

# New Italian Web Tax: Potential Consequences for Non-Resident Companies



By Prof Dr Roberto M. Cagnazzo

The Italian 2018 Budget Law introduces a new tax on some digital transactions applicable from 1 January 2019 (the so called 'Web Tax'). This new tax comes after the pressure in Italy on the tech giants such as Google, Facebook and Amazon, where said companies have long been accused of avoiding taxes by claiming that they do not have a permanent establishment in the country.

The Web Tax applies to resident and non-resident enterprises that perform 'services carried out by electronic means' to Italian businesses. The tax is an indirect tax and is applicable only to B2B sales of intangible digital products (B2C digital transactions are excluded).

The Law identifies the services carried out by electronic means in those services supplied through the Internet or an electronic network, the nature of which makes the performance completely automatic with minimum human intervention and for which the information technology component is essential (such as, for example, online advertising and sponsored links embedded in web pages). A specific Decree of the Minister of the Economy and Finance to be issued by 30 April, 2018 will identify in detail the mentioned digital services.

The Web Tax is levied at a 3% rate on the amount of the consideration paid for the performance of the services, net of VAT, and regardless of where the transaction is concluded. Companies are excluded from paying the tax if they declare that they have not reached

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the threshold of 3,000 digital transactions per calendar year irrespective of the amount of the single transaction (3,000 transactions of EUR 1 are equiv-

alent to 3,000 transactions of EUR 1,000).

The Web Tax is due from the buyer of the service who has the right to get the

tax from the seller of the service, and is settled by the month following the payment of the consideration. It is not creditable against the Italian Income Tax.