Vote on Italian budget bill expected before Christmas

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Italy's 2014 budget bill (Bill 1865), which contains several tax measures of interest to multinationals, is undergoing review by the Chamber of Deputies after being approved by the Senate on 27 November 2013. For prior coverage, see Italy – details of draft Budget Law for 2014.

The lower house is expected to vote on the bill before Christmas. If it is approved with no amendments, the 2014 budget will become law. If the Chamber of Deputies amends the bill, another Senate vote will be required. The scheduled effective date is 1 January 2014. The main corporate tax proposals are as follows:

- gradual increases of the notional interest deduction from the current 3% to 4% in 2014, 4.5% in 2015 and 4.75% in 2016;
- the reopening of prior asset step-up elections for tax purposes, subject to the payment of a substitute tax;
- the deduction under the regional business tax (IRAP) of labour costs for annual increases in the workforce;
- a change to the minimum length of financial lease agreements to 12 years for the purpose of deducting rental fees;
- the introduction of a 4% transfer tax on the assignment of financial lease agreements involving depreciable real estate assets;
- the extension to the IRAP regime of the conversion of deferred tax assets into tax credits, which is currently available for corporate tax (IRES) purposes only;
- changes to the deduction of bad debt allowances and losses by banks and insurance companies;
- a requirement that external advisers or auditors sign off on any tax credit offsets exceeding €15,000; and
- an exemption from interest on the payment of tax bills to the Revenue's collection agents.

A separate legislative measure already in effect requires corporate taxpayers to pay accruals of their 2013 tax liability in an amount equal to 130% of their final 2012 tax liability. This provision applies for the payment of the November accrual, which has been extended to 10 December 2013.