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BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

Italy has a population of 58.98 million, of which 48.7% are men and 51.3% are women (Istat, 2022). In terms of age structure, 12.7% of the population is between 0 and 14 years old, 63.5% between 15 and 64 and 23.8% are 65 or older; with the median age being 46.2 years (the highest European level). The Italian population is ageing and the birth rate has been worsening in recent years (7 out of 1,000 inhabitants in 2021, from 7.8 in 2016 and 9.6 ten years ago). The number of households is increasing but their size is decreasing: in 2021 around one-third of households are made up of one person (33.2%), 27.7% are made of 2 persons, 18.9% of three, 15.2% of four and only 5.1% of five or more people (Istat). Around 28.3% of the population lives in rural areas, while 71.7% are urban dwellers; with the regions of Lombardia, Lazio and Campania being the most numerous (Data Reportal, 2022).

The number of people attending university has been decreasing in recent years (-10.6% in 2017 compared to 2009, latest data available by Istat). Furthermore, according to data by Eurostat, in 2020 only 20.1% of the Italian population between 25 and 64 years old has attained tertiary education (the second-lower level in Europe, after Romania). In Italy, 63% of adults aged 25-64 have completed upper secondary education (OECD).

The latest data by Istat concerning the first quarter of 2022 show that out of a total of 22.95 million working people, nearly 4.97 million are independent workers, while 17.98 million are employees (of which 14.86 million have permanent contracts and 3.12 million have limited-term contracts). Italy is also the country in Europe with one of the highest number of freelance workers (21,64% of total employment in 2022, Istat).

Purchasing Power

In Italy, GDP per capita stood at USD 45,936 in 2021 (World Bank). According to data by Istat, in 2020 GDP per capita (at current prices) was 34,135.9 euros in the North-west area, 32,962.3 euros in the North-east and 30,372.2 euros in the Centre, while in the South and Islands area per capita GDP - at 18,501.2 euros - was 45% lower than in the Centre-North area, showing the territorial inequalities of the country. The dynamism in terms of employment and wages in the northern regions contributed to the territorial gap. The average gross household disposable income grew by 2,6% in 2021 compared to 2020, and amounted to USD 33,865 per capita (OECD). In Italy there is a considerable gap between the richest and poorest, with the top 20% of the population earning close to six times as much as the bottom 20%. According to data by the World Bank, the GINI index for Italy stands at 35.2 (100 representing the highest level of inequality, 0 the lowest). According to the latest data available by Istat, in 2021 a little more than 1.9 million households (7.5% of the total from 7.7% in 2020) and about 5.6 million individuals (9.4% as last year) were in absolute poverty. In 2021, households consumption expenditure growth at 1.4% (Istat). The OECD estimates Italy's purchasing power parity at EUR 0.65 per USD in 2021 (compared to EUR 0.66 in 2020).

Seniors have the highest median standard of living, while young people have the lowest median standard of living. Households whose main income earner is self-employed have the highest net income (EUR 42,340), followed by employee (EUR 37,158), and retired (EUR 30,344) (Istat, latest data available). Figures from Eurostat show that on average in Italy women earn 5.5% less than men (better than the EU average, where the gender pay gap is of 14.4% according to the latest data by Eurostat).

Consumer Behaviour

Italy's population has a high and diversified level of mass consumption (defined as the very high average level of consumption whereby most of the people consume a large amount of goods and services other than satisfaction of basic needs). However, since the financial crisis and the Covid-19 pandemic, the majority of Italian consumers have re-organized their shopping habits in order to meet economic constraints. According to the latest data by Istat, consumer confidence has been decreasing in the first half of 2022, mainly due to the uncertain economic situation, the war in Ukraine and rising inflation (Istat, June 2022). Italian consumers are demanding of quality products, they will therefore be more concerned about the quality of goods and of customer service than about promotions. When given the choice, Italians prefer products 'made in Italy', however foreign products are also in vogue (especially for footwear and streetwear). Novelty is welcomed, especially in the fashion sector. Most consumers purchase from mass retailers and large companies, especially in bigger cities. The ageing population (Italy is projected to have a median age of almost 50 years by 2030) drives an increasing demand for specialist products and services.

Italians are increasingly attracted by online sales, e-commerce and m-commerce (this practice also applies to the purchase of food products, through the development of drive and home delivery services in major cities). According to Netcomm, the Italian Electronic Commerce Consortium, 33.3 million Italians have bought a good or service online in the last three months and have made an average of 1.3 purchases per month in the first quarter of 2022. The number of online purchases is growing steadily and has exceeded 100 millions of transactions per quarter in 2020. Most of the consumers are multichannel, meaning they buy both from normal shops and online, while around a third use the internet only to gather information about products that they then buy in standard channels. More than half of e-shoppers makes at least one online purchase every month.

Italians have historically been considered brand loyal, however this trend has been changing in recent years, with consumers being more interested in trying new products/brands (43% according to a survey by Nielsen, while 45% declare to be open to change their favourite outlet in case of interesting promotions from new outlets).

Italian consumers often rely on the information provided on the internet and on social networks, especially those coming from other consumers (comments, reviews, etc.). Italy is the EU country with the highest share of influencers per population (2.22%). In a recent study conducted by Buzzoole (2021), 85% of consumers interviewed claim to take the opinions of influencers into consideration when buying a product (European Parliament). Concerning big data, Italian consumers do not have a clear perception of which data are collected, stored and transferred and for which use.

A growing preference for sustainable, locally-produced products and organic foods has been recorded in recent years. In fact, 85% of consumers thinks that sustainable products have a better quality and are more innovative. In a study conducted by Bord Bia (H1 2021), 90% of Italian consumers claimed to have made an effort to buy products with higher welfare standards in the last 12 months, and more than half said sustainability is very important when choosing food and drink.

Use of collaborative platforms such as Airbnb, Uber, Blablacar, car sharing services is increasing, especially among young people.

Consumer Recourse to Credit

Italy's consumer credit data was reported at EUR 124.3 billion in June 2018. Overall, Italy has a low private debt-to-GDP ratio, estimated at 41.3% of GDP in 2017 by the IMF. According to data from the Bank of Italy, Italian households remain financially sound, with a level of wealth considered high by international standards and one of the lowest degree of indebtedness in the euro area. Furthermore, debts are concentrated among households that are better able to repay them. In general, debt repayment capacity is boosted by the growth in disposable income and by low interest rates. The overall default rate was estimated at 1.9% in March 2018 (composed by 2.7% for consumer loans and 1.5% for mortgages), according to data by CRIF.

Mortgage loans continue to grow at a moderate pace, with the demand for new mortgages being fuelled by low property prices and favourable supply conditions. Consumer loans are increasing at a swift pace, especially in personal loans (+2.7% in the first quarter of 2018) and loans secured by a pledge of one-fifth of a salary (+6.5%). The growth in consumer credit is closely linked to the trend in durable goods purchases, hence the level of recourse to credit can fluctuate according to the level of sales of durable goods (for example, loans to

buy cars and motorbikes have recorded an increase in double figures in 2017, but in the first quarter of 2018 the rise was limited to 5.2%).

Growing Sectors

Food and beverage, tourism, luxury goods and fashion, pharmaceuticals, healthcare, textiles, shoemaking industry, transport.

Consumers Associations

[List on the website of the Ministry for Economic Development](#)

[Codacons](#)

[The Italian Association of Consumers and Users \(ACU\)](#)

[The Italian Association for the Defence and Rights of the Consumer \(ADOC\)](#)

[The National Union of Consumers \(UNC\)](#)

[ADICONSUM](#)

[Assoconsum](#)

IMPORTING & DISTRIBUTING

Import Procedures

Import procedures are subject to a declaration on-line or on paper. You will find further information on the [Agenzia delle Dogane](#) (Customs Agency) website.

The official model for written declarations to customs is the [Single Administrative Document \(SAD\)](#). The SAD serves as the EU importer's declaration. It encompasses both customs duties and VAT and is valid in all EU Member States.

As part of the "SAFE" standards advocated by the World Customs Organisation (WCO), the European Union has set up a system of import controls, the "Import Control System" (ICS), which aims to secure the flow of goods at the time of their entry into the customs territory of the EU. This control system, part of the [Community Programme eCustoms](#), has been in force since 1 January 2011. Since then, operators are required to pass an [Entry Summary Declaration](#) (ENS) to the customs of the country of entry, prior to the introduction of goods into the customs territory of the European Union. The EU recently introduced a new import control system called [ICS2](#) to implement the EU customs pre-arrival security and safety programme.

Non-agricultural goods entering EU territory must adhere to customs formalities (ENS). This declaration must be carried out by the person bringing the goods to the territory. The Summary Declaration can be made electronically or on a form provided by the customs authorities. The deadline for lodging the ENS depends on the mode of transport carrying the goods.

Since July 1, 2009, all companies established outside of the EU are required to have an EORI number if they wish to lodge a customs declaration or an Entry/Exit Summary declaration. Once a company has received an EORI number, it can use it for exports to any of the 27 EU Member States.

Goods in transit only need a single EU transit document.

Inward processing is free of customs treatment. This procedure allows raw material (non-Union good) to enter temporarily without customs fees if it will be processed (or repaired) and re-export the finished products out of the EU territory. In this case, the importer gives a guarantee (from an insurance company or bank) equal to the amount of customs duties that would have been due on the imported raw material. This guarantee will be reimbursed when the final product is exported. This process also applies to goods planned to be re-exported. Only goods sold in the EU market are eligible to import duty and taxes.

For outward processing, duties and taxes apply only to the value added during the process. Only firms located in Italy or in the EU may take advantage of this measure.

Check the [website of the EU Customs Union](#) periodically for updates.

Specific Import Procedures

The Union Custom Code - adopted on 9 October 2013 as Regulation (EU) No 952/2013 - Title V provides for the following customs simplifications:

- Simplified declaration (Article 166 UCC)
- Centralised clearance (Article 179 UCC)
- Entry in the declarant's records (Article 182 UCC). This type of customs declaration is not allowed for all customs procedures (e.g. exclusion of transit).
- Drawing-up of customs declarations for goods falling under different tariff subheadings (Article 177 UCC)
- Self-assessment (Article 185 UCC)

Distribution channels

According to USDA, in 2021 food retailers reported sales of EUR 167.8 billion, 2.9% more than in 2020. In 2021, hypermarkets accounted for 14.1% of the total grocery retailers sales in Italy, while supermarkets represented 35.5% and traditional grocery stores 24.9% (USDA). In 2020, there were more than 8,800 supermarkets and superstores, around 340 hypermarkets and more than 191,500 traditional grocery stores (Federdistribuzione). Traditional grocery retailers in Italy continue to account for a largest share of outlets. The majority of

hypermarkets are located in the North of Italy, whereas supermarkets are equally distributed. In 2020 the number of independent operators continued to decline even though Italian consumers continue to appreciate traditional food stores (Federdistribuzione). The increased purchases of organic products prompted by health and wellness concerns has been instrumental to the growth of Natura Sì, whose total number of outlets rose to 364 globally in 2022 (Natura Sì).

Distribution market players

The Italian food retail and distribution market is highly competitive. In 2021, the leading players in this market were Conad (15% market share), Selex (14.5%), Coop Italia (12.3%), Esselunga (8.3%), Gruppo Vege (7.1%), Eurospin (6.9%), Carrefour (5.1%) and Lidl Italia (4.7%) (Statista). Despite the continued presence of traditional outlets, as well as increased competition from domestic and international retailers, these retailers occupy a dominant position in the market. Some of the leading players - Coop Italia and Conad - exist as consortia of smaller operators and owe some of their success to their detailed knowledge of local requirements and shoppers' preferences. The principal foreign investors are the major French retailers Carrefour and Auchan.

Retail Sector Organisations

CONFIDA

Federdistribuzione

OPERATING A BUSINESS

Type of companies

Società a responsabilit  limitata (SRL): Limited Liability Company

Number of partners: Minimum 1 shareholder.

Capital (max/min): No minimum but some constraints if the capital is less than EUR 10,000.

Shareholders and liability: Liability is limited to the amount of capital contributed.

Societ  per azioni (SpA): Public Limited Company

Number of partners: There are no limitations on the number of partners.

Capital (max/min): Minimum of EUR 50,000, of which 25% has to be paid-up.

Shareholders and liability: Liability is limited to the amount of capital contributed.

Societ  in nome Collettivo (SNC): General Partnership

Number of partners: Minimum 2 partners, no maximum.

Capital (max/min): No minimum capital requirement.

Shareholders and liability: Liability is joint and indefinite.

Societ  in Accomandita Semplice (SAS): Limited Joint-Stock Partnership

Number of partners: Minimum 2 partners, no maximum.

There are two types of partners, the active partners and the silent partners.

Capital (max/min): No minimum capital requirement.

Shareholders and liability: Liability of the active partners is unlimited.

Società Cooperativa (SC): Cooperative Society

Number of partners: Minimum 3 partners, no maximum.

9 partners if one of them is a legal entity.

Capital (max/min): Minimum EUR 25 per partner

Shareholders and liability: Liability is limited or unlimited according to the Articles of Association.

Setting Up a Company	Italy	OECD
Procedures (number)	7.0	5.2
Time (days)	11.0	9.5

Source: Doing Business - Latest available data.

Cost of Labour

Minimum Wage

There is not a statutory minimum wage. Yet most Italian workers (nearly 80%) are actually covered by a minimum wage agreement, established through sectoral collective bargaining.

Average Wage

Average annual wage: USD 37,769 (source: OECD, 2020 - latest available data).

Social Contributions

Social Security Contributions Paid By Employers: Generally speaking, contributions are subject to variations depending on the professional branch, the risks, the number of employees and their professional qualifications. Employer's charge is around 30%. Around 33% of the total rate is paid into the National Pension Fund, and the remainder is paid to the unemployment, sickness, maternity, social mobility and other funds (PwC).

Social Security Contributions Paid By Employees: Employees's charge is around 10% and destined for disability, old age and surviving spouses. Self-employed individuals are taxed at 25.98%. Additional voluntary and variable contributions are also allowed (PwC).

Intellectual Property

National Organisations

[Italian Bureau for Patents and Trademarks](#)

[Copyright SIAE](#) (Italian Society for Authors and Editors).

Regional Organisations

Patent Protection: [the European Patent Office](#)

Governing trademarks, designs and models: the EUIPO (European Union Intellectual Property Office)

International Membership

[Member of the WIPO](#) (World Intellectual Property Organization)

[Signatory to the Paris Convention](#) For the Protection of Intellectual Property

[Membership to the TRIPS agreement](#) - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

TAX RATES

Consumption Taxes

Nature of the Tax

IVA (Imposta sul Valore Aggiunto)

Tax Rate

22% in 2023

Reduced Tax Rate

The Italian legislation provides several reduced VAT rates:

- 4% for listed food, drinks, and agricultural products, books, newspapers and periodicals, medical equipment, and supplies of food and drink in a staff restaurant.
- 5% for the supply of social, health and education services (e.g., medical diagnostics, provision of hospital services and care) by Cooperative Sociali and their consortiums to certain categories of people (such as the elderly, the disabled, drug-addicted persons and AIDS patients); the supply of anti-COVID-19 goods; the supply of certain feminine hygiene products; the supply of baby products such as powdered milk; preparations foodstuffs of flour, groats, meal, starch or malt extract for feeding infants or young children; baby diapers and baby car seats; and the supply of natural gas used for combustion for civil and industrial uses, accounted for in invoices issued for estimated or actual consumption in January, February and March 2023.
- 10% for medicines, supplies of food and drink in restaurants, bars and hotels, supplies of electricity, methane and liquid petroleum, all for domestic use, electricity and gas for use by extraction enterprises and industrial enterprises, accommodation services rendered by marina resorts, the supply of pellet, and the supply of feminine hygiene products (different from the ones listed above for 5%).

Other Consumption Taxes

Several goods and services are subject to excise taxes in Italy, including: energetic products like petrol, gas oil, natural gas, coal; alcohol and alcoholic drinks; processed tobaccos and electric power.

Various stamp duties apply.

Corporate Taxes

Company Tax

24%

Tax Rate For Foreign Companies

Companies having their legal or administrative headquarters or their principal business activity within the Italian territory are considered to be resident companies.

A foreign company holding one or more Italian subsidiaries is deemed to be resident in Italy for tax purposes if it is (either directly or indirectly) held by Italian tax resident persons or its board of directors is made up mostly of

Italian resident individuals.

The definition of permanent establishment follows the OECD's model.

Capital Gains Taxation

In general, capital gains are treated as ordinary income and taxed at the corporate income rate of 24%, plus IRAP at 3.9%. Capital gains derived from the sale of participations may be 95% tax-exempt if the following conditions are met: a) the participation has been held for a minimum uninterrupted period of 12 or 13 months; b) the participation is classified as a financial fixed asset in the first financial statement closed after the participation was acquired; c) the majority of the subsidiary's income is not generated in a tax haven country or one with a privileged tax regime over the last three years before the disposal; and d) the company in which the participation is held carries out a business activity continuously over the last three years before the disposal. Capital gains obtained by non-resident companies are taxed at a 26% rate. Capital gains realized by a non-resident from the sale of a participation in a non-resident company are subject to taxation in Italy if more than 50% of the value of the non-resident company derives directly or indirectly from certain real estate property located in Italy at any time during the 365 days preceding the transfer.

Main Allowable Deductions and Tax Credits

Business expenses directly related to income generation are generally deductible: costs of setting up a business, commissions, depreciation and amortisation, staff bonuses and remuneration, royalties, advertising and entertainment expenses (capped; expenses related to gifts with a value of EUR 50 or less are entirely deductible). IMU is deductible for IRES purposes up to 100% (from FY 2022). In calculating the taxable base for IRES, the following IRAP expenses can be subtracted: 10% of the IRAP paid in the year; an amount determined by the IRAP paid on the cost of employees, after taking into account relevant deductions.

Interest expense is fully tax-deductible up to the amount of interest income. Interest expense in excess is deductible at up to 30% of the gross EBITDA, and the part in excess of the yearly limitation is carried forward in the following five fiscal years. Specific rules apply to the deduction of bad debts. Travel expenses incurred within the municipality are tax-deductible up to 75% (however, VAT is fully deductible).

An "allowance for corporate equity" (ACE) is available, consisting of a deduction equal to the net increase in the equity employed, multiplied by a rate determined each year (1.3% in 2023). The deduction is available each year, provided the equity increase is not diminished.

Company car expenses can be deducted up to 20% for cars that are not assigned to employees or are granted to employees solely for business use, and 70% if they are destined to employees for both business and private purposes. Mobile and landline telephones expenses are deductible up to 80%.

Deductions are available for charitable contributions. Meals and lodging expenses incurred within the municipality are deductible up to 75% of the expense incurred.

Losses may be carried forward and offset against corporate taxable income; however, 20% of taxable income in any year cannot be offset by carried-forward losses and is subject to corporate tax. Losses incurred in the first three tax periods may be carried forward to be offset against 100% of taxable income if these losses are linked to a new business activity. The carryback of losses is not permitted.

The patent box regime and R&D credit scheme grant tax credits subject to qualifying provisions to companies that invest in R&D. The tax exemption is up to 10% of the expenditure (capped at EUR 5 million) and can be granted to the permanent establishments of foreign companies if the latter are based in countries with which Italy has concluded a tax treaty and which exchange tax information with the company.

Other Corporate Taxes

A municipal tax is generally applied at a rate between 1.06% and 0.76% (generally 0.86%) on company-owned real estate (IMU). Municipal taxes are also calculated on the IMU for a common tax (IUC - Imposta unica

comunale) on service (TASI) and refuse (TARI).

A transfer tax is applicable to all transactions registered with the public register, generally taxed at a percentage of the value.

Stamp duty ranging from EUR 2 to EUR 100 is levied on legal and banking transactions, at varying rates. Stamp duty applies to the transfer of shares or other financial instruments issued by resident companies at 0.2% of the transaction value, or 0.1% if the sale is made on a stock exchange (so-called "Tobin Tax").

Companies deemed to be "non-operating" are subject to a tax on a deemed minimum income at a rate of 34.5%. Non-operating status includes companies: with low turnover and inventory increase rates, with insufficient revenues, that are unprofitable or declare tax losses for 5 consecutive fiscal tax years.

A regional tax on productive activities (IRAP) of 3.9% is levied on the net value of production in each Italian region by resident companies and permanent establishments (PEs) of foreign companies. The rate may vary by up to 0.92% across regions. IRAP is on average 4.65% for banks and financial institutions and 5.9% for insurance companies.

A 30% withholding tax is levied on compensation paid to a non-resident company for the use of industrial, commercial and scientific equipment in Italy.

A Digital services tax (DST) was introduced in 2020. It is levied on taxpayers that, at a group level, have annual global turnover over EUR 750 million in the previous calendar year and annual revenue from digital services rendered in Italy of over EUR 5.5 million in the previous calendar year, irrespective of their tax residency. The rate is 3% of gross revenue net of VAT or indirect taxes. Companies subject to the tax must maintain monthly records of relevant transactions.

Social security contributions depend on the activity performed by the company, the number of employees, and the employee's position. For employers, the contribution is generally around 30%.

Italian shipping companies that are tax residents, as well as non-resident shipping companies that operate in Italy through a permanent establishment, may meet the requirements to opt for the tonnage tax regime.

Other Domestic Resources

[Italian Revenue Agency](#)

[Doing Business: Italy](#), to obtain a summary of taxes and mandatory contributions

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[Ministry of Finance website](#)

Withholding Taxes

Dividends: 0% (resident company) / 1.2% (domestic final WHT on dividends distributed to shareholders resident in an EU/EEA country) / 26% (individuals and non-EEA companies);

Interest: 0% (resident company) / 12.5% (for government bonds) / 26% (individuals and non-resident companies);

Royalties: 0% (resident companies and individuals) / 22.5% (non-residents; 30% rate on 75% of gross royalty).

Withholding taxes may be reduced under an international tax treaty.

