Agenzia Entrate
Revenue Agency

IVA

INSTRUCTIONS TO COMPLETE THE 2007 VAT RETURN

FOR THE TAX YEAR 2006

NOTES: unless otherwise specified, the articles of law mentioned refer to Presidential Decree no. 633 of October 26, 1972 and subsequent amendments

All the parts and instructions are available at the websites www.agenziaentrate.gov.it and www.finanze.gov.it

VAT 2007

1. VAT RETURN FORMS FOR THE YEAR 2006 - GENERAL INSTRUCTIONS

Foreword
The 2007 annual VAT return form concerning the tax year 2006 must be used both by the taxpayers required to file this form autonomously and by the taxpayers who are required to include their annual VAT return in their UNICO (Personal Income Tax Return) 2007 form.
The amounts must be reported in units of euro by rounding up if the decimal fraction is equal to or higher than 50 cents of a euro and by rounding down if the amount is lower than this limit. To this end, in the spaces reserved for the amounts, two zeros have been preprinted after the comma.

Main amendments to the forms
Reported below are the main general amendments introduced in the 2007 VAT return forms.

ANNUAL VAT RETURN FORM

FRONT COVER
On the front cover, the section on the “TYPE OF RETURN” has been amended with the addition of a new "Supplementary return in favour” box to distinguish the supplementary return filed as provided for by article 2, paragraph 8-bis, of Presidential Decree no. 322 of 1998 from the one filed as provided for by article 2, paragraph 8 of the same decree.
A new section, reserved for non-resident individuals, has been added to indicate any specific information regarding this category of individuals.
Also, a special “DOMICILE FOR NOTIFICATION OF DOCUMENTS” section has been added, to be completed if it is necessary to nominate a domicile for notification of documents or notices from the Revenue Agency that is different from the one indicated in the sections on registered address or tax domicile.
Finally, in the “SIGNATURE OF THE RETURN” and “UNDERTAKING TO ELECTRONIC SUBMISSION” sections, the boxes relating to the option of sending the electronic notice as provided for by article 2-bis of Decree Law no. 203, 2005, have been deleted.

FORM

Part VA
In **Section 1**, line VA1, the new **field 4** has been added, which must be completed to indicate the credit resulting from the 2006 VAT return transferred wholly or in part following an extraordinary operation. Consequently, the old field 4 has been renumbered to become field 5.
In **Section 4**, the new **line VA45** has been added and is reserved for minimum taxpayers who are exempt, pursuant to article 32-bis, and who file the return relating to the last year of application of the ordinary VAT regime. In this case, **box 1** must be crossed to indicate that this is the last VAT return prior to application of the regime and, in **field 2**, the total amount calculated following adjustment of the deduction referred to in article 19-bis2, in accordance with the altered tax regime, must be indicated.

Part VE
Section 1 has been amended to update the percentages of compensation paid to individuals referred to in article 34. Consequently, the lines in this section have been renumbered.

In **Section 3**, **line VE35** has been renamed “operations carried out in accordance with art. 17, paragraphs 5 and 6, letter a)”. This is so that the provision of services in the building sector by subcontractors may also be indicated in **field 1**. The sum of these operations must also be indicated in **field 2**.

PART VF
This Part has been amended to update the percentages of compensation provided for by article 34, and the affected lines have consequently been renumbered.

Part VG
In **Section 5**, the old line VG51 has been deleted which was reserved for agricultural co-operatives and other taxpayers referred to in the second paragraph, letter c), of article 34, for indication of the percentage of contributions received from members. In addition, this section has been amended to update the percentages of compensation provided for by article 34, and the affected lines have consequently been renumbered.

PART VJ
In this Part, the new **line VJ13** has been added for indication of the services purchased from subcontractors in the building sector. Consequently, the line regarding the total tax has been renumbered (VJ14).

PART VL
In **Section 2**, the **line VL40** has been added for indication of payments made following use in excess of the 2006 annual credit which, in the previous return, should have been included in line VL31 and specifically displayed in field 2 of the said line. Consequently, in line VL31, the above-mentioned field 2 for tax payments made using tax code 6099 has been deleted.

PART VO
In **Section 1**, **line VO15** has been added and is reserved for the option of applying VAT to transfers and leases of commercial buildings pursuant to article 1, paragraph 292, of Law no. 296 of 2006.

FORM PROSPECTUS VAT 26/PR

Part VS
In **Section 1**, the new **field 4** has been added and is reserved for indication of the total amount of refund shares during the year attributable to each company of the group. Consequently, the fields that follow it have been renumbered.

PART VW
In **Section 2**, the **line VW40** has been added for indication of payments made following use in excess of the 2006 annual credit which, in the previous return, should have been included in line VW31 and specifically displayed in field 2 of the said line. Consequently, in line VW31, the above-mentioned field 2, for tax payments made using tax code 6099, has been deleted.

1.1 Taxpayers autonomously filing their VAT return

The "autonomous filing" (non unified) of the **VAT return form for the year 2006 (2007 VAT form)** is reserved only for some categories of taxpayers, namely:
– joint-stock companies and the bodies subject to IRES (Corporation Income Tax) with tax period not coinciding with the solar year; and subjects, other than physical persons, with a tax period that came to a close prior to December 31, 2006;
– controlling and controlled companies, which report their VAT as part of a group according to Art. 73, also for periods shorter than a year;
– the subjects resulting from extraordinary operations or other substantial subjective transformations which are required to include in their annual statement also the form concerning the operations of the merged, incorporated, transformed subjects etc., that have participated during the year in the procedure for VAT liquidation as a group;
– official receivers and court-appointed liquidators, for the statements filed by them on behalf of subjects that have gone bankrupt or have been submitted to compulsory administrative liquidation, for each tax period until the end of the relevant bankruptcy proceedings;
– non-resident subjects who appoint a tax representative to file their VAT return on their behalf;
– non resident taxpayers identified directly pursuant to Art. 35-ter (see paragraph 2.3, letter C);
– special subjects (e.g. "door to door" salespeople) if they are not required to file a unified statement as their income is not subject to the filing of an income and IRAP statement;
– the subjects resulting from extraordinary operations or other substantial subjective transformations that occurred in the period between January 1, 2007 and the date of filing the statement for 2006, who are required to file this annual statement on behalf of the subjects extinguished following the operation in question (merger, division, etc., see paragraph 3.3, lett. B)).

1.2 Layout of the form

The VAT return form features a **modular structure** and is made up of:

– The **front cover** consisting of three pages, ***which must be used only if the VAT return is filed "autonomously". On the other hand, if a unified statement is filed, the front cover of the UNICO 2007 form (Personal Income Tax Return) must be used.***
– a **form**, consisting of several parts (VA-VB-VC-VD-VE-VF-VG-VJ-VH-VK-VL-VT-VX-VO), which must be filled in by any taxpayer to indicate accounting details and other data concerning the activity performed.
Taxpayers are reminded that the part VX "Determination of the VAT to be paid or of the tax credit" must be filled in only by those taxpayers required to file their VAT return autonomously, whereas those taxpayers who file a unified statement must report the data requested by this part, in part RX of their UNICO 2007 (Personal Income Tax Return).

Controlling bodies or companies must include in their statement also the **prospectus VAT 26 PR/2007** (parts VS-VV-VW-VY-VZ) for the indication of the data concerning VAT payment as a group pursuant to art. 73 and Ministerial Decree of December 13, 1979.
Those taxpayers who intend to request the annual reimbursement of input VAT must also file the **form VR/2007** to the tax collection agency.

The taxpayers with **separate accounts** (art. 36) must file the front cover and a form for each separate account. Parts VC, VD, VH, VK, VT, VX and VO and sections 3 and 4 of part VA and section 2 of part VL must be filled in once on the first form with the indication of the data summarizing all activities.
In the particular case of a taxpayer adopting, even if in different periods of the year, different tax systems (e.g. a normal VAT system and a special system for agriculture), it is necessary to fill in several forms to distinctly indicate the operations concerning each system (see also the instructions in sub-part VG).
The top part of all the pages making up each form must report the taxpayer's tax code and the progressive number of the form to which the page belongs.
In case of a statement including just one form, the number "01" must be reported on all the pages.
Furthermore, for each filled in form, the boxes (at the bottom of Part VL) concerning the filled in parts must be crossed.

NOTICE: for the correct filling in of the statement it is hereby specified that if there are no significant data or values to be indicated in a part, that part must not be filled in; the value zero is to be considered as an insignificant value for data purchase purposes. Consequently, the boxes concerning the filled in parts (at the foot of part VL) relating to parts with values equal to zero or without any other requested data must not be crossed.

In case of mergers, divisions, conferring of company or other **extraordinary operations** or substantial subjective transformations, the declarant (incorporating, beneficiary, conferring company etc.) must produce, in addition to one (or more) forms for the indication of his/her data, also one (or more) forms for the indication of the data concerning the other subjects participating in the transformation (see paragraph 3.3 "Taxpayers with extraordinary operations").

1.3 Methods and terms for filing the return

1.3.1 – METHODS AND TERMS FOR FILING

Pursuant to the amendments made to Presidential Decree no. 322 of July 22, 1998 by article 37, paragraph 10, of Decree Law no. 223 of July 4, 2006, filing of the annual VAT return by individuals obliged to do so must be carried out electronically only. Therefore, returns filed through a bank or post office shall be considered compiled on a form that does not comply with the approved one and, consequently, a penalty ranging from 258 to 2,065 euros shall be applicable pursuant to art. 8, paragraph 1, of Legislative Decree no. 471 of 1997 (cp. Circular Letter no. 54/E of June 19, 2002).
In accordance with art. 8 of Presidential Decree no. 322 of 1998, the VAT return for 2006 must be filed during the period between **1st February** and **31st July 2007** (where the taxpayer is obliged to file it **autonomously**) or by **31st July 2007** (where the taxpayer is obliged to include the VAT return with a **unified return**).

Taxpayers are reminded that where filing is carried out electronically, the return is considered filed on the day on which it is sent electronically and, specifically, on the day on which receipt of the information by the Revenue Agency is completed (see Circular Letter no. 6/E of January 25, 2002).

Presidential Decree no. 322 of 1998 does not establish a deadline for delivery of the return to the intermediaries, who must then send it electronically. However, it does establish the deadline by which the returns must be filed electronically with the Revenue Agency. Taxpayers are reminded that, pursuant to articles 2 and 8 of Presidential Decree no. 322 of July 22, 1998 and subsequent amendments, returns (including VR Forms) filed **within 90 days** of the above-mentioned deadlines are valid, but penalties are applicable in accordance with the law. Those, however, filed more than 90 days late are considered omitted but in any case impose the collection of the resulting tax owed.

1.3.2 – RETURN FILED THROUGH THE ELECTRONIC SERVICE

The electronically filed returns can be forwarded:
a) directly;
b) through authorized intermediaries (and other entities).
Entranel and Fisconline, the Revenue Agency's electronic services, can be accessed on the internet at http://telematici.agenziaentrate.gov.it. It is still possible to access Entranel through via virtual private network for users who still use this.

a) Direct electronic filing

The taxpayers who prepare their own return can file it directly; in this case the statement is considered to be filed on the day of completion of receipt by the Revenue Agency.
The filing of the statement is proven by the communication issued by the Revenue Agency acknowledging receipt.
The taxpayers who choose to file their return directly must use:
– the **electronic Entratel service**, whenever the obligation exists to file the return of the withholding agents (Form 770, simplified or ordinary), in relation to more than twenty persons;
– the **electronic Internet service (Fisconline)**, whenever the obligation exists to file the statement of withholding agents for no more than twenty persons or, despite the obligation to electronically file the other statements as laid down by Presidential Decree no. 322 of 1998, they are not required to file the statement of withholding agents.

NOTICE: Taxpayers are reminded that those non-resident taxpayers who have directly identified themselves for VAT purposes in the territory of the State pursuant to art. 35-ter of Presidential Decree 633/72, shall file their statement through the Entratel electronic service using the Internet site http://telematici.agenziaentrate.gov.it. As regards the methods for logging onto Entratel electronic service, please refer to the paragraph "Log on methods" letter a).

b) Electronic filing through authorized intermediaries (entrusted subjects and companies of the group)

Entrusted subjects (art. 3. paragraph 3, Presidential Decree no. 322/1998)
The intermediaries reported in art. 3, par. 3, Presidential Decree no. 322 of 1998, are required to electronically forward to the Revenue Agency, using the Entratel, electronic service, both the returns prepared by them on behalf of the declarant and the statements prepared by the taxpayer for which they have taken on the obligation of electronic filing.
The authorized intermediaries belonging to the following categories are required to electronically file the statements they have prepared:
• those enrolled in the register of business consultants, accountants, commercial experts and labour consultants;
• those enrolled, since September 30, 1993, in the roll of experts kept by the chambers of commerce for the tax category, holding a degree in law or economics or equivalent degree and diploma in accountancy;
• those registered in the roll of lawyers;
• those enrolled in the register of accounting auditors under Legislative Decree no. 88 of January 21, 1992
• trade union associations of entrepreneurs under art. 32, par. 1, letters a), b) and c), of Legislative Decree no. 241 of 1997;
• associations mostly consisting of subjects belonging to ethnic-linguistic minorities;
• Caf - employees;
• Caf - companies;
• those regularly engaged in the tax consulting business;

- those registered in the roll of agronomists and forest experts, agro-technicians and agricultural experts.

Other subjects required to electronically file the returns they have prepared, included professional firms and service companies in which at least half of the members or more than half of the share capital is owned by subjects enrolled in some registers, boards or rolls as specified in the directing decree of February 18, 1999.
These subjects can fulfil their obligation of electronically filing the statements also by using companies participated by national counsels or by the registers, boards or rolls as specified in the abovementioned decree, by the relevant enrolled subjects, by the associations representing them, by the relevant social securities systems, by the single members of said associations. These subjects shall file the statement by using their own identification code, although the obligation to forward them is taken by the single participants on behalf of their own clients. The acceptance of the returns prepared by the taxpayer is optional and the intermediary of the electronic service may charge a fee for the service rendered.

Statements filed by companies belonging to a group (art. 3, paragraph 2-*bis*)
Within a group, the electronic filing of the return of the subject belonging to the group, in which at least one company or body is obliged to perform electronic filing, can be performed by one or more subjects of the same group exclusively through the electronic service Entratel. The body (even if not commercial) or the controlling company (including a partnership) or controlled company are considered to belong to the group. Controlled are those joint-stock companies, limited partnerships with share capital and limited liability companies whose shares or stock are owned by the parent body or by another controlled of this body with a stake higher than 50 percent in the capital from the beginning of the previous tax period. This provision applies, in any case, to the companies and to the bodies required to issue consolidated fiscal returns pursuant to the Legislative Decree no. 127 of April 9, 1991 and Legislative Decree no. 87 of January 27, 1992, and to the companies subject to IRES (income tax for the corporate bodies) listed in par. 2, lett. a), of art. 38 of said Legislative Decree no. 127 and in the list of par. 2, lett. a), of art. 40 of said Legislative Decree no. 87.
A company in the group can electronically file the returns of the other companies belonging to the same group by taking on the obligation to file the return. The same filing mode can also apply to those companies belonging to the same group and operating as tax representatives of foreign companies, even if these do not belong to the same group.
It is possible to file, simultaneously or at different times, some returns directly while other returns are filed through the companies of the group or an intermediary.
The companies and the bodies obliged to file their returns electronically through an intermediary or a company of the group are not required to ask for electronic filing permission.
To entrust another company of the group with the electronic filing of the return, the declarant company shall hand out its return, duly signed, to the entrusted company; the latter shall comply with all the regulations provided for electronic filing through authorized intermediaries described in the following paragraph.

The documentation that must be provided to the declarant by the intermediary (the person filing the statement or the company belonging to the group) and proof of the filing of the return.
Based on the provisions contained in the above-mentioned Presidential Decree no. 322 of 1998, authorized intermediaries and the companies of the group in charge of the electronic filing, shall:

- issue the declarant, (simultaneously with the receipt of the filing or the acceptance of the instruction to prepare it), with an undertaking to electronically post the data contained in the return to the Revenue Agency, specifying whether the return was delivered to him already completed or whether it will be prepared by him; this undertaking must be dated and signed by the intermediary or by the group company, even if issued in an informal manner. The date of the undertaking, together with the personal signature and tax code, must be set out in the aforesaid communications in the section headed: "Undertaking to electronic filing" to appear on the front page of the return;
- issue the declarant, within 30 days of the deadline provided for the electronic filing of the return, with the original return (the details of which were transmitted electronically), drawn up on a form which complies with the one approved by the Revenue Agency, duly signed by the taxpayer. A copy of the notification from the Revenue Agency confirming receipt of the communication must also be provided to the declarant.
  This communication proves for the declarant the accomplished filing of the return and shall be kept by the declarant together with the original statement, and the remaining documen-

tation must be kept by the declarant for the period provided for in article 43 of Presidential Decree No. 600 of 1973 during which period the Revenue Agency may carry out audits;
- keep a copy of the communications transmitted (on computerized media), for the same period of time provided for in article 43 of Presidential Decree No. 600 of 1973, should the Revenue Agency require it to be exhibited in the event of an audit being carried out.

The taxpayer shall therefore verify proper compliance with the above mentioned obligations by the intermediary, reporting any non-fulfilment to the Revenue Agency Office and, if necessary, contact another intermediary for the electronic filing of the return to avoid the non fulfilment of the obligation to file the return.

NOTICE: We wish to remind you that for the storage of the IT documents relevant in order to comply with the tax provisions, taxpayers' must observe the modalities outlined by Ministerial Decree of January 23, 2004 and the procedures outlined in the CNIPA deliberation no. 11 of February 19, 2004. More precisely, it is necessary for all of the copies of the communications to be memorized on an IT support, the legibility of which must be guaranteed over time, as long as a chronological order is ensured and that there is not a continuity solution for each tax period, moreover search functions and data extraction functions of the IT archives must be guaranteed in relation to the surname, name, company name, tax code, VAT number or logical associations with the latter. This procedure will be ended with electronic signature and the application of a temporal mark.

Notification of the electronic filing of the return
The notification by the Revenue Agency confirming that the return has been electronically filed via the electronic service is transmitted electronically to the user who filed it. This communication can be found in the "Receipts" section of the site http://telematici.agenziaentrate.gov.it, where receipts are available for all returns filed. In any case, the communication of receipt can be requested with no time limit (by both taxpayers and intermediaries) at any Revenue Agency Office.
In order to verify whether the returns electronically filed were filed in good time, it must be remembered that returns filed within the deadlines provided for in Presidential Decree No. 322 of 1998, which were rejected by the electronic service, will be deemed to have been filed in a timely manner, provided that they were re-filed within five days of the date of the notification from the Revenue Agency containing the reasons for the rejection (see Circular of the Ministry of Finance - Department of Collections no. 195 dated 24.09.1999).

Responsibilities of the authorized intermediary
In case of delayed or failed filing of the statement an administrative sanction from euro 516 to euro 5,164 (art. 7-bis, Legislative Decree no. 241 of July 9, 1997) will be charged to the intermediary. The authorization can be subject to revocation, should serious or repeated irregularities be detected during the filing of the statements, or in case of orders of suspension from the board to which the professional belongs or in case of revocation of the authorization to perform the business by the fiscal support services.

Methods of authorization

a) Statements filed via the *Entratel* electronic service
To obtain authorization to use the Entratel electronic service, application must be made to the offices of the Revenue Agency, of the region in which the applicant has his or her tax domicile. The application forms, the relevant instructions and the list of the Revenue Agency offices are available on the site **www.agenziaentrate.gov.it** and at the offices. For the solution of problems related to the use of the electronic service Entratel,a call centre has been purposely set up. It can be contacted using the toll free number reported in the documents issued by the office at the time of authorizing access to the service. Taxpayers are also advised to consult the website http://assistenza.finanze.it and the site **www.agenziaentrate.gov.it** under "Electronic services", for technical and regulatory information.

NOTICE: For those non-resident taxpayers who have directly identified themselves for VAT purposes pursuant to art. 35-ter, access to the electronic service Entratel is authorized by the Operations Centre in Pescara, via Rio Sparto no. 21, 65129 Pescara, together with the attribution of the VAT number, on the basis of the data reported in the return for direct identification. Said office is in charge of forwarding the envelope con-

taining the data for the applicant's access to the service by post or of delivering the envelope to an entrusted subject who shall produce an adequate power of attorney and a valid IT document of him/herself and of the delegate.

b) Statement filed through the *Internet* E-service *(Fisconline)*
An essential requirement for filing is the possession of a PIN (Personal Identification Number) code, which can be requested by the taxpayer:
a) by connecting to the site http://telematici.agenziaentrate.gov.it;
b) by calling the automatic telephone service on (+39) 848 800 333;
c) at any Revenue Agency Office using the special function available at the site http://telematici.agenziaentrate.it.
The issue of the PIN does not oblige the declarant to use the Internet electronic service (Fisconline), as it is always possible to file the return through an authorized intermediary. For further information please consult the website **www.agenziaentrate.gov.it** under item "Electronic services".

2. GENERAL INFORMATION

2.1 Availability of forms - Payments and installments

Availability of forms
VAT return forms (including the VR Form - reimbursement request) and the relevant instructions are not printed by the financial administration but are available free of charge in electronic format and can be retrieved from in the site of the Revenue Agency **www.agenziaentrate.gov.it** and from in the Internet website of the Ministry of the Economy and Finance **www.finanze.gov.it** in compliance with the technical characteristics established in the approval measure. ***These forms can be printed in black and white.*** The same Internet website also provides a special electronic format for those taxpayers using typographic systems for the relevant reproduction of the forms.

Payments and installments
The VAT payable according to the annual VAT return must be paid by **March 16** of every year if the relevant amount exceeds euro 10.33 (10.00 euro as a result of the rounding up).
If the payment term falls on a Saturday or on a holiday, this term is extended to the first following working day.
Taxpayers can pay the amount due all at once or by installments. The installments must all be of the same amount and the first installment must be paid by the term set for the payment of the VAT in one go. The installments following the first installment must be paid by the 16th day of every month of payment and in any case the last installments cannot be paid any later than November 16.
A fixed installment rate is due on the amount of the following installments equal to 0.50% a month, therefore the second installment will be increased by 0.50%, the third by 1% and so on.
If the taxpayer is required to file a unified return, the payment can be deferred to the expiry date established for the payment of the amounts due according to the unified statement, with an increase on the amount to be paid of 0.40% as interest for each month or portion of a month after March 16, in consideration of the new payment terms set by art. 17 of Presidential Decree no. 435/2001, (see Circular Letter no. 51/E of June 14, 2002).

In short, the subjects **autonomously** filing their **VAT return** can:
– pay in one go by March 16;
– pay by installments by increasing the amount of each installment following the first by 0.50%.

On the other hand, those taxpayers required to file their VAT return together with their **unified VAT return** can:
– pay in one go by March 16;
– pay by installments by the deadline set for the UNICO (Personal Income Tax Return) increasing the amount due by 0.40% for each following month or portion of a month;
– pay by installments starting from March 16, paying 0.50% a month more on the amount of every installment following the first installment;
– pay by installments starting from the data of payment of the amounts due according to the UNICO form (Personal Income Tax Return), with an initial increase of 0.40% on the amount to be paid for every month or portion of a month following March 16, increased to 0.50% a month for each installment following the first installment.

2.2 Subjects required to file the return and subjects exempted

As a general rule, the subjects **obliged** to file their annual VAT return are all the taxpayers practising business activities as well as artistic and professional activities under articles 4 and 5 and the holders of a VAT registration number. For the filing of the statement by taxpayers belonging to special categories (official receivers, the taxpayer's heirs, parent companies, beneficiary companies in case of division etc.), please refer to paragraphs 2.3 and 3.3.

The following taxpayers are **exempted** from filing the VAT return:

– taxpayers who for the fiscal year **only** recorded transactions considered exempt under article 10, as well as taxpayers who, having taken advantage of the exemption from the obligations to invoice and record under article 36-bis, **only** carried out exempt transactions. Obviously the exemption does not apply if the taxpayer has also performed taxable operations (still referring to activities managed with separate accounting systems) or if inter-community operations have been recorded (art. 48, par. 2, Legislative Decree 331/1993) or adjustments have been made according to art. 19-bis2 or purchases have been made for which tax is due from the transferee on the basis of specific dispositions (purchases of gold, pure silver, scrap etc…);

– agricultural producers who are exempt from the fulfilment of the obligations under the first and second periods of paragraph 6 of article 34;

– taxpayers who carry out activities relating to the organization of games, entertainment and other activities set out in the tariff enclosed under Presidential Decree No. 640 of October 26, 1972, who are exempt from the fulfilment of VAT obligations under the sixth paragraph of article 74 and who did not opt for the application of VAT in the ordinary manner (see Appendix under "Entertainment and performing activities");

– individual firms that have rented their only company and do not practice any other VAT related activity (see circular letters no. 26 of March 19, 1985 and no. 72 of November 4, 1986);

– taxable persons, who are resident in other member states of the European Union, in the circumstances referred to in the second period of paragraph 3 of article 44 of Decree Law No. 331/1993 if, during the tax year they have only carried out transactions, which are not taxable, which are exempt, which are not subject to VAT or which do not carry an obligation to pay the tax;

– subjects who have opted for the applications of the dispositions provided for by Law number 398 of December 16, 1991 regarding VAT exemption for all earnings obtained from commercial activity associated with institutional aims (see Appendix under the entry: "Entertainment and performing activities");

– taxpayers with domicile or residence outside the European Community, unidentified at community level, who have identified themselves for VAT purposes in the territory of the State with the methods under art. 74-quinquies for the fulfilment of their obligations in terms of the services rendered through electronic media to clients who are taxable persons with domicile or residence in Italy or in another member country.

2.3 Special return filing cases

A - Bankruptcy and compulsory administrative liquidation

Bankruptcy during the 2006 tax period

If the bankruptcy proceedings have started during the year 2006 official receivers and court-appointed liquidators, shall file the VAT return concerning the entire tax year, inclusive of two forms: the first form concerns the transactions recorded in the part of the solar year preceding the declaration of bankruptcy or compulsory administrative liquidation (remembering to cross the box in **line VA5**); the second form concerns the transactions recorded after this date. All the parts must be filled in both forms, including sections 3 and 4 in part VA and section 2 in part VL. Parts VT and VX, on the other hand, must be completed on form no. 01 only.

As regards part VX the following possibilities must be considered:

a) output VAT resulting from the form concerning the transactions performed in the fraction of the year preceding the declaration of bankruptcy or compulsory administrative liquidation (1st period).
In this case part VX must mention only the credit or the debt resulting from part VL in the form concerning the period after the declaration of bankruptcy or compulsory administrative liquidation (2nd period), as the balances resulting from section 2 of part VL of the two forms cannot be compensated or added together;

b) input VAT in the 1st period.
In this case, on the other hand, part VX must report the balances compensated or added together, resulting from section 2 of part VL of each form.

The VAT return must be filed autonomously and electronically.

With regard to the transactions recorded in the part of the solar year before the declaration of bankruptcy or compulsory administrative liquidation, the official receivers and court-appointed liquidators are also required to file a relevant return **exclusively to the Revenue Agency Office in charge, also electronically,** within 4 months from the nomination, for the purposes of legally proving the bankruptcy procedure. This return must be completed by using the specific **VAT form 74-bis, approved with measure of January 17, 2006**, which, among other things, does not allow the request of a reimbursement for any input VAT resulting from the form (see resolution no. 181/E of July 12, 1995).

Bankruptcy after the end of the 2006 tax period
If the bankruptcy proceedings have started in the period between January 1, 2007 and the deadline established by the law for the filing of the VAT return form concerning 2006, and if this return is not considered as filed by the taxpayer that has gone bankrupt or has been subject to compulsory administrative liquidation, said return must be filed by the official receivers or court-appointed liquidators within the ordinary terms, i.e. within four days from nomination if this term expires after the ordinary filing term.
Obviously, also in this last case, the obligation remains to file the specific **VAT 74-bis form approved together with the 2007 VAT return, to the Revenue Agency Office in charge, also electronically,** within 4 months from nominating the official receiver or the court-appointed liquidators.

B - Discontinuation of business

Those subjects who have discontinued their business are required, pursuant to art. 35, paragraph 4, to file their last annual statement in the year following the year of discontinuation of business, within the normal terms.
In particular, for companies the business is considered to have been discontinued on the date of completing the transactions concerning the company's liquidation.
In the special case of a taxpayer discontinuing his or her business in the course of the year 2006 (with consequent closing of the VAT number) and resuming the same or another business in the course of the same year (opening a new VAT number), the taxpayer in question must file one single VAT return consisting of:
– the **front cover**, which must report the VAT number of the last activity practiced in the year 2006 in the part concerning personal details
– a **form** (form no. 01), in which all the parts concerning the last activity practiced must be completed. The part VT and VX must be completed only in form no. 01 in order to summarize the data of both companies;
– a **form**, in which all the parts must be completed by reporting the data concerning the first activity practiced in the year and indicating in particular in line VA1, field 1, the corresponding VAT number.
It is hereby specified that in this case, for the correct filing of the statement, reference can be made to the instructions concerning cases of substantial subjective transformation (par. 3.3).
The above-mentioned indications must be followed both for the VAT return filed autonomously and in unified mode (see Circular Letter no. 68 of March 24, 1999).

C - Non resident taxpayers

The new text of art. 17, second par., allows non resident taxpayers, even when running a stable organization within the borders of the State, to fulfill their obligations and exercise the rights associated with VAT-related transactions performed in Italy separately from those attributable to the stable organization, by identifying themselves directly pursuant to art. 35-ter or alternatively by nominating a tax representative.
Reported below are the instructions to fill in and file the return in relation to the different ways in which the non resident taxpayer may have operated in the territory of the State during the tax year in question.

Non resident taxpayers operating through a stable organization
The return concerning non resident taxpayers who operated in Italy through a stable organization must be filed as part of the UNICO form (Personal Income Tax Return) (provided that the tax period coincides with the solar year) and by filling in the relevant front cover on the basis of the instructions provided to complete this form.

Non resident taxpayers operating through a tax representative
The statement concerning foreign taxpayers whose details must be reported in the taxpayer's part, is filed autonomously (see par. 1.1) by the tax representative who must report his or her own name in the part concerning the taxpayer by reporting appointment code 6.
If the non-resident taxpayer has changed tax representative during the tax year, the return must be filed by the tax representative operating at the time of filing the return. This representative shall report his or her own details in the part concerning the taxpayer and summarize the data of the transactions performed in one single form during the year by the non-resident taxpayer.

Non resident taxpayers operating through direct identification pursuant to art. 35-ter
In this case the statement must be filed autonomously (see par. 1.1), by reporting the details of the non resident taxpayer in the relevant part; for taxpayers who are not individuals this part shall report the representative's details with appointment code 1.

Non resident taxpayers operating on the territory of the State both through a stable organization and through a tax representative or direct identification
In this case the non resident taxpayer assumes a double VAT-related position with the obligation to file two annual returns to report distinctly the transactions attributable to each statement according to the above mentioned instructions.
In this case, in the return filed by the tax representative or by the directly identified foreign taxpayer, also the specific part provided for the identification of the tax code assigned to the non resident taxpayer for the stable organization must be completed in the part concerning the taxpayer.

Non resident taxpayer who has operated through a tax representative in the same tax year and has identified him/herself directly
Pursuant to the above mentioned art. 17, second par., tax representation institutes and direct identification bodies play an alternative role to each other. Therefore, if a non resident taxpayer in the same tax year performs transactions in Italy both through a tax representative and with direct identification, the **annual filing obligation must be fulfilled by the taxpayer on the date of filing the return by means of one single return** consisting of several forms in relation to the institutes that the non resident taxpayer has used throughout the year. For filling in the forms in these particular circumstances, the following instructions are provided by way of example, as an integration to the general instructions.

1) Passing from a tax representative to direct identification

a) if, i**n the course of the year to which the statement is referred**, the non resident taxpayer has operated through a tax representative and has subsequently identified him/herself pursuant to art. 35-ter, the return must consist of the front cover and two forms:
– in the front cover the non resident taxpayer shall report the VAT reg. no. assigned after filing the form ANR and used by the taxpayer to fulfill VAT obligations;
– form no. 01 shall report the operations performed through direct identification, filling in only in this form also sections 3 and 4 in part VA, section 2 of part VL and parts VC, VH, VT, VX and VO summarizing all the operations performed by the non resident taxpayer;
– form no. 02 shall report the operations performed using a tax representative. Line VA1, field 5, shall contain the VAT reg. no. originally assigned to the non resident taxpayer after filing the form AA7 or AA9 and used by the representative to fulfill VAT obligations.

b) if **the changeover has taken place between January 1 and the date of filing the return,** the return made up of one single form shall be filed by reporting the details of the non resident taxpayer in the taxpayer part and the VAT reg. no. assigned to the taxpayer after filing the form ANR. Line VA1, field 5, must contain the VAT reg. no. used by the tax representative to fulfill VAT obligations and subsequently cancelled.

2) Passing from direct identification to the tax representative

a) if **in the course of the year to which the return refers**, the non resident taxpayer has operated through direct identification pursuant to art. 35-ter and has subsequently availed himself of a tax representative, the return must consist of the front cover and two forms:

– the front cover must report the details of the non resident taxpayer and the VAT reg. no. assigned after filing form AA7 or AA9 and used by the tax representative to fulfill VAT obligations. The part concerning the taxpayer must report the taxpayer's details and appointment code 6;
– form no. 01 shall report the operations performed through the tax representative, filling in only in this form also sections 3 and 4 in the part VA, section 2 of part VL and parts VC, VH, VT, VX and VO summarizing all the operations performed by the non resident taxpayer;
– form no. 02 shall report the operations performed through the institute of direct identification, indicating, in line VA1, field 5, the VAT number attributed to the non-resident subject and the VAT number used by the same to directly absolve VAT obligations and subsequently extinguished.

b) if **the changeover has taken place between January 1 and the date of filing**, the return made up of one single form shall be filed by reporting the details of the non resident taxpayer and the VAT number assigned to the taxpayer after filing the form AA7 o AA9 in the taxpayer part.

In the declarant part, the tax representative shall report his/her own details with appointment code 6. Line VA1, field 5, must contain the VAT number assigned to the non resident taxpayer after filing the form ANR.

3. FORMS TO BE USED BY THE DIFFERENT CATEGORIES OF TAXPAYERS

3.1 Taxpayers with unified VAT accounts

As specified above (see paragraph 1.2), taxpayers with unified accounting systems in terms of VAT must complete their modularly structured return form consisting of:
– the **front cover** containing, in particular, the taxpayer's details and the signature of the return;
– a **form**, consisting of several parts (VA - VB - VC - VD - VE - VF - VG - VJ - VH - VK - VL - VT - VX - VO), to be filled in by every subject to report accounting data and other data concerning the business performed;
– and the **VR/2007 form** to be filled in only in cases where a request for reimbursement of input VAT has been made and this should be presented only to the tax collection agency locally in charge.

3.2 Taxpayers with separate accounts (art. 36)

As mentioned in the foreword (sub par. 1.2), those taxpayers who were engaged in more than one business activity for which, by law or by choice, they have kept separate accounting books pursuant to Art. 36, must fill in, in addition to the front cover, as many forms as the accounting systems they follow.

In particular, it is specified that:
– the data to be reported in sections 1 and 2 of part VA and in section 1 of part VL, as well as parts VE, VF, VG and VJ concern each single separate accounting system and must therefore be filled in each form;
– on the other hand, the data to be reported in sections 3 and 4 of part VA and in the section 2 of part VL and parts VC, VD, VH, VK, VT, VX and VO concern the total of the activities performed and therefore must be summarized in just one form, namely in the first form completed.

NOTICE: it is specified that if several activities are performed using separate accounts, with one of these activities being exempt from the obligation of filing the VAT return, for this activity there is no obligation to include the relevant form in the return (e.g. farmers under art. 34, par. 6, 1st and 2nd period; proprietors of entertainment businesses under art. 74, par. 6).
Instead, taxpayers performing both taxable and exempt activities with separate accounts shall include the form concerning the exempt activity performed in their return, too. If the taxpayer is exempt from obligations pursuant to art. 36 bis, the form concerning the exempt activity shall include the accounting data concerning purchases and the amount of the exempt operations under nos. 11, 18 and 19 of art. 10, for which the obligation of invoicing and registration remains.

Taxpayers who are legally obliged (art. 36, par. 2 and 4) to keep separate accounts for the activities they perform shall refer to their relevant business turnovers to establish whether their VAT returns **shall be filed monthly or quarterly**.
On the other hand, those taxpayers who voluntarily adopt separate accounts shall refer for this purpose to the total business volume of their activities.
Consequently, if separate accounts are kept by law, the taxpayer may be required to make monthly payments for one (or more) activities and quarterly payments for the other activities. On the other hand, those taxpayers who voluntarily adopt separate accounts shall refer to the total business turnover of their activities (concerning all activities performed) to calculate the frequency of their payments. In relation to this last case, it is specified that if the total business turnover is not higher than the limits established by regulations in force, the quarterly payment system can be adopted only for one or more accounts kept.
Internal changeovers among separate activities do not contribute to form the business turnover.
This type of switching included in part VE of the single forms shall be reported in line VE39, as taxable operations to be added to the transfer of depreciable assets, in order to reduce the business turnover.
Internal transfers of goods related to retail activities under art. 24, par. 3 (activities for which VAT is paid according to the so-called rate breakdown method) to other activities are not subject to taxation and shall be reported in line VE39.

In compliance with the **directives regulating the gold market** pursuant to Law no. 7 of January 17, 2000, the taxpayers who perform gold-related operations, as regulated by art. 19, par. 3, lett. d), and by the following par. 5-bis, must necessarily keep separate accounts and complete two different forms in order to distinctly report the deducted VAT.

Saving management companies, pursuant to art. 8 of Decree Law no. 351 of September 25, 2001, converted into Law no. 410 of November 23, 2001, must calculate and pay the taxes concerning their activity separately from the taxes due for each real estate fund managed by them. Therefore, these companies shall fill in a front cover, a form containing the data concerning their own activity and as many sheets as the funds they manage.

3.3 Taxpayers with extraordinary transactions (mergers, divisions, etc.) or other substantial subjective transformations

In case of extraordinary operations or other substantial subjective transformations in general, a form of continuity develops among the subjects participating in the transformation (merger, division, conferment, transfer or donation of a company, inheritance etc.).
As regards the date on which the transformation of the subjects concerned takes place, two hypotheses can occur. These are illustrated below and for each one of them some indications are provided to fill in the relevant parts.

A) Transformation occurred during the year 2006

1. If during the tax year to which the return is referred extraordinary operations have been performed or substantial subjective transformations have taken place, which have led to the **extinction of the assignor** (incorporated company, divided company, conferring, transferring or donating subject, etc.), the VAT return shall be filed by the subject still in existence (incorporating company, beneficiary, conferee, transferee, assignee, etc.).
   Therefore, the entity resulting from the transformation (conferring, incorporating company etc.) shall file the form consisting of the front cover and two forms (or more forms in relation to the number of subjects participating in the operation):
   – the single **front cover** shall report the company's name, tax code, VAT reg. no. of the entity resulting from the transformation;
   – in the **form concerning the assignee** (form no. 01) all the parts concerning the activity performed must be completed by reporting the data concerning the operations performed by the same taxpayer during 2006, also including the data concerning the operations by the transferring party in the portion of month or quarter in the course of which the extraordinary operation or the substantial subjective transformation has taken place. Parts VT and VX must also be completed in order to summarize the data concerning the subjects participating in the operation;
   – in the **form concerning the assignor** all the parts concerning the activity performed must be completed by reporting the data concerning the operations performed by the same taxpayer until the last month or quarter ended before the date of the extraordinary operation or the substantial subjective transformation. Furthermore, in line **VA1, field 1**, the VAT reg. no. of the taxpayer to which the form refers, must be reported.

Consequently, in this case the conferring or incorporated subject shall not file the VAT return concerning the year 2006.

2. If the extraordinary operation or the substantial subject transformation **has not caused the extinction of the assignor** (partial division, conferment, transfer, or donation of a branch of the company) the VAT return shall be filed:
   – by the eligible person, if the operation **involved the transfer of output or input VAT**. This taxpayer will file his or her return following the methods described in point 1), making sure that line **VA1, field 1** reports the Vat reg. no. of the taxpayer to whom the form refers and the **box 2** of the same line is crossed to specify whether the taxpayer is still performing his or her activity for VAT purposes.
   The transferring party shall file his or her return with reference to the operations performed in the year 2006 concerning non transferred businesses. In this last statement, **box 3** of **line VA1** must be crossed to indicate that the taxpayer has participated in an extraordinary operation or transformation and the credit resulting from the 2006 annual VAT return, transferred wholly or in part following the operation, must be indicated in field 4;
   – by each of the subjects involved in the operation if **output or input VAT has not been transferred**, each reporting the data concerning the operations performed during the entire tax year.

B) Transformation occurred in the period between January 1, 2007 and the date of filing the annual VAT return concerning 2006

In this case, since the activity for the entire year 2006 was performed by the transferring party (incorporated company, divided company, conferring, transferring or donating subject, etc.), the following hypotheses can occur:
– if the **assignor becomes extinct** following the transformation, the resulting entity (incorporating, beneficiary, conferee company, transferring, donating subject, etc.) shall file for the year 2006 his or her return together with the return on behalf of the transferring party (incorporated company, divided company, conferring, transferring or donating subject, etc.), unless the obligation to file has already been fulfilled by this party directly. This return shall report the details of the extinguished subject in the part reserved for the taxpayer and the details of the eligible party in the box reserved for the declarant, reporting the value 9 in the box concerning the appointment code.
The statement filed on behalf of the transferring party is included in the cases of autonomous VAT return (see paragraph 1.1);
– in the hypothesis of transformation **without the extinction of the assignor**, each subject involved shall file his or her VAT return concerning the operations performed in the entire tax year 2006 to which the return refers.

3.3.1 – METHODS OF COMPLETION IN CASE OF TRANSFORMATION OF TAXPAYERS WITH UNIFIED VAT ACCOUNTS

In case of transformations that occurred during the year 2006 with the resulting extinction of the transferring party or transfer, conferment of company branch etc. with output or input VAT transfer, the entity resulting from the transformation shall fill in:
– the **front cover**, reporting his or her personal details;
– a **form** (form n. 01) with completion of the parts concerning the business performed, including sessions 3 and 4 of part VA and the section 2 of part VL. In this form, also part VT and VX must be filed in, in order to summarize the total annual amount to be paid or to be deducted, with reference to the participants in the operation;
– a **form** for each subject participating in the transformation (e.g. incorporated, divided company etc.) in which all the parts concerning the activity performed must be completed, including sections 3 and 4 of part VA and section 2 of part VL.
For more information on how to complete the parts please refer to *paragraph 3.3.3. and paragraph 3.4.2*.

3.3.2 – METHODS OF COMPLETION IN CASE OF TRANSFORMATION OF TAXPAYERS WITH SEPARATED ACCOUNTS (art. 36)

If one or more subjects participating in the transformation have kept various separated accounts pursuant to art. 36, the following cases can occur.

A) Separated accounts kept only by the declaring taxpayer

The declaring taxpayer must use:
1) the front cover reporting personal details;
2) as many forms as the number of accounts kept, reporting only the summarizing data of all the activities in form 01, parts VC, VD, VH, VK and VO, as well as in sections 3 and 4 of part VA and in section 2 of part VL. In the same form, part VT and VX must also be filled in, in order to summarize the total annual amount to be paid or to be deducted, with reference to the participants in the operation;
3) as many forms as the number of the participants in the transformation. In these forms all the parts concerning the activity performed must be completed, including sections 3 and 4 of part VA and section 2 of part VL, reporting the data concerning the fraction of the year before the transformation.

B) Separated accounts kept by one or more of the other subjects participating in the transformation (rather than the declarant)

The declaring taxpayer must use:
1) the front cover reporting personal details;
2) a form (form n. 01) with completion of the parts concerning the business performed, including sessions 3 and 4 of part VA and section 2 of part VL. In this form, also part VT and VX must be filled in, in order to summarize the total annual amount to be paid or to be deducted, with reference to the participants in the operation;
3) as many forms as the number of the accounts kept, for each subject with separated accounts, completing sections 3 and 4 of part VA and section 2 of part VL, as well as VC, VD, VH, VK and VO in the first form concerning each subject; on the other hand, for each subject with one single account for VAT purposes, just one form must be completed.

C) Separate accounts kept both by the declaring taxpayer and by one or more of the other subjects

The declaring taxpayer must use:
1) the front cover, like in point 1 of hypothesis A);
2) for him/herself, like in point 2 of hypothesis A);
3) for the other subjects, like in point 3 of hypothesis B).

3.3.3 – ADDITIONAL CLARIFICATIONS FOR THE COMPLETION OF THE FORMS IN SOME CASES OF SUBJECTIVE TRANSFORMATION

NOTICE: in case of changes in the data under art. 35 that do not result in substantial changes in the subjects (e.g. transformation from a partnership to a stock company etc), no special methods are provided for completing and filing the statement. As a general rule, therefore, the return must consist of only one form with the data concerning the entire tax year, following the instructions reported in paragraphs 3.1 and 3.2.

A) Division

The civil law regulations governing division operations were introduced by Legislative Decree no. 22 of January 16, 1991. Art. 16, par. 10 and sub. par. of Law no. 537 of December 24, 1993, subsequently regulated division operations for VAT purposes. In particular, par. 11 of art. 16 states that, if the division operation implies the transfer of companies or business complexes, VAT-related obligations and rights concerning the operations performed through the transferred companies or business complexes are assumed by the companies that are the beneficiaries of the transfer.
In particular, article 2506 septies of the civil code provides for two forms of division:
– **total division**, with which the company transfers its entire equity to several more pre-existing or newly setup companies (called "beneficiaries") and, therefore, the division company ceases to exist;
– **partial division**, with which the company transfers only part of its equity to one or more pre-existing or newly setup companies and, therefore, the division company does not cease to exist.

In both cases the beneficiaries shall file their VAT return following the methods described in paragraphs 3.3 and following paragraph.
Par. 12 of art. 16 of the above mentioned Law no. 537 of 1993 lays down a specific rule in relation to a particular type of division:
"In case of a **total division that does not imply the transfer of companies or business**

complexes, the obligations and rights resulting from applying VAT to the operations performed by the division company, including those concerning the filing of the annual statement of the division company and the payment of the resulting tax, shall be fulfilled with mutual responsibility by the other beneficiary companies, or shall be exercised by the beneficiary company purposely designated at the time of the division; if no such company exists, the designated company is considered to be the beneficiary nominated first at the time of the division". In this case, the beneficiary company shall file the VAT return on behalf of the division company, by reporting the details of the division company in the part reserved for the taxpayer and its own data in the part reserved for the declarant, with appointment code 9.

B) Inheritance

In case of inheritance, the filing obligation shall be fulfilled by the heirs following the instructions below:

Taxpayer deceased in the course of 2006

– if the heir or heirs have not continued the business of the deceased taxpayer, these shall file the return on behalf of the deceased by reporting in the part concerning the declarant their data with **appointment code 7**. The VAT return must be included in the form UNICO 2007 (Personal Income Tax Return) if the deceased filed a unified return;
– if the heir or heirs have continued the business of the deceased taxpayer, the return shall be filed following the instructions reported in paragraph 3.3, point 1.

Taxpayer deceased in the period between January 1, 2007 and the date of filing the return

In this case, since the activity was performed for the entire tax year by the deceased taxpayer, the heir or heirs shall file the return on behalf of the deceased by reporting in the part reserved for the declarant their own data with **appointment code 7**. As specified with Circular Letter no. 113/E of May 31, 2000, the VAT return shall be included in the form UNICO 2007 (Personal Income Tax Return) if the deceased taxpayers was required to file unified returns.

Taxpayers are reminded that pursuant to art. 35-bis the obligations concerning the operations performed by the deceased taxpayer which have not been fulfilled in the last four months before his or her death, also including the annual return too, can be fulfilled by the heirs within six months after this event.

C) Rectification of the deduction for goods purchased following extraordinary operations or subjective substantial transformations

Pursuant to the amendments provided for by art. 19-bis2 for amortizable assets and real estates purchased as a result of extraordinary operations or other substantial transformations, it is specified that these rectifications - relating to the single companies participating in the transformation for which the relevant forms have been filed - must be adjusted to the number of months (or quarters) to which each form refers. The declaring company (e.g. incorporating company) shall rectify these assets by adjusting their amount to the residual number of months (or quarters) (see clarifications contained in Circular Letter no. 50 of February 29, 1996).

D) Reference turnover for the application of VAT in the year following the extraordinary operation or subjective substantial transformation

As regards VAT application in the year following the extraordinary operation or substantial transformation, the total business turnover of the tax year in which the operations resulting from the various forms included in the return, must be considered. This business turnover must be of reference, following the provision of Presidential Decree no. 633/1972, for the application of the regulations related to it, such as the status of customary exporter, the application of the provisional pro-rata, the monthly or quarterly frequency of payments etc.

3.4 Controlling and controlled bodies and companies (art. 73)

3.4.1 – GENERAL INFORMATION

NOTICE: with resolution no. 22/E of February 21, 2005, the Revenue Agency has been made clear that also foreign companies may participate in the payment of group VAT as per article 73 last paragraph, on condition that they are located in countries within the European Union that have legal entities that are equivalent to companies under Italian law, that operate in the state through a permanent or-

ganisation, a fiscal representative or direct registration as per article 35 ter.

Both controlling and controlled companies that have benefited from the provisions of art. 7.3, last paragraph, and Ministerial Decree of 13th December 1979 and subsequent amendments during the year to which the return refers, must complete this same form, established for taxpayers in general, to report their own details and the balances transferred to the group. In particular, filing of the VAT return by the controlling and controlled companies must be carried out using the following methods:

- each **controlled company** must file an annual return, with no attachments, using the methods described in paragraph 1.2;
- **controlling companies or bodies** must file their own annual returns, comprising the VAT Form 26/PR 2007 which summarises the groups' VAT payments. Controlling companies or bodies must also submit the VAT form for the group's payments (**VAT Form 26 LP/2007**) to the competent tax collection agency, attaching:
  – an original signed copy of the **VAT Form 26 PR/2007**, which forms part of their annual return;
  – the guarantees provided by the individual companies taking part in the group's payment for the respective credits set off;
  – the guarantee provided by the controlling company for any surplus group credit that is set off.

The body or controlling company (so-called parent company) shall yearly report to the Revenue Agency Office in charge on a yearly basis, informing the same of the desire to follow, the provisions of the above mentioned Ministerial Decree for the tax year.
This communication must be filed within the term established for the calculation and payment of the VAT concerning the month of January, using the VAT form 26 (approved with Ministerial Decree of January 8, 1990 - published in the Official Gazette no. 14 of January 18, 1990), which must be signed by all the companies participating in the compensation to prove their assent.
Pursuant to par. 4 of article 3 of Ministerial Decree of December 13, 1979, any change in the details concerning bodies and controlling or controlled companies shall be notified to the controlling company within 30 days from the change, using the VAT form 26-bis approved with the same Ministerial Decree of January 8, 1990.
The above mentioned forms are available in electronic format and can be downloaded from the Internet site of the Revenue Agency www.agenziaentrate.gov.it or of the Ministry of the Economy and Finance www. finanze.gov.it.
Stock companies are the only companies that can adopt the VAT compensation procedure as controlled companies, as specified with circular letter no. 16 of February 28, 1986.
The same annual VAT return form must also be used by the companies participating in the group's VAT liquidation for part of the year. These shall file also section 3, part VK to report the data concerning the control period.
In all cases of unified or separated accounts ex art. 36, i.e. mergers, division etc. (see sub par. 3.3) in general the above mentioned instructions apply for the completion of the forms, with some differences for controlling and controlled companies, as reported below.

NOTICE: the controlled companies shall not enclose their own* return*, their guarantees or the certification of the controlling company relating to the compensated credit; the amount of the compensated credits shall be reported by the controlling company in part VS of the* VAT *form IVA 26 PR/2007; the guarantees concerning the compensated credits shall be forwarded to the controlling company.

3.4.2 – SPECIFIC INSTRUCTIONS FOR PARTICIPATION IN EXTRAORDINARY OPERATIONS

Incorporation of a company participating in the group VAT payment by a company external to the group

1) Incorporation of a controlling company

If the company external to the group does not meet the requirements for control set by art. 73 with respect to the incorporated controlling company, the following hypotheses can alternatively occur:

– **the procedure for the payment of group VAT is interrupted**, consequently the incorporating company shall file two returns: one concerning its own business performed throughout the entire year and one on behalf of the ex controlling incorporated company.

In this second return, the incorporating company shall report its identification data in the box reserved for the declarant with appointment code 9 and in the box reserved for the taxpayer the identification data of the incorporated company; in part VK, in field "Last month of control" (VK1 field 2) shall report the last month in which group payments were made must indicated. Any excess credit resulting from part VY in VAT form 26PR/2007 of the ex controlling company shall be reported for the part compensated in the course of the year by the incorporating company in line VA43 of its own return in order to provide the required guarantee, the entire amount of which is reported in line VL26;

– **the procedure for payment of group VAT is not interrupted**, but continues with separated accounts with respect to the incorporating company without the possibility of compensating the excess group credit, according to the instructions provided by Ministerial Order no. 363998 of December 26, 1986. The incorporating company shall file two returns: one concerning its own business performed throughout the entire year and one on behalf of the ex controlling incorporated company. In this second return, the incorporating company shall report its own identification data in the box reserved for the declarant with appointment code 9 and in the box of the taxpayer the identification data of the incorporated company; in part VK, in field "Last month of control" (VK1 field 2) shall report month 13 must be indicated. Any excess credit resulting from part VY in VAT form 26PR/2007 of the ex controlling incorporated company can be used by the incorporating company starting from January 1 of the year following the transformation. Therefore, only in the VAT return concerning the year following the above mentioned transformation shall the incorporating company report the part of credit used in line VA43, for the purpose of presenting the required guarantee, including the entire amount of this excess in line VL26.

In the above mentioned hypotheses the return concerning the ex controlling company must be filed autonomously in any case (see paragraph 1.1).

2) Incorporation of a controlled company

If a company external to the group incorporates a company participating in the group payment as controlled, the incorporating company shall file one single return consisting of the forms concerning its own business as well as the forms concerning the incorporated company, indicating in part VK of the incorporated company, the credits and debts transferred by this company in the period in which it participated in group VAT payment. In this particular hypothesis, as already underlined in paragraph 1.1, the return shall be filed autonomously.

3) Incorporation of the controlling company by a company participating in group payment

Resolution no. 367/E of November 22, 2002 provides instructions about this case (so-called inverse merger) for the filing of the VAT return by the incorporated company ex controlled. As clarified with this resolution, in such a case the methods outlined in number 1 of this paragraph become applicable (hypothesis of incorporation of the controlling company by a company external to the group without the interruption of the group VAT payment procedure). In particular the incorporating company, which transfers to the group all of its credits and debts as the incorporated company, must file two separate declarations, without paying the tax separately from the tax relating to the incorporated company, insofar as both companies, in such a case, participate in group VAT payment.

3.4.3 – INSTRUCTIONS FOR THE COMPLETION OF PARTS VH AND VK

The controlling and controlled companies following the VAT compensation procedure for the entire year shall also complete part VH, with the exception of line VH13, reporting the debts and the credits resulting from their periodical liquidations and transferred to the group.

In cases of withdrawal of a controlled company from the group in the course of the year or in cases of control termination in the course of the year, parts VH shall report both the debts and the credits transferred and the results of the periodical liquidations performed, including any payment on account to be indicated in linse VH13 after these events; in part VK also section 3 must be filled in to report the data concerning the control period.

Incorporation of a company participating in the group liquidation by a controlling or controlled company

In this particular hypothesis the declaring company shall indicate, in parts VH and VK of the form concerning the incorporated company, the debts and the credits transferred by it before the incorporation and, in parts VH and VK of its own form, its own credits and debts transferred in the entire year. Furthermore, part VK of its own form shall also include any squaring up of

output or input VAT resulting from section 2 of part VL of the form of the incorporated company. In the hypothesis of a company incorporating one or more controlled companies with separated accounts, the declarant shall fill in parts VH and VK concerning each incorporated company in only one of the forms referring to it.

Incorporation of a company not participating in the group liquidation by a controlling or controlled company

In this hypothesis the incorporating company shall indicate in parts VH and VK of its own form, the debts and credits transferred from it to the group in the course of the year according to the methods described in the point above, while in the form relating to the incorporated company, it shall only complete part VH.

3.4.4. – HYPOTHESIS OF DISCONTINUATION OF THE GROUP - OBLIGATIONS OF EX CONTROLLLING COMPANIES IN RELATION TO THE GROUP'S EXCESS CREDIT USED

In order to determine the exact tax amount, if the control ceased in the course of the previous year and the ex controlling company deducted the credit only starting from January 1, 2006, the ex controlling company shall include in line **VL26** of the return (VAT/2007) the entire amount of the excess credit of the group resulting from the **VAT summarizing form IVA 26PR- part VY** of the previous year (**line VY5** of the VAT return / 2006) in line VL26 of the return (VAT/2007), together with any credit reported form the previous year.
If, on the other hand, the control ceased in the course of 2006 and the company calculated the excess credit of the group by deducting it from its periodic liquidations in the fraction of the year 2006 following the discontinuation of the control, the company (ex controlling) shall report the excess credit of the group resulting from the **VAT summarizing form IVA 26PR- part VY** of the same year (line **VY5** of the VAT return / 2007) in line **VL26** of the return (VAT/2007).

Taxpayers are also reminded that, if the VAT liquidation procedure for the group has not been renewed in the following year in relation to the same controlling company or if the procedure ceased during the course of the year, any excess credit of the group for which no reimbursement has been requested but which was calculated in detraction by the body or ex controlling company, shall be reported, only in relation to the amount compensated in 2006, and for which the guarantees established by art. 6, par. 3 of Ministerial Decree 13.12.1979, in line VA43 of the VAT return for 2007 (see instructions in line VA43) must be reported.

4. INSTRUCTIONS FOR THE COMPLETION OF THE FORMS

4.1 Front cover

Please note that the front cover of the form entitled "IVA 2007" must be used if the VAT return is presented "independently", while the front cover of the form entitled "UNICO/2007" must be used if the taxpayer is required to present the unified return.

On the front cover the personal data of the taxpayer must be included.
The front cover consists of **3 sides**:
– the first side contains information regarding the use of personal data;
– the second and third sides must include the taxpayer tax code, in the top part of the form, personal details of the taxpayer and declarant, domicile for notification of acts, signature of the return, the undertaking to electronic submission and details regarding the endorsement of conformity.

4.1.1 – TYPE OF RETURN

Corrections and supplements to the return
If, before expiry of the submission date for the return, the taxpayer intends, to rectify or complete a return which has already been presented he must present a new return, complete in every part, crossing the box **"Correction of existing return"**.

Once the deadlines for filing the return have expired, the taxpayer may rectify or supplement returns by filing a new return, using the methods set out for the original return, on a form that complies with the one approved for the tax period to which the return refers.
A necessary condition for filing the supplementary return is that the original return was filed in accordance with the regulations. With regard to the original VAT return, it should be noted that returns filed up to ninety days after the deadline are considered valid, subject to the application of penalties.

1) Supplementary return in favour
Pursuant to art. 2, paragraph 8-bis of Presidential Decree no. 322 of 1998, the taxpayer may file a supplementary return by the deadline established for filing the return for the following tax period, to correct errors or omissions that have determined the indication of a greater tax burden or a lesser credit, by crossing the "**Supplementary return in favour**" box. In this case, any credit arising from this return may be used in set off pursuant to Legislative Decree no. 241 of 1997, or requested as a refund.

2) Supplementary return
This box must be crossed if a supplementary return is filed:
- in the hypothesis of amendment provided for by article 13 of Legislative Decree 472/1997, within the due date for the presentation of the return relating to the following year. The said return may be presented on condition that legal access, inspections or checks are not under way and that it enables the application of reduced penalties, in addition to, interest due, obviously;
- in the hypothesis provided for by article 2, paragraph 8 of Presidential Decree 322/1998, within December 31, of the fourth year following the one in which the return was presented, in order to correct errors or omissions that have determined the indication of a lesser tax debit or a greater credit, subject to the application of penalties.

This box must also be crossed if a supplementary return is filed in order to correct errors or omissions that do not affect the calculation of the taxable base, the tax and the payment of the tax and do no obstruct auditing activities.

4.1.2 – TAXPAYER'S DATA

In the box, which must always be completed, the following data must be provided:

VAT registration number
The VAT registration number of each taxpayer must always be provided.

Other information
The details to be provided are as follows:
– if the taxpayer is a craftsman enterprise listed in a professional register, the relevant **box 1** must be crossed;
– if the taxpayer is subject to extraordinary administration or has made an arrangement with his creditors, **box 2** must be crossed.

E-mail address
E-mail addresses are of the utmost importance. Through these, it will be possible to receive future communications from the Revenue Agency.

Individuals

Town (or foreign Country) of birth
Specify the place of birth (city, town, municipality). Taxpayers born abroad must specify, instead of the municipality, the Country in which they were born, and leave the space for the province blank.

Registered address or tax domicile
Details relating to registered address or, if different, tax domicile, must be specified with reference to the time of the presentation of the return.
Non-resident individuals who make use of a tax representative or who are directly registered in accordance with article 35-ter, must specify their full overseas address, address of the sole proprietorship, or, in the case of self-employed individuals, the address of their studio or work address.
It is pointed out that the area code of the town, to be indicated in the "town code" field, can be found in the list in the Appendix to the instructions relating to the UNICO (Personal Income Tax Return) 2007 PF, file 1, or in the list available at the Ministry of Economy and Finance's website "Department of tax policies" at **www.finanze.gov.it**.

Taxpayers different from individuals

Legal nature

NOTE: the following table includes all codes relating to the various forms for the purposes of tax/income returns, they may only be used in accordance with the specific nature of each individual form. Thus, the person who is completing the return must take care to identify the specific code, which refers to the applicable legal status.

GENERAL LEGAL CLASSIFICATION TABLE OF STATUS

RESIDENT ENTITIES

1. Limited share partnerships
2. Limited liability companies (SRL)
3. Public limited companies (SPA)
4. Cooperatives and their consortia recorded on prefectural registers and in the cooperative's records
5. Other cooperatives
6. Mutual insurance companies
7. Consortia with status of legal entity
8. Recognised associations
9. Foundations
10. Other organisations and institutes with status of legal entity
11. Consortia without status of legal entity
12. Unrecognised associations and committees
13. Other organisations of people or goods without status of legal entity (excluding co-ownership entities)
14. Financial public authority
15. Non- financial public authority
16. Health insurance schemes and social security, assistance and pension funds and such like, with or without status of legal entity
17. Religious works and mutual aid associations
18. Hospital entities
19. Associations and institutes for social security and assistance
20. Autonomous companies for therapy, sojourns and tourism
21. Regional, provincial and municipal companies and their consortia
22. Companies, organisations and bodies established abroad otherwise unclassifiable with administrative headquarters or main activity in Italy
23. Simple companies, as identified by article 5, paragraph 3, letter b), of the TUIR (Income Tax Consolidate Act)
24. General partnerships (SNC) as identified by article 5, paragraph 3, letter b), of the TUIR (Income Tax Consolidate Act)
25. Limited partnerships (SAS)
26. Armament companies
27. Artistic and professional associations
28. Family businesses
29. GEIE (European Groups of Economic Interest)
50. Public limited companies, special companies and consortia as defined in articles 31, 113, 114, 115 and 116 of the Legislative Decree of August 18, 2000, n. 267 (Unified Text regarding the regulation of local authorities)
51. Condominiums
52. V.A.T. deposits
53. Non-profit capital-based amateur sports associations

NON- RESIDENT ENTITIES

30. Simple, irregular and de facto companies
31. Simple partnerships (SNC)
32. Limited partnerships (SAS)
33. Armament companies
34. Professional associations
35. Limited share partnerships
36. Limited liability companies (SRL)
37. Public limited companies (SPA)
38. Consortia
39. Other bodies and institutions
40. Recognised, unrecognised and de facto associations
41. Foundations
42. Charitable works and benevolent societies
43. Other organisations of people and goods

Registered office

The details regarding the registered office must refer to the time of presentation of the return. Specify the full address of the registered, administrative office, or, failing this, the actual head office.

It is pointed out that the area code of the town, to be indicated in the “town code” field, can be found in the list in the Appendix to the instructions relating to the UNICO (Personal Income Tax Return) 2007 PF, file 1, or in the list available at the Ministry of Economy and Finance’s website “Department of tax policies” at **www.finanze.gov.it**.

Persons different from individuals, not resident in Italy, who make use, of the system of direct registration or who use a tax representative for VAT purposes, must specify the details relating to the overseas office (the registered, administrative office, or, failing this, the actual head office). The field relating to the Province must not be completed.

Non-resident subjects who operate in Italy through a permanent organisation, with a tax period, for the purposes of income tax, which does not coincide with the calendar year, who are required to present their VAT return independently, must specify the details of the registered office abroad in the fields relating to the registered office, and the head office of the permanent organisation in Italy.

Tax domicile

The fields relating to the tax domicile must be completed only if different from the registered office.

Non-resident persons who operate through a permanent organisation must use the fields relating to the tax domicile to indicate the head office of the permanent organisation in Italy.

Non-resident persons who make use of a tax representative or the system of direct registration must not fill in these fields.

Non-resident persons

This section should be completed by non-resident persons only. The “**foreign Country code**” must be taken from the list of foreign countries specified in the Appendix. The “**VAT registration number of foreign State**” field must be completed in all cases by individuals residing in another State of the European Union, with indication of the VAT registration

number of the State of origin. The "**Tax code attributed to a permanent organisation**" field should only be completed by non-resident individuals who, for VAT purposes, either register directly or make use of an tax representative and who, at the same time, operate through a permanent organisation as provided for by article 17, paragraph 2.

4.1.3 – DECLARANT DIFFERENT FROM THE TAXPAYER (AGENT, OFFICIAL RECEIVERS, HEIR, ETC.)

This box must be filled in only if the declarant (the person who signs the return) is a person other than taxpayer to whom the return refers. The box must be completed specifying the tax code of the individual who signs the return, the corresponding appointment code, as well as the personal details requested.
If the declarant is a company, which presents the VAT return on behalf of another taxpayer, the field named **"Tax code of declaring company"** must be filled in, indicating, in such a case, the relevant appointment code corresponding to the relationship between declarant company and the taxpayer. Cases which fall under such a requirement include, for example, the company nominated tax representative by a non-resident subject, as provided for by article 17, second paragraph, the company that indicates appointment code 9 as beneficiary company (of a division company) or of an incorporating company (of an incorporated company), the company that presents the return as contractual representative of the taxpayer.

NOTE: the following table includes all codes relating to the various forms for the purposes of tax/income returns, they may only be used in accordance with the specific nature of each individual form. Thus, the person who is completing the declaration must take care to identify the specific code, which refers to their appointment.

GENERAL TABLE OF APPOINTMENT CODES

1	Legal, contractual, de facto agent or managing member
2	Agent of a minor, disabled or incompetent person, tutoring administrator, or the administrator of an estate held in abeyance, the administrator of an estate that is assigned under a suspensive condition or that is assigned in favour of an unborn child, who has not yet been conceived
3	Official receiver
4	Court-appointed liquidator (compulsory administrative liquidation or special management)
5	Judicial commissioner (receivership) or judicial custodian (judicial custody), or judicial receiver in the capacity of the representative of the attached assets
6	Tax representative of a non-resident person
7	Heir
8	Liquidator / Receiver (voluntary liquidation)
9	The person required to present the return for VAT purposes on behalf of a tax subject no longer in existence, following extraordinary operations or other substantial subjective transformations (transferee of company, beneficiary company, incorporating company, conferee company, etc.); or, for the purpose of income taxation, the representative of the beneficiary company (division) or the company resulting from a merger or incorporation
10	Tax representative of a non-resident with the limitations referred to in article 44, paragraph 3 of the Decree Law 331/1993
11	The person operating as guardian of a minor or a civilly disabled person, in relation to the institutional role conferred
12	Liquidator / Receiver (voluntary liquidation of an individual business - period prior to liquidation)
13	Administrator of a condominium
14	Person signing the declaration on behalf of a public administration body
15	Court-appointed liquidator of a public administration body

The appointment codes to be used for the purposes of the VAT return are the following:
- **appointment code 1 - legal, contractual, de facto agent or managing member**;
- **appointment code 2 - agent of a minor, disabled or incompetent person, tutoring administrator, or the administrator of an estate held in abeyance, the administrator of an estate that is assigned under a suspensive condition or that is assigned in favour of an unborn child, who has not yet been conceived;**
- **appointment code 3 - official receiver,** to be specified in the case of bankruptcy;
- **appointment code 4 - court-appointed liquidators**, to be specified in the case of compulsory administrative liquidation or special management.
  In the case of codes 3 and 4, the starting date of the selection procedure and the date of nomination of the abovementioned agents must be specified. If the declaration refers to the year in which bankruptcy proceedings or the selection procedure started, the relevant **box 74-bis** must be crossed. In addition to this, the date of termination of the procedure must be specified in the return relating to the year of closure of the same; until such a time, the relevant box **"Procedure not yet concluded"** must be crossed.

For the appropriate declaration (Form IVA 74 bis), to be presented by the official receivers or court-appointed liquidators, see the instructions contained in the relevant form, as well as paragraph 2.3;

- **appointment code 5 - judicial commissioner,** to be specified in the case of receivership, **judicial custodian** in the case of judicial custody; or **judicial receiver** in the quality of representative of the goods seized. In addition, the date of the relevant nomination must be specified;
- **appointment code 6 - tax representative** of a non-resident subject. In the particular case in which the tax representative is an agent other than an individual, the tax code of the agent who underwrites the declaration, his/her personal data, as well as the tax code of the company representing the non-resident operator, must be specified in the field entitled "Declarant different from taxpayer".
  It is pointed out, in addition, that details regarding the non-resident must always be indicated in the spaces reserved for "Taxpayer's details";
- **appointment code 7 - heir**, article 35-bis, paragraph 1. The details of one of the heirs must be specified, with the indication of the date of death of the taxpayer;
- **appointment code 8 - receiver**, to be specified in the case of voluntary liquidation, also including the date of nomination;
- **appointment code 9 - agent required to present the declaration for VAT purposes on behalf of a tax subject no longer in existence, following extraordinary operations or other substantial subjective transformations (transferee of company, beneficiary company, incorporating company, conferee company, etc.);** appointment code 9 must be specified if the entity resulting from the transformation is required to present return on behalf of other subjects which have ceased to exist as a consequence of the selfsame transformation, as occurs for example in the specific case of an incorporating merger occurring between January 1 and the date of the annual return. In such a case, in fact, the incorporating company is required to present the return relating to the year preceding the incorporation on behalf of the incorporated company.
  In such a case, the incorporated company is specified as the taxpayer and the incorporating company as the declarant, whose tax code must be specified in the relevant field "Tax code of declarant company", while in the remaining fields the tax codes and personal data of the representative of the incorporating company must be supplied.

4.1.4 – DOMICILE FOR NOTIFICATION OF ACTS

This section is reserved for taxpayers who intend to nominate a domicile or foreign address for notification of acts or notices from the Revenue Agency that is different from the one indicated in the sections on “registered address” or “tax domicile”.
The facility is provided, both for individuals residing in Italy and individuals residing abroad with tax domicile in Italy, for nominating a domicile for notifying acts or notices regarding them through a person or office in the town of their tax domicile. In addition, individuals residing abroad who have not nominated a domicile in Italy for notification of acts or who have not appointed a tax representative may indicate a foreign address for notification of acts or notices regarding them.
It is possible to nominate a domicile for notification of acts or communicate a foreign address even after filing the return, by sending a communication to the local office by registered letter with return receipt.
If the said communication has already been filed with the local office, this section must only be completed if the person in question intends to change the address previously communicated. Individuals residing in Italy, or those residing abroad who intend to nominate a domicile for notification of acts in Italy, must indicate:

- tax code, name and surname of the person or else the tax code and name of the office to which the acts are to be notified;
- the suburb (hamlet), street and street number, Town, Province, code of the town and postal code of the person of office.

Individuals residing abroad who have not nominated a domicile for notification of acts in Italy, or who have not appointed a tax representative and who intend to communicate an address abroad for notification of acts, must indicate:

- the surname and name of the person or else the name of the office to which the acts are to be notified;
- the foreign State with the relevant State code and foreign address of the person or office.

4.1.5 – SIGNATURE OF THE RETURN

This box, reserved for the signature, contains an indication of the number of forms that comprise the VAT return. The boxes related to the boxes filled in are at the foot of Part VL.

The signature must be written legibly in the relevant box, by the taxpayer or by the person who represents him legally or contractually, or by one of the other persons listed in **Table "Appointment codes"** in section 4.1.3.
Data regarding the signatory of the return when different from the taxpayer, including the appointment code, must be indicated in the specific box reserved for the declarant when different from the taxpayer.
Article 1, paragraph 62, of Law no. 296 of December 27, 2006 (2007 Budget Law) has amended article 2-bis of Decree Law no. 203/2005, establishing that the invitation for the taxpayer to provide clarification pursuant to art. 6, paragraph 5, of Law no. 212/2000 (if, from an inspection of the return carried out in accordance with articles 36-bis of Presidential Decree no. 600/1973 and 54-bis of Presidential Decree no. 633/1972, an tax payable or lesser refund emerges) must be sent electronically to the certified intermediaries who have provided for the submission of the return.
The above-mentioned intermediaries are obliged to advise the affected taxpayers of the outcome reported in the communication of irregularity received in due time and, in any case, by the deadlines pursuant to art. 2, paragraph 2, of Legislative Decree no. 462/1997.
If the taxpayer has not appointed an intermediary to send the return, the communication of irregularity will be sent by recorded letter.
The penalty for the amounts owed resulting from inspection of returns - 30 percent of the taxes not paid or paid late - is reduced to a third (10 percent) if the taxpayer pays the amounts owed within 30 days of receipt of the communication of irregularity.
This 30 day limit, if the communication of irregularity is sent electronically, takes effect from the sixtieth day after the day on which notice was sent electronically to the intermediary.

4.1.6 – SIGNATURE OF THE CONTROLLING BODY OR COMPANY

In the case of a company participating in the group payment of VAT, the controlling body or company must also sign; this signature must appear on the front cover if control was exercised for the entire year, at the foot of part VK if control ceased during the course of the year.

4.1.7 – UNDERTAKING TO ELECTRONIC SUBMISSION

This section must be completed and signed by the intermediary who transmits the communication.
The intermediary must state:
• his own tax code;
• if a CAF (Tax Assistance Centre) is involved, enter the CAF roll registration number;
• the date (day, month and year) on which the obligation to transmit the communication was assumed.
In addition, in the box regarding the undertaking to submit the return electronically, code 1 must be indicated if the return has been prepared by the taxpayer or code 2 if the return has been prepared by the person sending the return

4.1.8 – ENDORSEMENT OF CONFORMITY

This section must be completed for issue of the endorsement of conformity and is reserved for the person in charge of the CAF (Tax Assistance Centre) or to the professional issuing it.
The tax code of the person in charge of the CAF and the tax code of the CAF itself or the tax code of the relevant professional must be inserted in the spaces provided. The person in charge of the CAF tax assistance or the relevant professional must sign to approve issue of the endorsement of conformity pursuant to art. 35 of Legislative Decree no. 241 of 1997.

4.2 Form

4.2.1 – PART VA - INFORMATION AND DATA RELATING TO THE ACTIVITY

The part is divided into 4 sections; the first two contain some analytical information regarding the activity or activities with separate accounting as provided for by article 36 (see paragraph 3.2), whereas the third and fourth are summaries of all activities carried out by every person:
– **Section 1** contains data regarding the identification of the activity carried out by the taxpayer;
– **Section 2** is intended for the indication of specific data regarding certain exempt operations and occasional sales of used goods. The use of this section permits the completion of only one form also in cases in which the taxpayer adopts a special regime for calculation of the tax referred to in part VG;
– **Section 3** contains data regarding intra-community transactions, imports, exports, and transactions with the Republic of San Marino;
– **Section 4** is intended for the indication of certain specific data relating to the activities carried out by the person.

Usually in the case of a taxpayer who carries out a single activity and in the absence of substantial subjective transformations, the four sections must be completed on a single form.

If, on the other hand, the taxpayer carries out several activities with separate accounts as provided for by article 36, or if during the tax year, mergers, divisions or other extraordinary operations or substantial subjective transformations (hereditary succession, transfer of business, etc.) have occurred, the same number of forms and **sections 1 and 2** must be completed as the number of separate activities, or persons involved in the merger, divisions, etc., whereas **sections 3 and 4** must be completed only once for each entity, indicating therein a summary of the data.
In the case of completion of several forms, these must be numbered in progressive order, filling in the relevant field at the right top of the page.

SECTION 1 - General analytical data

Line VA1 in the event of a merger, division, conferment and transfer of the business or other extraordinary transactions, or substantial subjective transformations occurring during the course of the year, the VAT registration number of the person transformed (incorporated or division company, person conferring or ceding the business) must be indicated by the declarant taxpayer in the form (or forms in the case of separate accounts) used to indicate the data relating to the activity carried out by the said person in the period preceding the transformation. In addition to this, in the same form, the declarant must cross **box 2** if the person transformed continues an activity which is relevant for VAT purposes.
Box 3 must only be crossed by the assignor, in the first form, if he presents several forms in the case of separate accounts, to communicate that he has taken part, during the year, in extraordinary transactions or other substantial transformations (partial division, conferment, transfer or donation of a branch of the company).
Field 4 must be completed to indicate the credit resulting from the 2006 annual VAT return, transferred wholly or in part following the extraordinary operation.
Field 5 must be filled in by non-resident persons when they operated in Italy, making use, in the same year, of the system of tax representation and subsequently of the system of direct registration and vice versa, indicating the VAT number of the system which is no longer adopted (see paragraph 2.3 letter C).
The same field must also be filled in if the transfer from one system to another occurred between January 1 and the date of presentation of the VAT return.

Line VA2 must indicate the activity code taken from the classification table of economic activity, called ATECOFIN 2004, approved in the ordinance of December 23, 2003. Please note that the aforementioned table may be consulted at the Offices of the Revenue Agency and is also available on the website of the Revenue Agency **www.agenziaentrate.gov.it** as well as on that of the Ministry of the Economy and Finance **www.finanze.gov.it**. Where more than one activity is carried out with combined accounting, the code relating to the main activity with reference to the business turnover during the tax year (for Public Administration see the Appendix, under the entry "Public Administrations") must be specified in the single form.
If several activities are carried out with separate accounts, as provided for by article 36, the relevant activity code must be specified in each form.
If data relating to several activities are included on the same form, it is necessary to indicate the code relating to the main activity on the said form.
In this regard, it is pointed out that the indication of the main activity code not previously communicated or communicated incorrectly, together with the alterations to the data to be effected at the offices of the Revenue Agency by the due date for the presentation of the annual return, precludes the imposition of penalties.

Line VA3 the total taxable amount of the purchases (including intra-community purchases) and imports must be indicated, resulting from line VF20. The current line, as stipulated in circular letter number 12 of February 16, 1978, must not be completed by agricultural producers who are not legally obliged to keep accounting records for the purposes of direct taxation (also if they have opted, as provided for by paragraph 11 of article 34, for the application of the tax in the normal manner).
The data to include in the relevant fields, net of VAT, are the following:
column 1, the cost of depreciable tangible or intangible goods, as detailed in articles 102 and 103 of the Presidential Decree of December 22, 1986, number 917, including goods costing not more than 516.46 Euro and including the redemption price of goods already

purchased under a leasing agreement (for instance: machinery, plants and equipment);
column 2, the cost of non-depreciable capital goods calculating:
• the amount of rent relating to capital goods, purchased in terms of a lease, a life tenancy, rent contracts or other such onerous agreements;
• the amount relating to the purchase of non-depreciable capital goods (e.g. land);
column 3 the cost of goods designated for resale (goods) and goods designated for the production of goods and services (for example: raw materials, semi-finished goods, subsidiary materials);
column 4 the cost of all other purchases and imports of goods and services intrinsic to the running of the business, art or profession, not included in the preceding fields (for example: overhead expenses, spending for purchases of services, etc.).

Line VA4 the box must be crossed by sub-suppliers who have made use of the entitlement to pay VAT quarterly in relation to sub-supply operations in the implementation of article 74, paragraph 5 (see Circular Letter number 45/E of February 18, 1999).

Line VA5 the box must be crossed by official receivers and Court-appointed liquidators if the form refers to transactions recorded during the part of the calendar year prior to the declaration of business failure or of compulsory administrative liquidation.

Line VA6 this line is reserved for savings management companies referred to in Decree Law 351/2001 for the indication, in the form relating to each fund managed, of the name as well as the identification number attributed to same fund by the Bank of Italy (see also instructions in part VD).

Line VA7 must be completed by agricultural enterprises that have effected occasional operations to which the specific regime as provided for by article 34-bis for connected agricultural activities becomes applicable. In fields 1 and 2 indicate, respectively, the taxable amount and the tax payable relative to the aforementioned operations, already included in Part VE. Admissible deductible VAT, calculated by applying 50% to the amount shown in field 2, must be indicated in line VL5. Purchases relating to such operations must be indicated in line VF17. Please note that if this line is completed, line VG43 must not be completed (for further information please refer to the Appendix under "Connected agricultural activities").

SECTION 2 - Analytical data - Coexistence of several special VAT systems - Special cases

The current section, in certain cases, allows persons who carry out transactions which fall under more than one special regime to complete a single form. In particular, such a possibility is granted to taxpayers who, as well as having to complete a section of part VG, have also carried out:
– purely occasional exempt transactions or exempt transactions exclusively provided for by numbers 1 to 9 of article 10, which do not fall under the actual activity of the business or are peripheral to taxable operations;
– occasional sales of used goods, carried out applying a special marginal regime.

Line VA20 the box must be crossed if occasional exempt operations or exempt operations exclusively provided for by numbers 1 to 9 of article 10 have been carried out, which do not fall under the actual activity of the business or are peripheral to taxable operations, if the taxpayer has completed one of sections 1, 2, 4 and 5 of part VG in the same form. The amount of such exempt operations must be carried to line VE33, while the related purchases must be specified in line VF17.

Line VA21 the box must be crossed if occasional sales of used goods have been made using the special marginal regime as provided for by Decree Law 41/95, if the taxpayer has completed one of sections 1, 3, 4 and 5 of part VG. For the calculation of the aggregate gross margin and for the carrying over of the data to part VE, one is referred to the instructions for the completion of table B contained in the Appendix under the entry "Used goods". It is specified that the amount of purchases relating to said sales must be indicated in line VF14.

The concurrent completion of the two lines is admitted for cases in which both types of transaction referred to in lines VA20 and VA21 are carried out, if the taxpayer completes one of sections 1, 4 and 5 of part VG. For further clarifications regarding the coexistence of several regimes, please consult the relevant entry in the Appendix.

SECTION 3 - Summary of data relating to all the activities carried out - Intra-community transactions, imports, exports, and transactions with the Republic of San Marino

The section must be completed by taxpayers who have undertaken intra-community sales and services, intra-community purchases, imports of goods, exports, and transactions with the Republic of San Marino.

Line VA30 specify the total of intra-community sales of goods (column 1) and intra-community performance of services (column 2), bearing in mind the changes, as per article 26, recorded in the invoice register (article 23) or the register of considerations (article 24). The amounts indicated in the aforementioned columns must be included in line VE30.

Line VA31 specify the total of intra-community purchases of goods, bearing in mind the changes, as per article 26, which purchases are recorded in the registers referred to in articles 23 or 24, as well as in the purchases register (article 25), indicating receipts for intra-community purchases in column 1, including those that are not taxable or exempt as per article 42, paragraph 1, of Decree Law 331/1993 and in column 2 the tax relating to taxable purchases even if not deductible as provided for by article 19-bis1 or other enactments. The said amounts must be included in part VF as well as in part VJ, for the purposes of calculating the amount of tax payable.

Line VA32 specify the total amount relating to imports of goods **according to customs bills** of entry registered during the tax period. In the first column indicate the receipts relating to imports, in the second column the amount relating to taxable operations also if not deductible as provided for by article 19-bis1 or other enactments. The amounts specified in the line must be included in part VF as well as, with regard to imports of industrial gold, pure silver, scrap and other salvage materials, those for which VAT is not settled at Customs, in part VJ, for the calculation of tax payable. Please note that in the current line the purchase of goods originating from the Republic of San Marino or the Vatican City must not be included.

NOTE: more detailed instructions regarding the transactions that must be included in lines VA30, VA31 and VA32 are contained in the Appendix under the entry "Intra-Community transactions and Imports".

Line VA33 specify the total amount of exports of goods carried out during the year, **according to customs declarations**, as referred to in article 8, first paragraph, letters a) and b), among which the following are also included:
– sales, towards transferees or their commission agents, carried out via transport or shipping of goods beyond the confines of the European Union, under the auspices of or in the name of the transferring party or its commission agents;
– the sale of goods drawn from a VAT deposit with transport and shipping beyond the confines of the European Union (article 50-bis, paragraph 4, letter g) of Decree Law 331/1993).
The amount indicated must be included in **line VE30**. Please note that in the current line the transfer of goods relating to the Republic of San Marino or the Vatican City must not be included.

Transactions with the Republic of San Marino
In the following lines aggregate data relating to purchases and sales of goods carried out in 2006 from and towards agents from San Marino.
In particular:

Line VA34 the total amount of sales of goods carried out towards agents from San Marino, to include in **line VE30**.

Line VA35 In the **first field**, the total amount of purchases of goods originating from San Marino must be included, with issuing of an invoice without tax by the selling party from San Marino, for which the domestic purchaser has settled the related obligations provided for by the 3rd paragraph of article 17. For the purposes of calculation of tax, this amount and the tax payable must be included in **line VJ1**.
In the **second field** the total amount of purchases for which an invoice was issued with tax by the selling party from San Marino.
In both fields likewise, any purchases not subject to taxation in accordance with specific enactments, must be included.

In both cases the amounts indicated and the related tax, for the purposes of tax deduction, must be included in part VF.

SECTION 4 - Data summary relating to all activities carried out

Tax concessions for exceptional events

Line VA40 reserved for taxpayers who have legitimately benefited during the tax period, for VAT purposes, from tax concessions provided for by special enactments issued in the wake of natural disasters or other exceptional events.
Taxpayers concerned must indicate the corresponding code in the relevant box, taken from the "Table of exceptional events" (see Appendix under the entry "Persons affected by exceptional events").

Conforming to the parameters for 2005

Line VA41 must be completed exclusively by taxpayers whose business turnover for the tax year 2005 was in line with the results of the parameters.
In the line the greater amounts (column 1) and the tax paid using form F24 - tax code 6493 (column 2) must be indicated.
The greater taxable amount and the relevant tax payable must not be indicated in part VE, insofar as they do not refer to 2006, but the preceding year.
Taxpayers who intend to bring their return into line with the parameters for the **2006 tax year** must pay the greater amount of tax due by the final date for the submission of the 2007 income tax return (2006 tax period), using Form F24 and tax code 6493. The greater taxable amount and relative tax must be indicated in the 2008/VAT return (2007 tax year).

Alignment with sector studies for 2006

VA42 must be filled in by taxpayers who intend to conform with the results of the **sector studies** for the tax year 2006 by paying the greater taxable amount due within the payment deadline. The payment of the greater taxable amount must be carried out using form F24, tax code 6494.
In the line the greater amounts must be indicated (column 1) and the relative amount paid (column 2). These greater amounts and the relative taxable amount must not be indicated in part VE.

Note that article 2, paragraph 2-bis of Presidential Decree no. 195 of May 31, 1999, introduced by the Law of December 30, 2004, no. 311, states that adjustment to sector studies, for tax periods that are different from those in which the study is applied or modifications consequent to a review of the study, is effective on condition that the taxpayer pays an additional amount of 3 percent, calculated on the difference between profits or remunerations deriving from the application of the studies and those indicated in the accounting records. This additional amount must be paid by the final date for the settlement of income tax using the tax code 4726 for individuals or 2118 for taxpayers other than individuals. This additional amount is not due if the stated difference is not more than 10 percent of profits or remunerations indicated in the accounting records.

Line VA43 is reserved exclusively for bodies or companies who adhered, in the previous year (or years), as controlling companies, to the procedure of liquidation of group VAT as provided for by the Ministerial Decree of December 13, 1979.

It is to be noted, in fact, that if the procedure of group liquidation has not been renewed in the following year with reference to the same controlling company, or if the procedure finished during the course of the year of control, any group credit surplus for which reimbursement has not been requested may be deducted in the periodic liquidations following the discontinuance of the group only by the controlling body or company (see Circular Letter 13 of March 5, 1990).
If such group credit surplus is not fully set-off during the year following cessation of control, or during the current year if the group is discontinued before the end of the year, it may be set-off and guaranteed in subsequent years until such time as there is complete settlement of the entire credit deriving from the group, subject to the indication of the amount set-off in line VA43 of the return relating to the year of use of the credit.
The same line must also be completed in the special circumstances in which a company outside the group, incorporated a controlling company in 2006, with the consequent discontinuance of the group in the course of the year, in order to indicate the surplus group credit (resulting from the VAT summarizing form IVA 26 PR part VY of the return of the ex-controlling incorporated company) which has been set-off in 2006 by the incorporating company and for which the said company must provide guarantees as provided for by the Ministerial Decree of December 13, 1979.

If on the other hand, the group payment procedure continues until the end of the year with separate accounts, in accordance with R.M. 363998 of December 26, 1986, the credit acquired by the incorporating company beginning from January 1 of the year following the incorporation, must be indicated in line **VA43** of the return relating to the year in which the credit was used, for the part set-off and therefore to be guaranteed.
Line VA43 must indicate:
– the year to which the credit deriving from the group refers;
– the amount of such credit which has been set-off in **2006** and for which the guarantees as provided for in article 6, paragraph 3, of the Ministerial Decree of December 13, 1979 must be given.

Operations carried out in relation to condominiums

Line VA44 the total amount of operations carried out by firms and other taxpayers in relation to condominiums, excluding water, electricity and gas supply as well as operations which have led to the collection of payments subject to deduction at source (withholding tax) (article 1, paragraph 2, letters a) and b) of the Ministerial Decree of November 12, 1998 published in Official Gazette (G.U.) number 284 of December 4, 1998).

Exemption regime pursuant to art. 32-bis
Line VA45 must be completed by taxpayers who intend to use the special exemption regime, governed by article 32-bis, from the tax period following the one to which this return refers.
In particular, **box 1** must be crossed to indicate that this is the most recent annual VAT return prior to application of the exemption regime.
In **field 2**, the total amount of the VAT adjustment already deducted, pursuant to article 19-bis2 relating to the amended tax regime, must be indicated. It should be noted that, pursuant to paragraph 8 of article 32-bis, the tax owed resulting from the adjustment is paid in a lump sum or in three annual instalments of equal amounts, to be paid by the deadline established for payment of the balance as from the year in which the move to the regime was made.
The amount of the adjustment indicated in field 2 should not be included in line VG70.

4.2.2. – PART VB - MINIMUM TAXPAYERS

The section must be completed exclusively by minimum taxpayers, who have not chosen the application of VAT in the ordinary manner, coming under the system of a flat-rate, payment of tax, as provided for by paragraphs 171-176 of article 3, of Law 662 of 1996. In addition to the present part, such taxpayers need to complete only parts VA, VJ, VH, VL, VT, VX and VO for the purposes of their tax return. In particular, for the purposes of the calculation of tax payable for certain types of operations, such as intra-community purchases, purchases from non-resident subjects, which are self-invoiced in terms of article 17, paragraph 3, etc., part VJ must be completed. Regarding the completion of part VL, it is pointed out that **line VL4** must not be filled in insofar as the adoption of a special tax regime for those making reduced payments implies a flat-rate deduction of the amount payable, and thus does not allow for other types of deduction.
Minimum taxpayers who have adopted the ordinary tax regime for the tax year to which the return refers must communicate their choice by crossing the box in line VO33 of part VO (see Appendix under the entry "Minimum taxpayers").
Line VB1 indicate the business turnover, which includes the total amount of sales of goods and supply of services carried out, registered or subject to registration with reference to the tax period, in terms of article 20. To this amount payments received which are not relevant for VAT purposes must be added (see Appendix under the entry "Minimum taxpayers"). ***Box 1*** must be crossed by those taxpayers who in 2006 have not carried out active operations.
Line VB2 indicate the total tax payable relating to all taxable operations carried out.
Line VB3 cross the box corresponding to the percentage to apply (on the basis of the main business activity) to the amount indicated in line VB2, for the flat-rate calculation of the amount payable, following the percentages below:
– 73% businesses supplying services;
– 60% businesses carrying out other activities;
– 84% artists and professionals.
Line VB4 amount of tax payable, calculated on a flat-rate basis, by applying the percentage indicated in line VB3 to the amount in line VB2; this amount must be carried to line VL1 to allow the annual settlement of tax payable.

4.2.3. – PART VC - EXPORTERS AND ASSOCIATED OPERATORS - PURCHASES AND IMPORTS WITHOUT THE APPLICATION OF VAT

Part VC must be completed by taxpayers who make use of the entitlement to purchase goods and services and import goods without the application of VAT, provided for subjects who carry out export sales, associated operations and/or international services and intra-community operations.
The part must be completed indicating the data specified by article 10 of the Presidential Decree number 435 of December 7, 2001.
It is pointed out that with regard to the use of the ceiling, registration of purchase invoices or customs bills of entry are not to be considered, but rather the moment of the purchases as provided for by article 6, unlike the completion of line VF13 which refers exclusively to the moment of registration of the purchase transaction.

NOTE: as a result of the regulations set out in article 10 of Presidential Decree number 435 of 2001, taxpayers who have adopted the calendar method for the calculation of the ceiling must also complete the individual lines separately for each month, in addition to indicating the total amount.

The section consists of **six columns** in which, for each month, in **lines from VC1 to VC12**, the following data must be specified:
– **column 1:** amount of the ceiling used for purchases in Italy and intra-community purchases;
– **column 2:** amount of the ceiling used for imports of goods;
– **column 3:** business turnover, subdivided by month, relating to the 2006 tax year;
– **column 4:** amount of all export sales, associated operations and/or international services, intra-community operations, etc., carried out monthly, in the same tax period 2006.
Columns 3 and 4 must be filled in by all taxpayers who used the ceiling in 2006, regardless of the method of calculation followed;
– **column 5:** business turnover subdivided by month, for 2005;
– **column 6:** amount of export sales, associated operations, international services, intra-community operations, etc., carried out monthly, also in 2005.

NOTE: the data referred to in columns 5 and 6 must be indicated only by taxpayers who, in 2006, have carried out purchases and imports using a ceiling related to operations facilitated by tax concessions carried out during the 12 preceding months and also for the purpose of monthly auditing of the existence of the status of exporter aided by tax concessions, during 2006, as well as the availability of the ceiling in each month.

Line VC14 the availability of the ceiling must be indicated as of January 1, 2006.
This amount is valid for a year for those who use the calendar year ceiling, which obviously diminishes with the carrying-out of individual purchases during the course of the same year, and is valid only for January 2006 for taxpayers who use the monthly ceiling, pending the specific calculation that such a method entails.
For the purposes of highlighting which method has been adopted for the calculation of the ceiling during 2006, the taxpayer must cross **box 2** of line VC14, in the case of calculation relating to the previous year (calendar method), or **box 3** if the calculation is made in relation to the preceding twelve months (monthly method).

NOTE: taxpayers who, on the basis of instructions given in Circular Letter 50/E of June 12, 2002, have taken steps to regularise operations for which a declaration of intent has been issued beyond the limit of the available ceiling through the issue of a self-invoice and with the subsequent payment of the tax, using form F24 and indicating the tax code of the period in which the purchase was erroneously made without the application of VAT, must indicate the amount of the tax thus regularised in line VE24 and include the payment in line VL29. For deduction purposes, the taxable amount and the tax resulting from the self-invoice mentioned above, must be indicated in section VF in the line corresponding to the tax rate applied. Consequently the amount of the invoice of the supplier or the customs bill of entry respectively made out or issued under a non-taxable regime must not be indicated in line VF13.

4.2.4. – PART VD - TRANSFER OF VAT CREDIT BY SAVINGS MANAGEMENT INSTITUTIONS (ARTICLE 8 OF DECREE LAW 351/2001)

Article 8 of Decree Law number 351 of September 25, 2001 converted by Law number 410 of November 23, 2001 makes provision for savings management institutions to transfer the credit arising from annual VAT returns, as well as in terms of article 43-bis of Presidential Decree number 602 of September 29, 1973, also under the conditions and within the limits

set out in article 43-ter of the same decree.
For this purpose, the current part has been provided, which must be used by both savings management institutions in order to indicate the VAT credit resulting from the present return, transferred wholly or in part to other persons as provided for by the said article 8, paragraph 2 of Decree Law number 351/2001, and in the manners set out by the said article 43-ter of Presidential Decree 602 of 1973, and by transferees, belonging to the same group as defined by the said article 43-ter, to whom such credits are transferred.
The due completion of the current part by the transferring party is a condition for the transfer of the credit concerned to be effective, in accordance with paragraph 2 of article 43-ter, of Presidential Decree 602 of 1973. The transferee acquires the entitlement to the credit received upon presentation of the return by the part of the transferor. One is reminded that such credits can be used as a set off by the transferee, as provided for by article 5 of Presidential Decree number 542, of October 14, 1999, with effect from the beginning of the tax period subsequent to the one in which they became available to the transferor (January 1, 2007 if, for VAT purposes, the tax period coincides with the calendar year). Such credit therefore constitutes an amount to be used for deduction of periodic or annual payments, following the payment of the amount due.

SEZIONE 1 – Transferring company - List of transferee companies or organisations

Line VD1 indicate the total of the amounts in column 2. This amount must coincide with that indicated in line VL37.
The transferring savings management institution must indicate in **lines** from **VD2** to **VD21:**
– **column 1,** the tax code of the transferee;
– **column 2,** the amount transferred.
If 20 lines are not sufficient to indicate all credits transferred, another part VD must be used, indicating "02" in the field "Mod. N.", and so on. The total (line VD1) must be indicated only in form "01".

SECTION 2 - Transferee organisation or company - List of transferor companies

The transferee organisation or company must indicate in lines from **VD31** to **VD50**:
– **column 1,** tax code of the transferor;
– **column 2,** the amount of credit received.
If 20 lines are not sufficient, another part VD should be used, indicating "02" in the box "Mod. N" and so on. If this is the case, lines from VD51 to VD56 must only be completed in form "01".

In **line VD51,** the total of the amounts from column 2 should be indicated.

In **line VD52,** the surplus credit from line VD56 must be indicated (return related to the tax year 2005).

In **line VD53**, the sum of the amounts stated in lines VD51 and VD52 must be indicated.

In **line VD54**, that part of the amount stated in line VD53 which is used to reduce VAT payments, related to the present return, must be indicated. This amount should be included in line VL28, field 1 and indicated separately in field 2 of the same line. The part used to lessen the VAT debt appearing from this return must be indicated in line VL35.

Line VD55 must reflect that part of the amount stated in line VD53 which is used, before the date of submission of the return, to set off amounts due in respect of other duties, contributions or premiums, and stated in the column "credit amounts set off " of F24 the payment form.

In **line VD56**, that part of the amount in line VD53 which remains after the uses indicated in lines VD54 and VD55 should be indicated.

The filling in more than one part entitled 'VD' does not alter the number of forms that make up the return, to be indicated on the front cover.

4.2.5. – PART VE - CALCULATION OF BUSINESS TURNOVER AND THE TAX RELATIVE TO THE TAXABLE OPERATIONS

The part is divided into four sections: 1) Contributions of agricultural products and transfers by exempt agriculturalists; 2) Taxable agricultural operations and taxable commercial or professional operations; 3) Other operations; 4) Business turnover and total tax.

In part VE, all the operations carried out within the State and within the territory of the European Union and the exportations to countries outside the European Union must be included, subdivided by rates and taking into account the variations pursuant to art. 26.
In special cases in which the taxpayer has, during the tax year, carried out operations subject to VAT with tax rates or percentages of compensation no longer present in part VE, the taxpayer must calculate the relative taxable amounts and must then include the difference in amount (positive or negative) in lines VE24 and VE11 respectively, among the changes. In parts VE and VF, some amounts could turn out to have a negative value following variations carried out during the tax year that could lead to reductions. In this case, indicate a minus sign (–) in front of the relevant amounts (within the fields).
It is pointed out that in the Appendix, in the section on "Agriculture", a special summary form has been added to guide the various types of agricultural producers (exempt or not) in completion of the VAT return.

Taxpayers who have made use of the exemption from the obligations referred to in art. 36-bis, and who have also carried out taxable operations in 2006, are obliged to indicate these operations in part VE, as well as exempt operations referred to in no.s 11, 18 and 19 of art. 10, which in any case are subject to invoicing and registration.

NOTE: taxpayers who, from the 2007 tax year, make use of the special exemption regime provided for by article 32-bis must also take into account in this return the tax payable to the State and other taxpayers indicated in the last paragraph of article 6 for operations carried out for which tax has not yet become payable.
These operations must be indicated in the lines on the rates applied and, if they have contributed to the calculation of the business turnover of the previous years, the relevant taxable amount must be indicated in line VE38.

SECTION 1 – Conferring of agricultural products and transfer by exempt agriculturalists (in the case of the limit being exceeded by more than a third)

Section 1 is reserved:
- for agriculturalists who have transferred goods to entities, co-operatives or other associated entities (as well as the transfer of goods from co-operatives to their own consortia); in terms of article 34, paragraph 7, with the application of flat-rate set-off percentages (see Circular Letter 328, December 24, 1997, paragraph 6.6)
- for exempt agriculturalists referred to in article 34, paragraph 6, i.e. those who, in the previous year, did not exceed the business turnover threshold of 2,582.28 or 7,746.85 Euro, who find, at the end of the year, that they have exceeded the one-third limit, envisaged for transactions other than the sale of agricultural and ichthyic products, listed in Table A, first part, enclosed with Presidential Decree 633/72. As provided for in Circular Letter 328/E of December 24, 1997 (paragraph 6.7.2), for those who, at the end of the calendar year, discover that they have exceeded, by a third, the limit laid down for operations different from transfers of agricultural and ichthyic products, the application of tax rates that correspond to set-off percentages related to the assignments of agricultural products, and of the rates related to different operations (the latter to be indicated in section 2), remains the same for the entire calendar year.

Calculation of taxable amount

In the first column, the amounts related to taxable operations must be indicated, separated according to tax rate (corresponding to set-off percentages, provided for by the Ministerial Decrees of May 12, 1992, of December 30, 1997 and the Decree of December 23, 2005) that result from the register of invoices issued (article 23) and/or from the considerations register (article 24), bearing in mind the variations as per article 26 registered for the tax period.
Taxpayers who use the register of invoices will take the taxable amounts from this register, already sub-divided according to tax rate, and indicate them in the column for taxable amounts, corresponding to the relative tax rate (printed on the form).
Regarding the accounting related to considerations with VAT incorporated, it should be remembered that agriculturalists, for the sale of their own products, whether from crops or from raising animals, towards private consumers, can make use of provisions referred to in article 22 and 24, regarding, respectively, the fact that it is not necessary to issue an invoice if the customer does not request it, and the recording of total daily takings in the considerations register.

For such operations, the total amount, net of the VAT included therein, must be calculated using the methods illustrated in the Appendix, under the entry "Taxpayers who use the considerations register".
The taxable amount thus determined should be indicated in the column of taxable amount, corresponding to the tax rate printed on the form, rounded to the nearest Euro.

Lines from VE1 to VE9 in these lines, in correspondence with the tax rates printed on the form, the amounts related to operations for which tax turned out to be payable in the year 2006, noted or to be noted in the register of invoices issued (article 23) and/or in the considerations register (article 24), and taking into account the variations referred to in article 26, recorded for the same year, must be indicated. The tax should be calculated by multiplying each taxable amount by the corresponding flat-rate set-off percentage.

Line VE10 in this line, the total of the taxable amounts and the tax must be indicated, calculated by summing the amounts indicated in lines from VE1 to VE9, respectively in the column for taxable amount and in the column for tax.

Line VE11 in this line, the variations and round-ups of the tax related to the operations referred to in lines from VE1 to VE9 should be indicated.
The tax indicated in line VE10 can be different from the total tax presented in the register of invoices issued and/or considerations register.
Such a possible difference derives from the following elements:
– rounding off of tax done in invoices (article 21, paragraph 2, letter e);
– tax indicated on invoices that are higher than the actual figure (article 21, paragraph 7), of which the decrease has not been noted;
– rounding off to the nearest Euro in the return.
Furthermore, in this line, positive or negative variations in tax, recorded in the year 2006 and relative to operations recorded in previous years, must be indicated.
Such a difference should be indicated in line VE11 with a plus sign (+) inside the field if the total tax deriving from the register is higher than the tax calculated, or with a minus sign (-) if the opposite is the case.

Line VE12 in this line, the total, which is obtained by increasing or decreasing the tax referred to in line VE10, by the amount indicated in line VE11, must be indicated.

SECTION 2 – Taxable agricultural operations (article 34, paragraph 1) and taxable commercial or professional operations

Section 2 must be filled in:
• by all taxpayers who carry out commercial, artistic or professional activities;
• by all agricultural producers (both in the special regime and in the ordinary regime opted for) for all the sales of agricultural and ichthyic products referred to in paragraph 1, article 34 carried out in the year 2006 for which the tax rates laid down for the individual goods become applicable. Furthermore, this section must also be filled in by agricultural producers who apply the simplified regime according to article 34, paragraph 6, third period; this refers to agricultural producers who, in the previous calendar year, reached a business turnover of more than 2,582.28 or 7,746.85 Euro, but less than, or equivalent to 20,658.28 Euro (see paragraph 6.7.3 of Circular Letter 328, December 24, 1997).

In this section, the so-called **mixed agricultural enterprises** (article 34, paragraph 5) must also indicate the sales of goods that are different from those from the agricultural or ichthyic sectors referred to in Table A enclosed with Presidential Decree 633/72, as well as any services carried out, that fall outside the sphere of application of article 34-bis. It is to be remembered that the above-mentioned operations carried out by exempt agriculturalists who exceeded the one-third limit must also be indicated in this section.
It is also to be remembered that the concept of taxable operations that are different from the ones indicated in the first paragraph of article 34, include those operations that are carried out by the agricultural producer in the environment of his own agricultural enterprise, but are of an accessorial nature compared to the core productive activity, for example, the sales of agricultural products included in the second part of Table A, the sale of agricultural products purchased from third parties at an equal or higher level to those coming from their own beds, woods or livestock, to improve the quality of the goods produced (for a correct definition of these different operations see "Agriculture" in the Appendix).

Naturally, cases which are not covered by the norm referred to in the fifth paragraph of article 34, are regulated by the provisions laid down in article 36 for the purposes of separate accounting (see Circular Letter n. 19, July 10, 1979, Director General of Taxes).

It is to be noted that taxpayers who make use of a reduction of the taxable base **(publishers)** must indicate, in part VE, the taxable amount related to the operations after the due reduction has been already considered.

Furthermore, the following must be included in this section: the part of the considerations assumed as the taxable base for the application of the tax, according to article 30, paragraph 5 of Law 388 of December 23, 2000, for the sales of mopeds, motorcycles, motor cars and motor vehicles referred to under letter c), in paragraph 1 of article 19-bis1, which were previously imported or acquired, also through leasing or hire contracts or similar, for which reduced (10% or 50%) VAT deductions have been carried out, according to paragraph 4 of the abovementioned article 30.
Enterprises that supply interim work must not include reimbursements from income and social security taxes, in the taxable base, which the agent who employs temporary workers is obliged to pay, according to the law regarding "Interim work" (Law 196 of June 24, 1997), effectively paid on behalf of the temporary worker (article 7 of Law 133 of May 13, 1999), see also Resolution 384/E of December 12, 2002.
Taxpayers who use the register of invoices issued should take from the taxable amounts from that register, already sub-divided by tax rate, and indicate them in column 1, in lines from VE20 to VE22, corresponding to the relative tax rates printed on the form.
Retail dealers and other taxpayers referred to in article 22, for which the issuing of invoices is not obligatory if not requested by the purchaser, must calculate the total amount of the operations, net of the VAT included therein using the methods illustrated in the Appendix, under the entry "Taxpayers who use the considerations register".

Calculation of taxable amounts
Lines from VE20 to VE22 in these lines, the following must be indicated:
- in the first column, the amounts of the taxable operations, separated according to tax rate, for which the tax for the year 2006 is due, already recorded or to be recorded in the register of invoices issued (article 23) and/or from the register of considerations (article 24), and taking into account the variations as referred to in article 26, recorded for the same year;
- in the second column, the totals of the relative tax.

NOTE: *in these lines, the following must also be included: amounts relative to sales made, with tax applied, to parties residing or domiciled outside the European Community, according to* ***article 38-quater, second paragraph,*** *for which, in the tax year, the purchaser has not given the seller the copy of the invoice endorsed by the Customs Office at the exit point from European Community territory. In cases where the purchaser has given the transferor, the invoice endorsed by the Customs Office at the exit point from European Community territory by the end of the fourth month after the operation and in the tax year, the transferor must add a negative variation, equal to the adjusted tax amount, to line VE24, so as to make up for the VAT (in this case the relative tax amount must not be included in part VF). In cases where the return of the invoice happens after 31/12/2006, the same negative variation is to be indicated in the corresponding line of the tax return form for the year 2007.*
For sales carried out according to ***article 38-quater, first paragraph,*** *without the application of tax, to be included among the non-taxable operations referred to in line VE32, for which the invoice endorsed by the Customs Office at the exit point from European Community territory has not been returned to the transferor, by the end of the fourth month after the operation, the transferor will have to indicate the increase by the end of the following month, equal to the tax to be applied, in line VE24, so as to highlight the relative VAT output. If the due date should fall after 31/12/2006, the same increase is to be indicated in the corresponding line of the tax return form for the year 2007.*

Line VE23 in this line, the total of the taxable amounts and taxes should be indicated: these are determined by summing the totals indicated in **lines** from **VE20** to **VE22**, respectively from the column of taxable amounts and of the column for taxes.

Line VE24 in this line, the variations and rounding off of tax amounts relative to the operations referred to in lines from VE20 to VE22 should be indicated.
The tax indicated in line VE23 can be different from the total tax presented in the register of invoices issued or the register of considerations.

Such a possible difference derives from the following elements:
– rounding off of tax done in invoices (article 21, paragraph 2, letter e);
– tax indicated in the invoices that is higher than the real figure (article 21, paragraph 7), of which the decrease has not been noted;
– rounding offs to the nearest Euro in the return.
Furthermore, in this line, positive or negative variations in tax, recorded in the year 2006 and relative to operations recorded in previous years, must be indicated.
This line should also include the total VAT used for the settlement of the so-called use of a ceiling (see notes in part VC).
Such a difference should be indicated in line VE24 with a plus sign (+) inside the field if the total tax deriving from the register is higher than the total calculated, or with a minus sign (-) if the opposite is the case.

Line VE25 - in this line, the total VAT relative to taxable operations should be indicated: this amount is obtained by increasing or decreasing the total reflected in line VE23 by the sum of the positive or negative variations set out in line VE24.

SECTION 3 - Other operations

In section 3 all other operations that are different from those taxable operations indicated in the previous sections 1 and 2 should be included.

Line VE30 in this line, the total exports and other non-taxable operations that can contribute to the formation of the ceiling referred to in article 2, paragraph 2, Law 28 of February 18, 1997, should be indicated.
To help identify the operations that should be included in this line, consult the Appendix, under the entries "Exports and other non-taxable transactions" and "Used goods".

Line VE31 the total of the non-taxable operations, carried out as regards exporters who have issued their declaration of intent.

Line VE32 the total of other operations qualified as non-taxable (to help identify such operations, consult the Appendix, under the headings "Exports and other non-taxable transactions" and " Used goods").
In addition to this the representing intermediaries must include, in this line, the fees paid to them by travel agencies for services rendered among Community countries (article 7 of Ministerial Decree July 30, 1999, number 340, cp. Circular Letter 328 of December 24, 1997).
The operations indicated in line **VE32** do not contribute to the formation of the ceiling.

Line VE33 indicate the total of exempt operations as referred to by article 10 and of operations declared exempt from other directives, such as, for example, those referred to by article 6 of Law 133 of 1999 (supply of services carried out by companies belonging to banking groups, by consortia established between banks, by companies belonging to insurance groups, by consortia established between insurance companies, by companies belonging to groups 90% or more of whose business turnover consists of exempt operations as provided for by article 10).
Taxpayers affected by exemption from the obligation to register and issue invoices for, the exempt operations in the year 2006, as provided for by article 36-bis, must indicate in this line only the operations referred to in numbers 11, 18 and 19 of article 10, for which the obligation to issue invoices and of registration holds.
One is reminded that all agents who have carried out exempt operations must in any case complete section 3 of part VG. In any case, if the exempt operations indicated in the current line were carried out exclusively in an occasional manner or regard only operations referred to in numbers from 1 to 9 of article 10 which do not fall under the proper activity of the business, or are incidental to taxable operations and a special regime for the calculation of tax has been adopted which requires the completion of a section of part VG, it is possible to complete a single form, ensuring that the box in line VA20 is crossed.

Line VE34 indicate the total amount of transfers made within the State of scrap and other salvage materials referred to in article 74, paragraphs 7 and 8 for which the payment of VAT by the transferee is due (reverse-charge). In the line must also be included provision of services depending on contracts for work and skill, tenders, and such, the object of which is the transformation of non-ferrous scrap. Transfers of the aforementioned goods carried out as regards private consumers are now subject to VAT according to ordinary regulations, and thus must be included exclusively in section 2 of part VE (for further clarifications see the Appendix under the entry "Scrap").

Line VE35, **field 1**,indicate the total amount of **sales of investment gold which have become taxable as a result of the choice made** and the related services of intermediation carried out in national territory towards taxable entities, in addition to the amount of **transfers of gold other than investment gold and of pure silver**, made to subjects not liable to tax (for further details see Appendix, "Transactions relating to gold and silver").
This line must also include the amount paid for services rendered in the construction sector by subcontractors but not taxed pursuant to article 17, paragraph 6. This amount must also be indicate in **field 2** (cp. Circular Letter no. 37 of December 29, 2006).

Line VE36 indicate the net amount of non-taxable operations, carried out in the application of certain concessionary norms towards earthquake victims and associated persons.

Line VE37 indicate the amount of operations **carried out during the year**, in relation to the State and other entities referred to in article 6, final paragraph, **with VAT payable in subsequent years**. Note that said operations, and the related tax payable, must not be included in the first two sections of part VE.

Line VE38 in order to decrease the business turnover, the total amount of operations which contributed to the business turnover of the year or previous years, and for which in the year 2006 the tax has become payable, must be included (without a preceding "minus" sign).
Such operations must also be indicated, in correspondence with the rate applied, in lines from VE1 to VE9 and lines from VE20 to VE22, for the sole purpose of the calculation of tax payable for the current year.

Line VE39 operations (net of VAT) which are not a part of the business turnover must be indicated. In terms of the provisions of article 20, these relate to the transfers of depreciable goods and internal transfers as referred to in article 36, final paragraph. **This amount decreases the business turnover during the year**.
It should be noted that the transfers of depreciable goods carried out in the sphere of special marginal schemes provided for the sale of used goods, antiques, etc., do not constitute a part of business turnover. In such a case, in this line, the receipt from sale must be diminished by the tax payable in relation to the "analytical" margin calculated for each transfer.

SECTION 4 - Business turnover and total tax

Line VE40 *business turnover* calculated by adding together the amounts indicated in lines VE10 column 1, VE23 column 1 and in lines from VE30 to VE37 and subtracting the amounts indicated in lines VE38 and VE39.

Line VE41 *total VAT on taxable operations*, obtained by adding together the amounts indicated in lines VE12 column 2 and VE25 column 2.

4.2.6. – PART VF - TOTAL AMOUNT OF PURCHASES CARRIED OUT IN THE NATIONAL TERRITORY, INTRA-COMMUNITY PURCHASES AND IMPORTS

NOTE: this part includes not only purchases carried out in the national territory, but also intra-community purchases and imports from Countries or territories outside the European Union.

In this section, one must include the taxable amount and the tax relating to goods and services purchased and imported as part of ordinary business, art or profession, resulting from invoices and customs bills of entry for imports recorded in the purchases register for the year 2006 (as referred to in article 25) or in other registers provided for with regard to legislation provisions made for special regimes, taking into account variations referred to in article 26 recorded in the same year.

NOTICE: Decree Law no. 258 of September 15, 2006, finalised with amendments by Law no. 278 of November 10, 2006 and issued pursuant to the judgment of the European Court of Justice of September 14, 2006, regulates the means of recovery of tax not deducted relating to purchases and imports of goods and services set out in article 19-bis1, paragraph 1, letters c) and d).
In particular, article 1 of the abovementioned Decree Law states that subjects not liable to tax who until September 13, 2006 made such aforementioned purchases may apply for the reimbursement of VAT not deducted.
Therefore, purchases of goods and services as set out in article 19-bis1, paragraph 1, letters c) and d) made before September 13, 2006 must be indicated in this part by including in lines from VF1 to VF11 the taxable amount corresponding to the de-

ductible amount, using the percentages in effect under pre-existing legislation, and the remaining taxable amount in line VF17.

Lines from VF1 to VF11 indicate domestic and intra-community purchases, and imports subject to taxation, for which tax is due and for which the right to deduction has been exercised in 2006, to be entered next to the pre-printed tax rates or the percentage of compensation. Therefore in these lines purchases made in previous years by persons indicated by article 6, final paragraph, must be included.
In these lines, purchases and imports of gold, pure silver, scrap and other salvage material to which the reverse-charge mechanism has been applied must also be included (see Appendix under "Transactions relative to gold and silver" and "scrap").
In the specific case in which, regarding purchases made in prior years but registered in 2006, the percentage of tax deduction applicable in the year in which the right to the deduction arose is different from the percentage applicable for 2006, see instructions in line VG70 and under the entry "Adjustments to deductions".
In addition to this, purchases carried out by means of **drawings from VAT deposits** must be included, as well as intra-community purchases made upon drawings of the goods by the consignee in the case of "consignment stock". This last procedure is characterised by the fact that the goods guarded remain the property of the European Community supplier until the moment they are drawn by the same consignee, who is the exclusive final receiver of the goods.

NOTICE: where the goods drawn were the object of prior purchase without payment of the tax by the same person who draws them, and if the drawing from the deposit occurs in the same tax period in which the deposit or the purchase of the good guarded in the deposit was made, the taxable amount and the related tax must be indicated exclusively in lines from VF1 to VF11. If the drawing from the deposit occurred in a tax period subsequent to that in which the purchase without the payment of tax was made, then the taxable amount must be indicated in the return for the year in which the operation took place (deposit or purchase of goods held in deposit, etc.) in line VF14 and, subsequently, in the return for the year in which drawing occurred, it is necessary to include, in lines from VF1 to VF11, the taxable amount and the related tax, also indicating the same amount in line VF19, to allow the subtraction from the turnover of the corresponding amount already indicated in line VF14 of the previous return.

The tax relating to the aforementioned purchases is calculated by multiplying the taxable amounts set out in lines from VF1 to VF11 by the corresponding tax rates or the percentage of compensation
The tax resulting from the calculation must be indicated, next to each tax rate, in lines from VF1 to VF11 (column 2).
The taxable amounts and the related tax must be rounded to the nearest Euro.

Line VF12 sum of taxable amounts (column 1) and sum of tax (column 2), indicated in lines from VF1 to VF11.

Line VF13 domestic purchases, intra-community purchases, and imports carried out without the payment of tax, with the use of the ceiling as referred to in article 2, paragraph 2, of Law 28 of February 18, 1997.
It is pointed out that taxpayers who have made said purchases utilising the ceiling are required also to complete part VC.

Line VF14 purchases which are objectively not taxable, made without the use of the ceiling, purchases which are not subject to taxation, as well as those carried out under special tax regimes which allow for the calculation of tax payable with the "base to base" method. This regards, in particular:
- domestic purchases, including those specified in article 58, paragraph 1, of Decree Law 331/1993;
- non-taxable intra-community purchases (article 42, paragraph 1 of Decree Law 331/1993), including those referred to in article 40, paragraph 2, of the same Decree Law ("community triangle" with the intervention of the domestic agent as transferor/transferee);
- purchases of goods in transit or deposited in places subject to customs surveillance;
- purchases made via the introduction of goods into VAT deposits (article 50-bis, paragraph 4, letters a) b) and d) of Decree Law 331/1993);
- purchases of goods and services having as their object goods held in VAT deposits (article 50-bis, paragraph 4, letters e) and h) of Decree Law 331/1993);
- purchases relating to operations which fall under special margin schemes regulated by Decree Law 41/1995, and subsequent modifications carried out by persons who apply the analytical, global method, including auction houses (see Appendix);

- purchases relating to operations carried out by travel agencies with the application of the special regime provided for by article 74-ter (see Appendix).

Line VF15 exempt domestic purchases (article 10 e article 6 of Law 133 of 1999, see comment in line VE33), exempt intra-community purchases (article 42, paragraph 1, Decree Law 331/93) and non-taxable imports (article 68, excluding letter a). In the current line intra-community purchases and imports of investment gold must also be included.

Line VF16 domestic purchases and imports not subject to tax, insofar as they were carried out, as provided for by special provisions made in this regard, by taxpayers affected by earthquakes and similar subjects.

Line VF17 domestic purchases, intra-community purchases and imports, net of VAT, for which, as provided for by article 19-bis1, or other enactments, the deduction of the tax payable is not admitted.
In addition to this, the current line must include:
- purchases made by taxpayers who carry out exclusively exempt operations for which the tax payable is entirely non-deductible, as provided for by article 19, paragraph 2;
- purchases made by persons who have chosen to be exempt from compliance as provided for by article 36-bis;
- purchases regarding occasional exempt operations as referred to in numbers from 1 to 9 of article 10, which fall outside the scope of the activity of the business or marginal to taxable operations (VAT on said operations is in any case non-deductible);
- purchases relating to exempt activities if occasional taxable operations are also carried out;
- purchases of truffles from occasional sellers without a VAT registration number, for which deduction is not allowed as stated in article 1, paragraph 109 of the Law of December 30, 2004, no. 311 (see Circular Letter no. 41 of September 26, 2005);
- purchases relating to operations carried out on an occasional basis that fall within the scope of the specific regime provided for by article 34-bis for connected agricultural activities.

Note that for purchases to which the **partial deductibility of the tax** applies (e.g. 50%), only the tax rate for the part of the non-deductible taxable amount must be indicated. The remaining tax rate and taxable amount must be indicated in lines from VF1 to VF11.

Line VF18 purchases made by subjects as referred to in the last paragraph of article 6, which purchases were recorded in **2006** but whose taxes have not become payable in the same year.

Line VF19 purchases recorded in previous years by subjects referred to in article 6, final paragraph, for whom the tax became payable in **2006**. Such purchases must also be indicated next to the respective tax rates in lines from VF1 to VF11, for the sole purpose of the calculation of the deductible amount. Their total (to be indicated without a preceding “minus” sign) must be subtracted from the total amount of purchases made in 2006.

Line VF20 total amount of purchases and imports listed above, calculated by adding together the amounts indicated in lines VF12-VF18, column 1, and subtracting the amount in line VF19.

Line VF21 variations in and rounding-off of tax payable. The amount of tax payable on purchases indicated in line VF12 may be different from that resulting from registers. The difference between the total VAT resulting from the register and that resulting from the calculation must be indicated in line VF21, preceded by a plus sign (+) if the total resulting from registers is greater than the tax calculated, or by a minus sign (-) in the opposite case.

Line VF22 total VAT on purchases and taxable imports, obtained from the algebraic sum of lines VF12 and VF21, column 2. The relative amount must the be carried to line **VG71** (deductible VAT), if other parts of part VG are not completed.

4.2.7. – PART VG - CALCULATION OF ADMISSIBLE DEDUCTIBLE VAT

NOTICE*: *the part consists of 6 sections. The first 5 are for the indication of the method used for the calculation of admissible deductible VAT by subjects who have carried out certain types of operations or who fall under specific sectors of activity. The abovementioned subjects must always state the method used to calculate tax by crossing the relevant box in the initial section even if there is no data to include in the relevant section.

Please note that under no circumstances must more than one box be crossed in a single form.

In the case of the coexistence of two specific regimes for the calculation of deductible VAT, it is necessary to complete a separate form for each regime applied. Otherwise, taxpayers who make use of a special VAT regime and who in the same year have carried out:
– occasional exempt operations,
– exclusively exempt operations as provided for by numbers from 1 to 9 of article 10, which do not fall under the proper activity of the business or are marginal to taxable operations,
– occasional transfers of used goods,
may return a single form, also completing section 2 of part VA for the operations listed (see relevant instructions), in addition to the section of the present part relating to the special regime adopted.

NOTE: taxpayers who carry out operations relating to gold which comes under both the regulations referred to in article 19, third paragraph, letter d), and under that of subsequent paragraph 5-bis, must provide for the separate accounting of the relevant operations and complete two forms, for the purposes of highlighting VAT deductible for each method of calculation of tax.

Also taxpayers who do not complete **the first 5 sections** of part VG must specify VAT deductible, equal to the algebric sum of the amounts in line VF22 and line **VG70**, directly in line **VG71**, to be carried, subsequently, to line VL4.In relation to the first 5 sections, 8 boxes have been included:
– box 1 - Base to base method for travel agencies (Section 1);
– box 2 - Marginal method for used goods (Section 2);
– box 3 - Activities carrying out exempt operations (Section 3);
– box 4 - Activities in the farm holiday sector (Section 4);
– box 5 - Associations operating in the agricultural sector (Section 4);
– box 6 - Concessionary tax regimes for travelling shows and minor taxpayers (Section 4);
– box 7 - Special tax regime for connected agricultural activities (Section 4).
– box 8 - Special tax regime for agricultural concerns (Section 5).

NOTE: section 6 of part VG must be completed by all subjects, with the exception of minimum taxpayers, who are required to complete part VB, indicating any corrections regarding deduction and the total amount of VAT deductible.

In order to facilitate completion of the current part, further special summaries relevant to each sector have been provided in the Appendix. Taxpayers are advised, therefore, to use these summaries before completing the form.

SECTION 1 - Travel and tourism agencies (article 74-ter)

In order to make the completion of the current section easier, please use the relevant prospectus A contained in the Appendix.

Line VG1 cost credit relating to the 2005 tax year, which may be derived from line VG3 of the VAT/2006 return.

Line VG2 gross taxable base. The figure may be derived from line 13 in prospectus A contained in the Appendix.

Line VG3 cost credit to be carried forward to the following year. The figure may be derived from line 14 of prospectus A in the Appendix.
Lines VG2 and VG3 are naturally alternatives to one another.

SECTION 2 - Special tax regime for used goods (Decree Law 41/1995)

This part must be completed by taxpayers who have applied the special regime for used goods, works of art, antiques and collectible items, as regulated by the Decree Law number 41 of February 23, 1995, converted by Law 85 of 1995.

NOTICE: the current section must be completed also by auction houses who act in their own name and on behalf of private individuals on the basis of a commission contract, and who are required to apply the special regime provided for by article 40-bis of Decree Law 41/95.

In the case of exclusively occasional transfers of used goods by taxpayers who must complete one of the other sections of the current part (sections 1, 3, 4 and 5), the data relating to such operations can be indicated in section 2 of part VA, thus completing a **single form** (see instructions in line VA21).
In order to facilitate the completion of this section, prospectus B and C have been inclu-

ded in the Appendix.

Line VG20 indicate any negative margin for 2005 resulting from line VG22 of the VAT/2006 return. This line applies to taxpayers who applied the global margin method for that year.

Line VG21 subjects who have used one or more of the methods for calculating the margin must indicate the overall gross margin, relating both to taxable operations and non-taxable operations which make up the ceiling.

Line VG22 indicate any negative margin to be used for the following year, resulting from line 15 in prospectus B, for those who have applied the global margin system.

SECTION 3 - Exempt operations - admissible VAT deductions
This section must be completed by taxpayers who have registered, during the tax period, exempt operations as referred to in article 10 or operations declared exempt by other special provisions.
The taxpayer, required to complete one of the other sections of the current part (1, 2, 4 and 5), if he has also carried out other exclusively occasional exempt operations or as per numbers from 1 to 9 of article 10, which do not come under the activity of the business or are marginal to taxable operations, can return a **single form** by ticking the specific box in section 2 of part VA (see instructions at line VA20).

NOTICE: the occasional carrying-out of exempt operations or of exempt operations exclusively provided for by numbers from 1 to 9 of article 10 which do not come under the activity of the business or are incidental to taxable operations, by a taxpayer who carries out an activity which is essentially subject to VAT, as well as the occasional fulfillment of taxable operations by a taxpayer who carries out essentially exempt activities, does not give rise to the application of the pro rata. In such cases the general criterion of the specific use of the goods and of the services becomes applicable again, for the purposes of calculating the deductible tax, with the consequent non-deductibility of the tax relating to the goods and services used in the exempt operations referred to above (article 19, paragraph 2) (cp. Circular Letter 328 of December 24, 1997).

Line VG30 the box must be crossed by the taxpayer who, carrying out activities essentially subject to VAT, occasionally carries out exempt operations or operations as provided for by numbers from 1 to 9 of article 10 which do not come under the proper activity of the business or are incidental to taxable operations (to be indicated, in any case, in line VE33). In this case VAT relating to purchases allocated to such operations may not be deducted and the taxable amount of the abovementioned purchases must be included in line VF17. It is pointed out that the other lines of the current section must not be completed.

Lines VG31 and **VG32** to be completed exclusively by subjects who carry out essentially exempt operations and who have only occasionally carried out taxable operations. The VAT relating to purchases allocated to the latter operations is entirely deductible. In such a case, the box in line VG31 must be crossed and the taxable amount and the tax payable relating to purchases allocated to taxable operations must be indicated in line VG32, already specified in lines from VF1 to VF11. It is pointed out that the other lines of the current section must not be completed.

Line VG33 the box must be crossed by taxpayers who have carried out exclusively exempt operations. In this case the other lines of the section are not to be completed and the total amount of purchases relating to these must be included in line VF17, since the related tax is not deductible. Note that the box in the current line must not be crossed by taxpayers who have only carried out exempt operations, as per paragraph 5-bis of article 19. The deductible VAT due for purchases referred to in the aforementioned article 19, paragraph 5-bis, must be indicated in line VG37.

Line VG34 the box must be crossed by taxpayers who made use, in 2006, of the option referred to in article 36-bis. In this case no other line of the present section must be completed and the taxable amount of purchases made must be included in line VF17, insofar as it is not deductible.

Lines from VG35 to VG37 reserved for subjects who, having carried out both taxable and non-taxable operations during the course of their activity, are required to calculate the pro rata deduction as provided for by article 19-bis.
The percentage of deduction is given by the ratio between the total amount of operations carried out during the year which may be deducted (including both taxable operations and operations referred to in article 19, paragraph 3, integrated with taxable operations for the purpose of deduction) and the same amount increased by exempt operations carried out during the same year.
In any case, paragraph 2 of article 19-bis identifies some operations which do not influen-

ce the calculation of the percentage of deduction and thus neither the numerator nor the denominator of said ratio should be taken into account. This point regards, in particular, transfers of depreciable goods, internal transfers as referred to in article 36, final paragraph, operations as referred to in article 2, third paragraph, letters a), b), d) and f), exempt operations as referred to in article 10, number 27 quinquies), as well as exempt operations as indicated in numbers from 1) to 9) of the aforementioned article 10, in the case that they are not part of the subject ordinary activity or are incidental to taxable operations, i.e. if the abovementioned operations are performed within the scope of occasional activities or of activities that are instrumental to the pursuit of the ends of the business. With reference to the latter operations (from 1 to 9 of article 10), it is established the total non-deductibility of the tax on goods and services used exclusively for their fulfilment is established, in observance of a general principle sanctioned by paragraph 2 of article 19, which provides for the non-deductibility of tax on goods and services used in exempt operations.

Line VG35 Data required for the calculation of percentage of deduction to be carried to field 7

In fields 1, 2, 3 e 4 certain types of exempt operations already included in line VE33 must be included.

Field 1 indicate the total amount of exempt operations as referred to in article 10, number 11, carried out by agents who produce investment gold or who transform gold into investment gold, identified by article 19, paragraph 3, letter d), equated with taxable operations for the purposes of deduction (see Appendix, "Transactions relative to gold and silver").

Field 2 indicate the total amount of exempt operations, as referred to in article 10, numbers from 1 to 9, if they do not constitute part of the activity of the business or are marginal to taxable operations. Such operations must not be considered for the purpose of calculation of the pro rata of deductibility. In this regard, it is pointed out that "activity " of the business means every activity which falls within the ordinary range of activity of the said business, that is within its proper institutional objective, with the sole exception of those activities which are not carried out as a main activity, which is to say directly aimed at the pursuit of the end objectives of the business, but in a merely instrumental, marginal or occasional way (cp. Circular Letters 25 of August 03, 1979 and 71 of November 26, 1987).

Field 3 indicate the total amount of exempt operations as referred to in article 10, number 27-quinquies. This point regards transfers of previously acquired or imported goods without the right to the total deduction of VAT as provided for by articles 19, 19-bis1 or 19-bis2. It is pointed out that the amount to indicate in the current field must be reduced by any transfers of exempt depreciable goods carried out. The operations indicated in the field must not be considered for the purpose of calculation of the pro-rata of deductibility.

Field 4 indicate the total amount of transfers of depreciable goods and of internal transfers both exempt from VAT. Such operations must not be considered for the purpose of calculation of the pro-rata of deductibility.

Fields 5 and 6 must include particular types of operations which, as provided for by article 19, paragraph 3, give the right to deduction, despite not being subject to the obligation of invoicing, registration, declaration, and which must be taken into account for the purposes of the calculation of the pro-rata of deductibility.

Field 5 indicate the total amount of operations carried out beyond State confines, which would give the right to deduction if carried out in Italy. This point concerns operations outside the application of VAT as provided for by article 7, performed abroad by domestic agents who have not set up a permanent organisation abroad.

Field 6 indicate the total amount of operations as referred to in article 74, paragraph 1, subject to the single-phase VAT regime (monopoly goods store etc.).

Field 7 indicate the percentage of deduction, calculated using the following formula:

$$\frac{\text{VE40 + VG35 field 1 + VG35 field 5 + VG35 field 6 - (VE33 - VG35 field 4)}}{\text{VE40 + VG35 field 5 + VG35 field 6 - VG35 field 2 - VG35 field 3}} \times 100$$

The result must be rounded up or down according to whether the decimal part is higher or lower than five tenths. The first three decimal places must be referred to; for example the percentage 0.502 would be rounded up to 1, the percentage 7.500 would be rounded down to 7. In the specific case in which a negative percentage results, the value 0 (zero) must be indicated, while if a percentage greater than 100 results, the value 100 must be indicated.

Line VG36 "Habitual" exporters must indicate VAT not discharged on purchases and imports as referred to in line VF13 (for a definition of "habitual" exporters, see article 1 of Decree Law 746 of December 29, 1983, converted by Law 17 of February 27, 1984).

Line VG37 persons operating in the gold market, as distinguished from producers of investment gold and those who transform gold into investment gold, must indicate the total amount of deductible VAT as provided for by article 19, paragraph 5-bis in the current line (see Appendix, "Transactions relative to gold and silver"). If the aforementioned taxpayers have only carried out exempt operations, the amount indicated in the present line must be carried forward to **line VG38**.

Line VG38 must indicate deductible VAT. Methods of completion are distinguished with reference to the following situations:
- occasional exempt operations or operations as provided for by numbers from 1 to 9 of article 10 which do not fall within the activity of the business or which are marginal to taxable operations (box VG30 crossed). In this case, the amount indicated in line VF22 must be specified;
- occasional exempt operations (box VG31 crossed). In this case the amount of the tax indicated in line VG32, column 2, must be specified;
- fulfilment of exclusively exempt operations (box VG33 crossed). In this case, no amount should be indicated in line VG38, as no VAT is deductible;
- presence of option as referred to in article 36-bis (box VG34 crossed). In this case, no amount should be indicated in line VG38, as no VAT is deductible;
- simultaneous presence of exempt and taxable operations. In this case, the amount of VAT deductible is obtained by applying the pro-rata method, carrying out the following calculation:

Admissible VAT deduction VG38 = [(VF22 + VG36 - VG37) x VG35 field 7 : 100] - VG36 + VG37

The amount in line VG38, added algebraically to the amount in line VG70, must be carried to line VG71.

Method of completion of Section 3 of Part VG
The table provided below contains some clarifications regarding the completion of the section under examination on the basis of the various cases which may occur.

Types of operation carried out	Method of completion of the section reserved for exempt operations
exclusively exempt operation	not obliged to submit return (if the return is submitted in any case, complete line VG33)
exempt and taxable operations with unified accounting	1 form complete lines VG35, VG36, VG37 and VG38
exempt and taxable operations with separate accounting	1 form exempt operations complete line VG33 1 form taxable operations
exclusively exempt operations with option article 36-bis	not obliged to submit return (if the return is submitted in any case, complete line VG34)
exempt operations with option article 36-bis and taxable operations with unified accounting	1 form complete line VG34
exempt operations with option article 36-bis and taxable operations with separate accounting	1 form exempt operations complete line VG34 1 form taxable operations
taxable operations and occasional exempt operations or as referred to in numbers from 1 to 9 of article 10, which do not fall within the activity proper of the business	1 form complete line VG30
exempt operations and occasional taxable operations	1 form complete lines VG31, VG32 e VG38

SECTION 4 - Flat-rate calculation of tax or reduction of taxable base
Farm holiday sector

Line VG40 must be completed by agricultural businesses also operating in the farm holiday sector according to Law 96 of February 20, 2006 which, regardless of their legal status, make use of the special system of flat-rate calculation of VAT payable as provided for by article 5 of Law 413 of 1991.

Deductible VAT in line VG40 is determined on a flat-rate basis by applying the percentage of 50% to the tax relating to taxable operations indicated in **line VE41** and adding algebraically the amount of any adjustments resulting from line VG70 to the result, for the calculation of line VG71 (for further clarification see Appendix under the entry "Farm holidays").

Associations operating in agriculture
Line VG41 must be completed by trade union or trade associations operating in agriculture, with regard to the activity of tax assistance given to members, for which a flat-rate deduction of tax is admitted, equal to a third of the VAT relating to taxable operations carried out (article 78, paragraph 8, of Law 413 of 1991).
Admissible deductible VAT, to be carried forward to the current line, is equal to 1/3 (one third) of the tax relating to taxable operations resulting from **line VE41**. For the calculation of the amount to be indicated in line VG71, it is necessary to take into account any adjustments referred to in line VG70.

Concessionary regimes for travelling shows and minor taxpayers
Line VG42 must be completed by those who put on travelling shows, as well as those who carry out other performances listed in table C, appendixed to Presidential Decree 633 of 1972 who achieved a business turnover no greater than 25,822.84 Euro in the previous year, and by those intending to benefit from the special regime governed by article 74-quater, fifth paragraph (see Appendix under the entry "Entertainment and show activities").
For the purpose of the calculation of the reduced taxable base as provided for by said article 74-quater, fifth paragraph, column 1 of line VG42 must include the amount by which the considerations earned in relation to the abovementioned activities must be reduced, already included in their entire amount in section 2 of part VE.
Column 2 of the same line VG42 must include the relevant tax.
Therefore, columns 1 and 2 of the current line must show, respectively, 50% of the amounts specified in lines VE23 column 1 and VE25 column 2.
It is pointed out that the amount in column 2 in line VG42, for the sole purpose of the definitive calculation of total VAT payable (part VL), must be carried to line VG71, taking into account any adjustments referred to in line VG70.

Connected agricultural activities
Line VG43 must be completed by agricultural enterprises that supply services principally through the use of equipment or resources that are normally employed in the agricultural activity conducted, subject to the regime that entails a flat-rate deduction as per article 34-bis. The admissible deductible VAT to be indicated in this line is calculated by applying the percentage of 50% to the tax relating to taxable operations resulting from line VE41. For the calculation of the amount any adjustment as per line VG70 (for further information consult the Appendix under "Connected agricultural activities").

SECTION 5 - Calculation of deductible VAT for agricultural enterprises (article 34)

This section must be completed by all agricultural producers, be they simple or mixed agricultural businesses, or co-operatives or other entities as referred to in the second paragraph, letter c) of article 34.

NOTICE: agricultural producers with a business turnover of between 2,582.28 and 20,658.28 Euro should complete the current form in the same way as all other agricultural producers, with the exception of part VH, in as much as, benefiting from the special simplified regime, they are required to pay the tax annually instead of in periodic settlements and payments.

Line VG50 must include the taxable amount and the tax regarding the transfers of products and services which are not agricultural (already included in section 2 of part VE), carried out by mixed agricultural businesses (article 34, paragraph 5).
The deductible amount relating to such operations must be included in line **VG62**.

Lines from VG51 to VG59 have been provided for the calculation of the flat-rate deduction applicable to transfers of agricultural produce. In the lines regarding the set-off percentage applicable, the first column must include, both contributions to co-operatives or other subjects as referred to in the second paragraph, letter c), of article 34 (from section 1 of part VE) carried out with the application of the percentage of compensation, and transfers of agricultural produce carried out applying the VAT rate associated with each product (included in section 2 of part VE). The second column must be used to indicate the tax calculated by applying the percentages of compensation to the taxable amounts specified in the corresponding fields of the first column.

Line VG60 tax variations and rounding-off, relating to operations referred to in lines from VG51 to VG59.

Line VG61 must include the totals of taxable amount and tax (algebraic sum of lines from VG51 to VG60).

Line VG62 VAT deductible for purchases and imports intended for the transfers of products other than the agricultural referred to in line VG50.

Line VG63 indicate the deductible amount (i.e. theoretical VAT) in accordance with article 34, paragraph 9, on the part of agricultural producers who have carried out non-taxable transfers of agricultural produce included in Table A - first part - in accordance with article 8, first paragraph, article 38-quater and article 72, as well as intra-community transfers of agricultural produce. It is noted that as provided for by article 41, paragraph 1, letter a) of Decree Law 331 of 1993, as amended by Law No. 28 of February 18, 1997, intra-community transfers of all agricultural and ichthyic products, as from March 14, 1997, by agricultural producers referred to in article 34, constitute non-taxable operations. The deduction or reimbursement of theoretical VAT in fact represents a system for the recovery of VAT paid in advance by persons referred to in article 34, who are not permitted to make purchases without applying the tax through a letter of intent, in relation to the non-taxable operations carried out.
The amount to be indicated in the current line must be calculated by applying the percentages of compensation which would have been applied if the operations had been carried out within the confines of the State.

Line VG64 total of the admissible deductible VAT, given by **the sum of lines from VG61 to VG63. The amount of the current line, added algebraically to that indicated in line VG70, must be specified in line VG71.**

SECTION 6 - ADMISSIBLE DEDUCTIBLE VAT

Line VG70 total adjustments. Article 19-bis2 establishes that the deduction of tax relating to purchase of goods and services must be adjusted subsequently to that initially adopted in the case in which the right to deduction changed at the time of use of the goods and services. Article 19 establishes that the right to deduction must be exercised with reference to the conditions of deductibility existing at the time that the right arose and the amount of the deduction remains tied to that moment, regardless of the conditions existing at the time that the right is exercised. Therefore, with regard to purchases made in previous years but registered in the year to which the annual return refers, if the percentage of deduction applicable in the year in which the right to deduction arose differs from the percentage of deduction applicable in 2006, it becomes necessary to calculate the admissible deductible tax for both years of reference. The difference resulting from the comparison between the two measures of deduction, as calculated above, must be included as an increase or decrease in the final amount specified in the current line.
In order to determine the overall amount of the adjustments to be indicated in the return refer to prospectus D in the Appendix (see "Adjustments to deductions ").
It is pointed out that this line must not include the adjustment of the deduction made by subjects who, from 1 January 2007, make use of the system implemented by article 32-bis. This amount must only be indicated in line VA45, field 2.

Line VG71 this line must always be completed by all taxpayers in order to indicate admissible deductible VAT, which, in the case in which neither the first five sections of part VG nor line VG70 have been completed, corresponds to the amount indicated in line VF22. It is emphasised that **minimum taxpayers**, required to complete section VB, should not complete this line.

4.2.8. – PART VJ - CALCULATION OF TAX ON CERTAIN TYPES OF OPERATIONS

This part is reserved for the indication of particular types of operations for which tax, on the basis of specific enactments, is owed by the transferee (intra-community purchases and article 17, paragraphs 3, 5 and 6) or by persons operating in specific sectors of business for commissions paid by them (article 74, first paragraph, letter e), article 74-ter, paragraph 8).
This part must include the taxable amount and the tax relating to the abovementioned operations, taking the variations referred to in article 26 into account.
It is pointed out that for the purposes of deduction, the operations indicated in this part **must be included in part VF.**

Line VJ1 indicate purchases of goods, including those of industrial gold, pure silver, scrap and other salvage material as referred to in article 74, paragraphs 7 and 8, coming from the Vatican City and the Republic of San Marino (article 71, paragraph 2) for which the transferee is required to pay the tax in accordance with article 17, paragraph 3. The total amount of purchases of goods coming from San Marino must be indicated also in **VA35, field 1**.

Line VJ2 indicate the operations of withdrawals of goods from VAT deposits as referred to in article 50-bis of Decree Law 331 of 1993, carried out for the purpose of their use or in execution of acts of marketing in domestic territory.

Line VJ3 indicate purchases of goods and services from persons residing overseas for whom, as provided for by article 17, paragraph 3, the transferee or the domestic purchaser has issued a self-invoice.

Line VJ4 indicate payments made to resellers of travel documents and to resellers of documents issued for payment of parking (for example newsagents) respectively by urban public transport companies and by car park companies, as provided for by article 74, paragraph 1, letter e).

Line VJ5 indicate commissions paid by travel agencies to their intermediaries, as provided for by article 74-ter, paragraph 8.

Line VJ6 indicate domestic purchases of scrap and other salvage material as referred to in article 74, paragraphs 7 and 8, for which the transferee is required to pay the tax. In this line you must also include services associated with contracts, tenders and such, the object of which is the transformation of non-ferrous scrap.

Line VJ7 indicate domestic purchases other than investment gold (so-called industrial gold) and of pure silver for which tax is payable by the transferee, as provided for by article 17, paragraph 5.

Line VJ8 indicate purchases of investment gold for which the option of taxation by the transferor has been chosen, and thus the tax is owed by the transferee, as provided for in article 17, paragraph 5.

Line VJ9 indicate intra-community purchases of goods including those of industrial gold and pure silver, scrap and other salvage material, as well as supply of services as provided for by article 40, paragraphs 4-bis, 5, 6 and 8 of Decree Law 331 of 1993 (provision of services relating to movable property, including surveys, transport of goods, additional services etc.).
Please note that the aforementioned supplies of services as referred to in article 40, paragraphs 4-bis, 5, 6 and 8 of Decree Law 331/1993, arising between two domestic operators, may not be included, as, in this case, they fall under the definition of internal operations.

Line VJ10 indicate imports of scrap and other salvage materials for which the tax is not paid at customs but discharged, as provided for by article 70, paragraph 6, through the annotation of the customs document in the register as referred to in articles 23 or 24 as well as, for the purposes of deduction, in the register as referred to in article 25.

Line VJ11 indicate imports of gold other than investment gold (so-called industrial gold) and pure silver for which tax is not paid at customs but discharged, as provided for by article 70, paragraph 5, through annotation of the customs document in the register as referred to in article 23 or 24 as well as, for the purposes of deduction, in the register as referred to in article 25.

Line VJ12 indicate purchases of truffles from occasional sellers without a VAT registration number, for which the transferee has issued a self-invoice in accordance with article 1, paragraph 109, of Law no. 311 of December 30, 2004. Note that deduction of the tax for such purchases does not apply and therefore the relative amount must be included in line VF17 (see Circular Letter no. 41 of September 26, 2005).

Line VJ13 indicate purchases of services rendered by subcontractors in the construction sector not subject to tax pursuant to article 17, paragraph 6 (cp. Circular Letter no. 37 of December 29, 2006).

Line VJ14 indicate total VAT on operations in the current section, obtained by adding together the amounts indicated in column 2 from lines VJ1 to VJ13. This amount must be **carried forward to line VL2.**

4.2.9. – PART VH - PERIODIC PAYMENTS

Line from VH1 to VH12 must be completed by all taxpayers, **in order to indicate data (output tax or input tax) resulting from periodic payments made**, including companies which have adhered to group payment of VAT as provided for by article 73 and by the Ministerial Decree of December 13, 1979, for the indication of VAT debits or credits transferred to the group during the tax year. With regard to the completion of **line VH12**, note that the result of the relative payment must be indicated, including the amount of any advance payments made.
It is pointed out that the amount to be indicated in the "debits" field of each line of the current section corresponds to VAT owed for each period (even if not actually paid), net of special tax credits provided for by special enactments as well as credits received by savings management companies, used for periodic payments. In the case of quarterly payments as provided for by article 7 Presidential Decree 542 of October 14, 1999, and subsequent amendments (see instructions at line VO2), VAT thus calculated must be increased by 1% interest. Consequently if the payment has been duly made for each period, the related amount corresponds to the total amount of VAT indicated in the column "output amount paid" in the relevant F24 form.
Taxpayers who make monthly payments must complete lines from VH1 to VH12, corresponding to the 12 months of the year.
Instead, taxpayers who have made quarterly payments as provided for by article 7 of the aforementioned Decree 542 of 1999 must indicate the data relating to periodic payments in lines VH3, VH6 and VH9, **without, therefore, completing line VH12**, since the VAT payable (or Input VAT) for the fourth quarter by such taxpayers must be considered for the purposes of the payment in the annual return. Any balance arising in the annual return must be indicated in line VL32 if a credit arises or in line VL33 if a debit arises.
Taxpayers who make quarterly payments as provided for by articles 73, paragraph 1, letter e) and 74, paragraph 4, relative to four calendar year quarters, must indicate the data regarding their periodic payments alongside lines VH3, VH6, VH9 and VH12 (the latter with reference to the last calendar quarter).
One is reminded that taxpayers who carry out several activities with separate accounting as provided for by article 36, by law or by choice, may, during the last month of each quarter, set off the result of the monthly payments with that of the quarterly payment within the terms of the monthly payment. In any case, in lines VH3, VH6, VH9 and VH12 a single amount must be indicated, corresponding to the algebraic sums of the debits and credits resulting from the payments of the individual periods (see Appendix under the item "Separate accounting").
In the case of regularisation of a tax payment omitted during a previous periodic payment, the taxpayer must not take into account the amounts paid for this reason, in the line of part VH corresponding to the period in which the regularisation is carried out. This is because, in relation to each period (month or quarter), as has already been clarified above, the amount relating specifically to that period must be indicated, even though the payment was not made during the prescribed period.

NOTICE: if the amount owed does not exceed the limit of 25.82 Euro, including interest owed by taxpayers making quarterly payments, the payment must not be made nor must said amount be indicated in the debits field of the line corresponding to the payment period. Therefore the tax debit must be indicated in the periodic payment immediately subsequent to this

Line VH13 indicate the amount of the payment on account due, even if it has not actually been paid. The line must be completed by taxpayers who are obliged to make the advance payment in accordance with article 6 of Law no. 405 of December 29, 1990 and subsequent modifications thereto (see Appendix under "Payment on account").

NOTICE: if the amount of the payment on account is less than 103.29 Euro, the payment must not be made and therefore no amount must be indicated in the line.

The line must not be completed by companies participating in group VAT payment to indicate amounts transferred for the purposes of payment on account, as only the amount of the payment on account owed for the group must be indicated by the controlling company in the VAT Form IVA 26/PR, in line VV13.

Completion of part VH by taxpayers who have made use of special tax credits or VAT credits transferred by savings management companies
The taxpayer who, when making periodic or payment on account uses special tax credits or credits received from savings management companies, must indicate in the field "debits", of the lines included between VH1 and VH13, the results of the payments and the

amount of the payment on account net of the credits used. The sum of tax credits thus used must be included in line VL28, field 1, taking care to specify in field 2 the part relating to credits received from savings management companies. Special tax credits or those received from savings management companies, used for the purposes of the annual return, must instead be carried forward to lines VL34 and VL35.
If the taxpayer uses the aforementioned tax credits in set off using the F24 payment form, in part VH the results of periodic payments and the amount of the payment on account must be indicated without taking this set off into account.

Notes for persons affected by exceptional events
See Appendix under the entry "Persons affected by exceptional events".

Completion of part VH by taxpayers with separate accounting (article 36)
See Appendix under the entry "Separate accounting".

Completion of part VH by controlling and controlled companies (article 73)
Regarding the completion of part VH by companies adhering to group payment as referred to in article 73 (in special cases of transfer of control during the tax year or mergers etc.) the taxpayer is referred to the clarifications supplied in sub paragraph 3.4.3.

Completion of part VH by sub-suppliers (article 74, paragraph 5)
Persons who make use of the right to pay VAT relative to operations deriving from subsupply contracts (using the appropriate tax code) must include the amount relating to such operations in the line corresponding to the payment period in which they were carried out, even though the payment was made quarterly (without added interest) rather than monthly (cp. Circular Letter 45/E of February 18, 1999).

Completion of part VH in the case of extraordinary operations or substantial subjective transformations
According to the instructions supplied in paragraph 3.3. the person resulting from the transformation must complete a form for himself and a form for the assignor. In part **VH for the assignee**, data relative to payments carried out by the same person during the entire year must be indicated, including any operations carried out by the assignor in the portion of the month or quarter during which the operation occurred. In part **VH for the assignor**, data relative to payments carried out until the last month or quarter which finished before the date of the operation must be indicated.
In addition, line VH13 must be completed in this part if the transformation occurred at a date later than that on which advance payment was made.
In the case of transformations which do not imply the extinction of the assignor (e.g. conferment of a company branch), the latter is required to make the annual return, completing part VH with exclusive reference to periodic payments relating to activities which are not transferred.

Completion of part VH by taxpayers whose bookkeeping is done by third parties
Regarding the completion of part VH, see Appendix under entry "Taxpayers whose bookkeeping is done by third parties".

4.2.10. – PART VK - CONTROLLING AND CONTROLLED COMPANIES

Part VK is reserved exclusively for controlling and controlled bodies or companies as referred to in article 73 which have taken part in the group payment of VAT during the tax year, and is presented in three sections.

NOTICE: with resolution no. 22/E of February 21, 2005, the Revenue Agency has been made clear that also foreign companies may participate in the payment of group VAT as per article 73 last paragraph, on condition that they are located in countries within the European Union that have legal entities that are equivalent to companies under Italian law, that operate in the State through a permanent organisation, a fiscal representative or direct registration as per article 35 ter.

SECTION 1 - Data relative to the controlling company

In line VK1 the controlling company and each controlled company must indicate:
- **field 1,** the VAT registration number of the controlling entity;
- **field 2,** the last month of control (for example 01 for January, 12 for December).
  One is reminded that, in accordance with article 3, last paragraph, of the Ministerial Decree of December 13, 1979, the loss of the prerequisites to avail of the procedure for group payment has effect beginning from the periodic payment relating to the month or

quarter during which this loss arose (for example, a company in respect of which control ceased during the month of June, must indicate, if it makes monthly payments, number 5, since control is to be considered exercised until the month of May; if, on the other hand, it makes quarterly payments, it must indicate number 3, since control is considered to have ceased during the first quarter).
In the specific case of **incorporation of the controlling company during the year** by a company outside the VAT group, if the procedure for group VAT should be interrupted following its incorporation, then in both the return of the incorporated controlling company (presented by the incorporating company) and in the returns of the controlled, the number corresponding to the month of the last periodic (monthly or quarterly) group payment must be indicated (for example, date of incorporation of controlling company 15 May - last month of control to indicate: 4 if monthly, 3 if quarterly); while if the procedure continues for the whole of the tax year with accounts separate from those of the incorporating company, number 13 must be indicated in the return of the incorporated controlling company (presented by the incorporating company) and number 12 in the returns of the controlled. (cp. Ministerial Order 363998 of December 26, 1986);

- **field 3,** company name of the controlling company.

SECTION 2 - Calculation of tax surplus
This section is for the calculation of the tax surplus, as provided for by article 6, paragraph 3, of the Ministerial Decree of December 13, 1979, and must always be completed, if there is a credit or a debit surplus when the annual return is made.

Line VK20 total of credits transferred, comprising the sum of credits indicated in part VH, limited to the period of control, increased by any amount resulting in line VX2 transferred for the adjustment of the annual return, when control lasted the whole year.

Line VK21 total of debits transferred, comprising the sum of debits indicated in section VH, limited to the period of control, increased by any amount resulting in line VX1, in the event of control during the whole year.

Lines VK22 and VK23 if the amount in line VK20 is greater than that in line VK21, the difference between VK20 and VK21 must be carried forward to line VK23; while if VK21 is greater than VK20, the difference between VK21 and VK20 must be carried forward to line VK22.

Line VK24, credit surplus set off. This line must include the amount of VK23 which has been effectively set off in whole or in part, as against debit surpluses of other companies in the group. **This amount must be worked out from the certificate that the controlling body or company is required to issue at the end of the year, to every company in the group, and must correspond to that indicated by the same controlling company, for each company, in field 7 of part VS. For the amount of the credit surplus set off the guarantee as provided for by article 6, paragraph 3, of the Ministerial Decree of December 13, 1979, must be supplied**.

Line VK25, request for refund of credit surplus by the controlling company, this line must be completed only if in the annual return there is a credit surplus that has not been set off (that is, if the amount in line VK23 is greater than the amount in line VK24), which is transferred to the group and for which the controlling company has requested a refund.
In such a case, for the purposes of refunds, the controlled company must possess the requirements referred to in article 30, paragraph 3, which must be indicated by the controlling company by completing the box "Reason" (column 5 of part VS) of the VAT summarising form IVA 26 PR.

Line VK26 indicate the total amount of any special tax credits used for the whole of 2006, including that used for annual adjustment, by the company if it belongs to certain categories of taxpayers (see Appendix under the entry "Tax credits").

Line VK27 in this line it is necessary to indicate the overall amount of interest transferred to the group by companies which have carried out quarterly periodic payments as provided for by article 7 of Presidential Decree number 542 of 1999.
Said companies with quarterly payments as provided for by the abovementioned article 7 must indicate the total amount of interest transferred, both quarterly and when the annual return is made.

SECTION 3 - Termination of control during the year. Data relating to the period of control

This section must be completed exclusively if the company left the group during the tax year.
Thus, in **lines from VK30 to VK38** only data relating to the period of control must be indicated. For a description of this data, the taxpayer is referred to the corresponding lines VL1, VL2, VL4, VL5, VL24, VL25, VL28 field 1, VL29 and VL31.

Line VK39 if the controlled company left the group after making the payment on account, the part thereof which the controlling company has re-credited to the controlled company, must be set out in this line.

Signature of the controlling body or company
In the event of termination of control during the year, in place of the signature at the foot of the front cover of the form, the controlling body or company must place its signature at the foot of part VK, in order to certify only the data relating to the period of control.

4.2.11 – PART VL - PAYMENT OF ANNUAL TAX

Part VL consists of two sections. If several forms are completed because of **separate accounting** (article 36), section 2 of the current section must be completed, indicating therein summarising data for all declared activities (see paragraph 3.2), only in the first form, completed and identified as Form 01. In the case of **a return presented by a person resulting from a transformation**, section 2 of the current part must be completed for each person participating in the transaction and if separate accounts have been kept, the same section 2 must be completed only in the first of the forms relating to each taxpayer.

SECTION 1 - Calculation of output or input VAT for the tax period

Line VL1 amount of VAT relating to taxable operations, carried forward from line VE41 or, for minimum taxpayers, from line VB4.

Line VL2 amount of VAT relating to particular types of operations, carried forward from line VJ14.

Line VL3 output tax, resulting from the sum of the amounts indicated in the previous lines VL1 and VL2.

Line VL4 deductible VAT, indicate the amount as referred to in line VG71. The current line must not be completed by minimum taxpayers as referred to in part VB.

Line VL5 deductible VAT for occasional operations that fall under the regime provided for by article 34-bis for connected agricultural activities. The amount to indicate is calculated by applying a percentage of 50% to the tax relative to the aforementioned operations specified in line VA7, field 2.

Line VL6 deductible VAT resulting from the sum of the amounts indicated in lines VL4 and VL5.

Line VL7 tax payable (to be indicated in column 1), calculated from the difference between line VL3 and line VL6, or credit tax (input tax) (to be indicated in column 2), worked out from the difference between line VL6 and line VL3.

SECTION 2 - Calculation of output or input tax

Line VL20 indicate the amount of refunds requested during the year. The amount of infra-annual refunds requested (art. 38bis, paragraph 2) must be specified, even if the refunds, duly requested, have not yet been paid (in full or in part).

Line VL21 indicate the amount of credits transferred by each company which effects group payments as provided for by article 73.

Line VL22 indicate the VAT credit carried forward as a deduction or set off in the previous return (VAT return 2006 for the year 2005) used in set off, through Form F24 prior to the presentation of the return for the year 2006.
The same line must also include any credit recognised via a communication from the

Revenue Agency sent in accordance with article 54-bis and also used to set off other amounts owed before the presentation of the current return.

Line VL23 indicate the amount of deductible tax surpluses relating to the first three quarters of 2006, used in set off with Form F24 up to the date of presentation of the annual return (article 17, Legislative Decree 241 of 1997). One is reminded that instead of the request for refunds during the year, as provided for by article 8 of Presidential Decree of October 14, 1999, number 542, such credits may be set off against other taxes, contributions and other premiums owed only by persons who may legitimately request refunds during the year, in accordance with article 38-bis, second paragraph.

Line VL24 indicate the total amount of interest owed, by taxpayers paying quarterly, in relation to the first three periodic payments, even if this does not coincide exactly with the amount of interest actually paid. Naturally, this line must also include interest (owed in accordance with article 7 of Presidential Decree 542 of October 14, 1999), for quarterly payments made late following successive regularisations. It is pointed out that the amount of interest owed relating to the tax payable when the annual return is made must not be included in this line, but rather in **line VL36**.

Line VL25 indicate interest owed exclusively following an amendment relating to periodic payments for 2006, as provided for by article 13 of Legislative Decree 472 of 1997.

Line VL26 indicate the credit resulting from the 2005 return for which a refund has not been requested but has been carried over for deduction or as a set off, resulting from line **VX5** or from the corresponding line of part RX for those who have submitted the unified form.
Completion of this line by subjects who during the tax year have participated in extraordinary operations or significant transformations relating to taxable subjects which however have not brought about the extinction of the assignor (e.g. partial division, conferment, transfer or donation of a company branch), note that:
- the assignee (beneficiary company, grantee, transferee or donee) must complete this line, in the form relating to operations performed by the assignor, indicating the input VAT resulting from the return relating to 2005 and transferred to it from this, wholly or partly, as a result of the operation;
- the assignor (company division, conferor, transferor or donor) must complete this line indicating the input VAT resulting from the return relating to 2005 which may remain after the transfer effected in relation to the assignee as a result of the operation.

If such credit has been changed by the Revenue Agency following the payment of the tax as provided for by article 54-bis, in the line it is necessary to indicate:
- the credit recognised with the communication from the Revenue Agency, if greater than the amount declared;
- if the credit recognised (e.g. 800) is inferior to the amount declared (e.g. 1000), it is necessary to indicate the lesser credit (800). If, following the communication, the taxpayer has instead paid the difference between the declared and recognised credit using the F24 form (200, in the example given), the entire credit declared must be indicated (1000).

Regarding the completion of the current line by companies who previously adhered to the procedure of group payment of VAT as controlling companies, the taxpayer is referred to the instructions given in paragraph 3.4.4.

Line VL27 indicate refunds requested in previous years for which the competent Office has formally denied the right to the refund but has authorised the taxpayer to use the credit for 2006 in the periodic payment or annual return (see also Presidential Decree 443 of November 10, 1997, and Circular Letter 134/E of May 28, 1998).

Line VL28, field 1, the following must be indicated:
- the total amount of special tax credits used for 2006 in the deduction of periodic payments and of the payment on account (see Appendix under the entry "Tax credits");
- credits used in 2006 by the declarant body or company, transferred by savings management companies as provided for by article 8 of Decree Law 351 of 2001, already included in section 2 of part VD.The amount relating to such credits must also be indicated in **field 2.**

Line VL29 indicate the total amount of periodic payments, including the payment of VAT on account (see Appendix) and quarterly interest, as well as tax paid following amendment as referred to in article 13 of Legislative Decree 472 of 1997, relating to 2006. It is pointed out

that the total amount of periodic payments is derived from the sum of VAT data included in the column "debit amounts paid" of the "Treasury Section" of the F24 payment forms, for which the following tax codes have been used: from 6001 to 6012 (for monthly payments), from 6031 to 6033 (for quarterly payments), 6034 (for the fourth-quarter payment made by taxpayers as referred to in article 73, paragraph 1, letter e) and article 74 paragraph 4), 6013 and 6035 (payments on account), as well as codes from 6720 to 6727 for payments made for sub-supplies, even if not actually paid following set off with credits relating to other taxes (also VAT), contributions and premiums.
In the specific case of a controlled company taking part in group VAT payments having left the group after the due date set for the payment of VAT on account, in this line that company must include the amount of the payment of VAT on account paid on its behalf by the controlling company or body, already indicated in line VK39.

Line VL30 indicate the amount of debits transferred during periodic payments by each company which effects group payments as provided for by article 73.

Line VL31 indicate:
- the total amount of supplementary tax payments, relating to the year 2006, made following reports or for other reasons relating to transactions already recorded in the registers, excluding sums paid in interest and penalties. Supplementary tax payments made during 2006 must not be included, only those relating to previous years;
- any greater deduction of VAT (which may still be due to the taxpayer) for the purchase of depreciable goods. The line must include the amount of the greater deduction due in respect of tax - in application of Law 64 of March 1, 1986, or of Decree Law No. 318 of July 31, 1987 - on residual lease payments relating to invoices registered in 2006 for the purchase of depreciable goods. It is to be noted that the greater deduction, as the related deadlines have already expired by a number of years, remains applicable only for depreciable goods acquired with financial lease contracts as long as the relevant contracts, orders and delivery of the goods took place prior to the expiry of the deadlines imposed by legislation. In addition, it is pointed out that the total taxable amount of such purchases must be included in field 1 of line VA3.

Line VL32 total credit tax (input tax), to be indicated if the sum of the credit amounts in column 2 (from VL7 to VL31) is greater than the sum of the debit amounts in column 1 (from VL7 to VL25). The relative data is obtained from the difference between the aforementioned amounts.

Line VL33 total output tax, to be indicated if the sum of the debit amounts in column 1 (from VL7 to VL25) is greater than the sum of the credit amounts in column 2 (from VL7 to VL31). The relative data is obtained from the difference between the aforementioned amounts.

Line VL34 indicate the amount of the special tax credit used by particular categories of taxpayers for the deduction of debit VAT (VL33) when the annual return is made. One is reminded that such special tax credits may be used only for the purpose of paying tax due and, as such, can never be commuted into deductible tax surpluses (to be deducted the following year or to be refunded).

Line VL35 indicate the part of the credit received following transfer carried out by a savings management company as provided for by article 8 of Decree Law 351 of 2001 and used to reduce the VAT debit resulting from the current return. This amount, already included in line VD54, must not in any case exceed the amount resulting from the following formula: (VL33 - VL34).

Line VL36 indicate the total amount of interest owed by taxpayers paying quarterly, relative to VAT to be paid (output tax) (VL33-VL34-VL35) as annual adjustment.

Line VL37 indicate the part of the input VAT, emerging from the current return, transferred as provided for by article 8 of Decree Law 351 of 2001. Said amount corresponds to the one indicated in **line VD1**.

Line VL38 indicate the total amount of VAT due (output VAT), derived by subtracting from the data indicated in line VL33 any credits used (VL34 + VL35) and adding quarterly interest owed (VL36). This amount must be indicated in line VX1 or in the corresponding line of part RX for those presenting the UNICO form (Personal Income Tax Return), if the

amount is greater than 10.33 Euro (10.00 Euro by virtue of rounding-down made in the return).

Line VL39 indicate the total input VAT resulting from line VL32.
Savings management companies which, as provided for by article 8 of Decree Law 351 of 2001, have transferred all or part of the input VAT specified in line VL32, must indicate in the current line the result obtained from the difference between the amounts in line VL32 and line VL37.
This amount must be indicated in line VX2 or in the corresponding line of part RX for those presenting the UNICO returns (Personal Income Tax Return). If line VL40 is completed, the amount to indicate in line VX2 consists of the sum of the amounts referred to in lines VL39 and VL40.

Line VL40 where the input VAT relative to the tax year forming the object of the return is used in a greater amount than is due, the amount paid using the tax code 6099 excluding interest paid, in order to pay the greater credit inappropriately used, in accordance with the procedure described in Circular Letter No. 48/E of June 7, 2002.

4.2.12 – PART VT - SEPARATE INDICATION OF OPERATIONS CARRIED OUT REGARDING END CONSUMERS AND VAT SUBJECTS

This part has been inserted in order to allow for the separate indication of transfer goods and supply of services carried out regarding end consumers and subjects with VAT registration numbers within the framework of the annual return form, as per article 33, paragraph 13, of Decree Law no. 269 of September 30, 2003, amended by Law no. 326 of November 24, 2003.
This part is destined for all VAT taxpayers who are obliged to present the return and it must only be filled in form 01. In cases of separate accounts or extraordinary operations or substantial subjective transformations, the part must be filled in only once giving indications of the data relative to the various accounts or the various subjects who have participated in the transformation.

Line VT1 ***Division of taxable operations carried out as regards end consumers and subjects with VAT registration numbers***

Field 1 Indicate the overall amount of taxable operations deriving from the sum of the amounts indicated in field 1 of lines VE10 and VE23 of all of the forms that make up the declaration.

Field 2 Indicate the overall sum of the tax due regarding taxable operations deriving from the sum of the amounts indicated in lines VE12 and VE25 of all the forms that make up the declaration.
Taxpayers who are obliged to fill in part VB must indicate the tax indicated in line VB2 in field 2 along with the corresponding taxable amount in field 1.

Fields 3 and 5 divide up the amount indicated in field 1 respectively between the operations carried out regarding end consumers and those carried out regarding subjects with VAT registration numbers. With regard to such, reference may be made to the payment certification manners outlined in articles 21 and 22 or to ulterior criteria that allow for the operation to be qualified for the aforementioned purposes. Taxable operations carried out by artists and professionals are understood to be referred to end consumers except in cases of other qualifications of the receiver, which is deducible from the certification as per article 21.

Fields 4 and 6 indicate the tax due relative to the operations indicated in fields 3 and 5.

Lines from VT2 to VT22 ***Division of the operations carried out as regards end consumers on a regional basis***
The lines are reserved for taxpayers who, having carried out operations with end consumers, have filled in fields 3 and 4 of line VT1 for the apportionment of these amounts in correspondence to the autonomous regions and provinces where the place or places of business are situated.

4.2.13 – PART VX - CALCULATION OF VAT TO BE PAID OR CREDIT TAX

NOTICE: part VX must be completed exclusively by taxpayers required to present the annual VAT return independently or in any case using a single form numbered 01. Those who present the unified return must indicate the required data in part VX in part RX in the form UNICO 2007 (Personal Income Tax Return).

Part VX contains data relating to VAT to be paid or the input VAT.

Calculation of annual tax

Line VX1 ***amount to pay*** (or *to be transferred* by the controlling and controlled companies). The line must include the amount contained in line VL38. The current line must not be completed if the total amount of VAT payable should come to less than 10.33 euro (10.00 Euro by virtue of rounding-down made in the return).
In the case of substantial subjective transformations which entail the completion of several sections 2 of part VL (that is, of one section 2 for each entity taking part in the transformation), line VX1 must indicate the overall amount payable resulting from the difference between the amounts payable in lines VL38 and the sum of the credit amounts indicated in lines VL39 resulting for each entity taking part in the transformation in the respective parts VL.

Line VX2 ***credit amount.*** Indicate the excess amount of annual deductible tax as referred to in line VL39, to be apportioned among the following lines VX4, VX5 and VX6 (or to transfer to the group by the companies referred to in article 73). If line VL40 is completed, carry the sum of the amounts referred to in VL39 and VL40.
In the case of substantial subjective transformations which entail the completion of several section 2 of part VL (that is, of one part 2 for each entity taking part in the transformation), line VX2 must indicate the overall excess amount deductible resulting from the difference between the sum of the credit amounts indicated in lines VL39 and the sum of amounts payable indicated in lines VL38. If line VL40 is completed, compare the instructions provided above.

Line VX3 ***excess payment.*** Indicate the excess amount paid in comparison with the amount to pay resulting from line VX1. The line must also be completed if, in respect of a tax credit emerging when the annual return is made, a tax payment has been made. In this latter case indicate the entire amount erroneously paid.
Said excess must be indicated in the current line if the annual adjustment has been paid in a lump sum or if it has been paid in instalments but said excess has not been completely or partially recovered by means of the successive instalments.
The line must be used also when, following the submission of a return which is a correction of an existing return by the due date, or a supplementary return as referred to in article 2, paragraph 8-bis, of Presidential Decree 322/1998, payment exceeding the amount owed results.
If the form UNICO 2007 (Personal Income Tax Return) is completed, the excess paid must be included in part RX, section 1, where an appropriate column is provided for the indication of any excess amounts of tax paid in comparison to those owed when the annual return is made.
The indication in the line of the excess amount paid constitutes a credit which the taxpayers affected will be able to:
– deduct in the year following 2006 or use for the purposes of set off;
– request the refund thereof, if the conditions and requirements listed in article 30 are met.
With reference to the case of request for refund of excess tax payments, it is clarified that the amount of such excesses, to be indicated in the corresponding line of part RX of UNICO 2007 (Personal Income Tax Return) or in line VX4 in the case of independent presentation of the VAT return, must be included in line VR3 of part VR to be presented in order to request the refund from the territorially competent tax collection agency.

It is pointed out that in the case of the presence of either a VAT credit in line VX2 or an excess payment in line VX3 the sum of the amounts in the aforementioned lines must be apportioned among lines VX4, VX5 and VX6.

Line VX4 indicate the amount of refund requested during the presentation of form VR to the tax collection agency in this line. The relevant amount must coincide with the amount resulting in line **VR4, field 1.**

Line VX5 indicate the amount intended to be deducted in the following year and which is intended to be set off in the form F24. Note that pursuant to article 30, paragraph 4, of Law no. 724 of December 23, 1994, as amended by Decree Law no. 223 of July 4, 2006, for companies and bodies not using the input VAT resulting from the annual return may not be used as set off in Form F24, in accordance with article 17 of Legislative Decree no. 241 of 1997.

Line VX6, reserved for subjects who have opted for tax consolidation foreseen by article 117 and subsequent articles of the TUIR (Income Tax Consolidate Act). Such subjects may transfer the credit remaining from the annual declaration either totally or partially, for the payment of the IRES (Corporation Income Tax) due by the consolidating party, as a consequence of the group VAT payment. The amount of credit transferred must be indicated in the line (as foreseen by article 7, paragraph 1, letter b) of the Decree of June 9, 2004 (see Circular Letters n. 53 of December 20, 2004 and n. 35 of July 18, 2005).

Completion of part VX on the part of controlling and controlled companies (article 73)
Companies participating in group VAT payments must complete exclusively line VX1 or line VX2 to indicate the debit or the credit transferred to the group when the adjustment was effected. It is pointed out that companies which have left the group because of cessation of control in the course of the year, in order to indicate any credit which has subsequently become refundable or deductible, must complete lines VX4, VX5 and VX6.

Completion of part VX in the event of bankruptcy or compulsory administrative liquidation during 2006.
Regarding the method of completion of part VX one is referred to the clarifications provided in paragraph 2.3.

4.2.14 – PART VO - COMMUNICATION OF OPTIONS AND REVOCATIONS

As provided for by article 2 of Presidential Decree of November 10, 1997, number 442, the options and revocations provided for with regard to VAT and direct taxes must be communicated, taking into account the concluding behaviour assumed by the taxpayer during the tax year, using exclusively part VO of the annual VAT return.
In the case of exemption from the obligation to present the annual return, part VO must be presented attached to the income tax return. To this end, a specific box is provided on the front cover of the form UNICO 2007 (Personal Income Tax Return) which, when crossed, indicates the inclusion of part VO, completed by the aforementioned persons. It is emphasised that recourse to such means of communication of options and revocations is rendered necessary exclusively in the case in which the person is not required to present the annual VAT return with reference to other activities carried out or, as already clarified by Circular Letter 209/E of August 27, 1998, if exemption from the obligation of presentation of the return persists also following the optional system chosen.
The part must be completed to communicate, by crossing the corresponding box, the option or revocation of the methods of tax calculation or of a tax regime different from one's own (see Appendix under the entry "Options and Revocations").
Part VO contains **five** sections:
– Section 1: options, waivers and revocations for the purposes of VAT;
– Section 2: options and revocations for the purposes of income tax;
– Section 3: options and revocations for the purposes of both VAT and income tax;
– Section 4: option and revocation for the purposes of tax on entertainment activities;
– Section 5: option and revocation for the purposes of IRAP (Regional tax on productive activities).

SECTION 1 - Options, waivers and revocations for the purposes of VAT

Adjustment of deduction for depreciable goods - Article 19 bis 2, paragraph 4
Line VO1, box 1 must be crossed by the taxpayer who, as from 2006, has opted for the adjustment of the deduction related to the purchase of depreciable goods as well as to the supply of services relating to the transformation, refurbishment/repair or restructuring of the same goods, even if the variation in the percentage of deduction was not superior to ten percent. This option is binding for five years (ten years if the adjustment regards real estate).

Quarterly payments - Art. 7 of Presidential Decree of October 14, 1999, number 542
Line VO2, box 1 must be crossed by artists, professionals, and by taxpayers who are owners of businesses supplying services which achieved a business turnover not greater than 309,874.10 Euro or not greater than 516,456.90 Euro in 2005 if owners of busines-

ses carrying out other activities and which in 2006 have carried out both settlements and periodic payments of VAT quarterly rather than monthly. One is reminded that in the case of simultaneous supply of services and other activities without the distinct recording of related considerations the limit of 516,456.90 Euro is applicable, for the purposes of the option.
The option, which is binding for at least one calendar year, remains valid until waived, on condition that said premises hold true.
The quarterly payment of VAT entails that the amounts to be paid must be increased by interest of 1%.
Box 2 must be crossed to communicate the waiving of the option.

Agriculture

Line VO3

Article 34, paragraph 6
Waiving of regime of exemption or simplified regime. Box 1 must be crossed by **exempted agricultural producers** as referred to in paragraph 6, first and second period of article 34, that is with a business turnover not exceeding 2,582.28 Euro or 7,746.85 Euro, who waived, in 2006, exemption from payment of tax and all documentary and accounting obligations, including the annual return, with the exception of the obligation to number and preserve invoices of purchases and customs bills of entry (see Appendix under the entry "Agriculture"). This choice is binding for the taxpayer until waived, and in any case for at least three years.
The same box must likewise be crossed by **agricultural producers under a simplified regime** (paragraph 6, third period, article 34 - business turnover superior to 2,582.28 / 7,746.85 Euro and up to 20,658.28 Euro) who have waived this simplified regime since 2006.
The choice is binding for the taxpayer until waived and in any case for at least a year.
Box 2 must be crossed by taxpayers who since 2006 waived the renouncement of the exemption regime or simplified regime.

Article 34, paragraph 11
Application of tax in the ordinary manner. Box 3 must be crossed by agricultural producers who have applied tax in the ordinary manner starting from the 2006 tax period. Said option is allowed also for **exempted agricultural producers**, who must at the same time also cross box 1 (waiving of exemption regime), should they wish to apply tax in the ordinary manner.
The option is binding until waived. Note that Decree Law no. 35 of 2005 has modified paragraph 11 of article 34, stipulating a minimum period of three years (and no longer five years) in the optional regime.
Box 4 must be crossed by taxpayers who, starting from 2006, waived the option for the application of tax in the ordinary ways (see Appendix under the entry "Agriculture").

Article 34-bis
Application of tax in the ordinary manner. Box 5 must be crossed by agricultural producers that, as of the 2006 tax period, have applied VAT in the ordinary manner to operations of supply of services, instead of using the special regime provided for by article 34-bis (see Appendix under "Connected agricultural activities").
The option is binding until revocation and in any case for a period of at least three years.

Carrying-out of several activities - Article 36, paragraph 3
Line VO4, box 1 must be crossed by taxpayers who, as of 2006, carrying on several businesses or several activities within the scope of the same business, communicate that they have opted, for said year, for the separate application of tax as provided for by article 36, paragraph 3.
The choice exercised has effect until it is revoked and in any case for at least three years.
Box 2 must be crossed by taxpayers who communicate, starting from 2006, the waiving of the option.

Dispensation for exempt operations - Article 36-bis, paragraph 3
Line VO5, box 1 must be crossed by taxpayers who communicate that they have made use of, starting from 2006, of the exemption from the obligations of invoicing and recording exempt operations listed in article 10, with exception made for those exempt transactions specified in numbers 11, 18 and 19 of the same article 10, that is to say for:
– transfers of investment gold, including that represented by certificates in gold also unsold, or exchanged on metal accounts, as well as operations provided for by article 67, paragraph 1, letter c-quater) and c-quinquies) of the TUIR (Income Tax Consolidate Act)

if they refer to investment gold and intermediations relating to the preceding operations (article 10, number 11);
– medical diagnostic, treatment and rehabilitation services provided to individuals in the carrying out of health professions subject to supervision, as provided for by article 99 of the single text regarding health legislation, approved by Royal Decree 1265 of July 27, 1934, and successive amendments, or identified in the Decree of May 17, 2002 (article 10, number 18);
– services of hospitalisation and treatment provided by hospital foundations or by clinics and nursing homes having arrangements with state health insurance schemes as well as associations of mutual assistance with legal entity and by ONLUS associations, including the provision of medicine, health aids, nourishment, in addition to the provision of treatment in spas (article 10, number 19).

It is pointed out that the option has effect until it is revoked and, in any case, for at least three years and entails the complete non-deductibility of tax relating to purchases and imports.
Box 2 must be crossed by taxpayers who communicate, starting from 2006, the revocation of the option.

Publishing - Article 74, paragraph 1
Line VO6, box 1 must be crossed by publishers who communicate that they have chosen, the system of VAT calculation on the basis of number of copies sold as from 2006, for each newspaper or publication, or for each issue.
This option, if applied for the entire newspaper or publication, has effect until revoked and in any case is binding for three years.
If, on the other hand, the option is applied for a single issue, it is binding only for the issue itself and may be communicated cumulatively for the issues relating to the entire year.
Box 2 must be crossed by publishers who communicate that they have revoked the option for the calculation of VAT on the basis of the number of copies sold with reference to each newspaper or publication starting from 2006.
Pursuant to article 1, paragraph 1, letter g), of Legislative Decree 56 of 1998, it is again possible to make use of the system of calculation of tax with the application of the deduction as a flat-rate sum regarding returns on goods sold together with publications, which, in supplementing the content of the books, newspapers or periodicals, are functionally connected to them, and the connection appears in a substitutive return presented by the publisher before the goods go on sale.
For further information regarding the VAT regime for publishing, please see:
Circular Letter 328/E of December 24, 1997;
Circular Letter 209/E of August 8, 1998;
Article 1, paragraph 1, letter g), of Legislative Decree 56 of 1998;
Article 6, paragraph 7, letter a), of Law 133 of 1999;
Article 52, paragraph 75, of Law 448 of 2001.

Entertainment activities - Request for application of the ordinary regime - Article 74, paragraph 6
Line VO7, box 1 must be crossed by those carrying on businesses pertaining to the **organisation of games, entertainment** and other activities as indicated in the tariff attached to the Presidential Decree of October 26, 1972, number 640, as referred to in the sixth paragraph of article 74, who communicate that they have opted, as from 2006, for the application of the tax in the ordinary manner.
This option is binding until revoked and is subject to a minimum period of applicability of five years, starting from the first of January of the year in which the choice is made. If depreciable goods have been bought or produced, the option remains binding until the period of the relative adjustment as provided for by article 19-bis2 has passed.
Box 2 must be crossed in order to communicate the revocation of the previously exercised option (see Appendix under the entry: "Entertainment and show activities").

Intra-community purchases - Article 38, paragraph 6, Decree Law 331/1993
Line VO8, the option relates to those persons indicated in article 38, fifth paragraph, letter c) of Decree Law 331 of 1993 and, more specifically:
– taxpayers who carry out exempt operations which entail the total non-deductibility of VAT on purchases;
– agricultural producers who benefit from the special regime as referred to in article 34;
– non-commercial, non-taxable bodies, organisations and other structures.

Box 1 must be crossed by said entities who communicate that they have opted, as from 2006, for the application of VAT in Italy on intra-community purchases.

One is reminded that the abovementioned operation may be carried out only if the total amount of intra-community purchases, also from catalogues, by post and suchlike, made in 2005, has not exceeded 8,263.31 euro.
This choice has effect starting from the year during which it is exercised and is valid until revoked and, in any case, until the expiry of the two-year period successive to the year during which it is exercised, and on condition that all related requirements remain satisfied.
Box 2 must be crossed by taxpayers who intend to communicate the revocation of the choice previously carried out.

Transfer of used goods - Article 36, Decree Law 41 of 1995

Line VO9

Article 36, paragraph 2
Application of the ordinary (or analytical) margin method. Box 1 must be crossed if the taxpayer has exercised the option, starting from 2006, for the ordinary (or analytical) margin method, also for transfers of works of art, antiques or collectors' items imported and for the resale of works of art acquired from the artist (or from his/her heirs or legatees). This option has effect until revoked and, in any case, until the expiry of the two-year period successive to the year during which it is exercised.
Box 4 must be crossed by taxpayers who intend to communicate the revocation of the aforementioned option.

Article 36, paragraph 3
Application of the ordinary VAT regime. Box 2 must be crossed by taxpayers who must communicate that they have applied the ordinary VAT regime in 2006, for one or more operations that are part of the special marginalised regime.
The application of tax in the ordinary manners as per paragraph 3 of article 36 of Decree Law no. 41/95 for certain transfers allows for the deduction of the tax on purchases only with reference to the time in which the operation subject to the original regime and subject to recording in the register as outlined by article 25. In such cases, if the purchase and the corresponding transfer were carried out in different tax periods, the amount of the purchase will have to be included in line VF14 in the return relative to the year in which this was recorded in so far as not deductible. In the return relative to the tax period in which the corresponding transfer was carried out in the ordinary VAT regime, that constitutes the pre-requisite for the deduction of the tax of the relative purchases, the amount of the passive operation should be indicated in part VF both in correspondence with the relative rate for deduction and in correspondence with line VF19 (taxable amount of purchases registered in previous years but with tax payable in 2006) in order to allow for the corresponding amount already indicated in line VF14 of the previous return to be subtracted from the volume of purchases.

Article 36, paragraph 6
Changeover from the overall method of determining the margin to the ordinary method (or analytical method). Box 3 must be crossed if the taxpayer has opted for the changeover from the overall method of determining the margin to the ordinary (or analytical method) in 2006 as foreseen by the aforementioned article 36, paragraph one.
This operation is effective until it is revoked, and at least until the end of the second year following the year during during which it was exercised.
Box 5 must be crossed by taxpayers who intend to communicate the revocation of the aforementioned option.

Intra-community transfers on the basis of catalogues, by post and suchlike. - Article 41, first paragraph, letter b), Decree Law 331 of 1993
Line VO10, taxpayers who carry out intra-community transfers via catalogue, by post and suchlike, who carried out in another member State in the previous year transfers for an amount not exceeding 79,534.36 Euro, or any smaller amount established by that State, exercise the option, starting from 2006, of applying VAT in the community State to which the goods are bound, by crossing the relevant box.
It is underlined that boxes regarding options and the revocation thereof corresponding to the States for which the choice was made must be crossed, as distinguished by the ISO code.
Article 20, second paragraph, of the Ministerial Decree of December 24, 1993, which governs trade between the Republic of Italy and the Republic of San Marino, makes provision for, regarding the application of VAT in said State, for an analogous option for national operators who carry out the abovementioned sales to private residents of San Marino.
The abovementioned options have effect as from 2006 and are valid until revoked and, in any case, until a successive two-year period has passed.

The boxes included in **line VO11** must be crossed by taxpayers who intend to communicate the revocation of the option previously requested, beginning from 2006.

Taxpayers whose bookkeeping is done by third parties - Article 1, paragraph 3, Presidential Decree 100 of 1998
Line VO12, box 1 must be crossed by taxpayers who have entrusted their accounting to third parties and who have exercised the option as provided for by article 1, paragraph 3, of Presidential Decree 100 of March 23, 1998.
This option may be exercised exclusively by taxpayers who make monthly periodic payments and who may refer, for the purposes of the calculation of the difference in tax payable compared with the previous month, to tax which became payable in the second preceding month (see Circular Letter 29 of June 10, 1991).
For the specific methods of calculation for the purpose of periodic VAT payments and regarding the completion of part VH in such cases, please see the entry in the Appendix "Taxpayers whose bookkeeping is done by third parties".
It is pointed out that the option in question lasts at least one year and remains valid until revoked.
Box 2 must be crossed by taxpayers who intend to communicate the revocation of the option previously exercised.

Application of VAT to sales of investment gold - Article 10, number 11
Line VO13, ***the current line is reserved for persons who produce or who sell investment gold or transform gold into investment gold and who communicate that they have opted for the application of VAT on the transfers of investment gold in lieu of exemption***.
Persons who produce, transform or sell investment gold may exercise the option relative to individual operations, obviously without the three-year constraint, by crossing **box 1** of the current line. The same persons may opt, for all operations relating to the sale of investment gold, by crossing **box 2**. The latter option is binding on the taxpayer for at least three years and is valid until revoked, as provided for by article 3 of Presidential Decree number 442 of November 10, 1997.
Box 4 must be crossed by taxpayers who intend to communicate the revocation of the option as per box 2.
If the transferor has opted for the application of the tax, a similar option relative to the individual operation may be made by the intermediary, by crossing **box 3** (see Appendix under the entry "Operations relative to gold and to silver").

Application of the ordinary VAT regime for travelling shows and minor taxpayers - Article 74-quater, paragraph 5
Line VO14, box 1 must be crossed by persons who put on travelling shows as well as those who carry out other activities relating to shows as indicated in table C enclosed to Presidential Decree 633 of 1972 which have achieved a business turnover during the previous year of no more than 25,822.84 Euro who communicate that they have opted, from 2006, for the application of tax in the ordinary manner.
This option is binding until revoked and is subject to a minimum period of five years, starting from January 1 of the year in which the choice is exercised.
One is reminded that the concessional regime ceases to be applicable with effect from the calendar year following the one in which the limit of 25,822.84 Euro is exceeded (see Appendix under the entry: "Entertainment and show activities").
Box 2 must be crossed to communicate that the option is revoked.

Application of VAT to transfers and lease of business premises
Article 1, paragraph 292, of Law no. 296 of December 27, 2006
Line **VO15** is reserved for transferors (**box 1**) and/or lessors (**box 2**) who exercise the option for VAT taxability pursuant to article 1, paragraph 292 of Law no. 296 of December 27, 2006, in cases other than those governed by article 35, paragraph 10-quinquies, of Decree Law no. 223 of July 4, 2006.
The option regards transfers and/or leases of business premises carried out exempt of tax during the period from July 4, 2006 to August 11, 2006.

SECTION 2 - Options and revocations for the purposes of income tax

Ordinary accounting system for minor businesses - Article 18, paragraph 6, Presidential Decree No. 600 of 1973
Line VO20, box 1 must be crossed by unlimited partnerships, limited partnerships, shipping companies, de facto companies which carry out commercial activities, individuals

who carry on commercial businesses, who, having achieved revenue of not more than 309,874.10 Euro, in 2005, for businesses having as their object supply of services, or 516,456.89 Euro for companies having as their object other activities, have exercised, for the year 2006, the option of the ordinary accounting system.
The option, being an accounting system, has a minimum duration of a year and remains valid until revoked.
Box 2 must be crossed by the abovementioned minor businesses which intend to communicate the revocation of the option exercised.

Ordinary accounting system for artists and professionals - Article 3, paragraph 2, Presidential Decree No. 695 of 1996
Line VO21, box 1 must be crossed by artists or professionals (article 53 of TUIR (Income Tax Consolidate Act)) who have chosen the ordinary accounting system for 2006.
The option, being an accounting system, lasts a minimum of one year and remains valid until revoked.
Box 2 must be crossed by taxpayers who intend to communicate the revocation of the option.

Determination of income in ordinary manners for other agricultural activities - article 56 bis, paragraph 5 of the TUIR (Income Tax Consolidate Act)
Line VO22, box 1 must be crossed by taxpayers who availed of the right to determine their income in the ordinary manners in relation to other agricultural activities. The option is binding until revocation and for at least three years.

SECTION 3 - Options and revocations for both VAT and income tax purposes

Application of the dispositions provided for by Law No. 398 of 1991
Line VO30, box 1 must be crossed by all subjects who intend to communicate the option chosen, starting from 2006, of the flat-rate calculation of VAT and as provided for by article 2, paragraphs 3 and 5, of said Law No. 398.
The option is binding until revoked and in any case for at least five years.
The subjects who can opt for such are companies, including co-operatives and amateur sports associations as per article 90, paragraphs from 17 to 18-ter, of Law no. 289 of 2002; non-profit associations and pro-loco associations to whom the tax regime as per Law 398 of 1991 has been extended by article 9-bis of Law no. 66 of 1992; non-profit bands and amateur choirs, drama associations, music and popular dance associations that are legally recognised to which article 2, paragraph 31 of Law no. 350 of 2003 has applied Law no. 398.

Box 2 must be crossed to communicate the revocation of the option (see Appendix under the entry "Entertainment and show activities").

Trade unions and labour associations operating in agriculture - Article 78, paragraph 8, Law No. 413 of 1991
Line VO31, box 1 must be crossed exclusively by trade unions and labour associations operating in the field of agriculture, which communicate that they have applied, during 2006, the calculation of VAT and income in the ordinary manners as provided for by article 78, paragraph 8 of Law No. 413 of December 30, 1991, as amended by article 62, paragraph 1, letter a) of Decree Law No. 331 of 1993.
For the associations mentioned, relative to the activity of tax assistance provided for their members, the abovementioned eighth paragraph of article 78 has laid down, in particular, that VAT must be calculated on a flat-rate basis, reducing the tax relative to taxable operations by a third of its amount by way of a flat-rate deduction of VAT regarding purchases and imports. In this case, **line VG41**, must be completed for the calculation of deductible VAT.
The abovementioned associations may, however, calculate VAT and income in the ordinary way and in such a case must cross box 1 to communicate such a choice. The option has effect until revoked and, in any case, for at least three years.
Box 2 must be crossed by the abovementioned associations who intend to communicate the revocation of the option.

Farm holiday sector - Article 5, Law No. 413 of 1991
Line VO32, box 1 must be crossed by those carrying out activities in the farm holiday sector, as referred to in Law No. 96 of February 20, 2006, who have opted, starting from 2006, for the deduction of VAT and income in the ordinary manners and thus communicate that, for 2006, they have not made use of the flat-rate calculation of the tax as provided for by article 5 of Law No.413 of December 30, 1991. The option is binding for three years and is valid until revoked.
Box 2 must be crossed to communicate that the option is revoked.

Minimum taxpayers - Article 3, paragraphs from 171 to 176 of Law No. 662 of 1996
Line VO33, box 1 must be crossed by taxpayers who fall under the regime of flat-rate calculation of tax, in accordance with article 3, paragraph 171, of Law No. 662 of 1996, in order to communicate the choice, for 2006, of calculation of VAT in the ordinary manner. In addition to this, if the taxpayer has also adopted the ordinary accounting system, for the same year 2006, he must communicate this choice by crossing box 1, corresponding to line **VO20 or VO21** (see Appendix under the entry "Minimum taxpayers").
The option has effect until revoked and in any case, for a period of at least three years.
Box 2 must be crossed by taxpayers who intend to communicate the revocation of the option.

SECTION 4 - Option regarding tax on entertainments

Application of tax on entertainment in the ordinary manner - Article 4 of Presidential Decree No. 544 of 1999
Line VO40, Box 1, must be crossed by persons who communicate that they have, from 2006, calculated the taxable base in the ordinary manner
Box 2 must be crossed by taxpayers who intend to communicate the revocation of the option previously used.

SECTION 5 - Option regarding IRAP (Regional Tax on Productive Activities)

Calculation of the taxable base for IRAP (Regional Tax on Productive Activities) by public entities who also carry out commercial activities (article 10-bis, paragraph 2, Legislative Decree No. 446 of December 15, 1997 and subsequent amendments)
Line VO50, Box 1 must be crossed by public entities as referred to in article 3, paragraph 1, letter e-bis), of Legislative Decree No. 446 of December 15, 1997, and subsequent amendments who have opted for, as provided for by article 10-bis, paragraph 2, of the aforementioned Legislative Decree No. 446 of 1997 the calculation of the taxable base for the purposes of IRAP (Regional Tax on productive activities) using the criteria laid down in article 5 of the same Legislative Decree (cp. Circular Letter 148/E of July 26, 2000 and Circular Letter 234/E of December 20, 2000).
Box 2 must be crossed by taxpayers who intend to communicate the revocation of the option previously used.

4.3 Form VR to claim the refund of the VAT credit

Form VR/2007 must be used by taxpayers who intend to request the refund of the VAT credit emerging from the annual return.

For the completion of the form and the circumstances which make the request legitimate, the taxpayer is referred to the relevant instructions.

4.4 Controlling company - Summarising prospectus for the group Form VAT 26PR/2007 - Payment of group VAT

Part VS, VV, VW, VY and **VZ** which comprise the **VAT** form **IVA 26PR/2007**, making up part of the annual VAT return, are reserved for controlling bodies and companies. The parts summarise the data regarding group VAT payments (article 73 and Ministerial Decree of December 13, 1979).

NOTICE: it is emphasised that a copy of the abovementioned form signed in the original, must in any case be presented, attached to VAT form 26LP/2007, by the controlling company to the territorially competent tax collection agency (whether or not it contains a request for refund) with the inclusion of both guarantees provided by the individual companies, relative to the group credit surplus set off, as well as the guarantees provided by the controlling company for the group credit surplus set off, as provided for by article 6 of the Ministerial Decree of December 13, 1979.
It is pointed out that the guarantees provided by the individual controlled companies, although presented by the controlling company, must be made out to the territorially competent Office of the Revenue Agency in relation to each controlled company.

4.4.1 – PART VS - Section 1 - List of companies in the group

NOTICE: with resolution no. 22/E of February 21, 2005, the Revenue Agency has been made clear that also foreign companies may participate in the payment of group VAT as per article 73 last paragraph, on condition that they are located in countries within the European Union that have legal entities that are equivalent to companies under Italian law, that operate in the State through a permanent organisation, a fiscal representative or direct registration as per article 35 ter.

This section demands the indication of all persons participating (including the controlling company) in the set off for 2006, for which the following must be indicated:
– **field 1,** VAT registration number;

– **field 2,** the code corresponding to the following subjective conditions:
  "1" company that already as from December 31, 2005 was taking part in a group VAT payment procedure;
  "2" company that already as from December 31, 2005 was adhering to a group VAT payment procedure and which during 2006, as assignee, carried out extraordinary operations with subjects outside the group (for example incorporation by the controlled company of a company outside the VAT group);
  "3" company which as from December 31, 2005 was not participating in a group VAT payment procedure;
  "4" company which as from December 31, 2005 was not participating in a group VAT payment procedure and which during 2006, as assignee, carried out extraordinary operations with subjects outside the group;
– **field 3,** the last month in which the controlling and controlled companies took part in group payment (12 in the case of the entire year);
– **field 4**, the total of the refund stock during the year ascribable to each company in the group;
– **field 5,** the reason for the annual refund (see Appendix under the entry "Controlling and controlled companies - Reason of refund");
– **field 6,** the amount of the share of the refund, to be indicated in line VY4, allocated to each company of the group. This amount must correspond to the amount indicated in line VK25 (surplus requested as refund by the controlling company) of the return of the individual company participating in the group payment;
– **field 7,** credit surplus set off, which must correspond to the amount indicated in line VK24 (credit surplus set off) of the return for each individual company taking part in the group payment procedure.

If the lines should not be sufficient for the indication of all companies taking part in the group payment procedure, another part VS must be used, indicating "02" in the field "Mod. N.", and so on.

The completion of several parts VS of the form does not change the number of forms comprising the return, to be indicated on the front cover.

SECTION 2 - Summarising data

In this section, indicate:
– **line VS20,** field 1 contains the total refund requested for subjects in possession of the necessary legal requirements, and field 2 contains the number of such persons;

– **line VS21,** field 1 must indicate the total number of subjects who have taken part in the group payment, including the controlling company; field 2 must indicate the number of subjects who have made use of special VAT concessions following exceptional events (see Appendix, "Person affected by exceptional events");

– **line VS22,** the number of subjects who, having set off their own tax surplus in the group payment, are required to present guarantees.

If the number of persons taking part in the group payment is greater than the number of lines provided in section 1, lines VS20, VS21 and VS22 must be completed only on form 01.

SECTION 3 - Guarantees of the controlling company

Line VS30 must indicate the residual tax surpluses of the companies in the group which, not having been set off in the previous year (2005) as provided for by article 6 of the Ministerial Decree of December 13, 1979 and thus not having been guaranteed, have been included in deduction in 2006 by the controlling company and have been set off with debit surpluses of other companies in the group in the course of the same year. It is pointed out, as specified in Ministerial Order 626305 of December 20, 1989, that for the purposes of accounting clarity such group credit surpluses are assumed to have been set off prior to other credits transferred from the companies during 2006.
For the amount indicated in line VS30 the controlling company is required to advance the guarantees as provided for by article 6 of the Ministerial Decree of December 13, 1979. Naturally, such guarantees must be advanced separately from the guarantees which the same controlling company must produce for any tax surplus set off resulting in the line VK24 of its own return, relative to the same tax year.

4.4.2 – PART VV- PERIODIC PAYMENTS OF GROUP

This part must include accounting data referring to periodic group payments made by the controlling body or company for the entire group, deriving from the periodic payments transferred from the controlling body or company and from the controlled companies and noted in the summarising register as provided for by article 4 of the Ministerial Decree of December 13, 1979, kept by the parent company.
For the method of completion of part VV, the taxpayer is referred to paragraph 4.2.9 concerning part VH.
Line VV13 indicate the amount of the advance payment owed, calculated for the whole group of the controlling company (cp. Circular Letter no. 52 of December 3, 1991).

4.4.3 – PART VW - PAYMENT OF ANNUAL GROUP TAX

Part VW constitutes a summary of amounts for the purposes of the annual payment of the group tax debit or credit.

SECTION 1 - Calculation of VAT due or input VAT for the tax period

Line VW1 must include the sum of the amounts resulting from the corresponding lines VL1 of the returns of the controlling company and controlled companies, and in cases of transfer of control during the course of the year, this data may be obtained from line VK30.

Line VW2 must include the sum of the amounts resulting from the corresponding lines VL2 or VK31 in cases of transfer of control during the course of the year, of the returns of all the subjects of the group.

Line VW3 must include the total output VAT resulting from the sum of the amounts indicated in lines VW1 and VW2.

Line VW4 indicate the sum of the amounts resulting from the corresponding lines VL4 or VK32 in cases of transfer of control during the course of the year, of the returns of all the subjects of the group.

Line VW5 indicate the sum of lines VL5 or VK33, if control ceased during the year, of all the returns of the members of the group.

Line VW6 indicate total deductible VAT resulting from the sum of lines VW4 and VW5.

Line VW7 must include the tax payable, to be indicated in column 1, or the input tax, to be indicated in column 2.
This line will contain, for the tax period, an amount of VAT payable, calculated from the difference between line VW3 and VW6, if the amount in line VW3 is greater than that in line VW6, or an input VAT, given by the difference between line VW6 and line VW3.

SECTION 2 - Calculation of output or input VAT

NOTICE: lines VW20, VW22, VW23, VW24, VW25, VW26, VW27, VW28 and VW31 must also include the amounts resulting from the corresponding lines of part VL of the returns presented by the individual companies which have taken part in the group VAT payment.

Line VW20 indicate the amount of refunds during the year requested by the controlling company for the entire group. Said amount should be increased by the amount of any refunds during the year deriving from line VL20 of the forms relating to companies incorporated during 2006 by companies adhering to the group VAT payment.
With regard to the requirements necessary to be able to make use of the procedure for refunds during the year, one is reminded, as specified in the aforementioned Ministerial Order n. 626305 of December 20, 1989, that these must exist with regard to companies who have transferred the credit which is the object of the refund.
In this regard it is underlined that the amount of refunds during the year duly requested by the controlling company must be indicated even if these have not been carried out yet.
In addition, the same line VW20 must include the portion of the amount of the advance payment made by the controlling company on behalf of the controlled companies which left the group after the final deadline or the advance payment (see also line VK39).

Line VW22 indicate the part of the credit included in line VW26 of the return relating to 2006 which has been used in set off against other taxes using form F24.

Line VW23 indicate the amount of deductible tax surpluses relating to the first three quarters of 2006, used in set off by the controlling company with Form F24 up to the date of presentation of the annual return. One is reminded that, as provided for by article 8 of Presidential Decree of October 14, 1999, number 542, such credits may, instead of the request for refunds during the year, be set off with other taxes, contributions and other premiums owed.

Line VW24 must indicate the sum of interest owed, transferred from the controlled companies, relative to the first three periodic quarterly payments (see Ministerial Circular 37 of April 30, 1993). It is pointed out that the amount of interest owed relative to the tax payable when the annual return is made, must not be included in this line, but must be indicated in **line VW36.**

Line VW25 must indicate interest owed following adjustments relating to periodic payments for 2006 as provided for by article 13 of Decree Law No. 472 of 1997.

Line VW26 must indicate the amount of the credit for the previous year for which a request for refund has not been made, resulting from line VY5 of the VAT summarising form 26PR/2006 for the year 2005, submitted by the controlling company for the entire group, increased by any amounts indicated in line VX5 of the individual returns of the companies not participating in the group payments for 2005 or in line RX2, column 4, for the companies which in the previous year did not take part in the group payment and which submitted the unified return.

Line VW27 must indicate any group credit, for which refund was requested in previous years, in the case in which the competent Office formally denied the right to the refund and authorised the taxpayer to use said credit for 2006 when making periodic payments or the annual return.
The same line must also include credits of those companies in the group which have completed line VL27 of their own annual return.

Line VW28 must indicate the sum of specific tax credits used by individual companies for periodic payments and for the advance payment, resulting from lines VL28, field 1 in the returns of the companies in the group.

Line VW29 must indicate the total of periodic payments, including the advance VAT payment (see Appendix) and quarterly interest, as well as the tax and interest paid following amendments as referred to by article 13 of Legislative Decree 472 of 1997 relative to 2006. It is pointed out that the total amount of periodic payments results from the sum of the VAT data in the column "output amount paid" in the "Treasury section" of the F24 payment forms for which the tax codes have been used relative to periodic payments, even if not actually paid, due to set offs with credits relative to other taxes (or also to VAT), contributions and premiums.

Line VW31 indicate the total of supplementary payments relative to the 2006 tax period made by companies in the group (excluding sums paid in penalties) relating to operations already noted in the summarising register. One is reminded that in this line supplementary payments made in 2006 but relative to previous years must not be included .
This line must also include the sum of the amounts in line VL31 of the returns of all companies adhering to group payment.

Line VW32 must include the total of input VAT, to indicate if the sum of the credit amounts in column 2 (VW7 column 2 and from VW26 to VW31) is greater than the sum of the debit amounts in column 1 (VW7 column 1 and from VW20 to VW25). The relative data is derived from the difference between said amounts using the following formula:

[(VW7 column 2 +VW26 +VW27 + VW28 + VW29 + VW31) – (VW7 column 1 + VW20 + VW22 + VW23 + VW24 + VW25)]

Line VW33 must include the total of output VAT, to indicate if the sum of the credit amounts in column 2 (VW7 column 2 and from VW26 to VW31) is lower than the sum of the debit amounts in column 1 (VW7 column 1 and from VW20 to VW25). The relevant data is derived from the difference between said amounts using the following formula:

[(VW7 column 1 + VW20 + VW22 + VW23 + VW24 + VW25) – (VW7 column 2 + VW26 + VW27 + VW28 + VW29 + VW31)]

Line VW34 must indicate the amount of tax credits used by companies adhering to the group when making the annual return.

Line VW36 must indicate total interest transferred, by companies making quarterly payments adhering to the group, when making the annual return.

LineVW38 Total VAT payable. If the sum of the amounts resulting from lines VW33 and VW36 is greater than the sum of the amounts resulting from lines VW32 and VW34, the difference must be indicated in this line. This amount must be **included in line VY1** if it is greater than 10.33 Euro (10.00 Euro by virtue of rounding offs carried out during the return).

LineVW39 Total input VAT. If the sum of the amounts resulting from lines VW32 and VW34 is greater than the sum of the amounts resulting from lines VW33 and VW36, the difference must be indicated in this line. This amount must be included in line VY2. If Line VW40 is completed, the amount to indicate in line VY2 consists of the sum of the amounts referred to in lines VW39 and VW40.

Line VW40 where the input VAT relative to the tax year forming the object of the return is used in a greater amount than is due, the amount paid using the tax code 6099 excluding interest paid, in order to pay the greater credit inappropriately used, in accordance with the procedure described in Circular Letter No. 48/E of June 7, 2002.

4.4.4 – PART VY - CALCULATION OF VAT PAYABLE OR GROUP TAX CREDIT

This part must indicate VAT payable or the tax credit relating to the group.

Line VY1 amount payable. Indicate the amount specified in line VW38. This line must not be completed if the total amount of VAT payable is equal to or less than 10.33 Euro (10.00 Euro as a result of rounding-off carried out in the return).

Line VY2 credit amount. Indicate the amount of the annual deductible tax surplus as referred to in line VW39, to be apportioned among the following lines VY4, VY5 and VY6. If line VW40 is completed, include the sum of the amounts referred to in lines VW39 and VW40.

Line VY3 excess payment. Indicate the excess amount paid in comparison with the amount payable indicated in line VY1. The line must also be completed in the case in which, with reference to a tax credit arising during the completion of form 26PR/2007, a tax payment has been made. In the latter case indicate the entire amount erroneously paid. Said surplus must be indicated in the current line if the annual adjustment has been paid in a single instalment or if it has been paid in instalments but said surplus has not been either fully or partly recovered with successive instalments.

It is pointed out that in the case of either a VAT credit in line VY2 or a surplus payment in line VY3 the sum of the amounts indicated in the abovementioned lines must be apportioned between lines VY4, VY5 and VY6.

Line VY4, indicate in this line the amount of refund requested. The relative amount must coincide with the amount resulting in line VS20, field 1, with the exception of the hypothesis of refund of the lesser deductible surplus of the three year period.
Note that refunds may be requested only by the controlling body or company in relation to the companies comprising the group to which the credit surplus refers, in possession of the requirements of article 30 (ref. Circular Letter no. 13 of March 5, 1990).
In field 2 the quota that is part of the refund for which the controlling company intends to use the refund procedure by means of the tax collection agency must be indicated.
Such stock, added to the amounts which have been or will be set off during 2007 in the form F24, may not exceed the amount as provided for by existing laws of 516,456.90 Euro (article 34, Law No. 388 of December 23, 2000).

Line VY5, indicate the amount intended to be deducted the following year or which is intended to be set off against other taxes.

Line VY6, which is reserved for controlling bodies and companies who have opted for the tax consolidation as per article 117 and subsequent articles of TUIR (Income Tax Consolidate Act). Such subjects must transfer the group VAT credit resulting from the annual return either totally or partially, for the compensation of the IRES (income tax for the corporate bodies) due from the consolidating party. In the line the amount of the credit transferred must be indicated, as outlined by article 7, paragraph 1, letter b), of the Decree of June 9, 2004.

4.4.5 – PART VZ - DEDUCTIBLE GROUP SURPLUSES RELATIVE TO PREVIOUS YEARS

This part must be completed only in the case of a request for refund of the lesser deductible surplus of the last three years, as provided for by article 30, paragraph 4, which can be carried out only by the controlling company if it has reported, in the two years immediately preceding (2004 and 2005), a group tax surplus, including it in deduction the following year, and has also found for the 2006 tax year a group credit surplus (in line VY2 of the summarising prospectus). In such cases, the refund will be due for the lesser deductible surplus (relative to the part not already requested in a refund or not compensated in form F24). In other words, a comparison will be made between the amounts of VAT calculated in deduction with reference to the two previous years (to be indicated in lines **VZ1 and VZ2** respectively):

– **for the year 2004,** the amount is that resulting from the difference between the input VAT outlined in the deduction or in the set off indicated in line VY5 and the amount indicated in line VW22 of the VAT 2006 return regarding the year 2005, for the part regarding the set off carried out in form F24 with taxes other than VAT only.

– **for the year 2005** the amount is that resulting from the difference between the input VAT outlined in the deduction or in the set off indicated in line VY5 and the amount indicated in line VW22 of the VAT 2007 return regarding the year 2006, for the part regarding the set off carried out in form F24 with taxes other than VAT only.

4.4.6 – SIGNING THE FORM

The signature by the controlling entity or company, must be placed in the appropriate space in legible form. Moreover, it is necessary to cross the boxes relative to the parts filled in.

5. PENALTIES

5.1 Administrative penalties

The penalties indicated below are laid down by Legislative Decree No. 471 of December 18, 1997.

Failure to submit annual return or submission of return more than 90 days after the deadline, when taxes are owed	Penalty ranging from 120% to 240% of the total tax owed with a minimum of 258 Euro (article 5, paragraph 1)
Failure to submit annual return or submission of return more than 90 days after the due date, when taxes are not owed	Penalty ranging from 258 Euro to 2,065 Euro (article 5, paragraph 3)
Submission of return within 90 days of the expiry of the deadline	Penalty ranging from 258 Euro to 2,065 Euro (article 5, paragraph 3)
False declaration: return in which the amount of tax indicated is less than that which is due, or in which the deductible or reimbursable amounts are higher than those claimable (e.g. taxes incorrectly deducted, taxes related to specific taxable operations which have not been declared and previously not documented and/or not registered, etc.).	Penalty ranging from 100% to 200% of the increased tax and/or of the credit difference (article 5, paragraph 4)
Request for refund which differs from that of the return and thus for a higher amount than appears in the return.	Penalty ranging from 100% to 200% of the amount which is not due (article 5, paragraph 5)
Form filled in incorrectly according to the administrative regulations. Omission of information or incorrect information for the identification data of the taxpayer or his agent, for the calculation of the taxes or for anything else which is necessary regarding the carrying out of checks.	Penalty from 258 Euro to 2,065 Euro (article 8, paragraph 1)
Tax payment violations: failure to pay, late payment or insufficient payment of VAT on account, of VAT resulting from periodic paymentsor of adjusted VAT resulting from the annual return.	Penalty of 30% of unpaid amount (article 13, paragraph 1)

5.2 Criminal penalties

For more serious violations, the following criminal sanctions are also laid down in Legislative Decree No. 74 of March 10, 2000.

Fraudulent return: – reference, in the return, to false liabilities making use of invoices or other documents regarding inexistent operations, for a total equal to or greater than 154,937.07 Euro – reference, in the return, to false liabilities, for a total less than 154,937.07 Euro	18 months to 6 years imprisonment (article 2, paragraph 1) 6 months to 2 years imprisonment (article 2, paragraph 3)
Fraudulent return: Reference, in the return, to assets that make up a total which is less than the effective one, and/or false liabilities, on the basis of a false representation of the compulsory accounting figures and making use of fraudulent means, when jointly: a) the unpaid tax is greater than 77,468.53 Euro; b) the full total of the amounts subtracted from the imposition is higher than 5% of the amount subject to VAT which is indicated in the return or, in any case, higher than 1,549,370.70 Euro	18 months to 6 years imprisonment (article 3)
False return: Reference, in the return, to assets that make up a total which is less than the effective one, and/or false liabilities, when jointly: a) the unpaid tax is greater than 103,291.38 Euro; b) the full total of the components subtracted from the imposition is higher than 10% of the amount subject to VAT which is indicated in the return or, in any case, higher than 2,065,827.60 Euro	1 to 3 years imprisonment (article 4)
Failure to submit return: when the unpaid tax is greater than 77,468.53 Euro. With reference to criminal sanctions, a return is not considered unsubmitted if it is presented within 90 days of the deadline, or if it is unsigned, or if it is written out on a form which does not conform to the prescribed model	1 to 3 years imprisionment (article 5)
Failure to pay VAT owed according to the annual return: when the unpaid tax is more than 50,000 Euro and the payment is not made by December 27 of the year following the year forming the object of the return	6 months to 2 years imprisonment (article 10-ter)

5.3 Additional penalties

The sentence for each of the crimes described in Legislative Decree No. 74 of the March 10, 2000, also entails the application of additional penalties as provided for in article 12 of said Legislative Decree.

APPENDIX

PAYMENT OF VAT ON ACCOUNT *(Line VH13)*

The obligation to make the payment of VAT on account annually by December 27, was introduced by article 6, paragraphs from 2 to 5 quater, of the Law of December 29, 1990, no. 405, and subsequent modifications (cp. in this regard Circular Letters no. 52 of December 3, 1991, no. 73 of December 10, 1992 and no. 40 of December 11, 1993, resolution no. 157 of December 23, 2004). For taxpayers operating in the field of telecommunications, identified by Decree no. 366 of October 24, 2000, and those that supply water, gas and electricity or provide solid urban waste collection and disposal services, etc., identified by Decree no. 370 of October 24, 2000, article 1, paragraph 471, of Law no. 311 of December 27, 2004, a specific method for calculating the payment on account has been introduced. In particular it has been stipulated that said subjects who in the previous year paid an total amount of VAT of more than two million Euro must calculate the payment on account as 97% of the average quarterly payments that were or should have been made for the previous quarters of the current year. This method of calculation excludes both the historical and forecasting methods, while the option to use the so-called actual calculation method as per paragraph 3-bis of article 6 of Law no. 405 of 1990 (cp. Circular Letter no. 54 of December 23, 2005 and resolution no. 144 of December 20, 2006).

TRAVEL AGENCIES *(Part VG - Section 1)*

SECTION 1 - Travel and tourism agencies (article 74-ter)

Article 74-ter introduces the fiscal regulation governing the activities carried out by travel and tourism agencies that organize and sell tour packages comprising trips, holidays, "all-inclusive" packages and related services, events, conventions and the like for their own account, or through an agent, that entail more than one service against payment of a single consideration, which constitutes a single transaction.

From an objective point of view it is specified that the tour packages are those established in terms of article 2 of Legislative Decree No. 111 of March 17, 1995.

The services relating to individual tourism services in terms of paragraph 5-bis of article 74-ter arelikewise subject to the special regime with the base from base detractive method, on condition that these services were previously acquired and available to the travel and tourism agency. Individual services mean the "block" purchase of individual tourist services (such as, for example, hotel rooms or seats on flights) regardless of the traveller's specific request.

The same provisions are applicable to tour organizers, which means subjects, no matter how they are structured (associations, public or private bodies, etc.) that organize and make tour packages, as defined in the first paragraph of article 74-ter referred to above, available to travellers.

The special regime does not however apply to travel and tourism agencies that merely carry out intermediary activities vis-à-vis customers, in other words that act in the name and on behalf of travellers. In such circumstances the ordinary criterion for the determination of VAT, based on the "tax from tax" deductive system, is applicable.

For example, hotel reservations, travel bookings, the sale of tickets for conveyance, services relating to the endorsement of passports and similar documents, carried out at the traveller's request, fall within this category.

For further information regarding the special regime applicable to the aforesaid sector, please refer to Ministerial Circular No. 328/E dated December 24, 1997 and the regulations approved by Ministerial Decree No. 340 dated July 30, 1999 (published in Official Gazette No. 231 of the October 1, 1999).

Prospectus A, set out below has been prepared to determine the information to be indicated in Part VG - Section 1. This form must be completed beforehand.

PROSPECTUS A
TO BE USED TO COMPLETE SECTION 1 OF PART VG (TRAVEL AGENCIES)

LINE	TRIPS	CONSIDERATIONS	COSTIS
1	Wholly inside the EU		
2	Wholly outside the EU		
3	Mixed		
4	**TOTAL** (sum of lines 1, 2 and 3)		
5	**Apportion the mixed costs**: EU portion		
6	Outside EU portion		
	Determinations of the EU and outside EU portions of the considerations		
7	Percentage obtained from mixed costs (line 5 : line 3) x 100	|_|_|_| %	
8	Mixed considerations for the EU portion (line 3 x line 7) : 100		
9	Amount of EU considerations (line 1 + line 8)		
10	Amount of the outside EU considerations (line 2 + line 3 - line 8)		
11	Amount of deductible costs (line 1 + line 5)		
12	Cost credit relative to the previous year (from line VG3 of the 2006 VAT return relative to 2005) to be c/f wd to line VG1		
13	**Gross taxable base** [line 9 - (line 11 + line 12)] to be c/fwd to line VG2		
	or		
14	**Cost credit** [(line 11 + line 12) - line 9] to be c/fwd to line VG3		
15	**Net taxable base**		

HOW TO COMPLETE PROSPECTUS A:

– In **line 1** indicate the amount of the considerations and costs relative to trips made wholly within the European Union (EU);
– in **line 2** indicate the amount of the considerations and costs relative to trips made outside the EU;
– in **line 3** indicate the amount of the considerations and costs relative to mixed trips, i.e. those made partly within the EU and partly outside the EU;
– in **line 4** indicate the total of the considerations and costs set out in the preceding lines;
– in **lines 5 and 6** indicate the costs relative to mixed trips (referred to in line 3), indicate the EU portion and the portion outside the EU separately;
– in **line 7** indicate the percentage of the mixed costs [(line 5 : line 3) x 100];
– in **line 8** indicate the EU portion of the considerations relative to mixed trips, determined by multiplying the amount of the considerations in line 3 by the percentage determined in line 7;
– in **line 9** indicate the amount of the taxable considerations, being the sum of the considerations relative to trips carried out wholly in the EU (line 1) and the EU portion of the considerations relative to mixed trips (line 8);
– in **line 10** indicate the amount of the considerations relative to trips carried out outside the EU, calculated by adding the amounts in lines 2 and 3 and subtracting the amount in line 8.
The relative amount contributes (together with the other non-taxable transactions carried out) towards the claim for a refund (in form VR - Section 2 - Box 3);
– in **line 11** indicate the amount of the deductible costs, obtained by adding the sum of the costs relating to trips undertaken wholly within the EU (line 1) and the costs relating to the EU portion (line 5) of mixed trips;
– in **line 12** indicate the cost credit relative to the previous year, obtained from line VG3 of the VAT/2006 return for the year 2005.
– in **lines 13 and 14**, which must be completed in an alternative manner, indicate the gross taxable base or the cost credit, relating to the transactions subject to the rate of 20%, by applying the following formula:

[line 9 - (line 11 + line 12)]

If the result is positive, the relative amount must be indicated in line 13. If the amount is negative it must be indicated in line 14, but with the positive sign;
– in **line 15** indicate the net taxable base at 20%, using either the mathematical method:

$$\frac{(\text{line 13} \times 100)}{120}$$

or the "separation" method:

$$\text{line 13} - \frac{(16{,}65 \times \text{line 13})}{100}$$

Carrying forward the data set out in the prospectus to part VG
The data contained in line 12 of prospectus A must be indicated in line VG1. The amount shown in line 13 must be carried forward to line VG2, alternatively the amount shown in line 14 must be carried forward to line VG3.

Carrying forward the information contained in the prospectus to the other parts of the return
In order to determine the business turnover and total purchases, some of the information contained in prospectus A must be carried forward to parts VE and VF, in accordance with the criteria set out below:
a) if there is a gross taxable base (i.e. if line 13 was completed):
- the amount reflected in line 15 (the net taxable base at 20%) must be reflected in line **VE22**, in addition to the other taxable transactions that may have been carried out.
The remaining portion of the considerations, being the difference between the total contained in line 4 and the amount shown in line 13, must be reflected in line **VE32**, in addition to all the other non-taxable transactions that may have been carried out.
The total of the costs shown in line 4 must be reflected in line **VF14**, in addition to the amounts of the non-taxable purchases that may have been carried out;

b) where there is a cost credit (i.e. if line 14 was completed), the total of the considerations shown in line 4 must be reflected in line **VE32**, in addition to the amounts of the other non-taxable transactions that may have been carried out, whereas the total of the costs shown in line 4 must be reflected in **line VF14**, in addition to the amounts of the non-taxable purchases that may have been carried out.

AGRICULTURE

1. The concept of the agricultural producer
In terms of paragraph 2 of article 34 agricultural producers are:
a) subjects who carry out the activities referred to in article 2135 of the Italian Civil Code (replaced by paragraph 1 of article 1 of Legislative Decree No. 228 of May 18, 2001), as well as subjects who carry out activities relating to fresh water fishing, fish-breeding, mussel farming, oyster breeding and the breeding of other molluscs, shellfish and frogs;

b) the interceding agricultural entities, or other persons on their behalf, who transfer products in the application of European Union regulations concerning the common organization of the markets for the products themselves;
c) the cooperatives, their consortia, associations and their unions established and recognized in terms of the legislation in force, which transfer goods produced by the members, associates or participants, in their original state or which are subject to handling or transformation; the bodies, which by law, (even subject to manipulation or transformation), arrange for the collective sale on behalf of the producers. Note that article 10, paragraph 1, letter a), of Decree Law no. 35 of March 14, 2005, modifies the provision in question, introducing the special deduction regime, for associative organisations that sell agricultural products principally produced by their members, on the totality of transfers of agricultural and ichthyic products that fall under the categories listed in table A, part I, contained in Presidential Decree no. 633 of 1972 (cp. Circular Letter no. 1 of January 17, 2006).

2. Special VAT regime for agricultural producers

For the transfers of agricultural and ichthyic products included in the first part of table A) (enclosed to Presidential Decree No. 633 of 1972) by agricultural producers, independently of the business turnover, the deduction provided in article 19 is forfeited in proportion to the amount resulting from the application of the set-off percentages to the taxable amount of the transactions themselves. The set off percentages are established for the groups of products by means of a decree of the Ministry of Finance acting in agreement with the Minister for Agricultural Policies, and finally amended by the Decree of December 23, 2005.
The tax is applied using the tax rates for the individual products, except for the application of the tax rates corresponding to the set-off percentages for the transfer of products from the subjects referred to in paragraph 2, letter c) of article 34, who apply the special regime and for transfers carried out by the subjects referred to in paragraph 6, first and second periods of article 34.

3. Exempt farmers

The following subjects are exempt from paying tax, as well as from all the documentary and accounting obligations, including the annual declaration: agricultural producers whose business turnover did not exceed 2,582.28 Euro in 2005, increased to 7,746.85 Euro; subjects agricultural producers who carry out their activity in mountain municipal districts with less than 1,000 residents and in areas with less than 500 residents that are included in the other mountain municipal districts identified by the respective regions, as provided for by article 16 of Law No. 97 of January 31, 1994. At least two thirds of the business turnover must be made up of the transfers of agricultural and ichthyic products included in the first part of table A annexed to Presidential Decree No. 633 of 1972 (Circular Letetr no. 328/E of December 24, 1997 and Circular Letter no. 154 of June 19, 1998, paragraph 2).

4. How to complete the return

The form below gives an explanation for the various types of agricultural producers on how to complete the various parts of the return.

Agricultural Producer **Business Turnover (= under) < or = 2,582.28 Euro** **or (= under) < or = 7,746.85 Euro** **agricult. transfers (= up) > or = 2/3 of Bus. Turnover**	**EXEMPT FROM COMPLETING THE RETURN**				
Exempt Agricultural Producer that has exceeded the 1/3 limit for operations other than agricultural ones	**VE Sec. 1** Agricultural transactions with set-off percentages	**VE Sec. 2** Other transactions with own tax rates	**VF** Recorded purchases	**VH** NO	**VG Sec. 5** **VG50** (from VE sec. 2) for other transactions; **VG62** deduction due for transactions indicated in VG50; **from VG51 to VG59** (from VE sec.1) **VG63** deduction of theoretical VAT
Agricultural Producer Business Turnover > 2,582.28 Euro or > 7,746.85 Euro (simplified special regime and ordinary special regime)	**VE Sec. 1** Contributions to cooperatives with set-off percentages	**VE Sec. 2** Transfers of agricultural products with own tax rates. Other transactions with own tax rates	**VF** Recorded purchases	**VH** **NO** simplified special **YES** ordinary special	**VG Sec. 5** **VG50** (from VE sec. 2) for other transactions: **VG62** deduction due for transactions indicated in line VG50; **VG51** to **VG59** from **VE** sec. 1 and sec. 2 (forn corresponding set-off percentages) **VG63** deduction of theoretical VAT
Cooperatives and other subjects as per letters b) and c) art. 34	**VE Sec. 1** Contributions to consortia with set-off percentages	**VE Sec. 2** Transfers of agricultural products with own tax rates. Other transactions with own tax rates	**VF** Recorded purchases	**VH** YES	**VG Sec. 5** **VG50** (from VE sec. 2) for other transactions: **VG62** deduction due for transactions indicated in line VG50; **VG51** to **VG59** from **VE** sec. 1 and sec. 2 (forn corresponding set-off percentages) **VG63** deduction of theoretical VAT

5. Determining the VAT allowed in deduction *(Part VG - Section 5)*

The following explanation is provided for agricultural concerns that must complete section 5 of Part VG.
Line **VG50** is reserved for mixed agricultural concerns, i.e. those concerns that also carried out

taxable transactions different to those indicated in paragraph 1 of article 34 and in paragraph 1 of article 34-bis, in respect of which the taxpayer deducts the tax relative to purchases and imports of goods that are not depreciable and relative to services that are used exclusively for the production of goods and those relative to services that form the subject-matter of the transactions themselves.
In order to correctly identify the transactions referred to above, reference must be made to the extended concept of agricultural activities, introduced by the new wording of article 2135 of the Italian Civil Code. In fact, pursuant to the new formulation of the abovementioned article introduced about by article 1 of Legislative Decree No. 228 of May 18, 2001, the concept of independent farmer was redefined, including, since they are connected, in the agricultural activities subject to the special VAT regime provided for by article 34, all the activities carried out by the independent farmer and aimed at handling, preservation, transformation, marketing and development, on condition that such activities have as their main object products obtained from the cultivation of the land, the woods or the breeding of animals as their main object. Wherever the requirement of "prevalence" is satisfied (i.e. the goods of own production "prevail" in comparison to those purchased from third parties), the regulations concerning the so-called "mixed concerns" provided for by paragraph 5 of article 34, do not apply.
The mere marketing of products purchased from third parties by the independent farmer are excluded from the special VAT regime provided for by article 34 insofar as such activity lacks any instrumental and complementary link with the activity of cultivating the land, the woods and breeding. For further details please refer to Circular Letter no.44 of May 14, 2002.
The taxable amount and the tax from the transfers of products and services other than agricultural ones (already included in section 2 of part VE) carried out by the mixed agricultural concerns, must be carried forward to line VG50. The deductible tax corresponding to these transactions must be carried forward into line **VG62**. To calculate the tax that may be deducted to the extent permitted by paragraph five of article 34, the taxpayer must perform the calculations separately on the basis of the explanations supplied in paragraph 6.4. of Circular Letter no. 328/E of December 24, 1997.

FARM HOLIDAYS *(Part VG - Section 4)*

With effect from January 1, 1992, paragraph 2 of article 5 of Law 413/1991, introduced a special system for the flat rate determination of the VAT due for subjects who carry out farm holiday activities in terms of Law No. 96 of February 20, 2006. For these subjects the tax due is determined (by way of a difference) applying the flat rate deduction of 50% to the tax relative to the taxable transactions recorded or subject to being recorded during the period.
In terms of paragraph 1 of article 5 referred to above, this system of the flat rate determination of the tax is also applicable to income taxes, excluding capital companies.
In addition to this, the aforesaid article gives taxpayers who do not want to determine the tax due on a flat rate basis, the right to communicate their choice when submitting their VAT return relative to the year in which the choice was made, which is also valid as regards income taxes (see line VO32).
Taxpayers who have opted for the deduction of VAT in the ordinary manner and who are accordingly bound to this choice for at least three years must not complete line VG40.
It is emphasized that agricultural producers, who carry out both agricultural, as well as farm holiday activities must use separate accounting in terms of paragraph 4 of article 36 and submit the annual return, completing two (or more) forms. Where separate accounts are kept, the taxpayer must issue an invoice, subject to VAT, for the internal transfers from one activity to the other.

CONNECTED AGRICULTURAL ACTIVITIES

Article 2, paragraph 7, of Law no. 350 of December 24, 2003 (2004 budget law) introduces a flat-rate VAT deduction regime for agricultural businesses that conduct "activities that produce goods and supply services as per the third paragraph of article 2135 of the Civil Code". This regime, which is governed by article 34-bis, states that tax owed is to be calculated by applying a percentage of flat-rate deduction of 50 percent to the tax relative to taxable operations carried out.
Circular Letter no. 6 of February 16, 2005 states that the regime introduced by article 34-bis applies only to the supply of services principally "through the use of equipment or resources that are normally employed in the agricultural activity conducted" (cp. the final part of paragraph 3 of article 2135 of the Civil Code).
With regard to the accounting regime, the aforementioned Circular Letter no. 6 of 2005 specifies that in the case of the combined conduct of agricultural activity subject to the special regime as per article 34 and supply of services subject to the flat-rate deduction regime as provided for by article 34-bis, an obligation exists to adopt separate accounting methods in accordance with article 36. This obligation does not exist if the taxpayer decides to opt for the application of tax in the ordinary manner to both activities. In this regard, it should be noted that communication of the option provided for by paragraph 2 of article 34-bis must be given by crossing box 5 of line **VO3**.
The adoption of separate accounting methods entails the completion on the part of agricultural enterprises of two (or more) forms in order to clearly distinguish the accounting data relative to the activity subject to the special regime as per article 34 from data relative to the activity subject to the flat-rate deduction regime provided for by article 34-bis.

For the calculation of the deductible tax amount according to the regime as provided for by article 34-bis, line **VG43** has been provided in section 4 of Part VG.
As circular letter no. 6 of 2005 makes clear, the specific regime governed by article 34-bis is applicable also to the supply of services carried out on an occasional basis. In this case there is no obligation to institute separate accounting methods. However the aforementioned operations should be noted separately.
In order to allow taxpayers concerned to submit their annual VAT return on a single form, section 1 of Part VA includes line **VA7**. This line must be completed by indicating, in fields 1 and 2 respectively, the taxable amount and tax relative to occasional operations to which article 34-bis applies, already included in Part VE. With regard to admissible deductible VAT, line **VL5** has been included in section 1 of Part VL, and must be completed by indicating 50% of the amount shown in field 2 of line **VA7**. Purchases relating to these operations must be carried forward to line **VF17**.
The prospectus below clarifies how agricultural producers who have applied the special regime governed by article 34-bis must complete the return.

Activities conducted	Method of completing the return
Agricultural activity under regime according to article 34	Obligation to adopt separate accounting
Connected agricultural activity under regime according to article 34-bis	1 module for agricultural activity and completion of section 5 of box VG 1 module for connected agricultural activity and completion of line VG43
Agricultural activity under ordinary regime owing to option	Obligation to adopt separate accounting
Connected agricultural activity under regime according to article 34-bis	1 module for agricultural activity 1 module for connected agricultural activity and completion of line VG43
Agricultural activity under regime according to article 34	Distinct noting of operations under regime according to article 34-bis
Occasional operations under regime according to article 34-bis	1 module including both data relative to agricultural activity and data relative to occasional operations with application of article 34-bis agricultural activity completion of section 5 box VG occasional operations under article 34-bis completion of line VA7 and indication of admissible deductible VAT line VL5
Agricultural activity under ordinary regime owing to option	Distinct noting of operations under regime according to article 34-bis
Occasional operations under regime according to article 34-bis	1 module including both data relative to agricultural activity and data relative to occasional operations with application of article 34-bis occasional operations under article 34-bis completion of line VA7 and indication of admissible deductible VAT line VL5

ENTERTAINMENT AND SHOW ACTIVITIES

Legislative Decree No. 60 of February 26, 1999 in carrying out the delegation contained in Law No. 288 of August 3, 1998 (which provided for the abolition of the tax on shows and the introduction of the tax on entertainment limited to certain activities) drew a distinction between the entertainment activities listed in the tariff enclosed to Presidential Decree No. 640 of October 26, 1972, as amended by article 1 of Legislative Decree No. 60/1999 referred to above, (which are subject to the tax on entertainment and VAT on the basis of the special criteria imposed by paragraph six of article 74), and the show business activities indicated in table C, enclosed to Presidential Decree No. 633/1972, whose activities are subject to VAT on the basis of the ordinary criteria only and to whom the provisions of article 74-quater apply to these activities.
For an explanation regarding the reforms applied to the tax regulations applicable to entertainment and show business activities, please refer to Circular Letter no. 165/E of September 7, 2000, Circular Letter no. 247/E of December 29, 1999, Resolution no. 371/E of November 26, 2002 and Circular Letter no. 1 of January 15, 2003.

1. Entertainment activities

The main features of the special VAT regime applicable to entertainment activities, regulated by paragraph 6 of article 74 can be summarized as follows:
– application of VAT on the same taxable base as the tax on entertainment;
– application of a flat-rate deduction;
– exemption from accounting obligations, including that of submitting the annual return;
– obligation to keep separate accounts, in terms of paragraph 4 of article 36, for activities other than entertainment activities;

– payment of VAT in the same way and with the same deadlines as those applicable to the tax on entertainment. In terms of article 6 of Presidential Decree No. 544 of December 30, 1999, (which provides for the simplification of the taxpayers' obligations relative to the tax on entertainment), the payment of both taxes must be made using the consolidated payment form (form F24). In particular, the tax codes 6728 for the tax on entertainment and 6729 for the flat-rate VAT connected to the tax on entertainment, must be indicated.

In terms of paragraph 1, of article 1 of Presidential Decree No. 544/1999 subjects who organize the activities listed in the tariff attached to Presidential Decree No. 640/1972 and who apply the flat-rate regime referred to in paragraph 6 of article 74 of Presidential Decree No. 633/1972 are obliged to issue an invoice only for the services relating to advertising, sponsoring, transfers or granting of television filming and radio broadcasting rights, no matter how they are connected to the activities contained in the tariff. On the other hand, on the basis of access rights issued with suitable meters or computer-based ticket offices, these subjects may certify the considerations for entrance to or occupation of the venue and thus the considerations for participating in the entertainment and for the other activities subject to the tax on entertainment.

In terms of paragraph 6 of article 74 the regime does not apply to the transactions not subject to the tax on entertainment, which include the advertising services that may be carried out in the performance of entertainment activities.

Consequently, these transactions are subject to the ordinary VAT regime. Limited to the aforesaid transactions, one derives the following:

– the determination of the taxable base according to general criteria;
– the determination of the deduction according to the principles imposed by article 19;
– the compliance with the obligations in heading II, as to payment and submission of the annual return, as well as the annual communication of VAT data.

The flat-rate VAT regime imposed by paragraph 6 of article 74 is the natural VAT regime for subjects who carry out activities relating to the organization of games, entertainment and the other activities referred to in the tariff enclosed to Presidential Decree No. 640/1972. These persons are nevertheless entitled to take advantage of the right to have the tax applied in the ordinary manner.

In terms of Presidential Decree No. 442 of November 10, 1997, which regulates the manner of communicating the options concerning value added tax and direct taxes, the subjects who are obliged to communicate the option exercised in 2006 must cross box 1 of line VO7.

The option is valid until it is revoked and in any event lasts for at least five years.

The communication of the revocation must be effected by crossing box 2 of line VO7.

2. Show activities

The show activities contained in table C enclosed to Presidential Decree No. 633/1972 are subject to value added tax exclusively according to the general principles that regulate the tax.

As an exception to the general rules regarding VAT, article 74-quater, provides specific provisions for show business activities, which deal with:

– the identification of the start of the performance as the moment in which the tax is levied at the start of the carrying out of the event, with the exclusion of the transactions carried out by way of subscription;
– certification of the considerations based on access rights issued with meters or computer-based ticket offices.

In addition to this, paragraph 5 of article 74-quater introduces a special relief system. This system is reserved for persons that conduct travelling shows, as well as those carrying out the other types of show activities contained in table C enclosed to Presidential Decree No. 633/1972, whose business turnover in the previous year did not exceed 25,822.84 Euro. In terms of this system, the taxable base is determined as being fifty percent of the aggregate amount of the considerations collected, with the VAT paid on purchases being completely non-deductible.

As far as accounting obligations are concerned, article 8 of Presidential Decree no. 544 of December 30, 1999, as amended by article 2, paragraph 59, of Law no. 350 of December 24, 2003 containing the regulations for the simplification of the taxpayers' obligations as regards tax payable on entertainment activities, foresees the following exemptions for subjects who engage in travelling entertainment activities as per table C, who have not exceeded an overall business turnover figure of Euro 50,000.00 in the previous year:

– the exemption from the obligation to record the considerations;
– the exemption from the obligation to settle and pay the tax;
– the numbering and filing of the invoices received;
– the possibility of certifying the considerations for fiscal purposes by means of a receipt or a slip;
– the annual payment of the tax;
– the filing of the annual communication of VAT data;
– the filing of the annual return.

In terms of paragraph 4 of article 36 the obligation exists to set up separate accounting for the activities that fall within the scope of the relief system, if the subject also carries out other activities.

Line VG42 of the return is reserved for the subjects to whom the special regime governed by paragraph five of article 74-quarter applies, in order to indicate the reduction of the taxable base (fifty

percent of the considerations collected) provided for in terms of paragraph 5 of article 74-quater referred to above. Accordingly, taxpayers who conduct travelling shows and those carrying out the other activities listeed in table C attached to Presidential Decree No. 633/1972, whose business turnover does not exceed 25,822.84 Euro, must indicate in column 1 of line VG42 the amount by which the considerations collected must be reduced in relation to the abovementioned activities, as regards the entire amount and separately per tax rate applied, in section 2 of part VE.
The relative tax must be indicated in column 2 of line VG42.
The relief regime imposed by paragraph 5 of article 74-quarter is the natural VAT regime for subjects who undertake travelling shows and smaller taxpayers who carry out show business activities. These subjects nevertheless have the right to opt for the application of the tax in the ordinary manner.
On the basis of the provisions contained in Presidential Decree No. 442 of November 10, 1997, the option must be communicated in the annual VAT return relative to the tax period in which the taxpayer made the option. Accordingly, the persons obliged to communicate the option relative to 2006 must cross box 1 of line VO14. Communication of the revocation must be made by crossing box 2 of the same line VO14.
The option is valid until it is revoked and in any event for at least five years. Nevertheless, if the limit of 25,822.84 Euro in respect of business turnover is exceeded then, starting from the next calendar year, it is no longer possible to apply the relief system. As explained in circular letter no.50/E of June 12, 2002, to determine the business turnover it is necessary to make reference to the aggregate amount of the transfer of goods and the performance of services carried out during the calendar year of reference, paying exclusive attention to the activities listed in table C annexed to Presidential Decree No. 633/1972.
Finally, in terms of article 20 of Legislative Decree 60/1999 cinema hall operators are entitled to a tax credit, which can be deducted when the VAT is settled and paid or set-off in terms of article 17 of Legislative Decree No. 241 of July 9, 1997, in place of the tax relief provided by the legislation previously in force. Decree No. 310 of September 22, 2000, published in Official Gazette No. 254 of October 30, 2000, defines the conditions and criteria for the granting and use of the tax credit referred to.

3. Amateur sports associations and societies and similar subjects
Article 90 of Law no. 289 of December 27, 2002, as amended by article 4 paragraphs 6-bis, 6-ter and 6-quater of Decree Law no. 72 of March 22, 2004 converted by Law no. 128 of May 21, 2004, has brought important changes regarding amateur sports activities (see also Circular Letter n. 21 of April 22, 2002).
In particular, the new regulations make provision for the following types of subjects operating in the amateur sports sector:
- sports associations with no legal personality governed by article 36 et seq. of the Italian Civil Code;
- sports associations with private law legal personality in terms of the regulations contained in Presidential Decree No. 361 of February 10, 2000;
- capital based non-profit amateur sports societies (including co-operative companies).

The amateur sports societies are incorporated in terms of paragraph 17 letter c) of article 90 "according to the provisions in force, with the exception of those that envisage the objectives of making a profit."
The amateur sports associations and societies must indicate in their name that the objective of the society is amateur sports. The articles of association and memorandum of associations of both categories of subjects must contain the paragraphs required to guarantee the absence of profit-making and to ensure compliance with the other principles prescribed by article 18, 18-bis and 18-ter of Law No. 289 of 2002 as amended by Decree Law no. 74 of 2004.
Article 90 of Law 289/2002 also brought about numerous changes to the tax regulations in favour of amateur sports.
In particular, the tax relief introduced by Law No. 398 of December 16, 1991, as amended and those introduced by the other tax provisions concerning amateur sports associations were extended to the new non-profit amateur sports societies.
Article 2, paragraph 31, of Law number 350 of 2003 extended the applicability of the tax regime as per Law number 398 of 1991 to legally recognised non-profit band associations, amateur choirs, drama societies and music and popular dance associations along with the other tax dispositions regarding amateur sports associations.
Accordingly, the special VAT regime, governed by paragraph 6 of article 74 of Presidential Decree No. 633 of 1972, which applies to amateur sports associations, non-profit associations and pro-loco associations that take advantage of the provisions introduced by Law No. 398 of 1991, since January 1, 2004 is also applicable to legally recognised non-profit band associations, amateur choirs, drama societies and music and popular dance associations that opt for the same.
Article 9 of Presidential Decree No. 544 of December 30, 1999, which contains regulations for the simplification of the taxpayer's obligations relative to taxes on entertainment, confirmed that the

aforesaid persons must apply the provisions imposed by paragraph 6 of article 74 in relation to all the income earned in the performance of commercial activities connected to the institutional purposes. Accordingly, insofar as amateur sports societies and associations and similar subjects, who opt for the application of the provisions contained in Law No. 398/1991 are concerned, the special VAT regime regulated by paragraph 6 of article 74 is also applicable to the income received in the performance of activities not subject to the tax on entertainment.
In relation to accounting obligations, paragraph 3 of article 9 of Presidential Decree No. 544/1999 referred to above provides for:
– quarterly VAT payments using the consolidated payment form (form F24) within the 16th day of the second month following the calendar quarter of reference. The 1% interest is not due;
– progressive numbering and keeping of invoices relating to purchases;
– the possibility of certifying the considerations to watch amateur sports events by issuing access rights or season tickets, as an alternative to access rights issued by means of a suitable tax meter or a computer-based ticket office (Presidential Decree No. 69 of March 13, 2002);
– recording of the amount of the considerations and any income received in the performance of commercial activities, with reference to the previous month, in the form contained in Ministerial Decree of February 11, 1997, duly supplemented.

In terms of paragraph 2 of article 9 of Presidential Decree No. 544/1999 referred to above, the option to apply the provisions introduced by Law 398/1991, must be communicated with due compliance with the provisions imposed by Presidential Decree No. 442 of November 10, 1997, concerning options and revocations for the purposes of value added tax and direct taxes.
Accordingly, to communicate the option exercised in 2006, the amateur sports societies and associations, the non-profit associations and the pro-loco associations, legally recognised non-profit band associations, amateur choirs, drama societies and music and popular dance associations, must cross box 1 of line VO30.
The option is binding for at least five years. Nevertheless, the loss of the necessary requirements to have access to the benefits granted by Law No. 389/1991 during the year, entails the application of VAT according to the general criteria dictated by Presidential Decree No. 633/1972 with effect from the month following the one in which the requirements ceased to exist. Taxpayers are reminded that paragraph 2 of article 90 of Law No. 289 of December 27, 2002 has established that the limit to take advantage of the relief system introduced by Law No. 398/1991 commencing from the fiscal period January 1, 2003 is set at 250,000 Euro.
Communication of the revocation must be made by crossing box 2 of the same line VO30.
Note that the amateur sports societies and associations (or sports centres and clubs managed in an associative manner), as well as the other associations connected to them by law, who have not opted for the application of the provisions referred to in Law No. 398/1991 (either by choice or because they do not fulfil the requirements set out in article 1 of the Law itself) and which, because they do not carry out entertainment activities, do not fall within the special flat-rate regime provided for in terms of paragraph 6 of article 74, are required to fulfil all the VAT obligations, including the submission of the annual return.

USED GOODS - DECREE LAW NO. 41/1995 - *(Part VG - Section 2)*

In order to determine the information requested in section 2 of Part VG, taxpayers who made transfers falling within the special used goods regime, can first complete Prospectus B (set out below) or Prospectus C, in the case of auction agencies acting on their own account or on behalf of private individuals on the basis of a commission contract.

NOTE: arising out of the provisions of paragraph 6 of article 30 of Law No. 388 of December 23, 2000, taxable subjects, who were charged VAT equivalent to 15% or 50% of the taxable base when purchasing vehicles must, in terms of paragraph 5 of article 30 of the above-mentioned Law, apply the marginal VAT regime stipulated for sellers of used goods, when the vehicle is subsequently resold.

NOTICE: when goods are sold under the special marginal regime, such sales must be included in part VE, subdivided into the taxable and non-taxable transactions, in accordance with the methods set out below. The costs relating to transactions falling within the marginal regime, which were incurred by subjects (including auction agencies) who apply the analytical method and by those who apply the global method, must be indicated in line VF14 of the return relative to the year in which such costs were recorded in the registers provided for by article 38 of Decree Law No. 41/1995, in addition to the amounts of any non-taxable purchases that may have been made. On the other hand, the VAT on general expenses (because such expenses are not related to the transactions falling within the special regime), according to the explanations contained in circular letter no. 177/E of June 22, 1995, must be deducted according to the general rules. Accordingly, such expenses must be indicated in lines from VF1 to VF11.

PROSPECTUS B
TO BE USED TO COMPLETE SECTION 2 (USED GOODS)

PART 1	**Analytical method of determining the margin**						
1	Total of transfers and exports of used goods etc.						
2	Gross margins (*) relative to taxable transactions						
3	Margins relative to non-taxable transactions, which make up the ceiling(to be included in VE30)						
4	Difference btw the considerations, to be included in line VE32 [line 1-(line 2 + line 3)]						
PART 2	**Global method of determining the margin**						
10	Considerations, gross of VAT, subdivided per rate	**4**	1	**10**	2	**20**	3
11	Considerations relative to non-taxable transactions						
12	Total of purchases and repair and ancillary expenses that contribute to determining the margin						
13	Negative margin of the previous year (from line VG22 of the 2006 return relative to 2005)						
14	Gross margin [(sum of the amounts in line 10) - (line 12 + line 13)] aggregate **or**						
15	Negative margin to be c/fwd to the next year [(line 12 + line 13) - (sum of amounts of line 10)						
16	Gross margins (*) per rate	**4**	1	**10**	2	**20**	3
17	Margins relative to non-taxable transactions, which make up the ceiling (to be included in line VE30)						
18	Difference btw the considerations, to be included in line VE32 [(sum of the amounts in line 10) + line 11-(line 14 +line17)]						
PART 3	**Flat-rate method of determining the margin**						
20	Considerations, gross of VAT, subdivided for rate	**4**	1	**10**	2	**20**	3
21	Considerations relative to non-taxable transactions						
22	Gross margins (*) per rate	**4**	1	**10**	2	**20**	3
23	Margins relative to non-taxable transactions, which make up the ceiling (to be included in line VE30)						
24	Difference btw the considerations, to be included in line VE32 [(sum of the amounts in line 20) + line 21- (sum of the amounts in line 22) - line 23]						

(*) The margins, net of VAT and the relative tax must be included in part VE, subdivided among the respective rates.

The form is made up of three parts that refer respectively to the analytical, the global and the flat-rate methods of determining the margin.
The sale of scrap and other products referred to in paragraphs 7 and 8 of article 74 do not fall within the marginal regime because scrap is a type of product, which is different from used goods, as defined in paragraph 1 of article 36 of Decree Law No. 41 of February 23, 1995 referred to above.

Part 1 - The analytical method of determining the margin (paragraph 1 of article 36 of Decree Law No. 41/1995)
Part 1 must be completed by taxpayers who applied the ordinary (or analytical) method of determining the margin in terms of paragraph 1 of article 36 of Decree Law No. 41/1995 referred to above.
The following information must be provided:
– in **line 1** indicate the aggregate amount of the considerations, gross of the tax, relative to the transactions carried out (taxable and non-taxable), which fall within the particular regime, including the transfers made vis-à-vis community persons (which, in effect are considered as transactions within the State) and the transfers of goods not subject to VAT because they have a zero margin (on the assumption that the costs, calculated for each transaction, are equal to or greater than the sale consideration);
– in **line 2** indicate the gross margins relative to taxable transactions.
The relative amount must be taken from the register of considerations referred to in article 24, in which the gross margins distinguished per rate must be recorded at each periodic payment. The data contributes to the formation of the amount to be indicated in line **VG21**. The margins net of VAT and the relative VAT must be included in part VE, subdivided between the respective rates;
– in **line 3** indicate the margins relative to the non-taxable transactions referred to in articles 8, 8-bis, 71 and 72, which contribute to the establishment of the ceiling. The relative data, which must be taken from the register provided for in terms of paragraph 2 of article 38 of Decree Law 41/1995, must be included in line **VE30**;
– **line 4** must include the following:
- the considerations relative to the other non-taxable transactions (article 38-quater) where the margin does not contribute to the formation of the ceiling;
- the remaining considerations, relative to both the taxable (line 2), and non-taxable transactions (line 3).

The relative amount is obtained from the difference between line 1 and the successive lines 2 and 3. The amount must be included in line **VE32**.

Part 2 - The global method of determining the margin (paragraph 6 of article 36 of Decree Law No. 41/1995)
The information can be taken from the special transfers and purchases register provided for in terms of paragraph 4 of article 38 of Decree Law 41/1995 referred to above.

Subjects who applied the global method must determine the margin relative to the exports and equivalent transactions analytically. In this regard, in terms of paragraph 6 of article 36 of Decree Law 41/1995, the costs relating to exported goods do not contribute to the determination of the global margin and therefore, these costs must be removed from the purchases recorded in the appropriate register. The following information must be provided:

– in **line 10** indicate the considerations, relating to the taxable transactions, inclusive of the tax, subdivided among the various tax rates applied;
– in **line 11** indicate the considerations relating to all the non-taxable transactions carried out, which do or do not contribute to the formation of the ceiling;
– in **line 12** indicate the total of the purchases made and repair and ancillary expenses incurred in relation to the taxable transactions referred to in line 10. Line 12 must not include the costs relating to exports and other non-taxable transactions because these costs do not contribute to the formation of the global margin in terms of paragraph 6 of article 36 of Decree Law No. 41/1995 referred to above;
– in **line 13** indicate the amount of the possible negative margin, resulting from line **VG22** of the VAT/2006 return for the 2005 year;
– in **line 14** indicate the aggregate gross margin relating to the taxable transactions referred to in line 10. The relative amount is the difference between the aggregate amount of the considerations contained in line 10 and the sum of the amounts in lines 12 and 13; the data contributes to the formation of the amount to be indicated in line **VG21**.
– in **line 15** (alternative to previous line 14), indicate the amount of the negative margin, which arises when the sum of the amounts shown in lines 12 and 13 is greater than the aggregate amount of the considerations in line 10. The data must be indicated in line **VG22** (see Circular Letter no. 144/E of June 9, 1998);
– in **line 16** divide the gross margins indicated on line 14 on the basis of the rates applied. In this regard, the aggregate gross margin must be subdivided among the various rates on the basis of the percentage ratios between the partial considerations, relative to each rate, and the total of the considerations (in this regard see the examples contained in paragraph 4.3.2 of circular letter no. 177/E of June 22, 1995). The percentage ratios must be calculated by rounding off the amounts to the second decimal place and determining the percentage relative to the greatest consideration for complement to 100 with respect to the sum of the others (i.e. subtracting this amount from 100).
– in **line 17** indicate the margins relative to the non-taxable transactions referred to in articles 8, 8-bis, 71 and 72, which contribute to the formation of the ceiling. These margins must be determined analytically, not contributing to the formation of the global margin;
– in **line 18** indicate:
  • the considerations relative to the other non-taxable transactions (article 38 quater), whose margin does not contribute to the formation of the ceiling;
  • the balance of the considerations, relative to both the taxable (line 10), and the non-taxable transactions (line 17).
  The relative amount is the difference between the aggregate amount of the considerations (the sum of lines 10 and 11) and the sum of lines 14 and 17.

Taxpayers, who by applying the global margin regime made a gross positive margin in the first periodic payments thus indicating a greater amount of VAT due, whereas in the last payments they showed a negative margin, must in any event refer to the accounting results for the whole of 2006 to determine the gross taxable base or alternatively the negative margin.
The final results of the registers must therefore also take into account the fact that the negative margin, which is to be used in the 2007 year, is calculated on an annual basis and appears at line VG22 of the 2006 VAT return.

Carrying the data forward to part VE of the return.
In order to correctly determine the business turnover, the information relative to the margin in part 2 of the form must be subdivided in part VE according to the following criteria:
– the amount in **line 16** must be carried forward to **section 2 of part VE** in a way that corresponds to the various rates, subdividing the amount between taxable amounts and tax;
– the amount in **line 17** must be included in line **VE30**;
– the amount in **line 18** must be carried forward to line **VE32**.

Part 3 - The flat-rate method of determining the margin (paragraph 5 of article 36 of Decree Law No. 41/1995)
The following information must be provided:
– in **line 20** indicate the considerations, relating to the taxable transactions, inclusive of the tax, subdivided among the various rates applied;
– in **line 21** indicate the considerations relating to all the non-taxable transactions carried out, which do or do not contribute to the formation of the ceiling;
– in **line 22** indicate the gross margins, relating to the taxable transactions, on the basis of the rates applied. The data contributes to the formation of the amount to be indicated in line **VG21**. These margins must be carried forward to **section 2 of part VE** in a way that corresponds to the various rates, subdividing the amount between taxable amount and tax;

– in **line 23** indicate the margins relative to the non-taxable transactions referred to in articles 8, 8-bis, 71 and 72, which contribute to the formation of the ceiling. This amount must be included in line **VE30**.

The special table can be used to determine the amounts to be indicated in lines 22 and 23.

– in **line 24** indicate:
- the considerations relative to the other non-taxable transactions (article 38 quater), whose margin does not contribute to the formation of the ceiling;
- the balance of the considerations, relative to both the taxable (line 20) and the non-taxable transactions (line 21).

The amount is the difference between the aggregate amount of the considerations (the sum of lines 20 and 21) and the sum of lines 22 and 23.

The resulting amount at **line 24** must be included in line **VE32** among the non-taxable transactions.

TABLE TO DETERMINE THE MARGINS
TO BE INDICATED IN LINES 22 AND 23 OF PROSPECTUS B

FLAT-RATE METHOD OF DETERMINING THE MARGIN				
		COL . 1 - PERCENTAGE 25%	COL . 2 - PERCENTAGE 50%	COL . 3 - PERCENTAGE 60%
X1	Considerations relative to non-taxable transactions that make up the ceiling			
X2	Considerations at 4%			
X3	Considerations at 10%			
X4	Considerations at 20%			
X5	Margins of non-taxable considerations that make up the ceiling [25% (X1 col . 1) + 50% (X1 col . 2) + 60% (X1 col . 3)], to be c/fwd to line 23			
X6	Gross margin of considerations at 4% [25% (X2 col . 1) + 50% (X2 col . 2) + 60% (X2 col . 3)], to be indicated in line 22 col.1			
X7	Gross margin of considerations at 10% [25% (X3 col . 1) + 50% (X3 col . 2) + 60% (X3 col . 3)], to be indicated in line 22 col.2			
X8	Gross margin of considerations at 20% [25% (X4 col . 1) + 50% (X4 col . 2) + 60% (X4 col . 3)], to be indicated in line 22 col.3			

HOW TO COMPLETE PROSPECTUS C (AUCTION SALE AGENCIES)

The prospectus is reserved for auction agencies that act in their own name and on behalf of private individuals on the basis of a commission contract in terms of article 40-bis of Decree Law No.41/1995. The information indicated in the return must be set out in the same manner and with the same criteria envisaged for the sale of used goods in respect of which the analytical method is used for the margin.

PROSPECTUS C
TO BE USED TO COMPLETE SECTION 2 (USED GOODS)

1	Total of the considerations due from the transferees	
2	Total of the aggregate amounts paid to customers	
3	Aggregate amount of the gross margins (line 1 - line 2)	
4	Gross margins relative to taxable transactions (VE sec. 2 subject to separation of the tax)	
5	Gross margin relative to non-taxable transactions that make up the ceiling (VE30)	
6	Difference between the considerations to be included in line VE32 [line1 - (line 4 + line 5)]	

The following information must be indicated:

– in **line 1** indicate the aggregate amount of the considerations due by the highest bidders, gross of VAT, relating to the transactions carried out (taxable and non-taxable) that fall within the special regime;
– in **line 2** indicate the aggregate sum of the amounts that the auction agency has paid to customers;
– in **line 3** indicate the aggregate amount of the gross margins, i. e. the difference between line 1 and line 2;
– in **line 4** indicate the aggregate amount of the gross margins relative to the taxable transactions. The margins, net of VAT, and the relative tax must be included in **section 2 of part VE**, according to the tax rate applied;
– in **line 5** indicate the margins relative to the non-taxable transactions in terms of article 8, 8-bis, 71 and 72, which contribute to the formation of the ceiling. The relative data must be included in line **VE30**;
– in **line 6** include the following:
- the considerations relating to the non-taxable transactions whose margin does not contribute to the formation of the ceiling;
- the balance of the considerations, relative to both the taxable transactions (line 4) and the non-taxable transactions (line 5).

The relative total is the difference between line 1 and the sum of lines 4 and 5 and must be in cluded in line **VE32**.

NOTE: the sum of lines 2, 14 and 22 of Prospectus B (gross margins relating to the taxable transactions) and the sum of lines 3, 17 and 23 of same Prospectus (margins relating to non-taxable transactions, which constitute the ceiling), as well as lines 4 and 5 of Prospectus C must be carried forward to line VG21 (gross aggregate margin).

COEXISTENCE OF MORE THAN ONE SPECIAL REGIME *(Part VA - Section 2)*

Any subject who carried out an activity that fell within the scope of a particular method of determining the deductible VAT during 2006, in respect of which the completion of one of the sections of part VG is envisaged and who at the same time carried out certain exempt transactions described below and/or occasional transfers of used goods can prepare a single form, noting the performance of such activities in section 2 of part VA and can use part VG to indicate the special regime adopted.

Exempt transactions

Where exempt transactions are carried out only occasionally (in other words transactions indicated in 1 to 9 of article 10, which do not fall within the actual activity of the concern or which are ancillary to taxable transactions), taxpayers must cross the box of line **VA20** and the relative amount must be indicated in line **VE33**; the purchases inherent to such transactions must be included in line **VF17** and section 3 of part VG must, therefore, not be completed.

Occasional transferes of used goods

Where occasional transferes of used goods occur, the box of line **VA21** must be crossed. To determine the margin, the taxpayer must complete prospectus C, set out in the section entitled "Used goods". To carry forward the data to part VE refer to the Appendix of the relevant item. On the other hand, purchases relative to occasional transferes, must be included in line **VF14**.

SEPERATE ACCOUNTING *(PART VH)*

As set out above (in paragraphs 1.2 and 3.2) where separate accounts are kept (article 36), part VH must contain the summarizing information of all the activities carried out.
Above all, please note that if the taxpayer carries out more than one activity in respect of which he has adopted (by legal obligation or by choice) separate accounting in terms of article 36, he must make separate periodic payments for the activities that have been accounted for separately.
Coinciding with the last month of each calendar quarter (March, June, September, as well as December for taxpayers referred to in paragraph 4 of article 74) the results of the monthly payments can be set off or added to the results of the quarterly payments, on condition that the deadlines for the respective monthly settlements and payments are met. Accordingly, in the corresponding lines of part VH (VH3, VH6, VH9 and VH12) a single amount, being the algebraic sum of the credits and debits emerging from the payments of single periods, must be indicated. For example, where the taxpayer intends to set off the tax payable resulting from the monthly payment (e.g. March) with the credit tax receivable from the quarterly payment (e.g. 1st quarter), for the purposes of setting off the monthly tax payable with the quarterly tax receivable it is necessary to anticipate the quarterly settlement by making the payment within the time limit provided for the monthly payment and indicating the amount of the credit balance or the amount of the lesser tax payable in line VH3. A similar cumulative indication must be made where the taxpayer does not intend to carry out a set off between the results of the monthly payments and the quarterly ones coinciding with the third month of every quarter.
Note that, for the purposes of indicating the data as to payments, the criteria illustrated above, must also be applied in other circumstances where, as a result of special provisions, the taxpayer carries out different periodic payments depending on the activities carried out (for example, filling station, road haulage contractors and other categories of taxpayers referred to in paragraph 4 of article 74).

The form below applies to those persons who carry out both monthly and quarterly payments and illustrates the way in which the VAT credit must be carried forward from one payment period to the other:

1) credit arising out of the payment for January: to be carried forward as a deduction against the payment for February;

2) credit arising out of the payment for February: to be carried forward as a deduction against the payment for March;

3) credit arising out of the payment for March: to be carried forward as a deduction against the pay ment for the 1st quarter;

4) credit arising out of the payment for the 1st quarter: to be carried forward as a deduction again st the payment for April;

5) credit arising out of the payment for April: to be carried forward as a deduction against the pay ment for May;

6) credit arising out of the payment for May: to be carried forward as a deduction against the pay ment for June;

7) credit arising out of the payment for June: to be carried forward as a deduction against the pay ment for the 2nd quarter;

8) credit arising out of the payment for the 2nd quarter: to be carried forward as a deduction again st the payment for July;

9) credit arising out of the payment for July: to be carried forward as a deduction against the pay ment for August;

10) credit arising out of the payment for August: to be carried forward as a deduction against the payment for September;

11) credit arising out of the payment for September: to be carried forward as a deduction against the payment for the 3rd quarter;

12) credit arising out of the payment for the 3rd quarter: to be carried forward as a deduction again st the payment for October;

13) credit arising out of the payment for October: to be carried forward as a deduction against the payment for November;

14) credit arising out of the payment for November: to be carried forward as a deduction against the payment for December;

15) credit arising out of the payment for December: to be carried forward as a deduction against the payment for the 4th quarter.

For the purposes of appropriating the advance payment made for the individual separate activities in terms of article 36 and consequently for the purposes of determining the balance to be paid for the last periodic payments for the year, the advance payment made must be deducted from the tax owed for the first debit payment due for any of the activities carried out, to the extent of the whole debit amount resulting from the successive payments for the same year.
Accordingly, for taxpayers who must effect both monthly and quarterly payments, the amount paid in advance will firstly be deducted from the total tax due for the month of December; any surplus will then be deducted from the amount due for the last calendar quarter (paragraph 4, article 74) and finally, in respect of any residual amount, from the total tax due in terms of the adjustment when the annual return is made by the subjects referred to in article 7 of Presidential Decree No. 542 of October 14, 1999.
Subjects who effect both taxable and exempt leases (for example, leases of capital goods) can take advantage of the separation of activities in terms of paragraph 3 of article 36.

TAXPAYERS WHO USE THE CONSIDERATIONS REGISTER - DETERMINATION OF THE TAXABLE AMOUNTS

Taxpayers referred to in **article 22**, who are not obliged to issue an invoice unless requested to do so by the purchaser, must determine the aggregate amount of the transactions net of the incorporated VAT i.e. by decreasing the considerations by an amount resulting from the application of the following percentages established in relation to the different tax rates:

rate	2%	percentage	1.95%
rate	4%	percentage	3.85%
rate	8.50%	percentage	7.85%
rate	10%	percentage	9.10%
rate	20%	percentage	16.65%

As an alternative to adopting the aforesaid separation percentages, the taxpayer can determine the taxable amount of the considerations recorded gross of VAT, by dividing the gross amount of the considerations recorded by 102, 104, 108.5 , 110 and 120, in relation to the different rates applied and multiplying the quotient by 100, rounding up or down to the nearest unit.
Please note that for the rates of 7, 7.3, 7.5, 8.3, 8.8 and 12.3 the taxable amount must be determined by dividing the gross amount of the considerations recorded by 107, 107.3, 107.5, 108.3, 108.8 and 112.3 respectively and multiplying the quotient by 100 and rounding up or down to the nearest unit.
The taxable amounts determined in this manner and rounded off to the nearest Euro must be carried forward to the column for taxable amounts (corresponding to the pre-printed rate).
The tax must be calculated by multiplying each taxable amount by the corresponding rate; the amounts calculated in this manner must be carried forward rounded off to the nearest Euro.

For example:

1) Applying the separation percentages

Total of the considerations at 20%		1,000.00
16.65% of the considerations	»	166.50
Taxable	»	833.50
Taxable rounded off	»	834.00
VA T (20% of 834.00)	»	166.80
Tax rounded off	»	167.00

2) Applying the mathematical method

Total of the considerations at 20%		1,000.00
Taxable = $\frac{1{,}000.00 \times 100}{120}$ =	»	833.33
Taxable rounded off	»	833.00
VAT (20% of 833.00)	»	166.60
Tax rounded off	»	167.00

TAXPAYERS WHOSE BOOKKEEPING IS DONE BY THIRD PARTIES

In terms of paragraph 3 of article 1 of Presidential Decree No. 100 of March 23, 1998, taxpayers who entrust their bookkeeping to third parties may exercise the option, provided for in paragraph 3 of article 1 referred to above, to make the monthly VAT payments with reference to the transactions carried out in the second preceding month.
In the case where the option is exercised by a subject who made quarterly payments in the previous year and who made monthly payments in the next year because the turnover limit referred to in article 7 of Presidential Decree No. 542 of 1999 was exceeded, the particular VAT payment method must be applied right from the start of the year and the same applies to subjects who start the activity from January 1 of that year.
In such circumstances, the subject in question must make the first payment relating to January on the basis of the tax payable in the aforesaid month. On the other hand, commencing from the payment for February, the taxpayer is obliged to apply the particular method of payment based on the computation of the tax payable in the second preceding month (i.e. in the example, the tax for the month of January) and so forth until the end of the year.
The form below is provided in order to ensure that the periodic payments are made correctly and that they are indicated in part VH:

Year 2006	Tax Payment Code	Due date for payment	Reference base
VH1	6001	16 February	December 2005 if activity started in January 2006
VH2	6002	16 March	January 2006
VH3	6003	16 April	February 2006
VH4	6004	16 May	March 2006
VH5	6005	16 June	April 2006
VH6	6006	16 July	May 2006
VH7	6007	16 August	June 2006
VH8	6008	16 September	July 2006
VH9	6009	16 October	August 2006
VH10	6010	16 November	September 2006
VH11	6011	16 December	October 2006
VH12	6012	16 January	November 2006

Year 2007	Tax Payment Code	Due date for payment	Reference base
VH1	6001	16 February	December 2006
VH2	6002	16 March	January 2007

MINIMUM TAXPAYERS *(Part VB)*

The flat-rate regime (paragraphs 171 to 176 of article 3 of Law No. 622 of December 23, 1996)
With effect from January 1, 1997 paragraphs from 171 to 176 of article 3 of Law No. 622 of 1996 introduced a special regime for the flat-rate determination of value added tax for so-called "minimum" taxpayers.
For the tax period 2006 minimum taxpayers have been defined as subjects carrying out business activities or arts and professions for whom the following conditions existed jointly during 2005:

a) business turnover, converted to an annual figure that does not exceed 10,329.14 Euro. To determine the business turnover reference must be made to the criteria contained in article 20 - that is the aggregate amount of the transfers of goods and the performance of services, which are recorded or which are subject to being recorded in the tax year, excluding depreciable goods and internal transfers referred to in the last paragraph of article 36.
The considerations and fees received, which are not relevant for VAT purposes must then be added to the business turnover (paragraph 3 of article 2, article 7, and paragraph 1 of article 74).
In cases where the taxable subject carries out more than one activity the aggregate business turnover relative to all the activities carried out, even if managed with separate accounting or subject to a special regime, must be taken into account;
b) instrumental goods, even if they are not owned, with an aggregate cost, converted to an annual figure in the case of purchase or sale, net of depreciation, not exceeding 10,329.14 Euro. In addition to this, it must be pointed out that only capital goods purchased for a valuable consideration contribute to the formation of the aggregate cost. In relation to capital goods for mixed use, i.e. partially used to carry out artistic, professional and business activities and partly used to fulfil personal or family requirements, the limit relating to the aggregate cost of these capital goods must be calculated at 50 per cent of their cost.
c) absence of export transfers.
d) remuneration paid to permanent employees and/or collaborators (occasional collaborators are therefore excluded), including social security and welfare contributions, not exceeding 70 per cent of the business turnover for 2005 and always within the limit of 10,329.14 Euro.

The activities referred to in articles 34, 74 and 74-ter are excluded from the flat-rate regime. The same applies to activities which fall within the scope of the other special regimes, to which the related regulations remain applicable, for example farm holiday activities in terms of Law No. 96 of February 20, 2006.
Minimum taxpayers who have not opted for the application of VAT in the ordinary manner must determine the VAT due on a flat-rate basis in relation to the main activity carried out, on the basis of the following percentages:
- businesses having as their object the performance of services: 73 per cent;
- businesses having as their object other activities: 60 per cent;
- arts and professions: 84 per cent.

For further information see Circular Letter no. 10 of January 17, 1997 and Circular Letter no. 75 of March 13, 1997.

EXEMPT MINIMUM TAXPAYERS

Article 37, paragraph 15, of Decree Law no. 223 of July 4, 2006, converted by amendments by Law no. 248 of August 4, 2006, introduced article 32-bis which provides for a new VAT regime (called the “exemption regime”) which is applicable as from the 2007 year for certain taxpayers with a reduced business turnover.
In particular, the new regime concerns taxpayers, individuals, and those carrying out commercial, agricultural and professional activities whose business turnover, in the previous calendar year, did not exceed 7,000 euros and who have not carried out exports. For the purposes of checking the said limit, where the taxpayer carries out multiple activities, even if managed through separate accounting pursuant to article 36, the total business turnover must be taken into consideration.
Taxpayers who are starting business may also make use of this regime if they agree to pay under the conditions listed above. In this case, the choice is communicated to the Revenue Agency through the start of activity declaration provided for by art. 35.
Taxpayers already in business must communicate that they meet the requirements for application of the exemption regime by filing the data amendment declaration provided for by the abovementioned article 35 by the deadline for the first electronic communication of the considerations.
Following the above-mentioned communications, the Revenue Agency will cancel the ordinary VAT registration number and attribute a special VAT registration number to be used for the period of application of the regime in question.
However, taxpayers who already make use of special regimes for calculating tax or non-residents individuals may not make use of the exemption regime. Also excluded are taxpayers whose exclusive or principal business is transfers of buildings or parts of the same, building land pursuant to article 10, no. 8), or new means of transport as provided for by article 53, paragraph 1, of Decree Law no. 331 of August 30, 1993.
The exemption regime is the natural VAT regime for taxpayers who meet the above-mentioned requirements. However, there is also the option of not making use of it by choosing the option of ap-

plying tax in the usual manner. This option is valid for at least one three-year period and is used by taxpayers in business who intend to continue applying tax in the usual manner, in accordance with the dispositions of Presidential Decree no. 442 of 1997, or by adopting a concluding behaviour and communicating this in part VO of the annual VAT return for which the choice refers. Taxpayers using the exemption regime, however, communicate the above-mentioned choice by filing a data amendment declaration pursuant to art. 35, paragraph 3, by the deadline for electronic filing of the considerations.

Once the minimum period has expired, it is possible to revoke the option chosen by communicating this through the data amendment declaration pursuant to article 35, paragraph 3, by the deadline for the first electronic communication of the considerations.

With regard to the obligations affecting “exempt” taxpayers, it should be noted that these taxpayers are exempt from paying tax and from all other obligations prescribed by the VAT decree, as well as the obligation to file the annual return, the VAT data communication and the list of clients and suppliers. They are also exempt from the obligation of electronic payment (pursuant to art. 37, paragraph 49, of Decree Law no. 223 of 2006) of taxes, contributions and premiums (pursuant to art. 17, paragraph 2, of Legislative Decree no. 241 of 1997).

Some obligations, however, do apply to these individuals and are listed below:

- numbering and keeping invoices relating to purchases and customs bills;
- certification of the considerations;
- electronic communication of considerations to the Revenue Agency;
- submission of the lists pursuant to art. 50, paragraph 6, of Decree Law no. 331 of 1993 to the customs offices.

In addition, pursuant to paragraph 2 of article 32-bis, the above-mentioned individuals may debit the tax as compensation and do not have the right to deduct the tax discharged on purchases (within Italy and the EU) or on imports.

Exempt taxpayers are, however, obliged to pay VAT if they carry out intra-community purchases or other operations for which tax is payable in accordance with the "reverse charge" mechanism. In such cases, it is obligatory to supplement the invoice received with the rate and relative tax, which must be paid by the 16th day of the month in which these operations are carried out.

In order to facilitate the application of this regime, taxpayers may seek assistance on tax obligations from the local Office of the Revenue Agency responsible for their tax domicile, subject to purchasing suitable computer equipment to enable them to connect with the Revenue Agency's informatic system. Requests may be made in free written form and submitted, or sent by recorded post, to a local Revenue Agency Office by January of the year from which the taxpayer intends to make use of this assistance.

In order to move from the ordinary regime to the exemption regime (and vice versa), it is necessary to carry out adjustment of the deductions pursuant to article 19-bis2, paragraph 3. The said adjustment is carried out in the annual VAT return for the year previous to that of the move the new regime. To prevent this process from becoming excessively burdensome, the due tax is paid in a lump sum, or in three annual instalments of equal amounts, to be paid by the deadline for payment of the VAT balance for the year previous to the one in which the regime was changed. It is also possible to extinguish the debt through compensation pursuant to article 17 of Legislative Decree no. 241 of 1997. In the case of discontinuance of the exemption regime, by law or by choice, the remaining instalments must be paid in a lump sum by the deadline established for the first periodic payment, following the most last electronic communication of the considerations.

It should be noted that the amount resulting from the above-mentioned adjustment must be indicated in **line VA45**, **field 2**, of the last annual return filed, relating to the year previous to the one in which the exemption regime was applied.

In addition, the tax relating to deferred payments, including from previous years, to the State and other individuals pursuant to the last paragraph of article 6, must be paid with the last annual return even if these have not yet become payable.

If the business turnover exceeds 7,000 euros or if exports are carried out, the regime in question will cease to have effect as from the following year. If, however, the business turnover declared by the taxpayer or adjusted by the office exceeds the above-mentioned limit by 50 percent, the exemption regime will cease to have effect from the year in which this limit is exceeded. In the latter case, tax will be payable for the considerations for taxable operations carried out during the entire calendar year, subject to the right to tax deductions on purchases relating to the same period. The tax must paid by the deadline established for the first periodic payment following the data of electronic communication of the considerations causing the limit to be exceeded.

Finally, it should be noted that, through the amendment pursuant to article 41, paragraph 2-bis, of Decree Law no. 331 of 1993, from article 37, paragraph 16, of Decree Law no. 223, transfers of goods carried out in relation to operators of another Member State by individuals using the exemption regime are not considered intra-community transfers but rather internal transfers without the right to compensation.

For further information on the exemption regime, please refer to Circular Letter no. 28 of August 4, 2006 and to the Revenue Agency’s Provision of December 20, 2006.

TAX CREDITS *(Lines VL28 and VL34)*

A list of traders, who can take advantage of the special tax credits is outlined below:

- Female entrepreneurs (article 5 of Law No. 215 of February 25, 1992 and Ministerial Decree No. 706 of December 5, 1996);
- Innovative investments (articles 5 and 6 of Law No. 317 of October 5, 1991);
- Taxi operators (article 20 of Decree Law No. 331/1993 and article 1 of the Ministerial Decree of March 29, 1994);
- Incentives for scrapping (article 29 of Decree Law No. 669 of December 31, 1996, converted with amendments by Law No. 30 of February 28, 1997, article 22 of Law No. 266 of August 7, 1997, Decree Law No. 324 of September 25, 1997, coordinated with Conversion Law No. 403 of November 25, 1997 and article 17 of Law No. 449 of December 27, 1997);
- Trade incentives (article 11 of Law No. 449 of December 27, 1997);
- Research costs (article 8 of Law No. 317 of October 5, 1991);
- Hiring of new employees by small and medium-sized businesses (article 4 of Law No. 449 of December 27, 1997, Regulation no. 311 of August 3, 1998, Managerial Decree of August 27, 1998, Ministerial Circular no. 219/E of September 18, 1998), (article 4 of Law No. 448 of December 23, 1998, Ministerial Circular no. 161/E of August 25, 2000);
- Purchase of vehicles that use methane or LPG (GPL) or the installation of systems that use methane or LPG (GPL) (Decree Law 324/97 and Ministerial Decree No. 256 of July 17, 1998);
- Purchase of weighing instruments (article 1 of Law No. 77 of March 25, 1997);
- Cinema-hall operators (paragraph 2 of article 20 of Legislative Decree No. 60 of February 26, 1999, Decree No. 310 of September 22, 2000 and Circular no. 165/E of September 7, 2000). See appendix to the item "Entertainment and show activities";
- Incentives for scientific research (article 5 of Law No. 449 of December 27, 1997, Decree No. 275 of July 22, 1998 and the Decree of May 18, 2000);

The abovementioned tax credits can be used where the special conditions provided for by the applicable laws and the implementing ministerial decrees exist. Moreover, the abovementioned list might not be exhaustive because of provisions contained in special measures or because of provisions, which came into force afterwards.

The taxpayer who uses special tax credits when making periodic or advanced payments must indicate the result of the payments and the amount of the advance payment net of the credits used in the "debits" field of the lines contained between VH1 and VH13. The sum of the tax credits used in this manner must be shown in line VL28, field1. On the other hand, the tax credit used when completing the annual return must be outlined in line VL34.

If the tapayer sets off tax credits by means of the F24 payment form, no information mustbe carried forward to the return.

DETERMINING TURNOVER (PART VE)

Part VE must be completed to determine the business turnover and the VAT relative to the taxable transactions.

The following contributes to the formation of the business turnover in terms of article 20: the aggregate amount of the transfers of goods and the performance of services, which are recorded or which are subject to being recorded with reference to the tax period, including the taxable amount relative to VAT transactions with deferred payment.

Despite being included in part VE, **the following do not contribute to the formation of the business turnover**: the transfers of depreciable goods (including industrial patents, intellectual property rights, licences, as well as trademark rights), the internal transfers between separate accounts (last paragraph of article 36), as well as transactions carried out in previous years but with the tax payable in the year in course. These transactions must be included in section 2 of part VE (lines VE20 to VE22) among the taxable transactions, in order to calculate the output VAT, and subsequently deducted in section 3 of part VE, with the purpose of determining the annual business turnover as specified in relation to lines VE38 and VE39.

EXPORTS AND OTHER NON-TAXABLE TRANSACTIONS *(Lines VE30 and VE32)*

An explanation follows on how to identify the transactions to be inserted in lines VE30 and VE32 of the VAT return.

In line **VE30**, indicate the amount of the non-taxable transactions, which contribute to the formation of the ceiling referred to in paragraph 2 of article 2 of Law No. 28 of February 18, 1997. In particular, indicate the following:

a) the considerations of non-taxable export transfers referred to in letters a) and b) of paragraph 1 of article 8, which also include:
   – transfers to the transferee or the agent, carried out by way of transport or delivery of goods outside the territory of the Community, handled by or in the name of the transferor or his commission agent;
   – transfers of goods drawn from a VAT warehouse with transport or delivery outside the territory of the European Union (letter g) paragraph 4 of article 50-bis of Decree Law No. 331/1993);
   – considerations for the transfers of goods and performance of services, similar to export transfers (first paragraph of article 8-bis), carried out in the conduct of the business activity

– considerations for international services or those associated with international exchanges (paragraph 1 of article 9) carried out in the conduct of the business' activity;
– considerations for the transactions referred to in articles 71 and 72, equivalent to those of articles 8, 8-bis and 9;
– the margins referred to in Decree Law No. 41/1995, relative to non-taxable transactions (relating to used goods etc.) that make up the ceiling and that contribute to the formation of the amount of line VG21.

b) the considerations for the intra-community transfers referred to in article 41 of Decree Law No. 331 of 1993, which include:
– circumstances where the national transferor delivers the goods on behalf of the community purchaser to another member State, other than the State to which the purchaser belongs (a trilateral community agreement promoted by a taxable subject belonging to another member State);
– circumstances where a national subject transfers goods and causes the goods to be delivered by his own community supplier to the transferee of another member State, who is liable to pay the tax relative to the transaction (trilateral community agreement promoted by a national person subject to tax);
– circumstances relative to the intra-community transfers of goods taken from a VAT warehouse with delivery to another member State of the European Union paragraph 4 (letter f) of article 50-bis of Decree Law 331/1993);
– considerations in respect of intra-community transfers of agricultural and ichthyic products, even if not included in the first part of Table A, enclosed to Presidential Decree No. 633/1972, made by agricultural producers referred to in article 34;
– considerations for the performance of services referred to in paragraphs 4-bis, 5, 6 and 8 of article 40 of Decree Law No. 331 of 1993, rendered to taxable subjects of other member States (services relative to movable goods, including surveys, carried out in Italy, on condition that on completion of the work, the goods, are delivered or transported outside the territory of the State, intra-community transport services and related intermediation services, intermediation services, services ancillary to intra-community transports and the related intermediation services, other intermediation services relative to movable goods);
– considerations for the transactions referred to in paragraph 1 of article 58 of Decree Law No. 331 of 1993, i.e. the transfers to national taxable subjects or their agents, carried out by means of the transport or delivery of the goods to another member State handled by or undertaken in the name of the national transferor.

Other non-taxable transactions
In line **VE32** in relation to the non-taxable transactions, which do not contribute to the formation of the ceiling detail of the following must be provided;
– the transfers relating to goods in transit or deposited in places subject to customs control;
– transfers to subjects domiciled or resident outside the European Community referred to in paragraph 1 of article 38-quater *(for further details see the instructions for section 2 of part VE);*
– the transfers of goods destined to be introduced into the VAT warehouses referred to in letters c) and d), paragraph 4 of article 50-bis of Decree Law No. 331/1993;
– the transfers of goods and the performance of services where the sale or performance relates to goods kept in a VAT warehouse (letters e) and h) of paragraph 4 of article 50-bis of Decree Law No. 331/1993);
– the transfers of goods from one VAT warehouse to another (letter i) of paragraph 4 of article 50-bis of Decree Law No. 331/1993).
The following must also to be included in this line:
– considerations for the transfers of goods and related ancillary services carried out vis-à-vis State Administrations or non-governmental organizations, recognized in terms of Law No. 49/1987, which in the manner established by Ministerial Decree of March 10, 1998, arrange for the transport or delivery abroad of goods for the accomplishment of humanitarian purposes, including those aimed at realizing development cooperation programmes or charitable or educational programmes (article 14 of Law No. 49 of February 26, 1987);
– considerations for the performance of services rendered outside the European Union by travel and tourism agencies that fall within the scope of the special regime referred to in article 74-ter (Ministerial Decree No. 340 of March 30, 1999);
– he difference between the considerations, which does not constitute the margin relative to the transactions falling within the special regime provided for by Decree Law No. 41/1995 (used goods etc.).

INTRA-COMMUNITY TRANSACTIONS AND IMPORTS *(Part VA-Section 3)*

An explanation follows on how to identify the transactions to be indicated in section 3 of Part **VA**.
The following must be included in line **VA30**, relative to non-taxable intra-community transactions:
column 1:
– intra-community transfers referred to in article 41 of Decree Law No. 331 of August 30, 1993, converted by Law No. 427 of October 29, 1993, which include:
• the delivery by the national transferor on behalf of the community purchaser of goods to a member State other than the one to which the purchaser belongs (trilateral agreement promoted by the community subject);
• the transfer by a national subject who purchases the goods in another member State, commissioning the supplier to deliver them in a third member State to the transferee, who is liable to pay the tax relative to the transaction (trilateral agreement promoted by a national subject)

– the intra community transfers of agricultural products included and not included in the first part of Table A, enclosed to Presidential Decree No. 633, made by agricultural producers falling within the special regime referred to in article 34 of the aforesaid Decree
– the intra-community transfers of goods taken from a VAT warehouse with delivery to another member State of the European Union (article 50-bis, paragraph 4, letter f) of Decree Law No. 331/1993);

column 2:

– the considerations for the performance of services referred to in paragraphs 4-bis, 5, 6 and 8 of article 40 of Decree Law No.331 of 1993 rendered to subjects from other member States, who are taxable (performance of services relative to movable goods, including the surveys carried out in Italy, on condition that on completion of the work the goods are delivered or transported outside the territory of the State, intra-community transport services and related intermediation services, services ancillary to intra-community transports and relative intermediation services, other intermediation services relative to movable goods).

In line **VA31**, relative to the intra-community purchases, the following must also be included:
– considerations for intra-community purchases made without paying the tax, with the use of the ceiling, in terms of articles 8, 8-bis and 9 referred to in paragraph 1 of article 42 of Decree Law 331/1993;
– considerations for the intra-community sales that are objectively non-taxable, carried out without the use of the ceiling, including those relative to the goods destined to be introduced into the VAT warehouses, in terms of letter a) of paragraph 4 of article 50-bis of Decree Law No. 331/1993;
– considerations for the intra-community purchases of foreign publications, by university libraries, not taxable, in terms of paragraph 7 of article 3 of Decree Law No. 90 of April 27, 1990;
– considerations for the intra-community purchases that are exempt in terms of article 10, referred to by paragraph 1 of article 42 of Decree Law 331/1993.

Line **VA32** must also include the following:
– the total of the imports made without paying the tax, with the use of the ceiling, in terms of paragraph 2 of article 2 of Law No. 28 of February 18, 1997 and article 68, letter a) and paragraph 2 of article 70;
– the total of the other imports not subject to VAT (article 68), including transactions for the introduction into free circulation with the suspension of the payment of the tax, of goods destined to be forwarded onto another member State of the European Union or the introductions into free circulation carried out without payment of the tax, relative to non-community goods destined to be introduced into the VAT warehouses;
– the total of imports not subject to the tax made by taxpayers who are earthquake victims and similar subjects, according to the special provisions on the matter;

NOTE: the transfers and purchases of goods, which fall within the marginal regime referred to in Decree Law No. 41 of February 23, 1995 (for used goods etc.) carried out with other EU traders, are not to be included in lines VA30 and VA31 respectively. This is so because they are considered as internal transactions subject to the tax of the Country in which the transferor resides.

TRANSACTIONS RELATIVE TO GOLD AND SILVER

1. General

Law No. 7 of January 17, 2000 provides for different tax treatment depending on whether one markets investment gold or gold other than investment gold (so-called industrial gold), as well as in relation to the subjects taking part in the transaction.
Transactions involving silver, with certain definite characteristics, are subject to the same tax treatment as that provided for transactions of gold other than investment gold (kindly refer to paragraph 8 below).

2. Investment gold

2.a. Definition

Article 10, paragraph one, number 11, as amended by article 3 of Law No. 7/2000 referred to above, defines investment gold as:

a) gold in the form of bars or plates of a weight that is accepted by the gold market, but in any event greater than 1 gram and of purity equal to or greater than 995 thousandths, represented by securities or not;

b) gold coins with a purity equal to or greater than 900 thousandths minted after 1800, that are or were of legal tender in the country of origin, which are normally sold at a price that does not exceed the value, on the open market of the gold contained in the coins by more than 80%, which are included in the list prepared by the Commission of the European Union and published annually in the Official Gazette of the European Communities, series C, on the basis of the communications given by the Ministry of the Economy and Finance, as well as coins with the same characteristics, that are not mentioned in the aforesaid list;

2.b. Exemption

Article 10, paragraph one, number 11 referred to above exempts the transfers of investment gold, even in the form of securities, for the financial operations provided for in letter c-quarter and c-quinquies, paragraph 1 of article 67 of Presidential Decree No. 917 of December 22, 1986, if such operations are related to investment gold, as well as the mediation regarding the aforesaid transactions.

Please note that paragraph 1 of article 67 of the T.U.I.R. (Income Tax Consolidated Act) provides for the following:
– **lett. c-quater** "income, other than income referred to previously, in any event earned by means of relationships from which arise the right or the duty to forward sell or purchase financial instruments, currencies, precious metals or goods or to receive or carry out on term, one or more payments linked to interest rates, quotations or values of financial instruments, foreign currencies, precious metals or goods and any other parameter of a financial nature. For the purposes of the application of the above, the aforesaid relationships are also considered financial instruments";
– **lett. c-quinquies** "the capital gains and other sources of income, other than those mentioned previously, which are realized by means of transfers for a money consideration or by finalizing relationships that produce unearned income and by means of transfers for a money consideration or by refund of pecuniary credits or financial instruments, as well as those realized by means of relationships through which positive or negative differences can be obtained and which are dependent on an uncertain event."

In particular, the following transactions fall within the scope of the exemption from value added tax:
– transfers of investment gold, including gold represented by gold certificates, even not allocated, or exchanged on metal accounts;
– *"swaps"*, *future* and *forward* contracts, repurchase agreements, as well as financial instruments that involve the transfer of the related right of ownership or the right to claim the investment gold;
– intermediations, including the services of agency and mediation, relative to the transactions mentioned above.

The transactions in question, insofar as they are exempt, must be shown by the transferor in part VE at line **VE33** and by the purchasers in part VF at line **VF15**. In addition to the internal purchases, the intra-community purchases and the imports must also be included therein.
In addition, the intra-community transfers, the intra-community purchases and the imports of investment gold must also be included in lines **VA30**, **VA31** and **VA32** respectively.

2.c. Option in relation to taxation
Subjects that produce investment gold or that transform gold into investment gold have the right to opt for the application of VAT even only for individual transfers. ***This option, limited to the individual transfers, was also extended to subjects who trade in investment gold, in terms of article 42 of Law No. 342 of November 21, 2000.*** If the option is exercised, the application of the tax is due by the purchaser, if he is a subject taxable in the territory of the State, who will have to adopt the so-called reverse charge mechanism (see paragraph 4b).
Accordingly the option can be exercised only in relation to transfers carried out vis-à-vis taxable subjects.
If the transferor has opted for the application of the tax, a similar right is also granted to the intermediaries. The relevant subjects must communicate the option in the following year, in accordance with the procedure contained in Presidential Decree No. 442 of November 10, 1997, i.e. in the VAT return relative to the year in which the choice was made, by crossing the corresponding box on line **VO13** (See "Options and revocations" in the Appendix).
The option is effective for at least three years, until it is revoked, if it relates to all the transactions, in terms of article 3 of Presidential Decree No. 442/97 referred to above.
For the purposes of completing the return, transactions involving investment gold, which have become taxable by choice, must be shown in line **VE35**, **field 1**, together with those relative to so-called "industrial" gold and pure silver, in respect of which the tax is applied using the reverse-charge system.

3. Right of deduction
Pursuant to the amendments introduced by article 3 of Law No. 7 of January 17, 2000, article 19 contains two distinct provisions regarding the right of deduction for traders on the gold market.
The first is in terms of **letter d**), **paragraph three of article 19** referred to above, wherein it is stated that the rule of non-deductibility, envisaged as a general principle in relation to the fulfilment of transactions that are exempt or in any event not taxable, does not operate in relation to the "transfers of gold referred to in article 10, no. 11), carried out by subjects who produce investment gold or who transform gold into investment gold".
The second provision is contained in **paragraph 5-bis of article 19**,wherein it is established that the limit to the right of deduction is not effective for subjects other than those referred to in letter d) mentioned above.
The exception contained in paragraph 5-bis referred to above in relation to the type of purchases expressly provided for by the abovementioned provision i.e. "for the purchases, including intra-community purchases and for the imports of gold other than investment gold destined for transformation into investment gold by the same subjects or on their behalf, as well as for the services consisting of modifying the form, the weight or the purity of the gold, including investment gold".
The subjects referred to in paragraph 5-bis above must set out the abovementioned purchases separately in the accounting records so as to exercise the right to the deduction by indicating the sum of the deductible VAT in line **VG37**.
Where the subjects referred to in paragraph 5-bis of article 19 have exclusively carried out exempt transactions, the box in line **VG33** must not be crossed and the deductible VAT due for the purchases referred to in paragraph 5-bis of article 19, must be reflected in line VG37.

In addition to this, taxpayers who fall either within the regime referred to in article 19, paragraph three, letter d) or that referred to in paragraph 5-bis within the scope of their own activity, must keep separate books of account for the relative transactions and are obliged to complete two forms so as to show the VAT allowed as a deduction separately for each regime, when submitting the annual return.

4. Gold other than investment gold

4.a. Definition

The second type of gold regulated by Law No. 7 of 2000 is gold other than investment gold (so-called industrial gold), i.e. "gold material" of any other form and purity and semi-processed products with a purity equal or superior to 325 thousandths.
In addition to this, the definition also includes gold leaf, as well as bars and plates that lack the required weight, form and purity to be considered investment gold, as well as gold scrap that is no longer suitable for use, destined to be reworked or transformed (see Resolution no. 375/E of November 28, 2002).
Here one is dealing with gold destined for essentially industrial use.

4.b. Manner in which the tax is applied - the reverse-charge mechanism.

For gold other than investment gold the relative transfers are made taxable by means of the so-called reverse-charge mechanism.
This mechanism, provided for by paragraph 5 of article 17, is characterized by the inversion of the tax burden pursuant to which the transferee becomes liable for the tax instead of the transferor. The latter must issue an invoice for the transfers in terms of these regulations without charging VAT. The invoice must contain the following wording "VAT not debited in terms of article 17, paragraph 5 of Presidential Decree No. 633 of 1972" and the transferee is obliged to supplement the invoice by setting out the rate and the relative tax.
Insofar as payment of the VAT is concerned, the transferee records the document, duly supplemented, in the register of invoices issued or in the register of considerations, in the month of receipt or even later, but in any event within fifteen days from the date of receipt of the document and with reference to the relative month; the same document is also recorded in the register referred to in article 25, for the purposes of the relative deduction.
In any event these transactions constitute business turnoverfor the transferor.
Over and above the transfers of so-called industrial gold as defined above, the reverse-charge mechanism is applied also in respect of transfers of investment gold that are taxable by choice, as well as transfers of pure silver (in this regard see paragraph 8), if carried out in relation to entities not subject to domestic tax.
In relation to the manner of completing the annual VAT return, in order to determine the tax due subjects who have purchased gold with the aforesaid mechanism must indicate the taxable amount and the relative tax as follows: in line **VJ7** for the purchases of industrial gold and pure silver within the State, in line **VJ9** for the intra-community purchases of industrial gold and pure silver and in line **VJ8** for the purchases of investment gold which are taxable by choice within the State.
Please note that line **VA30 field 1** must also contain the intra-community transfers of industrial gold and pure silver, whereas lines **VA31** and **VA32** must contain the sum of the intra-community purchases and imports of these same goods respectively.
The total of the abovementioned purchases must also be carried forward to **part VF** in correspondence with the relative rate.
In addition to this, if the transfers of industrial gold are to private consumers, they are taxable according to the ordinary rules relating to the tax (VAT debited by the transferors).

5. Tax refunds

For the purposes of claiming the refund of the deductible excess, in whole or in part, taxpayers legally entitled to do so must include in the computation referred to in article 30, third paragraph letter a) as amended by Law No. 7/2000, the transactions relative to transfers of investment gold, which are taxable by choice, as well as those relative to industrial gold and pure silver, carried out in terms of paragraph five of article 17.
For the purposes of calculating the average rate referred to in the aforesaid letter a), the abovementioned transactions must be considered as zero-rated.
Note that taxpayers who make intra-community transfers of gold and pure silver must include the said transactions in the calculation referred to in letter b) of article 30, paragraph three referred to above.

6. Gold imports

In relation to the imports of investment gold, for the purposes of the VAT exemption, the trader must submit to customs a declaration certifying that the gold being imported possesses all the legal requirements regarding form, weight and purity.
On the other hand, as regards imports of gold other than investment gold by taxable subjects residing in the national territory, the tax, despite being certified and settled in the customs declaration is materially discharged later on, in a similar way as that provided for internal transfers (article 70, paragraph five).

In essence, in such circumstances, the tax is discharged by recording the customs document both in the invoice or considerations register, with reference to the month in which the document was issued and in the purchases register in respect of the deduction.
"The relevant procedure under discussion, in the same way as for the imports of investment gold, entails the enclosure (by the taxable subject) of a certificate with the customs declaration on the subject's own letterhead, which specifies how the regulation invoked is rendered operative". *(Circular Letter no. 24/D of February 15, 2000)*.
Imports of investment gold must be indicated in line **VF15**, whereas imports of so-called "industrial gold" must be indicated in line **VF11**, as well as in line **VJ11** in order to determine the tax due.
The said imports of industrial gold, as well as investment gold and pure silver must also be included in line **VA32**.

7. Transactions relative to gold carried out by the Bank of Italy and the Italian Exchange Office

Paragraph five of article 4 provides that transactions relative to gold and foreign currency are not considered commercial, where such transactions are carried out by the Bank of Italy and the Italian Exchange Office; accordingly these are transactions in respect of which the tax remains excluded, whereas analogous transactions carried out by the agent banks now fall within the scope of VAT.

8. Transactions relative to silver

In terms of article 3, paragraph 10 of Law No. 7 of 2000, silver in bars or in grains with a purity equal to or superior than 900 thousandths (so-called pure silver) follows the regulations referred to in article 17, paragraph five and article 70, paragraph five as amended by the aforesaid Law.
Therefore silver falling within this definition is subject to the same fiscal treatment as the one for so-called "industrial" gold and therefore, the tax is applied by means of the *reverse-charge* mechanism and the imports follow the regulations set out in point 6. The taxpayer must therefore refer to the instructions already set out in respect of industrial gold, for the completion of the annual return.
In the same way, the transfers relative to pure silver fall within the computation of the average rate for the purposes of the refund referred to in article 30, paragraph three, letter a).

9. Obligations of dental technicians and other health workers

By virtue of Law No. 7 of January 17, 2000, which regulates transactions relative to gold and silver, subjects carrying out health professions and skills and in particular dental technicians and dentists who carry out exclusively VAT exempt transactions referred to in article 10, no. 18 are obliged to submit the annual VAT return, in terms of article 17, paragraph five, with the application of the so-called *reverse-charge* mechanism if, during the fiscal year they purchased:
– gold material and semi-worked articles with a purity equal to or superior than 325 thousandths. This excludes the alloys and pastes for dental use, which have the characteristics of a "medical device" referred to in Decree Law No. 46/1997 (see Resolution no. 168 of October 26, 2001);
– silver.
In relation to the accounting obligations, for this category of taxpayer, Presidential Decree No. 315 of September 27, 2000 provides for the right to carry out settlements and payments of VAT relative to each quarter without the obligation of communicating the option and without the application of interest.
For further information kindly refer to *Circular Letter no. 216/E of November 27, 2000.*

OPTIONS AND REVOCATIONS (*Part VO*)

In terms of article 2 of Presidential Decree No. 442 of November 10, 1997, as amended by article 4 of Presidential Decree No. 404 of October 5, 2001, the options and revocations regarding VAT and direct taxes must be communicated, bearing in mind the conclusive behaviour of the taxpayer during the tax year, using part VO of the annual VAT return only.
In circumstances where a subject is exempt from submitting the annual return, part VO must be submitted enclosed to the income tax return. In this regard, the front page of the UNICO (Personal Income Tax Return) 2007 form has a specific box, which if crossed indicates that part VO has been completed by the aforesaid subjects. Recourse to this method of communicating the option or revocations is only necessary in circumstances where the subject is not obliged to submit the annual VAT return with reference to other activities carried out or, as already set out in Circular Letter no. 209/E of August 27, 1998, when the exemption from the obligation of submitting the return remains even pursuant to the optional system chosen.
Circular Letter no. 209/E of 1998 also provided explanations regarding the regulations introduced by Decree No. 442 of 1997, concerning options. In particular it was explained that article 1, paragraph 1 makes it possible to revoke the option communicated if new legislative provisions intervene. Accordingly, what must be communicated in part VO is the option made in view of the legislative amendments that have intervened and not the revocation of the previous option already communicated.

As a rule the option made binds the taxpayer for at least three years as regards the adoption of different methods of determining the tax and one year as regards accounting regimes. Such terms become valid in any case as from January 1 of the tax year in which the choice was made. The more extensive time periods provided for by other legislative provisions relating to the determination of the tax remain unchanged. After the minimum period for the chosen regime has elapsed, the option remains valid for each year that follows so long as the option made is actually applied. This being so, it is not necessary to cross the corresponding box again.

PUBLIC ADMINISTRATIONS: ACTIVITY CODE (*Line VA2*)

Activities carried out by the Public Administration (Territorial Public Entities, State Bodies etc.) are distinguished with the activity code 75.11.1
Occasionally, some of the aforesaid entities incorrectly indicate the activity code. This occurs where, in addition to the institutional activities, the same entities manage more than one commercial or agricultural activity with separate accounting. In such circumstances the entity must submit a form for each set of accounts managed separately. The first of these forms must contain the activity code 75.11.1 (that identifies the institutional activity of the Public Administration) and the other forms must contain the code of the main activity to which the form refers.

TAX RELIEF REGIME PROVIDED FOR IN TERMS OF ARTICLES 13 AND 14 OF LAW NO. 388 OF DECEMBER 23, 2000.

Articles 13 and 14 of Law No. 388 of December 23, 2000 introduced two regimes for tax relief reserved for individuals. The first is aimed at new entrepreneurial initiatives and self-employed persons and the second is aimed at marginal activities.
In relation to value added tax, the regimes provide for the simplification of a number of accounting obligations, in particular:
– exemption from the recording and keeping of accounting records;
– exemption from making periodic settlements and payments;
– exemption from having to make the annual advance payment, also in the first year in which the special regime ceased.

However, the following obligations remain in force:
– invoicing and certification of the considerations;
– filing of documents received and issued;
– submission of the annual communication of VAT data by taxpayers referred to in article 13, whose business turnover during 2006 was in excess of 25,822.84 Euro;
– submission of the annual VAT return;
– annual payment of the tax.

As a result of the simplification of the accounting obligations set out above, persons who took advantage of the tax regimes provided for by articles 13 and 14 of Law No. 388 of 2000 referred to above are **not required to complete part VH** relating to periodic payments.
If the limits provided for by paragraph 2 , letter c) of article 13 or by paragraph 1 of article 14 are exceeded, by an amount less than or equal to fifty per cent, all the exemptions provided for by the regimes under discussion will be forfeited with effect from the tax period that follows the one in which the limit was exceeded or in the same tax year if the total of income or considerations exceeds the aforesaid limits by 50 per cent.
For further information see:
– measure of February 8, 2001;
– measure of February 28, 2001;
– measure of March 14, 2001 (tax relief regime for new entrepreneurial initiatives and self-employed persons);
– measure of March 14, 2001 (tax relief regime for marginal activities);
– measure of March 26, 2001;
– Circular Letter no. 1/E of January 3, 2001;
– Circular Letter no. 8/E of January 26, 2001
– Circular Letter no. 23/E of March 9, 2001;
– Circular Letter no. 59/E of June 18, 2001;
– Circular Letter no. 157/E of December 23, 2004.

ADJUSTMENTS TO DEDUCTIONS (ARTICLE 19-BIS2) *(Part VG - Line VG70)*

Prospectus D has been prepared to facilitate the calculation of the aggregate amount of the adjustments to be indicated in line **VG70**.
The form contains a line for each type of adjustment regulated by article 19-bis2 and a line for the correction of the deduction due in relation to the purchases made in previous years in terms of paragraph 1 of article 19. The relative amounts must have a (+) or (-) sign depending on whether it is an increase or a decrease in the deduction.

PROSPECTUS D
ADJUSTING TO DEDUCTION

Art. 19 bis - 2	1	Adjustment for variations in the use of non-depreciable goods (paragraph 1)	
	2	Adjustment for variations in the use of depreciable goods (paragraph 2)	
	3	Adjustment for changes in the fiscal regime (paragraph 3)	
	4	Adjustment for variations in the pro-rata (paragraph 4)	
Art. 19, paragraph 1	5	Variation of the deductibility relative to purchases made in prior years	
TOTAL	6	Algebraic sum of lines 1- to 5 (to be indicate to VG70)	

Line 1, adjustment for non-depreciable goods and services when they are used to carry out transactions that give rise to a deduction that differs from the one made initially. To determine the extent of the adjustment it is necessary to refer to the total deduction made as an estimate when the purchase was made and to the deduction due when the goods were first used. If the goods were first used during the year of purchase the adjustment must not be included in this field in that the deductible amount determined on the basis of the effective first use is accounted for in the return. Obviously, when the first use takes place in the years following the year of purchase it is necessary to make the adjustment..

Line 2, adjustment for depreciable goods in relation to a different use taking place during the year in which they enter into operation, or the 4 years that follow; the adjustment is calculated with reference to as many fifths of the tax as are required to complete the five year period.

Line 3, adjustment for changes of the tax regime
Whenever changes in the tax regime of the lending transactions, in the deduction regime of the tax on purchases or in the activity entail the deduction of the tax in an amount different to that already made, an adjustment must be made, limited to the goods and services not already sold or not already used and for depreciable goods, if four years have not passed since they entered into operation.
The following cases fall within the circumstances outlined:
– a change in the tax regime applicable to the lending transactions carried out, which have consequences on the deduction that is due (for example following legislative adjustments the change from a regime of total exemption to a regime of total taxability or vice-versa, or following the option to separate the activities according to article ex. 36);
– the adoption or abandonment - by choice or by law - of a special regime that is based on a flat-rate system for the deduction of the upstream tax, as for example takes place in the agricultural or show-business sectors etc;
– changes in the activity carried out by the taxpayer, which entails a change in the right to the deduction.

Line 4, adjustment by varying the pro rata.
The deduction of the tax relative to the purchase of depreciable goods, as well as the performance of services relative to the transformation, adaptation or restructuring of the assets themselves, carried out in terms of article 19, paragraph 5 is also subject to adjustment in each of the four years following the year in which they entered into operation, where there is a variation of the deduction percentage in excess of ten points. The adjustment is carried out by increasing or decreasing the annual tax by a ratio of one fifth of the difference between the sum of the deductions carried out and the amount equal to the deduction percentage of the year to which it relates. If the year or years in which the depreciable item was purchased or manufactured does not coincide with the year in which it entered into operation, the first adjustment, must be carried out, for all the tax relative to the asset, on the basis of the definitive deduction percentage of the latter year even if the variation does not exceed ten points. In addition to the circumstances set out above, the adjustment can be carried out even if the variation of the deduction percentage does not exceed ten points, on condition that the taxable subject adopts the same criterion for at least five consecutive years. In this case, the option must be communicated by crossing the box that corresponds to line VO1.
When the depreciable goods are sold before the period in which the adjustments must be made expires, the adjustment must be made by means of a single adjustment for the years required to make up the period, considering the deduction percentage as being equal to 100%, if the transfer is subject to tax. However, in such circumstances the tax that may be recovered by the taxpayer cannot exceed the total of the tax due on the transfer of the depreciable asset.

Line 5, variation of the deduction relative to purchases made in previous years.
In terms of article 19, paragraph 1, second period, the right to the deduction arises when the moment the tax becomes payable and at the latest it can be exercised in the return relative to the second year following on from the year in which the right arose and on the conditions that existed at the time the right arose (see. Circular no. 328/E of December 24, 1997). For the purposes of taking into account the provisions illustrated above when completing the return relative to the year in which the right to the deduction was exercised, it is above all necessary to include in VF, corresponding to the different applicable rates, the purchases in respect of which the tax became payable in

previous years but which were recorded in terms of article 25 in the year to which the General VAT return refers. In addition to this, in order to determine the right amount of the deduction due in relation to the aforesaid purchases, it is necessary to calculate the deductible tax relative to these purchases with reference to the deduction percentage applicable in the year in which the right to the deduction arose and the percentage determined in the return with reference to the moment in which the right is exercised. The resulting difference from the comparison made between the two deductions calculated as set out above must be indicated in this line.

Line 6, total adjustments; the algebraic sum of the amounts indicated in lines 1 to 5 must be indicated in this line. This information must then be carried forward to line **VG70**.

SCRAP

Article 74, paragraphs 7 and 8, for the transfer of scrap and recycled material states that tax is due from the selling party who is passively subject to tax according to the particular accounting inversion mechanism, *the so-called reverse-charge*. The purchasing party must integrated the invoice issued by the selling party without charge of tax, with the indication of the applicable rate and the relative tax and record it in the invoices register as per article 23 or in the considerations register as par article 24 in order to ensure that it is included in the periodical liquidations. Furthermore, the same invoice must also be recorded in the purchases record book as per article 25 in order to apply the tax deduction.
The aforementioned regulation finds application to all subjects who sell goods identified in paragraphs 7 and 8 of article 74. The ordinary VAT regime will still be applied to the same transfers when made to private consumers.
Regarding **import** of the same goods, article 70, paragraph 6, in derogation of the ordinary tax payment criteria on imported goods, establishes that the same is not paid at customs but it is paid by means of recording in the customs record books as per articles 23 and 24, and in the register as per article 25 regarding deduction.
Indications regarding such operations in the parts of the return are provided in the following table.

TRANSFEROR	TRANSFEREE
Transfers to San Marino VA34; VE30	Internal purchases VF9; VJ6
Intra-community transfers VA30 field 1; VE30	Purchases from San Marino VA35 field 1; VF11; VJ1
Exports VA33; VE30	Intra-community purchases VA31; VF11; VJ9
Internal transfers as regards taxable subjects VE34	Imports VA32; VF11; VJ10
Internal transfers as regards private consumers part VE section 2	

CONTROLLING AND CONTROLLED COMPANIES

NOTICE: with resolution no. 22/E of February 21, 2005, the Revenue Agency has been made clear that also foreign companies may participate in the payment of group VAT as per article 73 last paragraph, on condition that they are located in countries within the European Union that have legal entities that are equivalent to companies under Italian law, that operate in the State through a permanent organisation, a fiscal representative or direct registration as per article 35 ter.

Prospectus by controlling companies
The controlling body or company is bound to submit two summaries for the group:
– the VAT form 26PR / 2007 to be included with its own annual VAT return;
– the VAT form of the periodic payments, 26LP/2007, which must be submitted, in the period provided for the submission of the VAT return (i.e. from February 1 to July 31, 2007), to the competent agent, enclosing a copy of VAT form 26PR/2007. In addition to this, the VAT form 26LP must be accompanied by the guarantees given by the individual companies taking part in the group payment (for the respective credits set off) and the guarantee given by the controlling company for any group credit surplus that is set off.

It must be noted that in relation to companies or groups of companies whose consolidated financial statements reflect a total equity in excess of 258,228,449.54 Euro, the guarantee can be given for all the subsidiary companies indicated in the latest presented consolidated financial statements, for the credit excesses set off by the companies, by the direct assumption by the parent or controlling company of the obligation to pay back to the Financial Administration the sum to be refunded (Circular Letterno. 164 of June 22, 1998).

In addition to this, it is possible to benefit from the exemption of having to give the guarantee for the credits set off by the controlling and subsidiary companies if the circumstances referred to in paragraph 7 of article 38-bis apply. In this regard, the circumstances set out in letters a), b) and c) of paragraph 7 of article 38 bis referred to above must exist in relation to the company or body taking part in the group VAT payment from which the credit derives (Circular Letter no. 54 of March 4, 1999).
As already emphasized in paragraph 3.4., companies that took part in the group VAT payment procedure for the year 2006 must submit the VAT return autonomously. Moreover, the VAT return must be presented autonomously also in cases where a company has taken part in the group VAT payment for a period of less than one year following on from, for example, the loss of the requirements for control during the year or by reason of extraordinary transactions.
In addition to this it is pointed out please note that the VAT input and output transferred to the controlling body or company by the companies taking part in the group VAT payment in terms of article 73, last paragraph (article 8 of Presidential Decree No. 542 of October 14, 1999) cannot form part of the set off as referred to in Legislative Decree No. 241 of 1997.
On the other hand, the VAT input and output resulting from the form (the VAT form 26PR) of the group return completed by the controlling body or company can form part of the set off mentioned above.
As specified in Ministerial Resolution no. 626305 of December 20, 1989, where there is partial setting off of the credits transferred by the individual companies, it is the duty of the controlling body or company to certify the specific allocation of the credit surplus effectively set off to the group companies. In the past this certification had to be enclosed to the annual returns of the individual subsidiary companies, in the applicable forms. Fulfilment of the obligations has in fact been replaced with the information requested in the controlling company's return, in field 7 of part VS of the VAT form 26/PR, relative to the credit surplus set off by each individual company. It is furthermore pointed out that for the purposes of determining the amount of the credit surplus set off by the companies within the scope of the group - and for which the guarantees provided for in article 6, paragraph 3 of Ministerial Decree of December 13, 1979 must be given by the individual companies whose credits have been set off - reference must be made to the aggregate amount of the debit surplus transferred by the other companies belonging to the same group, reduced by the amount of the tax payments made by the controlling body or company during the year.
The data in the **VAT form 26PR/2007** is contained in the VAT annual return to be submitted by the controlling body or company. In particular:
– **part VS** contains the list of all the companies (including the controlling company itself) that took part in the group VAT payment during the year; the amount claimed as a refund (within the scope of the aggregate refund claimed by the group), the relative circumstances, as well as the total credit surplus set off with the debits transferred by the other group companies must be indicated. Section 3 of part VS must indicate the credit surplus of the group carried forward from the previous year, used during the course of 2005 to set off the debits transferred by the individual group companies;
– **part VV** contains the periodic payments by the group;
– **part VW** contains the data relating to the payment of the group's annual tax;
– **part VY** contains the data relating to the VAT to be paid or the amount of the tax credit for the group;
– **part VZ** must contain the data relating to the deductible group surpluses of the two previous years, for the purposes of the group refund (if any) of the lesser surplus of the three-year period.

Reason of refund

The code for the reason for the refund must be taken from the Table set out below and must be indicated for each subsidiary company in respect of which the group refund is requested, in Part VS-column 5 - of the VAT form IVA 26PR to be completed by the controlling company.

TABLE OF REFUND CODES

1	Discontinuance of activity	
2	Art. 30, par. 3, lett. a)	- Average rate
3	Art. 30, par. 3, lett. b)	- Carrying out of non-taxable transactions
4	Art. 30, par. 3, lett. c)	- Depreciable goods as well as studies and research
5	Art. 30, par. 3, lett. d)	- Predominance of non-taxable transactions (art. 7)
6	Art. 30, par. 3, lett. e)	- Condition of article 17, 2nd paragraph
7	Art. 34, paragraph 9	- Exports and other non-taxable transactions

PERSONS AFFECTED BY EXCEPTIONAL EVENTS *(Completion of line VA40 and part VH)*

How to complete line VA40

TABLE OF EXCEPTIONAL EVENTS

1 Victims of extortionate and usurious demands
Paragraph 2 of article 20 of Law No. 44 of February 23, 1999 provided for a three-year extension to the time limits for the fiscal obligations, which fall within one year from the date of the prejudicial event, with a consequent repercussion on the time limits within which to submit the VAT return of the year.

2 Small and medium-sized businesses who are creditors of the abolished EFIM
Article 1 of Decree Law No. 532 of December 23, 1993 and article 6 of Decree Law No. 415 of October 2, 1995, converted with amendments by Law No. 507 of November 29, 1995.
The businesses in terms of article 1 of Decree Law No. 532 of 1993 referred to above must pay the suspended taxes within 30 days of the date on which the credit claimed is used up, by reason of final payments (total or partial) by the debtor entities, including the businesses subject to compulsory winding up.

3 Subjects resident or with registered or operational offices in the province of Campobasso and Foggia, affected by the earthquake which occurred on the 31.10.2002
The terms relative to the fulfilment of obligations and tax payments as regards the subjects indicated by the Decrees of November 14, 2002 (Official Gazette no. 270 of November 18, 2002) November 15, 2002 (Official Gazette no. 272 of November 20, 2002) and January 9 (Official Gazette no. 16 of January 21, 2003) have been suspended by the same Decrees from October 31, 2002 to March 31, 2003. The above-mentioned deadlines deferred to 31st December 2005 by article 4, paragraph 1, of the Order of the President of the Council of Ministers no. 3354 of May 7, 2004 and the deadlines have been deferred to **31st December 2006** by article 1, paragraph 1, of the Order of the President of the Council of Ministers no. 3496 of February 17, 2006 (Official Gazette no. 50 of March 1, 2006)

4 Other subjects affected by exceptional events not provided for in the codes set out above.
Persons effected by exceptional events not foreseen in the codes outlined above should indicate code 4 in the box.

How to complete part VH

Subjects who have made use of particular relief (suspension of the deadlines for the performance of obligations and payments of the tax) because of the occurrence of exceptional events (see the specific Table) must in any event set out in part VH, corresponding to the individual periods (months or quarterly), the debit amounts resulting from the periodic payments.
In addition, in order to balance the data, the amount of the periodic payments due, even if not paid because of the suspension, must be indicated in line **VL29**.

FOREIGN COUNTRY OF RESIDENCE

LIST OF FOREIGN COUNTRIES AND TERRITORIES

ABU DHABI 238	COREA (DEMOCRATIC PEOPLE'S REPUBLIC) 074	LESOTHO 089	ROMANIA 061
AFGHANISTAN 002	CÔTE D'IVOIRE 146	LATVIA 258	RWANDA 151
AJMAN 239	COSTA RICA 019	LEBANON 095	RUSSIA (FEDERATION) 262
ALBANIA 087	CROATIA 261	LIBERIA . 044	WESTERN SAHARA 166
ALDERNEY C.I. 794	CUBA. 020	LIBYA 045	SAINT KITTS AND NEVIS 195
ALGERIA 003	DENMARK 021	LIECHTENSTEIN 090	NORTH SAINT MARTIN 222
AMERICAN SAMOA ISLAND 148	DOMINICA 192	LITHUANIA 259	SAINT LUCIA 199
ANDORRA 004	DOMINICAN (REPUBLIC) 063	LUXEMBOURG 092	SAINT- PIERRE AND MIQUELON 248
ANGOLA 133	DUBAI 240	MACAU 059	WESTERN SAMOA 131
ANGUILLA 209	EAST TIMOR 287	MACEDONIA 278	SAN MARINO 037
ANTIGUA AND BARBUDA 197	ECUADOR 024	MADAGASCAR 104	HOLY SEE (VATICAN CITY) 093
NETHERLANDS ANTILLES 251	EGYPT 023	MADEIRA 235	SAO TOME AND PRINCIPE 187
SAUDI ARABIA 005	EL SALVADOR 064	MALAWI 056	SARK C.I. 798
ARGENTINA 006	UNITED ARAB EMIRATES 796	MALAYSIA 106	SENEGAL 152
ARMENIA 266	ERITREA 277	MALDIVES 127	SEYCHELLES 189
ARUBA 212	ESTONIA 257	MALI 149	SERBIA AND MONTENEGRO 288
ASCENSION 227	ETHIOPIA 026	MALTA 105	SHARJAH 243
AUSTRALIA 007	FAEROER (ISLANDS) 204	ISLE OF MAN 203	SIERRA LEONE 153
AUSTRIA 008	FALKLAND (ISLANDS) 190	NORTHERN MARIANA (ISLANDS) 219	SINGAPORE 147
AZERBAIJAN 268	FIJI 161	MAROCCO 107	SYRIA 065
AZORES ISLANDS 234	PHILIPPINES 027	MARSHALL (ISLANDS) 217	SLOVAKIA 276
BAHAMAS 160	FINLAND 028	MARTINIQUE 213	SLOVENIA 260
BAHRAIN 169	FRANCE 029	MAURITANIA 141	SOMALIA 066
BANGLADESH 130	FUIJAYRAH 241	MAURITIUS 128	SOUTH GEORGIA AND SOUTH SANDWICH 283
BARBADOS 118	GABON 157	MAYOTTE 226	SPAIN 067
BARBUDA 795	THE GAMBIA 164	MELILLA 231	SRI LANKA 085
BELGIUM 009	GEORGIA 267	MEXICO 046	SAINT HELENA 254
BELIZE 198	GERMANY 094	MICRONESIA (FEDERATED STATESOF) 215	ST. VINCENTE AND THE GRENADINES 196
BENIN 158	GHANA 112	MIDWAY ISLANDS 177	UNITED STATES 069
BERMUDA 207	JAMAICA 082	MOLDOVA 265	SUDAN 070
BHUTAN 097	JAPAN 088	MONGOLIA 110	SURINAME 124
BELARUS 264	GIBRALTAR 102	MONTSERRAT 208	SVALBARD AND JAN MAYEN ISLANDS 286
BOLIVIA 010	DJIBOUTI 113	MOZAMBIQUE 134	SWEDEN 068
BOSNIA AND HERZEGOVINA 274	JORDAN 122	MYANMAR 083	SWITZERLAND 071
BOTSWANA 098	GOUGH 228	NAMIBIA 206	SWAZILAND 138
BOUVET ISLAND 280	GREECE 032	NAURU 109	TAJIKISTAN 272
BRAZIL 011	GRENADA 156	NEPAL 115	TAIWAN 022
BRUNEI DARUSSALAM 125	GREENLAND 200	NICARAGUA 047	TANZANIA 057
BULGARIA 012	GUADELOUPE 214	NIGER 150	BRITISH ANTARTIC TERRITORY 180
BURKINA FASO 142	GUAM ISLANDS OF 154	NIGERIA 117	FRENCH ANTARTIC TERRITORY 183
BURUNDI 025	GUATEMALA 033	NIUE 205	BRITISH INDIAN OCEAN TERRITORY 245
CAMBODIA 135	FRENCH GUAYANA 123	NORFOLK ISLAND 285	THAILANDIA 072
CAMEROON 119	GUERNSEY C.I. 201	NORWAY 048	TOGO 155
CAMPIONE D'ITALIA 139	GUINEA 137	NEW CALEDONIA 253	TOKELAU 236
CANADA 013	GUINEA-BISSAU 185	NEW ZEALAND 049	TONGA 162
CANARY ISLANDS 100	GUINEA -EQUATORIAL 167	OMAN 163	TRINIDAD AND TOBAGO 120
CAPE VERDE 188	GUYANA 159	NETHERLANDS 050	TRISTAN DA CUNHA 229
CAROLINE ISLANDS 256	HAITI 034	NON - CLASSIFIED COUNTRIES 799	TUNISIA 075
CAYMAN (ISLANDS) 211	HEARD AND MCDONALD ISLAND 284	PAKISTAN 036	TURKEY 076
CZECH (REPUBLIC) 275	HERM C.I. 797	PALAU 216	TURKMENISTAN 273
CENTRAL AFRICAN (REPUBLIC) 143	HONDURAS 035	PANAMA 051	TURKS AND KAIKOS (ISLANDS) 210
CEUTA 246	HONG KONG 103	PANAMA – CANAL ZONE 250	TUVALU 193
CHAFARINAS 230	INDIA 114	PAPUA NEW GUINEA 186	UKRAINE 263
CHAGOS ISLANDS 255	INDONESIA 129	PARAGUAY 052	UGANDA 132
CHRISTMAS ISLAND 282	IRAN 039	PENON DE ALHUCEMAS 232	UMM AL QAIWAIN 244
CHAD 144	IRAQ 038	PENON DE VELEZ DE LA GOMERA . 233	HUNGARY 077
CHILE 015	IRELAND 040	PERU 053	URUGUAY 080
CHINA 016	ICELAND 041	PITCAIRN 175	UZBEKISTAN 271
CYPRUS 101	AMERICAN ISLANDS OF PACIFIC 252	FRENCH POLYNESIA 225	VANUATU 121
JORDAN/ GAZA STRIP 279	SOLOMON ISLANDS 191	POLAND 054	VENEZUELA 081
CLIPPERTON 223	ISRAEL 182	PORTUGAL 055	VIRGIN ISLANDS OF THE UNITED STATES 221
COCOS (KEELING) ISLAND 281	JERSEY C.I. 202	PUERTO RICO 220	BRITISH VIRGIN ISLANDS 249
COLOMBIA 017	KAZAKHSTAN 269	PRINCIPALITY OF MONACO 091	VIETNAM 062
COMOROS 176	KENYA 116	QATAR 168	WAKE ISLANDS 178
CONGO 145	KYRGYZSTAN 270	RAS AL KHAIMAH 242	WALLIS AND FUTUNA 218
CONGO (DEMOCRATIC REP. OF THE) 018	KIRIBATI 194	UNITED KINGDOM 031	YEMEN 042
COOK ISLANDS 237	KUWAIT 126	SOUTH AFRICA (REPUBLIC) 078	ZAMBIA 058
COREA (REPUBLIC OF) 084	LAOS (PEOPLE'S DEMOCRATIC REPUBLIC) 136	REUNION 247	ZIMBABWE 073