



Reform of the Italian tax system

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Law no. 111/2023 ("Tax Delegation Law") delegated the Italian government to revise the entire Italian tax system by issuing one or more legislative decrees ([see Tax & Legal Alert of 18 September 2023](#)).

So far, the Italian government has issued seven legislative decrees implementing the guidelines of the Tax Delegation Law. These legislative decrees will be reviewed by the Chamber of Deputy commissions prior to their final approval and are therefore subject to change.

1. Draft Legislative Decree on International Taxation

This innovates the current legislation on international taxation, mainly by transposing the Global Minimum Tax Directive (Council Directive [EU] 2022/2523).

It also covers a number of other matters, such as: (i) the criteria for the tax residence of individuals and corporations, which are being updated in light of international developments and of the conventions for the avoidance of double taxation, (ii) the tax regime for foreign subsidiaries, (iii) the current legislation on tax incentives, also with a view to ensuring their compliance with the EU guidelines on state aid, and (iv) a revised version of the preferential tax regime for employees or self-employed persons who transfer their tax residence to Italy (the so-called "*lavoratori impatriati*" regime).

2. Draft Legislative Decree on the Cooperative Compliance Regime

This strengthens the current “Cooperative Compliance Regime”, which is a special – voluntary – arrangement between the Italian Revenue Agency and taxpayers, intended to incentivize transparency and tax compliance through continuous and pre-emptive dialogue.

To this end, it (i) lowers the entry threshold for the cooperative compliance regime¹, (ii) introduces mandatory certification by experienced lawyers and accountants of the reliability of the Tax Control Framework (“TCF”), (iii) reduces the tax assessment period for taxpayers who adhere to the Cooperative Compliance Regime, and (iv) grants discounts or exclusion from administrative and criminal penalties for taxpayers who cooperate with the tax authorities. In addition, the legislative decree extends certain benefits to taxpayers that – even if they do not meet the entry thresholds – decide to adopt a TCF voluntarily and to cooperate with the tax authorities.

3. Draft Legislative Decree on the Taxpayer’s Statute

This aims to give taxpayers a higher level of protection from the tax authorities by strengthening their essential rights. Amongst other measures, the Decree introduces (i) a general ‘right to be heard’ principle, (ii) the obligation for tax authorities to explain the reasoning behind all their acts, under penalty of nullity, and (iii) new regulations on the power of the tax authorities to cancel unfounded acts.

Furthermore, it amends the legislation on tax ruling requests (introducing a fee) and revises the rules on the types of invalid acts issued by tax authorities.

4. Draft Legislative Decree on Income Taxes

The scope of these new rules is broad and will affect virtually all PSPs involved in cross-border payments and, potentially, PSPs not established in Italy but providing payment services to payers located in Italy. E-commerce platforms that settle payments between a seller and a buyer may also fall under the rules. Businesses should assess whether they provide payment services and which types of customers are being served, in order to identify whether a reporting obligation for cross-border

payments may arise. The specific role played by the business in the payment chain is relevant and should be analyzed carefully.

KPMG’s Italian VAT team is ready to clarify how to apply the new rules and comply with the new reporting obligations.

5. Draft Legislative Decree on the Rationalization and Simplification of Tax Compliance Rules

This aims to foster mutual and loyal cooperation between taxpayers and tax authorities and to encourage spontaneous compliance.

Amongst other things, it (i) simplifies the income tax return, Italian regional business tax (IRAP) return, VAT return and withholding agent’s return, (ii) reorganizes the Synthetic Tax Reliability Indexes (“ISA”), and (iii) strengthens digital services for taxpayers.

6. Draft Legislative Decree on the Tax Assessment Procedure

In coordination with the amendments made to the Taxpayers’ Statute, this aims to enhance participation of the taxpayer in the assessment procedure by establishing, amongst other things, that (i) in order to initiate pre-emptive dialogue with the tax authorities, the act to be served on the taxpayer must include an invitation to the compromise procedure, and (ii) the possibility of accepting and settling claims included in tax audit reports.

It also addresses tax evasion and fraud by strengthening the cooperation procedures between national and foreign tax authorities and revising the rules on VAT representatives.

It introduces a two-year pre-emptive agreement (“*concordato preventivo*”) for SMEs and self-employed persons, intended to simplify reporting obligations and encourage voluntary compliance based on a pre-determined amount of taxes.

(1) Access to the Cooperative Compliance Regime is currently granted to taxpayers whose turnover exceeds EUR1 billion (with certain exceptions). The intention is to reduce the threshold as follows: EUR750 million starting from 2024, EUR500 million from 2026, and EUR100 million from 2028.

7. Draft Legislative Decree on Tax Litigation

This aims to simplify the tax litigation procedure and enhance the use of IT in tax litigation.

To this end it introduces, amongst other measures, (i) an obligation to use electronic means of service and submission, (ii) standard forms for the service of papers and court decisions during the litigation process, (iii) a ban on submitting new documents after the first level of judgment, and (iv) the publication of tax court decisions and their service on the parties within a fixed time limit.

Tax mediation (“*mediazione*”), i.e. a de-escalatory tool aimed at preventing and avoiding disputes, will be abolished. A special form of settlement before the Italian Supreme Court (“*conciliazione*”) will be introduced, resulting in a possible 60 percent discount in penalties.

In line with the amendments made to the Taxpayer's Statute, it will be possible to appeal against the refusal of the tax authorities to cancel incorrect acts, in the cases envisaged by law.

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