



VAT in Italy (Foreign VAT – Italy)

As of: 1 September 2024

Scope of application

The VAT system in Italy covers, among others:

- supplies of goods,
- intra-Community supplies and acquisitions,
- import and export of goods,
- services provided to foreign customers,
- special VAT procedures.

Special VAT procedures

- annual procedure,
- cash accounting method,
- procedures for farmers and fishermen,
- margin scheme for travel agencies,
- margin scheme for second-hand goods, works of art, collectors' items and antiques,
- special procedure for publications,
- One Stop Shop (OSS),
- transfer of a going concern (TOGC),
- domestic reverse charge mechanism,
- split payment mechanism.

VAT Registration

VAT registration thresholds

- standard VAT registration: EUR 0 (no threshold),
- distance sales of goods and TBE services in the EU (for EU-based companies): EUR 10,000,
- significant intra-Community acquisitions: EUR 10,000.

VAT rates in Italy

- standard rate: 22%
- reduced rates: 10%, 5%, 4%

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ul. Sarmacka 7, 61-616 Poznań

+48 504 426 155, <https://www.taxopolis.eu>

- 0% rate: applied in specific cases (e.g. export).

VAT Returns

Reporting periods

- annual return (electronic) – all taxpayers,
- **quarterly returns – all taxpayers.**

Filing deadlines

- annual return: by 30 April,
- quarterly returns:
 - by the last day of the second month following the end of the quarter,
 - for Q2 the deadline is 16 September.

VAT Payments

Payment periods

- monthly or quarterly (optional),
- annual payment,
- annual advance payment (all taxpayers).

Payment deadlines

- monthly taxpayers: 16th day of the following month,
- quarterly taxpayers:
 - Q1 – 16 May,
 - Q2 – 20 August,
 - Q3 – 16 November,
 - Q4 – 16 March of the following year,
- annual advance payment: 27 December.

VAT Refund

Refund of VAT paid abroad by Italian residents

- EU: by 30 September of the following year (electronic application),
- non-EU: by 30 September of the following year (if reciprocity applies – paper application).

Refund of VAT paid in Italy by foreign entities

- EU companies: by 30 September of the following year (electronic application),
- non-EU companies: by 30 September of the following year (paper application, if reciprocity applies).

Minimum refund amounts

- period shorter than 12 months: EUR 400,
- full year: EUR 50.

Intrastat

Reporting thresholds

Dispatches:

- goods and services exceeding EUR 50,000 in a quarter or in one of the previous four quarters.

Acquisitions:

- goods: EUR 350,000 in the previous four quarters,
- services: EUR 100,000 in the previous four quarters.

Intrastat filing deadlines

- monthly or quarterly,
- deadline: 25th day of the following month.

Penalties and sanctions

Failure to file VAT return after 90 days

- if VAT is due: 120%–240% of the tax, minimum EUR 250,
- if VAT is not due: EUR 250–2,000.

Late payment of VAT

- 30% of the unpaid amount.

Incorrect or fraudulent return

- 90%–180% of VAT due.

Errors on invoices

- penalties depend on the type and nature of the error.

Non-taxable or VAT-exempt transactions – sanctions

Irregularities in VAT settlements

- where VAT has been correctly accounted for but formal errors occurred:
 - 90%–180% of VAT due,
 - minimum penalty: EUR 500,
- lack of documentation or incomplete documentation:
 - 5%–10% of undocumented amount,
 - minimum penalty: EUR 500,
- failure to register for VAT: EUR 250–2,000.

Reverse charge mechanism

- failure to apply reverse charge where there is full right to deduct VAT,
- incorrect or improper application of the mechanism.

Incorrect VAT deduction

- applies to all entrepreneurs,
- penalty: 90% of incorrectly deducted VAT.

VAT Registration Deadlines

Registration obligation

Any entity carrying out business activity must apply for a VAT number at the competent tax office by submitting a commencement notification.

- deadline: within 30 days from the start of activity or company incorporation,
- penalty for failure or delay in registration: from EUR 500 to EUR 20,000.

VAT in Italy – administrative information

Tax authority

VAT in Italy is administered by the Italian Revenue Agency (Agenzia delle Entrate).

Postal address (VAT refunds for non-EU companies):

Agenzia delle Entrate
Centro Operativo di Pescara
Via Rio Sparto, 21
65129 Pescara, Italy

Telephone: +39 085 5771

Websites:

www.agenziaentrate.gov.it
www.finanze.it

Hotline (Italy): 800 89 41 41

Hotline (abroad): +39 06 96 66 89 33

E-mail contact: available in the “Contact” section on the authority’s website.

VAT Registration – Domestic Supplies

Any natural or legal person making taxable supplies of goods or services in Italy may be required to register for VAT.

Anyone carrying out business, artistic or professional activity must:

- submit a commencement notification,
- obtain a VAT number,
- indicate the appropriate activity code (codice attività) specifying the nature of the activity carried out.

VAT Groups

Entities financially or organizationally linked may form a VAT group, which for tax purposes is treated as a single taxable person.

Note: The value of services received from foreign suppliers is included in VAT-taxable turnover when determining the obligation to register.

After registration, the taxpayer:

- charges VAT at the appropriate rate,
- is entitled to deduct input VAT on costs related to taxable activities.

Taxable and VAT-Exempt Supplies

Taxable supplies

All supplies of goods and services carried out in Italy are considered taxable, except for supplies exempt from VAT.

Main categories of VAT-exempt supplies

- financial services,
- insurance services,
- lease and rental of land,
- sale and rental of real estate,
- gambling activities,
- education,
- medical services (doctors, dentists and other healthcare professionals),
- postal services.

Transfer of a Going Concern (TOGC)

The transfer of a going concern is subject to specific VAT rules. Details are discussed in a separate section.

Distance Selling

For intra-Community sales of goods and:

- broadcasting services,
- telecommunications services,
- electronic services (BTE),

a threshold of EUR 10,000 applies for companies established in the EU.

VAT may be accounted for:

- locally, or
- via the OSS (One Stop Shop) procedure, which eliminates the need to register for VAT in each EU Member State.

Import of Goods – IOSS

For distance sales of imported goods with a value not exceeding EUR 150, VAT may be settled through the IOSS procedure.

In certain cases of sales via online platforms, special rules apply regarding the entity responsible for accounting for VAT. Non-EU entities may be required to appoint an intermediary in the EU.

Intra-Community Acquisition of Goods

VAT registration in Italy may be required if:

- an entity without an Italian VAT number makes intra-Community acquisitions,
- the value of acquisitions exceeds the applicable threshold.

After registration:

- the VAT due must be accounted for by the acquirer.

Consignment Warehouses and Call-Off Stock

- Standard transfer of goods to Italy for subsequent sale is treated as an intra-Community acquisition → VAT registration obligation.
- In the case of call-off stock, VAT registration of the EU supplier is not required – VAT is accounted for by the Italian customer at the moment the goods are withdrawn.

Supply with Installation

The supply of goods together with installation is subject to Italian VAT if the installation takes place in Italy.

- EU suppliers may avoid registration if VAT is accounted for by the customer under the reverse charge mechanism,
- non-EU suppliers must register for VAT in Italy.

Voluntary Registration

Italian regulations do not provide for voluntary VAT registration, as no domestic exemption threshold applies.

Foreign Businesses – VAT Registration Obligation

A foreign company must register for VAT in Italy, among others, when it:

- exceeds the distance selling threshold,
- transfers its own goods to Italy,
- imports goods into Italy,
- sells goods located in Italy to private individuals,
- makes intra-Community supplies or acquisitions,
- provides certain services to consumers (e.g. BTE).

VAT Consolidation

General Principles

Italian VAT regulations provide for a special VAT settlement system that simplifies accounting for entities under common control.

Companies participating in VAT consolidation:

- remain fully autonomous legally and tax-wise,
- continue to be independently subject to all tax obligations,
- participate in VAT settlements at group level.

Conditions for participation

Capital companies and branches may join VAT consolidation if at least 50% of their shares are held – directly or indirectly – by another company.

This condition must be continuously met from at least 1 July of the year preceding the year in which consolidation is applied.

Companies established in the EU

EU-established companies may participate in VAT consolidation if they:

- have a fixed establishment in Italy,
- have appointed a fiscal representative, or
- have carried out direct VAT identification in Italy.

Settlements under consolidation

- Periodic payments (monthly or quarterly) and annual settlement are made by the parent company,
- the parent company determines the VAT due or group tax surplus by summing liabilities and receivables of all participating companies,
- VAT liabilities and surpluses are transferred to the parent company.

Guarantees and liability

- If during the year VAT surpluses of some companies are offset against liabilities of others, a guarantee is required,
- guarantees are provided by both participating companies and the parent company,
- subsidiary companies and the parent company submit their own annual returns,
- the parent company additionally submits a summary of periodic group settlements together with guarantees,
- in the event of non-payment of VAT by the parent company, subsidiaries are jointly and severally liable for their respective portion of the liability,
- penalties are imposed exclusively on the parent company; subsidiaries are subject only to recovery procedures including interest.

VAT Grouping

Legal basis

Since 2017, Italy has applied the VAT group regime implementing Article 11 of Directive 2006/112/EC.

Joining a VAT group

- the option must be notified by 30 September of the year preceding the year from which it is to apply,
- the option is binding for 3 years and renews automatically unless revoked,
- revocation results in dissolution of the entire VAT group.

Conditions for forming a VAT group

A VAT group may be formed by taxpayers who:

- are established in Italy,
- are linked financially, economically and organizationally.

Links:

- financial – control relationship existing since at least 1 July of the previous year; the controlling entity must be established in Italy or in a country with an information exchange agreement,
- economic – same activity, complementary or interdependent activities,
- organizational – common decision-making coordination.

If a financial link exists, the other links are presumed unless a request for their exclusion is filed.

Tax consequences

- transactions between group members are disregarded for VAT purposes,
- the VAT taxable person is the group as a whole,
- the VAT group receives one VAT number.

“All in – all out” principle: if an entity meeting the conditions does not join, tax benefits are assessed as if it belonged to the group.

Relationship to VAT consolidation

The introduction of the VAT group does not exclude the possibility of applying the previous VAT consolidation system, which remains available.

Divisional registration

Rules

Under certain conditions, divisional registration is possible in Italy.

An entity:

has one VAT number,
may carry out several types of activities.

VAT codes and records

the taxpayer may keep separate accounting records for different activities,
appropriate VAT activity codes (codice attività) must be selected,
all codes must be declared in the commencement declaration,
in the case of multiple VAT codes, separate forms must be completed for each code when submitting the annual VAT return.

VAT registration – foreign entities

Direct identification

Entities not established in Italy, but carrying out activities in:
another EU Member State, or
a non-EU country with which Italy has concluded tax cooperation agreements,
must carry out direct VAT identification (Art. 35-ter of Decree 633/1972).

Submission of form ANR/3 or ANR/S is required:

before starting activities in Italy,
the form is also used to report changes and termination of activities.

VAT registration procedure for foreign entities

Where to submit documents

Agenzia delle Entrate
Centro Operativo Servizi Fiscali di Pescara
Via Rio Sparto, 21
65100 Pescara
Italy

Documents may be:
submitted in person,
sent by registered mail.

The date of submission is considered to be the date of dispatch.

Required documents

original certificate from the tax authority of the country of establishment confirming VAT registration,
original certificate from the chamber of commerce of the country of establishment (including details of persons authorized to represent the entity),
Italian translations of both documents, signed by the translator + copy of the translator's identity document,
copy of the identity document of the person authorized to represent the entity (certified),
a statement containing:
description of the activity carried out in the country of establishment,
description of the activity planned in Italy,
reasons for VAT registration,
correspondence address details,
confirmation of the absence of a fixed establishment in Italy.

Appointment of a Fiscal Representative

General rules

The fiscal representative is jointly and severally liable together with the taxpayer for obligations arising from the application of Italian VAT regulations.

entities established outside the EU that carry out activities in Italy must appoint a local fiscal representative,
the representative is responsible for correct VAT settlements, returns and payments.

Sanctions for failure to register for VAT

Failure to notify commencement of activity

Failure to inform the Italian tax authorities of the commencement of activity results in a penalty: from EUR 500 to EUR 2,000.

Deregistration from VAT

Termination of activity

In the event of cessation of activity, the taxpayer is obliged to: submit an application for VAT deregistration (form AA7/10), deadline: within 30 days from the date of cessation of activity, the form may be submitted electronically.

Obligations after cessation of activity

the annual VAT return for the year in which the activity ceased must be submitted within the standard deadline,
if only part of the activity is discontinued and the remaining part continues, a change of data must be reported instead of termination of activity.

Record-keeping and accounting obligations

Accounting books

Every entity registered for VAT in Italy is required to keep accounting records.

For VAT purposes, the following must be retained:

VAT registers (purchases, sales, revenues),
copies of all sales invoices,
copies of all purchase invoices.

Standard accounting documentation is generally sufficient, although certain sectors may be subject to additional requirements.

Document retention period

for tax purposes: until 31 December of the fifth year following the year of submission of the VAT return,
in the absence of a return: until 31 December of the seventh year following the year in which the return should have been submitted,
for legal purposes: documentation must be retained for 10 years from the date of the last entry.

The Italian tax authority allows electronic archiving of invoices and VAT registers.

VAT invoices

Obligation to issue invoices

A VAT invoice must be issued:
for all B2B transactions, upon request – for B2C sales.

Deadlines for issuing invoices

An invoice may be issued:

within 12 days from the date of the transaction, or in specific cases, by the 15th day of the month following the month of the transaction.

Detailed VAT invoice requirements are set out in Annex 14A.

Foreign currencies on invoices

If the transaction is carried out in a foreign currency:

amounts must be shown on the invoice, conversion must be made using the exchange rate on the date of the transaction.

If the date of the transaction is not known:

the exchange rate on the date of issuance of the invoice applies, in the absence of an exchange rate – the rate from the closest previous day applies.

Electronic invoices

For transactions between VAT taxpayers:

established or having a fixed establishment in Italy, the issuance of electronic invoices is mandatory.

Simplified invoices

A simplified invoice:

has the same legal effect as a standard e-invoice, contains a limited scope of data, may be used for transactions with a value of up to EUR 400.

Summary invoices

In Italy, the use of summary invoices is permitted:

covering several transactions within one month, value limit: EUR 300, instead of issuing multiple individual invoices.

Self-billing

Self-billing is possible in Italy:

the invoice is issued by the customer, not the supplier, it must contain all required VAT invoice elements, the self-billed invoice must be issued electronically.

Corrective invoices (Credit notes)

A corrective invoice:

is used to correct all or part of a previously issued invoice, may result from an error or a reduction in the value of the transaction, must contain all VAT invoice details, must be marked as “Credit Note”, must contain a reference to the original invoice.

Proof of export and intra-Community supplies

VAT is not charged on:

exports of goods, intra-Community supplies of goods, provided that specific evidential requirements are met.

Types of exports in Italy

export carried out by or on behalf of the supplier,
export between two residents where the goods are shipped outside the EU,
export carried out by a non-resident purchaser within 90 days from the supply.

Proof of movement of goods (EU quick fixes)

If transport is arranged by the seller:

at least two independent documents are required (e.g. CMR, waybill, bill of lading, freight forwarder's invoice).

If transport is arranged by the purchaser:

the purchaser must submit a written statement confirming the movement of the goods by the 10th day of the following month,
additionally, two independent transport documents are required.

Tax audits

The Italian tax agency has the right to:
carry out inspections of VAT records, enter business premises, review documentation.

Audits most commonly include:

visits to the company's premises,
interviews with owners, management and employees,
review of VAT documentation.

An audit does not always mean a full audit.

Reporting obligations – time when the tax point arises

Supply of goods

The tax point arises on:
the date of delivery or dispatch of the goods,
an earlier moment may occur if:
an invoice has been issued,
full or partial payment has been received.

Provision of services

the tax point arises:

upon receipt of payment (in full or in part),
or on the date of issuance of the invoice, if issued earlier.

Time when the tax point arises in goods and services transactions

In the case of intra-Community acquisition of goods, the tax point arises on the date on which dispatch or transport of the goods to another EU Member State begins. However, if the invoice was issued before the transport began, the date of its issuance becomes the tax point.

For continuous intra-Community acquisitions of goods lasting longer than one calendar month, the supply is deemed to have been made at the end of each calendar month.

In the case of importation of goods, the tax point arises on the date the goods are released for free circulation or released from a customs suspension procedure.

For services subject to the reverse charge mechanism, the tax point arises on the date the service is performed, and if services are provided on a continuous or periodic basis – on the date of payment. In the case of intra-Community supplies of goods, the tax point arises in accordance with the general rules applicable to supplies of goods.

For continuous supplies of services lasting longer than one year, if no advance payments or partial payments are made, the tax point arises at the end of the calendar year.

Periodic VAT returns

All VAT taxpayers, regardless of whether they account for VAT monthly or quarterly, are required to submit quarterly electronic VAT returns including a quarterly summary of settlements. The deadline for submission falls on the last working day of the second month following the end of the relevant quarter. An exception applies to the second quarter, for which the deadline has been extended to 16 September.

Failure to submit the quarterly return or submission with incomplete or incorrect data results in a financial penalty ranging from EUR 500 to EUR 2,000. This penalty may be reduced by 50% if the return or correction is submitted within 15 days from the deadline.

After receiving the quarterly return, the tax authorities verify the consistency of the data contained in the return with the VAT payments made.

VAT payments – monthly and quarterly settlements

VAT payments are made monthly if the taxpayer's annual turnover exceeds EUR 400,000 in the case of services or EUR 700,000 in the case of supplies of goods and services. Taxpayers whose turnover does not exceed these thresholds may opt for quarterly settlements, whereby the amount of VAT due is increased by 1%.

Taxpayers accounting for VAT monthly are required to pay the tax by the 16th day of the month following the reporting month. In the case of quarterly settlements, the payment deadline falls on the 16th day of the second month following the end of the first three quarters (16 May, 20 August and 16 November), while VAT for the fourth quarter must be paid by 16 March of the following year.

Cross-border transactions

Until 30 June 2022, taxpayers established or resident in Italy were required to submit additional returns covering transactions with foreign entities. This obligation was abolished as of 1 July 2022, as all sales and purchase transactions must now be transmitted via electronic invoices.

Annual VAT return

The primary reporting obligation of VAT taxpayers in Italy is the annual VAT return, submitted for each calendar year. The deadline for submission is 30 April of the following year. The return is prepared on the basis of accounting records kept in accordance with Italian accounting and tax standards.

The obligation to submit the return also applies to individuals and enterprises that in a given year did not generate revenue and did not issue or receive invoices. Only entities carrying out exclusively VAT-exempt activities are exempt from this obligation.

The return must be submitted exclusively in electronic form, via the systems of the Italian tax administration. Payment of the net tax must also be made electronically.

Since 1 January 2022, a pilot program of pre-filled VAT returns for quarterly taxpayers has been in operation in Italy.

VAT refund

A VAT refund is available if the amount of excess tax resulting from the annual VAT return or a quarterly return is at least EUR 2,582.28, and the returns for the two previous years show a tax surplus in favor of the taxpayer. The requested refund amount must exceed EUR 10.33.

VAT advance payments

The annual VAT advance payment must be paid by 27 December each year. This obligation generally applies to all taxpayers carrying out business, commercial or professional activities, regardless of legal form.

Exempt from the obligation to pay the advance are, among others, taxpayers who reported a VAT surplus in December or in the fourth quarter of the previous year, farmers benefiting from exemptions, taxpayers applying a flat-rate scheme in entertainment activities, subsidiaries settling VAT within a VAT group, taxpayers starting activities during the year, and entities using simplified VAT procedures. The advance is not required if its amount does not exceed EUR 103.29.

Methods of calculating the VAT advance

The VAT advance may be calculated using the historical, estimated or analytical method. The historical method consists of applying a rate of 88% to the amount of VAT due resulting from the December settlement or from the annual return for the previous year. The estimated method is based on a forecast of VAT due for December or the fourth quarter of the current year, also applying the 88% rate; underestimation may result in penalties and interest.

The analytical method consists of the actual calculation of VAT due up to 20 December of the current year, taking into account sales, purchases, uninvoiced transactions and intra-Community settlements.

Intrastat

VAT taxpayers in Italy who exceed Intrastat thresholds for intra-Community acquisitions or supplies of goods and services are required to submit monthly Intrastat returns by the 25th day of the following month. These returns serve statistical purposes and may be submitted electronically.

Since 1 January 2022, a new Intrastat form has applied to call-off stock transactions, while the obligation to report transactions with San Marino was abolished at the end of 2021.

Domestic VAT – general rules

Italian VAT at the standard rate of 22% applies to most supplies of goods and services carried out in the territory of Italy, except for exempt transactions, transactions taxed at 0%, transactions subject to reduced rates, transactions carried out by non-taxable persons or unrelated to economic activity.

Deduction of input VAT

Taxpayers carrying out taxable transactions have the right to deduct input VAT on purchases related to that activity, except for expenses statutorily excluded from deduction. In the case of mixed activity (taxable and exempt), VAT deduction is possible on a proportional basis.

Input VAT is not deductible, among others, in the case of cars intended exclusively for private purposes, representation expenses and purchases of a private nature. In the case of vehicles used for both business and private purposes, 40% of VAT is deductible.

VAT on imports of goods from outside the EU is deductible in accordance with general rules, even though it is not documented by a VAT invoice. In the case of intra-Community acquisitions, VAT is accounted for by the purchaser and may be deducted under general principles. The same applies to services received from foreign suppliers, accounted for under the reverse charge mechanism.

VAT bad debt relief

The right to adjust VAT is available to a supplier who has not received payment due to the insolvency of the counterparty or unsuccessful enforcement. The condition for applying the relief is the completion of enforcement proceedings without satisfaction of the claim or the formal closure of insolvency proceedings.

Input VAT before registration

In Italy, input VAT incurred before VAT registration is generally not deductible. In exceptional situations, however, it is possible to negotiate the right to recover it directly with the Italian tax administration, and each such situation is assessed individually.

VAT-exempt transactions and partial right to deduction

Italian VAT regulations largely reflect the EU VAT Directive, covering similar categories of goods and services with exemption. At the same time, domestic regulations are considerably more detailed and interpreted very precisely by the tax administration. For this reason, in practice it is recommended to seek local advice when assessing the scope of exemptions.

The effect of VAT exemption is the absence of taxation of the supply of goods or provision of services and the absence of the right to deduct input VAT on costs related to carrying out these activities, including general costs.

If a taxpayer carries out both taxable and exempt activities, input VAT that cannot be directly attributed to a specific type of activity may be deducted proportionally. In such cases, the so-called general pro-rata coefficient is applied, calculated as the ratio of the value of taxable transactions to the total of taxable and exempt transactions carried out in a given year. This coefficient, rounded up to the nearest whole number, is applied to input VAT on general costs.

Excluded from this proportion calculation are supplies of fixed assets, transactions outside the scope of VAT and supplies of goods for which VAT was not deductible upon acquisition.

Capital goods VAT adjustment system

Italy applies a system of adjustment of input VAT on capital goods, which allows the amount of deducted tax to be adjusted in subsequent years. The initial VAT deduction upon acquisition of a fixed asset depends on the taxpayer's sales structure at the time of purchase. If during the adjustment period the use of the asset changes or the taxpayer's pro-rata coefficient changes by more than 10 percentage points, an adjustment of the deducted VAT is required.

The adjustment period is 10 years for land and buildings and 5 years for other fixed assets.

Option to tax real estate supplies

As a rule, supplies of buildings and investment property in Italy are exempt from VAT. To avoid the negative consequences of exemption, in particular the obligation to apply the VAT proportion to expenses from the last 10 years, it is possible to opt for taxation.

This option must be exercised at the time of signing the notarial deed. If the purchaser is another entrepreneur, the transaction is subject to the reverse charge mechanism. In the case of a sale to a private individual, VAT is shown on the invoice.

Zero-rated supplies

In Italy, the 0% VAT rate (so-called non-taxable transactions) applies to intra-Community supplies of goods, international transport services and exports. Input VAT related to these transactions is fully deductible.

Reduced VAT rates

The Italian VAT system provides for reduced rates of 10%, 5% and 4%, applied to specific groups of goods and services. As these are taxable transactions, input VAT on expenses related to their performance is deductible, except for expenses expressly excluded.

Since 1 January 2024, the VAT rate has increased from 5% to 10% for, among others, powdered and liquid infant milk, infant nutrition products, baby diapers and menstrual hygiene products.

Supplies made by non-taxable persons

A non-taxable person is an individual or legal entity that is not required to register for VAT. Supplies made by such entities are generally not subject to Italian VAT.

Activities not related to economic activity

Activities not subject to VAT include in particular private activities of individuals, hobbies and occasional activities carried out by charitable organizations for symbolic remuneration. VAT is not charged, and input tax on related costs is not deductible.

Employees performing work under an employment relationship are not considered to be making supplies of goods or services to the employer.

Vouchers and vouchers

Italian regulations distinguish between two types of vouchers. Single-purpose vouchers are subject to VAT already at the time of their issuance or each transfer, because the place of supply and taxation rules are known. The redemption of the voucher itself is not subject to VAT.

Multi-purpose vouchers are taxed only at the time of redemption, i.e. upon the actual supply of goods or provision of services. The transfer of such a voucher before redemption is not subject to VAT.

Cash accounting scheme for VAT

Italian tax law provides for the possibility of applying the cash accounting method for VAT for taxpayers whose annual turnover does not exceed EUR 2 million. Under this system, output VAT is accounted for upon receipt of payment from the counterparty, but no later than one year after the supply is made.

Input VAT on purchases may be deducted only after payment has been made. If both the supplier and the purchaser apply the cash method, the right to deduction arises only after payment.

Certain transactions are excluded from this system, including transactions subject to special procedures, the reverse charge mechanism, intra-Community supplies, exports and transactions with non-taxable persons. After choosing the cash method, the taxpayer is bound by it for at least three years.

Special procedures for farmers and fishermen

Italian regulations provide for two VAT settlement systems for farmers and fishermen: the special scheme and the ordinary scheme. Under the special scheme, flat-rate VAT compensation rates established by ministerial decree are applied, allowing simplified tax settlement.

Farmers may, however, choose the ordinary scheme by submitting an appropriate declaration in the annual VAT return. This choice binds the taxpayer for a period of three years.

Margin scheme for travel agencies

Services of travel agencies and tour operators, covering packages of transport and accommodation services, are subject to a special VAT procedure based on the margin method. VAT is charged only on the difference between the sale price and the costs incurred for purchasing services from other suppliers directly benefiting the customer.

If the travel service is carried out entirely within the EU, the margin is taxed at 22%. Services carried out outside the EU are non-taxable, while in the case of mixed services VAT is charged only on the part performed within the EU.

Margin scheme for second-hand goods, works of art and antiques

Italy applies a special margin scheme for the trade in second-hand goods, works of art, collectors' items and antiques. VAT is charged only on the margin, i.e. the difference between the sale price and the purchase price, increased by repair costs and additional expenses.

The scheme may be applied both by entities professionally trading in such goods and by other taxpayers. Taxpayers applying the margin scheme may, however, opt out and choose general rules by making an appropriate election in the annual VAT return.

Analytical margin method

The analytical margin method is the primary method for determining the taxable base and VAT amount under the margin scheme. Under this model, the taxable base is determined separately for each item sold.

VAT on the resale of goods is calculated on the positive difference between the sale price of a given item and its purchase price, increased by repair costs and additional expenses directly related to that item. If the margin is positive, meaning the sale price exceeds the costs incurred for acquisition and preparation of the item, this difference constitutes the VAT taxable base after excluding the amount previously taxed.

If the margin is negative, i.e. the sale price is lower than the acquisition costs and additional expenses, it is considered that no profit has arisen and VAT on the given transaction is not due.

Global margin method

The global margin method is based on the same principles as the analytical method; however, the difference is that the margin is determined collectively, with respect to all transactions carried out in a given month or quarter, rather than separately for each item.

An important feature of this method is the possibility of carrying forward negative margins to subsequent reporting periods. Losses from a given period are treated as an increase in purchase costs in the next period.

This method is applied in particular in activities involving the resale of used vehicles, stamps, coins and other collectors' items, as well as in the sale of parts and components originating from the dismantling of means of transport or electromechanical equipment. It also covers goods purchased wholesale at one indivisible price and goods with a unit value not exceeding EUR 516.46.

Taxpayers falling within the scope of the global method may, however, decide to apply the analytical margin method.

Flat-rate margin method

The flat-rate margin method applies only to specific categories of entities or goods. The taxable base is determined in a simplified manner as a specified percentage of the sale price, amounting to 60%, 50% or 25%, depending on the type of goods or activity.

Special VAT system for publications

With regard to publishing activities, Italian law provides for a special system in which VAT is settled exclusively by the publisher or the entity bearing the economic publishing risk. Subsequent stages of distribution, carried out by wholesalers, newsagents or bookstores, are treated as transactions excluded from VAT.

VAT is charged on the sale price to the final consumer, using one of two models: based on the actual number of copies sold or based on the number of copies delivered or dispatched, reduced by a flat-rate returns percentage.

Under the system based on the number of copies sold, the taxable base is determined as the difference between the number of copies dispatched and the number of unsold copies that have been returned. Publishers are then required to keep special records enabling the correct determination of VAT due.

The flat-rate system concerning returns consists of determining the taxable base according to the number of copies delivered, reduced by a predetermined percentage of returns. This method is commonly applied to daily newspapers, magazines and books in paper or printed form, including their digital distribution.

The condition for applying this system is that the publications belong to the category of publishing products such as newspapers, magazines, books or catalogues, and that the sale price is printed on the cover. In the absence of a price, general VAT rules apply.

One Stop Shop (OSS)

Italy, like other EU Member States, applies simplified procedures for declaring and paying VAT under the One Stop Shop (OSS) system. This system covers B2E services, B2C services taxed in the country of consumption, and distance sales of goods within and outside the EU. The use of OSS is voluntary – if it is not used, standard VAT registration and settlement rules apply.

OSS includes three schemes: the Union scheme, the non-Union scheme and Import OSS (IOSS). The non-Union scheme is intended for entities outside the EU providing services to EU consumers. The Union scheme applies to EU entrepreneurs carrying out B2C services and intra-Community distance sales of goods. Import OSS covers distance sales of imported goods with a value of up to EUR 150.

After registration for OSS in one Member State, the taxpayer submits a single consolidated VAT return and accounts for VAT due according to the rates applicable in the countries of consumption. Input VAT is not deductible in the OSS return and must be recovered through separate refund claims.

For EU entrepreneurs, a simplification threshold of EUR 10,000 per year is provided. Until this threshold is exceeded, VAT is accounted for in the country of establishment of the taxpayer.

Import One Stop Shop (IOSS)

Under IOSS, simplified VAT settlement is possible for goods imported from outside the EU with a value not exceeding EUR 150. VAT is added to the sale price and collected by the supplier or EU intermediary, and then remitted to the tax administration of the Member State of identification.

If IOSS is applied, the import of goods into Italy is exempt from VAT. The system is voluntary – if it is not used, standard customs and tax procedures apply.

Transfer of a business as a going concern (TOGC)

Italian regulations allow the transfer of all or part of a business to be treated as a transaction not subject to VAT. This is based on the assumption that such a transaction does not lead to consumption but constitutes the continuation of economic activity by the purchaser.

The purchaser assumes all rights and obligations related to the transferred activity, including tax positions relating to assets. This also includes excess input VAT from previous periods, which may be used by the purchaser or included in a refund claim.

Domestic reverse charge mechanism

In order to counteract tax fraud, Italy has introduced a domestic reverse charge mechanism for certain transactions between Italian entities. In such cases, VAT is accounted for directly by the purchaser, who declares both output and input VAT simultaneously.

This mechanism covers, among others, the sale of scrap and used pallets, subcontracting services in construction, the sale of buildings in certain cases, cleaning and installation services in the construction sector, the sale of mobile phones and laptops before the retail stage, and the trade in energy certificates.

Split payment mechanism

The split payment system applicable in Italy concerns transactions carried out for public administration entities. Public entities do not transfer VAT to suppliers but pay it directly to the tax administration, settling invoices in the net amount.

This system facilitates tax collection but may lead to permanent VAT surpluses on the supplier's side. In response, simplified VAT refund procedures have been introduced. Split payment does not apply to transactions outside the scope of VAT or to transactions subject to the reverse charge mechanism.

Penalties and interest

The Italian VAT system provides for an extensive catalogue of sanctions aimed at ensuring proper compliance with tax obligations. The level of penalties depends on the type of violation, the scale of the error and any fraudulent intent.

Penalties include, among others, failure to submit a VAT return, submission of an incorrect return, understatement of tax liability, failure to pay tax on time, breaches of invoicing and record-keeping obligations, and incorrect application of the reverse charge mechanism. Depending on the case, sanctions may range from fixed amounts to up to 180% of the tax due.

Italian law provides for the possibility of significant reduction of penalties under the voluntary disclosure mechanism (ravvedimento operoso), provided that the arrears are voluntarily settled within specified deadlines. The sooner the taxpayer corrects the violation, the lower the penalty applied.

Interest on VAT arrears

In addition to administrative sanctions, the taxpayer is obliged to pay interest on overdue or unduly recovered VAT. Such interest constitutes economic compensation for the State.

Interest on arrears is calculated at the statutory rate established annually by the Italian Ministry of Economy and Finance. It is calculated automatically, day by day, starting from the day following the tax payment deadline.

VAT in international transactions – goods

Intra-Community supplies of goods (ICS)

An intra-Community supply is considered to be a supply for consideration of goods that are dispatched or transported from Italy to another EU Member State by:

the seller,

the purchaser,

or a third party acting on their behalf,

provided that the purchaser is a VAT taxpayer registered in another Member State.

If these conditions are not met, the transaction is subject to VAT in Italy.

Sale of goods by Italian companies to consumers in the EU

Italian businesses selling goods or providing electronic, telecommunications and broadcasting (BTE) services to consumers in other EU countries are subject to distance selling rules.

Since 1 July 2021, a single EU-wide sales threshold has applied, above which VAT is accounted for in the country of the consumer (including via OSS).

Sale of goods between businesses in the EU (B2B)

Supplies made by Italian taxpayers to companies registered for VAT in other EU Member States are not subject to Italian VAT provided that:

- the purchaser has a valid EU VAT number,
- this number is indicated on the invoice,
- the invoice contains an appropriate reference to the intra-Community transaction,
- the supplier submits an Intrastat declaration.

The seller should exercise due diligence in verifying that these conditions are met.

Triangular transactions (triangulation)

Triangulation occurs where:

- two legal sales take place,
- but only one physical movement of goods occurs – directly from the first supplier to the final purchaser.

The following types are distinguished:

- domestic triangulation,
- EU triangulation,
- triangulation involving a third country.

In the case of EU triangulation, Italy applies simplified procedures allowing the intermediary to avoid VAT registration in the country of destination of the goods, provided that formal requirements are met (including a valid VAT number of the recipient).

Movement of goods

Temporary movement of goods

The dispatch of goods does not constitute an intra-Community supply where the goods are sent:

- for the performance of a service,
- for temporary use,
- to fairs, exhibitions or demonstrations, provided that they return to Italy. Such operations must be recorded in the intra-Community movement register.

Transfer of own goods

If a business transfers its own goods from Italy to another EU country (without a change of ownership), this is treated as a deemed supply of goods.

In practice, this generally requires VAT registration in the country of destination.

Import and export of goods

Export outside the EU

Supplies of goods dispatched outside the EU are subject to the 0% VAT rate, provided that formal requirements are met.

A distinction is made between:

- direct export – transport organized by the seller,
- indirect export – transport organized by the purchaser.

For the transaction to qualify for VAT exemption:

- the purchaser must be an entrepreneur,
- the goods must not be processed in Italy,
- export must take place within 90 days of the supply.

Import of goods from outside the EU

Goods introduced into the EU are subject to:

- customs duties,
- import VAT.

Import VAT is, in principle, deductible, provided that customs clearance is properly completed and an EORI number linked to the importer's Italian VAT number is used.

Sale of goods to non-EU travellers (Tax Free)

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Individuals resident outside the EU may purchase goods in Italy without VAT provided that:

- the value of the purchase exceeds EUR 70.46 gross,
- the goods are for private use,
- they are exported outside the EU in the traveller's personal luggage,
- an electronic invoice is issued via the OTELLO 2.0 system,
- the seller obtains confirmation of export.

Services supplied to foreign customers

General rules

B2B: the place of taxation is the country where the customer is established – VAT is accounted for by the recipient under the reverse charge mechanism.

B2C: as a rule, VAT is charged in the country of the service provider, except for certain services supplied to customers outside the EU.

The service provider must hold appropriate evidence of the customer's status (e.g. VAT number or confirmation of residence outside the EU).

Exceptions to the general VAT rules for services

Main exceptions

There are several important exceptions to the general rules on the place of taxation of services, the most significant of which include:

Services connected with immovable property

This category includes, among others:

- construction services,
- property management,
- real estate agency services,
- hotel accommodation services.

These services are subject to VAT in the country where the property is physically located, regardless of the place of establishment of the service provider or the customer.

Passenger transport

VAT is charged only on the portion of the journey taking place within Italian territory.

Admission to events

Services consisting of granting admission to events:

- cultural,
- sporting,
- artistic,
- scientific,
- educational,

are subject to VAT at the place where the event actually takes place, both for B2C and B2B transactions.

Restaurant and catering services

If the service is provided from a fixed establishment, VAT is due in the country where the service is physically performed.

If the service is provided on board passenger transport operating within the EU, VAT is due in the Member State where the transport begins.

Other important exceptions include, among others:

- intangible services relating to copyright (licences, concessions, assignments),
- advertising services,
- legal and technical consultancy,
- data processing and provision of data,
- banking, financial and insurance services (excluding safe-deposit box rental),
- staff secondment,
- leasing and rental of movable property (excluding vehicles),
- access to gas and electricity systems and directly related services,
- telecommunications, broadcasting and electronic services after exceeding the EUR 10,000 threshold,
- electronic services supplied above the EUR 10,000 threshold.

BTE services – special situations

Broadcasting, telecommunications and electronic services (BTE)

For BTE services, special taxation rules apply. Since 1 January 2015, the place of taxation is the country where the customer is located.

B2B – VAT is accounted for by the recipient under the reverse charge mechanism.

B2C – the foreign supplier must account for VAT in the country of the consumer.

The supplier may:

- register for VAT separately in each EU Member State, or
- use the One Stop Shop (OSS) procedure.

For businesses established in the EU, a common EU threshold of EUR 10,000 applies, below which VAT is accounted for in the country of establishment of the service provider.

VAT refunds for foreign entities**VAT refund for EU businesses**

Businesses established in other EU Member States may apply for a refund of Italian VAT paid on purchases related to their business activities, provided that they:

- do not have a fixed establishment in Italy,
- do not make supplies there (except for transactions subject to reverse charge).

Applications:

- are submitted electronically via the tax administration of the country of establishment,
- must cover a period of at least one quarter and not more than one year,
- the minimum refund amount is EUR 50 (EUR 400 for periods shorter than one year).

The Italian tax authority has a maximum of six months to issue a decision.

VAT refund for non-EU businesses**Entities established outside the EU may apply for a VAT refund provided that:**

- they carry out business activities outside the EU,
- they are not registered for VAT in Italy,
- they do not have a fixed establishment in Italy,
- reciprocity exists between Italy and the country of establishment,
- the country of establishment operates a VAT or turnover tax system.

Applications are submitted in paper form directly to the Italian tax administration.

Elements of a VAT invoice in Italy

Full invoice

It should include, among others:

- seller's details and VAT number,
- purchaser's details,
- invoice date and number,
- description of goods or services,
- taxable amount, VAT rate and VAT amount.

Simplified invoice

Permitted for transactions up to EUR 400, except, among others, for:

- intra-Community supplies,
- transactions subject to reverse charge,
- export sales made by regular exporters.

VAT exemptions in Italy

The following are exempt from VAT, among others:

- medical and hospital services,
- education and training,
- insurance and financial services,
- public transport,
- social and welfare services,
- letting of immovable property (with certain exceptions),
- supplies of investment gold,
- charitable and non-profit activities.

0% VAT rate

The 0% rate applies to:

- intra-Community supplies,
- exports,
- international transport of goods.

Reduced VAT rates in Italy

10%

Applies, among others, to:

- selected food products,
- restaurant services,
- residential construction works,
- hotel services,
- works of art and antiques.

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5%

Applied, among others, to:

- healthcare and social care services,
- infant products,
- hygiene products.

4%

The lowest VAT rate applies to:

- basic foodstuffs,
- books and newspapers (including electronic publications),
- medicines and medical equipment,
- meals in school and workplace canteens.