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International Tax News

ITALY

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1. International tax ruling (L. 24 December 2003, no. 350, effective 1 January 2004)

Companies carrying out international activities are entitled to enter with Italian tax Authorities into an agreement in respect of:

- transfer prices
- interest
- dividends
- royalties

The agreement is binding for both parties for the fiscal year in which the agreement is entered and for the two following years.

The Italian Tax Authorities are supposed to promptly provide the foreign Tax Authorities involved with said agreement.

2. Revaluations of fixed assets and interests held in subsidiaries and associates (L. 24 December 2003, no. 350, effective 1 January 2004)

Any enterprise can revalue its fixed assets (tangible and intangible except goodwill), as well as interests held in subsidiaries and associates by paying a substitute tax on the amount of the revaluation as follows:

- 19% for depreciable assets
- 15% for non depreciable assets (namely land and interests held in subsidiaries and associates)

Assets eligible for revaluation are those recognised on the Financial Statements closed no later than 31 December 2002. The revaluation should be recognised on the Financial Statements closed after 31 December 2002.

Provided that in most circumstances extraordinary income from the sale of interests held in any participated company carrying on business activity is not subject to taxation under the participation exemption concept (effective from tax periods beginning on or after 1 January 2004), under normal circumstances it is not convenient to pay the 15% substitute tax on interests held in subsidiaries and associates.

3. Tax amnesty extension (L. 24 December 2003, no. 350, effective 1 January 2004)

Tax amnesty provisions have been extended for periods running at 31 December 2002. Payments are due by 16 March 2004.

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