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We have taken the greatest care in preparing the information contained herein, considering the need to make it as concise and timely as possible. However if you intend to use the information in making business decisions or in applying the relevant legal regulations, you are welcome to contact us for a more thorough examination of any specific matters.

Re: 2021 Budget Law – Further tax benefits for enterprises

In this issue of our Taxnews, we will continue to describe the main tax benefits for enterprises introduced or strengthened by the 2021 Budget Act (Law no. 178 dated December 30, 2020), focusing on the new tax credits applicable to research and development activities (including technological innovation, design and esthetic ideation) and to investments in advertising.

1. Extension until 2022 of the tax credit for research and development activities

The 2021 Budget Act (paragraph 1064) extended until the tax period in course at December 31, 2022, the tax credit applicable to R&D activities (see our Taxnews issue no. 2/ 2020), which would have expired with the tax period following the one in course at December 31, 2019. It should be noted that this benefit applies to all enterprises headquartered in Italy, including stable organizations of enterprises not resident in Italy, whatever their legal form, economic sector and size, and whatever taxation system they are subject to.

1.2 The new percentages applicable to the tax credit for R&D activities

The 2021 Budget Act increased the tax credit percentages and ceilings (or, better, the bases of calculation, because in some cases expenditures are increased in order to obtain the tax benefit) for R&D expenditures.

Specifically:

a) the tax credit for the **R&D** activities referred to in paragraph 200 of the 2020 Budget Act (Law no. 160/2019) has been increased from 12% to **20%** of the relevant basis of calculation, and its ceiling from 3 million to 4 million euros;

b) the tax credit for **technological innovation** activities (referred to in paragraph 201 of the 2020 Budget Act) has been increased from 6% to **10%** of the relevant basis of calculation, and its ceiling from 1.5 million to 2 million euros;

c) the tax credit for **design and esthetic innovation** activities (referred to in paragraph 202 of the 2020 Budget Act) has been increased from 6% to **10%** of the relevant basis of calculation, and its ceiling from 1.5 million to 2 million euros;

d) the tax credit for the **specific technological innovation** activities referred to in paragraph 201 of the 2020 Budget Act, **aimed** at creating new or substantially improved products or production processes in order to achieve an **ecological transition target or a 4.0 digital innovation** target as identified by the Minister of Economic Development's Decree dated May 26, 2020, has been increased from 10% to **15%** of the relevant basis of calculation, and its ceiling from 1.5 million to 2 million euros.

1.3 Other new features of the R&D tax credit

The **technical report** that enterprises that benefit from the R&D tax credit are required to prepare and keep for any future verification, detailing the purposes, contents and results of the eligible activities carried out in each tax period in relation to the projects and subprojects being carried out, **must now be certified**. The obligation for a special certificate to be issued by the person responsible for the statutory audit of the accounts or, in the case of enterprises that are not required to have their accounts certified, by a statutory auditor or by statutory auditing firm, remains unchanged.

The 2021 Budget Act also introduced the following changes:

- a) the depreciation rates, finance lease installments and simple lease installments that can be taken into account for the purposes of the tax credit applicable to eligible “**innovation activities**,” previously limited to movable tangible assets, now **also include** those for **software used** in the design and esthetic innovation activities eligible for the benefit, including the design and preparation of samples;
- b) expenses for **consulting services** related to the **technological innovation** activities referred to in paragraph 201 of the 2020 Budget Act are admitted up to the maximum limit of 20% of eligible expenses for research contracts outsourced to third parties, as well as (as already established in the 2020 Budget Act) up to the ceiling of 20% of eligible expenses for employees.

2. Extension until 2022 of the tax credit for advertising

Paragraph 608 of the 2021 Budget Act extends to 2021 and 2022 the tax credit available to enterprises, self-employed workers and non-commercial entities for investments in advertising (regulated by art. 57-bis of Law-Decree no. 50/2017). The tax credit percentage remains unchanged, i.e., **50%** of the amount spent for advertising on print and digital **daily newspapers and periodicals**. In compliance with the limits set by the European Union’s de minimis rules for State aid, in both 2021 and 2022 the maximum amount of advertising expenditure to which the tax credit will apply is 50 million euros.

It should be noted that the application for this benefit must be filed through the Revenue Agency’s **telematic services**, and that the tax credit can be used solely to offset other taxes as per art. 17 of Legislative Decree no. 241 dated July 9, 1997. The relevant **F24 payment form** can be filed solely through the **Revenue Agency’s telematic services**, starting from the 5th business day after the list of eligible entities has been published by the Presidency of the Council of Ministers’ Department of Information and Publishing.

We will be happy to provide our customers with any clarification and assistance they may need.



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