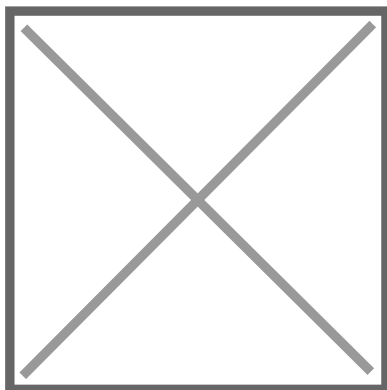

Phantom Share Plans in Italy

Descrizione

Phantom Share Plans in Italy

Nature and Legal Framework

Phantom share plans, also called virtual or shadow share plans, are long-term incentive arrangements that replicate the economic advantages of share ownership without involving the transfer of real equity. Participants do not receive actual shares or voting rights but are promised a future cash payment whose value depends on the increase in the company's share value over a certain period.

These plans are typically used to reward and retain key employees, directors, or consultants, aligning their interests with the company's performance while avoiding dilution of ownership. From a legal standpoint, phantom shares are **contractual rights**, not financial instruments, and are governed by general civil and employment law principles rather than by corporate law.

Tax Treatment in Italy

The tax classification of phantom share income depends on the beneficiary's relationship with the company. For employees, the payment is treated as employment income under Article 49 of the Italian Income Tax Code (TUIR). For directors, it qualifies as income assimilated to employment income under Article 50, while for self-employed professionals or consultants it constitutes professional income under Article 53.

Taxation arises at the time of payment, not upon grant or vesting. The amount received is subject to ordinary IRPEF and related regional and municipal surcharges. When the recipient is an employee or director, the company acts as withholding agent and applies the corresponding social security contributions to INPS.

For professionals operating under a partita IVA, the income forms part of their professional earnings and is subject to social contributions either to Gestione Separata INPS or, where applicable, to the

relevant Cassa di Previdenza professionale (for example, CPAs, lawyers and other regulated professions). VAT applies if the incentive is paid in connection with an activity performed under a VAT-registered business.

For the company, the cost of the phantom share payout is deductible for corporate income tax (IRES) purposes in the fiscal year in which the payment is made, pursuant to Article 95 TUIR. Since no actual shares are issued and no capital movement occurs, the plan does not trigger registration or capital duties.

Although the value of the payment is linked to share performance, the gain is always treated as income from employment or self-employment, never as a capital gain. This distinction determines both the applicable tax and social-security framework.

Interaction with the “Impatriate Regime”

Phantom share payments may, in some circumstances, benefit from Italy’s “regime degli impatriati” (the special tax regime for individuals transferring their tax residence to Italy). This regime provides for a partial exemption from IRPEF on income derived from employment or self-employment performed in Italy, at the percentage applicable under current law.

Because phantom share payments are considered remuneration directly connected with work activity, they may qualify for this favorable treatment if they relate to services performed in Italy after the individual has become an Italian tax resident and if payment occurs during the valid period of the regime.

If the phantom share plan instead relates to work carried out abroad before the transfer of residence, or if payment is made after the regime’s expiration, the incentive would fall outside the scope of the benefit and be fully subject to ordinary taxation. For this reason, it is crucial to document the link between the incentive and the Italian employment or professional activity, as well as to plan the timing of payment carefully.

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