ITALY

BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile
Italy has a population of 60.25 million, of which 48.7% are men and 51.3% are women (Istat, 2020). In terms of age structure, 13.2% of the population is between 0 and 13 years old, 64.1% between 15 and 64 and 22.8% are 65 or older; with the median age being 46.7 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 2019, from 7.8 in 2016 and 9.6 ten years ago). The number of households is increasing but their size is decreasing: in 2019 almost one-third of households are made up of one person (33.3%), 27% are made of 2 persons, 19.3% of three, 15% of four and only 4% of five or more people. 30% of the population lives in rural areas, while 70% are urban dwellers; with the regions of Lombardia, Lazio and Campania being the most numerous.

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 2019 only 22% of the Italian population between 25 and 54 years old has attained tertiary education (the second-lower level in Europe, after Romania). In Italy, 61% of adults aged 25-64 have completed upper secondary education.

The latest data by Istat concerning the fourth quarter of 2019 show that out of a total of 23.4 million working people, nearly 5.3 million are independent workers, while 18.1 million are employees (of which 15 million have permanent contracts and 3 million have limited-term contracts). Italy is also the country in Europe with one of the highest number of freelance workers (22.9% of total employment in 2018, Eurostat).

Purchasing Power
In Italy, GDP per capita stood at EUR 29,610 in 2019 (approximately USD 33,189 World Bank figures). According to data by Istat, GDP per capita was 35,400 euros in the North-west area, 34,300 euros in the North-east and 30,700 euros in the Centre, while in the South and Islands area per capita GDP - at 18,500 euros - was 45% lower than in the Centre-North area, showing the territorial inequalities of the country. In 2018, the average income stood at EUR 21,600, an increase of 4.8% compared to the previous year (according to data by the Ministry of Economy and Finance). 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 35.9 (100 representing the highest level of inequality, 0 the lowest). According to the latest data available by Eurostat, in 2018, 27.3% of people residing in the country were at risk of poverty or social exclusion (slightly below the 28.9 % level of the previous year), though the incidence of absolute poverty in 2018 stood at 8.4% of individuals (unchanged compared to 2017). In 2019, household consumption
increased by only 0.4% year-on-year; however, it is expected to fall by -8.7% in 2020 (due to the Covid-19 pandemic), followed by a 5% recovery in 2021. According to the latest data available by Banca d'Italia, the growth in household income increased, in real terms, by 1.4% in the North East, 1.2% in the North West, 0.8% in the Centre and 0.7% in the South. The dynamism in terms of employment and wages in the northern regions contributed to the territorial gap. The OECD estimate Italy’s purchasing power parity at 0.67% in 2019 (unchanged compared to 2018), however when computing the period between 2000-2016, Italians lost on average 0.32% of their purchasing power per year (Eurostat). Seniors have the highest median standard of living, while young people have the lowest median standard of living. Freelance workers have the highest average income (EUR 41,740), followed by entrepreneurs in individual enterprises (EUR 21,080), employees (EUR 20,680) and pensioners (EUR 17,170) (data by Ministry of Finance). Figures from Eurostat show that on average in Italy women earn 5% less than men (better than the EU average, where the gender pay gap is of 14.8% 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 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 increasing since the second half of 2020, mainly due to the end of the lockdown imposed from March to June because of the Covid-19 epidemic. 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, the Italian consumers who prefer online purchases were 29 million in the first half of 2020 and it is estimated that the sector will grow by 55% by the end of the year. Most of the consumers are multichannel, meaning they buy both from normal shops and online, while around 12.4 million people use the internet only to gather information about products that they then buy in standard channels. 56% 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.). 5% of young people between 15-24 purchased goods advertised by an Instagram or Facebook influencer, and 37% consider the advertising on these platforms as interesting (Blogmeter). 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. Nevertheless, seven consumers out of ten would not buy a sustainable/organic product that costs
10% more than a normal product, and only 1% of consumers would buy them in case of a 20% increase on the price. 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.

As part of the "SAFE" standards advocated by the World Customs Organisation (WCO), the European Union has set up a new 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.

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 deadline for lodging the ENS depends on the mode of transport carrying the goods.

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.

The EU plans to introduce a new import control system called ICS2 that will start on 15 March 2021 to implement the EU customs pre-arrival security and safety programme.

Check the [website of the EU Customs Union](https://customsunion.europa.eu) 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 Federdistribuzione, in 2019 grocery retailers reported sales of €119.9 billion. In 2019, hypermarkets accounted for 10% of the total grocery store space in Italy, while supermarkets represented 44.2%. 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. While modern grocers were in total nearly 75%, there were more than 25% of traditional grocery outlets. In 2019 the number of independent operators continued to decline even though Italian consumers continue to appreciate traditional food stores. The increased purchases of organic products prompted by health and wellness concerns has been instrumental to the growth of Natura Sì, whose number of outlets rose to 289 in 2019.
The Italian food retail and distribution market is highly competitive. According to Federdistribuzione, the leading players in this market in 2019 are Conad (13.8% market share), Coop Italia (13% market share), Selex (10.1% market share), Esselunga (8.9% market share), Gruppo Vege (7% market share), Eurospin (6.3% market share), Carrefour (5.7% market share) and Lidl Italia (4.3% market share). 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.

**OPERATING A BUSINESS**

**Type of companies**

**La Societa a responsabilita 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.

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

**La Societa in nome Collettivo** (SNC): General Partnership  
**Number of partners:** There are no limitations on the number of partners.  
**Capital (max/min):** No minimum capital requirement.  
**Shareholders and liability:** Liability is joint and indefinite.
La Società in Accomandita Semplice (SAS): Limited Joint-Stock Partnership

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

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.

La Società Cooperativa (SC): Cooperative Society

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

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

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

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<th>Setting Up a Company</th>
<th>Italy</th>
<th>OECD</th>
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<tbody>
<tr>
<td>Procedures (number)</td>
<td>6.0</td>
<td>4.8</td>
</tr>
<tr>
<td>Time (days)</td>
<td>6.0</td>
<td>8.3</td>
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Source: Doing Business.

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

Social Contributions
Social Security Contributions Paid By Employers: 23.81% of income for disability, old age and surviving spouses and up to 6% of additional contributions: sickness and maternity (2.68%), unemployment (1.61%), family benefits.

Generally speaking, contributions are subject to variations depending on the professional branch, the risks, the number of employees and their professional qualifications.

Social Security Contributions Paid By Employees: Employees are subject to a 9.19% withholding tax on income, and destined for disability, old age and surviving spouses. Self-employed individuals are taxed at 25.72%. Additional voluntary and variable contributions are also allowed.

Intellectual Property

National Organisations
Regional Organisations
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 2020

Reduced Tax Rate
The Italian legislation provides several reduced VAT rates:
- 4% for listed food, drinks, agricultural products, books, newspapers and periodicals, medical equipment
- 5% for certain health services, for the sale of food herbs, and for certain transport services on seas, lakes, and rivers
- 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.

Supplies of medical devices or other devices intended for individual protection will be VAT exempt with right to deduction until 31 December 2020, and be subject to a 5% reduced rate thereafter.

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.
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.

Following the COVID-19 crisis, the Italian government granted a suspension of payments for enterprises and professionals having tax domicile, registered office or place of business in Italy (not applicable to non-resident taxpayers), of a) withholding taxes on employment income and similar income, b) withholding of local surcharges, c) VAT and d) social security contributions and premium for mandatory insurance on employment. To be eligible for the suspension, a reduction in turnover earned during March and April 2020 compared with the same months of 2019 has to be proved (with different thresholds according to the yearly turnover). The suspended payments must be made by 31 June 2020 in full, or in five equal instalments starting from June 2020, without interest.
Advance payment for income taxes ordinarily due in June 2020 for the current fiscal year has been reduced by 20%.

For an overview of the tax measures introduced by the Italian government following the COVID-19 crisis, consult the dedicated page on the website of the Ministry of Finance.

**Capital Gains Taxation**
In general, capital gains are treated as ordinary income and taxed at the corporate income rate of 24%. 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 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.

**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). IMU is deductible for IRES purposes up to 50% of the amount paid in fiscal year 2019; 60% in FY 2020 and FY 2021; 100% thereafter.
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 year. 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 2020). The deduction is available each year, provided the
security increase is not diminished.

Company cars 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%.

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.

Companies who increase their investments in advertising can benefit from a tax
credit of 75% of incremental investments. A tax credit equal to 50% of expenses
for sanitizing of the environment and work tools has been granted due to the
COVID-19 pandemic.

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
50% of the expenditure 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 of 0.76% 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. If
registration is voluntary, a EUR 200 fee applies. If registration is mandatory (for
transactions such as the sale of real estate), the transaction is generally taxed at a
percentage of its 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% transaction value, or
0.1% if the sale is made on a stock exchange (so-called "Tobin Tax").
Company statutes that require registration are subject to a registration fee of EUR
200 and annual fees based on the turnover of the company.

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 work-activity performed by the company, the number of employees, and the employee's position. For employers, the contribution is generally around 40%.

**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: 1.2% (domestic final WHT on dividends distributed to shareholders resident in an EU/EEA country) / 26%;
Interest: 12.5% (for government bonds) / 26%;
Royalties: 22.5%.

Withholding taxes may be reduced under an international tax treaty. See special rates [here](#).