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What's new?

Summary of updates/Changes to R&D and government incentives from 1 January 2019 through 31 October 2020

Italy's 2020 budget law effectively replaced two of the three "pillars" of the "Industry 4.0 National Plan" (the R&D tax credit and additional depreciation incentives) with a new package of incentives called "Transition 4.0." The third pillar, the patent box regime, was not modified. In addition, the tax credit for training under the Industry 4.0 plan was extended and modified. The changes, including the following, entered into force for fiscal year (FY) 2020 only, but the measures are expected to be extended until 2023:

- **R&D, innovation, and design tax credit (extended R&D tax credit):** The R&D tax credit has been modified and extended to apply to projects in the innovation and design fields. The "extended" R&D tax credit is computed taking into account only the qualifying expenditure incurred in FY 2020, unlike the previous R&D tax credit effective through FY 2019 computed on the amount of qualifying expenditure exceeding the average R&D expenditure incurred during FYs 2012, 2013, and 2014.
- **Tax credit for investments in new assets:** A tax credit (which replaced super and hyper depreciation) is granted for certain newly purchased assets and assets acquired through a financial lease from 1 January 2020 up to 31 December 2020, or up to 30 June 2021 if by 31 December 2020 the order is accepted by the seller and installments have been paid in an amount equal to at least 20% of the acquisition cost.

Featured government incentives

Incentive name	Description	Maximum percentage	Qualification standards	Key exclusions or issues
Patent box regime	The patent box regime enables all taxpayers carrying on entrepreneurial activities in Italy (including permanent establishments (PEs) of foreign entities) to apply for a 50% tax exemption from corporate income tax (IRES) and the regional tax on productive activities (IRAP) with respect to profits earned from intellectual property (IP)	50% tax exemption for IRES and IRAP on profits earned from IP	The patent box applies to income earned from the direct and/or indirect exploitation of patents, software, designs and models, and know-how, as well as capital gains derived from such intangibles (provided certain conditions are fulfilled)	The patent box regime is intended to comply with the principles of action 5 of the OECD's BEPS project, under which a modified nexus approach is recommended. This means that the exemption is limited to income attributable to R&D activities undertaken by the company to develop income-producing intangibles (even if contracted to research institutions or to third companies). The incentive is available upon the taxpayer's election and is binding for five years. As from 2019, there is no longer a compulsory ruling requirement
R&D, innovation, and design tax credit	A volumetric tax credit is available for FY 2020. The tax credit is the equivalent of a cash grant, since it can be used to offset any kind of tax liability in three equal installments for the FY following the FY in which the credit is accrued and for the following two years	• 12% of eligible R&D expenditure, up to a tax credit of EUR 3 million (for investments located in certain Italian regions, the tax credit rate is increased); • 10% of eligible innovation expenditure in the field of "green transition" and Industry 4.0 digital innovation, up to a total tax credit of EUR 1.5 million; • 6% of eligible general innovation expenditure, up to a tax credit of EUR 1.5 million; and • 6% of eligible design and aesthetic conception expenditure, up to a tax credit of EUR 1.5 million	Qualifying expenses for the tax credit for R&D expenditure include the following, net of other grants or contributions received for the same eligible expenses for any reason (for the tax credits for innovation and design expenditure, a few minor differences are applicable): • Labor costs for researchers; • Depreciation expenses and leasing fees related to the utilization of tangible goods or software; • Contract R&D: Fees paid for R&D activities contracted for with universities, research institutions, or other companies; • Depreciation expenses related to the utilization of IP purchased by third parties; • Costs incurred for technical expertise; and • Costs for materials	All Italian enterprises (including Italian PEs of nonresidents) may be eligible for the tax credit if certain conditions are fulfilled, regardless of their legal status, size, or economic sector • The taxpayer must provide a technical report describing the qualifying activities carried out in the FY • The tax credit may be used only after a registered auditor certifies the eligible costs incurred • A notification must be submitted to the Ministry of Economic Development

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Featured government incentives (continued)

Incentive name	Description	Maximum percentage	Qualification standards	Key exclusions or issues
Tax credit for investments in new assets	A tax credit is available for certain newly purchased assets and assets acquired (also through a financial lease) from 1 January 2020 up to 31 December 2020, or up to 30 June 2021 if by 31 December 2020 the order is accepted by the seller and installments have been paid in an amount equal to at least 20% of the acquisition cost. The tax credit is calculated differently for "Industry 4.0" assets and for general assets. The tax credit is the equivalent of a cash grant since it can be used to offset any kind of tax liability in five equal installments for the FY following the year in which the investment is first available for the enterprise's use and the following four years (for tax credits derived from new intangible investments, the offsetting period is reduced to three years)	• New Industry 4.0 tangible assets: 40% of the acquisition cost for investments up to EUR 2.5 million; and 20% of the acquisition cost for investments over EUR 2.5 million and up to EUR 10 million • New Industry 4.0 intangible assets and cloud computing-related investments: 15% of the acquisition cost for investments up to EUR 700,000 • New general tangible assets: 6% of the acquisition cost for investments up to EUR 2 million	Industry 4.0 assets: • Investments in plant, equipment, and machinery whose operation is controlled by computer systems and/or operated by appropriate sensors and drives interconnected to a factory's computer systems; • Intangible assets (software, systems, platforms) related to technological transformation under the Industry 4.0 plan General assets: • Newly purchased and financially leased assets, such as equipment and machinery	All Italian enterprises (including Italian PEs of nonresidents) may be eligible for the tax credit if certain conditions are fulfilled, regardless of their legal status, size, or economic sector • Some assets are not eligible for the tax credit • Enterprises will have to submit a notification to the Ministry of Economic Development of new investments qualifying as Industry 4.0 tangible or intangible assets. For assets with an acquisition cost greater than EUR 300,000, an expert's report issued by an engineer or an attestation of conformity issued by an accredited certifying authority is required. For assets with an acquisition cost lower than EUR 300,000, a representation by the enterprise's legal representative certifying that the asset is compliant with Industry 4.0 is required

Industries most often affected by government incentives in country

	Technology, Media & Telecom		**Financial Services**
●	Telecom, Media & Entertainment	●	Banking & Capital Markets
●	Technology	●	Insurance
	Consumer	●	Investment Management
●	Consumer Products	●	Real Estate
●	Retail, Wholesale & Distribution		**Life Sciences & Health Care**
●	Automotive	●	Health Care
●	Transportation, Hospitality & Services	●	Life Sciences
	Energy, Resources & Industrial		**Government & Public Services**
●	Power & Utilities		Health & Social Care
●	Mining & Metals		Defense, Security & Justice
●	Oil, Gas, & Chemicals		Civil Government
●	Industrial Products & Construction		International Donor Organizations
			Transport

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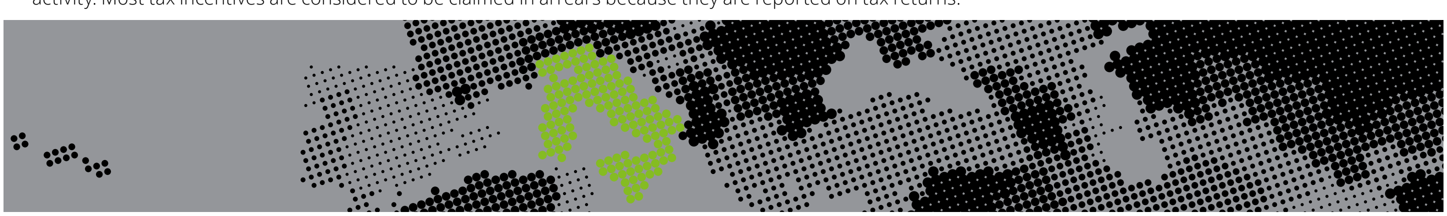
Type	National incentive?	State, provincial, regional or local incentives?[1]	Filing deadlines imposed?	Is the claim made in advance or arrears?[2]	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
Innovation							
Research & development (R&D)	Permanent incentive	No	Permanent incentive Not applicable	National Arrears Local: Not applicable	All enterprises and PEs located in Italy are eligible (under certain conditions) for the R&D, innovation, and design tax credit (cash grant equivalent)	EUR 6 million, assuming that the enterprise claims the tax credit for R&D, innovation, and design expenditure	EUR 6 million, assuming that the enterprise claims the tax credit for R&D, innovation, and design expenditure
Patent box	Permanent incentive	No	Permanent incentive Not applicable	National: Arrears Local: Not applicable	Any entity subject to the corporate income tax is eligible (under certain conditions) for a 50% tax exemption for qualifying profits	50% corporate income tax/IRAP exemptions for profits earned from IP	50% corporate income tax/IRAP exemptions for profits earned from IP
R&D grant: national or EU	Temporary incentive	Temporary incentive	Permanent incentive	Advance	Eligible beneficiaries vary for grants and subsidized loans	Varies	Varies
R&D grant: state/province	Temporary incentive	Temporary incentive	Permanent incentive	Advance	Eligible beneficiaries vary for grants and subsidized loans	Varies	Varies
Tax relief for investments in "R&D-intensive start-up companies" and research-intensive SMEs	Permanent incentive	No	Permanent incentive Not applicable	National: Arrears Local: Not applicable	Companies are eligible for a tax deduction, individuals are eligible for a tax credit	EUR 540,000 per company	EUR 540,000 per company
Development contracts	Permanent incentive	No	Permanent incentive Not applicable	National: Advance Local: Not applicable	Italian and foreign companies may benefit from various measures	Varies	Varies

Key: = PERMANENT INCENTIVE = TEMPORARY INCENTIVE = NEGOTIABLE = NO = LIMITED APPLICABILITY = NOT APPLICABLE

Notes:

1. Green means that this incentive is currently in effect. Yellow means that the incentive has limited applicability, i.e., the requirements for this incentive limit its value to most companies. Red means that there is no incentive.
2. If the response is advance, this means that the government must approve the award of the incentive prior to the commencement/completion of the project/activity. If the response is arrears, this means that the award of the incentive is determined at the end of the tax period or after the completion of the qualifying project or activity. Most tax incentives are considered to be claimed in arrears because they are reported on tax returns.



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Type	National incentive?	State, provincial, regional or local incentives?[1]	Filing deadlines imposed?	Is the claim made in advance or arrears?[2]	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
Investment							
Capex: Tax credit for investments in new Industry 4.0 tangible assets	TEMPORARY INCENTIVE	NO	PERMANENT INCENTIVE NOT APPLICABLE	National: Arrears Local: Not applicable	All enterprises and PEs located in Italy are eligible (under certain conditions) for the tax credit (cash grant equivalent)	EUR 2.5 million	EUR 2.5 million
Capex: Tax credit for investments in new Industry 4.0 intangible assets	TEMPORARY INCENTIVE	NO	PERMANENT INCENTIVE NOT APPLICABLE	National: Arrears Local: Not applicable	All enterprises and PEs located in Italy are eligible (under certain conditions) for the tax credit (cash grant equivalent)	EUR 105,000	EUR 105,000
Capex: Tax credit for investments in new general tangible assets	TEMPORARY INCENTIVE	NO	PERMANENT INCENTIVE NOT APPLICABLE	National: Arrears Local: Not applicable	All enterprises and PEs located in Italy are eligible (under certain conditions) for the tax credit (cash grant equivalent)	EUR 120,000	EUR 120,000
Capex: Tax credit for investments in southern Italy	TEMPORARY INCENTIVE	NO	PERMANENT INCENTIVE NOT APPLICABLE	Advance	Any enterprise that makes certain investments in the southern regions of Italy is eligible for the tax credit (cash grant equivalent)	10% or 25% of qualifying costs, capped at EUR 15 million	For medium-sized enterprises: 20% or 35% of qualifying costs, capped at EUR 10 million For small enterprises: 30% or 45% of qualifying costs, capped at EUR 3 million
Employment: State and federal incentives to provide new/enhanced employment opportunities	TEMPORARY INCENTIVE	TEMPORARY INCENTIVE	PERMANENT INCENTIVE PERMANENT INCENTIVE	National: Varies Local: Varies	Varies	Varies	Varies

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Type	National incentive?	State, provincial, regional or local incentives?[1]	Filing deadlines imposed?	Is the claim made in advance or arrears?[2]	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
Investment (continued)							
Tax credit for training costs relating to Industry 4.0 development plan	Temporary incentive	No	Permanent incentive Not applicable	National: Arrears Local: Not applicable	All enterprises are eligible for the tax credit (cash grant equivalent)	EUR 250,000	For medium-sized enterprises: EUR 250,000 For small enterprises: EUR 300,000
Tax credit for advertising expenditure	Permanent incentive	No	Permanent incentive Not applicable	Advance	Enterprises, self-employed workers, and non-commercial entities are eligible for the tax credit (cash grant equivalent)	Varies	Varies
Tax credit for SMEs attending international business fairs and trade shows	Temporary incentive	No	Permanent incentive Not applicable	Advance	Small and medium-sized enterprises are eligible for the tax credit (cash grant equivalent)	Not available	EUR 60,000
Tax credit for listing expenses incurred by SMEs	Temporary incentive	No	Permanent incentive Not applicable	Advance	Small and medium-sized enterprises are eligible for the tax credit (cash grant equivalent)	Not available	EUR 500,000
Environmental sustainability							
Energy efficiency income tax credit	Permanent incentive	No	Permanent incentive Not applicable	National: Arrears Local: Not applicable	Persons subject to the individual or corporate income tax are eligible for the income tax credit	EUR 100,000	EUR 100,000
"Conto Termico 2.0" (thermal energy account 2.0)	Permanent incentive	No	Permanent incentive Not applicable	National: Advance Local: Not applicable	Private entities, public administrations, and individuals are eligible for cash grants	Up to 65% of qualifying expenditure	Up to 65% of qualifying expenditure

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Country background

Italy's corporate income tax rate is 24%, and the standard rate of the regional income tax on productive activities (IRAP) is 3.9% (the IRAP rate may vary depending on the region and the industry).

Innovation Incentives

Research & Development (R&D)

Nature of incentives

R&D, innovation, and design tax credit

The R&D tax credit that was available up to the end of FY 2019 was modified and extended, by the 2020 budget law, to apply to expenses in the innovation and design fields, as part of the Transition 4.0 national plan. All enterprises are eligible to benefit from the extended R&D tax credit, regardless of their legal status, size, or economic sector, and the incentive is available to both enterprises resident in Italy and to Italian PEs of nonresidents.

The tax credit is computed on all qualifying expenditure incurred in FY 2020, unlike the previous R&D tax credit effective through FY 2019 that was computed on the amount of qualifying expenditure exceeding the average R&D expenditure incurred during FYs 2012, 2013, and 2014.

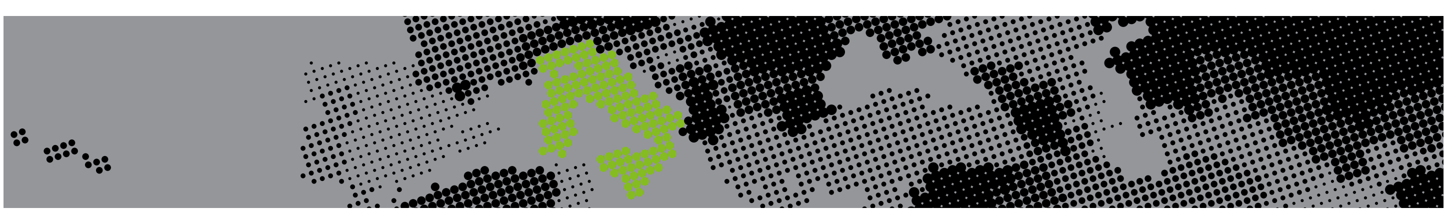
The tax credit is computed as follows:

- 12% of eligible R&D expenditure (defined based on the OECD Frascati Manual), up to a tax credit of EUR 3 million ;
- 10% of eligible innovation expenditure in the field of "green transition" and Industry 4.0 digital innovation, up to a total tax credit of EUR 1.5 million;
- 6% of eligible general innovation expenditure (defined based on the Oslo Manual), up to a tax credit of EUR 1.5 million; and
- 6% of eligible design and aesthetic conception expenditure (defined based on a ministerial decree dated 26 May 2020), up to a tax credit of EUR 1.5 million.

Despite being eligible for a tax credit at different rates, expenditure related to the innovation in the field of green transition and Industry 4.0 digital innovation and general innovation expenditure are subject to the same tax credit cap of EUR 1.5 million. Thus, the maximum tax benefit for each enterprise for the tax credit for R&D, innovation, and design expenditure for FY 2020 is equal to EUR 6 million.

As noted above, eligibility for the tax credit is broad and is not limited to particular industries. Qualifying expenses for the tax credit for R&D expenditure include the following, net of other grants or contributions received for the same eligible expenses for any reason (for the tax credits for innovation and design expenditure, a few minor differences are applicable relating to the eligibility of the following expenses):

- Labor costs for researchers (under certain conditions, the cost related to highly qualified employees under 35 years old is computed at 150% of the actual expenditure);
- Depreciation expenses and leasing fees related to the utilization of tangible goods or software (the maximum eligible cost is equal to the 30% of labor costs for researchers);
- Contract R&D: fees paid for R&D activities contracted for with universities, research institutions, or other companies (under certain conditions, the cost of activities contracted for with universities and research institutions is computed at 150% of the actual expenditure);
- Depreciation expenses related to the utilization of IP purchased by third parties (the maximum eligible cost is EUR 1 million and such expenses are eligible only for the tax credit for R&D expenditure);
- Costs incurred for technical expertise (the maximum eligible cost is equal to 20% of the labor costs for researchers or contract R&D costs); and
- Costs for materials (the maximum eligible cost is equal to 30% of labor costs for researchers or contract R&D costs).



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The tax credit is the equivalent of a cash grant since, similar to the previous R&D credit, it can be used to offset any type of tax liability (corporate income tax, IRAP, VAT, payroll tax, withholding tax, and social security or welfare contributions) in three equal annual installments for the FY following the FY in which the credit is accrued and for the following two years (i.e., FY 2021 to FY 2023).

To be eligible for the tax credit, the taxpayer must provide a technical report describing the qualifying activities carried out in the FY. The tax credit may be used only after a registered auditor certifies the eligible costs incurred (the certification cost is eligible expenditure, up to a limit of EUR 5,000, for enterprises not subject to statutory audit certification).

The 2020 budget law provides that, for statistical purposes only, enterprises will have to submit a notification to the Ministry of Economic Development in relation to the tax credit accrued. In this regard, further instructions are expected to be issued by the Ministry of Economic Development.

Tax relief for investments in "R&D-intensive start-up companies" (ISTs) and research-intensive SMEs
ISTs are companies whose main goals include the development and production of innovative and technologically advanced products or services. Research-intensive small and medium-sized enterprises (SMEs) are similar and generally are SMEs that carry out research-intensive operations. To qualify as an IST, the annual turnover may not exceed EUR 5 million. Other requirements also must be met concerning the amount of R&D expenditure incurred, the number of highly qualified employees employed, and the ownership of IP (e.g., license, patent, or registered software).

The 2017 budget law made permanent the provision that corporations investing in an IST or in a research-intensive SME may be entitled to an immediate deduction equal to 30% of the invested amount (the maximum eligible investment is EUR 1.8 million per year). Individuals investing in an IST or in a research-intensive SME are eligible for a 30% tax credit (up to an annual maximum investment amount of EUR 1 million per year). The total amount of combined investments received by an IST from external investors (whether corporations or individuals) for each fiscal period may not exceed EUR 15 million; however, a deduction is available only if the investment is made in the form of a cash contribution.

IRAP deduction
Wages paid to fixed-term employees generally are not deductible for IRAP purposes, but a deduction is permitted if the fixed-term employees are researchers involved in R&D activities.

IP and jurisdictional restrictions
There are no specific jurisdictional restrictions on IP.

Other considerations
As noted above, to claim the tax credit for R&D, innovation, and design, audit certification and technical documentation describing the relevant projects are mandatory for all enterprises (these requirements were introduced for the previous R&D tax credit as from FY 2018).

Patent box

Italy's patent box regime enables taxpayers carrying on an entrepreneurial activity in Italy, including PEs of foreign entities, to apply for a 50% exemption for corporate income tax and IRAP purposes for profits earned from qualifying IP. The patent box applies to income earned from the direct and/or indirect exploitation of patents, trademarks (but see below regarding trademarks), software, designs and models, know-how, and to capital gains derived from such intangibles (under certain conditions). The exemption is intended to comply with the principles of action 5 of the OECD's BEPS project on IP regimes, under which the OECD recommends a "modified nexus approach." This approach means that the exemption is limited to income attributable to R&D activities undertaken by the company to develop income-producing intangibles (even if contracted to research institutions or to third companies). The incentive is available as from FY 2015 upon the taxpayer's election and is binding for five years.

As from 2019, there is an alternative procedure to qualify for the patent box, under which a taxpayer is not required to obtain a ruling from the Italian tax authorities to determine the amount of income arising from the direct exploitation of qualifying intangible assets that is eligible for the regime, but can determine the tax relief itself, provided sufficient supporting documentation is prepared in accordance with procedural guidelines issued by the Italian tax authorities. The election for the patent box must be made, and the existence of the documentation must be indicated, in the annual income tax return and, in the event of a tax audit, protection from

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penalties will be available if the documentation complies with the tax authorities' guidelines. The benefit of the tax relief under the patent box must be split equally between the year in which the election is made and the following two FYs. The patent box is now aligned with the OECD standards, excluding trademarks from the exemption; however, under "grandfathering" rules this change does not affect options exercised for FY 2015 and 2016, for which the election will remain effective for five years.

Development contracts

This program encourages significant investments (minimum investment amount of EUR 20 million) to improve industries in areas designated on the Italian regional aid map. Eligible development projects may involve the creation of a new production unit or the expansion/restructuring/acquisition of existing production units. Projects can be combined with R&D projects within the development contract program. Qualifying expenses may relate to tangible fixed assets, intangible assets, R&D personnel, and other R&D-related expenditure. Various types of incentives, such as grants, subsidized loans, and interest-rate subsidies may be provided, or combined up to a certain percentage of the gross grant equivalent to qualifying expenses, depending on certain conditions. More specifically, incentives up to 50% of qualifying expenses for industrial and tourism projects, up to 80% of qualifying expenses for environmental protection projects, and up to 70% of qualifying expenses for R&D projects are available. The established budget for 2020 originally was EUR 100 million, but it has been increased to EUR 500 million as part of the tax measures introduced in response to COVID-19.

Investment Incentives

Background

From 1 January 2017 to 31 December 2019, the Industry 4.0 national plan was in force for capital expenditure ("Capex") for new innovative assets (under certain conditions). Hyper and super depreciation provided a maximum increase of 170% or 40% (for Industry 4.0 tangible and intangible assets, respectively) in the tax-depreciable base of assets, under the most recent versions of the measures. As from 1 January 2020, based on the Transition 4.0 plan provided by 2020 budget law, such measures and the super depreciation on ordinary tangible assets (40% increase in the depreciable base) have been effectively replaced by a new package of incentives for new Capex.

Tax credit for investments in new assets

Pursuant to the 2020 budget law, as part of the Transition 4.0 plan, a new tax credit is available for certain newly purchased assets and assets acquired through a financial lease from 1 January 2020 up to 31 December 2020, or up to 30 June 2021 if by 31 December 2020 the order is accepted by the seller and installments have been paid in an amount equal to at least 20% of the acquisition cost. As noted above, the tax credit effectively replaces hyper/super depreciation for Industry 4.0 assets and super depreciation for general Capex, which were available for assets purchased up 31 December 2019 (or 31 December 2020, provided the relevant purchase order was made and at least 20% of the purchase price was paid by 31 December 2019; enterprises claiming additional depreciation under this provision cannot claim a tax credit for the same assets).

The tax credit is available to all enterprises, regardless of their legal status, size, or economic sector, and is available to both enterprises resident in Italy and to Italian PEs of nonresidents. The 2020 budget law includes a list of assets that are not eligible for the tax credit.

The tax credit is calculated differently for Industry 4.0 assets and for general assets, as described below.

Tax credit for Industry 4.0 assets

The tax credit for new Industry 4.0 assets is available for investments in plants, equipment and machinery, robots and robotic systems, automated systems for logistics, automated warehouses, and vending machines whose operation is controlled by computer systems and/or operated by smart sensors and drives interconnected to a factory's computer systems.

The tax credit is calculated as follows.

- For new Industry 4.0 tangible assets that would have been eligible for hyper depreciation (an increase of up to 170% in the depreciable base of the assets) under the previous rules, the tax credit is equal to:
  - 40% of the acquisition cost for investments up to EUR 2.5 million; and
  - 20% of the acquisition cost for investments over EUR 2.5 million and up to EUR 10 million; and

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- For new Industry 4.0 intangible assets and cloud computing-related investments that would have been eligible for super depreciation (an increase of 40% in the depreciable base of the assets) under the previous rules, the tax credit is equal to 15% of the acquisition cost for investments up to EUR 700,000.

The tax credit is the equivalent of a cash grant since it can be used to offset any kind of tax liability in five equal installments for the FY following the year in which the investment is first available for the enterprise's use and the following four years. For tax credits derived from new intangible investments, the offsetting period is reduced to three years (starting from the FY following the year in which the investment is first available for the enterprise's use).

The 2020 budget law provides that enterprises will have to submit a notification to the Ministry of Economic Development of new investments qualifying as Industry 4.0 tangible or intangible assets.

For assets with an acquisition cost greater than EUR 300,000, an expert's report issued by an engineer or an attestation of conformity issued by an accredited certifying authority is required. For assets with an acquisition cost of up to EUR 300,000, a representation by the enterprise's legal representative certifying that the asset is compliant with the Industry 4.0 requirements is required.

Tax credit for general assets

A tax credit is available for 6% of the acquisition cost of newly acquired assets for use in the enterprise's activities. The overall investment cap for this category of assets is EUR 2 million.

The tax credit is the equivalent of a cash grant since it can be used to offset any type of tax liability in five equal installments for the FY following the year in which the investment is first available for the enterprise's use and the following four years.

Tax credit for investment in southern Italy

A tax credit is available for new capital expenditure incurred during the period from 1 January 2016 through 31 December 2020 in certain areas of the southern regions of Italy (Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardinia, and Sicily) and in certain industries. The amount of the credit depends on the size of the company and the location:

- For large companies, the credit is up to 10% or 25% of qualifying costs (capped at EUR 15 million);
- For medium-sized companies, the credit is up to 20% or 35% of qualifying costs (capped at EUR 10 million); and
- For small companies, the credit is up to 30% or 45% of qualifying costs (capped at EUR 3 million).

Tax credit for training costs relating to Industry 4.0 development plan
The 2018 budget law introduced a 40% tax credit for personnel expenses incurred for training activities in the tax period following the period in progress at 31 December 2017, related to the Industry 4.0 development plan (i.e., big data, cybersecurity, robotics, internet of things, data analysis). The tax credit subsequently was extended to apply to the tax period following the period in progress at 31 December 2018, with some modifications.

The 2020 budget law further extends the tax credit to apply to personnel expenses incurred for training activities in the tax period following the period in progress at 31 December 2019. In addition, as from 1 January 2020, the following main amendments are applicable:

- The requirement for eligible training activities to be regulated by collective agreements with the workers' unions has been eliminated;
- There are some changes to the determination of the tax credit:
  - For small enterprises (following the definition in EU recommendation 2003/361), the tax credit is equal to 50% of eligible expenses, with a maximum tax credit of EUR 300,000 per company (unchanged from the prior rules);
  - For medium-sized enterprises (following the definition in EU recommendation 2003/361), the tax credit is equal to 40% of eligible expenses, with a maximum tax credit of EUR 250,000 per company (reduced from EUR 300,000);
  - For large enterprises, the tax credit is equal to 30% of eligible expenses, with a maximum tax credit of EUR 250,000 per company (increased from EUR 200,000); and
  - For any size of enterprise, the available tax credit is increased to 60% of eligible expenses related to "disadvantaged" employees (e.g., certain individuals previously unemployed for at least six months, or those who are uneducated), subject to the maximum tax credit cap based on the entity's size.
- Enterprises claiming the tax credit will have to submit a notification to the Ministry of Economic Development.

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Tax credit for advertising expenditure

A tax credit is available to companies investing in advertising (i.e., the purchasing of advertising space and commercial advertisements in newspapers or as part of the programming of television and radio stations) during calendar years 2018, 2019, and 2020.

For 2020, the tax credit was modified as part of the tax measures in response to COVID-19 and is equal to 50% of eligible expenditure incurred in 2020 (up to certain investment thresholds).

The tax credit is the equivalent of a cash grant, since it can be used to offset IRES, IRAP, and VAT liabilities, payroll taxes, and withholding taxes.

Tax credit for small and medium-sized enterprises attending international business fairs and trade shows

A 30% tax credit is available to small and medium-sized enterprises in existence as of 1 January 2019 for expenses incurred in FY 2019 and FY 2020 related to the attendance of international business fairs and trade shows in Italy and abroad. The tax credit is capped at EUR 60,000 per enterprise, for each FY. As part of the tax measures adopted in response to COVID-19, expenses related to fairs and trade shows cancelled due to COVID-19 are eligible for the tax credit.

The tax credit falls within the “de minimis” rule (under Commission Regulations (EU) No. 1407/2013, No. 1408/2013, and No. 717/2014).

Tax credit for listing expenses incurred by small and medium-sized enterprises

A 50% tax credit is available to listed small and medium-sized enterprises, in relation to advisory expenses incurred by 31 December 2020 for the listing. The tax credit is capped at EUR 500,000 per company.

Environmental Sustainability Incentives

Energy efficiency income tax credit

A 50% to 65% income tax credit, up to EUR 100,000 per building, is available for individuals and companies for expenditure incurred to implement energy saving projects in existing buildings. In particular, the income tax credit may be recognized if the costs have been incurred for the reduction of energy demand for heating, thermal improvement of the building (insulation-windows, including fixtures), the installation of solar panels, and the replacement of winter air conditioning systems. The income tax credit can be used to offset IRES in 10 equal annual installments.

“Conto Termico 2.0” (thermal energy account 2.0)

Conto Termico 2.0 is a cash grant designed to improve renewable heat production and energy efficiency. The thermal energy account 2.0 is a lump sum granted where renewable heat production is increased. EUR 700 million annually has been allocated for disbursement to private persons (individuals and companies), with up to 65% of eligible expenditure covered.

The incentive is paid by the energy agency in the form of annual installments over two to five years, depending on the type and size of the investment, or in a single payment if the amount of the overall benefit does not exceed EUR 5,000.