

**Chandrawat
& Partners**

Guide to do business in

ITALY

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ABOUT ITALY

Located in the southern Europe on the Apennine Peninsula, Italy has international borders with Austria, France, the Holy See (Vatican City), San Marino, Slovenia, and Switzerland. The country also shares maritime borders with Albania, Algeria, Croatia, Greece, Libya, Malta, Montenegro, Spain, and Tunisia. Italy's economy is the third largest national economy in the European Union. The country's business model is based on the production of high quality consumer goods. Automotive industry, textiles, electrical products, office equipment, agriculture, and tourism are the most significant industrial sectors of Italy. A major economic force in Europe, Italy is an attractive economy for investment.

ADVANTAGES

Known for its art, food and rich history, Italy offers well established infrastructures for R&D, innovation, design and a strong manufacturing base. Italy's geographical location makes it a strategic logistics hub and a gateway to the European Single Market.

Strategic logistics hub

Italy gives businesses a strategic gateway to consumers across the European Union, Northern Africa and the Middle East. It is also a primary hub, which links southern, central and eastern Europe. Due to its central Mediterranean position, 20% of world maritime traffic, 30% of fuel traffic, and 25% of container traffic pass through Italy's ports.

Pro investment culture

Italy has implemented significant reforms to gain foreign investors trust and confidence, including forming a high level committee within the Ministry of Economic Development. Its open economy welcomes foreign investors. The country's Trade Agency offers a 'one stop shop' for pre-investment information, business setup support, and ongoing aftercare for incentives and contracts.

Tax credits and incentives

The Italian government offers numerous tax credits and incentives to attract Foreign Direct Investment, which includes:

- tax credits for employment (especially for hiring women and younger workers),
- tax deductions for energy efficiency, and
- tax reductions on income derived from specified intangible assets.

Member of the European Union

As a member of the European Union, businesses in Italy have duty free access to over 50 million consumers in over 30 national markets within the European Economic Area.

High tech performance

Being Europe's third largest chemicals producer, Italy primarily targets the agriculture, food and beverage markets. Many large multinational companies have a well established presence in Italy, leveraging Italy's skilled labor and strategic location in Europe.

In Italy, the taxation is levied by the central and regional governments and is collected by the Italian Agency of Revenue. Moreover, the most important earnings are: income tax, social security, corporate tax and value added tax.

Individual Taxes

The main income tax levied on individuals in Italy is the personal income tax, which is also known as the Imposta sui redditi delle persone fisiche (IRPEF). The individual is subject to the following income taxes:

- National income tax;
- Regional income tax; and
- Municipal income tax.

National income tax is levied at progressive tax rate on all income reported below:

- income from 0 to 15,000 EUR is liable to tax at a rate of 23%;
- income from 15,001 to 28,000 EUR is liable to tax at a rate of 25%;
- income from 28,001 to 50,000 EUR is liable to tax at a rate of 35%; and
- income from above 50,000 EUR is liable to tax at a rate of 43%.

To be continued

SIMPLE TAX REGIME

Tax resident individuals

In Italy, the resident individuals are liable for personal income taxes on their income wherever produced under the so called 'worldwide principle'. Tax resident individuals are also subject to 'wealth tax' on real estate and of financial investments owned outside of Italy.

Non tax resident individuals

Non resident individuals are subject to PIT only on income earned in Italy whereas the foreign incomes are not relevant to the purposes of taxation in Italy.

Corporate income taxes (CIT)

Italian corporate entities are subject to a corporate income tax, known as imposta sul reddito sulle società or IRES, and to a regional production tax, known as imposta regionale sulle attività produttive or IRAP. The standard corporate tax rates are as follows:

- 24% for IRES.
- 3.9% for IRAP.

Specific rules apply for bank and financial entities. Different IRAP rates are applicable for certain entities, such as; banks and financial entities, insurance corporations, entities with a determined governmental exclusive right to provide service.

Following types of business entities are available in Italy:

S.r.L. - Limited Liability Company

The limited liability company is the most common form of business entity in Italy, because it only requires a small starting capital. Limited Liability Company holds its own legal personality which is independent from that of the owners or shareholders.

S.p.A. - Joint Stock Company

The joint stock company required starting capital of EUR 120,000 and it is less likely to be owned by a sole shareholder. Further an SpA is a stock company, which means it can offer its shares on the stock market and it can do so either publicly or privately.

Partnership

In Italy, a partnership is created by a contract between two or more partners. However, the partnership agreement must be drafted in the form of a public deed or a legalized private deed. Further, the corporate entities may be partners of Italian partnerships.

Representative Office

Similar to other European countries, a representative office is an office established by a formal legal entity to conduct marketing and other non transactional operations when S.p.A or S.r.l entities are not warranted. It is not a legal entity.

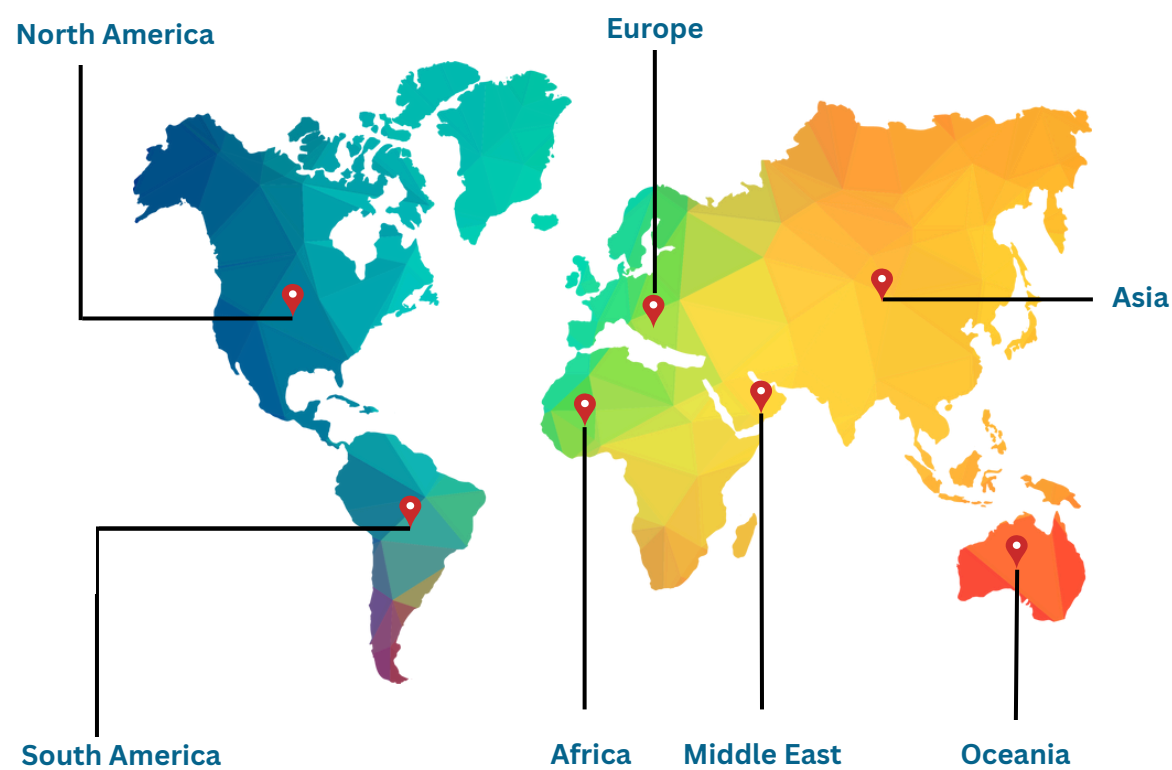
A representative office is not required to keep books, publish financial statements or file income tax or VAT returns. The establishment of a representative office must be registered with the Trade Register.

Branches

A branch does not have its own capital and is not required to draw up annual financial statements. A copy of the financial statements of the headquarters must be filed with the Trade Register. Annual financial statements are only required in order to prepare the Italian income tax and VAT returns.

The setting up of a branch must be recorded in the Trade Register, together with the appointment of the legal representative.

SERVING CLIENTS WORLDWIDE



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