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To all
clients

Circular No. 51/2023

Bolzano, 27 December 2023

Subject: Budget Law 2024 – regularisation of opening inventories 2023

The Budget Law for 2024 has not yet entered into force, but it may be assumed that the version approved by the Senate shortly before Christmas will not undergo any further material changes. And one new measure (Art. 1, paragraphs 78 – 85) is likely to be of particular interest to all businesses which are carrying out the stocktaking of their closing inventories in these days. This is because, after almost 25 years, the possibility of a regularisation of the opening inventories in the warehouse is being allowed once again. In detail, a provision of Law 488/1999 is being re-enacted, and accordingly it may also be assumed that the administrative instructions issued at the time (Circular No. 1115/E/2000) will essentially apply.
Should therefore major errors be identified in the course of the stocktaking, it is useful to know that, against payment of a substitute tax, the opening inventories at the beginning of the financial year may be regularised. Here are the first details:

Businesses which apply the national accounting standards OIC (conversely, those preparing their financial statements under IFRS are excluded!) may, irrespective of their legal form (sole proprietorships, partnerships and corporations), regularise for the financial year current at 30 September 2023 the opening inventories pursuant to Art. 92 of the Income Tax Code (TUIR) at

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the beginning of the financial year (as a rule, therefore, at 01.01.2023).
Opening inventories of raw materials, auxiliary and operating materials, semi-finished goods, finished goods and merchandise may be regularised. Conversely, according to the wording of the law (and to this effect also the then Circular No. 115/2000), it must be assumed that opening inventories of work in progress and of services cannot be regularised.
Both the elimination of excessive opening inventories and the recording of additional inventories at the beginning of the financial year are possible; in detail, in the case of a reduction both quantitative reductions and mere write-downs are permissible, whereas in the case of write-ups (at least according to the interpretation given in Circular No. 115/2000) only quantitative increases are permissible and not also mere revaluations of the opening inventories without quantitative changes in the inventories
A substitute tax for IRPEF, IRES and IRAP at a rate of 18% is due on the difference. Where closing inventories are eliminated, undeclared sales are generally assumed and, accordingly, it is required that in addition VAT at the average rates of the 2023 financial year be paid subsequently on the difference; this VAT must, incidentally, be adjusted by an uplift factor, the level of which is to be established by a separate decree.
<u>In the case of write-ups of inventories “forgotten” in the past, the correction may lead to considerable tax savings; reductions will only be worthwhile in special cases!</u>
The substitute tax and the VAT (in the case of reductions) are to be paid in two instalments, within the deadlines for the tax payment for 2023 and within the deadline for the second advance payment for 2024.

The corrections carried out in this way are recognised both for commercial law and for tax law purposes and may not give rise to any penalties, except where relevant audit reports already exist at the time the Budget Law 2024 enters into force.
It remains to be added that the substitute tax is of course not deductible for income tax purposes.
We will certainly inform you about the measure in detail; this advance information is intended merely as a pointer for the forthcoming stocktaking.

Yours sincerely
Josef Vieider