

COVID-19

**Decree Law “Cura Italia” no 18 of 17/03/2020 (the “Decree”)
introducing measures in support of the national healthcare service and
of families, workers and companies in connection with the COVID-19
emergency**

Incentives for companies

FINANCIAL SUPPORT TO COMPANIES

Article 55 of the Decree amended article 44-*bis* of Decree 34/2019, introducing the possibility to convert deferred tax assets into tax credits.

ELIGIBLE TAXPAYERS

All companies, except those in serious financial difficulties, or at risk of being in serious financial difficulties (article 17 of legislative decree no 180/2015) or in a state of insolvency (article 5 of Royal Decree no 267/1942 or article 2, comma 1, let. b) of the Italian code of business crisis and insolvency – legislative decree no 14/2019).

SUPPORT MEASURES

A company which at 31 December 2020 will transfer for consideration accounts receivable from defaulting debtors (i.e., debtors from which no payment is received for more than ninety days after the due date), may convert into a tax credit the deferred tax assets in connection with the following items:

- ◆ Tax losses not yet deducted from taxable income (pursuant to article 84 of the Italian Income Tax Code);
- ◆ The amount of the notional income in excess of the aggregate net income for the purposes of the ACE relief (aid to economic growth) - pursuant to article 1, comma 4 of decree law no 201 of 6 December 2011 – not yet deducted or used in the form of a tax credit at the date of the transfer.

For the purpose of the conversion into a tax credit, the above items may be taken into account as to a maximum amount of 20% of the nominal value of the accounts receivable transferred.

The amount of accounts receivable transferred which may be relevant for these purposes cannot exceed 2 billion Euro, having regard to all transfers made until 31 December 2020 by companies

linked by control as defined by article 2359 of the civil code and by companies directly or indirectly under common control with the same entity.

The provision does not apply to transfers of receivables between companies linked by control as defined by article 2359 of the civil code and to companies directly or indirectly under common control with the same entity.

The deferred tax assets in connection with the above items may be converted into a tax credit whether or not they have been recognized in the financial statements.

The conversion into the tax credit is made at the effective date of the accounts receivable transfer.

The tax credits deriving from the conversion do not bear interest, and may be used, without financial limits, to offset liabilities pursuant to article 17 of legislative decree no. 241/1997, transferred pursuant to the terms of articles 43-*bis* or 43-*ter* of presidential decree no 602 of Presidential decree no 602/1073, or claimed for refund.

The tax credits are to be reported in the income tax return and are not included in the taxable income for IRES (corporate income tax) or IRAP (regional tax on productive activities).

TAX CREDIT FOR WORKPLACE SANITIZATION COSTS

Article 64 of the Decree introduced a tax credit for workplace sanitization costs.

ELIGIBLE TAXPAYERS

Anyone carrying on a business or a profession.

SUPPORT MEASURES

Granting of a tax credit for FY2020 corresponding to 50% of appropriately documented workplace and work instrument sanitization costs up to 20,000 euro per beneficiary, for a maximum of 50 million Euro for FY 2020.

A Decree of the Ministry of Economic Development, jointly with the Ministry of Economy and Finance, to be enacted within thirty days from the entry into force of the Decree, shall establish the criteria and procedures for the application and use of the tax credit.

TAX CREDIT FOR SHOPS

Article 65 of the Decree introduced a tax credit for shops whose activities were suspended during the COVID-19 emergency, to mitigate the adverse effects of the containment measures.

ELIGIBLE TAXPAYERS

Retailers.

SUPPORT MEASURES

Granting of a tax credit for FY 2020 corresponding to 60% of the March 2020 lease payment for properties classified as C/1 buildings.

The tax credit does not apply to the retail businesses referred to in annexes 1 and 2 of the 11 March 2020 Italian Prime Minister Decree (which have remained open) and may be used only to offset tax liabilities.

FOCUS

List of activities not eligible for the tax credit:

Annex 1 to the 11 March 2020 Italian Prime Minister Decree

RETAIL STORES:

- ◆ Hypermarkets
- ◆ Supermarkets
- ◆ Grocery Discount Markets
- ◆ Minimarkets and other non-specialized miscellaneous grocery stores
- ◆ Retail sale of frozen products
- ◆ Retail sale in non-specialized stores of computers, devices, telecommunications equipment, audio and video consumer electronics, household appliances
- ◆ Retail sale of food, beverages and tobacco in specialized stores (ateco code: 47.2)
- ◆ Retail sale of automotive fuel in specialized stores
- ◆ Retail sale of ICT equipment in specialized stores (ateco code: 47.4)
- ◆ Retail sale of hardware, paints, flat glass and electrical and thermo-hydraulic equipment
- ◆ Retail sale of sanitary ware
- ◆ Retail sale of lighting items
- ◆ Retail sale of newspapers, magazines and journals
- ◆ Pharmacies
- ◆ Retail sale of non-prescription medicines in other specialized stores
- ◆ Retail sale of medical and orthopedic goods in specialized stores
- ◆ Retail sale of perfumery, toiletries and personal care products
- ◆ Retail sale of small pets
- ◆ Retail sale of lenses and photographic equipment

- ◆ Retail sale of fuel for domestic and heating purposes
- ◆ Retail sale of soaps, detergents, polishing products and similar products
- ◆ Retail sale of any type of product via the Internet
- ◆ Retail sale of any type of product on television
- ◆ Retail sale of any type of mail, radio and telephone order product
- ◆ Sale of products by means of vending machines

Annex 2 to the 11 March 2020 Italian Prime Minister Decree

PERSONAL SERVICES:

- ◆ Washing and cleaning of textiles and furs
- ◆ Industrial laundry activities
- ◆ Other laundries, dry cleaners
- ◆ Funeral services and related activities

MEASURES IN SUPPORT OF THE FARMING AND FISHING BUSINESSES

Article 78 of the Decree introduced measures in favor of the farming, fishing and aquaculture businesses.

ELIGIBLE TAXPAYERS

Farming, fishing and aquaculture businesses.

SUPPORT MEASURES

To help businesses cope with the direct and indirect damage caused by the COVID-19 emergency, a 100 million euro fund has been set up for 2020 in respect of:

- ◆ the full coverage of interest expense on bank loans taken out to fund working capital or debt restructuring programs;
- ◆ the coverage of interest expense accrued over the past two years on loans taken out by the above businesses;
- ◆ the temporary suspension of fishing activities.

One or more decrees of the Italian Ministry for Farming, Food And Forestry Policies jointly with the Permanent Conference for relationships between the State, the Regions and the Autonomous Provinces of Trento and Bolzano, shall establish the criteria and procedure for the operation of the Fund, in compliance with Commission Regulation (EU) 2019/316 of 21 February 2019 amending Regulation (EU) No 1408/2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid in the agriculture sector.

URGENT MEASURES FOR AIR TRANSPORT

Article 79 introduced urgent measures in support of air transport.

ELIGIBLE TAXPAYERS

Entities holding a passenger air transport license issued by ENAC (the Italian Civil Aviation Authority).

SUPPORT MEASURES

As a consequence of the financial damage caused to the aviation sector by the COVID-19 outbreak, special measures will be put in place for companies holding a passenger air transport license issued by ENAC which, at the date of enactment of the Decree, provided transportation services of public interest, to compensate for the losses suffered as a result of the exceptional circumstances and to enable them to continue in business.

A Decree of the Ministry of Economic Development, jointly with the Ministry of Economy and Finance, shall establish the relevant implementation rules.

The efficacy of the measures is conditional on the authorization by the European Commission pursuant to article 108, comma 3 of the Treaty on the Functioning of the European Union.

EXTRAORDINARY MEASURES IN SUPPORT OF THE PRINTING BUSINESS

Article 98 introduced extraordinary measures in support of the printing business (the “advertising bonus” referred to in article 57-*bis* of decree no 50/2017).

ELIGIBLE TAXPAYERS

Companies, self-employed and non-commercial entities investing in advertising campaigns on newspapers and periodicals, including on-line press, and on local, analog or digital TV and radio broadcasters (article 57-*bis*, comma 1 of decree law no 50/2017).

SUPPORT MEASURE

Granting of a tax credit for 2020 at a rate of 30% of the value of the investment made, up to the established spending limits, and in any case within the limits established by EU Regulations.

For the parts not derogated from by the Decree, reference will be made to the rules of Italian Prime Minister Decree no 90 of 16 May 2018, insofar as applicable.

The online application to obtain the tax credit will have to be filed between 1 and 30 September 2020.

The online applications sent between 1 and 31 March 2020 will remain valid.

NOTA BENE:

The tax credit for retailers exclusively engaged in the newspaper and periodical selling business has been determined at:

- ◆ 2,000 Euro for 2019 and
- ◆ 4,000 Euro for 2020

(article 1, comma 806 of law no 145 of 30 December 2018).

For FY2020, the tax credit has been extended to press distributors which supply newspapers and/or magazines to newsstands located in municipalities with a population of less than 5,000 and in municipalities with a single newsstand; the tax credit may also be determined in proportion to the costs for electricity, telephone and Internet connection, and for newspaper home delivery services.

INTERNATIONALIZATION MEASURES

Article 72 of the Decree has set up a *Fondo per la promozione integrata* (integrated promotion Fund), with an initial capital of 150 million for 2020.

The Fund will support the following initiatives:

- ◆ extraordinary communications campaigns to support Italian exports and the development abroad of Italian companies in the agri-food business and in the other sectors affected by the COVID-19 emergency, with the cooperation of the ITA - Italian Trade Agency (the Governmental agency that supports the business development of our companies abroad and promotes the attraction of foreign investment in Italy);
- ◆ co-funding of promotional initiatives directed at foreign markets carried out by other public authorities (pursuant to article 1, comma 2 of Legislative Decree no 165 of 30 March 2000), by entering into special-purpose agreements;
- ◆ non-refundable co-funding of up to 50% of the loans granted pursuant to article 2, comma 1 of decree law no 251 of 28 May 1981, according to the criteria and procedures to be established by one or more resolutions of the *Comitato Agevolazioni* (incentives committee) - referred to in article 1, comma 270 of law no 205 of law 27 December 2017. Co-funding shall be granted within the limits and on the conditions established by the European *de minimis* state aid rules.

For additional information or clarification please contact:

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