

Short guide for Swiss Companies

MARKET ENTRY ITALY



Official Program

Partner



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Market entry in Italy

Italy is Switzerland's second-largest trading partner in Europe. Our southern neighbor, with its 60 million inhabitants, has a strong domestic market and remains one of the world's largest economies. The good demand for high-end products and high-end technology makes it especially interesting for Swiss exporters.

There are several ways to do business in Italy as a Swiss company. Our short guide provides first useful information.

INTRODUCTION

Swiss companies wishing to enter the Italian market need to know the most appropriate approach to market entry and choose the right structure and strategy.

In practice, market entry can be achieved via the following channels:

- Direct supply from Switzerland;
- Fiscal representation for VAT purposes in the case of sales to private individuals or via value added tax deposits;
- Branch office in the case of a fixed business premises or permanent establishment with the existence of salaried staff;
- Italian subsidiary

Experts from South Tyrol traditionally have good contacts in Switzerland and are therefore often the first choice for companies. From South Tyrol, the entire Italian region can also be further cultivated efficiently and cost-effectively, and there are no language barriers. South Tyrol also proves to be an efficient location in terms of business subsidies and grants for business, as well as banking and institutions.

Direct supply can be carried out:

- without a distribution network in Italy, or
- with a distribution network in Italy

Direct supply **without** a distribution network in Italy

In the case of “direct supply” without a distribution network in Italy, there are usually no specific points to consider. Nevertheless, the following must be coordinated:

- Contractual drafting of supply contracts;
- Form of payment, terms of payment, security of payments;
- Food regulations;
- Labelling and Italian product regulations, especially for foodstuffs;
- Customs and VAT aspects between Switzerland and Italy.

Direct supply **with** a distribution network in Italy

In the case of “direct supply” to the Italian market with a distribution network, i.e. with local representatives or with salaried salespeople, attention must also be paid to the following:

- Contractual drafting of supply contracts;
- Contractual drafting of employment contracts for salaried staff;
- Tax aspects;
- Aspects relating to social security contributions

It should be noted that, in the eyes of the tax authorities, the use of a commercial agent with extensive powers of attorney who works exclusively for the Swiss parent company (called a “mono-mandatario”) or an employee of the parent company may constitute a permanent establishment in Italy. It is definitely advisable to coordinate such an approach with the Swiss Business Hub Italy, since the founding of a permanent establishment can result in severe tax back payments and penalties imposed by the Italian tax authorities.

FISCAL REPRESENTATION

In the case of fiscal representation for value added tax purposes, an Italian service provider is generally commissioned to carry out VAT-related obligations. The typical case is sales to private individuals or deliveries via goods depots. The fiscal representation is mostly dealt with by the forwarding agents.

In any case, fiscal representation is not suitable if you want to carry out an effective commercial activity or set up a distribution structure in Italy.

Recording obligations

The fiscal representation of a Swiss company is subject to the provisions applicable in Italy in the area of recording obligations for indirect taxes. Basically, this involves the keeping of a VAT register, reporting, payment of VAT debts and production of the annual VAT declaration. These tasks are carried out by the fiscal representative.

Tax aspects

VAT rates in Italy are currently set at 4.00% (bread, foodstuffs, first home, etc.), 5.00% (other foodstuffs, etc.) 10.00% (maintenance, construction, etc.) and 22.00% (everything else).

Costs

The cost of registering a company with the Revenue Agency (Agenzia delle Entrate) and obtaining an Italian tax number is a one-off charge of Euro 1,000.00 per tax number. The cost of keeping the VAT register and the production and delivery of annual VAT declarations depends on the business volume. In any case, minimum expenditure of 2,200.00 Euro per year can be expected.

BRANCH OFFICE

When a branch office is set up, no new legal structure is established in Italy; rather, the Swiss parent company is registered with the Italian Chamber of Commerce.

Branch offices in Italy are subject to the general provisions relating to disclosure obligations for Italian limited liability companies. These include, in particular, the obligation to publish the parent company's annual financial statements. In South Tyrol there is no obligation to provide a translation if the parent company prepares the financial statement in German language.

One major disadvantage of branch offices for foreign companies is that the parent company – and not the independent structure in Italy – is liable in the event of legal action. Hence, no legal separation exists between the branch office's Italian assets and those of the parent company.

Recording obligations

The branch office of a foreign company established in Italy is subject to the recording requirements applicable in Italy. This often leads to complications: Not only do the recording rules of the Swiss parent company not comply with the Italian fiscal recording rules, but they also do not comply with Italian civil law provisions. The required double-entry bookkeeping often proves to be very time-consuming.

Tax aspects

For the purposes of determining total taxable income, the permanent establishment is treated in the same way as an Italian corporation. The permanent establishment is therefore subject to the direct and indirect tax provisions in force in Italy. The personal income tax rate, IRES, is 24.00%. The Regional Value Added Tax, IRAP, amounts to 3.90%.

VAT rates in Italy are currently set at 4.00% (bread, foodstuffs, first home, etc.), 5.00% (other foodstuffs, etc.) 10.00% (maintenance, construction, etc.) and 22.00% (everything else).

Costs

The one-off costs for setting up a permanent establishment amount to approximately 5,000.00 to 9,000.00 Euro for the notary, fees and consultancy costs. Running a permanent establishment (annual financial statements, tax returns, etc.) usually amounts to 6,000.00/7,000.00 Euro per year. The cost of keeping the VAT register, along with VAT settlement and VAT obligations (accounting) depends on volume and the number of accounting documents. In any case, minimum expenditure of 2,200.00 Euro per year can be expected.

SUBSIDIARY COMPANY

In general, it is advisable to set up a company limited by shares (joint-stock company – Società per Azioni, SpA – or limited liability company – società a responsabilità limitata, S.r.l.) when embarking on a long-term business activity in Italy. A limited liability company is normally founded in practice.

The incorporation of a limited liability company is carried out by an Italian notary public. The minimum capital is 10.000,00 Euro. The necessary procedure for foundation is as follows:

Preparation of the certificate of incorporation;

- Approval of the articles of incorporation by the partners and coordination of the same with the articles of incorporation of the parent company;
- Subscription of all shares;
- Appointment of a board of directors or sole managing director and determination of the appropriate authority to represent and sign.

For some years, there has also been the possibility of founding a so called simplified limited liability company (vGmbH). In this case, no minimum capital is needed, and the foundation is simplified without notary fees. In a vGmbH, only physical persons can be involved as shareholders.

Entry in the commercial register takes place within a few days of incorporation. With the foundation, the company becomes an Italian legal and taxable entity and has access to local and national subsidies (for example, tax credits for investments, start-up subsidies, Covid subsidies, etc.) or rather it becomes an EU-company.

Recording obligations

An S.r.l. has to consider the usual commercial law regulations after foundation, which include the following, most specifically:

- Accounting and all business documents according to commercial and tax law principles;
- Settlement with electronic invoices;
- Periodic payment of VAT, taxation at source and social security contributions;
- Compliance with the reporting system;
- Filing of the annual financial statements in the commercial register;
- Preparation of the tax return and payment of all relevant taxes.

Tax aspects

The company is subject to the provisions in force in Italy relating to direct and indirect taxes. The income tax rate, IRES, is 24.00%. The Regional Value Added Tax, IRAP, amounts to 3.90%.

Tax losses can be carried forward as required for offsetting purposes against corporate tax.

Dividends distributed by the Italian subsidiary to the parent company are subject to limited tax liability under the Parent Subsidiary Directive, or might even be tax-free and exempt from taxation at source in Italy. Furthermore, the EU directive on the payment of interest and royalties also applies.

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Costs

The one-off costs for setting up a company amount to approximately 4,000.00 to 9,000.00 Euro for the notary, fees and consultancy costs. Running a permanent establishment (annual financial statements, tax returns, etc.) usually amounts to 6,000.00/7,000.00 Euro per year. The cost of keeping the VAT register, along with VAT settlement and VAT obligations (accounting) depends on volume and the number of accounting documents. In any case, minimum expenditure of 2,200.00 Euro per year can be expected.

FLAT RATE SYSTEM FOR MICRO-ENTREPRENEURS

Small entrepreneurs, who want to carry out an operating activity in Italy as physical person, can register themselves as so called flat rate micro-entrepreneurs (regime forfettario). Provided they register their residence in Italy and generate a turnover of up to 85,000.00 euros, they are, as start-up business, subject to a reduced income tax of 5.00% on part of the turnover.

In addition, they are not obligated to keeping records and are not subject to filing an annual financial statement, and accounting is also simplified since the sales are not subject to VAT.

Physical persons, who do not register their residence in the EU but still want to carry out a business activity in Italy must register a fiscal permanent establishment in Italy and pay income tax in Italy as individual entrepreneur on a progressive basis.

TAX BENEFITS FOR IMMIGRANTS

To support the immigration of foreign workers, Italy has introduced tax benefits for all those who transfer their residence to Italy for work reasons (regime degli impatriati).

The tax benefits are applicable for persons who transfer their residence to Italy and fulfill certain requirements. In general, 50% (75% in case of lecturers and researchers) of the income is exempt from the income tax. The exemption is valid from the year in which the tax residence is transferred to Italy and for the four following years (a total of 5 years).

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HOW S-GE CAN SUPPORT

Swiss Business Hub Italy with its offices in Milan is available at any time to provide Swiss export companies with more information and support them in their search for business partners and experts. Our specific experts can provide you with tailor-made solutions for your business.

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GET IN TOUCH



Beat Kuster
Senior Consultant

bkuster@s-ge.com
+41 44 365 54 45

Switzerland Global Enterprise
Stampfenbachstrasse 85
8006 Zürich
Switzerland



Mariano Spagnoli
Trade Officer

mspagnoli@s-ge.com
+41 58 480 06 09

Swiss Business Hub Italy
Via Palestro 2
20121 Milano
Italy

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