

The “Rilancio Decree”: the third Italian Plan Stimulus to support economy recovery through out the phase 2 of the Covid-19 emergency

After the Council of Ministers held on May 13, 2020, the Italian Government enacted on May 19, 2020, the “Rilancio Decree” n. 34/2020 (here in after the Decree), which represents the third response - after the previous “Cura Italia” and “Liquidity” Law Decrees - to the economic emergency linked to the Coronavirus outbreak throughout the country. With the contagion under greater control, Italy is adopting the tools necessary to restart in safety and revive its economy through a Decree, which contains several provisions addressed to support businesses and workers: the financial resources allocated to implement these measures amount up to € 55 billion.



Some of the measures contained in the Rilancio Decree – which, as for the previous “Cura Italia” and “Liquidity” Decrees, has to be converted into law and therefore may be subject to some modifications - are an updating of others provisions. On the other hand, some other rules – i.e the exemption from payments of the regional production tax (IRAP), repayable grants, tax measures for the real estate sector along with other measures referred to tax credit refunds – identify a strong commitment to supporting some sectors, particularly hard hit since the start of the emergency.

I. Incentives for business

No repayable grants

Some non-repayable grants are paid by the Italian Tax Revenue in favour of

- (i) businesses,
- (ii) enterprises carrying out agricultural activities, including agricultural cooperatives,
- (iii) self-employed workers,

with a turnover less than € 5 million in the 2019 FY and their seat or domicile in Italy.

The grant is not provided in favour of subjects whose activity has ceased on or before the date of the relevant request, financial intermediaries, persons already entitled to benefit of the measures provided by Decreto Cura Italia or employees and professionals enrolled with compulsory social security entities.

The amount of the grant is determined applying the following percentages to the difference between the amount of turnover for April 2020 and the same amount for April 2019:

- 1) 20% for revenues not exceeding Euro 400 thousand;
- 2) 15% for revenues between Euro 400 thousand and Euro 1 million;

3) 10% for revenues exceeding Euro 1 million.

In any case, the grants is not included in the taxable income and cannot be lower than:

- Euro 1.000,00 for natural persons;
- Euro 2.000,00 for entities other than natural persons.

The request must be submit electronically to the Italian Tax Revenue and within 60 days from that date, it will be necessary to complete the entire procedure according to guideline provided by a future provision of the Director of the Agency Revenue. Contributions are expected to be paid in the second half of June 2020.

Tax credit for tenants of business/professional activities

Tenants carrying out business or professional activities with revenues/remunerations not exceeding € 5 million in 2019, who have suffered a reduction in turnover of at least 50% in March, April and May 2020 with respect to the same months in the 2019, are entitled to a tax credit equal to:

- 60% of the monthly rentals paid in any of March, April and May 2020 for the lease or use of real estate properties, provided that:
 - the properties are used in the context of an industrial, commercial/retail, agricultural or other productive activity or self-employment activity;
 - or in the relevant month (March, April and/or May 2020) the taxpayer's revenues decreased by more than 50% compared to revenues registered in the same month of 2019.
- 30% in case of complex, integrated services contracts or lease of going concern that include at least one non-residential real estate.

The Euro 5 million turnover threshold does not apply to hotels and agritourism.

The credit is also available to non-commercial entities and charitable entities using real estate properties in their institutional activities

Such tax credit can be either used in the tax return related to the tax period in which the payments were made, or offset against tax and social security liabilities without offset limitation, after the actual payment of the rentals.

The tax credit may be assigned to the lessor, grantor, banks or financial intermediaries.

Tax credits for equity contribution in cash (for shareholders and for the contributed companies)

Subject to certain conditions, a tax credit is granted for capital contributions in cash, made as of May 19 2020 and by Dicember 31 2020, in favour of mid-cap companies, i.e:

- joint-stock companies (spa),
- partnership limited by shares (sapa),
- limited liability companies (srl),
- simplified limited liability companies (srls) and,
- cooperatives

A budget of EUR 2 billion has been assigned to this measure alone for the year 2021 and the measure is subject to the approval of EU.

The eligible entities are in general:

1. companies with legal site in Italy or Italian permanent establishment of European companies;
2. with revenues between € 5 million and up to € 50 million;
3. which have suffered a reduction in turnover of at least 33% in March and April 2020 as compared to the same period in 2019.

More in detail:

- A. Tax credit in favour of shareholders: a 20% tax credit is granted on the amount paid as contribution, within the limits of € 2 million of investment;
- B. Tax credit in favour of receiving company: a further 50% tax credit is granted on the amount of losses exceeding the 10% of company equity, and up to 30% of the capital contribution made.

If distributions of reserves of any type are made before December 31 2023 and January 1, 2024, taxpayers lose the benefit, and will be required to pay back the early credit granted, plus interest.

Mid – cap companies capital strengthening

Subject to certain conditions, the subscription of the financial instruments by a newly incorporated "*Fondo Patrimonio PMI*" ("Fund"), is also granted for the same eligible entities, indicated above, i.e.:

1. companies with legal site in Italy or Italian permanent establishment of European companies;
2. with revenues between € 5 million and up to € 50 million;
3. which have suffered a reduction in turnover of at least 33% in March and April 2020 as compared to the same period in 2019.

The Fund is aimed at subscribing - by 31 December 2020 and within the Fund's capacity - bonds or debt securities issued by eligible companies for a maximum amount equal to the lower between (i) three times the amount of the capital increase referred to above and (ii) 12.5% of the revenues (on a consolidated basis in case of the company belongs to a group of companies) relating to the 2019 tax period.

Start-ups and SME equity enhancement

Individuals making equity investments in innovative start-ups and innovative SME's are entitled to a tax deduction of 50% of their investment (up to the deductible amount of € 100,000 per year), provided that the investment is held for at least three years.

Such investment can be made directly or through dedicated collective investment undertakings.

In order to qualify for these new provisions, the innovative start-ups and innovative SME's must be registered in the special section of Companies' Register.

The measure will be implemented according to guidelines provided by further provisions issued by the Director of the Agency Revenue, by 60 days from the entry into force of the Decree (i.e. 60 days from 19 May 2020).

Long-term investment plans (PIR)

In order to increase private investments in Italian companies and EU companies established in Italy, long-term savings plans are enhanced. Qualifying investments include debt and equity financial instruments (including those not traded on regulated markets or multilateral

trading facilities), in companies resident or established in Italy, other than companies whose shares are included in the FTSE MIB and FTSE Mid Cap indexes of the Italian stock exchange or equivalent indexes.

II. Employment related measures

Social security cushions

As for working relationships in the private sector, under the previous Decrees (Cura Italia and Liquidità), an amount up to 80% of the employee's remuneration was granted through the Ordinary Redundancy Fund (CIGO)¹, the Ordinary Check (FIS)² and the Exceptional CIG schemes (CIGS)³, for a period not exceeding 9 weeks as of February 23, 2020⁴.

The new Decree extends the above social security measures and provides:

- for employers that have already fully used the first 9 weeks, to request 5 more weeks with the same special code "Covid-19 emergency", granted due to reduction/suspension of work activities by August 31 2020 (for a total of 14 weeks period);
- additional 4 weeks of Covid - 19 social security cushions, which, however, can only be used from September 1 until October 31, to cover reductions/suspensions of work activities attributable to the pandemic emergency;
- No limitation period (5+4 scheme) to cover periods of reduction/suspension of work activities prior to September 1, with respect to tourism, fairs and entertainment sectors. Accordingly, it will be possible to benefit from the additional 4 weeks of Covid - 19 social security cushions in continuity with the first 9+5 weeks group of social measures (for a total of 18 consecutive weeks);
- to promptly boost employees' liquidity, for employers who are not required to make direct payments to their workers to request such direct payments to be made by INPS (Social Security Body)⁵.

Allowances for employees and self-employees

The Rilancio Decree extends allowances previously provided for special groups of workers. VAT self-employers, not holding pension income nor enrolled in compulsory social security schemes other than INPS scheme, who have suffered a reduction of at least 33% in turnover in March and April 2020, compared to the same period in 2019, are entitled to an allowance for May 2020 equal to € 1000, otherwise will automatically receive an allowance up to € 600.

¹ CIGO (Cassa integrazione guadagni ordinaria) applies among others to employers operating in the sectors listed under Article 10, D. Lgs. 148/2015, including industrial manufacturing, transportation, installation companies, energy, water and gas utility companies, with the sole exception of managers and freelancers.

² The FIS scheme covers employers that (i) employ, as an average, more than 5 employees, (ii) do not qualify for the CIGO social scheme, and (iii) operate in sectors other than those where sectorial social funds are available.

³ CIGS is granted in case of company's reorganization and corporate crisis deficit production or reorganization activities. Due to the Covid-19 outbreak companies willing to use CIGO, company can suspend the CIGS program. In this case, the CIGS is replaced by the CIGO.

⁴ The application for admission to the above social security measures must be submitted by the employer electronically to INPS local Office by the end of the fourth month following the one in which suspension or reduction of activities occurred.

⁵ The FIS Ordinary check, as well as the Exceptional CIG Scheme, are paid to employees directly by the INPS. The "Cura Italia" Law Decree does not contain a similar provision with respect to payment of CIGO, in such event the relative payments are made directly by the employer to employees at the end of any pay period, and further refunded by INPS to the employer.

Like wise, for April and May 2020, an allowance of € 600 is granted to professionals enrolled in the compulsory social security institutions under private law, (i.e. engineers and architects), as well as for holders of certain working collaboration relationships (co.co.co), fixed-term farm workers and show business workers.

III. Other tax measures

IRAP (regional productive tax) payments not due

Enterprises and self-employed workers with a turnover not exceeding € 250 million in the 2019 FY, are not required to pay the balance of the regional production tax (IRAP) for 2019, nor the first advance payment (equal to 40%) for 2020.

Banks, financial institutions, insurance companies and public bodies are excluded from the scope of the measure.

Tax credit to implement COVID-19 safety measures on workplaces

A tax credit equal to 60% for costs incurred in 2020, in relation to COVID-19 safety measures to be implemented, as well as for the purchase of personal protective equipment and other safety equipment is granted:

- To businesses and professional carrying out activities in public areas (i.e. bars, restaurants, hotels, theaters) up to a maximum of €80,000 expenses;
- For a maximum of € 60,000 costs for any other activity.

Costs incurred can be either offset or transferred to others, including banks and financial intermediaries.

Extention of deadlines for certain tax payments and tax compliance obligations

Payments previously suspended⁶:

- (i) VAT payments;
- (ii) WHT payments related to employee's income;
- (iii) related social security contributions

otherwise due in April and May 2020, were required to be made, without application of penalties and interest, in a single payment by May 31, 2020 or with a maximum of five equal monthly installments, starting from May 2020.

Such payments are now postponed to September 16 2020, to be made either in a single payment or with a maximum of four equal monthly instalments, without the application of penalties and interest.

Morover:

- tax compliance deadlines to be performed from March 8 to May 31 2020 (e.g VAT tax return filing), delayed to June 30, 2020, are further postponed to September 16, 2020;
- other tax payments(i.e notice of assessment issued by the Italian Tax Agent Collector (Agenzia della Riscossione, notice of debts issued by INPS (Italian social security

⁶ Suspension applied for individuals and legal persons, having their seat in Italy, with a turnover not exceeding € 2 million in the 2019; however, such limit in turnover did not apply for specific listed category of activities considered mostly affected by the economic lockdown, such as restaurants, theaters, cultural and sport association etc. Moreover, suspension of VAT payments was granted to taxpayers having their fiscal domicile or seat in the Provinces of Bergamo, Brescia, Cremona, Lodi and Piacenza, regardless their turnover.

body), notice of tax assessments issued by the Agency Revenue; notice of tax assessments issued by Customs Authorities⁷ due between March 8 and August 31 2020 are deferred to September 30.

Further deferral of deadlines for payment due as a result of certain tax procedures

Deadlines for payments due between March 9 2020 and May 31 2020 as a result of tax settlement agreements, mediation, judicial settlements, deeds and assessments related to registration tax and assessments for recovery of tax credits are postponed to September 16, 2020 to be made either in a single payment or with a maximum of four equal monthly instalments, without the application of penalties and interest.

Extension of terms for the service of appeals

Deadlines for the service of first instance tax appeals against different notice of tax assessments to be paid between March 9 2020 and May 31 2020 are postponed to 16 September.

Extension of limitation terms to notify tax assessments

Tax assessment for which the statute of limitation expire between March 9 2020 and December 31 2020, shall be issued by December 31 2020 and noticed not before 1 January 2021 and until 31 December 2021.

Tax refunds and payments due by public bodies.

In order to inject liquidity into the economic system, for year 2020, tax refunds will be granted disregarding the compulsory offset provisions for tax claims against the same taxpayer. Likewise, between March 8 and May 31, public bodies will perform payments without previously auditing the existence of tax liabilities
