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Italian Tax and Accounting: Inbound Issues



Background

- Corporate Income Tax 27,5%
- Local Income tax (IRAP) 3,9%
- Local Income tax (IRAP) 4,82
(financial and insurance)
- Taxable base determined on Italian P/L with local Rules (GAAP – General Accepted Accounting Principles) +/- applicable adjustments



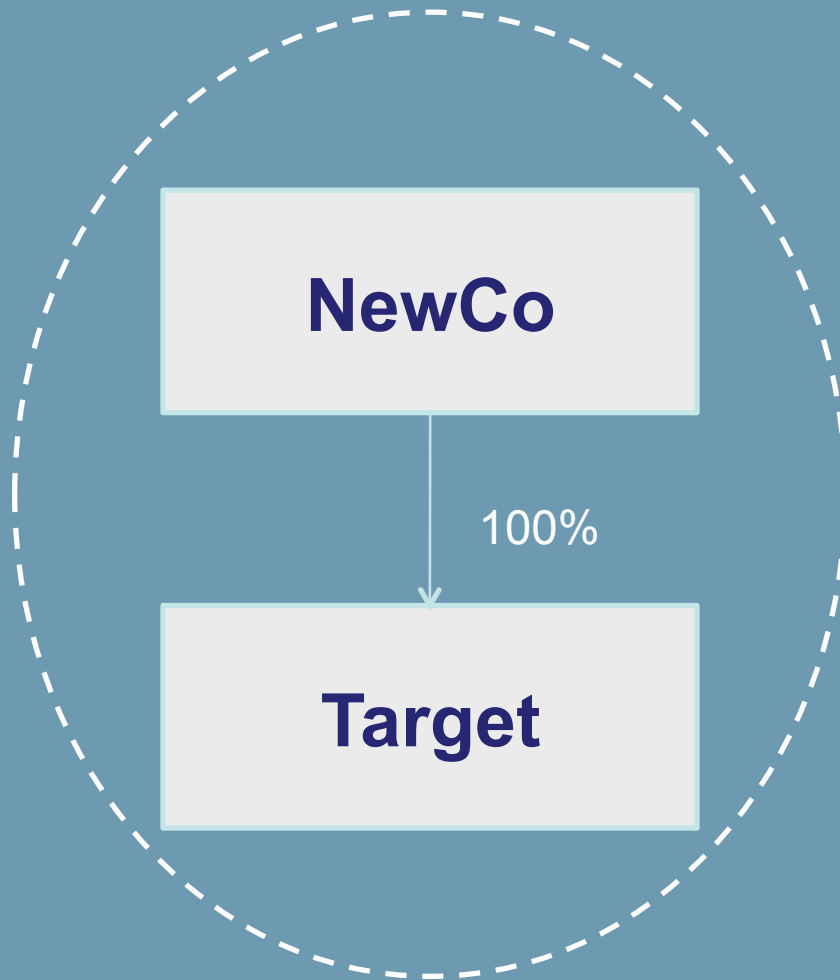
Background

Essential tax planning for US investors in Italy

- DPD (Debt Push Down)
- Management fees
- Royalties
- Proper TP structure
- Commissionaire structure with principal in low tax jurisdictions (i.e. Switzerland) – TP and PE issues



Acquisition Structure – Share Deal



1. Leveraged Structure

2. Merger



Acquisition Structure – Share Deal

- Financial costs deductible under local rules
- No thin capitalization rules
- Interest deduction limitation : 30% of EBITDA
- Subject to Italian taxation through consolidated return



Acquisition Structure

- Merger with step-up without tax effect
- Election for tax step-up with tax rate at 12, 14 or 16%



Other Issues - 1

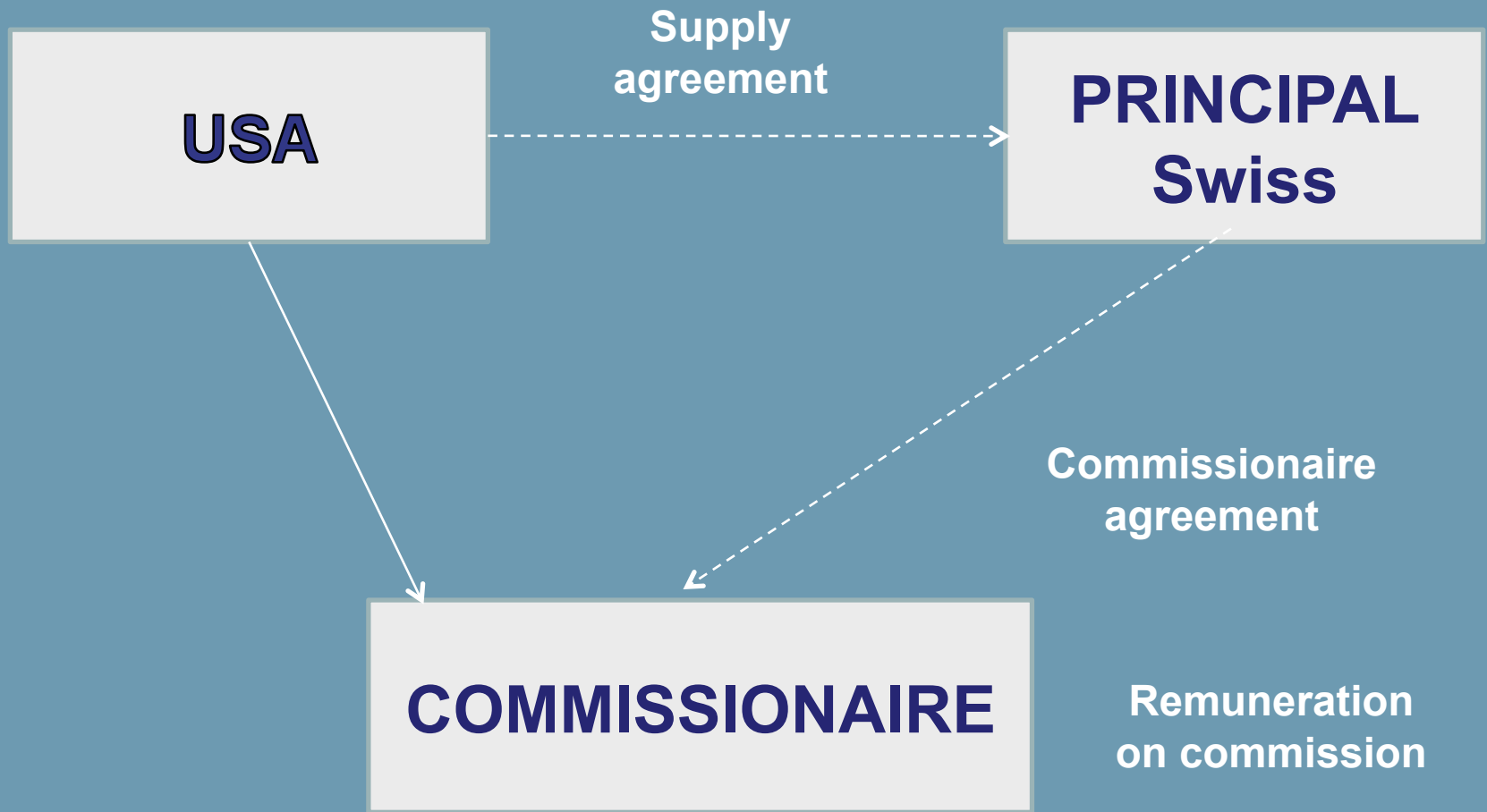
- Royalties, management fees and TP: OECD principles
- Applying for APA (Advance Pricing Agreement) is an option



Other Issues - 2

- Trading structure with entities located in low tax jurisdictions: deductible costs subject to
 - Effectiveness of trading structure
 - Business reasons for purchase or sale of products from or to trading entities
 - Economic convenience in purchasing such products





----- Ownership flow
_____ Products flow



Other Issues - 3

- Principal structure located in low tax jurisdictions
- Italian PE Issue
- Italian tax authorities aggressive

