



Italian Digital Services Tax

Tax & Legal



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Italian Digital Services Tax

A Digital Services Tax ('DST') is effective in Italy from 1 January 2020. The main features of the DST are described here below, as well as the actions that should be immediately considered and a brief explanation on how KPMG can support your company.

Main characteristics of the DST

The DST shall apply to revenues resulting from the provision of the following services:

- a) the placing on a digital interface of advertising targeted at users of that interface;
- b) the making available to users of a multi-sided digital interface which allows them to be in contact and to interact with each other, and which may also facilitate the provision of underlying supplies of goods or services directly between users;
- c) the transmission of data collected from users and generated from the use of digital interfaces.

Taxable persons are businesses that, individually or group-wide, meet both of the following conditions, in the calendar year before the one in which the taxable revenues are obtained:

- total worldwide revenues of no less than EUR 750 million;
- revenues of no less than EUR 5.5 million, obtained in Italy from the digital services defined above.

DST shall be calculated by applying the 3% rate to the proportion of taxable revenues obtained by the taxable person during the calendar year.





Revenue shall be taxable in a tax period if the user of the taxable service is located in Italy in that period.

Taxable persons liable to DST shall keep a separate monthly ledger to identify revenues subject to DST, and shall pay the DST by 16 February of the calendar year following the one in which the taxable revenues are obtained. An annual return shall be filed by 31 March of the same year.

Action points to be considered

- a) Given that the thresholds are considered at a group level, Italian and foreign companies should verify if they belong to a Group that could fall into the scope of the DST;
- b) A retrospective analysis of FY2019 will be needed to verify whether the revenues thresholds are exceeded, in which case each of the companies belonging to the group could qualify as a DST taxable person from 1 January 2020. Once the group has exceeded the thresholds, any company belonging to the group is subject to the Italian DST on all the digital services it provides to Italian users;
- c) Persons qualifying as taxable persons for DST are immediately required (i.e. from 1 January 2020) to set up a special monthly ledger to record revenues falling within the scope of the DST;
- d) Taxable persons not established in Italy are required to obtain a DST identification number or to appoint a tax representative in Italy to fulfil payment and reporting obligations;
- e) For persons qualifying as DST taxable persons for FY2020, the first payment is due on 16 February 2021 and the first DST return is due by 31 March 2021.

What KPMG can do

KPMG may assist in determining whether DST is applicable on each revenue streams generated by your company/group by:

- Reviewing your group's activities to identify whether any of the services provided could qualify as taxable services for the purposes of the DST;
- Assessing which entity in your group may be supplying taxable services to Italian users;
- Reviewing the group's current accounting processes to assess their feasibility in relation to the preparation of the mandatory monthly ledgers;
- Advising on setting up the relevant accounting processes to identify the taxable revenues, prepare the monthly ledgers and submit the relevant returns and payments;

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