Expanding into Italy

Descrizione

FOR FOREIGN COMPANIES ENTERING THE ITALIAN MARKET

Expanding into Italy without inheriting a tax bill you did not plan for

Setting up in Italy is quicker than its reputation suggests — a company can be incorporated in a fortnight. What costs money is choosing the wrong structure, or discovering that you already had a taxable presence here before you decided to open one.

Talk it through — free 15-minute call

Compare the four routes in

24% + 3.9%

corporate income tax (IRES) plus regional tax on production (IRAP)

€50,000

the guarantee a non-EU company must post to trade intra-EU from Italy

2 weeks

a realistic timeline to incorporate an Italian subsidiary, once the paperwork is ready

Is this page for you?

- You are selling into Italy and need an Italian VAT number
- You are hiring your first person in Italy, or already have someone working here remotely
- You are opening a subsidiary, a branch or a representative office
- You are a non-EU group and have been told about a €50,000 guarantee
- You second staff to an Italian group company and recharge the cost
- Your group is above the €750 million global minimum tax threshold

If instead you are an individual moving to Italy for work, this is the page you want.

THE OPTIONS

Four ways to be present in Italy

LIGHTEST

Direct VAT identification

An Italian VAT number with no local entity and no local representative. Available to EU and EEA companies, and to non-EU companies only where a mutual assistance agreement exists — in practice the United Kingdom and Norway.

WHAT IT DOES NOT DO

It does not shield you from having a permanent establishment. That is a question of facts, decided separately.

FOR MOST NON-EU GROUPS

Fiscal representative

The standard route for U.S., Canadian, Swiss and Chinese companies. An Italian representative holds the VAT position and is jointly liable for the VAT.

WHAT IT COSTS

The €50,000 guarantee for VIES registration, plus the representative's own guarantee. See the section below.

NOT A CHOICE

Permanent establishment

A branch is a deliberate decision; a permanent establishment is often an accident. Either way it brings full Italian corporate taxation on the attributable profit, plus IRAP and full accounting obligations.

THE RISK

You can have one without registering anything. That is precisely what makes it expensive.

CLEANEST FOR GROWTH

An Italian subsidiary (S.r.l.)

Minimum capital €10,000, of which a quarter paid up before incorporation — all of it if there is a single shareholder. Notary and set-up costs typically €2,600 to €4,500, and registration within a few days of signing.

WATCH FOR

The simplified S.r.l. with token capital is reserved to individual shareholders, so it is not available to a corporate group. The real bottleneck is usually the bank account, not the notary.

Registering for VAT, appointing a representative and incorporating a subsidiary are three separate questions from whether you have a permanent establishment. Getting the first three right does not answer the fourth.

The remote worker who creates a taxable presence

The most common way for a foreign company to acquire an Italian tax exposure today is not a deliberate expansion. It is one good employee who moved to Italy and kept the job.

Italian law follows the OECD model: a fixed place of business through which the enterprise carries on its activity, or a person who habitually concludes contracts on its behalf. The Revenue Agency has taken an expansive reading of both. A home office can qualify where the company reimburses its cost, supplies the equipment, or uses the Italian address; and a salesperson closing deals from Milan can constitute a personal permanent establishment regardless of where the contract is signed.

> You do not register a permanent establishment. You discover you have one.
>
> And the discovery usually comes with several open years, because the assessment window is longer where no return was filed at all.

The penalties were rewritten in 2024 and are now fixed rather than banded: an understated return is penalised at 70% of the tax, an omitted return at 120%. Lower than the old ranges, but applied to a base that includes every year the presence existed.

None of this makes remote work in Italy unworkable. It makes it something to structure deliberately — through an employer of record, a service company, or a properly constituted subsidiary — rather than to leave as an informal arrangement that nobody has looked at.

NON-EU GROUPS

The €50,000 guarantee, and the second one nobody mentions

Since 2025, a company established outside the EU and EEA that operates in Italy through a fiscal representative must post a guarantee to be included in VIES — the register without which no intra-EU transaction can be carried out.

THE COMPANY'S GUARANTEE

- €50,000 minimum
  Not reducible, whatever the size of the business.
- 36 months minimum
  Government securities, a bank guarantee or an insurance surety.
- Who posts it
  The foreign company, directly or through its representative, at the tax office competent for the representative.

THE REPRESENTATIVE'S GUARANTEE

- €30,000 to €2,000,000
  A separate requirement, scaled to how many companies the representative acts for.
- 48 months minimum
  Plus good-standing requirements for the representative personally.
- Why it matters to you
  It has thinned the market. Fewer providers, and higher fees.

The rule survived its first challenge in the administrative courts, although on procedural grounds rather than on the merits — so it is settled in practice, not immune in principle. Either way, the guarantee is a real cash cost to build into the entry budget, and one that a subsidiary structure avoids entirely. For a group planning genuine volume, that comparison often decides the structure on its own.

A 2026 DEADLINE

VAT on seconded staff: the renewal that changes the price

For nearly forty years, seconding an employee to an Italian group company and recharging the exact cost was outside the scope of Italian VAT. A European Court of Justice ruling ended that, and Italian law caught up: the exemption was repealed for secondment contracts entered into or renewed from 1 January 2025.

01

Old contracts are safe until they expire

Agreements signed before 2025 stay outside the scope until their natural end. Which means the change does not arrive all at once — it arrives at each renewal, quietly, through 2026 and beyond.

02

The mark-up is irrelevant

The whole recharge is a taxable service at 22%, whether or not there is a margin on it. Where the secondment comes from abroad, the Italian recipient accounts for it under the reverse charge.

For most groups this is a cash flow question, not a cost. For anyone whose Italian entity cannot recover VAT in full — banks, insurers, healthcare, education, holding companies — it is a genuine 22% increase in the cost of every seconded person. Those are the groups that need to look at their contract calendar now rather than at the next renewal.

Intra-group charges: the invoice is not the evidence

Management fees, IT, group marketing, shared finance functions. Every multinational recharges them to its Italian subsidiary, and the Italian tax authorities disallow them more often than any other single item.

In March 2026 the Supreme Court set out what is required, and it is more than a contract and an invoice. Four things have to be shown together: that the cost was actually incurred; that it is inherent to the business; that the Italian company derived a concrete and specific benefit; and that the documentation objectively proves it.

> “Useful to the group” is not an argument. It is the argument that loses.
>
> Nor are shareholder activities — the parent’s own governance, consolidation and investor reporting — chargeable to the subsidiary at all, and duplicated functions are disallowed even when genuinely performed.

What survives an audit is a description of the services at the level of the individual activity, an identified beneficiary, an economic rationale, an allocation key that reflects the benefit, and evidence that the Italian company would have bought the same service from a third party. Assembled during the year, this is an administrative task. Assembled during an assessment, it is rarely persuasive.

Italy’s transfer pricing documentation regime offers a concrete reward for doing it properly: a master file and a local file, digitally signed and time-stamped by the filing deadline, protect the group from the penalty on any adjustment. The protection is lost by getting the formalities wrong, which happens more often than getting the analysis wrong.

TWO MORE THINGS TO KNOW

Before you model the numbers

01

IRAP is not a second income tax

The regional tax on production is charged at 3.9%, with regions free to move it by up to 0.92 points either way. Its base excludes most labour cost and financial charges — so an Italian subsidiary can owe IRAP in a year when it makes an accounting loss. Companies pay it; sole traders and professionals no longer do.

02

The reduced corporate rate has not been renewed

The 20% “IRES premiale” applied to the 2025 financial year only, against conditions on retained profits, investment and headcount. It was not extended into 2026, so plan on 24%. Groups that did claim it are still locked in: the reserve cannot be distributed before 2027 without losing the benefit.

If the group’s consolidated revenue exceeds €750 million, the global minimum tax also applies. Italy implemented the EU directive with a domestic top-up tax, and 2026 is the first year of real filings — the earliest deadlines fell at the end of June. Groups at that scale usually know. Groups that have just crossed the threshold through an acquisition often do not.

WHAT GOES WRONG

The five mistakes we see most

01

Letting a remote arrangement run unexamined

One employee in Italy, no structure, no review. It is the single most common route to an unplanned permanent establishment, and the exposure grows quietly with every year that passes.

02

Choosing a fiscal representative on price

The representative is jointly liable for your Italian VAT, and now has to post a guarantee of its own. The cheapest quote is not always the one that will still be there in three years.

03

Missing the secondment renewal

Contracts signed before 2025 lose their VAT exemption when they renew, not on a fixed date. For groups with restricted VAT recovery that is a 22% cost increase that appears without warning.

04

Recharging group costs without a benefit file

A signed services agreement and a monthly invoice will not carry the deduction. What is needed is evidence of specific benefit to the Italian company, prepared contemporaneously.

05

Budgeting for IRES and forgetting IRAP

Foreign finance teams model 24% and are then surprised by a further charge on a base that ignores payroll. In a loss-making start-up phase the surprise is larger, not smaller.

WORKING TOGETHER

What we actually do

We are a Milan and Monza firm of *dottori commercialisti* and statutory auditors, working in English and Italian, with foreign-owned Italian companies as a core part of the practice.

Entry structuring: VAT registration, representative, branch or subsidiary
FIXED FEE AFTER THE FREE CALL

Permanent establishment risk review, before or after the fact FIXED FEE AFTER THE FREE CALL

Incorporation of the Italian company and all opening formalities
FIXED FEE AFTER THE FREE CALL

Ongoing accounting, statutory financial statements, IRES, IRAP and VAT
FIXED FEE AFTER THE FREE CALL

Transfer pricing documentation and intra-group service files FIXED FEE AFTER THE FREE CALL

Statutory audit and appointment to the board of statutory auditors
FIXED FEE AFTER THE FREE CALL

Every engagement is confirmed in a written engagement letter, with the fee agreed in advance, before any work starts.

Questions we are asked most

Do I need an Italian company to sell in Italy?

Not necessarily. An Italian VAT registration is often enough, either directly if you are established in the EU or EEA, or through a fiscal representative otherwise. A company becomes the better answer when you have people, premises or volume here.

Does one remote employee in Italy create a permanent establishment?

It can. The risk rises where the company pays for the workspace, uses the Italian address, or where the employee habitually plays the leading role in concluding contracts. It should be assessed on the facts before it is assessed by the tax office.

Who has to post the €50,000 guarantee?

A company established outside the EU and EEA that operates in Italy through a fiscal representative and needs to be in the VIES register for intra-EU transactions. It runs for at least 36 months and is not scaled to turnover. An Italian subsidiary avoids it.

How long does it take to set up an Italian S.r.l.?

The notarial deed takes about an hour and registration follows within a few days, so seven to fifteen working days overall. The realistic constraint is opening the bank account for the capital, and obtaining Italian tax codes for foreign directors and shareholders.

Is the reduced 20% corporate tax rate still available?

No. It applied to the 2025 financial year only and was not renewed for 2026. Plan on the ordinary 24% rate, plus IRAP.

Can we recharge group management fees to our Italian subsidiary?

Yes, but the deduction depends on evidence of a concrete and specific benefit to the Italian company, documented as the services are provided. Shareholder activities and duplicated functions are not deductible at all.

NEXT STEP

Get the structure right before the first invoice

Fifteen minutes is enough to map the options against what you are actually planning to do in Italy, and to flag anything that is already creating an exposure. In English or in Italian, at no cost.

Book your free call

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GO DEEPER

Permanent establishment risk when hiring an Italian remote worker

Non-EU companies and the €50,000 VIES guarantee

The 2026 roll-over risk on staff secondments

Intra-group service costs after the 2026 Supreme Court ruling

Italy’s compliance framework for the global minimum tax

When is a foreign company really Italian?

This page is general information based on Italian rules in force in August 2026, and is not advice on any specific situation. Outcomes depend on the facts of each structure and the rules change frequently. Last reviewed: August 2026.

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