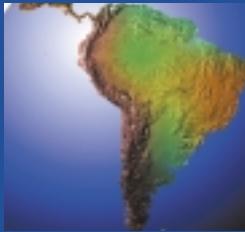
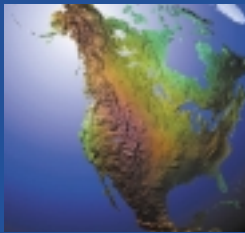
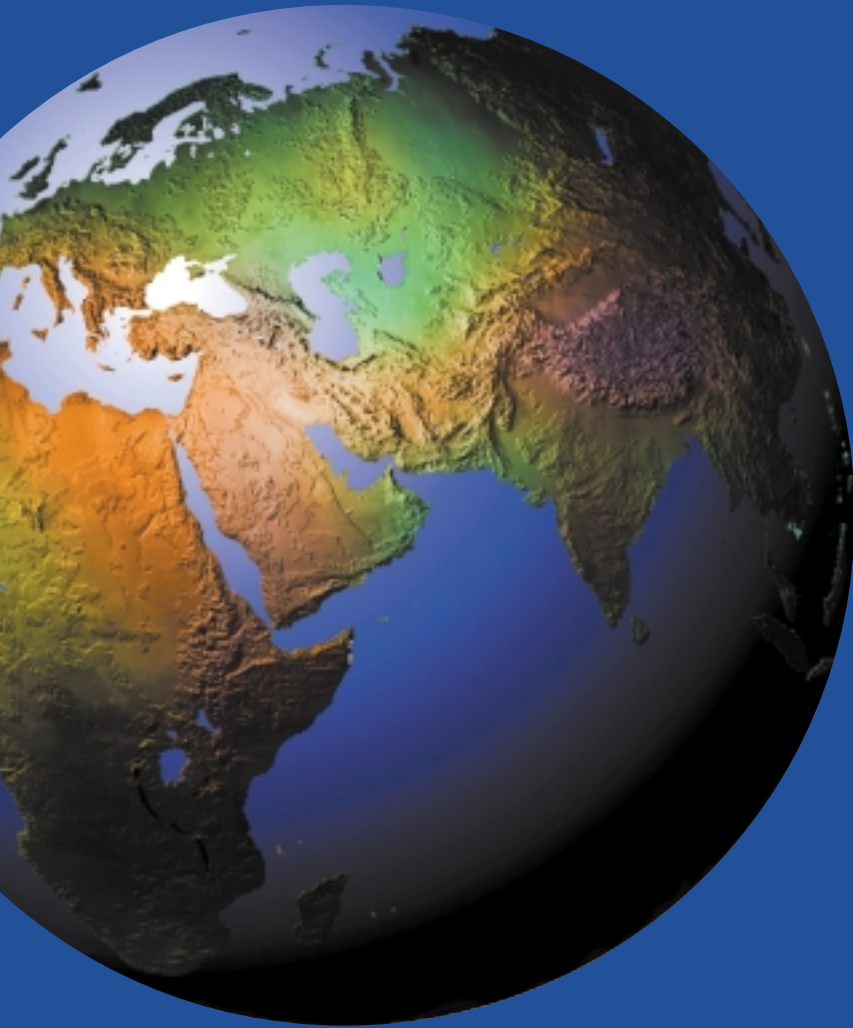




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INTRODUCTION

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STUDIO ASSOCIATO COMMERCIALE
TRIBUTARIO
Via Privata Maria Teresa 4
20123 Milano
Italy

Telephone +39 02/72093867
Fax +39 02/72002043
E Mail info@agigroup.it



Giuseppe La Rosa
Managing Partner
giuseppe.larosa@agigroup.it



Giovanni Triunfo
Partner
giovanni.triunfo@agigroup.it



Antonio De Leone
Partner
antonio.deleone@agigroup.it



Gianluca La Rosa
Partner
gianluca.larosa@agigroup.it

Prepared by MGI Studio Associato Commerciale Tributario a member of MGI located in Milan, Italy

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MGI in Italy

BOZEN

Spitaler & Partners
Paulser Str. 29
I-39050 Bozen
Italy

Telephone +39 047 166 5715

Fax +39 0471 673175

E-Mail info@spitaler.it

Web Site www.spitaler.it

**Contact Lutz Spitaler
Partner**

FANO

Pragma srl
Via Indipendenza n. 18/b
6102 Fano
Italy

Telephone +39 0721 829549

Fax +39 0721 826616

E-Mail pragma@studiopragma.it

Web Site www.studiopragma.it

**Contact Francesco Bartolucci
Partner**

PISA

MGI Dr. Goffredo Caverni
Via 2 Settembre, 14
56122 Pisa
Italy

Telephone +39 0 50 53 30 76

Fax +39 0 50 53 33 84

E-Mail caverni@tin.it

**Contact Dr Goffredo Caverni
Partner**

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PRINCIPAL ITALIAN FEATURES.

To understand the Italian market it is important to look at the principal features of its politics, geography and economy.

POLITICS AND LEGAL

Government type: Republic

Administrative divisions: 16 regions and 4 autonomous regions: Abruzzo, Basilicata, Calabria, Campania, Emilia-Romagna, Friuli-Venezia Giulia, Lazio, Liguria, Lombardia, Marche, Molise, Piemonte, Puglia, Sardegna, Sicilia, Toscana, Trentino Alto Adige, Umbria, Valle d'Aosta, Veneto.

Independence: 17 March 1861 (Kingdom of Italy proclaimed; Italy was not finally unified until 1870).

National Holiday: Republic day, 2 June (1946)

Constitution: passed 11 December 1947; effective 1 January 1948; since amended many times.

Legal system: based on civil law system; appeals treated as a new trial; judicial review under certain conditions in Constitutional Court; has not accepted compulsory ICJ jurisdiction.

Right to vote: 18 years of age; universal (except in senatorial elections, where minimum age is 25).

GEOGRAPHY

Area: total 301,230 sq km; land: 294,020 sq km; water: 7,210 sq km; note: includes Sardinia and Sicily.

Land boundaries: total: 1,932.2 km; border countries: Austria: 430 km, France 488 km, Holy see (Vatican city) 3,2 km, San Marino 39 km, Slovenia 232 Km, Switzerland 740 km.

Coastline: 7,600 km

Maritime claims: territorial sea: 12 nm; continental shelf: 200-m depth or to the depth of exploration.

Climate: predominantly Mediterranean; Alpine in far north; hot, dry in south;

Terrain: mostly rugged and mountainous; some plains, coastal lowlands.

Elevation extremes: lowest point: Mediterranean Sea: 0 m; highest point: Mont Blanc (Monte Bianco); de Courmayeur 4,748 m (a secondary peak of Mont Blanc).

Natural resources: coal, mercury, zinc, potash, marble, barite, asbestos, pumice, fluorospar, feldspar, pyrite (sulphur), natural gas and crude oil reserves, fish, arable land.

Land use: arable land: 27,79 %; permanent crops: 9,53%; other: 62,68%;

Geography note: strategic location dominating central Mediterranean as well as southern sea and air approaches to Western Europe.

ECONOMY

Economy-overview: Italy has a diverse industrial economy with roughly the same total and per capita of output as France and UK. This capitalist economy remains divided into a developed industrial north, dominated by private companies and a less developed, welfare-dependent agricultural south.

Most raw materials are needed by industry; more than 75% of energy requirements are imported.

Over the past decade, Italy has pursued a tight fiscal policy in order to meet the requirements of the Economic and Monetary Unions. From this it has benefited from lower interest and inflation rates. The current government has passed numerous short-term reforms aimed at improving competition and long-term growth. Italy has moved slowly to implement much needed structural reforms, such as: easing the high tax burden, overhauling its rigid labour market and over-generous pension system, because of the current economic slowdown and opposition from labour unions.

Export – commodities: engineering products, textiles and clothing, production machinery, motor vehicles, transport equipment, chemicals; food, beverages and tobacco; minerals and non ferrous metals;

Export - partners: Germany 13.8%, France 12.3%, US 8.5%, Spain 7%, UK 6.9% (2003).

Imports - commodities: engineering products, chemical, transport equipment, energy products, minerals and non-ferrous metals, textiles and clothing; food, beverages and tobacco;

Import - partners: Germany 17.9%, France 11,2%, Netherlands 5,8%, Spain 4,8%, UK 4,7%, Belgium 4,3%, US 4%(2003).

TAX and ITALIAN CORPORATIONS

1. At a Glance

Corporate Income Tax Rate (%)	33 ¹
Capital Gains Tax Rate (%)	0/33 ²
Branch Tax Rate (%)	33 ¹
Withholding Tax (%)	
Dividends	0/12.5/27 ³
Interest	0/12.5/27 ⁴
Royalties from Patents, Know-how, etc.	22.5 ⁵
Branch Remittance Tax	0
Net Operating Losses (Years)	
Carry-back	0
Carry-forward	5 ⁶

¹ A regional tax on productive activities (*imposta regionale sulle attività produttive*, or IRAP) is imposed on the net value of production.

² For details concerning capital gains taxation, see Section 2.

³ Withholding tax is not imposed on dividends paid to resident companies. The 12.5% rate applies to dividends paid to resident individuals with non-substantial participations (for information on substantial and non-substantial participations, see discussion of capital gains taxation in Section 2). The 27% rate applies to dividends paid to non-residents. Non-residents may be able to obtain a refund of the withholding tax equal to the amount of foreign tax paid on the dividends. However, the maximum refund is 4/9 of the withholding tax paid. Tax treaties may provide for a lower tax rate.

⁴ The 0% rate applies to interest derived by non-residents from demand deposits, deposit accounts, and bank and postal accounts. The 12.5% rate applies to interest paid to residents and non-residents on bonds issued by companies with a maturity of at least 18 months. In general, the 27% rate applies to interest paid to residents on the following: deposit certificates; savings deposits; and bonds issued by companies with a maturity of less than 18 months. For resident individuals carrying on business activities in Italy and resident companies, the interest withholding taxes are advance payments of tax. For other resident individuals and non-resident individuals and companies, the interest withholding taxes are final taxes. For residents in tax havens, a final withholding tax at a rate of 27% is imposed on all interest payments.

⁵ Applicable to non-residents. The rate may be reduced under tax treaties.

⁶ Loss carry-forwards are allowed only for corporate income tax purposes. Losses incurred in the first three tax years of an activity may be carried forward indefinitely. Anti-abuse rules may limit loss carry-forwards.

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B. Taxes on Corporate Income and Gains

Corporate Income Tax Resident companies are subject to corporate income tax (*imposta sul reddito delle società*, or IRES; this tax was formerly known as *imposta sul reddito delle persone giuridiche*, or IRPEG) on their world-wide income. A resident company is a company that has any of the following located in Italy for the majority of the tax year:

- Its registered office;
- Its administrative office; or
- Its principal corporate activity.

Non-resident companies are subject to IRES on their Italian-source income only.

Rate of Corporate Tax The IRES rate is 33%.

Local income Tax. Resident and non-resident companies are subject to a regional tax on productive activities (*imposta regionale sulle attività produttive*, or IRAP) on their Italian-source income.

For manufacturing companies, IRAP is imposed at a rate of 4.25% on the net value of production, which is calculated by subtracting the cost of production from the value of production. An 8.5% rate applies to public entities performing commercial activities.

Special rules for the calculation of the tax base for IRAP purposes also apply to banking institutions, insurance companies, public entities and non-commercial entities.

Each region may increase or decrease the rate of IRAP by a maximum of one percentage point. Companies producing income in more than one region will be required to allocate their tax base for IRAP purposes among the various regions and pay the applicable tax to the local tax authorities.

Certain deductions are not allowed for IRAP purposes, such as certain extraordinary costs, credit losses, labour costs (excluding certain compulsory social contributions), and interest expenses (except for banks and holding companies registered under Article 113 of Legislative Decree No. 385/1993).

Capital Gains

Resident Companies and Non-resident Companies with a Permanent Establishment in Italy

In general, capital gains derived by resident companies or non-resident companies with a permanent establishment in Italy are subject to IRES and IRAP. Gains derived from disposals of participations and extraordinary capital gains are excluded from the tax base for IRAP purposes. Extraordinary gains are gains not related to the core business of the company, such as those derived from transfers of going concerns.

Capital gains on assets that have been held for at least three years may be taxed, at the tax payer's option, entirely in the year of sale or spread over a maximum period of five years.

Under the 2004 tax reform, effective for fiscal years beginning on or after 1 January 2004, Italian corporate taxpayers (that is, companies and branches) may benefit from a participation exemption regime for capital gains derived from disposals of Italian or foreign shareholdings that satisfy all of the following conditions:

- The shareholding is classified in the first financial statements closed during the holding period as a long-term financial investment;
- The Italian parent company holds the shareholding for an uninterrupted period of at least 12 months before the disposal;
- The subsidiary actually carries out a business activity; and

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-The subsidiary is not resident in a tax haven identified in a "black list" that is contained in a ministerial decree.

Beginning with the third financial year (three full book years) before the year of the disposal, the last two conditions described above must be satisfied uninterruptedly:

Investments in real estate companies are eligible for the participation exemption only under certain limited circumstances.

Capital losses incurred on disposals of shareholdings that qualify for the participation exemption regime are not deductible.

If the conditions described above are not satisfied; capital gains on disposals of shareholdings are included in the calculation of the tax base for IRES purposes. Capital gains on investments that have been recorded in the last three financial statements as fixed assets may be taxed over a maximum period of five years. In addition, any capital losses derived from disposals of such shareholdings may be deducted.

Under a tax-free restructuring regime, capital contributions of going concerns between resident companies may be carried out as tax-neutral transactions. The recipient company records the assets and liabilities at the same value used by the transferor company for tax purposes, and the transferor company receives the newly issued shares of the receiving company at the same value as that of the transferred going concern.

Non resident Companies without a Permanent Establishment in Italy

If no treaty protection is available, capital gains derived from sales of shares in Italian companies and partnerships by non-resident companies are subject to tax in Italy. Only 40% of capital gains on shares qualifying as a "substantial participation" is included in taxable income for corporate income tax purposes and taxed at the standard rate of 33%.

A "substantial participation" in a company listed on a stock exchange requires more than 2% of the voting rights at ordinary shareholders' meetings or 5% of the company's capital. For an unlisted company, these percentages are increased to 20% and 25%, respectively.

Capital gains on "non-substantial participations" are subject to a substitute tax of 12.5%.

However, certain exemptions may apply.

Administration Income tax returns must be filed by the end of the 10th month following the end of the company's fiscal year.

Companies must make advance payments of their corporate and local tax liability equal to a specified percentage of the tax paid for the preceding year. This percentage is normally 99%. However, for the 2005 fiscal year, the percentage for advance payments is 102.5%.

Tax Rulings Several tax ruling procedures are available in Italy.

Taxpayers may request ordinary tax rulings to clarify the application of tax measures to transactions if objective uncertainty exists regarding the tax law. The request for an ordinary tax ruling must include the identification data for the taxpayer, a description of the transaction and a list of applicable measures, circulars and court decisions.

Specific tax rulings are available with respect to a limited range of operations that could result in tax avoidance, including the following:

- Corporate reorganisations;
- Transactions subject to fictitious interposition legislation (legislation under which the tax authorities may attribute income to the beneficial owner);
- Deduction of advertisement and entertainment expenses;
- Exchanges of tax credits and excess taxes;
- Tax-haven transactions; and
- International group companies.

The specific tax ruling request must be submitted to a special committee. In the event of litigation, the burden of proof is on the party that did not comply with the opinion. In practice, specific rulings are not binding on the tax authorities but they shift the burden of proof to them.

During 2004, the Italian government introduced a new international ruling scheme, which specifically deals with transfer pricing and cross-border interest, dividends, and royalties. An international ruling is binding for the fiscal year in which the ruling is entered into and for the following two fiscal years, unless material changes in legal or economic circumstances arise.

Dividends The 2004 tax reform modified the existing participation exemption regime for dividends. Dividends distributed by companies to Italian entities subject to IRES (companies and branches) are 95% exempt from corporate taxation regardless of the source (domestic or foreign) of such dividends.

Dividends received from subsidiaries located in tax havens qualify for the 95% exemption only if this has been confirmed through an advance tax ruling.

The exemption percentage increases to 100% for taxpayers that elect for tax consolidation or the consortium relief (see Section C).

A 27% withholding tax is imposed on dividends paid from Italian companies to non-resident companies without a permanent establishment in Italy (double tax treaties may provide for lower rates).

Non-residents may obtain a refund of dividend withholding tax equal to the amount of foreign tax paid on the dividends, but the maximum refund is 4/9 of the withholding tax paid. Companies From European Union (EU) member states that receive dividends from Italian companies may be exempted from the dividend withholding tax or obtain a refund of the tax paid if they hold at least 25% of the shares of the payer for at least one year.

For non-resident companies with branches in Italy that are considered permanent establishments (PEs) the treatment of dividends is based on the principle of "PE's attraction". Under this principle, dividends are deemed to flow through the Italian branch for tax purposes, and no withholding tax is applicable.

Foreign Tax Relief A foreign tax credit may be claimed for foreign-source income. The amount of the foreign tax credit cannot exceed that part of the corporate income tax, computed at the standard rate that is attributable to the foreign-source income. Accordingly, the foreign tax credit may be claimed up to the amount that results from prorating the total tax due by the proportion of foreign source income over total income.

If income is received from more than one foreign country, the above limitation on the foreign tax credit is applied for each country (per-country limitation). A significant change introduced by the 2004 tax reform is that excess foreign tax credits may be carried forward or back for eight years.

For corporate groups that elect the world-wide tax consolidation (see Section C), an Italian parent company may consolidate profits and losses of its foreign subsidiaries joining the tax group and compute a single group tax liability. Such group tax liability may be offset by a direct foreign tax credit granted to the resident parent company with respect to taxes paid abroad by foreign subsidiaries that are members of the tax group.

C. Determination of Business Income

General To determine taxable income, profits disclosed in the financial statements are adjusted for exempt profits, non-deductible expenses, special deductions and losses brought forward. Exempt profits include interest on government bonds issued on or before 30 September 1986 and

income subject to Italian withholding tax at source as a final tax. Interest on government bonds issued after 30 September 1986, however, is not exempt from tax.

The following general principles govern the deduction of expenses:

- Expenses are deductible if and to the extent to which they relate to activities or assets that produce revenue or other receipts that are included in income.
- Expenses are deductible in the fiscal year to which they relate (accrual basis rule). Exceptions are provided for specific items, such as compensation due to directors, which is deductible in the fiscal year in which it is paid.

Only one-third of entertainment expenses is deductible. The deductible amount may be deductible in equal instalments over five years.

Effective from 2004, decreases in the value of Italian and foreign shareholdings may no longer be deducted.

Companies may not deduct expenses incurred in transactions with enterprises resident in non-EU tax-haven countries. However, this limitation does not apply if it is established that either of the following conditions is satisfied:

- The foreign enterprise is effectively involved in an actual business activity in the country or territory in which it is located; or
- The relevant transactions had a real business purpose and actually took place.

The Ministry of Finance issued a decree dated 23 January 2002, which identifies the tax-haven countries.

Thin Capitalization and other Limitations on Interest Deductions

The 2004 tax reform introduced two sets of limitations on the deductibility of interest expenses accrued on the following:

- Loans obtained from or guaranteed by shareholders or their related parties (thin capitalization); and
- Loans obtained to finance the acquisition of shares qualifying for the participation exemption (pro rata rule).

Thin Capitalization The thin-capitalisation limitation applies to interest accrued on debts granted or guaranteed by a shareholder, or its related parties, that holds directly or indirectly a participation representing the majority of the voting rights or at least 25% of the share capital of the company. Companies in which the qualified shareholder holds a controlling interest are considered the shareholder's "related parties".

The thin-capitalization restriction applies when the ratio between the yearly average of related-party debt and the company's net equity exceeds 4: 1. Under the restriction, the deduction of interest on the debt exceeding the ratio is disallowed. The relevant debts include debts granted by direct or indirect shareholders or their controlled subsidiaries and third-party debts that are guaranteed by shareholders or their controlled subsidiaries.

To the extent that interest paid to related parties is disallowed because the debt-to-equity ratio exceeds 4: 1, such interest is treated as a dividend distributed by the company to the related-party lender.

Banks and other financial companies (with the exception of insurance companies) are not subject to the thin-capitalization rules, except for companies that carry out exclusively or principally a holding activity. Accordingly, banks and financial companies may deduct without restriction interest accrued on debt granted or guaranteed by related parties. Companies, other than holding companies, that generate annual revenue of less than € 5,164,569 are not subject to the thin-capitalization restriction.

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Pro Rata Rule The deductibility of interest may be restricted by the pro rata rule even if it is not restricted by the thin-capitalization rule. The pro rata rule applies to the portion of all interest payments (not only interest paid to related parties) that are not disallowed under the thin-capitalization rules. Under the pro rata rule, the company's net equity is compared to its investment in subsidiaries (Italian and foreign) eligible for the participation exemption regime. The net equity is subject to certain adjustments designed to account for unpaid capital and uncovered operating losses.

If the book value of the investment in subsidiaries eligible for the participation exemption regime exceeds the adjusted net equity, the tax deduction for interest on related and unrelated debts is reduced by amount calculated by applying the ratio of this excess amount to the amount by which total assets exceed adjusted net equity increased by trade payables.

The pro rata rule does not apply to subsidiaries that elect tax consolidation or the consortium relief (see *Groups of Companies below*).

Foreign-Exchange Losses Gains and losses resulting from the revaluation at the year-end exchange rate of assets and liabilities denominated in foreign currencies that are not classified for financial statement purposes as long-term investments (excluding those hedged against exchange risk) are included in taxable income.

For assets and liabilities denominated in foreign currencies that are classified for financial statement purposes as long-term investments (excluding those hedged against exchange risk), companies may deduct foreign-exchange losses resulting from the revaluation at the year-end exchange rate. However, a foreign-exchange loss that is deducted from income is recaptured if the average exchange rate for each of the two following financial years is more favourable than the exchange rate used for computation of the deducted loss. The recaptured amount of loss is computed taking into account the lower average rate recorded in the relevant two years.

Non-operating Companies Italian resident companies and permanent establishments of non-resident companies are deemed to be "non-operating companies" if the total of their average non-extraordinary proceeds (proceeds from the ordinary activities of a company as shown on its financial statements) and increases in inventory are less than the sum of the average of the following during the preceding three years:

-1% of financial assets.

-4% of the gross book value of real estate and ships, and 15% of the gross book value of other fixed assets, including, in either case, the price of assets leased from other parties. In this context, the price of leased assets is the cost incurred by the lessor if properly documented. Otherwise, it is the total of the rent and the redemption price payable under the lease.

The above amounts are derived from the company's annual financial statements.

The taxable income of non-operating companies is deemed to be the sum of the values of the assets described above multiplied by the following percentages: financial assets, 0.75%; real estate and ships, 3%; and other fixed assets, 12%. For this purpose only, the values in the preceding year are taken into account.

Non-operating companies are not entitled to value-added tax refunds.

Certain companies are specifically excluded from the non-operating companies' regime.

Inventories Inventory is normally valued at the lower of cost or market value for both fiscal and accounting purposes. However, companies may select other methods of inventory valuation specifically provided in the law, such as first-in, first-out (FIFO), last-in, first-out (LIFO) or average cost.

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Provisions Italian tax law provides a limited number of provisions.

Bad and Doubtful Debts A general provision of 0.5% of total trade receivables at the year-end may be made each year until the total doubtful debt provision reaches 5%. Bad debts actually incurred are deductible to the extent they are not covered by the accumulated reserve and only if they have become irrecoverable or if there are bankruptcy proceedings.

Banks may deduct on a straight-line basis over seven years the write-down of receivables that exceeds the 0.5% limitation described in the preceding paragraph.

Redundancy and Retirement Payments Provisions for redundancy and retirement payments are deductible in amounts stated by civil law and relevant collective agreements.

Depreciation and Amortization Allowances Depreciation at rates not exceeding those prescribed by the Ministry of Finance is calculated on the purchase price or cost of manufacture. Incidental costs, such as customs duties and transport and installation expenses, are included in the depreciable base. Depreciation is computed on the straight-line method. Rates for plant and machinery vary between 3% and 15%. Land is not depreciable. The established rates may be increased if assets are more intensely used than they are normally. For the first three years of an asset's life, anticipated depreciation of up to two times the ordinary rate per year may be claimed.

Goodwill that is purchased may be amortized over a period of 10 years.

Patents and know-how may be amortized at amounts not exceeding one-third of the cost each year. The amortization period for trademarks is 10 years.

Research expenses and advertising expenses may be either entirely deducted in the year incurred or written off in equal instalments in that year and in the four subsequent years, at the company's option.

Amortization allowances of other rights may be claimed with reference to the utilisation period provided by the agreement.

Relief for Losses For IRES purposes only, losses may be carried forward and deducted from income of the five subsequent tax periods. Stricter rules apply to loss carry-forwards if ownership of the company is transferred and if the company changes its activities. Losses incurred in the first three years of an activity may be carried forward for an unlimited number of tax periods.

The company resulting from or surviving after a merger may carry forward unrelieved losses of the merged companies against its own profits for the unexpired portion of the loss carry forward periods. In general, tax losses carried forward may not exceed the lower of the net equity at the close of the last fiscal year or the net equity shown on the statement of net worth prepared for the merger of each company involved in the merger. This limitation is applied on company-by-company basis. Contributions to capital made in the 24 month preceding the date of the net worth statement are disregarded. Special rules further limit the amount of the losses that can be carried forward.

Groups of Companies The 2004 tax reform introduced tax consolidation and consortium relief for groups of companies. These new regimes allow the offsetting of profit and losses of members of a group of companies.

Tax Consolidation Italian tax consolidation rules provide two separate consolidation systems, depending on the residence of the companies involved. A domestic consolidation regime is

available for Italian resident companies only. A world-wide consolidation regime, with slightly different conditions, is available for multinationals.

To qualify for consolidation, at least 50.1% of the voting rights of each subsidiary must be owned, directly or indirectly, by the common Italian parent company.

For a domestic consolidation, the election is binding for three fiscal years. However, if the holding company loses control over a subsidiary, such subsidiary must be immediately excluded from the consolidation.

The tax consolidation includes 100% of the subsidiaries' profits and losses, even if the subsidiary has other shareholders. The domestic consolidation may be limited to certain entities, leaving one or more otherwise eligible entities outside the group filing election.

Under a domestic consolidation, transfers of assets (other than goods produced or traded by the company, shares, bonds, and other similar securities) between group members may be carried out as tax-neutral transactions if both the seller and the buyer elect the domestic consolidation regime.

Consortium Relief: Italian parent corporations can elect consortium relief if they hold more than 10% but less than 50% of the voting rights in their Italian subsidiaries. Under this election, the subsidiaries are treated as look-through entities for Italian tax purposes and their profits and losses flow through to the parent company in proportion to the stake owned. These profits or losses can offset the shareholders' losses or profits in the fiscal year in which the transparent company's fiscal year ends.

Dividends distributed by an eligible transparent company are not taken into account for tax purposes in the hands of the recipient shareholders. As a result, Italian corporate shareholders are not subject to corporate income tax on 5% of the dividends received.

The election does not change the tax treatment of dividends distributed out of reserves containing profits accrued before the exercise of the election. Another benefit from consortium relief is that an eligible transparent company does not pay corporate income tax.

The consortium relief election is binding for three fiscal years and requires the consent of all the shareholders.

The consortium relief election may be beneficial for joint ventures that are not eligible for tax consolidation because the control test is not met. In addition, the election is also available for non-resident companies that are not subject to Italian withholding tax on dividend payments (that is, EU corporate shareholders qualifying under the EU Parent-Subsidiary Directive). If both EU corporate shareholders qualifying under the EU Parent-Subsidiary Directive and Italian corporate shareholders hold an Italian subsidiary, the EU corporate shareholders would want to elect consortium relief to allow the Italian corporate shareholders to benefit from tax transparency.

Group Value- Added Tax For groups of companies linked by more than a 50% direct shareholding, net value-added tax (VAT; see Section D) refundable to one group company with respect to its own transactions may be offset against VAT payable by another, and only the balance is required to be paid by, or refunded to, the group.

D. Other Significant Taxes

The table below summarizes other significant taxes.

Nature of Tax Rate

Value-added tax, on goods, services and imports	
Standard rate	20%
Other rates	4%/10%
Municipal real property tax, imposed on Property's cadastral value	0.4% to 0.7%
Social security contributions (2005 rates)	
Industry; payable on gross remuneration by Employers with more than 50 employees	
Workers	43.07%
Office staff	40.85%
Executives	37.49%
Basic contribution	37.49%
Additional contribution payable to the Social Security Institute for Industrial Executives {PREVINDAI}; based on Gross remuneration capped at £150,000 %	4%
Additional contribution payable to other Social insurance fund (FASI)	€2,292
Trade; payable on gross remuneration by Employers with more than 200 employees	
Workers :	40.87%
Office staff	40.87%
Executives	37.29%
(For family allowances [CUAF] provided by Italian companies to their local employees, the Companies are granted a reduction of 0.80% in The CUAF rate. For workers not making social security contributions before 1 January 1996, the pension contributions payable by employers and employees are calculated on gross salary capped at € 82,401.)	
Contribution for industrial injuries; or professional diseases; payable by employers; rates depends on the professional risk covered; income caps apply to executives; general range of rates	0.5% to 4%

E. Miscellaneous Matters

Foreign-Exchange Controls The underlying principle of the foreign exchange control system is that transactions with non-residents are permitted unless expressly prohibited. However, payments by residents to foreign intermediaries must be channelled through authorised banks or professional intermediaries. In addition, transfers of money and securities exceeding € 10,329.14, must be declared to the Italian Exchange Office. Inbound and outbound investments are virtually unrestricted.

Transfer Pricing Italy imposes transfer-pricing rules on transactions between related resident and non-resident companies. Under these rules, intra-group transactions must be carried out at arm's length. A circular of the Italian Ministry of Finance, dated 26 February 1999, states that tax avoidance may result from inter company transactions carried out with non-arm's length prices. The circular confirms that the existing transfer-pricing rules do not apply to domestic

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transactions. As a result, adjustments of the prices in these transactions must be based on other anti-abuse provisions.

Controlled Foreign Companies Law No. 342 of 21 November 2000 introduced a controlled foreign company (CFC) regime. The CFC rules apply if a resident of Italy controls a non-resident company that is subject to a "privileged tax regime". The rules for determining whether an Italian company controls a non resident company are contained in Article 2359 of the Italian Civil Code. A decree of the Ministry of Finance dated 21 November 2001 provides a "black list" of countries regarded as having privileged tax regimes and entities and activities considered to be subject to such regimes.

If the CFC rules apply, the Italian resident is taxed on the residents' share of the profits of the CFC, regardless of the actual distribution of such profits.

Anti-avoidance Legislation Under Italian anti-avoidance rules (Article 37 -bis of Presidential Decree No. 600/1973), in principle, the tax authorities may consider a transaction that involves single or connected acts to be a tax-avoidance transaction if it meets all of the following requirements at the same Time:

a) The transaction involves one or more of the following operations:

- Contributions to companies or transfers or use of going concerns;
- Assignments of credits;
- Assignments of excess tax credits;
- Transactions provided for in EU Directive No. 90/434/CEE;
- Transactions, including appraisals, regarding participations, securities, certificates, currencies, precious metals, swaps, options, hedging instruments and other specified items; and
- Transfers of assets carried out as tax-neutral transactions between companies electing the domestic group taxation regime (see Section C);

b) The transaction was entered into without a sound economic reason.

c) The transaction was entered into in order to get around the law.

d) The transaction was entered into in order to achieve an undue income tax savings or tax refunds.

The tax authorities may disregard a tax-avoidance transaction for tax purposes. The anti-avoidance rules may be applied for income tax purposes only. .

Debt-to-Equity Rules For information regarding thin-capitalization rules and other restrictions on the deductibility of interest, see Section C,

F. Treaty Withholding Tax Rates

	Dividends (1)	Interest	Royalties
Albania	10	0/5 (d)(e)(z)	5
Algeria	15	0/15 (d)(e)(z)	5/15 (o)
Argentina	15	0/20 (d)(e)(z)	10/18 (h)
Australia	15	0/10 (d)	10
Austria	15	0/10 (d)(e)	0/10 (i)
Bangladesh	10/15 (a)	0/10/15 (d)(e)(y)	10
Belgium	15	0/15 (w)	5
Brazil	15	0/15 (d)	15/22.5 (k)
Bulgaria	10	0	5
Canada	15	0/15 (d)(e)	0/10 (l)
China	10	0/10 (d)	7/10 (aa)
Cote d'Ivoire	15	0/15 (d)	10
Cyprus	15	10	0
Czechoslovakia (t)	15	0	5
Denmark	0/15	0/10 (ee)(mm)	0/5 (nn)
Ecuador	15	0/10 (d)(e)(z)	5
Egypt	27 (cc)	0/25 (d)(e)(z)	15
Estonia	5/15 (a)	0/10 (d)	5/10 (kk)

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Finland	10/15 (a)	0/15 (d)(e)(z)	0/5 (o)
France	5/15 (a)(gg)	0/10 (d)(e)(z)(ee)	0/5 (o)
Georgia	5/10 (a)	0	0
Germany	10/15 (a)	0/10/12.5 (d)(e)(z)(ee)(ft)	0/5 (l)
Greece	15	0/10 (d)(e)(z)	0/5 (m)
Hungary	10	0	0
India	15/27 (a)	0/15 (e)	20
Indonesia	10/15 (a)	0/10 (d)(e)(z)	10/15 (x)
Ireland	15	10	0
Israel	10/15 (a)	10	0/10 (o)
Japan	10/15 (a)	10	10
Kazakhstan	5/15 (a)	0/10 (d)(e)(z)	0/10 (hh)
Korea	10/15 (a)	0/10 (d)(e)	10
Kuwait	5/27 (a)	0	10
Lithuania	5/15 (a)	10 (d)(e)	5/10 (kk)
Luxembourg	15	0/10 (d)(e)(z)	10
Macedonia	5/15 (a)	10	0
Malaysia	10	0/15 (d)	15
Malta	15	0/10 (d)(e)(z)	0/10 (m)
Mauritius	5/15 (a)	0/12.5/27 (dd)	15
Mexico	15	0/15 (d)(e)	0/15 (l)
Morocco	10/15 (a)	0/10 (d)(e)(z)	5/10 (o)
Mozambique	15	0/10 (ll)	10
Netherlands	5/10/15 {c}	0/10 (d)(e)(z)	5
New Zealand	15	0/10 (d)(e)(z)	10
Norway	15	0/15 (d)(e)(z)	5
Pakistan	15/25 (a)	0/27 (d)(e)(z)	22.5 (k)
Philippines	15	0/15 (d)(e)(z)	22.5 (k)
Poland	10	0/10 (d)(e)(z)	10
Portugal	15	0/15 (d)(e)(z)	12
Romania	10	0/10 (d)(e)(z)	10
Russian Federation	5/10 (g)	10	0
Senegal	15	15 (ll)	15
Singapore	10	0/12.5(d)(z)	15/20 (n)
South Africa	5/15 (a)	10 (d)(e)(z)	6
Spain	15	0/12 (d)(e)(z)	4/8 (o)
Sri Lanka	15	0/10 (d)(e)(z)	10/15 (q)
Sweden	10/15 (a)	0/15 (d)(e)(z)	5
Switzerland	15	12.5	5
Tanzania	10	12.5	15
Thailand	15/20 (a)	0/10 (d)(e)(j)	5/15 (h)
Trinidad & Tobago	10/20 (a)	10	0/5 (bb)
Tunisia	15	0/12(d)(e)	5/12/16 (r)
Turkey	15	15	10
Ukraine	5/15 (a)	0/10 (ll)	7
USSR (u)	15	0/12.5/27 (ii)	-
United Arab Emirates	5/15 (a)	0	10
United Kingdom	5/15 (a)(gg)	0/10 (e)(ee)	8
USA	5/10/15 (c)	0/15 (d)	5/7/8/10 (s)
Uzbekistan	10	0/5 (ll)	5
Venezuela	10	0/10 (b)	7/10 (p)
Vietnam	5/10/15 (f)	10 (d)(e)(z)	7.5/10 (jj)
Yugoslavia (v)	10	10	10
Zambia	5/15 (a)	0/10 (d)	10
Non treaty countries	27 (oo)	12.5/27 (oo)	22.5

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(1) Dividends paid by Italian companies to EU parent companies are exempt from withholding tax if the recipient company holds a participation of at least 25% in the distributing company for an uninterrupted period of at least one year.

(a) The lower rate applies to corporate shareholders satisfying the following qualifying tests: Bangladesh, Estonia, India, Kazakhstan and Lithuania: at least 10% of the capital; Denmark: at least 25% of the capital for 12 months before the date the dividend is distributed; Finland: more than 50% of the capital; France: more than 10% of the capital for 12 months; Germany, Indonesia, Israel, Korea, Macedonia, Mauritius, Morocco, Pakistan, Trinidad and Tobago, United Arab Emirates and Zambia: at least 25% of the capital; Japan: at least 25% of the shares with voting rights for six months; Kuwait: at least 75% of the capital; South Africa: at least 25% of the capital for 12 months ending on the date the dividend is declared; Sweden: at least 51 % of the capital; Thailand: at least 25% of the shares with voting rights; Ukraine: at least 20% of the capital; and United Kingdom: at least 10% of the shares with voting rights for 12 months,

(b) The 0% rate applies to interest paid to or by a government.

(c) The 5% rate applies to corporations that beneficially own more than 50% of the voting rights of the shares for 12 months ending on the date the dividend is declared. The 10% rate requires 10% ownership. The 15% rate applies in all other cases.

(d) Interest paid to a government or central bank is exempt.

(e) Interest paid by a contracting state is exempt.

(f) The 5% rate applies to dividends paid to corporations that beneficially own at least 70% of the capital of the payer. The 10% rate applies to dividends paid to corporations that beneficially own at least 25% but less than 70% of the capital of the payer. The 15% rate applies to other dividends.

(g) The 5% rate applies if the recipient of the dividend is a corporation that beneficially owns more than 10% of the capital of the payer and if the value of the participation of the recipient is at least US \$ 100,000 or an equivalent amount in another currency. The 10% rate applies to other dividends.

(h) The lower rate is for the use of or right to use literary, artistic and scientific copyrights.

(i) The higher rate applies if the recipient has an investment exceeding 50% of the capital of the payer.

(j) The 10% rate applies only if the payer is engaged in an industrial activity and the interest is paid to a financial institution (including an insurance company).

(k) Because the tax rates provided by these treaties are higher than the rate under domestic law, the domestic rate of 22.5% applies. For Brazil, the 22.5% rate applies to trademark royalties only.

(l) The lower rate applies to royalties for literature, plays, and musical or artistic works. Under the Germany treaty, royalties for films and recordings for television qualify for the lower rate. Under the Canada treaty, such royalties do not qualify for the lower rate. Under the Mexico treaty, royalties for films and recordings for television and radio do not qualify for the lower rate.

(m) The lower rate applies to royalties paid for literary, artistic or scientific works and for films and recordings for radio or television.

(n) The lower rate applies to patents, trademarks, trade names or other intellectual property.

(o) The lower rate applies to royalties from the use of copyrights on literary, artistic or scientific works (excluding cinema and television films).

(p) The lower rate applies to royalties paid for the use, or the right to use, copyrights for literary, artistic or scientific works, including cinematography films and recordings for radio and television broadcasts.

(q) The lower rate applies to royalties paid for literary and artistic works, including films and recordings for radio and television.

(r) In the case of royalties for the use of trademarks, films and industrial, commercial or scientific equipment, the withholding is 16%; for the use of copyrights for artistic, literary and scientific works, the rate is 5%. In all other cases, the rate is 12%.

(s) In the case of royalties for the use of literary, artistic and scientific works, the rate is 5%; for the use of tangible property, the rate is 7%; for the use of films and recordings for radio or television, the rate is 8%. In all other cases, the rate is 10%.

(t) The Czechoslovakia treaty applies to the Czech and Slovak Republics.

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- (u) In general, the USSR treaty is honoured by the Commonwealth of Independent States (CIS), except for Kazakhstan, but CIS members have different positions on the treaty. Italy and Kazakhstan have entered into a tax treaty (see rates in table).
- (v) The treaty with the former Yugoslavia applies to Croatia, Slovenia and the Federal Republic of Yugoslavia. Italy has entered into a new tax treaty with Macedonia.
- (w) An exemption applies to the following:
- Interest on loans that are not in the form of bearer securities if the interest is paid to the following: the other contracting state; its political or administrative subdivisions; or its local authorities; and
 - Interest paid to credit institutions of the other contracting state if the interest is paid on loans that are not in the form of bearer securities and if the loans are permitted under an agreement between the governments of the contracting states.
- (x) The 10% rate applies to royalties and commissions paid for the use of or right to use the following: industrial, commercial or scientific equipment; or information concerning industrial, business or scientific know-how. The 15% rate applies to other royalties.
- (y) The 10% rate applies to interest paid by banks and other financial entities (that is, insurance companies). The 15% rate applies to other interest.
- (z) Interest paid on loans made in accordance with an agreement between the governments of the contracting states is exempt.
- (aa) Payments for the use of industrial, commercial and scientific equipment are taxed on the basis of 70% of the gross payments. Consequently, the effective rate for such payments is 7%.
- (bb) The lower rate applies to royalties for literature, musical and artistic works.
- (cc) The 27% rate is the rate under Italian domestic law for dividends paid to non-residents.
- (dd) These are the rates under Italian domestic law. Under the treaty, the rate is 0% if the interest is paid to a Mauritian public body or bank resident in Mauritius.
- (ee) Exemption is provided for interest paid in connection with the following:
- Credit sales of industrial, commercial or scientific equipment; and
 - Credit sales of goods delivered from one enterprise to another enterprise.
- (ff) The 12.5% rate applies to payments on profit-sharing loans and to silent partners. The 10% rate applies in all other circumstances.
- (gg) A refund may be available for the underlying tax credit with respect to business profits attached to the dividends.
- (hh) If a resident of a contracting state receives payments for the use of, or the right to use, industrial commercial or scientific equipment from sources in the other contracting state, the resident may elect to be taxed in the contracting state in which the royalties arise as if the property or right for which the royalties are paid is effectively connected with a permanent establishment or fixed base: in that contracting state. If such election is made, no withholding tax is imposed on the payments.
- (ii) The treaty exempts the following types of interest:
- Interest on bank credit and loans; and
 - Interest on current accounts and deposits with banks or other credit institutions.
- The 12.5% and 27% rates are the withholding tax rate under Italian domestic law. ,
- (jj) The lower rate applies to fees paid for technical assistance services. The higher rate applies to royalties paid for the use of the intangibles.
- kk) The 5% rate applies to royalties paid for the use of industrial, commercial or scientific equipment.
- (ll) The treaty provides the following exemptions:
- Interest paid by the government or its local authorities;
 - Interest paid to the government of the other contracting state or its local authorities or others entities and organisations (including credit institutions) wholly owned by the other contracting state or its local authorities; and
 - Interest paid to other entities and organisations (including credit institutions) if the interest is paid on loans permitted under an agreement between the governments of the contracting states.
- (mm) The treaty provides the following exemptions:
- Interest paid by the state of source, its political or administrative subdivisions or its local authorities; and

-Interest paid on loans granted, guaranteed or secured by the government of the other contracting state, by its central bank or by other entities and organisations (including credit institutions) wholly owned by the other contracting state or under its control.

(nn) The lower rate applies to royalties paid for the use or, or the right to use, copyrights for literary, artistic or scientific works, excluding cinematographic films and other audio and visual recordings.

(oo) See Section A. '

THE TAXATION OF INDIVIDUAL PERSONS IN ITALY

A. Income Tax

Who Is Liable. Residents are subject to tax on world-wide income. Non-residents are taxable on Italian-source income or on income earned in connection with activities performed in Italy.

An individual is considered resident for income tax purposes if, for the greater part of the tax year, he or she satisfies any of the following conditions:

-His or her habitual abode is in Italy,

-The center of his or her vital interests is located in Italy; or

-He or she is registered at the Office of Records of the Resident Population in Italy.

Italian citizens who move their residence for tax purposes to countries included in a "black list" are deemed to be tax resident in Italy in all cases, unless they provide specific evidence of their non-resident status.

Income Subject to Tax Taxable income for personal income tax purposes consists of income from the following categories:

-Income from employment;

-Income from self-employment;

-Income from real estate;

-Income from capital (primarily, dividends and interests);

-Business income; and

-Miscellaneous income, including capital gains.

Each category, including miscellaneous income, is defined by law. If income falls under a category not specifically mentioned in the law, further investigation is needed to determine the tax treatment.

Uncategorized income may not be automatically aggregated with miscellaneous income.

For a table outlining the taxability of income items, see Appendix 1.

Employment Income Employment income is income derived from work performed for an employer. It includes any compensation, either in cash or in kind, received during a tax period in connection with employment, including any payments received as shares of profits, from acts of generosity or as reimbursement for expenses incurred in the production of the income. Benefits in kind are valued for tax purposes at the arm's-length value, calculated in accordance with specific regulations. Any compensation received in connection with employment is considered employment income, even if the compensation is paid by a third party (for example, the legal employer's parent company).

Employment income also includes income known as "income deriving from collaboration".

The so-called Biagi Reform, which was approved by the Italian government on 31 July 2003 modified the tax regime regarding para-subordinate collaborators.

In this context collaborators are non-subordinate, independent workers who are paid as collaborators on a specific project to achieve a specific result, as opposed to being paid as employees. Under the reform, the work relationship must be connected to a specific project, a work program or phase of a program (that is the so-called *lavoro a progetto*). Otherwise, the relationship is automatically considered to be a subordinate employment relationship, resulting in social security and other labour-related obligations.

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Under the reform, income from a subordinate employment relationship now includes fees for consulting and directors' services.

As a result of this new rule, the payer of the income must withhold income taxes on a monthly basis from the gross income and make social security contributions based on the amount of the income. The recipients of the income are also required to make social security contributions on the income, which are withheld at source. These rules do not apply to income from a collaboration earned by a professional individual who is registered in one of the "Professional Registers" (for example, lawyers and engineers).

The following items are not included in taxable employment income:

- Mandatory contributions paid by an employer and by an employee for social security as provided by law;

- Contributions, up to a ceiling of € 3,615.20, paid by an employer or an employee to entities or funds for the sole purpose of medical assistance in accordance with collective labour contracts or company agreements and regulations;

- Voluntary social security contributions to qualified and individual pension funds and life insurance premiums, which are deductible from gross income in an amount not to exceed 12% of gross income up to a ceiling of € 5,164.57;

- Stock options and share purchase plans granted under certain conditions; and

- Business trip indemnity, up to a maximum of € 46.48 for trips within Italy and up to € 77.47 for trips abroad if the employer reimburses only the travel expenses.

In addition, certain benefits in kind, including meals in factory cafeterias and transportation services provided to a majority of employees; up to certain amounts and under specified conditions, are not included in taxable employment income.

Non-residents are subject to tax on income from employment derived from services performed in Italy and pensions paid by the state or by Italian residents.

A more favourable regime applies to expatriates who meet all of the following conditions:

- The individual is resident for tax purposes in Italy;

- The employment activity is rendered wholly and continuously abroad for more than 183 days in a 12-month period; and

- The employee's assignment abroad is regulated by an employment contract or by another written agreement signed by the parties.

Under the regime referred to in the preceding paragraph, the compensation considered taxable in Italy is a notional remuneration, as determined by Italian Ministry of Finance.

Self-Employment Income Self-employment income consists of income from a profession, including accounting, law and medicine. As mentioned in *Employment Income*, income from a collaboration is treated as employment income.

Residents are subject to tax on world-wide self-employment income at the rates described in *Rates*; a 20% withholding tax applies to income derived from Italian sources. Non-residents are subject to tax on income from self-employment derived from services performed in Italy. Non-residents are subject to a final withholding tax of 30% on self-employment income and need not to file a tax return.

For professionals, taxable self-employment income consists of the differences between compensation received during a tax period and related expenses incurred during the same period. In particular, the following rules apply:

- Hotel and restaurant expenses may be deducted, up to 2% of compensation received in the period.

- Entertainment expenses may be deducted, up to 1 % of compensation received in the period.

-Depreciation on fixed assets used for a business may be claimed at rates fixed by the Ministry of Finance. Accelerated depreciation is not allowed. If the fixed assets are also used personally, only 50% of ordinary depreciation may be claimed.

-Leasing contract fees may be deducted if the life of the contract exceeds half the ordinary depreciable life of the leased asset.

Professional income is subject to value-added tax (VAT), and bookkeeping is required. In addition, professional income is subject to a regional tax, or IRAP, at a rate of 4.25% (see *Business Income*).

Business Income Business income consists of income derived from the commercial or industrial activities (entrepreneurial activities) described in the Civil Code.

Taxable business income consists of profits disclosed in the financial statements, adjusted for exemptions, disallowed expenses, special deductions and losses carried forward.

Taxable business income is subject to personal income tax at the rates described in *Rates*. In addition, business income is subject to a regional tax on productive activities called IRAP. IRAP is levied at a rate of 4.25% on the amount of net production income derived from activities carried out in Italy. This amount is calculated by adding to financial income certain costs that are not deductible for IRAP purposes (for example, salaries paid to employees and interest expense).

Non-residents are subject to tax on business income from a permanent establishment in Italy.

Directors' Fees Directors' fees are taxed in the same manner as employment income (see *Employment Income*). The company must withhold income taxes at the marginal income tax rate on a monthly basis. However, this tax treatment does not apply if the services are performed by a professional individual who is registered for VAT purposes (see *Self-Employment Income*).

Investment Income Forty percent of dividends received is taxed as ordinary income (see *Rates*) if the individual has a qualified participation.

They are subject to a separate final withholding tax of 12.5% if the recipient individual has a non-qualified participation.

For listed companies, a nonqualified participation is a participation with no more than 2% of the voting rights in the ordinary shareholders' meeting or with no more than 5% of the issued capital. For unlisted companies, a non-qualified participation is a participation with no more than 20% of the voting rights in the ordinary shareholders' meeting or with no more than 25% of the issued capital.

100% of the dividends received by an individual from a company resident in a "tax haven" (as defined by Italian authorities) is included in ordinary income.

Dividends paid to non-residents are subject to withholding tax at a rate of 27% if the dividends derived from ordinary shares. The withholding tax rate is 12.5% for dividends paid on saving shares. Tax treaties may provide for a lower tax rate.

Non-residents may claim reimbursement of foreign tax paid up to four-ninths of the dividend withholding tax on dividends paid by an Italian company if the dividends are also taxed in their country of residence.

Italian-source interest is usually subject to withholding tax at a rate of 12.5% or 27%; therefore, such interest is not aggregated with other taxable income. Foreign-source interest may be included with other income and taxed at the rates described in *Rates* or taxed separately at a rate of 12.5% or 27%.

Interest paid to non-residents is subject to a final withholding tax of 12.5% or 27%; tax treaties may provide for a lower tax rate. Interest derived from bank and postal accounts that is paid to non-residents is exempt from tax.

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Residents are subject to tax on royalties derived from patents, trademarks and know-how at the rates set forth in *Rates*.

Non-residents are subject to final withholding tax at a rate of 30% on 75% of the amount of royalties received.

Rental income derived from real property is taxed as ordinary income (see *Rates*). If the rent shown in a rental agreement, less a reduction of 15%, exceeds the cadastral income, the amount taxable is deemed to be equal to the rental income less the reduction. Real property is also subject to a local municipal tax (ICI; see Section B).

Capital Gains and Losses

Residents Capital gains derived by residents from the sale of securities (including shares representing capital and other similar interests, convertible obligations, stock options and similar rights) not related to business activities are subject to the tax treatment described below.

Such capital gains are subject to a substitute tax at a rate of 12.5% if the transaction does not involve a qualified percentage of the company's shares. For a company listed on a regulated stock market, a qualified percentage is more than 2% of the voting rights, or more than 5% of the issued shares. For an unlisted company, a qualified stake is more than 20% of the voting rights, or more than 25% of the shares. If the transaction does not involve a qualified percentage, tax is levied at ordinary rates on 40% of the gain, or on 100% of the gain if the shares sold relate to a company residing in a tax haven (as defined by the Italian authorities).

The applicable tax rate is applied to the individual's net capital gain for the tax year (that is, total capital gains less capital losses for the tax year), as indicated in the annual income tax return. In general, the capital gain or loss is equal to the sales proceeds reduced by the sum of the purchase cost, revalued for inflation, and the value that has already been taxed. If the taxpayer's losses exceed gains, the difference may be carried forward up to a maximum of four years against future capital gains. The capital gains tax must be paid by the same date as the balance of tax due according to the taxpayer's annual income tax return. If the security is held with an Italian resident intermediary (for example, an Italian bank) and if the transaction does not involve a qualified percentage of the company shares, an election may be made under which the tax due is withheld at source by the Italian resident intermediary and the transaction does not need to be reported in the individual's annual income tax return.

Non-residents Capital gains derived by non-residents from the sale of securities (including shares representing capital and other similar interests, convertible obligations, stock options and similar rights) not related to business activities are subject to the tax treatment applicable to residents (see above) if the securities are issued by an Italian entity.

Deductions

Deductible Expenses No expenses are specifically deductible from taxable income. However, mandatory social security contributions paid by an employee may be deducted from gross income derived from all sources in determining taxable income.

Personal Deductions Tax Credits and Allowances No expenses are specifically deductible from taxable income. However, alimony paid to a spouse from whom the taxpayer is legally separated or divorced may be deducted from gross income derived from all sources in determining taxable income.

A tax credit of up to 19% of the following expenses is granted:

-Interest paid to European entities on mortgage loans for real estate located in Italy that is used as a principal abode, up to a maximum amount of € 3,615.20;

- Medical expenses, including specialised medical treatment, surgical expenses and prostheses, for the taxpayer or dependants if the expenses exceed € 129.11;
- Life and health insurance premiums, up to a maximum amount of € 1,291.14 (applies only in certain circumstances);
- University tuition expenses, not exceeding tuition charged at state universities; and
- Funeral expenses, up to a maximum amount of € 1,549.37 .

The following deductions may be claimed by resident taxpayers, regardless of the category of income earned.

Type of Allowance	Amount
Dependent spouse (a)	€ 3,200 (b)
Each dependent child(a)	€ 2,900 (b)(c)(d)(e)
(a) A taxpayer's spouse or child is considered a dependant if he or she earns less than € 2,841.	
(b) A formula is used to determine the actual deductibility of tax allowances from taxable income (see Appendix 2).	
(c) For each dependent child under three years of age, the amount is increased by € 550.	
(d) For the first child, the allowance is increased up to € 3,200 in any of the following circumstances:	
-The taxpayer is not married or the spouse is absent or has not recognised his or her natural children;	
-The taxpayer is divorced; or	
-The children have been adopted by married or divorced tax payer.	
(e) For each handicapped child, the amount is increased by € 800.	

Foreign taxes paid by resident taxpayers on foreign-source income may be credited against the personal income tax (IRE). The maximum amount of foreign tax that may be credited is the full amount of Italian tax attributable to the foreign-source income, based on the proportion of the foreign-source income to the aggregate income.

Business Deductions In addition to deductible expenses specifically allowed, other expenses may be deducted from aggregate income for personal tax as described above. The allowances for a dependent spouse and children also apply.

Rates The following tax rates apply for personal income tax (IRE) in 2005.

Taxable Income

Exceeding (€)	Not Exceeding (€)	Rate on Excess(%)
0	26,000	23
26,000	33,500	33
33,500	100,000	39
100,000	----	39+4*

*A solidarity levy at a rate of 4% is applied only to the amount of income that exceeds € 100,000.

The 2003 Financial Act provides for a deduction known as the "no tax area". The deduction equals € 7,500, which consists of a lump-sum deduction of € 3,000 and a € 4,500 deduction. The deduction is available only to employees and to certain categories of self-employed workers. The deduction is prorated to the number of working days in the year and may be further decreased (to as low as zero) as gross taxable income increases. The deduction is recalculated according to a formula.

An additional regional IRE tax applies at rates ranging from 0.9% to 1.4% on taxable income as calculated for IRE purposes.

An additional municipal IRE tax applies at rates ranging from 0% to 0.5% on taxable income as calculated for IRE purposes.

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Non-residents are taxed on income derived from Italy at the rates described above. For a sample tax calculation, see Appendix 2.

B. Other Taxes

Municipality Tax On Real Estate A municipality tax (ICI) is imposed on the ownership of real estate in Italy at a rate ranging from 0.4% to 0.7% of the cadastral value (legal value) of the real estate.

Inheritance and Gift Taxes Effective from 25 October 2001, Italy abolished inheritance and gift taxes. Under the new rules, cadastral tax and mortgage tax are imposed on inherited and gifted assets, as described below.

Inheritances The general rates of mortgage tax and cadastral tax on inheritances are 2% and 1%, respectively. However, if a beneficiary uses an inherited house as his or her habitual abode, mortgage and cadastral taxes are payable in a flat amount of € 258.

Gifts No tax is due if a close parental relationship exists between the donor and the recipients. If no close relationship between the donor and the recipient exists, different tax treatments are available.

Estate Tax Treaties To prevent double taxation of estates, Italy has entered into estate tax treaties with Denmark, France, Greece, Israel, Sweden, the United Kingdom and the United States. In the absence of a treaty, a tax credit may be available for foreign taxes paid on assets located abroad.

C. Social Security.

Coverage Italian law provides for a comprehensive system of social insurance covering the following: disability, old age and survivorship; illness and maternity; unemployment and "mobility"; family allowances; health care; labour injuries; and professional diseases. The system is controlled by the government, with various sections administered by separate public institutions, most notably, the National Institute for Social Security (Istituto Nazionale Previdenza Sociale, or INPS).

Collective labour agreements provide for compulsory additional coverage through pension and health funds. Both employers and employees usually make contributions to these funds.

Contributions

Employees In general, social security contributions are payable at varying percentages of gross remuneration, depending on the employee's qualification level and the employer's activity sector.

In general, employees' social security contributions range from approximately 9% to 10% of their gross remuneration. Employers' contributions may range from 30% to 35%.

Employees with no record of social security contributions before 1 January 1996, are subject to pension contributions on gross income up to a maximum of € 83,967 for 2005.

Self-Employed Persons Self-employment income is subject to contributions at a flat rate ranging from 10% to 19%, on annual income up to a maximum of € 83,967 for 2005. This rate will be gradually increased in the future. The rates vary according to whether the director or consultant is covered by any other obligatory Italian social security scheme (for example, as an employee). The contributions are not due if the self-employed professional has other compulsory coverage (for example, professional plans for lawyers or accountants).

Foreign citizens must pay a social security contribution of 19% if they have Italian self-employment income. Under certain circumstances, a totalization agreement may provide an exemption from this contribution. Directors and consultants are subject to compulsory labour injuries coverage on income up to a ceiling of € 22,955.40 for 2005.

Totalization Agreements To provide relief from double social security taxes and to assure benefit coverage, Italy has concluded totalization agreements with various jurisdictions. In addition, an EU regulation on social security applies to all of the EU countries (plus Switzerland). Italy has entered into totalization agreements with the following jurisdictions.

Argentina	Croatia	United States
Australia	Israel	Uruguay
Brazil	Monaco	Vatican City
Canada and Quebec	San Marino	Venezuela
Cape Verde	Slovenia	Yugoslavia
Channel Islands (Alderney, Guernsey, Herm, Jersey and Lihou)	Tunisia (former)*	

* This treaty applies to Bosnia-Herzegovina, Macedonia and the Union of Serbia and Montenegro. Most of Italy's totalization agreements allows an employee temporarily assigned abroad (seconded) to remain covered under the social security scheme in the employee's home country for a two year period that may be extended to five years or more. The agreement with the United States does not provide a time limit.

D. Tax Filing and Payment Procedures

The tax year in Italy is the calendar year. Income tax returns for the previous year must be filed by 31 July (by 31 October if filing electronically). Married persons may not file joint returns.

Late filing is subject to a penalty ranging from € 258 to € 2,065 and from 120% to 240% of the tax due. Under a special procedure to reduce penalties, these penalties may be reduced to 1/8 (within 30 days after the payment due date) or to 1/5 (within the filing deadline for the following tax year) of the otherwise applicable penalty.

Income tax must be paid by 20 June for income earned in the previous calendar year. Advance tax payments must be made, equal to 98% of the tax paid for the previous year or the amount due for the current year, whichever is less. Forty percent of the advance tax payments must be made, generally by 20 June and the remaining 60% by 30 November. Taxpayers who pay overdue income tax from 21 June to 20 July must pay a 0.4% additional surtax. If a late payment is made between 21 July and 21 August, the effective rate of the additional surtax due is 3.75%, plus 2.5% annual interest. If payment is made after 21 August, a surtax of 6% plus annual interest of 2.5% is due. The due dates mentioned above change each year.

E. Double Tax Relief and Tax Treaties

A tax credit for taxes paid abroad on foreign-source income is available; however, it is limited to the portion of Italian tax due based on the ratio of foreign-source income to total income.

Italy has entered into double tax treaties with the following countries.

Albania
Algeria
Argentina
Australia
Austria
Bangladesh
Belgium
Brazil
Bulgaria
Canada
China
Côte d'Ivoire
Cyprus
Czech Republic
Denmark
Ecuador
Egypt
Estonia
Ethiopia (a)
Finland
France
Georgia
Germany
Greece
Hungary
India
Indonesia
Ireland
Israel
Japan
Kazakhstan
Kenya (a)
Korea
Kuwait
Lithuania
Luxembourg
Macedonia
Malaysia
Malta
Mauritius
Mexico
Morocco
Mozambique
Netherlands
New Zealand
Norway
Oman
Pakistan
Philippines
Poland
Portugal
Romania

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Russian Federation
Senegal
Singapore
Slovak Republic
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Tanzania
Thailand
Trinidad and Tobago
Tunisia
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States
USSR (b)
Uzbekistan
Venezuela
Vietnam
Yugoslavia
Zambia

(a) The treaty has been ratified, but is not yet in force.

(b) Italy honours the USSR treaty with respect to the republics of the Commonwealth of Independent States.

The treaties generally follow the Organisation for Economic Co-operation and Development (OECD) model treaty. In general, the treaties provide that employment income is taxable only in the employee's country of residence, unless it is derived from work performed in Italy. Income derived from work performed in Italy, however, is not taxed if all of the following conditions apply:

- The recipient is present in Italy for a period not exceeding 183 days in the fiscal year concerned. (A different timeframe applies under certain treaties.).
- The remuneration is not paid by, or on behalf of, an employer in Italy.
- The remuneration is not borne by an employer's permanent establishment or fixed base in Italy.

Self-employment income is generally taxable only in the country of residence of the recipient, except that a final 30% withholding tax is levied on professional income produced in Italy by a fixed base or, in the case of directors' fees, by an Italian company (see Section A).

F. Temporary Visas

Visas for temporary stays in Italy include transit visas, tourist visas, student visas and business visas. They may be short-term (up to three months, for example, tourist visas) or long-term (from 3 to 12 months) and generally may not be renewed.

Foreign nationals must apply for temporary visas at the Italian consulates or embassies in their home countries or in their place of residence.

G. Employment and Self-Employment Visas.

European Union (EU), European Economic Area (EEA) and Swiss nationals do not need permits to work in Italy.

Non-EU nationals, however, must enter Italy with the proper visas if they intend to carry out professional activities. The type of visa required and the procedures necessary to obtain it differ, depending on how the work relationship's classified, for example, as a self-employment activity or an employment activity.

Both EU nationals and non-EU nationals must obtain residence permits/cards for work reasons (*permesso/carta di soggiorno per motivi di lavoro*) in order to stay in Italy. Non-EU nationals must obtain an employment visa (*visto d'ingresso per motivi di lavoro subordinato*).

Special rules are provided for nationals of the new EU member states (except for citizens of Malta and Cyprus) until May 2006. In general, such individuals must obtain in advance the work authorization and the *nulla osta* (a public safety measure confirming that the foreign national does not have a criminal record) from the competent police office (see below), but they are exempted from any visa obligations.

The procedure for obtaining an employment visa for a foreign national is initiated by the prospective Italian employer (or the Italian entity for which the employees are assigned to work), which must first submit an application to the Italian Labour Office requesting a work authorization. The approval and issuance of such authorization usually requires up to two months, and can only be obtained for the purpose of filling available vacancies within the quota limits. Certain categories of foreign citizens may enter Italy for employment reasons exempt from the entry quotas, including executives or highly skilled personnel of companies with registered offices or branches in Italy or with representative offices of foreign companies that have registered offices in World Trade Organization (WTO) countries.

After the authorization is granted, the Italian company submits it to the police and requests a *nulla osta*. After the police issue the *nulla osta*, the Italian company sends it to the employee who uses this document to request an employment visa at the Italian consulate in his or her last country of residence.

Under certain conditions, a holder of a sojourn permit for employment reasons may engage in self-employment activities and vice versa.

Foreign nationals may engage in the following self-employment activities in Italy:

-They may be directors of companies (that is, members of the boards); and -They may pursue freelance or other professional activities.

In both cases, foreign nationals must obtain a self-employment visa (*visto di lavoro autonomo*).

H. Resident Permits

Within eight workdays after arrival in Italy with the proper visa, a non-EU foreign employee must report to the police where he or she will live to request sojourn permit for work reasons (*permesso di soggiorno per motivi di lavoro*).

EU nationals and their family members must apply for a residence card (*carta di soggiorno*) if their stay exceeds 90 days.

I. Family and Personal Considerations

Family Members. Family members who accompany a non-EU foreign national to Italy or wish to join a foreign national in Italy must request special visas from the Italian consulate in their last country of residence. These visas (*visto per familiare al seguito o visto per ricongiungimento familiare*) allow family members to work in Italy after the relative sojourn permit for family purpose is obtained (see below).

After obtaining their visas, within eight workdays after their arrival in Italy, any family members accompanying a foreign national must report to the police in the area where they will live to request sojourn permits for family members (*permesso di soggiorno per motivi familiari*).

A special rejoining procedure (*coesione familiare*) can be favourable for family members if nationals from their countries are not required to apply for the visa to enter Italy for tourism purposes. They can enter and apply for the tourism permit of stay and then change it into a family permit of stay.

Sojourn permits for study reasons within the annual quotas are convertible into permits for employment reasons.

Drivers' Permits. Foreign nationals may drive legally in Italy for six months from the date of entry using their home country drivers' licenses if they also possess international drivers' licenses. Italy has drivers' license reciprocity with all EU-member countries and other non-EU countries, but not with the United States.

To obtain an Italian driver's license, foreign nationals must take a driver education course, undergo written, physical and medical examinations, and register with the Italian resident population records.

APPENDIX 1: TAXABILITY OF INCOMR ITEMS

	<i>Taxable*</i>	<i>Non-Taxable</i>	<i>Comments</i>
<i>Compensation</i>			
Base salary	X	---	---
Mandatory employee contributions to home country benefit plans.	(X)	---	---
Bonus	X	---	---
Retained hypothetical tax	(X)	---	---
Cost-of-living allowance	X	---	---
Housing allowance	X	---	(a)
Housing contribution	(X)	---	(a)(b)
Education allowance	X	---	(a)
Hardship allowance	X	---	---
Other allowances	X	---	---
Premium allowance	X	---	---
Home-leave allowance	X	---	---
Other compensation income	X	---	---
Moving expense reimbursement	---	X	---
Tax reimbursement			
Current gross	X	---	---
One-year rollover	X	---	---
Deferred compensation	---	X	(c)
Imputed interest on loans	X	---	(d)
Value of meals provided	---	X	(e)
Other items			
Foreign-source personal ordinary income (interest and dividends)	X	---	(f)
Capital gain from sale of personal residence in home country	---	X	(g)
Capital gain from sale of stock in home country	X	---	---

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* Bracketed amounts reduce taxable income.

(a) In the context of the above table, the following definitions apply:

. Housing allowance: cash amount paid by the employer to an employee for the purpose of helping the employee pay the rent for a house; and

. Housing: taxable benefit derived by an employee from the use of an apartment rented by the employer;

. Housing contribution: cash amount withheld from the salary of an employee who uses an apartment rented by the employer.

(b) If employer-owned or leased housing is provided by the employer to the employee, the employee's taxable income equals the difference between the cadastral income of the property (an amount set for each parcel of real estate by the Italian authorities) plus the expenses borne by the employer in providing the housing (for example, utilities), less the contribution paid by the employee.

(c) Deferred compensation is taxed when the employee can dispose of the money.

(d) Employees who receive interest-free or low-interest loans from their employers are subject to tax on an amount equal to 50% of the difference between the interest charged by the employer and the official European Union (EU) bank rate if the former amount is lower.

(e) Meals provided at the work-site to all employees and equivalent services are not subject to income tax. Equivalent services (in particular, restaurant tickets) in excess of 5.29 per day are taxable.

(f) Interest paid from an Italian bank is subject to a 27% final withholding tax; consequently, such interest does not have to be included in the individual's tax return. Non-Italian source interest income paid from a foreign bank must be declared in the individual's income tax return, but is subject to a separate tax of 27%. The separate tax is paid when the return is filed. However, the taxpayer may elect in the tax return to have such interest income taxed at the ordinary tax rates. In such case, the interest income is added to the taxpayer's other taxable income.

(g) Gain from the sale of real property is subject to tax if the holding period of the property is five years or less and if the property was not used as the taxpayer's personal residence during the greater part of such period.

APPENDIX 2: SAMPLE TAX CALCULATION

A sample tax calculation is set forth below for a full-year resident, with a dependent spouse and two children. In 2005, the individual earned income of € 100,000 net of compulsory social security taxes. It is assumed that the taxpayer's income was derived solely from employment.

Total taxable income € 100,000

Gross income tax)
(excluding regional
and local tax) € 34,390

Theoretical tax allowance

Spouse € 3,200

Two children (2 x €2,900) € 5,800

Total theoretical tax allowances € 9,000

Tax allowance deductible _____ (0)*

Net income tax
(excluding regional and local tax) € 34,390

. A formula is used to determine if the tax allowances claimed by the taxpayer are actually deductible from the taxable income. The numerator of this ratio is a fixed amount € 78,000 increased by the theoretical tax allowances and reduced by the taxable income, while the denominator is a fixed amount (€ 78,000). The following is the calculation using this formula for the above example.

$$\frac{78,000+9,000-100,000}{78,000}=-0.17$$

If the result of the above calculation is at least 1, the theoretical tax allowance is granted in full. If the result is 0 or less, the tax allowance is not granted. If the result is more than 0, but less than 1, the actual tax allowance is determined by applying the ratio to the theoretical tax allowance. In

Average % rate		Rates (personal income tax) applicable to personal incomes (Average taxation in percentage on wages. Source: OCSE 2005)
ITALY	27.8	The personal income tax (IRPEF) provides four different rates: <ul style="list-style-type: none"> o 23% up to Euro 26,000; o 33% over Euro 26,000 and up to 33,500; o 39% over 33,500 and up to 100,000; o 43% over 100,000.
AUSTRIA	28.8	The tax is progressive: <ul style="list-style-type: none"> o no-tax area up to Euro 10,000; o on incomes up to 25,000, a rate of 38.33% is applied; o between Euro 25,000 and 51,000, the rate is 43.60%; o for incomes over 51,000, it is 50%.
FRANCE:	26.7	The personal income tax provides seven different rates: <ul style="list-style-type: none"> o 0% up to Euro 4,334;; o 6.83% up to Euro 8,524; o 19.14% up to Euro 15,004; o 28.26% up to Euro 24,294; o 37.38% up to Euro 39,529; o 42.62% up to Euro 48,747; o 48.09% over Euro 48,747.
GERMANY	40.5	The tax is progressive, with the following rates: <ul style="list-style-type: none"> o no-tax area up to Euro 7,664; o from 7,665 to 12,739, rates go from 10% to 23.97%; o from 12,740 to 52,151, the rates go from 23.97% to 45%; o 45% for incomes over Euro 52,151.
UNITED KINGDOM	24.4	Income tax rates for the period 2004-2005 applicable based on total-income brackets vary according to the income category: <ul style="list-style-type: none"> o 10% up to £2,020; o 22% from 2,021 to 31,400; o 40% over 31,400
SPAIN	19	Rates applicable for 2004 are as follows: <ul style="list-style-type: none"> o 15% up to Euro 4,000; o 24% up to Euro 13,800; o 28% up to Euro 25,800; o 37% up to Euro 45,000; o 45% over that amount.
SWITZERLAND	20.9	There are progressive rates for the Confederation (maximum 11.5%), the cantons and the municipalities (generally multiplied based on the Canton tax)
USA	24.2	The rates for the federal income tax are applicable by income brackets and range from <u>10 to 35%</u> . Brackets vary according to the taxpayer's personal status. There is also an "Alternative Minimum Tax" (AMT) applicable with rates <u>of 26% and 28%</u> depending on the taxable base, which is determined according to specific rules. The tax actually owed is the greater figure between ordinary tax and AMT.

the example, above, the result is less than 0. Consequently, no deduction is permitted for the tax allowance.

FACILITATED FINANCING

Entrepreneurial incentives for investments in Italy

Four **Structural Funds** currently enable the European Union to issue grants intended to resolve structural problems of an economic or social nature:

- the European Fund for Regional Development (ERDF), which is intended primarily to promote **economic and social cohesiveness** in the European Union through efforts aimed at reducing disparities between regions or social groups;
- the European Social Fund (**ESF**), the main financial instrument enabling the Union to realise the strategic objectives of its **employment** policy;
- the European Agricultural Guidance and Guarantee Fund (EAGGF, guidance section), which contributes to the structural reform of **agriculture and to development of rural areas**;
- the Financial Instrument for Fisheries Guidance (FIFG), a specific fund for structural reform of the **fisheries** sector.

In addition, for the development of underutilised areas, there are Community and national financial facilities for stock companies of any size that undertake investment projects capable of yielding additional, lasting economic effects for the area.

Projects in industry and services are eligible for these facilities.

Investment projects must be carried out in underutilised areas of the country: all of southern Italy and the islands, and more than 3,800 municipalities in the north-central part of the country, some 74% of Italian municipalities.

The facilities include:

- reduced-rate loans**
- outright grants**
- investments in share capital**

For the revival of industrial areas, economically and financially healthy stock companies may benefit from Community-issued financial facilities. Projects in industry and services are eligible for these facilities if they involve:

- new Initiatives
- expansions, modernisations, reorganisations of existing production units which in any case produce new jobs.

For Lombardy, the areas affected by regional financial facilities currently include some 90 municipalities in Arese, Garbagnate Milanese, Lainate, Rho, and Lovere (BG).

Overall, there are many different national and regional laws to facilitate the creation of a new company. There are many different facilities depending on the activities carried out, the place where they are carried out, and the players involved. Some of these are listed below:

LAW	Goal	Exp.
n.10/91	Rules for implementation of the national energy plan regarding rational energy use, energy savings, development of renewable energy sources	Still open
n.22/87	EUREKA Programme: applied research projects involving international and Community cooperation	Still open
n.29/96	Provisions in support of employment	Still open
n.46/82 arts. 14 and 16	Special research fund to be applied to the Technological Innovation Fund (TIF)	Suspended
n.49/85 Title I	Facilities for cooperatives (Foncooper revolving fund)	Still open
n.49/85 Title II	Fund for programmes to safeguard employment (Marcora Law)	Regional notices
n.67/88	Training for young researchers	Still open
n.83/89	Export incentives	Annual 15/05
n.95/95 (ex n.44/86)	Support for young entrepreneurs	Still open
n.104/95 Art. 6	Facilities pursuant to Law 488/92 for pre-competitive industrial research and/or development projects	Still open
n.135/97	Support for young farmers	Still open
n.140/97	Tax measures in support of innovation in industrial firms	Regional notices
n.215/92	<i>Positive programmes for female entrepreneurs: facilities for new woman-owned companies and for the acquisition of real services</i>	Closed
n.227/77	Provisions on the insuring and financing of loans for the export of goods and services, execution of works abroad, and international economic and financial cooperation.	Still open
n.236/93	Promotion of new, young companies in the services sector	Still open
n.266/97	Tax incentives for manufacturing B2B services companies	Regional notices
n.304/90	Loans for participating in international tenders	Still open
n.317/91	Programmes for innovation and development of small businesses	Closed
n.341/95	Automatic subsidies for productive projects in depressed	Regional

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	areas	notices
n.388/00	Incentives for electronic commerce	Closed
n.394/81	Loans for commercial penetration projects abroad	Still open
n.394/81 Art. 10	Measures in support of Italian exports, aimed at agribusiness and tourism/hospitality consortia	Regional notices
n.448/98 Art. 4	Tax credits for SME for new hires in disadvantaged areas	Regional notices
n.449/97 Art. 5	<i>Scientific Research Programmes</i> : Facilities for the hiring of researchers and for research contracts	Regional notices
n.449/97 art.11	Tax incentives for business and tourism	Regional notices
n.608/96 Art. 9.7	Facilities for the start-up of individual companies in EU 1 Objective areas, in earthquake-stricken areas of the Marche and Umbria included in EU 2 Objectives, and in areas with a significant imbalance between job demand and supply	Still open
n.949/52 c.V and VI	Support for access to credit for small firms	Still open
Decr. n.250 16/07/04	Support for young entrepreneurs	Still open
n.1329/65 Sabatini Law	Facilities for the acquisition and leasing of new machine tools or production tools	Regional notices

Another financial instrument for creating and developing companies is the **incubator**. This provides shared physical spaces and facilities, as well as consulting, training, and dedicated funding services. Incubators are for entrepreneurs who intend to start up new small and medium-size productive activities. The company is assured of a space in the incubator during its start-up phase, for a period not to exceed 36 months.

In particular, companies located in incubators are able to receive two dedicated financial instruments:

- **guarantees on bank loans** issued to SME's operating in industry, tourism, and B2B services. These guarantees can amount to 80% of the loans for a maximum amount of Euro 2,000,000. The companies are not asked for outside guarantees, and the rates applied to the bank loans are those reserved for preferred customers. This instrument is active in all the southern regions and in Liguria, Tuscany and Umbria.
- **The Investment Incentives Fund**, which provides capital grants and reduced-rate (0.50%) loans for investment projects presented by small companies with a single operating site inside the incubators. The incentive ranges from 45% to 65% of the investment amount, within a limit of Euro 100,000 in a three-year period.

The entrepreneur has an opportunity to find an answer to his various needs in a single site, through a single contact, In addition, he can:

-check the feasibility (economic and functional practicability) of his own entrepreneurial plans, without risking a burdensome initial investment

-develop contacts and share knowledge inside the incubator.

Possible forms of support for the creation and development of entrepreneurial projects include also the "Confidi." These are credit-guarantee consortia and cooperatives which, by providing guarantees to participating banks, are able to promote access to bank credit on the part of their small and medium-size member businesses or partners. Based on Law 317/91, the Confidi have the following social purposes:

- providing collective guarantees to promote the granting of loans (in general the amount of the guarantee is equal to 50% of the loan);
- providing information, consulting and assistance to member companies in locating and using loans.

The relationship between the banks and the Confidi is governed by an agreement establishing the technical forms of the loans guaranteed, and the means of managing the guarantee funds deposited by the Confidi in the banks to guarantee the loans granted to the companies.

Finally, the possibilities for support for companies include one that does not fit into a specific regulated market, which we therefore call "informal investor." **Business Angels**, a category of investors who are typically former businessmen, professionals or managers who have capital to invest as well as management skills and a good network of relationships with the economic and financial world. By their very nature, however, they are difficult to locate, and financiers such as these prefer a direct relationship with the owner of the project they are financing.

Given the possible supports for development and investment in Italy, the Associated Business Tax Studio serves as the single middleman between the investor-client and all the institutions, government offices and parties involved in the services they require.

By filling out the attached coupon and giving us some essential information, we will be able to provide greater details relating to the business you are interested in, on facilities, and on the issues to be resolved to evaluate the feasibility of an investment or the establishment of a company in Italy.

We are convinced that we can provide a complete and worthwhile service to support entrepreneurial development in Italy. Therefore, with the cooperation of the members of the MGI network, we will be able to provide you with a broad range of opportunities adapted to the requirements of those interested in doing business in Italy.

Coupon attached↓

Reference Member of the MGI Network
Economic activity which client intends to undertake, and/or project which client intends to carry out:
Geographic area in which client intends or would like to invest:
Initial capital to be devoted to the business.

Fill out and send by fax to: 0039 02 72 00 20 43 or by e-mail to Info@agitalia.it