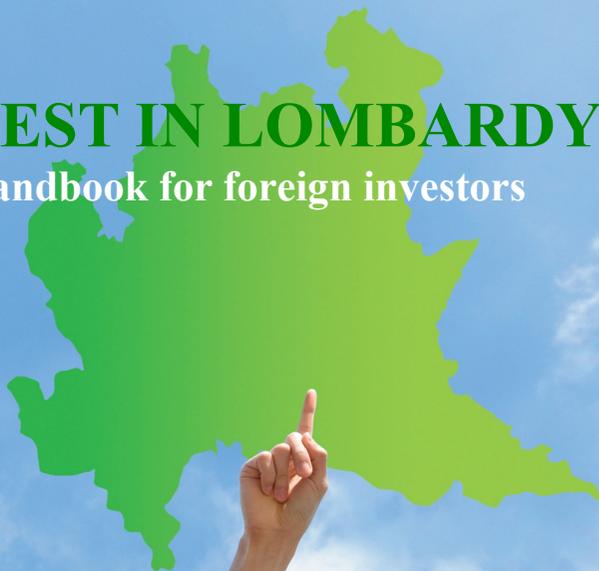


# INVEST IN LOMBARDY

Handbook for foreign investors



Regione Lombardia



***... An investor who has all the answers  
doesn't even understand the questions.***

*Sir John Templeton  
(1912-2008)*

## PART 1 - LOMBARDY REGION

### INVESTMENT OPPORTUNITIES AND FEATURES

## Lombardy at the heart of Europe

Lombardy, with its surface area of about 24,000 sq. km. and almost 10 million inhabitants, can be compared to a nation; and its GDP too is higher than that of Norway, Greece, Austria, Denmark, Finland, Ireland and Portugal. For population, it is the **3rd most populated region in Europe** after Île-de-France and Baden-Württemberg.

Located in Northern Italy, at the heart of the most economically advanced part of Europe, Lombardy is in a strategic position, exactly at the intersection of the axis that links the Atlantic Ocean with eastern Europe and northern Europe with the Mediterranean region.

Milan is the capital of Lombardy: its metropolitan area is the 5th biggest in Europe for population (4.36 million inhabitants) and the 4th for level of urbanization. According to research by E-SPON (European Spatial Planning Observatory Network), Milan is considered a "European engine" and defined as a "highly competitive city, with strong human capital and good accessibility"; Milan is included among the top 15 world cities for its capacity to link the principal economic regions and states to the global economy (GaWC, 2011).

A dynamic and competitive reality that, thanks to its geographic position and the resourcefulness of its inhabitants, is a privileged actor in the international market.

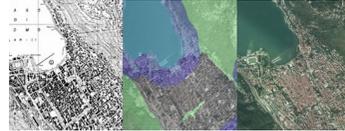
## Domestic market

A series of indicators clearly shows the dynamism of the economic system in Lombardy.

In 2009, the Gross Domestic Product (GDP) was **€ 311 billion** - 20% of Italy's GDP. In 2008 the GDP per capita was 26% higher than the national average and 34% higher than the European Union average (EU 27).

In 2008, 53.13% of Lombardy's GDP was achieved through final domestic consumption: 80% of this was from households that produce much more than half of the total regional GDP. Total incomes of households amount to over € 200 billion (within the top 5 European regions). Therefore, Lombardy confirms its position as an active and resourceful market, covering by itself 18.5% of total national sales.

Lombardy's most important sectors include trade and services. The regional system of commercial distribution as a whole is made up of more than 250,000 active firms: it produces about 13.5% of Lombardy's GDP, 18% of employment (with more than 650,000 workers) and it has continuously grown and developed over the last 10 years.



#### Some numbers ...

**3rd most populated** European region

**Milan is the 5th metropolitan area** in Europe

**2nd European region** by GDP

**5th in Europe** by total income of households

**Biggest** exhibition site of southern Europe, over 2 million sq. m.



## PART 1 - LOMBARDY REGION

### INVESTMENT OPPORTUNITIES AND FEATURES

Its selling capacity is high: in 2009 food in Lombardy was sold for a total value of € 23 billion, which is 17.3% of national sales. Within this amount, € 18 billion was sold through retail channels.

Regarding the **retail sector**, Lombardy ranks **1st in Italy** for the extension of the network: the number of stores in 2010 was 2,974 with 85,119 employees (Observatory on Trade, Ministry of Economic Development). These figures underline consumption levels and show that this sector is extremely important as regards employment.



### Banking system

The banking system is the most developed in Italy and credit institutions are widely distributed; there are 176 banks with 6,611 branches handling € 257.6 billion in deposits (at national level the total is € 915 billion - Banca d'Italia, 2010). Entrepreneurs are supported by private equity and venture capital funds. In 2011 financial professionals in Lombardy carried out 26% of the total number of operations in Italy and attracted 35% of total resources invested (AIFI, 2011). The Stock Exchange is in Milan, where shares are traded for an average value of € 2.2 billion everyday (Borsa Italiana, 2012).

### Production system

Although the unemployment rate has increased due to the economic crisis, in 2010 it was 5.6%; this is much lower than the rest of Italy (8.4%) and Europe (9.6%).

In 2010 about 64% of the labour force of Lombardy was concentrated in the tertiary sector; even after some de-industrialisation in the 1990's, the industrial sector is still very relevant, involving about 26% of the employed labour force (excluding the building sector).

The manufacturing industry of Lombardy is very articulated and diversified in terms of productive specializations, from the most traditional to high-tech products.

Lombardy, together with other regions of northern Italy and southern Germany, is one of the most productive territories for high-tech manufacturing, thanks also to the availability of skilled human capital and to the presence of important research centres. There are about 74,000 people employed in the sector, a figure which immediately follows those of Bavaria and Baden-Württemberg.

Next to high-tech manufacturing, a strong component of knowledge-intensive services has developed as well, where about 4% of Lombardy's labour force is employed (7<sup>th</sup> place in Europe).

More than **800,000** firms

**4.3 million** employees

**4 billion €** as exports

**3<sup>rd</sup> in Europe** for the percentage employed in high-tech sectors

**3<sup>rd</sup> in Europe** for employees in Cultural and Creative Industries

## PART 1 - LOMBARDY REGION

### INVESTMENT OPPORTUNITIES AND FEATURES

Lombardy is recognized as an outstanding **centre of creative and cultural industries** in Europe, ranking 3<sup>rd</sup> by number of employees in this sector. Among the most important creative and cultural sectors of Lombardy are design and architecture, advertising and the sectors of artistic shows and theatre. Such strengths of the regional economy are linked to the presence of the fashion sector, advertising and of artistic and musical education.

Labour costs in Italy are on average lower than in the Euro zone, and during the last 20 years a downward shift in the real labour cost per worker has been observed: this fact can be explained with a process of "salary smoothing" implemented to stabilize and contain inflation.

### Quality human capital

Lombardy ranks 3<sup>rd</sup> in Europe for vocational and technical education: in 2009 there were about 250,000 students enrolled at technical secondary schools, preparing students for potential employment in small and medium enterprises which are the entrepreneurial fabric of Lombardy, above all in its highly specialized manufacturing sector.

In tertiary education, Lombardy stands also among the first European regions by number of students enrolled at its universities. The number of graduates in the academic year 2009/2010 was 47,939, 16.5% of the national total. Among these, 33.4% graduated in science - 60 different subjects and specializations. It is a really high percentage, well above the national and European average, which are both 21.9%.

Lombardy has the two only business schools in Italy included in the top-100 Masters in Business Administration at an international level: SDA Bocconi, which ranks 28<sup>th</sup>, and the School of Management of Politecnico di Milano, which in 2011 entered the ranking for the first time at 96<sup>th</sup> place. In Europe, these two business schools are included in the top-50 (SDA Bocconi 7<sup>th</sup> and Politecnico di Milano School of Management 40<sup>th</sup>) and both have grown rapidly over the last 3 years.

About higher education outside the university system - yet on the same academic level - in Lombardy there is a high concentration of long-established Higher Artistic and Musical Education institutions (Alta Formazione Artistica e Musicale - AFAM): 6 recognised academies of fine arts, 5 music conservatories and 4 recognised musical institutes. The Brera Academy of Fine Arts is especially significant with 2,800 students enrolled in the 2008/09 academic year. AFAM stand out for their ability to attract students from abroad: non-Italian students made up 30.9% of enrolments in the 2008/2009 academic year.



#### A region with quality human capital

3<sup>rd</sup> in Europe for the **number of students** enrolled in secondary school and 2<sup>nd</sup> for vocational and technical education

**275,000 students** enrolled at university

**45,000 graduates** (1/3 in scientific subjects)

**13.5% of foreign students** who apply to an Italian university choose to come to Lombardy



## PART 1 - LOMBARDY REGION

### INVESTMENT OPPORTUNITIES AND FEATURES

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... **4 billion €** of investment in R & D (period 1995 - 2008)

**six science and technology parks** operating in sectors with high innovation content, from food to aeronautics through life sciences and the study of new materials



## Regional Innovation System

The Lombardy university system consists of 15 institutions, with some of the most specialised in Italy. There are 7 public universities (including a technical university), 5 private universities, and 1 higher education centre with a special charter.

The higher education system in Lombardy has gradually been distributed throughout the whole region thanks to the creation of new universities as well as decentralised faculties situated all over the region, matching the productive potential of the areas where they are located.

In 2009, 3,810 researchers were working in Lombardy universities (including temporary research fellows), representing 15% of the nationwide total. That same year, the number of enrolled Ph.D. students was 5,052, and 8,146 people reported to have a doctoral degree at the highest educational level obtained - 15% of total Italian Ph.Ds.

There are also many high level private and public research centres – in addition to academic structures – and a particularly high concentration of National Research Council institutes (the national public body with the task to perform, promote, diffuse and improve research activities in key sectors). 11 are in Lombardy out of a total of 107 – along with 17 teaching hospitals out of 42.

As far as research carried out in companies is concerned, Lombardy has 267 research structures within private companies, and 182 companies which are leaders in innovation.

In Lombardy there are 6 scientific and technology parks, active in the energy, agro-food, aerospace, life sciences, bio-and nano-technologies, and new materials sectors.

In 2009, more than 1,300 patents from Lombardy investors were filed at the European Patent Office, which is approximately a third of all Italian patents. In terms of patents presented, Lombardy ranks fourth in Italy with 13 patents per million inhabitants, behind Valle d'Aosta, Liguria and the autonomous provinces of Trento and Bolzano.

## Transport infrastructure

### Airport system

Lombardy is one of the top European regions for airport infrastructure, the 5<sup>th</sup> European region for volume of goods transported by air (the figure is confirmed also by the volume of goods loaded and unloaded in 2009, respectively 258 million and 238 million tons.). The region has 3 main international airports with frequent services to other European centres and the Mediterranean area.

### Railway system

The railway system in Lombardy is very well articulated and is widely used by commuters, business people and tourists. The system is so extensive that on working days more than 2,000 trains run on 37 lines, with over 600,000 travellers.

## PART 1 - LOMBARDY REGION

### INVESTMENT OPPORTUNITIES AND FEATURES

New high-speed and high-capacity lines have been developed to allow mixed traffic of passenger and freight trains for long and medium distances, reducing travel times from Milan to major Italian and European destinations, such as Milan-Paris by TGV.

Several infrastructure developments are being planned or being built, e.g. Corridor 5 Kiev - Lisbon, which will place Milan on a key pan-European high-speed rail route.

Planning, regulation and control of rail services is among the region's responsibilities. The Lombardy region provides railway companies with around 360 million € per year and it plans the suburban and regional trains schedule.

#### Road and motorway network

**In 2007 about 300 million tonnes of goods entered Lombardy by road from other Italian regions, which is 20.3% of the national total.**

Approximately 18.1% of all road transports into Italy from abroad are destined for Lombardy. In 2007, about 296.6 million tons of goods were moved from Lombardy to the rest of the country, which is 19.9% of total freight transports in Italy.

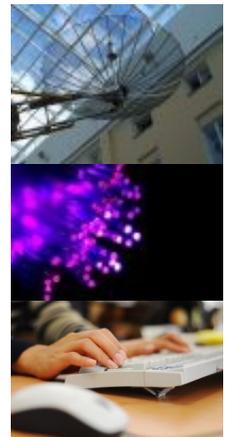
## Telecommunication infrastructure

Fast connectivity will be extended to the entire population of Lombardy.

**By 2013** broadband connection will be available to 95% of the population on XDSL. Wireless and satellite connection will be available for the remaining 5% of people living in mountain and rural areas which do not have physical network support.

By 2018 Ultra-wide Band (UWB) connections will be available in 10% of municipalities (about half the regional population of 4.2 million), with impactful implications for healthcare, advanced digital services and tele-presence applications.

... By 2015, **the Lombardy motorway network** will be 300 km longer, with an expected **increase of 53%**



## PART 2 - STARTING A BUSINESS IN LOMBARDY

### The birth of a company

#### The main types of company:

- Companies with a single owner
  - Association or partnerships
  - Corporation (eg limited liability company)
  - Cooperative or mutual company

A foreign investor who decides to undertake business activities in Italy may open a new company according to the Italian legal framework, or may decide to open a foreign branch of his business.

The main types of company, under the Italian law, are:

- ⇒ Companies with a single owner
- ⇒ Association or partnerships
- ⇒ Corporation (eg limited liability company)
- ⇒ Cooperative or mutual company.

The most used in Italy is the limited liability company (LLC).

### Srl - Società a Responsabilità Limitata (Limited liability company)

#### What are the main characteristics of the Srl?



The principal risks for investors are limited to the stake held in the company.

Shares are not issued physically, but share capital is divided into quotas and the percentage of capital owned generally depends on the capital stake invested. This rule also holds in the case where there is only one shareholder, in that the risks are limited to the amount of capital invested, subject to compliance with certain formalities.

The Srl is a typical means of investing in the Italian market. The minimum amount of capital required to start the business is €10,000; this is the usual figure, but not for all sectors as in some a higher amount could be required depending on the type of business run by the company.

In addition to cash it is possible to set up a company on the basis of contributions in kind, such as capital assets.

Generally the Srl has **two or three governing bodies**, depending on the company:

- ⇒ The **shareholders**, who constitute the body in charge of controlling the company. The shareholders appoint the executives, approve the accounts and are involved in extraordinary activities which may concern the company.
- ⇒ The **Board of Directors**, or **Sole Chief Executive Officer** where permitted by law.
- ⇒ In addition to these bodies there may be a Board of Auditors, required when the size of the company in terms of revenues, assets or number of employees is above a certain level.

Italian law offers the possibility of preparing annual reports on the basis of the so-called "simplified form", which means that fewer documents need to be prepared and their content is reduced.

## PART 2 - STARTING A BUSINESS IN LOMBARDY

### How do you start an Srl?

To start an Srl you need a public deed, i.e. a notary must draw up a corporate deed; this is possible only after the other documents have been prepared.

- ⇒ Firstly, the internal rules of the company must be drafted: the minimum content is provided by Italian law, but the content of the internal rules may also be supplemented according to the various possible needs of the shareholders.
- ⇒ In addition, especially when the shareholders and/or executives are individuals or companies not residing in Italy, they must be assigned an Italian tax number (Codice Fiscale); this must be planned in advance in order to meet the notary with the correct VAT number (Partita IVA).
- ⇒ Italian law requires that at least 25% of the share capital (or 100% if the company consists of a single member) must be deposited in a provisional bank account before the meeting with the notary.

In addition, some authorizations may be required that are specific to the business carried on by the company, such as for financial activities or employment services.

Once the documents are ready, finalizing the process requires only a few days' wait.

In the course of the process, the company is issued with a VAT number and tax number.

The cost of starting an Srl (legal fees, consultancy fees, enrolling on the Companies Register, taxes and other miscellaneous expenses) is on average a few thousand euros, while the annual management costs of the company (such as for professional assistance) may vary according to the size of the company and the type of business carried on.

### What kinds of taxes does the Srl have to pay?

Italian corporate taxpayers, including the Srl, are subject to income tax and a regional tax.

The traditional tax on company revenues involves a tax rate of 27.5%, even if there may be some differences for specific activities.

In addition, the Srl is also required to pay a regional tax on revenues, named IRAP - Imposta Regionale sulle Attività Produttive, whose rate may vary from a minimum of 3.9% to a maximum of 5.57% depending on the region where the business is carried on and the type of activity.

The shareholders are generally taxed on a part of the dividends paid out by the Srl. This is the case for the Italian shareholders: a company which owns a stake in an Srl is taxed only 5% on the dividends paid out.

If, however, a shareholder is not resident in Italy, withholding tax may be applied, although various exemptions may be provided by the EU "Parent-Subsidiary" Directive, where the shareholder is resident in the European Union, or certain reductions or withholding tax may be allowed through bilateral tax agreements signed by Italy with other jurisdictions.



## PART 2 - STARTING A BUSINESS IN LOMBARDY

### Branch Office and Local Units

There are two different structures that foreign businesses can use for their activity in Italy.

#### What are the main characteristics of the local unit?

Local units can carry out only limited activities. Generally they are used for logistical purposes, for instance as warehouses for goods for sale or purchase, or representative offices. A local unit is not permitted to carry on commercial activities even if this is done through services provided by third parties.

A local unit is not subject to taxation and does not have its own VAT number (Partita IVA): it is the responsibility of the parent company to collect any VAT payable by the local unit.

A local unit may hire employees and rent offices or warehouses and is considered to be a part of the parent company.

A series of documents relating to the parent company must be filed with the local Chamber of Commerce in order to open a local unit.



#### What are the main characteristics of the branch office?

This structure has no restrictions in terms of the types of operations that it may perform and, given that it has no legal entity, the parent company assumes entire responsibility for all operations on Italian soil.

A branch office is not obliged to subscribe to the share capital of the company and it is not obliged to submit financial statements.

Company accounts must be maintained in compliance with Italian law and the parent company must also keep a copy of the branch office's accounts in its financial records. Profits may be transferred at any time.

The legal counsel representing a branch office may be an executive of the parent company or a third party, even if not an Italian citizen or not resident in Italy.

A branch office is required to have a VAT number, since it is subject to taxation as well as to 27.5% corporation tax and a regional tax of 3.9% on the value of output.

A series of documents, including a resolution of the Board of Directors of the parent company, must be submitted to a notary office which is responsible for filing them with the Chamber of Commerce.

## PART 2 - STARTING A BUSINESS IN LOMBARDY

### Getting your enterprise up and running

In Italy you can start a new business in one day. Register a new business is a simple operation that takes place in a fully electronic procedure called "ComUnica".

Through ComUnica, all the requirements and the legal obligations are fulfilled, towards the Chambers of Commerce, the National Social Security Institute, the National Institute for Employment Accidents and the National Institute for Taxes.

Business men also have the possibility to use a single point of access for all submissions to the government: the One-stop Enterprise Helpdesk (Sportello Unico per le Attività Produttive SUAP), present in all municipalities. The SUAP is the only reference for all administrative procedures relating to the exercise of business activities. The investor will have to send to SUAP all administrative practices, related for example, to the location, construction, conversion, extension or transfer, cessation or reactivation of the business.

In October 2011 in Lombardy, the municipalities listed in the web site "Impresainungiorno" are 1291 out of 1544.



[www.inps.it](http://www.inps.it)

[www.inail.it](http://www.inail.it)

[www.impresainungiorno.gov.it](http://www.impresainungiorno.gov.it)

[www.starweb.infocamere.it](http://www.starweb.infocamere.it)

### ComUnica - *Comunicazione Unica* (Unified notification system)

ComUnica is a single procedure handling the creation of the company and the notification of company data to Registro delle Imprese (Companies register), which then passes them on to the relevant agencies: Albo delle Imprese Artigiane (Register of Skilled Trades), INPS - Istituto Nazionale della Previdenza Sociale (Social Security Department), INAIL - Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro (workers' compensation authority), Agenzia delle Entrate (Tax Office), Ministero del Lavoro e delle Politiche Sociali (Ministry of Labour).

This is a single process which is set up in a similar way to a gateway: the information is sent to the bodies which are to handle the procedure and relations with the users, and the final decision is taken by them.



The companies register does NOT perform the function of single point of reference for the users, and procedures at the other offices remain autonomous. The outcomes of procedures handled by other bodies are communicated by those bodies to the user and to the companies register for publication.

ComUnica is a free service with online access, enabling businesses to register the start-up, modification and winding-up of undertakings. To access the service, you need to register on their website ([www.starweb.infocamere.it](http://www.starweb.infocamere.it)) for a digital signature and certified email address.

As well as the single notification, ComUnica also enables users to file the Certified Notification of Business Start-up (SCIA – Segnalazione Certificata di Inizio Attività) at SUAP.

## PART 2 - STARTING A BUSINESS IN LOMBARDY

### SUAP - Sportello Unico Attività Produttive (One-stop Enterprise Helpdesk)

SUAP is a one-stop point of reference for entrepreneurs needing to file applications relating to their business or to start up a company. Assistance is provided in a single timely response from all the administrative departments involved in the procedure.

The key objective is to simplify, in terms of both cost and time, the process of obtaining the necessary authorization for carrying on a business.

SUAP is the ONLY CONTACT with the user for the whole procedure, and applications dealt with by other offices are treated as internal procedures.

The outcomes of the separate procedures are communicated ONLY to SUAP, which passes them on both to the users and to the companies register, which then publishes them.

To start up a business and obtain the necessary authorization an entrepreneur applies to SUAP, which sends the paperwork to the relevant departments or to any external agencies which may be involved in the application, and receives from them the opinion or permission required to grant the authorization.

SUAP uses an electronic helpdesk with technological tools able to perform all the functions of a physical office. This means that the entrepreneur no longer has to go to the agency in person, but can carry out the whole procedure online. To ensure the secure transmission of information, SUAP uses PEC (posta elettronica certificata) certified email and digital signatures.

By October 2011, 1,291 of Lombardy's 1,544 municipalities had been accredited on the portal named "impresa in un giorno" (enterprise in one day), with full coverage in Milan, and Mantua and other provinces now close to 100%.

SUAP online is available in 82% of Italian municipalities and covers 92% of the population.

**You can find the nearest SUAP to your business on the national website of Impresainungiorno.**

### SCIA - Segnalazione Certificata di Inizio Attività (Certified Notification of Business Start-up)

SCIA allows self-certification by means of submitting attachments which may include, depending on the circumstances, self-certified statements, documents and certificates from technical experts confirming the possession of the requirements stipulated by law for the type of business activity to be set up.

SCIA may be presented by the proprietor of the business or through an intermediary: professional association, consultant or Agenzia per le Imprese (Enterprise Agency).

SCIA must be presented before the start of a new business enterprise (in production, commercial activities, skilled trade, service sector) or following the expansion, transfer, modification, succession, suspension/resumption, change of designation/trade name or cessation of an enterprise already in business.

SCIA must be filed with the SUAP centre in the municipality where the business is carried on.

Before filing the notification, the proprietor of the business must check on the portal [www.impresainungiorno.gov.it](http://www.impresainungiorno.gov.it) to see if the municipality in which the business is to be carried on has a SUAP accredited with MISE - Ministero per lo Sviluppo Economico (Ministry for Economic Development).



## PART 2 - STARTING A BUSINESS IN LOMBARDY

The forms for SCIA adopted by Lombardy Region consist of form "A" and form "B", which can be downloaded from [www.regione.lombardia.it](http://www.regione.lombardia.it) following the sequence: *area imprese > avvio di un'impresa > procedure di avvio > Sportello Unico delle Attività Produttive*.

Within 60 days from the filing of SCIA the public administration office checks that the conditions and requirements needed for carrying on the business have been met, verifying the correct compilation of the documents.

If the requirements have not been met, the administration office will not allow the business to be carried on, unless the proprietor is able to normalize the situation within a minimum time limit of 30 days.

After 60 days from the filing of SCIA the administration office can only intervene in the case of serious damage to the artistic and cultural heritage, the environment, health, public safety and security or national defence.

Irrespective of the time limits, if any claims, certifications, declarations or sworn statements presented are false, the administration office will apply penal sanctions (article 19, clause 6, Law 241/90).

### Lombardy Region Special Projects PRISMA and the MUTA platform

Lombardy Region promotes innovative practices in procedures for starting, carrying on, transforming and closing down businesses.

The Innovation for Administrative Simplification project, PRISMA (Pratiche Innovative per la Semplificazione Amministrativa), is a community concerned with procedures, linking public and private parties in a network to focus on how processes can be streamlined. Members can access a wealth of quality data organized into categories with detailed information for each subject, and interact through forums, blogs and opinion polls.

PRISMA enables users involved in streamlining procedures to find out about administrative good practices in this area and keep up to date on regulations and forthcoming institutional guidelines. They can also exchange information with the various members of the community, come up with new ideas and solutions directly with other parties, and have a valuable tool constantly available online to support their day-to-day work. They may contact an expert on problems and doubts hindering their work, and contribute to the transformation taking place in the area of STREAMLINING.

To find out more, go to the website of the PRISMA community ([www.prisma.cestec.eu](http://www.prisma.cestec.eu)).

The MUTA - Modello Unico per la trasmissione degli Atti (unified form for transmitting documents) is an application provided and distributed free of charge by Lombardy Region to the SUAP centres with the purpose of simplifying the administrative requirements relating to businesses. It aims to regulate and standardize procedures and information flows among the various parties, fostering cooperation among those involved in the process through the controlled exchange of information and integration of systems, and monitoring the development of economic and productive activities through the systematic and structured gathering of information.

MUTA provides online service applications for filing SCIA as well as other types of declarations required from businesses (such as notifying the start of renovations at a commercial site, fitness for use, or starting an agritourism business).

MUTA helps to manage interoperability among several information systems, such as the electronic acquisition and transmission of statements (via Upload, PEC, Webservice, etc) and the relevant notification of the parties concerned.

To find out more consult the MUTA section on the Lombardy Region portal, from which you can access the system directly.

## PART 2 - STARTING A BUSINESS IN LOMBARDY

### The tax system

#### INTERNATIONAL TAX AGREEMENTS

Prevent two countries taxing the same wealth more than once

[www.fisconelmondo.it](http://www.fisconelmondo.it)

### IRPEF - Imposta sul reddito delle persone fisiche (Income tax)

Income tax, referred to in abbreviated form by the acronym IRPEF, is a direct Italian tax which is general, personal and progressive, since the rate increases according to income bracket. It is calculated on a monthly basis as a provisional tax with advance payment prior to the expiration of the relevant tax period.

#### What is taxed?

The income of persons resident in Italy derived from:

- ⇒ work as an employee
- ⇒ self-employed and business activity
- ⇒ pensions and similar allowances
- ⇒ real estate (land, buildings, apartments, ...)
- ⇒ unearned income and capital gains.
- ⇒ Income produced in Italy by non-residents is also taxed.

#### Who has to pay it?

Anyone producing income in any of the following categories:

- ⇒ property income
- ⇒ capital income
- ⇒ employment income
- ⇒ self-employment income
- ⇒ business income
- ⇒ miscellaneous income.

### IRES - Imposta sul reddito delle società (Corporate income tax)

The Italian tax system is based on two types of taxation:

Direct (IRPEF, IRES, IRAP)

Indirect (IVA, Imu, Stamp Duty)

IRES, the acronym referring to corporate income tax, is a proportional and personal tax at a rate of 27.5%.

#### What is taxed?

It applies to company revenues, i.e. the difference between taxable earnings and deductible costs.

#### Who has to pay it?

- ⇒ share capital companies
- ⇒ public limited companies
- ⇒ limited partnerships
- ⇒ limited liability companies
- ⇒ cooperatives
- ⇒ mutual insurance companies
- ⇒ public and private commercial organizations
- ⇒ public and private non-commercial organizations

## PART 2 - STARTING A BUSINESS IN LOMBARDY

### IRAP - Imposta Regionale sulle Attività Produttive (Regional business tax)

Regional business tax, also known by the acronym IRAP, is a specific tax levied by the Region. It is the only tax imposed on companies which is proportional to revenues rather than being applied to profit. Its proceeds finance 40% of Italian health service spending.

#### What is taxed?

This tax impacts production in relation to the value of net output, or in general terms, earnings produced before labour costs and financial income and expenses.

**From 2011, Lombardy Region set the ordinary rate of IRAP at 3.9%.**

#### Who has to pay it?

- ⇒ Companies, individuals and organizations carrying on a business
- ⇒ Individuals, simple partnerships and assimilated engaged in self-employment
- ⇒ Non-commercial private organizations
- ⇒ Farm owners producing income from farming
- ⇒ Public bodies and public administration.

### Taxation of dividends

Dividends are part of a company's profits paid out to its shareholders.

Following reduction of the IRES rate from 33% to 27.5% introduced in the 2008 Budget, the taxable percentages of dividends and capital gains and losses were also modified under DM (Ministerial Decree) of 2 April 2008, in order to keep the level of taxation applied to them unchanged. The taxable percentage of profits and equivalent earnings of IRES subjects, general partnerships and non-entrepreneur individuals was raised from 40% to 49.72%, on qualifying stakes as defined under Article 67, paragraph 1, section c) of the DPR (Presidential Decree) 917/1986.

The taxation of dividends paid out by companies resident in Italy varies according to the party in receipt of them. In addition, there are different specifications regarding the taxation of dividends of companies not resident in Italy (i.e. which have no stable organization in Italy, meaning a sufficient length of stay and a suitable structure, in terms of human and technical resources, to enable them to provide services or products independently).

## PART 2 - STARTING A BUSINESS IN LOMBARDY

Resident businesses		
Subject in receipt of dividends	Qualifying stakes	NON qualifying stakes
<b>Individual</b>	Ordinary IRPEF rates on 49.72%	Tax deduction of 12.5% on total dividends
<b>Entrepreneur; partnership</b>	Ordinary IRPEF rates on 49.72%	Ordinary IRPEF rates on 49.72%
<b>Share capital company</b>	IRES of 27.5% on only 5% of dividend amount	

NON resident businesses		
Subject in receipt of dividends	Qualifying stakes	NON qualifying stakes
<b>Individual</b>	Advance tax deduction of 12.5% on 49.72%, net of deductions applied abroad	Tax deduction of 12.5% on the whole amount of dividend, net of taxation actually levied by the foreign state
<b>Entrepreneur; partnership</b>	Ordinary taxation on 49.72% of total dividends	Ordinary taxation on 49.72% of total dividends
<b>Share capital company</b>	IRES of 27.5% on only 5% of dividend amount	

There are specific arrangements in the case of a CFC (controlled foreign company). Dividends are taxable wholly as business income unless it can be demonstrated that ownership of the stake was not for the purpose of locating earnings in a country with lower tax rates.

### **IVA – Imposta sul Valore Aggiunto (VAT – Value Added Tax)**

Value added tax, known by the acronym IVA, is a tax levied on the value added at every phase in the production and trading of goods and services. It is in force in 63 countries and in all member states of the European Union (EU).

#### **What is taxed?**

IVA is levied on the consumption of goods and services.

#### **Who has to pay it?**

The burden of IVA is borne in fact by consumers as a component of the price of goods and services which are subject to the tax. In the commercial production cycle, however, IVA is paid upfront by the taxable entity.

In operations subject to IVA (supply of goods and services), it is charged to the contractual counterpart by legal taxable entities (business companies, organizations and trades and professions), as a component of the price of the goods or services, with mandatory recoupment.

IVA charged by taxable entities, even if it has not been collected, must be settled and paid over periodically to the IVA Office, net of any IVA paid on purchases (including Community trade) and imports by the taxable entities themselves.

By IVA taxable entities is meant those who supply goods and services (objectively) subject to IVA in the activity of businesses or trades and professions, or who carry on, in the course of such activities, importation or intra-Community transactions.

#### **The ordinary rate is set at 21% of the taxable amount.**

Reduced rates (4%, 10%) apply to strictly defined transactions such as: sale of premises for residential use; non-luxury houses used as principal residences; fixtures and fittings of a principal residence; reconstruction of pre-existing premises after demolition; contracts relating to residential property and renting property for residence; collective accommodation, maintenance work on heritage buildings, etc. The 10% rate will also be increased from 1 October 2012, rising to 12%.

## PART 2 - STARTING A BUSINESS IN LOMBARDY

### IMU - Imposta Municipale Unica (Municipal tax)

L'Imposta Municipale Unica, in acronimo IMU, sostituisce sia l'Irpef sui redditi fondiari delle seconde case, sia l'ICI, introdotta nel 1992 e presto diventata una delle entrate più importanti nel bilancio dei Comuni, prima di essere abolita per le prime case.

#### What is taxed?

La proprietà di immobili residenziali e commerciali.

#### Who has to pay it?

I proprietari degli immobili. L'aliquota è fissata da ciascun comune che può variarla, in base al valore della rendita catastale, secondo le seguenti percentuali

Type of property	Ordinary rate	Variability	Range
Principal residence	0.4%	0.2%	0.2%-0.6%
Other properties	0.76%	0.3%	0.46%-1.06%

In calculating IMU cadastral revenue should be increased by 5% and then multiplied using coefficients fixed according to the type of property.

### Imposta di registro (Stamp duty)

Stamp duty is a fee payable upon registration of specific legal deeds.

#### What is taxed?

Deeds both subject to registration and voluntarily presented, which produce legal effects. The duty may be at a set rate of €168 or on a sliding scale according to the nature of the deed.

For instance, in the case of property leases, stamp duty must be paid for periods over 30 days and is divided equally between the owner of the property and the tenant.

### Visas and work permits The Italian Law on Immigration

#### How does a European citizen apply for a permit to work in Italy?

All EU citizens are permitted to remain in Italy for a period of up to three months without any kind of authorization. EU citizens wishing to remain in Italy for a longer period must demonstrate that they have sufficient means to live in Italy with their family members. To remain and work in Italy for more than three months, EU citizens must apply to the appropriate municipal authority to be included on the register of legal residents. Having done so, EU citizens become legally resident in Italy. To maintain legal residence in Italy everyone, irrespective of their citizenship, must live in Italy for at least six months per year. Non-EU family members of EU citizens legally resident in Italy also have the right to remain and work in Italy. However, non-EU family members must present a specific application at the relevant Police Department (Questura) to obtain the "Permesso di soggiorno per parenti di cittadini UE" (Residence permit for family members of EU citizens).

#### How does a non-EU citizen apply for a permit to work in Italy?

The most important procedure in Italian legislation on immigration is found in the decree regulating inflows, the "Decreto Flussi". This is the standard national procedure and comparable to the H1B procedure of the immigration law in force in the USA. The "Decreto Flussi" procedure offers a certain number of workers from outside the EU the opportunity to obtain a work permit every year. The formal applicant is the Italian employer and the decree dictates a yearly "ceiling" for the number of work permits that may be issued. However, Italian immigration law provides many special cases in which it is possible to obtain work permits exceeding the limits dictated by the annual decree. These special cases are set out in Article 27 of the Italian Immigration Law. For example, the Permesso di lavoro per trasferimento intra-azienda (Work permit for intra-company transfer) applies to a foreign company which has a branch or a head office in Italy and wishes to second a manager or skilled worker from abroad to its Italian office. The secondment may not exceed a period of five years. During this period, workers seconded to Italy remain on the payroll of the foreign company. It is nevertheless possible to employ the seconded worker on a local contract after the secondment period has finished. Once the employee has the Permesso di lavoro per trasferimento intra-azienda, it is relatively simple to obtain residence and work permits for non-EU family members.

#### Are there special cases?

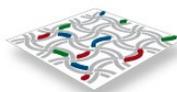
Other special cases of interest provided by Italian Immigration Law for obtaining visas and work permits above the ceiling set by the annual decree are:

- ⇒ work permits for suppliers
- ⇒ work permits for special activities
- ⇒ work permits for researchers, professors and academics
- ⇒ work permits for internships
- ⇒ work permits for free-lance professionals (in the case of highly qualified workers and managers)

This is only a brief overview of Italian Immigration Law, which is a complex area requiring careful attention.

[www.industria.regione.lombardia.it](http://www.industria.regione.lombardia.it)

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