

Doing business in Italy

Italy is the 3rd largest economy in the Eurozone and the 8th largest economy in the world. Its domestic market offers many business opportunities and, as a result of the measures implemented in the last five years, Italy has become one of the most attractive countries from an investment point of view.

Thanks to various incentives already in place, Italy is now, more than ever, taking up the challenge of improving the country's business environment so as to attract foreign investments.

There are no foreign exchange controls or restrictions on repatriating funds. Residents and non-residents may hold foreign currency within and outside the country, and direct and indirect investments may be made in any currency. Non-residents may freely enter into a wide number of transactions.

A general overview

"What is good for international investors is good for Italian entrepreneurs", this seems to be the mantra behind the efforts made by the Italian legislature over the last five years.

In the framework of a structural reform plan embracing the labour market, the banking sector, the tax administration system and other key areas, Italy has gradually implemented a new fiscal policy approach which has resulted in a marked corporate taxation reduction and which is now granting Italian businesses – and their investors – a more favourable effective tax rate.

Automatic tax credits are granted for several investment schemes and new tax ruling schemes have been implemented in order to facilitate interaction with the *Agenzia delle Entrate* (the Italian equivalent of HMRC) and to enable investors to discuss and agree the treatment of significant and long-term investments.

Recent years have seen considerable changes in the banking sector, with a particular focus on NPL



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(non-performing loans) resolution. With the implementation of a Government guarantee scheme, transactions of up to Euro 100 billion in 2017 and a relevant number of high-profile sales to large investors, the NPL market shows a significant

commercial opportunity for buy-side firms searching for yield.

Investors are also confirming their increasing confidence and demand for Italian real estate: with a 2.1% growth compared to 2016 and a transaction volume of Euro 11.1 billion, 2017 was the best year ever for Italian real estate investment, continuing on a positive trend significantly guided by sales of luxury, hotel, residential and industrial properties.

Most common investment schemes

Foreign investments can be made through the acquisition of an equity interest in an Italian target, individually or through a corporate

or contractual joint venture with an Italian or non-Italian person or entity.

Incorporating a new private limited company, together with establishing a branch of a foreign company, is another common method to set up a business presence in Italy.

The two most common types of private limited corporate vehicles in Italy are the "S.p.A." (*società per azioni*, i.e. a joint stock company or a company limited by shares) and the "S.r.l." (*società a responsabilità limitata*, i.e. a limited liability company). Both companies are treated in the same way under the applicable corporate tax regulations.

Setting up a S.p.A. requires a minimum capital of Euro 50,000 and the appointment of one director and one auditor, while it is possible to establish a simplified S.r.l. with a minimum capital of Euro 1 with only one quota holder and one director, who does not need to be a resident or an EU citizen (an auditor not being required where the company meets certain criteria).

As an alternative to setting up a local subsidiary, foreign companies wishing to do business in Italy can also register a branch. A branch office is not a separate legal entity, rather a foreign unit of the parent company and, as such, does not enjoy organisational and decision-making autonomy. Branches are generally subject to the same legal and tax consequences as private limited companies incorporated in Italy.

Foreign companies must: (i) register their branch in Italy with the Italian Registrar of Companies; (ii) appoint a representative of the branch, who does not need to be an Italian resident; (iii) have an address in Italy and (iv) obtain an Italian VAT number.

Italy is a country very much open to foreign investment. Whilst doing business in Italy is often perceived as being challenging, the Grande Stevens team has the necessary local market knowledge, business acumen and commercial awareness to enable clients to successfully achieve their objectives.

About Grande Stevens

Grande Stevens International is an English law firm that works as an integrated international network with the long-standing and prestigious Italian law firm Grande Stevens Studio Legale Associato.

With offices in London (in the heart of Mayfair), Turin, Milan and Rome, we work with a wide range of clients including international businesses and companies of all sizes, financial institutions, entrepreneurs, private families, private individuals and intermediaries. Grande Stevens works with businesses and private clients not just in the UK and Italy but also internationally.

Through our team of bilingual professionals (qualified in multiple jurisdictions), we deliver a comprehensive range of services to our clients, advising them on the legal, business and personal issues that they face, both on English and Italian law related matters.

