Whilst the legislation does not prevent the interpretation of the tax authority (the legislation is not straightforward on this point anyway), nevertheless it seems to be not adequate to govern such or similar cases.

As a matter of fact, this implies an additional investigation by the lenders about the legal status of the borrowers and it may be difficult for the lender to become aware of this legal obligation in given situations.

For example, if the loan was incurred to purchase a non Italian situs asset by a non Italian resident borrower who, subsequently, moves to Italy.

For the above and other legal reasons, it is disputable whether the interpretation of the Italian tax authority may be hold true. Our firm believes that, depending on a case by case analysis, it is possible to discuss with the tax authority a different conclusion.

**THANK YOU FOR YOUR  
ATTENTION!**



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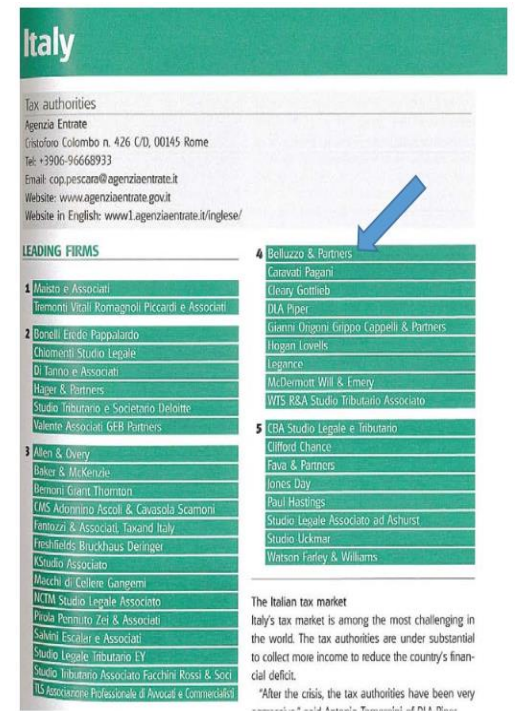
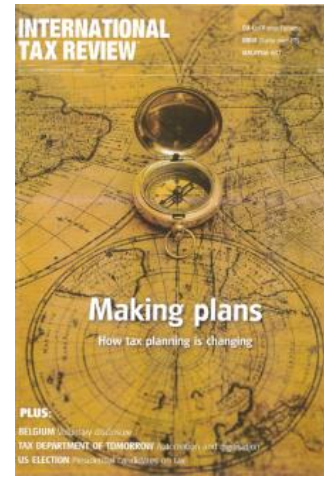
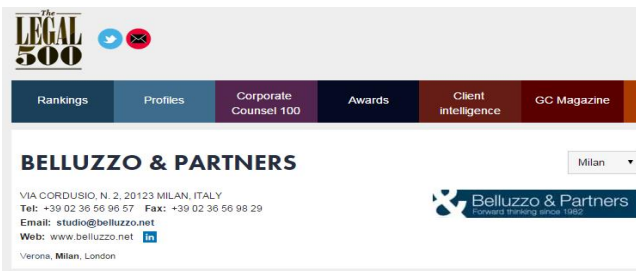
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Our Firm is more than happy to follow up about the issues within this presentation and happy to liaise with you and/or your consultant in order to better understand the case and start an assessment phase which is to be regarded as highly recommended.

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