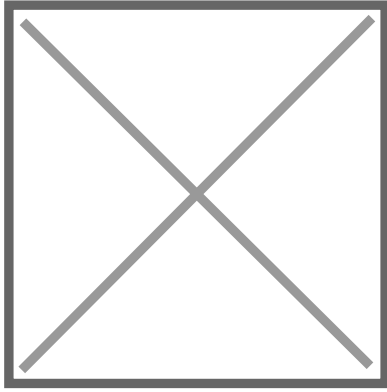




Italy 2025: Tax Incentives and Opportunities for Foreign Companies Investing or Expanding in Italy

Descrizione

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- **Introduction**

Italy continues to position itself as an attractive gateway for international business.

The 2025 Budget Law introduces new tax measures designed to attract foreign investors, support innovation, and reward reinvestment and employment growth.

For companies planning to establish operations in Italy — or to reorganize their EU presence — these incentives can make a measurable difference in effective taxation and strategic planning.

- **Key Measures for Foreign Companies**

? Reduced Corporate Income Tax (IRES) at 20% for 2025

The Italian 2025 Budget Law (Law No. 207/2024) introduces a temporary reduced corporate tax rate of 20% (instead of the standard 24%) for companies that:

Allocate at least 80% of their 2024 profits to legal or special reserves;

Reinvest those profits in eligible “Transition 4.0 / 5.0” assets (digital, energy-efficient or green technologies);

Increase or maintain employment levels.

This measure rewards companies that keep profits in Italy and reinvest in productivity and innovation rather than distributing dividends abroad.

? R&D and Innovation Tax Credits

Companies (including subsidiaries of foreign groups) can benefit from:

A 5% tax credit on qualifying R&D and innovation expenditures for FY 2024-2025;

A cap on eligible costs per year, depending on the type of innovation activity (green, digital, or design).

The credit is deductible from corporate income tax and can be combined with regional incentives.

- **Strategic and Operational Implications**

? Investment Incentives in Southern Italy (ZES – Special Economic Zones)

Foreign or Italian companies investing in Southern regions — such as Puglia, Calabria, Sicily, Campania, Basilicata, Sardinia — may qualify for a tax credit up to 40% of eligible investments in tangible assets (buildings, plants, machinery).

To qualify, the investment must be made within a defined ZES area and aligned with regional development objectives.

For foreign businesses evaluating an Italian entry or expansion, tax benefits must be balanced with compliance and operational considerations:

Entity choice: decide between an Italian subsidiary (S.r.l. or S.p.A.) or a branch, depending on activity level and exposure.

Accessing incentives: ensure investments meet the technical requirements under the “Transition 4.0 / 5.0” guidelines.

Profit allocation strategy: reinvestment and reserve allocation are key to qualify for the 20% IRES.

ZES opportunities: choosing a location within a Special Economic Zone can drastically reduce effective investment costs.

Ruling and certainty: large foreign investors may seek advance tax rulings with the Italian Revenue Agency to confirm eligibility and avoid disputes.

- **Compliance and Due Diligence Checklist**

Before an investment, a professional adviser should verify:

Corporate structure: branch vs subsidiary, permanent establishment risk.

Profit use: at least 80% allocated to reserves (for IRES reduction).

Type of investment: ensure assets qualify under Transition 4.0/5.0 criteria.

Location: confirm if the site falls inside a ZES eligible area.

Employment impact: increase or maintain workforce level.

Interaction with double tax treaties and foreign tax credit positions.

Advance ruling opportunities with the Italian Revenue Agency.

- **Why Italy Now**

Italy is modernizing its fiscal framework to compete with Spain, Portugal, and Eastern Europe in attracting capital and expertise.

The combination of reduced corporate tax, ZES incentives, and innovation credits offers a real advantage for companies that integrate investment and employment plans.

The challenge lies in navigating Italy's formal compliance environment — where proactive tax planning and legal alignment are crucial.

- **Conclusion**

Italy in 2025 represents a renewed opportunity for foreign enterprises seeking both market access and fiscal competitiveness in Europe.

The system rewards stability, reinvestment, and innovation.

Yet each case requires a tailored evaluation, considering:

the nature of the investment,

the group's international tax position, and

the evolving Italian regulatory landscape.

For investors and advisors alike, this is the right time to explore Italy's new business incentives — before the expected revision of rates in 2026.

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