

# New step-up option on taxpayer assets introduced



16 October 2020 |

Contributed by Studio Legale e Tributario Biscozzi Nobili Piazza

Corporate Tax, Italy

- 🕒 Introduction
- 🕒 New provision

## Introduction

Decree-Law 104/2020 recently introduced a new opportunity for Italian companies to step up the cost of tangible and intangible assets (real estate and other immovable properties which are built or for resale are excluded) and participation in controlled and associated companies included in financial statements as of 31 December 2019.**(1)** Therefore, for taxpayers for which the fiscal year matches the calendar year, the revaluation option can be exercised for the fiscal year ending 31 December 2020.

Under the revaluation rules, the above option can be exercised by taxpayers adopting Italian generally accepted accounting principles for financial statements purposes; International Accounting Standards (IAS) adopters (mainly listed companies) are entitled to other favourable provisions as described below. Parties that can opt for the step up include:

- corporations (different than IAS adopters);
- partnerships;
- individual enterprises;
- non-commercial entities; and
- foreign entities with permanent establishment in Italy.

## New provision

The new provision is more favourable than previous legislation by granting taxpayers revaluation of their corporate assets.

The revaluation option can be carried out only for statutory or accounting purposes to support the capitalisation of companies that have been materially affected by COVID-19.

Thus, the step up can also have tax effects (for corporate income tax (IRES) as well as regional production tax (IRAP) purposes) starting in the financial year following that in which the revaluation was executed on payment of a 3% substitutive tax (materially lower than past provisions), which can be executed in a maximum of three annual instalments of equal amounts, the first of which is due on payment of the income taxes relating to the fiscal year in which the revaluation option is exercised (ie, June 2021 for companies which have a fiscal year corresponding to the calendar year).

The increased tax basis will allow higher deductible depreciations and maintenance costs and a lower taxable capital gains on sales from 1 January 2024. In the case of a disposal of assets elected for a tax step up before the start date of the fourth tax year in which the revaluation took place, the revaluation will be disregarded.

The revaluation balance must be accounted to a special equity reserve, which can be distributed on payment of a 10% substitute tax to be paid according to the abovementioned timing.

Notably, the step-up option can be referred to single assets (ie, so called 'cherry picking') and it is not necessary for an entire category of assets to be revaluated. For example, under previous step-up measures companies owning trademarks had to extend revaluation to all intellectual property, while under the new rule, taxpayers can choose the single asset, taking into account the actual benefit and financial break-even deriving from the payments of the substitutive tax and the higher depreciation to be deducted in the following tax years.

IAS adopter entities can elect for a step up (for tax purposes only) of the value of the fixed assets up to their respective accounting value. This is a common situation in respect of intangibles that are not subject to periodical depreciation under IAS principles (ie, the impairment procedure applies in respect thereof). Further, an election for the tax step up is available to IAS adopter entities that pay the 3% substitute tax.

Under the described scenario (ie, the step-up of the tax value without a corresponding increase of the accounting value), there is no impact on the equity of the taxpayer; thus, a tax suspension applies on existing equity reserves (including the share capital, if necessary) for an amount in line to the tax step-up and, should such a reserve be distributed, an additional payment of a 10% substitute tax will apply

*For further information on this topic please contact Simona Zangrandi or Franco Pozzi at Studio Legale Tributario Biscozzi Nobili Piazza by telephone (+39 02 763 6931) or email (simona.zangrandi@slta.it or franco.pozzi@slta.it). The Studio Legale Tributario Biscozzi Nobili Piazza website can be accessed at [www.sbnp.it](http://www.sbnp.it).*

---

## Endnotes

(1) As defined under Article 2359 of the Civil Code.

The materials contained on this website are for general information purposes only and are subject to the disclaimer.

ILO is a premium online legal update service for major companies and law firms worldwide. In-house corporate counsel and other users of legal services, as well as law firm partners, qualify for a free subscription.



Simona Zangrandi Franco Pozzi