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To all
clients

Circular No. 01/2024

Bolzano, 6 January 2024

Subject: Statutory interest rate reduced to 2,5% with effect from 1 January 2024

By decree of the Ministry of Economy and Finance of 29 November 2023, published in the Official Gazette of 11 December 2023, the statutory interest rate was reduced from the previous 5% to 2,5% with effect from 1 January 2024. As in the previous year, when the rate had been raised from 1,25% to 5%, the extent of the change is surprising.
The change has an immediate impact on a number of matters under civil, commercial and tax law, as well as on social security contributions. Examples include the calculation of interest for the so-called voluntary correction, the interest on claims for damages and other disputes, and the interest payable by the landlord on the security deposit lodged by the tenant.

<u>1. Debt obligations:</u>
Unless a different rate of interest has been agreed by contract or laid down by law, the statutory interest rate of 2,5% applies to debt obligations from 1 January 2024. This applies, for example, to the interest payable by the landlord on the security deposit lodged by the tenant.

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2. Valuation of the life usufruct right

The life usufruct is calculated as follows: specific coefficients are set depending on the age of the usufructuary; multiplied by the statutory interest rate, they give the respective value of the usufruct. We enclose the new table with this circular as Annex A), as newly defined by the decree of 21 December 2023 (published in the Official Gazette of 29 December 2023). In order to determine, for example, the taxable base for registration tax on the transfer of the bare ownership of a property, the full value must be multiplied by the statutory interest rate (2,5% from 1 January 2024) and by the coefficient corresponding to the age of the usufructuary.

Where the full ownership of a property has a value of, for example, 120.000 euro and the usufructuary is 59 years old, the calculation is as follows:

- Value of the full ownership: 120.000 euro
- Statutory interest rate: 2,5%
- Usufruct coefficient at the age of 59: 24

This gives a value of the usufruct of 72.000 euro (=120.000x2,5%x24), while the value of the bare ownership amounts to 48.000 euro (120.000 less the value of the usufruct). In effect, the coefficients have been amended in such a way that, despite the changed interest rates, the usufruct once again has the same values as before.

3. Effects in the tax field:

The reduction of the statutory interest rate has an immediate effect on the voluntary corrections for omitted, late or insufficient tax payments (so-called „ravvedimento operoso“), for which interest of 2,5% is due from 1 January 2024. For corrections relating to the previous year, the interest must now be determined on the basis of different rates. If, for example, the VAT payment made on 16 December 2023 was too low and an additional payment is to be made in January 2024, the interest must be calculated at 5% up to 31 December 2023 and at the rate of 2,5% from 1 January 2024. For instalment payments agreed in the course of settlements of tax disputes, by contrast, the interest rate applicable at the time of the settlement with the tax office remains in force pursuant to Circular No. 28 of 21 June 2011, i.e. instalments agreed in the previous year do not have to be recalculated. Instalment payments for settlements to be concluded from 1 January 2024, on the other hand, will be calculated at the new rate of 2,5%, unless a different rate is expressly provided for. The change in the interest rate for instalment payments has no effect on the substitute taxes on the revaluation of shareholdings and land, since the interest rate for those instalments (3%) has been laid down separately.

In the field of income taxes, loans granted are deemed to yield interest at the statutory interest rate unless a different rate of interest has been agreed in writing; this presumption of interest applies both to investment income (Art. 45 para. 2 of the Income Tax Code (TUIR)) and to business income (Art. 89 para. 5 TUIR). If a different rate of interest is to apply, an agreement bearing a certain date (registered letter without envelope, notification via certified e-mail address) is required. In the absence of a diverging agreement, the statutory interest of 2,5% applies from 1 January 2024.

4. Effects on social security contributions:

The statutory interest rate, reduced to 2,5%, also has an effect on the administrative penalties for omitted or late payment of social security contributions, since in this area the penalties may be increased up to the statutory interest rate of 2,5% (see Art. 106 of Law 388/2000) where the infringements are attributable to objective uncertainties, to the culpable conduct of third parties or to extraordinary restructurings in crisis situations.

We remain at your disposal for any further information and documentation.

Yours sincerely

Josef Vieider

Annex A:

Usufruct table pursuant to the Ministerial Decree of 21.12.2023

Alter	Koeffizient	Anteil Fruchtgenuss	Anteil nacktes Eigentum
von 0 bis 20	38,00	95,00	5,00
von 21 bis 30	36,00	90,00	10,00
von 31 bis 40	34,00	85,00	15,00
von 41 bis 45	32,00	80,00	20,00
von 46 bis 50	30,00	75,00	25,00
von 51 bis 53	28,00	70,00	30,00
von 54 bis 56	26,00	65,00	35,00
von 57 bis 60	24,00	60,00	40,00
von 61 bis 63	22,00	55,00	45,00

von 64 bis 66	20,00	50,00	50,00
von 67 bis 69	18,00	45,00	55,00
von 70 bis 72	16,00	40,00	60,00
von 73 bis 75	14,00	35,00	65,00
von 76 bis 78	12,00	30,00	70,00
von 79 bis 82	10,00	25,00	75,00
von 83 bis 86	8,00	20,00	80,00
von 87 bis 92	6,00	15,00	85,00
von 93 bis 99	4,00	10,00	90,00