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Country Profile: Italy

The Facts

Location	Southern Europe, a peninsula extending into the central Mediterranean Sea, northeast of Tunisia
Languages	Official – Italian Spoken – German, French and Slovene
Nationality	Italian
Religions	Christian – 80% Others or none – 20%
Government	Republic
Head of Government	Prime Minister
Legislature	Bicameral Parliament
Constitutional Document	Constitution of the Republic of Italy
Economy	Italy is one of the founding members of the European Union. Being the 4 th largest economy in Europe, Italy has a diversified industrial economy with high GDP per capita and well developed infrastructure. The great strength of its economy lays in its vibrant small and medium firms, specializing both in high quality consumer goods and in high tech design and engineering products. With almost 60 million consumers, the Italian market offers countless opportunities to businesses in expansion.
Currency	Euro (EUR)
GDP (2012)	Total – EUR 1,564.09 billion Per capita – EUR 25,685 Real GDP growth – -2.3%
Population	61,482,297 (approx.)
Percentage of population	Homogenous
Area	301,340 km ²
Time zone	CET (UCT +1) CEST (UCT +2)
Public Holidays	12
Climate	Predominantly Mediterranean; Alpine in far north; hot, dry in south



Sources: Central Intelligence Agency, International Monetary Fund, Invitalia

Italy

Italy is one of the founding members of the European Union, among the seven most industrialized countries in the world. Italy has a diversified industrial economy and highly developed trading activity. The great strength of its economy lays in its vibrant small and medium firms, specializing both in high quality consumer goods and in high tech design and engineering products, which have won gained large shares of the global market. The small size of such companies is often offset by their belonging to and working within specialized clusters. Another important factor is agriculture, the main products being wine, olive oil, wheat, milk, fruit and vegetables. The major trading partners are the other EU member countries, although 7.5 % of total exports go to the USA.

Over the past years, Italy has been implementing structural reforms, such as lightening the high tax burden and overhauling its labor market. With almost 60 million consumers, the Italian market offers countless opportunities to businesses in expansion.

Thanks to its strategic location in the heart of the Mediterranean, Italy is a crucial crossroads for land, sea and air routes linking the north and south of Europe.

The Italy Business Climate

The below are some of the main reasons to invest in Italy:

- **Strategic location:** Located at the heart of the Mediterranean Sea, Italy is the main crossway linking southern Europe to the rest of the continent. The strategic position makes the country a perfect meeting point both for land, sea and air routes, representing three key markets with over 800 million consumers.
- **The great strength of SME:** With over 5 million companies the Italian production network is based on a strong entrepreneurial culture, creating high quality products in various economic sectors and able to compete in international markets.
- **A wide and modern infrastructure network:**
 1. Around 6,500 km of motorways and 21.500 km of national roads
 2. Fifth longest rail network in the EU27 with 16,703 km of working lines and 24,216 km of tracks
 3. One of the most developed freight village systems in Europe. 7 Italian freight centres are classified in the Top 20 of European logistic infrastructures, with Verona ranking first
 4. Second most important country in Europe for maritime freight transport: 24 main commercial ports, with 3 International Hub, scattered along 7,400 km of coastline and a total traffic of container around 10 million TEUs in 2011
 5. 2 ports are classified in the Top 20 of European container ports: Gioia Tauro and Genoa
 6. First EU country in maritime transport of passengers in 2009 with 92 million passengers.
- **Countless opportunities for expanding companies:** Italy is the 4th largest economy in EU (FMI) with a potential market of almost 60 million consumers, for innovative services (more than 30 million internet users) and products. The Italian market offers countless opportunities to expand businesses in strategic sectors such as logistics, tourism, renewable energies, green-tech and bio-tech projects.



- **Innovative value system:** Innovation in Italy is driven by an extensive network of high-quality universities public and private institutions (almost 100). Over 40 modern network of science and technological parks, which ensure that research is widely integrated into industrial processes. The parks network is a key to the innovation development:
 1. 600 Hi Tech companies settled
 2. Over 200 R&D Center (public and private)
 3. 16.000 employees with a high level of technological expertise
 4. Italy ranks 6th for granted patents and 4th for registered trademarks among G12 countries. The number of issued patents is one of the most relevant indicators for measuring the innovative output of a Country
- **High qualified human resources:** Italy ranks 2nd in Europe in terms of manufacturing companies with a skilled workforce praised at international level, contributing to the high quality of Made-in-Italy products. The qualified standard of human resources in the research field, also supported by the tradition and the high quality of the University system and several research centers, makes Italy as one of the cutting-edge country in the R&D sector. Companies investing in Italy can rely on an average of 270,000 graduates per year.
- **Quality of life:** Italy is a modern and cosmopolitan country with 3,8 million inhabitants with an excellent standard of living. Superior health and education provision, endless opportunities in beautiful landscape, and a vibrant cultural country are just some of the reasons why more than 4 million foreigners (7,0% of total residents –Source: Istat) have decided to live in Italy. Italy is recognized for its international brand in strategic sectors such as fashion, automotive, marine, design, mechanics. The Italian style, innovation, creativity and love for the tradition are all key success factors of the “Made-in-Italy” brand in the competitive world market. Moreover, Italy has the largest number of World Heritage (UNESCO) sites in Europe, with 47 locations listed as places of outstanding cultural and historical significance.

Setting up a Business in Italy

The company formation in Italy is completed in front of the public notary and followed by company registration in Italy. No special requirements apply for the citizenship or residency of the directors and the law does not require a company secretary in Italy either. Company registration in Italy can be performed by the shareholders in person in front of a public notary or they can appoint a legal representative through a power of attorney. The legal representative can sign and act on behalf of the company in Italy.

Registering a company with the Register of Enterprises is done through filling an application containing significant company documents as articles of association, company charters, list of names and addresses of members and shareholders. After company registration in Italy, VAT registration comes next. The procedure is usually completed by an Italian accountant, who must apply for a VAT number by providing the tax authorities some documents. The deed of incorporation, the registration certificate, the estimated annual turnover and some other details on the activity of the company are necessary for VAT registration in Italy. The process is completed in one week and in case of acceptance the company is issued a registration certificate meaning it can commence its business activities.

After setting up a company in Italy, it might be necessary to hire some employees. Recruitment agencies and job placement websites can find the best suited and best trained candidates for the jobs available in the company. The average monthly income for an Italian employee is 1,500 EUR and the employee is also under a strong social security system that protects him and his rights.

Types of Business Structures in Italy

Legislative Decree no. 6 of 17th January 2003 (effective 1st January 2004) drastically amended the Italian Civil Code, in particular the incorporation and the governance of the two main types of companies:

- **Limited Liability Companies (società a responsabilità limitata, SRL):** A SRL is suitable for companies with few quotaholders (even a sole quotaholder) and slim management structures. The corporate capital is divided into as many quotas as the number of quotaholders; the quotas, unless indicated otherwise in the company's articles of association, are freely transferable by *inter vivos* and *mortis causa* acts. The rights, both administrative and economic, belong to quotaholders proportionally to the size of their interests in the company, unless the articles of association allow individual quotaholders special rights relating to the management of the company or the distribution of profits, in accordance with article 2468 of the Italian Civil Code.
- **Joint Stock Companies (società per azioni, SPA):** The main feature of a SPA is that the capital is divided into freely transferable and indivisible shares of equal value (the nominal value of each share corresponds to a fraction of the entire share capital), conferring equal rights, both administrative (e.g. voting rights) and economic (e.g. right to a share of net profits). In addition to ordinary shares, the company's articles of association may provide for particular classes of shares granting special rights, also in respect of losses.

The majority of medium size businesses in Italy are set up as limited liability companies. Other main legal forms of business enterprise are:

- **Branch:** In accordance with article 2508 of the Italian Civil Code, foreign companies have the right to establish one or more branches in Italy. A branch is an extension of the foreign entity and depends - both administratively and economically - on its headquarters. It uses the same name and legal form as the foreign company: it does not have its own internal governing body but is managed directly by the governing body of the foreign company, which appoints one or more permanent legal representatives (*preposto/i*), entrusted with the powers to manage and represent the branch before third parties
- **General Partnership (società in nome collettivo, SNC):** A SNC is an entity in which all the partners are jointly and severally liable for the entity's obligations. A SNC has no legal personality. A SNC has its own capital, separate from its partners' and such capital constitutes the primary guarantee for its obligations. Partners are jointly and severally liable for the debts of the entity. Creditors may seek the payment of the partnership's debts from each partner only after having failed to obtain the payment from the partnership.
- **Limited Partnership (società in accomandita semplice, SAS):** A SAS has two types of partners: general partners and limited partners. General partners are jointly and severally liable for the partnership's debts and obligations, whilst limited partners are generally liable for the partnership's debts and obligations only to the extent of their contributions. General partners have full management responsibility and carry on the business of the partnership. They have the same rights, duties and obligations as a partner in a general partnership. Limited partners do not participate in the management. The liability of limited partners is generally limited to the amount of their contributions. Such limitation applies, however, only to the extent that limited partners do not participate in the management of the partnership business.
- **Sole Proprietorship:** The sole proprietorship is the simplest legal structure for owning a business. A sole proprietorship is a one businessperson that is not registered with the state as a corporation or a SRL. A sole proprietor is personally liable for any business related obligation.
- **Joint Ventures:** These are not specifically regulated, but Italian law does provide for certain types of contract that can be used to establish a joint venture. A European Economic Interest Grouping (EEIG) is a joint venture form to facilitate cross-border cooperation between two or more companies or individuals located in different EU countries.

A company registered in Italy is considered resident there for tax purposes, even though the management or control of the company is exercised abroad. In this case, the company will be liable to taxation in Italy on a world-wide basis.

Taxation

The tax system is managed by the Agenzia delle Entrate (Italian Inland Revenue) at national level while taxes are levied at national, regional and municipal level and they can be grouped into two main categories:

- Direct taxes such as on personal income (known as IRPEF – Imposta sul Reddito delle Persone Fisiche), on the income of enterprises (IRES – Imposta sul Reddito delle Società) and on regional productive activities (IRAP - Imposta Regionale sulle Attività Produttive).
- Indirect taxes such as on goods, services or imports (IVA – Imposta sul Valore Aggiunto, equivalent to VAT), on real estate (ICI – Imposta Comunale Immobili), etc. Along with the main taxes, which are applied at national level, there are also local taxes (e.g. tax on municipal solid waste management). The Tax Year runs from 1st January to 31st December.

All workers are subject to taxation of their income or other benefits (reimbursements for business trips and lunch tickets are in principle exempt but specific rules apply, according to national provisions, to the system used and to the regulations of each organization). The amount of taxes to be paid varies according to the type and duration of the work contract. In general, income tax is deducted at source by employers on the basis of the estimated annual income. Tax balance due is calculated at the end of each year.

In general, the tax basis depends on the type of contract (work contract, fellowship, or assegno di ricerca, etc.) although there are some exceptions:

- Erasmus Mundus fellowships are IRPEF and IRAP tax free (according to Risoluzione n. 109/E del 23 aprile 2009)
- Assegni di ricerca (research grants) are IRPEF and IRAP tax free (according to Legge Finanziaria 2003)

According to Law n. 238 of 30th December 2010 and Decree 3/06/2011 of the Ministry of Economy and Finance, workers - EU citizens and born after January, 1st 1969 - may benefit from fiscal incentives when returning to Italy after a period of work out of Italy or their country of origin for at least 24 months. More information can be requested from the Agenzia delle Entrate, the Italian PATRONATI and CAF (Centre for Fiscal Assistance).

Italy's corporate taxation system recently underwent a major reform, with subsequent additional amendments. The main features of the tax system are:

- Reduction of corporate income tax rate (IRES) to 27.50%
- Partial exemption (95%) of capital gains on the sale of equity investments in companies registered either in Italy or abroad (so-called "Participation Exemption")
- Abolition of tax credit system for dividends and introduction of partial tax exemption (95%) of dividends from equity investments in companies registered either in Italy or abroad
- Introduction of a ceiling on passive interest expense exceeding active interest (deductibility equal to 30% of the gross operating income of industrial or commercial companies)
- Introduction of a ceiling on interest expense deductibility for financial companies (96%)
- Introduction of a group taxation mechanism under which Italian and foreign companies belonging to the same group may compute a single taxable income for the parent company resident in Italy
- Tax exemption of capital gains reinvested in start-ups.

Investment Incentives in Italy

Italy provides a compelling range of aid programs spanning from Tax credits to Research & Development grants & loans that fit the need of diverse business operations. The variety of programs, that trigger gripping paybacks, are aimed at securing the set up of new facilities and the upgrade of existing ones, technological innovation and scientific research, new investments and new jobs.



Foreign companies may apply for a variety of business incentives on an equal footing with local firms. All incentives, which are based on the location and the size of the business, must comply with EU rules. When a company negotiates incentives, it must determine whether the incentives are subject to prior approval or subsequent investigation by the EU. Investors may benefit from up to EUR 200,000 over a three-year period without infringing EU rules or having to notify the European Commission.

Immigration and Visa Requirements

In general terms, there are two main categories of visa, depending on the duration of the visa:

- Short-stay visas can be issued for business, medical treatment, sporting events, by invitation, self-employment, dependent employment, missions, religious grounds, study, transport and tourism. You can stay up to a total of 90 days, calculated over a period of 180 days. The number of days is calculated from the date of first entry to the territory of the countries of the Schengen area. The visas are called:
 1. Uniform Schengen Visas (USVs, Italian initials VSU): Uniform visas are valid for the entire territory of the Schengen countries
 2. Limited territorial validity Visas (LTV, Italian initials VTL): Limited Territoriality Visas are only issued in exceptional circumstances. They are valid for the territory of one or more Schengen member states but not for all of them.
- Long-stay visas can only be issued for adoption, medical treatment, diplomatic work, accompanying family members, self-employment, dependent employment, religious grounds, re-entry, elective residence, family reunification, study and working holidays. You can stay for more than 90 days. These are national visas (Italian initials VN). National visas entitle you to stay for a long period only in the country that has issued the visa. They also entitle you to travel within the Schengen Area for up to 90 days, even if you are still waiting for your residence permit to be issued.

Banking Requirements

Bank accounts can be opened in Italy by both residents and non-residents above 18 years of age. Foreigners working in Italy may open an account in order to pay in a salary and have a credit or debit card.

To open a bank account, you may be asked to provide one or more of the following documents:

- Passport or valid ID
- Tax Identification Code (Codice Fiscale)
- Recent utility bill as proof of address
- Residence certificate or valid permit of stay and proof of employment in Italy (work contract or pay slip).

Check the necessary documentation with the bank of your choice. Unfortunately, having a bank account in Italy costs more than in other countries in Europe. Please remember also that the fees depend on the type of account you have opened.

Reference

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Welcome Office FVG	www.welcomeoffice.fvg.it/trieste/dailylife/banking-services.aspx

Contact

Website: www.cmltrust.com

Email: inquire@cmltrust.com

Tel: +852 2162 7371