

Italy Publishes VAT Group Implementing Regulations

Article By:

Mario Martinelli

Summary

The Italian Ministry of Economics and Finance has published implementing regulations for Italy's new VAT Group regime. The Decree was published in the *Official Gazette* on April 18, 2018 and is the last piece of regulation necessary to effect the VAT Group legislation introduced by Law no. 232 on December 11, 2016. Eligible VAT taxable entities have until November 15, 2018 to file for treatment as a VAT Group in 2019.

In Depth

On April 18, 2018, the Italian Ministry of Economics and Finance published the Decree providing implementing regulations for the Value Added Tax (VAT) Group legislation in the *Official Gazette*.

The Decree is the last piece of regulation necessary to start applying the VAT Group legislation introduced by Law no. 232 of December 11, 2016 (2017 Budget Law). By introducing this VAT Group regime, Italy has exercised the option granted to EU Member States by Article 11 of the EU VAT Directive no. 2006/112/CE.

VAT taxable entities that meet the requirements for a VAT Group can now opt in, and the VAT Group will be effective starting from January 1, 2019. As a transitory rule for this first year, election for a VAT Group may be filed until November 15, 2018 in order to have the Group effective starting in 2019. After the first year, the election must be filed by September 30, and belated elections shall only be effective from the second following year.

Access to the VAT Group regime is available for VAT taxable entities established in Italy that have "financial," "economic" and "organisational" links among themselves. A financial link is deemed to exist in case of a direct or indirect control relationship. An economic link is deemed to exist when the business activities carried out are of the same kind, are ancillary to one another or are substantially for the benefit of one of the participants. An organisational link is deemed to exist when the companies are subject to common coordination under the Italian Civil Code. When the financial link exists, the economic and organisational links are also presumed to exist. Therefore, in ordinary group situations, the requisite of the financial, economic and organisational links should normally be satisfied.

Cherry-picking is not allowed. If some entities in a group elect to be treated as a VAT Group, all VAT taxable entities in the group that satisfy the requisite financial, economic and organisational links must opt in.

By opting in for the VAT Group, the VAT taxable entities are treated as a single entity for VAT purposes. Supplies of goods and services among companies belonging to the same VAT Group are not relevant for VAT purposes. The VAT Group exercises all its rights and fulfills all its obligations as if it were a single VAT entity. The parent company is generally in charge of representing the VAT Group with respect to the fulfilment of the obligations deriving from VAT law (filings, payments, *etc.*)

The VAT Group has one VAT identification number for all its members, which must be indicated in all invoices issued and received. The Decree clarifies that invoices issued and received must also indicate the specific tax code (*codice fiscale*) of the company that supplied or received the good or service. This means that two similar codes, each comprising an 11-digit number, shall be indicated in each invoice: the VAT identification number, which identifies the VAT Group, and the tax code, which identifies the specific company engaged in the relevant supply of goods or services.

The Decree also provides detailed regulations concerning the filing of the option and subsequent modifications, instructions for the fulfilment of the VAT Group's obligations in terms of keeping VAT books and records, payments, the filing of yearly VAT return and periodic communications, and reimbursements, among other things.

© 2025 McDermott Will & Emery

National Law Review, Volume VIII, Number 114

Source URL: <https://natlawreview.com/article/italy-publishes-vat-group-implementing-regulations>