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Italy – 20% Withholding on Transfers from Foreign Banks Suspended

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For prior coverage of the 20-percent withholding tax rules and associated obligations, see [Flash International Executive Alert 2014-008](#), 29 January 2014

A 19 February 2014 communication from the Italian Finance Ministry publicly announced an **immediate** suspension of the 20-percent withholding tax to be applied by Italian Intermediaries on funds received in Italy by tax resident individuals from foreign bank accounts¹. A subsequently issued provision by the Tax Agency provides that the 20-percent withholding has not actually been abolished, but the implementation date for the new withholding arrangement has been pushed back to 1 July 2014.

Why This Matters

This recently-introduced new compliance obligations and administrative procedures imposed on financial institutions and other intermediaries – and the individuals concerned – in respect of the 20-percent withholding where certain transactions from abroad were concerned have been lifted.

In its short existence, the rules on the 20-percent withholding had caused a great deal of confusion for individuals transferring money from abroad and to Italian banks (who were obliged to operate the withholding). The suspension of the 20-percent withholding is, therefore, welcome.

The communication further states that any amounts withheld under the new law will be repaid by the banks to the individuals concerned. The Finance Ministry communication states that recent developments in the area of exchange of information and multilateral reporting have rendered the 20-percent withholding unnecessary.

Background

Under the recently-introduced rules, financial institutions (or other intermediaries) were required to withhold tax any time they were involved in a transaction from abroad. The tax withheld was treated as a payment toward the individual's final tax liability. These financial institutions and intermediaries and the individuals concerned, in some cases, had new obligations and administrative procedures to comply with as a result of the new rules.

KPMG Note

There is a possibility that the announced suspension will be followed by an abrogation of the relevant legislation. This remains to be seen.

Footnote:

1 See: Communication 46, Ministry of Economics and Finance, Rome 19.20, 18 February 2014. See the "Comunicato Stampa No. 46 del 19 febbraio 2014" (in Italian) at: http://www.tesoro.it/ufficio-stampa/comunicati/2014/comunicato_0046.html.

Protocol- Agenzia Dell'Entrate 2014/26443 Rome 19th February 2014.

For prior coverage, see [Flash International Executive Alert 2014-008](#), 29 January 2014.

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KPMG TaxWatch Webcast

What You Need to Know about Travel and Entertainment VAT Recovery

Friday, 21 February 2014 | 1:00 p.m. to 2:15 p.m. (U.S. EST; GMT -5)

U.S. companies that do business in the European Union are often entitled to recover the value-added tax (VAT) on travel and entertainment expenses incurred in the country. However, every year large amounts of recoverable foreign VAT are left unclaimed. Join our panel of VAT partners and professionals as they cover this interesting topic.

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The information contained in this newsletter was submitted by the KPMG International member firm in Italy. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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