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To all
clients

Circular No. 06/2024

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Subject: New developments 2024 – Other changes

Below is a keyword overview of some other new developments at the turn of the year which mainly concern private individuals and non-commercial entities and result from the Budget Law for 2024 and the various reforms implemented at the turn of the year.

Tax return deadlines brought forward (Art. 11 Legislative Decree No. 1/2024)

In implementation of the tax reform under Law 111/2023, the implementing provisions of Legislative Decree No. 1/2024 have standardised the deadlines for tax returns. Above all, the decree brings forward the filing deadlines for the IRPEF/IRES and IRAP returns by 2 months. As a result, the tax returns for the 2023 calendar year filed by individuals, partnerships and associations will, as a rule, already have to be submitted by 30 September 2024. Corporations and entities liable to IRES, by contrast, must file their return within the ninth month following the end of the tax period. The new rules apply from 2 May 2024 and therefore essentially already affect all tax returns for 2023.

From 2025, it will also be possible to submit the returns as early as 1 April (and no longer only from 1 May) of the following year; as is known, earlier submission also entitles the taxpayer to offset any tax credits at an earlier date.

In addition, taxpayers who have no pension or employment income are also to be

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admitted to filing form 730, always provided that they do not hold a VAT number.

The returns of withholding agents (form 770), on the other hand, may be filed in the period from 1 April to 31 October of the following year.

Simplification of the reporting forms (Art. 15 Legislative Decree 1/2024)

Already for 2023, the VAT returns and the IRAP returns will be considerably simplified: step by step, all information is to be deleted which is not necessary for determining the tax or which is already known to the tax authorities from other sources.

Simplifications for tax payments (Legislative Decree 1/2024)

If, in the context of the tax return and for the first advance payment, the option for payment in instalments is exercised, these instalments always fall due on the 16th of the month in the period between July and December, and a distinction is no longer made as to whether or not a person holds a VAT number (with a due date at the end of the month, as the case may be). This standardisation will certainly avoid many sources of error.

Tax liabilities for value added tax and for withholding taxes on remuneration paid to self-employed professionals which do not exceed the amount of 100 Euro (previously 25,82 Euro) are deferred and must be paid together with the payment for the following period, but at the latest on 16 December of the respective year.

Withholding taxes of condominiums fall due on 16 June and on 16 December.

The relief already applies from January 2024.

Tax assessment notices (Art. 10 Legislative Decree 1/2024)

In the months of August and December, tax assessment notices may no longer be served, in order to improve the relationship between the tax authorities and taxpayers. Whether this will actually make that relationship less clouded may at least be doubted.

New IRPEF rates (Art. 1 Legislative Decree 216/2023)

Limited to 2024, the IRPEF rates are reduced from four to three, whereby in fact only the income brackets taxed at 23% and 25% are merged. Accordingly, the following changes apply for 2024:

Einkommensstufen in Euro 2023	Hebesatz	Einkommensstufen in Euro 2024	Hebesatz
bis zu 15.000	23%		
über 15.000 bis 28.000	25%	bis zu 28.000	23%
über 28.000 bis 50.000	35%	über 28.000 bis 50.000	35%
über 50.000	43%	über 50.000	43%

As a result of the new rates, income above 28.000 Euro benefits from a constant

advantage of 260 Euro. However, for income above 50.000 Euro a base amount of 260 Euro is provided for, up to which the otherwise deductible special expenses are cancelled, with the result that the tax burden essentially remains unchanged. Excluded from this cut are medical expenses, donations to non-profit organisations and third sector entities and – hard to believe – deductible donations to political parties.
The new IRPEF rates, which were the subject of enormous political disputes, therefore bring virtually no changes for the time being. As a qualification, however, it must be noted that they are limited to 2024. So one may still hope for the "flat tax".

Tax-free benefits in kind (Art. 1 – paras. 16 – 17 Budget Law)

Also limited to 2024, tax-free benefits in kind are generally increased from 258,23 Euro to 1.000 Euro. For employees with dependent children (income up to 4.000 Euro up to the age of 24 and income up to 2.840,51 Euro above that age), the tax-free benefit in kind is increased to 2.000 Euro. For the sake of completeness, it should be recalled that the exempt amount was 3.000 Euro in the previous year.
The employee must notify the employer by means of a self-declaration that he is entitled to the increase, where applicable. In addition to benefits in kind, cash payments may also be granted for the reimbursement of documented electricity, gas and water costs for private domestic use as well as, now, for the reimbursement of expenses for rent and for interest on loans for the purchase of a first home

Taxation of performance bonuses (Art. 1 para. 18 Budget Law)

For 2024 as well, preferential taxation of performance bonuses paid to employees is provided for under the previous rules: the substitute tax amounts to 5% and applies to bonuses up to a ceiling of 3.000 Euro (in certain cases up to 4.000 Euro) for employees in the private sector with employment income of no more than 80.000 Euro.

Revaluation of land and shareholdings (Art. 1 paras. 52-53 Budget Law)

Since the implementation of the tax reform under Law 111/2023 is evidently being delayed on this point, the tax exemption of capital gains on shareholdings and building land is extended to 2024 as well. This concerns assets held in private ownership (and not as business assets) on 1 January 2024. The substitute tax, which is calculated by reference to the sworn appraisal value, remains unchanged at 16%, as in the previous year. The appraisal and the payment of the substitute tax must be carried out by 30 June 2024, with the usual payment in instalments subject to interest of 3% p.a. In substance, therefore, the same rules apply as last year.

Wealth taxes

The wealth tax "Ivie" on properties located abroad (as a counterpart to the municipal

(Art. 1 para. 91 Budget Law)

property tax Imu) is increased from 0,76% to 1,06%. The wealth tax "Ivafe" on financial assets is also raised, but only for assets held in tax havens, namely from 0,2% to 0,4%. Note: As is known, Switzerland is no longer regarded as a tax haven from 2024, so the previous rate of 0,2% remains in place there.

Precious metals (Art. 1 para. 92 Budget Law)

The Budget Law abolishes the rule under which, on the sale of precious metals (e.g. gold and silver) by individuals (non-entrepreneurs), only 25% of the proceeds was taxable, in view of the difficulty of proving the acquisition cost. Now, in principle 100% of the sale proceeds is taxable as other income, unless the seller is able to document the acquisition cost analytically. Incidentally, the gain is subject to a substitute tax of 26%.

New developments in the tax jurisdiction (Legislative Decree 220/2023)

On 3 January 2024, in implementation of the tax reform under Law 111/2023, Legislative Decree No. 220/2023 was published, which brings comprehensive changes for the tax jurisdiction. The decree is in principle effective from 4 January 2024. Below, in keywords, are the most important new features, the effects of which will certainly only become fully apparent in the coming years:

- Mediation proceedings, which experience has shown brought absolutely nothing apart from loss of time and expenses, are finally abolished, so that already from January 2024, even where the amounts in dispute are lower, the appeal must be filed with the tax court within 30 days of its service, without first having to await an attempt at mediation.
- In future it will be possible to conclude a settlement procedure even at the level of the Court of Cassation, whereby the administrative penalties are reduced to 60% of the minimum penalties.
- The rejection of an application for annulment of an assessment notice by way of self-protection (keyword "autotutela") can now also be challenged. This is an entirely new feature, which is apparently to apply to rejections issued from 18 January 2024. The change gives justified grounds for hoping that costly tax assessments can thereby be avoided.
- The decisions of the tax courts of first and second instance, for which one often had to wait up to a year in the past, must now be taken immediately after the hearing and communicated within 7 days at the latest.
- And after the carrot, the stick: the cases in which the tax office may be ordered to bear the costs of the proceedings are severely restricted, in particular for all cases in which the taxpayer discloses his grounds of defence only in the course of the proceedings. Conversely, this means that – if the costs of the proceedings are to be avoided – all cards

will have to be laid on the table before the office already during the audit procedure, even at the risk that the office will thereby be able to base its assessment to its own advantage while one has already fired all one's ammunition. A double-edged sword!

- In addition, several procedural changes are enacted, for instance for the granting of the power of attorney for proceedings (from 2 September 2024) and with regard to digitalisation and the acceleration of proceedings; the various simplifications, however, essentially represent relief for the tax authorities and not for the taxpayer.

New developments in the Taxpayers' Statute – "interpello" (Legislative Decree 219/2023)

The possibility of requesting binding rulings from the tax authorities (keyword "interpello") is severely restricted. Matters that have already been clarified are no longer admissible. And importantly: a fee will be charged, which may be set on a case-by-case basis depending on the size of the taxpayer (turnover) and on the complexity of the question.

In return, a simplified ruling procedure is set up for individuals and partnerships with simplified accounting (sole proprietorships and partnerships with ordinary accounting are therefore excluded). This procedure is free of charge and allows questions to be addressed to the database of the tax authorities. Where an answer is not possible, a traditional request ("interpello") may be filed.

And the rules also contain an interesting protective clause: where the taxpayer can demonstrate that he acted in accordance with the answer provided by the database and the simplified ruling procedure, no interest or penalties may be imposed in a subsequent audit, and this even if the specific interpretation by the tax authorities has changed in the meantime.

<u>Note: Should this reform actually be implemented as currently worded, it will represent an enormous step forward in terms of legal certainty for private individuals and small businesses.</u>

New developments in the Taxpayers' Statute (Legislative Decree 219/2023)

Taxpayers are granted a general right to be heard: in the case of tax audits, the taxpayer must be invited to a hearing with a notice period of at least 60 days before an assessment notice is issued, and he must be given the opportunity to submit a statement of the facts. And the taxpayer must be granted the right to inspect the file. It is finally made possible for the taxpayer, in the course of objections, to inspect his audit file even before an assessment notice is served, in order to establish which allegations the office is raising against him.

If these two principles are implemented as worded, they have the potential to place the relationship between the tax authorities and taxpayers on a new footing.

The principle of proportionality is also provided for in respect of the administrative penalties.

New developments in the Taxpayers' Statute – calculation of interest (Legislative Decree 219/2023)

And one more important change: the calculation of interest in the assessment notices served has been a closed book to date. In notices served from 18 January 2024, the legal basis, the taxable base, the calculation period and the interest rate applied in each case must be stated for interest.

We are of course happy to provide you with any further information and documentation you may require.

Yours sincerely

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