



BEPS

The Impact of International Tax Developments in Italy

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Summary



1. Introduction



2. BEPS Action Plan - Italian response



3. EU Future Perspectives & Measures



1. Introduction

Introduction

- The OECD Action Plan on BEPS (Base Erosion and Profit Shifting), introduced in 2013, set 15 specific action points designed to ensure international tax rules are fit for an increasingly globalized, digitized business world and to prevent international companies from paying little or no tax.
- On 5 October 2015 the OECD published guidance on domestic legislative and administrative changes to address all 15 of the Plan's action points and achieve the G20's approval by the end of 2015.
- Italy like most OECD and G20 countries has been engaged in the OECD's work.
- Italy has shown over recent years its commitment to reduce international tax avoidance strategies and in fact has already unilaterally introduced many of the domestic tax changes recommended under the Action Plan.



2. BEPS Action Plan – The Italian response

OCED Action Plan on BEPS

Action 1	Address the Tax Challenges of the Digital Economy
Action 2	Neutralise the Effects of Hybrid Mismatch Arrangements
Action 3	Strengthen controlled foreign company (CFC) rules
Action 4	Limit Base Erosion via Interest Deductions and Other Financial Payments
Action 5	Counter Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance
Action 6	Prevent Treaty Abuse
Action 7	Prevent the Artificial Avoidance of PE Status

OCED Action Plan on BEPS

Action 8,9, 10	Assure that Transfer Pricing Outcomes are in Line with Value Creation
Action 8	Intangibles
Action 9	Risks and capital
Action 10	Other high – risk transactions
Action 11	Measuring and Monitoring BEPS
Action 12	Require Taxpayers to Disclose their Aggressive Tax Planning Arrangements
Action 13	Re-examine Transfer Pricing Documentation
Action 14	Make Dispute Resolution Mechanisms More Effective
Action 15	Develop a Multilateral Instrument

Action 1 – Address the Tax Challenges of the Digital Economy

Italian response to date

1. New rules to tax online transactions pending in Parliament, including new PE definition (which introduces a ‘virtual PE’ concept) and possibly a withholding tax on digital goods and services supplied by non-residents.
2. **SPID** (Sistema Pubblico di Identità Digitale) digital payments, l'anagrafe unica (single tax database), electronic transmission of invoicing information, electronic invoicing , certified electronic mail (PEC) and digital storage and archiving of invoicing.

Action 1 – Address the Tax Challenges of the Digital Economy

Italian response to date

3. Ultra-wideband which aims to maximize the offer of connectivity services up to 100mbps.
4. The Project of Digital Security for the PA was created to increase the level of information security and digital communications to enable new levels of services for citizens and businesses.
5. Digital health: electronic health records, recipes digital and online reservations.
6. Increased from € 1,000 to € 3,000 the limit set for the transfer of cash / bank passbook or postal bearer / bearer bonds in euro or in foreign currency.

Action 1 – Address the Tax Challenges of the Digital Economy

Italian response to date

7. VAT Reverse charge

- Special mechanism for VAT where the tax obligation is shifted from seller to buyer.
- Stability Law 2015 has expanded the scope
- Reverse charge already widely used in construction sector

8. The direct identification of VAT

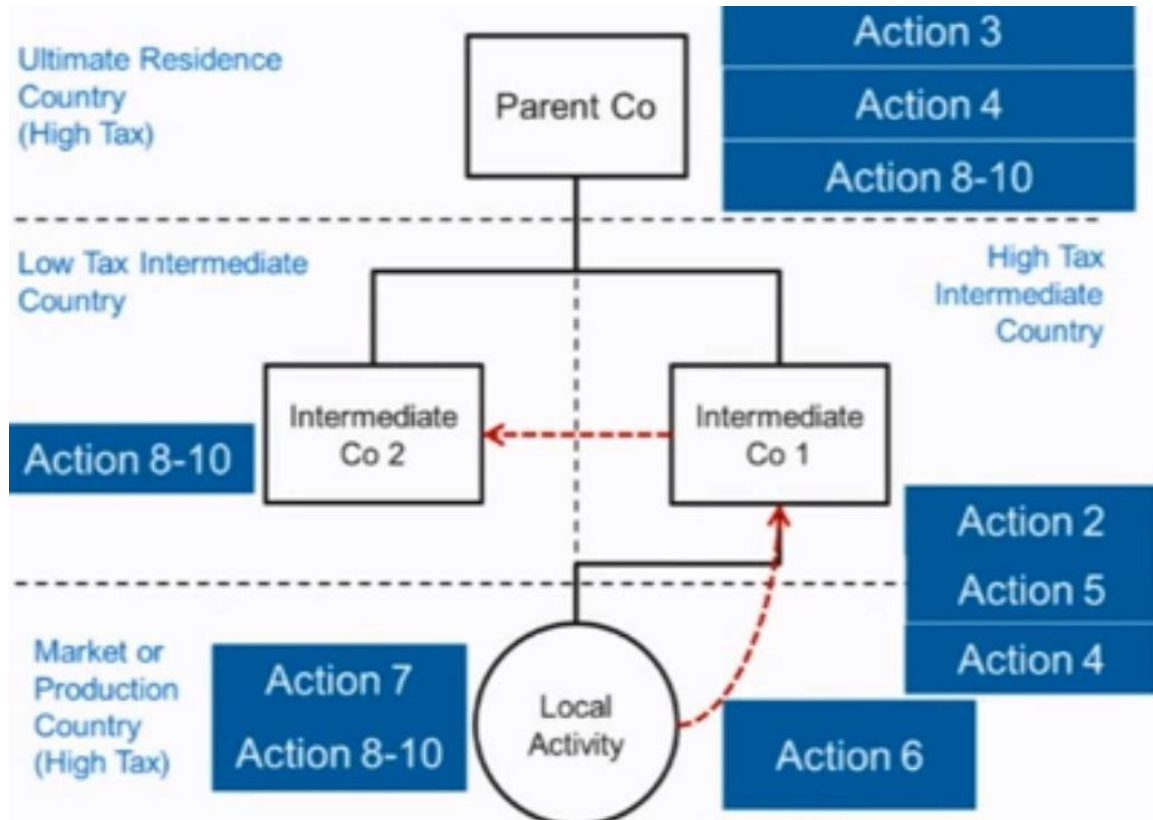
9. Fiscal agent

Action 2 – Neutralise the Effects of Hybrid Mismatch Arrangements

Italian response to date

1. Anti-hybrid provisions already exist with respect to inbound dividends, denying equity treatment (partial exemption) if a foreign-sourced dividend is deductible against taxes by the payer.
2. The Italian legislator has also sought to neutralise structures where a deduction is obtained against Italian income tax against profits in cases where a non –resident may obtain an equity type tax treatment of the receipt –e.g. reforms to the tax regime of “associazioni in partecipazioni”).
3. Artificial conversion of income into lower taxed gains
4. Taxation of transparent foreign entities.
5. Double Dip

Target For Action



Source Raffaele Russo - Head of BEPS Project - Centre for Tax Policy and Administration.

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3. EU Future Perspectives & Measures

EU Future Perspectives & Measures

EU response*

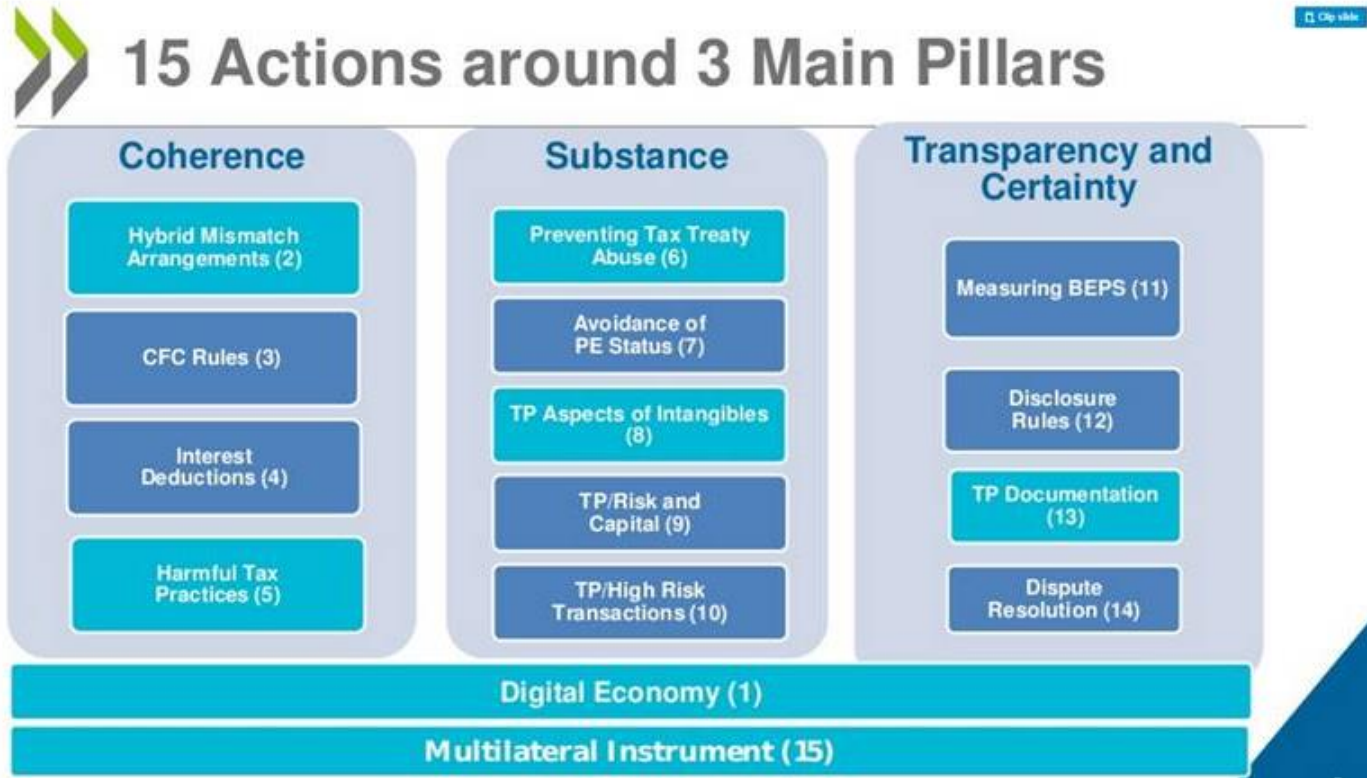
The Commission is pursuing an ambitious campaign for a coordinated EU approach against

- tax avoidance, following the global standards developed by the OECD last autumn, to boost Member
- States' collective stance against this problem, restore fairness in corporate taxation and ensure
- stability for businesses and investors in the EU

There are other important proposals in the pipeline, including the re-launch of the CCCTB.

*Source Document of European Commission «The Anti Tax Avoidance Package – Questions and Answers

EU Future Perspectives & Measures



Source: BEPS 2015 Final reports

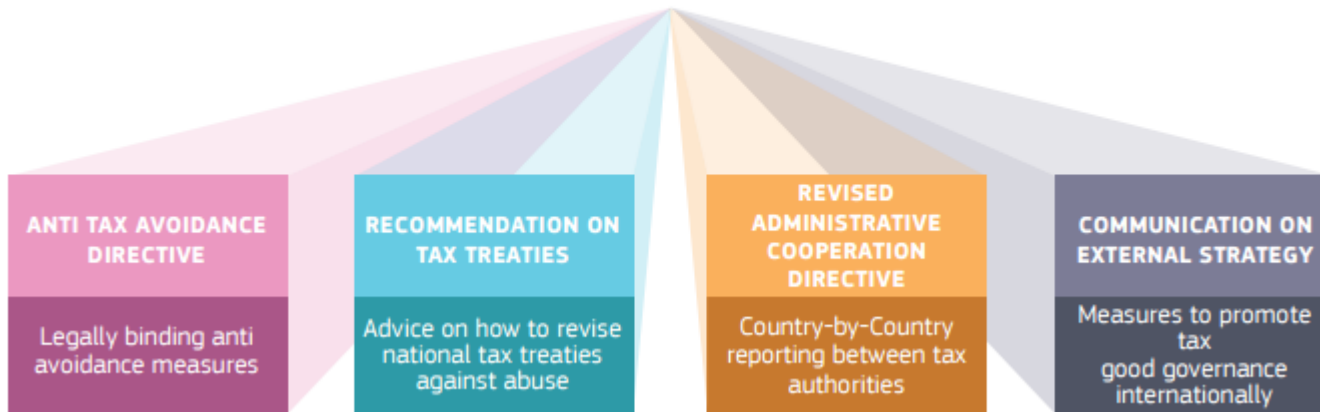
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EU Future Perspectives & Measures

EU response

Corporate tax avoidance deprives public budgets of billions of euros a year, creates a heavier tax burden for citizens and causes competitive distortions for those businesses that pay their share. The Commission has put the fight against corporate tax avoidance at the top of its agenda.

WHAT IS IN THE PACKAGE?





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Italy's tax market
Italy's tax market is among the most challenging in the world. The tax authorities are under substantial to collect more income to reduce the country's financial deficit.
*After the crisis, the tax authorities have been very...





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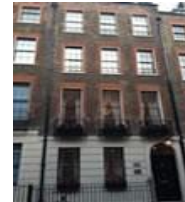
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