

In this issue:

**Increase of Tax on
Financial Income in Italy**

Operational Tax contacts

Deloitte Luxembourg

Pascal Noel

Partner
pnoel@deloitte.lu
+ 352 451 452 571

Eric Centi

Partner
ecenti@deloitte.lu
+ 352 451 452 162

Alberto Morpurgo

Director
amorpurgo@deloitte.lu
+352 451 454 949

Vilma Domenicucci

Senior Manager
vdomenicucci@deloitte.lu
+ 352 451 452 464

Deloitte Italy

Mauro Lagnese

Partner
mlagnese@sts.deloitte.it
+39 02 833 24 097

Fabio Tarsia

Director
ftarsia@sts.deloitte.it
+39 02 833 24 184

Please contact

Christelle Piovano
cpiovano@deloitte.lu
should you wish to be removed from this mailing list or if you would like to have any of your colleagues added to the mailing list.

[Link to previous Operational Tax News](#)

Operational Tax News. Increase of Tax on Financial Income in Italy



08 July 2014

Increase of Withholding Tax Rate

As from 1 July 2014, the 20% domestic withholding tax currently applicable to certain dividends, interest and capital gains has increased to 26%. Interest and capital gains on bonds issued by the Italian government will remain taxable at a reduced 12.5% rate.

These provisions have been commented by the Tax Authorities with Circular n. 19/E dated 27 June 2014.

In particular, the new 26% tax rate will apply to:

- interest on current accounts, deposits, interest on bonds and similar securities accruing from 1 July 2014 onwards;
- interest on other debt instruments and similar proceeds accruing from 1 July 2014;
- income from participation in OICR – “Organismi d’investimento collettivo del risparmio” - realised as from 1 July 2014. According to specific transitory rules, the 20% tax rate is still applicable on income realised after 1 July 2014, but referred to income accrued up to 30 June 2014;
- capital gains on participation (not substantial) realised as from 1 July 2014;
- dividends and similar proceeds received from 1 July 2014 (regardless of the date of the resolution to distribute the dividends).

A refund of up to 11/26 (previously 1/4) of the Italian withholding tax levied on dividends paid to a foreign recipient may be available, to the extent, tax is paid in the recipient’s country of residence. Specific exemptions or reduced withholding tax rates may be applicable under the relevant EU directives or under tax treaties.

Capital gains derived by foreign corporations upon disposals of substantial participations in Italian companies remain subject to a 13.673% effective tax rate (i.e. 27.5% corporate income tax on 49.72% of the gain), unless a relevant tax treaty applies. Substantial participations are those representing (i) more than 2% of the voting rights or 5% of the equity in companies listed in regulated

[Link to Operational Tax webpage](#)

markets, or (ii) more than 20% of the voting rights or 25% of the equity in other companies.

Taxation of investments made by Luxembourg investment funds

With regards to the Italian government bonds or bonds issued by listed Italian companies and banks, this increase should not have any material impacts for Luxembourg investment funds which should benefit from the domestic exemption granted to institutional investors established in white-listed countries according to art. 6 of D. Lgs. n. 239/1996. Provided all the requirements are met, Luxembourg investment funds will receive a gross interest amount.

Impact on Italian private investors holding units in foreign investment fund

Income derived from foreign investment funds by Italian private investors will be subject to the 26% rate, unless this rate is reduced according to the asset test mechanism allowing tracking the part of income deriving from government bonds and assimilated securities benefiting from the unchanged 12.5% rate.

Please note that the scope of eligible securities for the purpose of the asset test mechanism has been enlarged to include bonds and similar securities issued by territorial authorities of countries included in the Italian White list (art. 6 of D. Lgs. n. 239/1996).

How can Deloitte help you?

Deloitte may assist you in reviewing your exposures in relation to the above and in assessing the tax impacts.

Should you have any queries, please do not hesitate to contact us. We will keep you updated on any future developments.

[Home](#) | [Security](#) | [Legal](#) | [Privacy](#)

Deloitte General Services
560, rue de Neudorf
L-2220 Luxembourg

© 2014 Deloitte General Services

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/luxembourg/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

 [Deloitte RSS feeds](#)
[Subscribe / Unsubscribe](#)

This message (including any attachments) contains confidential information intended for a specific individual and purpose, and is protected by law. If you are not the intended recipient, you should delete this message and are hereby notified that any disclosure, copying, or distribution of this message, or the taking of any action based on it, is strictly prohibited. Recipients should be aware that replies to e-mail messages may go through the servers of the Luxembourg member firm of Deloitte Touche Tohmatsu Limited and its affiliates and may be subject to monitoring and inspection in accordance with the firm's internal policies.