REVENUE AGENCY

2004

IVA

# INSTRUCTIONS TO COMPLETE THE VAT RETURN FOR THE TAX YEAR 2003

## INSTRUCTIONS INDEX (*)



**(*) NOTICE: unless otherwise specified, the articles of law mentioned refer to Pres. Decree no. 633 of October 26, 1972 and subsequent amendments.**

## APPENDIX INDEX

# VAT 2004

## 1. VAT RETURN FORMS FOR THE YEAR 2003 – GENERAL INSTRUCTIONS

### Foreword

The 2004 annual VAT return form concerning the tax year 2003 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 2004 personal income return 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 2004 VAT return forms.

**ANNUAL VAT RETURN FORM**

**FRONT PAGE**
The second page of this section has been changed in the part concerning the "Taxpayer's Details", so that the personal details provided by those taxpayers autonomously filing their VAT return are the same as the details to be provided when filing a unified statement, making a distinction between individuals and other types of entities. Following the same reasoning, the box "Filing of the statement for irregular work" has been eliminated as it is no longer applicable.

**FORM**

**Part VA**
In **section 1** lines VA4, VA5, VA6, VA7, VA8 and VA11 have been removed:
- lines VA4, VA5 and VA6 have been integrated into the newly created box VJ;
- the data reported on line VA8 concerning pro-rate calculation methods has been transfused in field 3 of line VG35, "Data for the calculation of the deduction percentage";
- starting from January 1, 2003, the information of line VA11 concerning taxpayers operating in electronic trade is provided by filing forms AA7/7 and AA9/7 for application of registration and change of data.

Differently from past years, **Section 3** is meant to summarize the data concerning all activities performed by the taxpayer, as explicitly reported in the section's title. It also contains new lines VA34 and VA35 concerning operations with the Republic of San Marino, which last year were included in section 4 (lines VA44 and VA45).

**Part VG**
In **Section 3**, concerning exempt operations, the line VG35 "Deduction percentage" now incorporates six additional fields for the indication of the data necessary to calculate the deduction percentage. The instructions to fill in the line in question provide for each field the information needed to correctly determine the operations to be reported and to calculate the deduction percentage.
In **Section 5**, concerning agricultural companies, the line VG62 has been added. It refers to the amount deductible from the so called theoretical VAT, as requested in line VL6 of last year's statement.

**Part VJ**
This newly implemented box inserted before the box concerning periodical liquidations (part VH) has been introduced to report special operations – already contained in part VA of last year's statement (lines VA4, VA5 and VA6) – for which the tax is payable by the transferee rather than by the transferor and for the indication of any purchase and

import of scrap and salvage on the basis of the new taxability system introduced by Leg. Decree no 269/2003 converted into the law no. 326/2003 (for more details please see the item “Scrap” in the appendix).

**Part VK**
In **section 3**, for the purposes of the necessary coordination with the formulation of part VL, the previous lines VK31, VK32, VK33 and VK34 have been removed and the new line VK31 has been added.

**Part VL**
In **section 1** lines VL2 and VL3 have been replaced by the new line VL2 reserved for the indication of the tax resulting from part VJ. Line VL6 has been removed as its content is now included in the new line VG62.
In **section 2** lines VL38 and VL39 have been added for the indication of total output VAT and input VAT respectively.

**Part VX**
The field 2 of line VX1 has been removed. It concerned excess payments and this year this data will be reported in the new line VX3.

**Part VO**
In line VO7 the box 2 has been removed. It concerned the option for the application of VAT in the usual modes for the transfer of ferrous scrap from taxpayers under paragraph 11 of Art. 74. This provision was abolished by Art. 35 of Leg. Decree no. 269/2003. The previous box 3 has been renumbered and has now become no. 2.

**FORM PROSPECTUS VAT 26/PR**

**Part VS**
In **section 1** a new column 2 has been inserted for the indication of the code corresponding to the particular subjective situation of each company that in the year 2003 has complied with the special procedure of VAT by group.

**Part VW**
In **section 1**, for the purposes of the necessary coordination with the new formulation of part VL, lines VW2 and VW3 have been replaced by a new line VW2 while line VE6 has been removed.
In s**ection 2** line VW38 has been added for the indication of the total output VAT.

**Part VY**
Field 2 of line VY1 has been removed. It concerned excess payment and from this year this data will be reported in the newly implemented line VY3.

**In order to make the amendments to the 2004 VAT return form easier to understand, in the first page of the Appendix a table has been provided to compare last year’s statement form so as to better identify amended lines.**

## 1.1 Taxpayers autonomously filing their VAT return

The autonomous filing (non unified) of the **VAT return form for the year 2003 (2004 VAT form)** is reserved only for some categories of taxpayers, namely:
– joint-stock companies and the bodies subject to IRPEG with tax period not coinciding with the solar year;
– 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 to 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 entrust 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 D);
– 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 occurred in the period between January 1, 2004 and the date of filing the statement for 2003, 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 Form’s layout

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

– The **title page** consisting of two 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 page of the 2004 income statement form must be used***.

– a **form**, consisting of several parts (VA-VB-VC-VD-VE-VF-VG-VJ-VH-VK-VL-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 requested data in this part in part RX of their 2004 Personal Income Return Statement.

Controlling bodies or companies must include in their statement also the **form IVA 26 PR/2004** (parts VS-VV-VW-VY-VZ) for the indication of the data concerning VAT payment as a group pursuant to Art. 73 and Min. Decree of December 13, 1979.

Those taxpayers who intend to request the annual reimbursement of input VAT must also file the **form (part) VR/2004** to the concessioner for the collection.

The taxpayers with **separate accounts** (Art. 36) must file the front page and a form for each separate account. Parts VC, VD, VH, VK, 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 more 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 compiled form, the boxes (at the bottom of part VL) concerning the complied part must be crossed.

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

In case of mergers, divisions, conferment 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 statements

### 1.3.1 – FILING METHODS

**According to Pres. Decree no. 322 of July 22, 1998 and subsequent amendments, the following subjects are required to electronically file their statements as provided for by the same decree (VAT, Income, IRAP, Withholding Agents):**

**1) taxpayers required to file their VAT return, except for those individuals totaling a business volume lower than or equal to 25,822.84 euro (50 million lira) in the 2003 tax period;**

**2) taxpayers required to file the statements of withholding agents pursuant to Art. 4 of the same Pres. Decree no. 322 of 1998;**
**3) joint-stock companies and commercial bodies under art. 87, paragraph 1, letters a) and b) of TUIR;**
**4) taxpayers required to file the form for the communication of data concerning the application of sectorial studies.**

**Certified intermediaries, official receivers and court-appointed liquidators must also file their statements electronically. Therefore, the statements of those taxpayers obliged to the electronic filing of their statements that are filed through a bank or a post office are to be considered as complied on a form non conforming with the approved form with the relevant application of a penalty ranging from 258 to 2,065 euro pursuant to Art. 8, paragraph 1 of Leg. Decree no. 471 of 1997 (see circular letter no. 54/E of June 19, 2002).**

**The obligation to electronically file VAT returns for the year 2003, even if unified, does not apply only to those individuals who in 2003 have reached a business volume not exceeding 25,822.84 euro (50 million lira) and are not included in one of the other categories of taxpayers required to file their statements electronically as reported under points 2 or 4.**

**The above mentioned taxpayers can file their statements on paper through an authorized bank or a post office, within the shortest term provided for this method (August 2, 2004).**

**However, these taxpayers can use the electronic service for filing their statements, thereby applying the longer terms provided for this method (November 2, 2004), forwarding it directly after having been specifically authorized, using the Internet service or an intermediary authorized to electronic transmission.**

### 1.3.2 – RETURN FILED THROUGH THE ELECTRONIC SERVICE

The return to be electronically filed can be forwarded:
a) directly;
b) through authorized intermediaries (and other entities).

***a) Direct electronic filing***

The taxpayers who prepare their own return can file it directly without resorting to an authorized intermediary; in this case the statement is considered to be filed on the day of completion of the data 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 elect to file their return directly must utilize:
– the **Entratel electronic service**, whenever the obligation exists to file the statement of the withholding agents (Form 770, simplified or ordinary), in relation to more than twenty persons;
– the **electronic Internet service**, whenever the obligation exists to file the statement of withholding agents for not more than twenty persons or, despite the obligation to electronically file the other statements as laid down by Pres. Decree no. 322 of 1998, are not required to file the statement of withholding agents.
**This filing method can be used also if the taxpayer decides to file the return electronically even if he or she is not obliged to do so.**

**NOTE: 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 Pres. Decree 633/72, shall file their statement through the Entratel electronic service using the Internet site https://entratel.agenziaentrate.it. As regards the methods to log 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, Pres. Decree no. 322/1998)**

The intermediaries reported in art. 3, par. 3, Pres. Decree no. 322 of 1998, are required to electronically forward to the Revenue Agency, using the Entratel, electronic service,

both the statements 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, as of 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 Leg. Decree no. 88 of January 21, 1992;
- trade union associations of entrepreneurs under art. 32, par. 1, letters a), b) e c), of Leg. Decree no. 241 of 1997;
- associations mostly gathering subject 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 statements they have prepared include professional firms and service companies in which at least half of the members or more than 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 above-mentioned 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.

If the statement has been prepared by an intermediary that is not authorized to electronic filing, the declarant shall be in charge of forwarding it to the Revenue Agency, either directly or through an authorized intermediary, which will be obliged to forward the statement delivered to him or her exclusively on behalf of the single declarant.

The acceptance of the statements prepared by the taxpayer is facultative 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 statements of the subject belonging to the group, in which at least one company or body is obliged to 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 subsidiaries are considered to belong to the group. Subsidiaries 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 through another subsidiary of this body with a stake higher than 50 percent of 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 statements pursuant to the Leg. Decree no. 127 of April 9, 1991 and Leg. Decree no. 87 of January 27, 1992, and to the companies subject to income tax for the corporate bodies listed in par. 2, lett. a), of art. 38 of said Leg. Decree no. 127 and in the list of par. 2, lett. a), of art. 40 of said Leg. Decree no. 87.

A company in the group can electronically file the statements of the other companies belonging to the same group by taking on the obligation to file the statement. 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 statements directly while other statements are filed through the companies of the group or an intermediary.

The companies and the bodies obliged to file their statements 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 file of the statement, the company shall hand out its statement, 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 statement**

Based on the provisions contained in the above-mentioned Pres. Decree no. 322 of 1998, authorized intermediaries and the companies of the group in charge of the electronic, 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 statement to the Revenue Agency, specifying whether the statement 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 statement to be electronically acquired by the centralized computer system;
- issue the declarant, within 30 days of the deadline provided for the electronic filing of the statement, with the original statement (the details of which were transmitted electronically), drawn up on a form that 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 statement and shall be kept by the declarant together with the original statement, and the remaining documentation 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 statement to avoid the non fulfilment of the obligation to file the statement.

**Notification of the electronic filing of the statement**

The notification by the Revenue Agency confirming that the statement has been electronically filed via the electronic service is transmitted electronically to the user who filed it. This communication, which can be consulted through the electronic service used for filing the statement (Entratel or Internet) remains available for thirty days from its issue. After this period the notification of receipt can be requested (both by the taxpayer and the intermediary) to any Revenue Office without any time limit.
In relation to verifying whether the statements electronically filed were filed in good time, it must be remembered that statements 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 timely filed, 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 Finance 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 (1 million lira) to euro 5,164 (10 million lira) (art. 7-bis, Leg. Decree no. 241 of July 9, 1997) will be charged to the intermediary.

The authorisation 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 from fiscal support services.

**Methods of authorization**

**1) 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 taxpayer in question has his or her tax domicile.
The application forms, the relevant instructions and the list of the Income Agency offices are available on the site **www.agenziaentrate.gov.it**, section "Electronic services", 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 of Pres. Decree 633/72, access to the electronic service Entratel is authorized by the Rome Office 6 (Via Canton no. 20, 00144 – ROMA), together with the attribution of the VAT number, on the basis of the data reported in the statement for direct identification. Said office is in charge of forwarding by post the envelope containing the data for the applicant's access to the service or of delivering the envelope to an entrusted subject who shall produced an adequate power of attorney and a valid ID document of him/herself and of the delegate's.**

**2) Statement filed via *Internet***

An essential requirement for the filing is the possession of the PIN (Personal Identification Number) code, which can be requested using the relevant function available on the website **http:// fisconline.agenzientrate.it**.
The issue of the PIN does not oblige the declarant to use the electronic service, as it is always possible to file the statement through an authorized intermediary.
For further information please consult the website **www.agenziaentrate.gov.it** under item "Electronic services".

### 1.3.3 – STATEMENT FILED THROUGH BANKS AND POST OFFICES

Those taxpayers who are not required to electronically file their statements according to the instructions provided in paragraph 1.3.1, can file their VAT return through a post office or an authorized bank.
The service of receipt of the statements by postal offices and banks is free. Statements can also be delivered which have been prepared using computer systems (unbroken line forms, printed with laser printers) on forms conforming with those approved by the Income Agency.
The statement must be put in the appropriate envelope in such a way that the type of form, the filing year and the taxpayer's personal details are visible from the envelope, otherwise banks and post office will not accept the statement.
Post offices and authorized banks can accept no more than five statements at a time from each person and are required to issue, even if unsolicited, a receipt for each statement delivered. This receipt must be kept by the taxpayer as it proves the filing of the statement.
The single statements or the single parts making up the form must be put in the envelope without any sealing system.

### 1.3.4 – FILING TERMS

According to art. 8 of Pres. Decree no. 322 of 1998, the VAT return concerning the year 2003 must be filed:

– if the taxpayer is required to **autonomous filing**, in the period between **February 1** and **August 2, 2004** if the statement is filed through an authorized bank or a post office, and by **November 2, 2004** if the statement is electronically filed;
– if the taxpayer is required to include the VAT return in the **unified statement**, between **May 1** and **August 2, 2004**, if the statement is filed through an authorized bank or a post office, and by **November 2, 2004** if the statement is electronically filed;

**Taxpayers are reminded that in case of electronic filing, the statement is considered to have been filed on the day in which the statement was electronically filed, namely on the day in which receipt of the data by the Revenue Agency has been completed (see circular letter no. 6/E of January 25, 2002).**

**The new text of Pres. Decree no. 322 of 1998 no-longer provides for a deadline concerning the delivery of the statement to intermediaries for electronic filing. It only states the deadline by which the statement must be electronically filed to the Revenue Agency electronically or on paper through banks or post offices. Therefore, anytime a law mentions the terms for the filing of the statement, reference is made to the methods actually adopted by the taxpayer to fulfil this obligation and to the terms specifically established for the methods adopted. In case of electronic filing, whether compulsory or voluntarily chosen by the taxpayer, reference must be made to the deadline set for this method (see circular letter no. 48/E of 22.05.2001)**
Taxpayers are reminded that, pursuant to articles 2 and 8 of Pres. Decree no. 322 of July 22, 1998, and subsequent amendments, the statements (including the VR Form) filed within **ninety days** from the expiry of the above mentioned deadlines are valid, expect for the application of the sanctions provided by law. Those statements filed with a delay of more than ninety days are considered omitted, but in any case impose the collection of the resulting tax due.

# 2. GENERAL INFORMATION

## 2.1 Forms' availability – Payments and installments

### Forms' availability

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 in the Internet website of the Ministero dell'Economia e delle Finanze **www.finanze.gov.it** and in the site of the Agenzia delle Entrate **www.agenziaentrate.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 pursuant to Art. 3 of Pres. Decree no. 126 of April 16, 2003 (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 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 statement, 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 Pres. Decree no. 435/2001, as replaced by Art. 2 of Leg. Decree no. 63 of April 15, 2002, converted by law no. 112 of June 15, 2002 (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 statement can:
– pay in one go by March 16;
– pay by installments by the deadline set for the Income Statement 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 Income Statement, 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 statement 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, Leg. Decree 331/1993) or adjustments have been made according to art. 19-bis2 or purchases have been made pursuant to art. 17, par. 3 or 5 (gold and silver with the reverse-charge method);
– 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 Pres. Decree No. 640 of October 26, 1972, as amended by article 1 of Decree Law No. 60 of the February 26, 1999, 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 concerns 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 fiscal 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;
– non-professional sport associations and non-professional sport non-profit stock corporation under art. 90, par. 17 and 18, of law no. 289 of 2002, as well as non-profit associations and pro-loco associations referred to in article 9-bis of Decree Law No. 417 of the December 30, 1991, (as amended by Act No. 66 of February 6,1992). These associations, having exercised the option for the applications of the provisions introduced by Act No. 389/1991 referred to above, are exempt from the VAT obligations in respect of all earnings obtained from the performance of commercial activities connected to the institutional purposes (see Appendix under "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 statement filing cases

***A – Statement by the companies participating in group's liquidation (art. 73)***

Controlling and controlled companies (art. 73) shall file their statements according to the following terms and conditions:
– **controlled companies (subsidiaries)** shall file their annual statements individually, with no attachments and according to the methods described in paragraph 1.2;
– the **controlling company or body (parent)** shall file its statement inclusive of the VAT prospectus 26PR/2004 that summarizes the group's liquidation. The controlling company or body shall also file to the Concessioner for collection the prospectus outlining the group's liquidation **(form IVA 26 LP/2004)** by enclosing:
  – a signed original copy of the **Form IVA 26 PR/2004**, included in its annual statement;
  – the guarantees given by the single companies participating in the group's liquidation for the relevant compensated credits;
  – the guarantee given by the parent company for any compensated excess credit of the group.

***B – Bankrupty and compulsory administrative liquidation***

**Bankruptcy during the 2003 tax period**

Official receivers and court-appointed liquidators, if the bankruptcy proceedings have started during the year 2003, 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.
As regards part VX, which must be completed only in form no. 01, 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 section 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 statement **exclusively to the Revenue Agency in charge**, within 4 months from the nomination, for the purposes of legally proving the bankruptcy procedure. This statement must be completed by using the specific **VAT form 74-bis, approved with measure of January 14, 2003**, 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 2003 tax period**

If the bankruptcy proceedings have started in the period between January 1, 2004 and the deadline established by the law for the filing of the VAT return form concerning 2003, and if this statement is not considered as filed by the taxpayer that has gone bankrupt or has been subject to compulsory administrative liquidation, said statement 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 2004 VAT return, exclusively to the Revenue Agency** in charge, within 4 months from nominating the official receiver or the court-appointed liquidators**.**

***C – 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 2003 (with consequent closing of the VAT account) and resuming the same or another business in the course of the same year (opening a new VAT account), the taxpayer in question must file one single VAT return consisting of:
– the **front page**, which in the part concerning personal details must report the VAT reg. no. of the last activity practiced in the year 2003;
– a **form** (no. 01), in which all the parts concerning the last activity practiced must be completed. The part 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 no.

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 whether the VAT return is filed autonomously and in unified mode (see circular letter no. 68 of March 24, 1999).

***D – Non resident taxpayers***

The new text of art. 17, second par., as amended by art. 1 of leg. Decree no. 191 of June 19, 2002, in force since August 31, 2002, 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 residing taxpayer may have operated in the territory of the State during the tax year in question.

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

**Non residing 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 position code 6.
If the non residing taxpayer has changed tax representative during the tax year, the statement must be filed by the tax representative operating at the time of filing the statement. This representative shall reported his or her own details in the part concerning the taxpayer and summarize in one single form the data of the transactions performed during the year by the non-residing taxpayer.

**Non residing 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 position code 1.

**Non resident taxpayer 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 statements to report distinctly the transactions attributable to each statement according to the above mentioned instructions.

In this case, in the statement filed by the tax representative or by the foreign non resident taxpayer directly identified, 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 in the same tax year has operated through a tax representative 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 statement by means of one single statement** consisting of several forms in relation to the institutes that the non resident taxpayer has used throughout the year. For the filling in of 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 the direct identification**

**a)** if **in 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 statement must consist of the front page and two forms:
- in the front page the non resident taxpayer shall report the VAT reg. no. assigned after filing the form ANR/1 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 the part VA, section 2 of part VL and parts VC, VH, 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 4, 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 switching has taken place between January 1 and the date of filing the statement,** the statement made up of one single form shall be filed by reporting in the part the details of the non resident taxpayer and the VAT reg. no. assigned to the taxpayer after filing the form ANR/1. Line VA1, field 4, 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 statement is referred** the non resident taxpayer has operated through direct identification pursuant to art. 35-ter and has subsequently made use of a tax representative, the statement must consist of the front page and two forms:
- the front page must report the details of the non resident taxpayer and the VAT reg. no. assigned after filing the 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 position 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, VX and VO summarizing all the operations performed by the non resident taxpayer;
- form no. 02 shall report the operations performed using direct identification. Line VA1, field 4, 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 switching has taken place between January 1 and the date of filing,**

the statement made up of one single form shall be filed by reporting in the part the details of the non resident taxpayer and the VAT reg. no. assigned to the taxpayer after filing the form AA7 o AA9. In the part concerning the taxpayer, the tax representative shall report his/her own details with position code 6. Line VA1, field 4, must contain the VAT reg. no. assigned to the non resident taxpayer after filing the form ANR/1.

# 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 statement form consisting of:
– the **front page** containing, in particular, the taxpayer's details and the signature to the statement;
– a **form**, consisting of several parts (VA - VB - VC - VD - VE - VF - VG - VJ - VH - VK - VL - VX - VO), to be filled in by every subject to report accounting data and other data concerning the business performed;
– and the **VR/2004 form** to be filled in only in case a request of reimbursement for input VAT has been made and to be present only to the Concessioner for collection locally in charge.

## 3.2 Taxpayers with separate accounting systems (art. 36)

As mentioned in the foreword (sub par. 1.2), those taxpayers who were engaged in more than one business 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 page, 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 concerns 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, VX and VO concerns the total of the businesses performed and therefore must be summarized in just one form, namely in the first form completed.

***NOTICE: it is specified that if more activities are performed using separate accounts, with one of these activities being exempted from the obligation of filing the VAT return, for this activity there is no obligation to include the relevant form in the statement (e.g. farmers under art. 34, par. 6, 1st and 2nd period; proprietors of entertainment businesses under art. 74, par. 6).***
***Instead, the taxpayers performing both taxable and exempt activities with separate accounts shall include in their statement also the form concerning the exempt activity performed. 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 no. 11, 18 and 19 of art. 10, for which the obligation of invoicing and registration remains.***

The taxpayers obliged by law (art. 36, par. 2 and 4) to keep separate accounts for the activities they perform shall refer to their relevant business volumes 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 volume 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 volume 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 switching** between separate activities does not contribute to forming the business volume.
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 volume.
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 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 detracted VAT.

**Saving management companies,** pursuant to art. 8 of Leg. Decree 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 page, 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 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 2003**

1. If during the tax year to which the statement is referred extraordinary operations have been performed or substantial subjective transformations have taken place, which have led to the **extinction of the subject concerned** (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 page and two sheets (or more sheets in relation to the number of subjects participating in the operation):
   – the single **front page** shall report the company's name, tax code, VAT reg. no. of the entity resulting from the transformation;
   – in the **form concerning the eligible party** (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 2003, 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. Part VX must also be completed in order to summarize the data concerning the subjects participating in the operation;
   – in the **form concerning the transferring party** 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 refer must be reported.
   Consequently, in this case the conferring or incorporated subject shall not file the VAT return concerning the year 2003.

2. If the extraordinary operation or the substantial subjective **has not caused the extinction of the transferring party** (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 statement 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 statement with reference to the operations performed in the year 2003 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;
– 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, 2004 and the date of filing the annual VAT return concerning 2003**

In this case, since the activity for the entire year 2003 was performed by the transferring party (incorporated, divided, conferring, transferring or donating company, etc), the following hypotheses can occur:

– if the **transferring party becomes extinct** following the transformation, the resulting entity (incorporating company, beneficiary, conferee, transferee, donaee, etc.) shall file for the year 2003 his or her statement together with the statement on behalf of the transferring party (incorporated, divided, conferring, transferring or donating company, etc), unless the obligation to file has already been fulfilled by this party directly. This statement 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 position 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 transferring party,** each subject involved shall file his or her VAT return concerning the operations performed in the entire tax year 2003 to which the statement refers.

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

In case of transformations occurred during the year 2003 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 page,** 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 VX must be filled in order to summarize the total annual amount to be paid or to be detracted, with reference to the participants to 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 more than one separated account 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 page 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 VX must also be filled in order to summarize the total annual amount to be paid or to be detracted, 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 page 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 the section 2 of part VL. In this form, also part VX must be filled in order to summarize the total annual amount to be paid or to detract, with reference to the participants to 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 page, 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 statement 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 leg. 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 2504 septies of the civil code provides for two forms of division:
– **total division**, with which the company transfers its entire equity to more pre-existing or newly setup companies (called “beneficiaries”) and, therefore, the divided 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 divided 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 discipline 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 divided company, including those concerning the filing of the annual statement of the divided company and the payment of the resulting tax, shall be fulfilled with mutual responsibility by the other beneficiary companies, or can 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 divided company by reporting in the part reserved for the taxpayer the details of the divided company and its own data in the part reserved for the declarant, with position 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 2003**

– if the heir or heirs have not continued the business of the deceased taxpayer, these shall file the statement on behalf of the deceased by reporting in the part concerning the declarant their data with **position code 7**. The VAT return must be included in the personal tax income statement UNICO 2004 if the deceased filed a unified statement;
– if the heir or heirs have continued the business of the deceased taxpayer, the statement shall be filed following the instructions reported in paragraph 3.3, point 1.

**Taxpayer deceased in the period between January 1 2004 and the date of filing the statement**

In this case, since the activity was performed for the entire tax year by the deceased taxpayer, the heir or heirs shall file the statement on behalf of the deceased by reporting in the part reserved for the declarant their own data with **position code 7**. As specified with circular letter no. 113/E of May 31, 2000, the VAT return shall be included in the personal income tax statement UNICO 2004 if the deceased taxpayers was required to file unified statements.

*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 statement, can be fulfilled by the heirs within six months after this event.*

**C) Incorporation of a company participating in the VAT liquidation by group by a company external to the group**

**1) Incorporation into a controlling company**

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

– the **group's VAT liquidation procedure is discontinued**, consequently the incorporating company shall file two statements: one concerning its own activities performed throughout the year and one on behalf of the ex controlling incorporated company. In this second statement, the incorporating company shall report its identification data in the part reserved for the declarant with position code 9 and in the part of the taxpayer the identification data of the incorporated company; part VK, in field "Last month of control" (VK1 field 2) shall report the last month in which group statements have been filed. Any excess credit resulting from part VY in VAT form 26PR/2004 of the ex controlling company shall be reported for the part compensated in the course of the year by the incorporating company in line VA42 of its statement in order to provide the required guarantee, the entire amount of which is reported in line VL26;
– the **group's VAT liquidation procedure is not discontinued**, but continues with separated accounts with respect to the incorporating company without the possibility to compensate the group's excess credit, according to the instructions provided by ministerial order no. 363998 of December 26, 1986. The incorporating company shall file two statements: one concerning its own activities performed throughout the year and one on behalf of the ex controlling incorporated company. In this second statement, the incorporating company shall report its identification data in the part reserved for the declarant with position code 9 and in the part of the taxpayer the identification data of the incorporated company; part VK, in field "Last month of control" (VK1 field 2) shall report the month in 13. Any excess credit resulting from part VY in VAT form 26PR/2004 of the ex controlling incorporating 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 in line VA42, for the purpose of presenting the required guarantee, the part of credit used, including in line VL26 the entire amount of this excess.

In the above mentioned hypotheses the statement 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 liquidation as subsidiary, the incorporating company shall file one single statement consisting of the forms concerning its own activity as well as the forms concerning the incorporated company, specifying in part VK of the incorporated company the credits and debts transferred by this company in the period in which it participated in the group's VAT liquidation. In this particular hypothesis, as already hypothesized in paragraph 1.1, the statement shall be filed automously.

**D) 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 (o 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 Feb. 29, 1996).

**E) 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 sales volume of the tax year in which the operations resulting from the various forms included in the statement must be considered. This sales volume must be of reference, following the provision of Pres. 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: as specified in resolution no. 347/E of November 6, 2002, non resident companies operating in Italy through a stable organization, tax representative or which identify themselves directly pursuant to art. 35-ter, cannot make use of the VAT payment by group under art. 73.***

As already specified above, both controlling and controlled companies that during the year to which the statement refers have benefited from the provisions of art. 73, last par., Min. Decree of December 13, 1979 and subsequent amendments, shall file the same form established for taxpayers in general to report their own details and balances transferred to the group.

The body or controlling company (so-called parent company) shall yearly report to the Revenue Agency in charge the desire to follow, for the tax year, the provisions of the above mentioned ministerial decree.

Said communication must be filed by the term established for the calculation and payment of the IVA concerning the month of January, using the VAT form 26 (approved with Min. 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 Min. 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 Min. Decree of January 8, 1990.

***The above mentioned forms are available in electronic format and can be downloaded from the Internet site of the Ministero dell'Economia e delle Finanze www. finanze.gov.it or dell'Agenzia delle Entrate www.agenziaentrate.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, 1986.
The same annual VAT return form must be used also 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.
The controlling company shall include in its statement also the parts concerning the group liquidation **(form IVA 26 PR/2004)** and complete the **form IVA 26 LP/2004** for its own and the controlled companies' periodical liquidations.
In all cases of unified or separated accounts ex art. 36, i.e. mergers, divisions 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 controlling company shall enclose to the VAT form IVA 26 LP/2004, to be filed with the Concessioner for Collection, the guarantees for the excess credit of the group for the year previously compensated in the tax period and those produced by the controlled companies concerning the single compensated excesses of credit, as well as a copy of the form IVA 26 PR/2004 signed in original;***
- ***the controlled companies shall not enclose their own statement, 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 form IVA 26 PR/2004; the guarantees concerning the compensated credits shall be forwarded to the controlling company.***

**Incorporation of the controlling company by a company participating in group liquidation**
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 former subsidiary. As clarified with said resolution, the methods outlined in 3.3.3, lett. c) become applicable, with reference to the case of incorporation of the controlling company by a company external to the group without the discontinuation of the group VAT liquidation procedure. In particular, the incorporating company that transfers to the group all the outcome of credits and debts, like the incorporating company, shall file two separate statements without performing the tax liquidation differently from the way it is liquidated by the incorporated company, since in this case both companies participate in the group VAT liquidation.

### 3.4.2 – SPECIAL INSTRUCTIONS FOR THE COMPLETION OF PARTS VH AND VK

The controlling and controlled companies following for the entire year the VAT compensation procedure shall also complete part VH, reporting the debts and the credits resulting from their periodical liquidations and transferred to the group.
In case of withdrawal from the group of a controlled company in the course of the year or in case 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 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 case 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 include also any squaring up of output or input VAT resulting from section 2 of part VL in the form of the incorporated company. In the case 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 case 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.

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

In order to exactly determine the tax amount, if the control ceased in the course of the previous year and the ex controlling company detracted the credit only starting from January 1, 2003, the ex controlling company shall include in line **VL26** of the return (VAT/2004), together with any credit reported form the previous year, 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 **VY4** of the VAT return for 2003).
If, on the other hand, the control ceased in the course of 2003 and the company calculated the excess credit of the group by deducting it from its periodic liquidations in the fraction of the year 2003 following the discontinuation of the control, the company (ex controlling) shall report in line **VL26** of the return (VAT/2004) 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 for 2004).
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 in 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 2003, and for which the guarantees established by art.6, par. 3 of Min. Decree 13.12.1979, in line **VA42** of the VAT return for 2004 (see instructions in line **VA42**) 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 2004" must be used if the VAT return is presented "independently", while the front cover of the form entitled "UNICO/2004" 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 **two sides**:

– on the first side, which contains information relating to the use of personal data, the fields "Company Name or Surname and Name" and "Tax Code" of the taxpayer must be filled in;

***NOTICE: the tax code must be filled in starting from the first box on the left.***

– on the second side, in addition to the tax code of the taxpayer at the top of the form, the following are required: the personal data of the taxpayer or declarant, the signature of the return, the obligation to the electronic filing of the return, and data regarding the endorsement of conformity and tax certification.

### 4.1.1 – TYPE OF RETURN

**Return for the correction or completion of an existing VAT return within the due date**
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**".

**Supplementary return**
Beyond the due date for the presentation of the return, the taxpayer may rectify or supplement it by electronically submitting a new return (directly or through an intermediary) or submitting it via a post office, complete in every part, on a form which is equivalent to the form approved for the fiscal period to which the return refers, and crossing the "**Supplementary return**" box.
A necessary condition for the submission of the supplementary return is that the original return has been presented in accordance with regulations. With regard to the original VAT return, it should be noted that returns presented up to ninety days after the due date are to be considered valid, subject to penalties being imposed.

In particular, the taxpayer may supplement the return:

- in the case of amendment provided for by article 13 of Legislative Decree 472/1997, by 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, naturally, interest due;
- in the case provided for by article 2, paragraph 8 of Presidential Decree 322/1998, by 31 December of the fourth year following the one in which the return was presented, in order to correct errors or omissions from which a greater tax debt ensues and subject to penalties being imposed;
- in the case provided for by article 2, paragraph 8–bis of Presidential Decree 322, by the due date for the presentation of the return relating to the following tax period, to correct errors or omissions which have determined the indication of a greater tax burden or a lesser credit. In such a case, any credit resulting from such a return may be used in set-off, in accordance with Legislative Decree 241/1997.

The supplementary return may also be presented, subject to the relevant box being crossed, for the correction of errors or omissions which do not affect the calculation of the taxable base, the tax, or the payment of the tax, and which do not 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. This number must be entered in the appropriate boxes without spaces, slashes or dashes so that the last number occupies the last position on the right.

**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.

**Tax code attributed to a permanent organisation**
This field must be completed solely by the non-resident person who for VAT purposes, either registers himself directly or makes use of an agent and who at the same time operates through a permanent organisation as provided for by Legislative Decree 191/2002, which amended article 17, paragraph 2. In this case, indicate the tax code attributed to the permanent organisation.

**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 agent 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.

**Foreign country of residence and foreign country code**
The field must be completed only by non-resident persons; the "foreign country code" must be taken from the list of foreign countries specified in the Appendix.

**VAT registration number in foreign state**
The field must be filled in all case by parties resident in another State of the European Union, indicating the VAT registration number in the originating State.

**Taxpayers different from individuals**

**Legal nature**

***NOTE: as of this year, 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 status in law applicable.***

**GENERAL CLASSIFICATION TABLE OF STATUS IN LAW**

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 oin 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 legal personality
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 (Single text on income tax)
24. General partnerships (SNC) as identified by article 5, paragraph 3, letter b), of the TUIR (Single text on income tax
25. Limited partnerships
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 18 August 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. General partnerships (SAS)
32. Simple partnerships (SNC)
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.

Persons different from individuals, not resident in Italy, who make use, for VAT purposes, of the system of direct registration or who use a tax agent, 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 persons 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 in the fields relating to the registered office, the details of the registered office abroad, and in the fields relating to the tax domicile, the head office of the permanent organisation in Italy.

**Foreign country of residence and foreign country code**

The field must be completed only by non-resident persons; the "foreign country code" must be taken from the list of foreign countries specified in the Appendix.

**VAT registration number in foreign state**

The field must be filled in all case by parties resident in another State of the European Union, indicating the VAT registration number in the originating State.

**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 agent or the system of direct registration must not fill in these fields.

### 4.1.3 DECLARANT DIFFERENT FROM TAXPAYER (AGENT, LIQUIDATOR, HEIR, ETC.)

This box must be filled in only if the declarant (the person who signs the return) is a person different from taxpayer to whom the return refers. The box must be completed specifying the tax code of the individuals who signs the return, the corresponding appointment code, as well as the personal data 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**", indicating, in such a case, the relevant appointment code corresponding to the relationship between declarant and should be written in the relevant field. Cases which fall under such a requirement include, for example, for example, the company nominated tax agent by a non-resident agent, as provided for by article 17, second paragraph, the company that indicates appointment code 9 as beneficiary company (of a divided company) or of an incorporating company (of incorporated company), the company that presents the return as contractual representative of the taxpayer.

***NOTE: as of this year, 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, 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 | Liquidator |
| 4 | Liquidator (compulsory winding-up or special management) |
| 5 | Receiver (receivership) or manager (judicial custody), or special manager in the capacity of the representative of the attached assets |
| 6 | Tax agent of a non-resident person |
| 7 | Heir |
| 8 | Liquidator (voluntary winding-up) |
| 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 (demerger) or the company resulting from a merger or incorporation |
| 10 | Non-resident's tax representative 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 (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 | Official receiver 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, 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 - official receiver,** to be specified in the case of forced administrative liquidation.
  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 regards the year in which bankruptcy proceedings or the selection procedure started, the relevant **box 74-bis** must be crossed. In addition, the date of termination of the procedure must be specified in the declaration 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 trustee(s) or official receiver(s), 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 receiver in the quality of representative of the goods seized. In addition, the date of the relevant nomination must be specified;
- **appointment code 6 – fiscal representative** of a non-resident agent. In the particular case in which the fiscal representative is an agent other than a individual, in the field "Declarant different from taxpayer", 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.
  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 winding-up, including also 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 the declaration 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 declaration. In such a case, in fact, the incorporating company is required to present the declaration 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 – SIGNATURE OF THE DECLARATION

**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 2** "**Appointment codes**" in section 4.1.3.
The details relating to the signatory when different from the taxpayer, including the appointment code, must be specified in the box reserved for the declarant other than the taxpayer.
In the field "**number of forms**", indicate the number of forms which constitute the return. The boxes for indicating the completed parts are provided at the foot of part VL.

### 4.1.5 – SIGNATURE OF THE CONTROLLING BODY OR COMPANY

In the case of a company participating in the group payment of VAT, the signature of the controlling body or company must also be affixed; this signature must be 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.

### 4.1.6 – OBLIGATION TO ELECTRONICALLY FILING

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, cross the first box if the communication was prepared by the taxpayer.
Alternatively cross the second box if the communication was prepared by the sender.

#### 4.1.7 – ENDORSEMENT OF CONFORMITY

This part is reserved for the person in charge of the CAF (Tax Assistance Centre) or the professional who issues the endorsement of conformity.
In the relevant spaces must:
- insert the tax code of the person in charge of the CAF or the professional who issues the endorsement of conformity;
- cross the box if the endorsement of conformity is affixed in terms of article 35 of Legislative Decree 241/97;
- sign in the relevant space.

#### 4.1.8 – TAX CERTIFICATION

This part is reserved for the professional who issues the tax certification.

In the relevant spaces he must:
- insert his own tax code;
- specify the tax code of the taxpayer who has prepared the return and kept the accounting records alternatively specify the VAT registration number of the consulting company or the CAF(for Businesses) referred to in Ministerial Decree 164 of 31 May 1999, in the case where the activities of preparing the return and keeping of the accounting records have been carried out by the aforementioned persons under the direct control and responsibility of the professional who issues the tax certification;
- cross the box, thus attesting the certification as provided for in article 36 of Legislative Decree 241/97;
- sign in the relevant space.

## 4.2 Form

#### 4.2.1 – PART VA – INFORMATION & 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, demergers 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, demerger, 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 top right of the page.

**SECTION 1 – General analytical data**

**Line VA1** in the event of a merger, demerger, 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 demerged 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 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.

**Box 4** must be filled in by non-resident persons where they operated in Italy, making use, in the same year, of the system of fiscal representation and subsequently of the system of direct registration, indicating the VAT registration number of the system which is no longer adopted (see paragraph 2.3 letter D).

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** enter the activity code taken from the new classification table of economic activity, called ATECOFIN 2004, approved in the ordinance of 23 December 2003. Please note that the new table may be consulted at the offices of the Revenue Agency and is available also on the website of the Ministry of the Economy and Finance **www.finanze.gov.it** as well as that of The Revenue Agency **www.agenziaentrate.it** together with the help publication containing explanatory notes and the table linking the tables ATECOFIN 1993 and ATECOFIN 2004.

Where more than one activity is carried out with combined accounting, the code relating to the main activity with reference to the turnover during the fiscal 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 on the said form the code relating to the main activity.

In this regard it is pointed out that the indication of the main activity code not previously communicated or wrongly communicated, 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 VF19. The current line, as stipulated in circular number 12 of 16 February 1978, must not be completed by agricultural producers who are not obliged by law 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 way).

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 67 and 68 of the Presidential Decree of 22 December 1986/917, including goods costing not more than 516.45 Euro (1 million lire) and including the redemption price of goods already purchased under a leasing agreement (for instance: machinery, plant 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 number 45/E of 18 February 1999).

**Line VA5** the box must be crossed by liquidators and trustees if the form refers to transactions recorded during the part of the calendar year prior to the declaration of business failure or of forced 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).

**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 VF16.

**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, 5 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 C contained in the Appendix under the entry “Used goods”. It is pointed out that the amount of purchases relating to said sales must be indicated in line VF12. 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), net of reducing changes, 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.

***NOTE: in lines VA31 and VA32 of the current section, intra-community purchases and imports of industrial gold, pure silver, scrap and other salvage materials referred to in article 74 must be included, as well as intra-community purchases and imports of investment gold (exempt from VAT).***

**Line VA31** specify the total of intra-community purchases of goods (column 1), net of reducing changes, which purchases are recorded in the registers referred to in articles 23 or 24, as well as in the purchases register (article 25), indicating in column 1 receipts for intra-community purchases, including those not taxable or exempt as referred to in 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-bis 1 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 fiscal 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-bis 1 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, for which VAT is not settled at Customs, in part VJ, for the calculation of tax payable. It is noted that in the current line the purchase of goods originating from the Republic of San Marino or the Vatican City must not be included.

***N.B.: 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 are also included:
– sales, towards transferees or their commission agents, executed via the 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 sales 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**. It is noted 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 2003 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, including those not subject to taxation, for which the domestic purchaser has settled 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 the domestic purchaser paid the tax owed directly to the San Marino transferring party must be included. Likewise, any purchases not subject to taxation in accordance with specific enactments, in the event that the procedure referred to in the current field has been adopted, 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 (from 1 to 7), taken from the "Table of exceptional events" (see Appendix under the entry "Persons affected by exceptional events").

**Conforming to the parameters or the "sectorial studies" for 2002**

**Line VA41** must be completed exclusively by taxpayers who for VAT purposes have adjusted their turnover for **2002** to the parameters (approved by Prime Minister's Decree (DPCM) 29 January 1996, amended by Prime Minister's Decree (DPCM) 27 March 1997) or to the sectorial studies as provided for by article 62 bis of Decree Law 331 dated the 30th of August 1993.
In the abovementioned line, the difference between the turnover determined on the basis of the said parameters or the sectorial studies and that resulting from transactions registered in **2002** (column 1) and the related tax (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 2003, but the preceding year.

**Taxpayers who intend to come into line with the parameters or the sectorial studies for 2003 must pay the greater tax payable by the due date for income tax returns.**
**For the payment of the greater tax payable, which must not be specified in part VE of the return the following tax codes must be used in form F24:**
- **6493 where the taxpayer has conformed to the parameters;**
- **6494 where the taxpayer has conformed to the sectorial studies**.

**Group credit surplus, in relation to ex-controlling companies, set-off in 2003 and to be guaranteed**

**Line VA42** is reserved exclusively to 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 13 December 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 13 of 5 March 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 the complete settlement of the entire credit deriving from the group, subject to the indication of the amount set-off in line VA42 of the return relating to the year of use of the credit. The same line must be completed also in the special circumstances in which a company outside the group, in 2003, incorporated a controlling company, with the consequent discontinuance of the group in the course of the year, in order to indicate the surplus group credit (resulting from the summarizing form IVA 26 PR part VY of the return of the ex-controlling incorporated company) which has been set-off in 2003 by the incorporating company and for which the said company must provide guarantees as provided for by the Ministerial Decree of 13 December 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 26 December 1986, the credit acquired by the incorporating company beginning from January 1 of the year following the incorporation, must be indicated, for the part set-off and therefore to be guaranteed, in line **VA42** of the return relating to the year in which the credit was used.

Line VA42 must indicate:

– the year to which the credit deriving from the group refers;
– the amount of such credit which has been set-off in **2003** and for which the guarantees as provided for in article 6, paragraph 3, of the Ministerial Decree of 13 December 1979 must be given.

**Special tax regime for used goods, works of art, antiques and collectors' items**

**Line VA43** is reserved for taxpayers who must communicate that in 2003 they applied the ordinary VAT regime to one or more operations which come under the special marginal schemes, in application of the legislation contained in article 36, paragraph 3 Decree Law No. 41 of the 23 February 1995. The application of the tax to certain sales in the ordinary way as provided for by paragraph 3 of Decree Law 41/95 permits the deduction of the tax regarding the purchase only with reference to the moment the operation was carried out at the ordinary rate, and subject to its being recorded in the register as provided for by article 25. In such a case, if the purchase and the corresponding sale took place in different tax periods, the amount of the purchase must be included in line VF12 of the return for the year in which it was recorded, in that it is not deductible; while in the return corresponding to the tax period in which the corresponding sale was made applying the ordinary VAT rate, which constitutes the condition for the tax deduction of the relevant purchase, the amount of the passive operation must be indicated in section VF in relation to both the relevant rate for the purposes of deduction, and in line VF18 (taxable amount of purchases recorded in previous years but with tax collectible in 2003) in order to permit the subtraction of the corresponding amount already specified in line VF12 of the previous return from the volume of purchases.

**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) (letters a) and b) of the Ministerial Decree of 12 November 1998 published in Official Gazette (G.U.) number 284 of 4 December 1998).

### 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 way, coming under the system of a flat-rate

payment of tax, as provided for by paragraphs 171-176 of article 3, of Act 662 of 1996. In addition to the present part, such taxpayers need complete, for the purposes of their tax return, only parts VA, VJ, VH, VL, VX and VO. 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 persons, 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 other types of deduction.
Minimum taxpayers who for the tax year to which the return refers have adopted the ordinary tax regime 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 turnover, which includes in terms of article 20, the total amount of sales of goods and supply of services carried out, registered or subject to registration with reference to the tax period. 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 2003 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, provided for persons who carry out export sales, associated operations and/or international services and intra-community operations, to purchase goods and services and import goods without the application of VAT. The section must be completed indicating the data specified by article 10 of the Presidential Decree number 435 of 7 December 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, in contrast to the completion of line VF11 which refers exclusively to the moment of registration of the purchase transaction.

***NOTICE: as a result of the regulations set out in article 10 of Presidential Decree number 435 of 2001, also taxpayers who have adopted the calendar method for the calculation of the ceiling must 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 **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**: turnover, subdivided by month, relating to the 2003 tax year;
– **column 4**: amount of all export sales, associated operations and/or international services, intra-community operations, etc., carried out in the same tax period 2003.

**Columns 3 and 4 must be filled in by all taxpayers who used the ceiling in 2003, regardless of the method of calculation followed;**
– **column 5**: turnover subdivided by month, for 2002;
– **column 6**: amount of export sales, associated operations, international services, intra-community operations, etc., carried out monthly, also in 2002.

***NOTE: the data referred to in columns 5 and 6 must be indicated only by taxpayers who, in 2003, have carried out purchases and imports using a ceiling related to operations facilitated by tax concessions effected 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 2003, as well as the availability of the ceiling in each month.***

**Line VC14** the availability of the ceiling must be indicated as of 1 January 2003.
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 2003 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 2003, 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 50/E of 12 June 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 the purposes of deduction, the taxable amount and the amount 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 VF11.***

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

Article 8 of Decree Law number 351 of 25 September 2001 converted by Act number 410 of 23 November 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 29 September 1973, also under the conditions and within the limits set out in article 43-ter of the same decree.
To this end the current section 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 of 25 September 2001, and in the ways 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 section on the part of 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 with the presentation of the return on 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 14 October 1999, with effect from the beginning of the tax period subsequent to the one in which they became available to the transferor (1 January 2004 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 owed.

#### SECTION 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 **VD2-VD21**:
– **column 1**, the tax code number of the transferee;
– **column 2**, the amount transferred.
If twenty 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 indicated in lines **VD31** and **VD50**:
- **column 1**, tax code of the transferor;
- **column 2**, the amount of credit received.

If twenty 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 VD51 through 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 2002).
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 also be included in line VL28, and the part used to reduce the VAT debt resulting from this return should be included in line VL35.
L**ine 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 of more than one part entitled 'VD' does not modify the number of forms that make up the return, to be indicated on the front cover.***

### 4.2.5. – PART VE – CALCULATION OF BUSINESS VOLUME 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) Turnover and total tax.

***NOTE: for clarification regarding the completion of part VE, see also "Determining turnover" in the Appendix.***
**Also in the Appendix, under the entry "Agriculture", a special schedule can be found which helps the various categories of agricultural producers (exempt or not) to fill in the VAT return.**

**NOTICE: should the taxpayer have registered, during the tax year, operations subject to VAT at tax rates or with set off percentages which are no longer present in part VE, he should calculate the taxable income related to such operations and indicate it in the line which corresponds to the closest rate, calculating the corresponding amounts. The difference in amount (positive or negative) must then be included respectively in lines VE24 and VE9, among the variations. In parts VE and VF, some amounts could turn out to have a negative value, following variations carried out in the tax year that lead to reductions. If this is the case, a minus sign (–) should be added in front of the relative amounts (inside the box).**

It is to be noted that, in part VE, all operations carried out within the state, within the European Community and exports towards nations outside the territory of the European Union, must be included, divided by tax rate and taking into account the variations referred to in article 26.

**Taxpayers who have made use of the exemption from the obligations referred to in article 36-bis and who have also carried out taxable operations in 2003, are obliged to indicate these operations in part VE, as well as exempt operations referred to in numbers 11, 18 and 19 of article 10, which in any case are subject to invoicing and registration.**

**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 328, 24th December 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 turnover threshold of 2,582.28 or 7,746.85 Euro (5 or 15 million lire), 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, attached to Presidential Decree 633/72. As provided for in Circular 328/E of 24 December 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 that are different from transfer 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, with latest amendment having been made by the Ministerial Decree of 12 May 1992 and by the Ministerial Decree of 30 December 1997) that result from the register of invoices issued (article 23) and/or from the considerations register (article 24), net after the variations in decrease recorded during the taxation period.

Taxpayers who use the register of invoices take the taxable amount 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 VE1-VE7 -** 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 2003, 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 amount should be calculated by multiplying each taxable amount by the corresponding flat-rate set-off percentage.

**Line VE8 -** in this line, the total of the taxable amounts and the tax must be indicated, calculated by summing the amounts indicated in lines VE1 through to VE7, respectively in the column for taxable amount and in the column for tax.

**Line VE9 –** in this line, the variations and round-ups of the tax related to the operations referred to in lines VE1 through to VE7 should be indicated.

The tax indicated in line VE8 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, number 5);
- 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 2003 and relative to operations recorded in previous years, must be indicated.

Such a difference should be indicated in line VE9 with a plus sign (+) inside the box 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 VE10 -** in this line, the total, which is obtained by increasing or decreasing the tax referred to in line VE8, by the amount indicated in line VE9, 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 2003 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 turnover of more than 2,582.28 or 7,746.85 Euro (5 or 15 million lire), but less than, or equivalent to 20,658.28 Euro (40 million lire) (see paragraph 6.7.3 of Circular 328, 24 December 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 attached to Presidential Decree 633/72, as well as any services carried out. 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 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 19, 10 July 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 already after the due reduction has been 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 Act 388 of 23 December 2000, for the sales of mopeds, motorcycles, motor cars and motor vehicles referred to under letter c), in paragraph 1 of article 19-bis 1, 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, in the taxable base, reimbursements from income and social security taxes, which the agent who employs temporary workers is obliged to pay, according to the law regarding “Interim work” (Act 196 of 24 June 1997), effectively paid on behalf of the temporary worker (article 7 of Act 133 of 13 May 1999), see also resolution 384/E of 12 December 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 VE20 through 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 VE20-VE22** in these lines, the following must be indicated:
- in the first column, the amounts of the taxable operations, separated according to tax rate, that derive from the register of invoices issued (article 23) and/or from the register of considerations (article 24), for which the tax for the year 2003 is due, 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 seller, by the end of the fourth month after the operation and in the tax year, the invoice endorsed by the Customs Office at the exit point from European Community territory, the seller 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 31/12/2003, the same negative variation is to be indicated in the corresponding line of the tax return form for the year 2004.*

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 seller, by the end of the fourth month after the operation, the seller 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 debt. If the due date laid down should fall after 31/12/2003, the same increase is to be indicated in the corresponding line of the tax return form for the year 2004.

**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 VE20** through 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 VE20 through VE22 should be indicated.
The tax indicated in line VE23 can be different from the total tax presented in the register of invoices issued and/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, no. 5);
- 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 2003 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 box 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 VE 23 by the sum of the positive or negative variations set out in line VE 24.

**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, Act 28 of 18 February 1997, should be indicated.
In the same line, the following should also be included: ***European Community sales of industrial and investment gold, pure silver, scrap and other salvage materials referred to in article 74.***
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** – in this line, the total of the non-taxable operations, carried out towards exporters who have issued their declaration of intent, should be indicated.

**Line VE32** – in this line, the total of other operations qualified as non-taxable should be indicated (To help identify such operations, consult the Appendix, under the headings “Exports and other non-taxable transactions” and “ Used goods”).

In addition, representing intermediaries must include, in this line, the fees paid to them by travel agencies (article 7 of Ministerial Decree 30 July 1999, number 340, cp. Circular 328 of 24 December 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 turnover consists of exempt operations as provided for by article 10).
Taxpayers affected by the exemption in the year 2003, as provided for by article 36-bis, from the obligation to register, and issue invoices for, the exempt operations, 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 effected exempt operations must in any case complete section 3 of part VG.**

***N.B.: 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 1-9 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 part of part VG, it is necessary to cross the box in line VA20.***

**Line VE34** indicate the total amount of sales made within the State of scrap and other salvage materials referred to in article 74. It is pointed out that, in consideration of the new numbering of the paragraphs introduced by Act 326 of 24 November 2003, converting Decree Law 269 of 30 September 2003, one must include both the total amount of operations not subject to taxation as provided for by article 74 previously in force (paragraphs 8 and 9) and the total amount of said operations, now taxable following the coming into force of Decree Law 269/2003 as amended by Act 326 of 24 November 2003 (now paragraphs 7 and 8), which amended article 74, providing for the payment of VAT on the part of the taxable transferee (reverse-charge). The sale of goods referred to in article 74, now paragraphs 7 and 8, to 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** 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 the current line, in addition, the total amount of **sales of gold other than investment gold and of pure silver**, carried out in relation to taxable entities must be included (for further clarifications see the Appendix under the entry “Transactions relative to gold and silver”).

**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 turnover, the total amount of operations which contributed to the turnover of the year or previous years, and for which in the year 2003 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 VE1-VE7 and lines VE20-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 turnover must be indicated. In terms of the provisions of article 20, these relate to the sales of depreciable goods and internal transfers as referred to in article 36, final paragraph.

**This amount decreases the turnover during the year.**
It should be noted that the sale 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 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 sale.

**SECTION 4 – Turnover and total tax**

**Line VE40** *turnover* calculated by adding together the amounts indicated in lines VE8 column 1, VE23 column 1 and in lines VE30-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 VE10 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: the 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 base relating to goods and services purchased and imported during the carrying out of business, art or profession, resulting from invoices and customs bills of entry for imports recorded in the purchases register for the year 2003 (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.

**Lines VF1-VF9** indicate domestic and intra-community purchases, and imports subject to taxation, for which tax is due and the right to deduction has been exercised in 2003, to be entered next to the pre-printed rates. Therefore in these lines purchases made in previous years by persons indicated by article 6, final paragraph, must be included.
In these lines, also purchases and imports of gold and pure silver to which the reverse-charge mechanism has been applied must be included (see Appendix under "Transactions relative to gold and silver").
It should be noted that purchases of scrap and other salvage material should be included, which have become taxable following the coming into force of Decree Law 269/2003, which amended article 74, paragraph 7 *et seq.*
In the specific case in which, relative to purchases made in prior years but registered in 2004, the percentage of tax deduction applicable in the year in which the right to the deduction arose is different from the percentage applicable for 2003, see instructions in line VG70 and under the entry "Correction of deduction".
In addition purchases **carried out by means of withdrawals from VAT deposits** must be included, as well as intra-community purchases made upon withdrawal of the goods on the part of the same consignee in the case of "consignment stock". This last procedure is characterised by the fact that the goods held remain the property of the supplier from the European Community until the moment they are withdrawn by the same consignee, the exclusive final receiver of the goods.

**NOTICE: where the goods withdrawn were the object of prior purchase without payment of the tax by the same person that withdraws them, and if the withdrawal from the deposit occurs in the same tax period in which the deposit or the purchase of the good held in the deposit was made, the taxable amount must be indicated exclusively in lines VF1-VF9. If the withdrawal 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 VF12 and, subsequently, in the return for the year in which withdrawal occurred, it is necessary to include, in lines VF1-VF9, the taxable amount and the related tax, also indicating the same amount in line VF18, to allow the subtraction of the corresponding amount already indicated in line VF12 of the previous return from the turnover.**
The tax relating to the aforementioned purchases is calculated by multiplying the taxable amounts set out in lines VF1-VF9 by the corresponding rates.

The tax resulting from the calculation must be indicated, next to each rate, in lines VF1-VF9 (column 2).
The taxable amounts and the related tax payable must be rounded to the nearest Euro.

**Line VF10** sum of taxable amounts (column 1) and sum of tax payable (column 2), indicated in lines VF1-VF9.
**Line VF11** 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 Act 28 of 18 February 1997
It is pointed out that taxpayers who have made said purchases utilising the ceiling are required also to complete part VC.
**Line VF12** 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 the calculation of tax payable with the method "base to base". 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) 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 VF13** 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 letters a and c-bis). In the current line **intra-community purchases and imports of investment gold** must also be included.
**Line VF14** domestic purchases, intra-community purchases and imports of scrap and salvage materials as referred to in article 74, for which the regime of non-subjection to taxation was applied, prior to the coming into force of article 35 of Decree Law 269/2003, which has made such operations taxable.
**Line VF15** domestic purchases and imports not subject to VAT, insofar as they were carried out, as provided for by special provisions made in this regard, by taxpayers affected by earthquakes and associated subjects.
**Line VF16** 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, 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, as well as purchases made by persons who have chosen to be exempt from compliance as provided for by article 36-bis. The current line must also include purchases regarding occasional exempt operations as referred to in numbers 1-9 of article 10, which fall outside the scope of the activity proper of the business or marginal to taxable operations (VAT on said operations is in any case non-deductible). Such purchases must thus not be included in the preceding lines.
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 VF1-VF9.
**Line VF17** purchases made by persons as referred to in the last paragraph of article 6, which purchases were recorded in **2003** but in respect of which the tax has not become payable in the same year.
**Line VF18** purchases recorded in previous years by persons referred to in article 6, final paragraph, for whom the tax became payable in **2003**. Such purchases must also be indicated next to the respective tax rates in lines VF1-VF9, 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 2003.
**Line VF19** total amount of purchases and imports listed above, calculated by adding together the amounts indicated in lines VF10-VF17, column 1, and subtracting the amount in line VF18.
**Line VF20** variations in and rounding-off of tax payable. The amount of tax payable on purchases indicated in line VF10 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 VF20, 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 VF21** total VAT on purchases and taxable imports, obtained from the algebraic sum of lines VF10 and VF20, 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

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

**It is pointed out that in 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. Contrariwise, 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 1 to 9 of article 10, which do not fall under the proper activity of the business or are marginal to taxable operations;
– occasional sales of used goods;
may return a single form, completing, in addition to the part of the present section relating to the special regime adopted, also section 2 of part VA for the operations listed (see relevant instructions).

***N.B.: 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 algebraic sum of the amounts in line VF21 and line **VG70**, directly in line **VG71**, to be carried, subsequently, to line VL4.
In relation to the first 5 sections, 7 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 agricultural concerns (Section 5).

***N.B.: section 6 of part VG must be completed by all persons, 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 explanation A contained in the Appendix.
**Line VG1** cost credit relating to the 2002 tax year, which may be derived from line VG3 of the IVA/2003 return.

**Line VG2** gross taxable base. The figure may be derived from line 13 in Form 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 Form 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 23 February 1995, converted by Law 85 of 1995.

***NOTICE: the current part 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, required to apply the special regime provided for by article 40-bis of Decree Law 41/95.***

In the case of exclusively occasional sales 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 part, Form C and D have been included in the Appendix.
**Line VG20** indicate any negative margin for 2002 resulting from line VG22 of the VAT/2003 return. This line applies to taxpayers who applied the global margin method for that year.
**Line VG21** Persons 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 Form C, for those who have applied the global margin system.

**SECTION 3 – Exempt operations – admissible VAT deductions**

This part 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 1 to 9 of article 10, which do not come under the activity proper of the business or are marginal to taxable operations, can return **a single form** by using section 2 of part VA to indicate exempt operations (see instructions at line VA20).
***NOTE: the occasional carrying-out of exempt operations or of exempt operations exclusively provided for by numbers 1 to 9 of article 10 which do not come under the activity proper of the business or are marginal to taxable operations on the part of a taxpayer who carries out an activity which is essentially subject to taxation, just as for the occasional carrying-out of taxable operations on the part of a taxpayer who carries out an 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 becomes applicable again, for the purposes of calculating the deductible amount, 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 328 of 24 December 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 1 to 9 of article 10 which do not come under the activity proper of the business or are marginal 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 VF16. 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 persons who carry out essentially exempt operations and who have only occasionally carried out taxable operations. The VAT re-

lating 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 VF1-VF9. 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 VF16 in that the related amount is not deductible. Note that in the specific case in which persons referred to in paragraph 5-bis of article 19 have carried out exclusively exempt operations, the box in the current line must not be crossed and 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 2003, 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 VF16, insofar as it is not deductible.

**Lines VG35-VG37** reserved for persons 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 which may be deducted that are carried out during the year (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 influence 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, sales 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 1) to 9) of the aforementioned article 10, in the case that they do not make up part of the activity proper of the person or are marginal to taxable operations, i.e. if the abovementioned operations are performed within the scope of occasional activities or of activities instrumental to the pursuit of the ends of the business. With reference to the latter operations (1-9 of article 10), the total non-deductibility of the tax on goods and services used exclusively for their carrying-out 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 1 to 9, if they do not constitute part of the activity proper 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 by “activity proper” of the business one is to understand 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. Circulars 25 of 3 August 1979 and 71 of 26 November 1987).

**Field 3** indicate the total amount of exempt operations as referred to in article 10, number 27-quinquies. This point regards sales 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 sales 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 sales 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 operation which, as provided for by article 19, paragraph 3, give the right to deduction, despite not being subject to the obligation of invoicing, registration or 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 VF11 (for a definition of "habitual" exporters, see article 1 of Decree Law 746 of 29 December 1983, converted by Act 17 of 27 February 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 in the current line the total amount of deductible VAT as provided for by article 19, paragraph 5-bis (see Appendix, "Transactions relative to gold and silver").

**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 1 to 9 of article 10 which do not fall within the activity proper of the business or which are marginal to taxable operations (box VG30 crossed). In this case, the amount indicated in line VF21 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;
- carrying-out 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 = [ (VF21 + 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 operations | not obliged to submit return<br>(if the return is submitted in any case, complete line VG33) |
| exempt and taxable operations with single accounting | 1 form complete lines VG35, VG36, VG37 and VG38 |
| exempt and taxable operations with separate accounting | 1 forrm exempt operations complete line VG33<br>1 form taxable operations |
| exclusively exempt operations with option article 36-bis | not obliged to submit return<br>(if the return is submitted in any case, complete line VG34) |
| exempt operations with option article 36-bis and taxable operations with single accounting | 1 form complete line VG34 |
| exempt operations with option article 36-bis and taxable operations with separate accounting | 1 form complete line VG34<br>1 form taxable operations |
| taxable operations and occasional exempt operations or as referred to in numbers 1-9 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 Act 730 of 1985 and Legislative Decree of 18 May 2001, number 228 that, independently of their status in law, make use of the special system of flat-rate calculation of VAT payable as provided for by article 5 of Act 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 to the result, for the calculation of line VG71, the amount of any adjustments resulting from line VG70 (for further clarification see Appendix under the entry “Farm holiday sector”).

### 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 its 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 Act 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, appended to Presidential Decree 633 of 1972 who achieved in the previous year a turnover not greater than 25,822.84 Euro (fifty million lire), those intended 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.

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

This part must be completed by all agricultural producers, be they agricultural businesses simple or mixed, or co-operatives or other entities as referred to in the second paragraph, letter c) of article 34.
In order to make the completion of the current section easier, persons referred to in letter c) of paragraph 2 of article 34, may use Form B contained in the Appendix under the entry "Agriculture".

***NOTICE: agricultural producers with volumes of business of between 2,582.28 and 20,658.28 Euro (5 e 40 million lire) should complete the current form in the same way as all other agricultural producers, with the exception of part VH, inasmuch as, benefiting from the special simplified regime, they are required to pay the tax annually instead of periodic settlements and payments.***
***The application of the special regime for agriculture, provisionally established also for agricultural producers with an annual turnover of over 20,658.28 euro (40 million lire), has been further extended for the year 2003 as a result of amendments made to article 11 of Legislative Decree 313 of 1997 and by article 19 paragraph 2 of Act 289 of 27 December 2002.***

**Line VG50** must include the taxable amount and the tax payable regarding the sales of products and services which are not agricultural (already included in section 2 of part VE), carried out by mixed agricultural businesses.

The deductible amount relating to such operations must be included in line **VG61**.

**Line VG51** is reserved for agricultural co-operatives and other persons referred to in the second paragraph, letter c), of article 34.

In this line the percentage of contributions from "facilitated" members made to the co-operative or to other associated organisations over the course of the year must be indicated, calculated in relation to the total amount of purchases and imports sustained by the co-operative itself during the year. For the calculation of this percentage Form B contained in the Appendix under the entry "Agriculture" may be used.

**Lines VG52-VG58** have been provided for the calculation of the flat-rate deduction applicable to sales of agricultural produce. The first column must include, in the lines regarding the payment percentage applicable, 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 sales of agricultural produce carried out applying the VAT rate associated with each good (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.

For co-operatives and other persons referred to above, the taxable amounts may be calculated by using lines 11-17 Form B contained in the Appendix.
Line **VG59** Tax variations and roundings-off, relating to operations referred to in lines VG52-VG58.
Line **VG60** must include the totals of taxable amount and tax (algebraic sum of lines VG52-VG59).
Line **VG61** VAT deductible for purchases and imports intended for the sales of products different from the agricultural and ichthyic produce referred to in line VG50. Co-operatives and other persons must indicate, in this line, deductions:

- for purchases from non-facilitated members;
- for purchases and imports of agricultural and ichthyic products;
- for general expenses;
- for purchases and imports allocated to operations other than sales of agricultural and ichthyic produce;

in order to calculate this amount Form B contained in the Appendix may be used.
**Line VG62** 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 sales 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 sales 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 Act No. 28 of 18 February 1997, intra-community sales of all agricultural and ichthyic produce, as of 14 March 1997, on the part of 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 upstream 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 VG63** total of the admissible deductible VAT, given by the **sum of lines VG60 to VG62. 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, disregarding 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 2003, 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 Form E in the Appendix (see "Adjustments to deductions ").

**Line VG71** this line must always be completed on the part of 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 VF21. It is emphasised that minimum taxpayers, required to complete section VB, should not complete the current line.

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

The current part, newly introduced, 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 and 5) 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).
The part must include the taxable amount and the tax relating to the abovementioned operations, taking into account the variations referred to in article 26.
It is pointed out that for the purposes of deduction the operations indicated in the present part **must be included in part VF.**

**Line VJ1** indicate purchases of goods, including those of industrial gold and pure Silver, coming from the Vatican City and the Republic of San Marino (article 71, 2 paragraph) for which the transferee is required to pay the tax in accordance with article 17, 3 paragraph. This line must also include the purchases of scrap and other salvage material as referred to in article 74, paragraphs 7 and 8 coming from the aforementioned states, which purchases became taxable with the coming into effect of Decree Law 269/2003. 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 seller 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, 1 paragraph, 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 goods as referred to in article 74, paragraphs 7 and 8, for which the seller is required to pay the tax with the coming into effect of article 35 of Decree Law 269/2003, converted by Act 326/2003.

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

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

**Line VJ9** indicate intra-community purchases of goods including those of industrial gold and pure Silver, 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.
Among intra-community purchases must be included also those of scrap and other salvage materials which became taxable with the coming into effect of article 35 of Decree Law 269/2003.

**Line VJ10** indicate imports of scrap and other salvage materials which became taxable with the coming into effect of article 35 of Decree Law 269/2003 and 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 in the customs 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 total VAT on operations in the current section, obtained by adding together the amounts indicated in column 2 from lines VJ1 to VJ11. This amount must be **carried forward to line VL2**.

### 4.2.9. – PART VH – PERIODIC PAYMENTS

Part VH 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 13 December 1979, for the indication of VAT debits or credits transferred to the group during the tax year.
It is pointed out that the amount to be indicated in the “debit” 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 14 October 1999, and subsequent amendments (see instructions at line VO2), VAT thus calculated must be increased by 1% interest. Consequently, the related amount corresponds, if the payment

has been duly made for each period, with the total amount of VAT indicated in the column "output tax paid" in the relevant F24 form.
Taxpayers who make monthly payments must complete the 12 lines provided in part VH, 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**, in that the VAT payable (or Input VAT) for the fourth quarter by such taxpayers must be considered for the purposes of the payment during the annual return. Any balance arising during 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.
***NOTE: if the amount owed does not exceed the limit of 25.82 Euro (50,000 lire), including interest owed by taxpayers making quarterly payments, the payment must not be made nor must said amount be indicated in the debit field of the line corresponding to the payment period. Therefore the tax debit must be reflected in the periodic payment immediately following.***

**Completion of part VH by taxpayers who have made use of special tax credits**

The taxpayer who, when making periodic payments uses special tax credits, must indicate in the field "debits", of the lines included between VH1 and VH12 the results of the payments net of the credits used. The sum of tax credits thus used must be included in line VL28. The tax credit used when making the annual return must however be included in line VL34.
If the taxpayer uses tax credits in set off using the F24 payment form, in part VH the results of the periodic payments must be indicated without 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 subsidiary 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 3.4.2.

**Completion of part VH by institutions or companies receiving the tax credits transferred by savings management companies**

In order to indicate the data required in the present part, the abovementioned persons must take into account any VAT credits received and used when making periodic payments, in reduction of the related payments.

**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 sub-supply 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 45/E of 18 February 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 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 SUBSIDIARY COMPANIES

Part VK is reserved exclusively for controlling and subsidiary companies as referred to in article 73 (who must also complete part VH) which have taken part, during the tax year, in the group payment of VAT, and is presented in three sections:

***NOTE: as specified in resolution number 347/E of 6 November 2002, non-resident companies operating in Italy through a permanent organisation, tax representative or who have registered themselves directly as provided for by article 35-ter, may not make use of the procedure of group VAT payment as referred to in article 73.***

**SECTION 1 – Data relative to the controlling company**

**In line VK1** the controlling company and each subsidiary 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 13 December 1979, the loss of the prerequisites to utilize the procedure for group payment has effect starting 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, insofar as 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, insofar control is considered to have ceased during the first quarter). In the specific case of the incorporation during the year of the controlling company 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 subsidiaries, 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 subsidiaries. (cp. ministerial resolution 363998 of 26 December 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 13 December 1979, and must always be completed, both in the case in

which when the annual return is made there is a credit or a debit surplus.
**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, in the case in which 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 entity 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 column 6 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 13 December 1979, must be supplied.**
**Line VK25**, request for refund of credit surplus by the controlling company.
This line must be completed only if, during the annual return a there is a tax 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, the subsidiary company must possess, for the purposes of refund, 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 summarising schedule IVA 26 PR.
**Line VK26**. Indicate the total amount of any special tax credits used for the whole of 2003, 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 effected 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 VK30-VK37** 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, VL24, VL25, VL28, VL29 and VL31.

**Line VK38**. If the subsidiary company left the group after making the payment on account, the part thereof which the controlling company has re-credited to the subsidiary 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 entity 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 parts. 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**, a section 2 of the current section 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 VAT due or input tax 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 VJ12.
**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** tax payable (to be indicated in column 1), calculated from the difference between line VL3 and line VL4, or credit tax (input tax) (to be indicated in column 2), worked out from the difference between line VL4 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 on the part of 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 2003 for the year 2002) used in set off with Form F24 prior to the presentation of the return for the year 2003.
The same line must also include any credit recognised via a communication from the Revenue Agency sent in accordance with article 54-bis and used equally 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 2003, 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, as provided for by article 8 of Presidential Decree of 14 October 1999, number 542, such credits may, instead of the request for refunds during the year, be set off as 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 14 October 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 2003, as provided for by article 13 of Legislative Decree 472 of 1997.
**Line VL26** indicate the credit resulting from the 2002 return for which refund has not been requested but has been carried over for deduction or as a set off, resulting from line VX4 or from the corresponding line of part RX for those who have submitted the unified form.
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 VAT credit recognised with the communication from the Revenue Agency, if greater than the amount declared;
- if the VAT 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 recognised and declared 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 3.4.3
**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 2003 in the periodic payment or annual return (see also Presidential Decree 443 of 10 November 1997, and Circular 134/E of 28 May 1998).

**Line VL28** this line must include:
- the total amount of special tax credits used for 2003 in the deduction of periodic payments and of the advance VAT payment (see Appendix under the entry “Tax credits”);
- credits used in 2003 by the declarant entity or company, ceded by savings management companies as provided for by article 8 of Decree Law 351 of 2001, already included in section 2 of part VD.

**Line VL29** indicate the total amount of periodic payments, including the advance VAT payment (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 2003, made to concessionaries or by proxy to credit institutions or companies or at the post office. 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 (advance payments), 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 subsidiary company taking part in group VAT payments having left the group after the due date set for the advance VAT payment, that company must include, in the current line, the amount of the advance VAT payment paid on its behalf by the controlling company or entity, already indicated in line VK38.

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

**Line VL31** the line must include:
- the total amount of supplementary tax payments, relating to the year 2003, 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 2003 must not be included, only those relating to previous years;
- where the VAT credit relative to the tax year forming the subject matter 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 No. 48/E of the 7th of June 2002.
- 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 Act 64 of 1 March 1986, or of Decree Law No. 318 of 31 July 1987 – on residual lease payments relating to invoices registered in 2003 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 VL5 to VL31) is greater than the sum of the debit amounts in column 1 (from VL5 to VL25). The figure derived from the difference between the two amounts **must be carried forward to line VL39**.

**Line VL33** total output tax, to be indicated if the sum of the debit amounts in column 1 (from VL5 to VL25) is greater than the sum of the credit amounts in column 2 (from VL5 to VL31).The relevant figure is derived from the difference between said amounts.

**Line VL34** indicate the amount of the special tax credit used by particular categories of taxpayers for the deduction of output tax (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 the annual adjustment.

**Line VL37** indicate the part of the VAT credit (input tax), emerging from the current return, ceded 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 tax), derived by subtracting from the figure 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, if the amount is greater than 10.33 Euro as provided for by article 3 of Presidential Decree 126 of 2003 (10.00 Euro by virtue of rounding-down made in the return).
**Line VL39** indicate the total input tax resulting from line VL32.
Savings management companies which, as provided for by article 8 of Decree Law 351 of 2001, have ceded all or part of the VAT credit 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.

### 4.2.12 – PART VX – CALCULATION OF OUTPUT TAX (VAT TO BE PAID) OR CREDIT TAX (INPUT TAX)

***NOTE: 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 2004.***

Part VX contains data relating to output tax or the input tax.

**Calculation of annual tax**

**Line VX1 amount to pay (output VAT)** (or to be transferred by the controlling and subsidiary 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 as provided for by article 3 of Presidential Decree 126 of 2003 (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 part VL.

**Line VX2 credit amount**. Indicate the excess amount of annual deductible tax as referred to in line VL39, to be apportioned between the following lines VX4 and VX5 (or to transfer to the group by the companies referred to in article 73). 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.

**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 partly 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 2004” 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 2003 or use for the purposes of set off;

– request the refund thereof, if the conditions and requirements listed 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 2004 or in line VX4 in the case of independent presentation of the return, must be included in line VR3 of part VR to be presented in order to request the refund from the territorially competent concessionary for tax collection.

**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 between lines VX4 and VX5**.

**Line VX4** indicate in this line the amount of refund requested during the presentation of form VR to the concessionary for tax collection. 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.

**Completion of part VX on the part of controlling and subsidiary 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 e VX5.

**Completion of part VX in the event of winding-up or forced administrative liquidation during 2003**

Regarding the method of completion of part VX one is referred to the clarifications provided in paragraph 2.3.

### 4.2.13 – PART VO – COMMUNICATION OF OPTIONS AND REVOCATIONS

As provided for by article 2 of Presidential Decree of 10 November 1997, number 442, as modified by article 4 of the Presidential Decree of 5 October 2001, number 404, 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 of the form "UNICO 2004" which ,when crossed, signals 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 209/E of 27 August 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 for the purposes of tax on entertainment activities;
– Section 5: option 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 of 2003, 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 – Article 7 of Presidential Decree of 14 October 1999, number 542, as substituted by article 11, paragraph 4, of Presidential Decree 435 of 2001**

**Line VO2**, **box 1** must be crossed by artists, professionals, and by taxpayers who are owners of businesses supplying services which in 2002 achieved a turnover not greater than 309,874.10 Euro (600 million lire) or not greater than 516,456.90 Euro (1 billion lire) if owners of businesses carrying out other activities, and which in 2003 have carried out both payments 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, 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 – Article 34, paragraphs 6 and 11**

**Line VO3**
**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 turnover not exceeding 2,582.28 Euro (5 million lire) or 7,746.85 Euro (15 million lire), who waived, in 2003, 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 - turnover superior to 2,582.28 or 7,746.85 Euro (5 or 15 million lire) and up to 20,658.28 Euro (40 million lire) who have waived this simplified regime from 2003.
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 in from 2003 waived the renouncement of the exempt regime or simplified regime.

**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 2003 tax period. Said option is allowed also for **exempted agricultural producers**, who, should they want to apply tax in the ordinary manner, must at the same time cross also box 1 (waiving of exempt regime).
The option is binding until waived and in any case for at least five years. If, however, depreciable goods have been bought or produced by the agent who has exercised the option, it remains binding until the period as provided for by article 19-bis2, paragraph 4, has expired. (cp. Circular 328/E of 1997).
**Box 4** must be crossed by taxpayers who, starting from 2003, have revoked the option for the application of tax in the ordinary ways (see Appendix under the entry “Agriculture”).

**Carrying-out of several activities – Article 36, paragraph 3**

**Line VO4**, **box 1** must be crossed by taxpayers who, as of 2003, 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 waived and in any case for at least three years.
**Box 2** must be crossed by taxpayers who communicate, starting from 2003, 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 2003, the exemption from the obligations of invoicing and recording of 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:
– sales of investment gold, including that represented by certificates in gold also unsold, or exchanged on metal accounts, as well as operations as provided for by article 81,

paragraph 1, letter c-quater) and c-quinquies) of the TUIR (single text on income tax) 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 27 July 1934, and successive amendments, or identified in the Decree of 17 May 2002;
– 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 2003, the revocation of the option.

**Publishing – Article 74, 1 paragraph**

**Line VO6**, **box 1** must be crossed by publishers who communicate that they have chosen, as of 2003, for each newspaper or publication, or for each issue, the system of VAT calculation on the basis of number of copies sold.

This option, if applied for the entire newspaper or publication, has effect until revoked and in any case is binding for three years.

If, contrariwise, 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, starting from 2003, the option for the calculation of VAT on the basis of the number of copies sold with reference to each newspaper or publication.

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 328/E, 24/12/1997;

Circular 209/E, 27/8/1998;

Article 1, paragraph 1, letter g), of Legislative Decree 56 of 1998;

Article 6, paragraph 7, letter a), of Act 133 of 1999;

Article 52, paragraph 75, of Act 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 26 October 1972, number 640, as amended by article 1 of Legislative Decree of 26 February 1999, number 60, as referred to in the sixth paragraph of article 74, who communicate that they have opted, as from 2003, 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 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 2003, 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 2002, has not exceeded 8,263.31 euro (16 million lire).
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.

**Sale of used goods – Article 36, Decree Law 41 of 1995**

**LineVO9**, contains the boxes to be crossed in order to show the options provided for, within the scope of the special regime for the sale of used goods, works of art, antiques and collectors' items, by article 36, paragraph 2 and paragraph 6 of Decree Law 41 of 1995, converted by Act 85 of 1995, and the corresponding revocations thereof.
**Box 1** must be crossed if the taxpayer has exercised the option, starting from
2003, for the ordinary (or analytical) margin method, also for sales 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 3** must be crossed by taxpayers who intend to communicate the revocation of the aforementioned option.
**Box 2** must be crossed if the taxpayer has opted, as from 2003, to change over from the global method of determining the margin to the ordinary (or analytical) method, as provided for in the aforementioned article 36, first paragraph.
Also 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 option as referred to in box 2.

**Intra-community sales 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 sales via catalogue, by post and suchlike, who carried out in the previous year sales in another member state for an amount not exceeding 79,534.36 Euro (154 million lire), or any smaller amount established by that state, exercise the option, starting from 2003, 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 provided for by the Ministerial Decree of 21 October 1992.
Article 20, second paragraph, of the Ministerial Decree of 24 December 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, 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 2003 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, commencing from 2003 intend to communicate the revocation of the option previously requested.

**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 23 March 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 29 of 10 June 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 sales 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 10 November 1997.
If the seller 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 "Transactions 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**, the box must be crossed by agents who put on travelling shows as well as those who carry out other activities relating to shows as indicated in table C attached to Presidential Decree 633 of 1972 which have achieved a turnover during the previous year of not more than 25,822.84 Euro (fifty million lire) who communicate that they have opted, from 2003, for the application of tax in the ordinary way.
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").

**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, arms 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 (600 million lire), in 2002, for businesses having as their object supply of services, or 516,456.89 Euro (one billion lire) for companies having as their object other activities, have exercised, for the year 2003, 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 barred by artists or professionals (article 49 of T.U.I.R (unified text on income taxation)) who have chosen the ordinary accounting system for 2003.
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.

**Request for the application of concessionary arrangements relating to "dual income tax" – Article 5, Legislative Decree No. 466 of 1997**

**Line VO22**, box **1** must be crossed by individuals carrying out commercial activities, unlimited partnerships or limited partnerships, arms companies and de facto companies which carry out commercial activities, not been declared insolvent or placed under forced administrative receivership, which have chosen the ordinary accounting system for 2003 and which have chosen for the same year to make use of the concessionary arrangements relating to **Dual Income Tax**. One's attention is called to the circumstance that the crossing of box 1 entails the irrevocable obligation to keep ordinary accounts until the person ceases to exist (cp. Circular 76/E of 6 March 1998).

## SECTION 3 – Options and revocations for both VAT and income tax purposes

### Application of the dispositions provided for by Act No. 398 of 1991

**Line VO30**, **box 1** must be crossed by amateur sports associations and non-profit capital-based amateur sports associations as referred to in article 90, paragraphs 17 and 18, of Act No. 289 of 2002, as well as non-profit associations and pro-loco associations, to which the applicability of the tax regime has been extended by article 9 bis of Act No. 66 of 1992, provided for by Act No.398 of 1991, who intend to communicate the option chosen, starting from 2003, of the flat-rate calculation of VAT and as provided for by article 2, paragraphs 3 and 5, of said Act No. 398.
The option is binding until revoked and in any case for at least a year.
**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, Act 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 2003, the calculation of VAT and income in the ordinary ways as provided for by article 78, paragraph 8 of Act No. 413 of 30 December 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, Act 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 Act No. 730 of 5 December 1985, as well as article 3 of Legislative Decree No. 228 of 18 May 2001, who have opted, starting from 2003, for the deduction of VAT and income in the ordinary ways and thus communicate that, for 2003, they have not made use of the flat-rate calculation of the tax as provided for by article 5 of Act No.413 of 30 December 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 171-176 of Act 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 Act No. 662 of 1996, in order to communicate the choice, for 2003, of calculation of VAT in the ordinary way. In addition, if the taxpayer has also adopted, for the same year 2003, the ordinary accounting system, 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 entertainments in the ordinary way – Article 4 of Presidential Decree No. 544 of 1999

**Line VO40**, the box must be crossed by persons who communicate that they have, from 2003, calculated the taxable base in the ordinary way.

**SECTION 5 – Option regarding IRAP (regional tax on productive activities)**

**Calculation of the taxable base for IRAP by public entities who also carry out commercial activities (article 10-bis, paragraph 2, Legislative Decree No. 446 of 15 December 1997 and subsequent amendments)**

**Line VO50**, the box must be crossed by public entities as referred to in article 3, paragraph 1, letter e-bis), of Legislative Decree No. 446 of 15 December 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 using the criteria laid down in article 5 of the same Legislative Decree (cp. Circular 148/E of 26/07/2000 and Circular 234/E of 20/12/2000).

## 4.3 Form VR to claim the refund of the VAT credit

Form VR/2004 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 schedule for the group- Form IVA 26PR/2004 – Payment of group VAT

**Part VS, VV, VW, VY** and **VZ** which comprise the form **IVA 26PR/2004**, making up part of the annual VAT return, are reserved for controlling companies. The parts summarise the data regarding group VAT payments (article 73 and Ministerial Decree of 13 December 1979).

***NOTE: it is emphasised that a copy of the abovementioned form signed in the original, must in any case be presented, attached to form IVA 26LP/2004, 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 13 December 1979.***
***It is pointed out that the guarantees provided by the individual subsidiary companies, although presented by the controlling company, must be made out to the territorially competent office of the Revenue Agency in relation to each subsidiary company.***

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

***NOTE: as specified in Resolution 347/E of 6 November 2002, non-resident companies which operate in Italy through a permanent organisation, fiscal representative or which registered directly as laid down by article 35-ter, may not make use of the group VAT payment procedure as referred to in article 73***.

This part contains 45 lines for the indication of all persons participating (including the controlling company) in the group payment of VAT for 2003, for which the following must be indicated:

– **column 1**, VAT registration number;
– **column 2**, the code corresponding to the following subjective conditions:
**"1"** company that already as of 31 December 2002 was taking part in a group VAT payment procedure;
**"2"** company that already as of 31 December 2002 was adhering to a group VAT payment procedure and which during 2003, as assignee, carried out extraordinary operations with persons outside the group (for example incorporation by the subsidiary company of a company outside the VAT group);
**"3"** company which as of 31 December 2002 was not participating in a group VAT payment procedure;
**"4"** company which as of 31 December 2002 was not participating in a group VAT payment procedure and which during 2003, as assignee, carried out extraordinary operations with persons outside the group;
– **column 3**, the last month in which the controlling and subsidiary companies took part in group payment (12 in the case of the entire year);
– **column 4**, the amount to be refunded, indicated in line VY4 of the Form IVA 26/PR imputable to each company in the group, which must correspond to the amount indicated in line VK25 (tax surplus requested as a refund by the controlling company) of the return of each individual company taking part in the group payment procedure;
– **column 5**, the reason for the refund (see Appendix under the entry "Controlling and subsidiary companies – reason for refund");

– **column 6**, tax surplus set off, which must correspond to the amount indicated in line VK24 (tax surplus set off) of the return for each individual company taking part in the group payment procedure.

If the 45 lines should not be sufficient for the indication of all companies taking part in the group payment procedure, another section VS must be used, indicating "02" in the field "Mod. N.", and so on.

***The completion of several sections 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 part, indicate:

– **line VS50**, field 1 contains the total refund requested for persons in possession of the necessary legal requirements, and field 2 contains the number of such persons;
– **line VS51**, field 1 must indicate the total number of persons who have taken part in the group payment, including the controlling company; field 2 must indicate the number of persons who have made use of special VAT concessions following exceptional events (see Appendix, "Person affected by exceptional events");
– line **VS52**, which must indicate the number of persons 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 exceeds 45, lines VS50, VS51 and VS52 must be completed only on form 01.

**SECTION 3 – Guarantees of the controlling company**

Line **VS60** must indicate the residual tax surpluses of the companies in the group which, not having been set off in the previous year (2002) as provided for by article 6 of the Ministerial Decree of 13 December 1979 and thus not having been guaranteed, have been included in deduction in 2003 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 resolution 626305 of 20 December 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 2003.

For the amount indicated in line VS60 the controlling company is required to advance the guarantees as provided for by article 6 of the Ministerial Decree of 13 December 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 TAX PAYMENTS OF GROUP**

This part must include accounting data referring to periodic group tax payments made by the controlling entity or company for the entire group, deriving from the periodic payments transferred from the controlling entity or company and from the subsidiary companies and noted in the summarising register as provided for by article 4 of the Ministerial Decree of 13 December 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.

**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 (output tax) or input tax 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 subsidiary companies, exclusively for the period of control.

**Line VW2** must include the sum of the amounts resulting from the corresponding lines VL2 of the returns of all the persons in the group.

**Line VW3** must include the total output tax 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 of the returns of all persons in the group.

**Line VW5** 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 VW4, if the amount in line VW3 is greater than that in line VW4, or an input tax, given by the difference between line VW4 and line VW3.

**SECTION 2 – Calculation of output or input tax**

***NOTE: 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 2003 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 resolution 626305 of 20 December 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 subsidiary companies which left the group after the final deadline or the advance payment (see also line VK38).
**Line VW22** indicate the part of the credit included in line VW26 of the return relating to 2002 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 2003, 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, as provided for by article 8 of Presidential Decree of 14 October 1999, number 542, such surpluses may, instead of the request for refunds during the year, be paid with other taxes, contributions and other premiums owed only by agents who may legitimately request refunds during the year, in accordance with article 38-bis, second paragraph.
**Line VW24** must indicate the sum of interest owed, transferred from the subsidiary companies, relative to the first three periodic quarterly payments (see Ministerial Circular 37 of 30 April 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 2003 as provided for by article 13 of Legislative Decree 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 VY4 of the summarising schedule IVA 26PR/2003 for the year 2002, submitted by the controlling company for the entire group, increased by any amounts indicated in line VX4 of the individual returns of the companies not participating in the group VAT payments for 2002 or in line RX2, column 4, for the companies which in the previous year did not take part in the group VAT 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 2003 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 VAT payment, resulting from lines VL28 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 2003, carried out at the concessionary, by delegation of credit institutions and agencies, or at the post office. It is pointed out that the total amount of periodic payments results from the sum of the VAT data in the column “amount payable” 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 following set offs using credits relative to other taxes (or also to VAT), contributions and premiums.

**Line VW31** must include the total of supplementary payments relative to the 2003 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 2003 but relative to previous years must not be included. In the case of VAT credit being set off in an amount greater than is due, the amount of the payment made using tax code 6099 must be included, for the purposes of repaying the greater credit incorrectly used, according to the procedure described in Circular 48/E of 7 June 2002.

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 VAT credit (input tax), to indicate if the sum of the credit amounts in column 2 (VW5 column 2 and VW26-VW31) is greater than the sum of the debit amounts in column 1 (VW5 column 1 and VW20-VW25). The relative figure, **to be included in line VY2**, is derived from the difference between said amounts using the following formula:

[(VW5 column 2 +VW26 +VW27 + VW28 + VW29 + VW31) – (VW5 column 1 + VW20 + VW22 + VW23 + VW24 + VW25)]

**Line VW33** must include the total of output tax, to indicate if the sum of the credit amounts in column 2 (VW5 column 2 and VW26-VW31) is lower than the sum of the debit amounts in column 1 (VW5 column 1 and VW20-VW25). The relevant figure is derived from the difference between said amounts using the following formula:

[(VW5 column 1 +VW20 +VW22 + VW23 + VW24 + VW25) – (VW5 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** must indicate total VAT owed, derived by subtracting from the figure indicated in line VW33 any credit used (VW34) and adding quarterly interest owed (VW36). This amount must be **included in line VY1** if it is greater than 10.33 Euro as provided for article 3 of Presidential Decree No.126 of 2003 (10.00 Euro by virtue of rounding offs carried out during the return).

### 4.4.4 – PART VY – CALCULATION OF OUTPUT TAX (VAT PAYABLE) OR GROUP TAX CREDIT

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

**Line VY1 amount payable (output tax).** Indicate the amount specified in line VW38. The current line must not be completed if the total amount of VAT payable is equal to or less than 10.33 Euro as provided for by article 3 of Presidential Decree 126 of 2003 (10.00 Euro as a result of roundings-off carried out in the return).

**Line VY2 credit amount.** Indicate the amount of the annual deductible tax surplus as referred to in line VW32, to be apportioned between the following lines VY4 and VY5.

**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, regarding a tax credit arising during the completion of form 26PR/2004, 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 recouped 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 and VY5.**

**Line VY4**, indicate in this line the amount of refund requested. The relative amount must coincide with the amount resulting in line VS50, field 1.
One is reminded that said refund may be requested only by controlling entities or companies if the legal requirements exist for each subsidiary company, as laid down in article 30 (cp. Circular 13 of 5 March 1990).
In the cases in which the controlling company may not avail itself, wholly or partly, of the refund procedure through the concessionary, in field 2 the portion of the refund for which the controlling company intends to use such a procedure must be indicated.
Such portion, added to the amounts which have been or will be set off during 2004 in the form F24, may not exceed the amount as provided for by existing norms of 516,456.90 Euro (one billion lire, article 34, Act No. 388 of the 23 of December 2000).
**Line VY5**, indicate the amount intended to be deducted the following year or which is intended to be set off against other taxes.

#### 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 (2001 and 2002), a group tax surplus, including it in deduction the following year, and has also found for the 2003 tax year a group credit surplus (in line VY2 of the summarising form). In the presence of the abovementioned conditions, the refund can be requested by the controlling company for the lesser of the amounts relative to the aforementioned deductible surpluses, to be indicated in **lines VZ1** and **VZ2** (for further explanations please consult the instructions appended to Form VR/2004).

#### 4.4.6 – SIGNING THE FORM

The signature by the controlling entity or company, must be affixed in the appropriate space in legible form.

## 5. PENALTIES

### 5.1 Administrative penalties

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

| | |
|---|---|
| Failure to submit annual return or submission of return more than 90 days after the deadline, when taxes are owed. | Penalty of between 120 and 240% of the total tax owed with a minimum of 258 Euro (500,000 lire)<br>(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 of between 258 Euro (500,000 lire) and 2,065 Euro (4,000,000 lire)<br>(article 5, paragraph 3) |
| Submission of return within 90 days of the expiry of the deadline | Penalty of between 258 Euro (500,000 lire) and 2,065 Euro (4,000,000 lire)<br>(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 of between 100 and 200% of the increased tax and/or of the credit difference (article 5, paragraph 4) |
| Request for reimbursement which differs from that of the return and thus for a higher amount than appears in the return. | Penalty of between 100 and 200% of the amount which is not due<br>(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 (500,000 lire) to 2,065 Euro (4,000,000 lire)<br>(article 8, paragraph 1) |
| Tax payment violations: failure to pay, late payment or insufficient payment of VAT on account, of VAT resulting from periodic payments or of adjusted VAT resulting from the annual return. | Penalty of 30% of unpaid amount<br>(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 10th March 2000.

| | |
|---|---|
| – Fraudulent return:<br>- 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 300 million lire (154,937.07 Euro).<br>- reference, in the return, to false liabilities, for a total less than 300 million lire (154,937.07 Euro). | 18 months to 6 years imprisonment (article 2, paragraph 1)<br><br>6 months to 2 years imprisonment (article 2, paragraph 3) |
| Fraudulent return:<br>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:<br>a) the unpaid tax is greater than 150 million lire (equal to 77,468.53 Euro)<br>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 3 billion lire (equal to 1,549,370.70 Euro) | 18 months to 6 years impriosonment (article 3) |
| Incorrect return:<br>Reference, in the return, to assets that make up a total which is less than the effective one, and/or false liabilities, when jointly:<br>a) the unpaid tax is greater than 200 million lire (equal to 103,291.38 Euro)<br>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 4 billion lire (equal to 2,065,827.60 Euro) | 1 to 3 years imprisonment (article 4) |
| Failure to submit return:<br>when the unpaid tax is greater than 150 million lire (equal to 77,468.53 Euro).<br>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) |

## 5.3 Additional penalties

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

# APPENDIX

## RECONCILIATION TABLE WITH THE PREVIOUS RETURN

| 2003 VAT RETURN | 2004 VAT RETURN |
|---|---|
| **LINE VA4** | LINE VJ1 purchases of goods coming from the San Marino and Vaticane State City<br>LINE VJ2 withdrawals of goods from VAT deposits<br>LINE VJ3 purchases on the part of agents non-residing<br>LINE VJ4 operations as referred to in art. 74, 1st paragraph, lett. e)<br>LINE VJ5 commission paid by travel agencies to their intermediaries |
| **LINE VA5** | LINE VJ9 intra-community purchases of goods |
| **LINE VA6** | LINE VJ7 domestic purchases of iNvestment gold and of pure silver<br>LINE VJ8 purchases of taxable in-vestment gold owing to option<br>LINE VJ9 intra-community purchases of industrial gold and pure silver<br>LINE VJ11 imports of industrial gold and pure silver |
| **LINE VA7** | CANCELLED |
| **LINE VA8** | LINE VG35 field 3 |
| **LINE VA11** | CANCELLED |
| **LINE VA44** | LINE VA34 sales towards agents from San Marino |
| **LINE VA45** | LINE VA35 sales by agents from San Marino |
| **LINE VA46** | LINE VA44 operations ib relation to condominiums |
| **LINE VG35** | Field 1 exempt sales of investment gold by persons referred to in art. 19, paragraph 3, lett.d)<br>Field 2 exempt operations as referred to in art. 10, numbers 1 to 9<br>Field 3 exempt operations as referred to in art. 10, number 27-quinquies<br>Field 4 amortizable goods and internal transfers both exempt<br>Field 5 operations outside the application of VAT as referred to in art. 7<br>Field 6 operations as referred to in art. 74, 1st paragraph<br>Field 7 percentage of deduction |
| **NEW INSTITUTION** | LINEVG62 theoretical VAT art. 34, paragraph 9 |
| **NEW INSTITUTION** | PART VJ calculation of VAT on certain types of operations |
| **LINES VK31 and VK32** | LINE VK31 VAT on certain types of operations (from part VJ) |
| **LINES VK33 and VK34** | LINE VK32 Admissible VAT deduction |
| **LINES FROM VK35 TO VK40** | LINES from VK33 to VK38 |
| **LINES VL2 and VL3** | LINE VL2 VAT on certain types of operations (from part VJ) |
| **LINE VL4** | LINE VL3 output tax |

| 2003 VAT RETURN | 2004 VAT RETURN |
|---|---|
| **LINE VL5** | LINE VL4 deductible VAT |
| **LINE VL6** | LINE VG62 theoretical VAT art. 34, paragraph 9 |
| **LINE VL7 CANCELLED** | |
| **LINE VL8 CANCELLED** | |
| | LINE VL5 tax payable or credit tax |
| **NEW INSTITUTION** | LINE VL38 Total output tax (VL33-VL34-VL35+VL36) |
| **NEW INSTITUTION** | LINE VL39 Total input tax (VL32- VL37) |
| **LINE VX1 field 2** | LINE VX3 excess payment |
| **LINE VX3** | LINE VX4 amount of refund |
| **LINE VX4** | LINE VX5 amount intended to be deducted |
| **LINE VO7 box 2 CANCELLED** | |
| **LINE VW2 e VW3** | LINE VW2 VAT on certain types of operations (from part VJ) |
| **LINE VW4** | LINE VW3 output tax |
| **LINE VW5** | LINE VW4 deductible VAT |
| **LINE VW6 CANCELLED** | |
| **LINE VW7 CANCELLED** | |
| **LINE VW8 CANCELLED** | |
| | LINE VW5 tax payable or credit tax |
| **LINE VY1 field 2** | LINE VY3 excess payment |
| **LINE VY3** | LINE VY4 |
| **LINE VY4** | LINE VY5 |

## PAYMENT OF VAT ON ACCOUNT *(Line V29)*

Insofar as the assessment of the data relative to the payment of VAT on account to be included in line VL29 is concerned, taxpayers are ermined that the payment of VAT on account must be made annually by no later than the 27th of December (29th of December for 2003 because the 27th falls on a Saturday). The obligation to pay VAT on account was introduced by paragraphes 2 and 5 quater of article 6 of Act No. 405 of the 29th of December 1990, as amended by article 3 of Decree Law No. 477 of the 26th of November 1993, converted by Act No. 55 of the 26th of January 1994 and by article 3 of Decree Law No. 250 of the 28th of June 1995, converted with amendments by Act No. 349 of the 8th of August 1995 and recently further amended by Decree Law No. 526 of the 13th of December 1995, converted by Act No. 53 of the 10th of February 1996 (in this regard refer to circulars no. 52 of the 3rd of December 1991, no. 73 of the 10th of December 1992 and no. 40 of the 11th of December 1993).

## 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 for their own account, or through an agent, tour packages comprising trips, holidays, "all-inclusive" packages and related services, events, conventions and the like 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 the 17th of March 1995.
The services relating to individual tourism services in terms of paragraph 5-bis of article 74-ter are likewise subject to the special regime with the base from base detractive method, on condition that these services were previously purchased from what the travel and tourism agency has available. Individual services mean the "block" purchase of individual tourist services (such as, for example, hotel rooms or seats on flights) independent from the traveller's specific request.
The same provisions are applicable to tour organizers, which means persons, no matter how they are structured (associations, public or private entities, etc.) that place into being and make available to travellers, tour packages as defined in the first paragraph of article 74-ter referred to above.
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 the 24th of December 1997 and the regulations approved by Ministerial Decree No. 340 dated the 30th of July 1999 (published in Official Gazette No. 231 dated the 1st of October 1999).
Form A, set out below has been prepared to determine the information to be reflected in Part VG - Section 1. This form must be completed beforehand.

**FORM 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 | **TOTALE** (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 | Amout 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 2003 VAT return relative to 2002) 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 FORM 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 part 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/2003 return for the year 2002.
- in **lines 13 and 14**, which must be completed in the alternative, indicate the gross taxable base or the cost credit, relating to the transactions subject to the rate of 20%, by applying the following formula:

$$[\text{line 9} - (\text{line 11} + \text{line 12})]$$

If the result is positive, the relative amount must be reflected in line 13. If the amount is negative it must be reflected 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 form to part VG**
The data contained in line 12 of Form A must be reflected 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 Form to the other parts of the return**
In order to determine the turnover and total purchases, some of the information contained in Form 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 **VF12**, 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 VF12**, 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) persons who carry out the activities referred to in article 2135 of the Italian Civil Code (substituted by paragraph 1 of article 1 of Legislative Decree No. 228 of the 18th of May 2001), as well as persons 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 sell 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 sell goods produced by the members, associates or participants, in their original state or which are subject to handling or transformation; the entities, which by law, (even subject to manipulation or transformation), arrange for the collective sale on behalf of the producers, to the extent to which the aforesaid persons operate on behalf of the producers and in respect of which the provisions of this article become applicable; ***(for this purpose, the conferring members, associates or participants are obliged, by no later than the 31st of January of each year or within thirty days from the start of the activity, to present a suitable declaration to the aforesaid persons in which they certify that they possess the necessary requirements to place them within the ambit of the special regime).***

### 2. Special VAT regime for agricultural producers

The application of the special agricultural regime, which was also provisionally envisaged for agricultural producers with an annual turnover exceeding 20,658.28 Euro (40 million Lire), was further extended for the 2003 year arising out of the amendments made to article 11 of Legislative Decree No. 313/97 by paragraph 2 of article 19 of Act No. 289 of the 27th of December 2002.
For the sale by agricultural producers of agricultural and ichthyic products included in the first part of table A (annexed to Presidential Decree No. 633 of 1972), 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.
The tax is applied using the rates for the individual products, except for the application of the rates corresponding to the set-off percentages for the transfer of products from the persons referred to in paragraph 2, letter c) of article 34, who apply the special regime for sales carried out by the persons referred to in paragraph 6, first and second periods of article 34.

### 3. Exempt farmers

The following persons are exempt from paying VAT, as well as from all the documentary and accounting obligations, including the annual declaration: agricultural producers whose did not exceed 2,582.28 Euro (5 million lire) in 2002, increased to 7,746.85 Euro (15 million Lire) in relation to agricultural producers who carry out their activity in mountain municipal districts with less than 1,000 resident and in areas with less than 500 inhabitants that are included in the other mountain municipal districts identified by the respective regions, as provided for by article 16 of Act No. 97 of the 31st of January 1994. At least two thirds of the turnover must be made up of the sale of agricultural and ichthyic products included in the first part of table A annexed to Presidential Decree No. 633 of 1972 (circular no. 328/E of the 24th of December 1997 and circular no. 154 of the 19th of June 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 Turn over ≤ 5 millioni (2,582.28 Euro) or ≤ 15 million (7,746.85 Euro) agricult. sales ≥ 2/3 of Turn Over** | **EXEMPT FROM COMPLETING THE RETURN** | | | | |
|---|---|---|---|---|---|
| **Exempt Agricultural Producer that has exceeded the 1/3 limit for operations other than agricultural ones** | **VE Sec. 1**<br>Agricultural transactions with set-off percentages | **VE Sec. 2**<br>Other transactions with own rates | **VF**<br>Recorded purchases | **VH**<br>NO | **VG Sec. 5**<br>**VG50** (from VE sec. 2) for other transactions;<br>**VG61** deduction due for transactions indicated in VG50; from **VG52 to VG58** (from VE sec. 1) **VG62** deduction of theoretical VAT |
| **Agricultural Producer Turn over > 5 million (2582.28 Euro) or > 15 million (7746.85 Euro) (simplified special regime and ordinary special regime)** | **VE Sec. 1**<br>Contributions to cooperatives with set-off percentages | **VE Sec. 2**<br>Sale of agricultural products with own rates. Other transactions with own rates | **VF**<br>Recorded purchases | **VH**<br>**NO** simplified special<br>**YES** ordinary special | **VG Sec. 5**<br>**VG50** (from VE sec. 2) for other transactions:<br>**VG61** deduction due for transactions indicated in line VG50; **VG52** to **VG58** from **VE** sec. 1 and sec. 2 (forn corresponding set-off percentages) **VG62** deduction of theoretical VAT |
| **Cooperatives and other persons i.t.o. letters b) and c) art. 34** | **VE Sec. 1**<br>Contributions to consortia with set-off percentages | **VE Sec. 2**<br>Sale of agricutural products with own rates. Other transactions with own rates | **VF**<br>Recorded purchases | **VH**<br>YES | **See completion of form B** |

**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, 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 brought about by article 1 of Legislative Decree No. 228 of the 18th of May 2001, the concept of independent farmer was redefined, including by connection between 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 bed, the woods or the breeding of animals.
Wherever the requirement of "prevalence" is satisfied (i.e. that 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 tie with the activity of cultivating the bed, the woods and breeding. For further details on the effects arising out of the application of the special VAT regime in terms of the new statutory provisions relating to agricultural concerns please refer to circular no.44 of the 14th of May 2002.
The taxable amount and the tax from the sale 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 **VG61**.
To calculate the tax that may be deducted to the extent allowed by paragraph five of article 34, the taxpayer must perform the calculations separately on the basis of the explanations furnished in paragraph 6.4. of circular no. 328/E of the 24th of December 1997.
Line **VG51** must reflect the percentage of the contributions made by members who qualify for assistance, to the cooperative or other associative entity during the year, calculated in relation to the totality of the purchases and imports borne by the cooperative itself.
As detailed in paragraph 6.6.7 of circular no. 328 of the 24th of December 1997, you are reminded that the calculation is necessary to finally and definitively recalculate the exact flat rate deduction due to the cooperative with the application of the offsetting percentages on sales of agricultural and ichthyic products made during the year.
The pro rata deduction relative to the three bands of purchases indicated in paragraph 2, letter c) of article 34, (calculated when the cooperative makes periodic payments for the purpose of determining the deductible VAT for the period) may vary during the year in relation to when, for fiscal purposes, the contributions from members are considered to be made. Accordingly it is necessary to recalculate the final pro rata deduction relative to the entire calendar year, when the annual return is made (see paragraph 7 of circular no. 154 of the 19/6/98).
Taxpayers are reminded that the special agricultural VAT regime also applies to the cooperatives, consortia and other associative entities, to the extent to which these persons sell agricultural and ichthyic products on behalf of members, associates or participants who qualify for assistance. For this purpose only those members to whom the special deduction regime in terms of article 34 is rendered potentially applicable are understood as qualifying for assistance, insofar as they sell goods, which they produce themselves, even if for the year of reference they opted for the application of the tax in the normal manner.
For the purposes of the deduction, the sale of agricultural and ichthyic products by persons who are "non-producers" thereof must be equated to the purchase of agricultural products from third parties.

**Form B** set out below has been prepared to assist agricultural cooperatives and the other persons referred to in letter c) of paragraph 2 of article 34 in the completion of section 5 of part VG. The presence of agricultural producers who qualify for assistance and other types of persons among the members influences the application of the deductive regime. Accordingly, it is necessary to determine in advance the percentage of contributions made by members who qualify for assistance.

**Calculating the percentage of contributions made by members who qualify for assistance.**

**Line 1**, indicate the total taxable amount of contributions made by members who qualify for assistance.
**Line 2**, indicate the total taxable amount of contributions made by members who do not qualify for assistance.
**Line 3**, indicate the total taxable amount of purchases and imports of agricultural and ichthyic products from third parties.
**Line 4**, calculation of the percentage of the contributions made by members who qualify for assistance with respect to the total of the contributions, purchases and imports of agricultural and ichthyic products made from third parties. This percentage must be applied to the taxable transactions made by the associative entities to determine the flat rate tax, which can be deducted.

The value of the aforesaid percentage is obtained using the following formula:

[line1 : (line 1 + line 2 + line 3) x 100]

to be rounded up or down depending on whether the decimal is greater or less than five tenths. Insofar as rounding off is concerned, you must refer to the first three decimal places e.g. the percentage 3.501 is rounded up to 4, whereas 3.500 is rounded down to 3.

**FORM B**
**AGRICULTURAL COOPERATIVES AND OTHER PERSONS I.T.O. LETTER C) PARAGRAPH TWO OF ART. 34**

| | | | | |
|---|---|---|---|---|
| **Calculating the percentage of contributions by members who qualify for assistance** | | | | |
| **1** | Taxable amount of contributions from members who qualify for assistance | | | |
| **2** | Taxable amount of contributions from members who do not qualify for assistance | | | |
| **3** | Taxable amount of purchases and imports of agricultural and ichthyic products from third parties | | | |
| **4** | Percenttage of contributions by members who qualify for assistance to be carried forward to line **VG51** [line 1: (line 1 + line 2 + line 3) X 100] rounded off to the nearest unit | | | ___ % |
| **Determining the taxable amounts for the purpose of calculating the flat rate deduction** | | | | |
| | | Perc . | Aggrr. taxable amount | Taxable amt. Assisted |
| **11** | Apportionment of the sales of agricultural and ichthyic products i.t.o sections 1 and 2 part VE, and portion attributed to members who qualify for assistance (to be c/fwd to lines VG52 to VG58) | 2 | | |
| **12** | | 4 | | |
| **13** | | 7 | | |
| **14** | | 7.5 | | |
| **15** | | 8.5 | | |
| **16** | | 9 | | |
| **17** | | 12.5 | | |
| **Analytical deductions** | | | | |
| **20** | Tax relative to contributions by members who do not qualify for assistance | | | |
| **21** | Tax on purchases & imports of agricultural & ichthyic products from 3rd parties | | | |
| **22** | Tax relative to purchases and imports destined for other transactions | | | |
| **23** | Tax relative to other purchases and imports | | | |
| **24** | Percentage of deduction relative to other purchases and imports (100 - line 4) | | | ___ % |
| **25** | Deductible tax relative to other purchases and imports (line 23 X line 24) /100 | | | |
| **26** | Total analytically deductible VAT to be indicated to line **VG61** (line 20 + line 21 + line 22+ line 25) | | | |

**Determining the taxable amounts for the purposes of calculating the flat rate deductions.**

The first column of **lines 11** to **17** must reflect the aggregate amount of the sales of agricultural and ichthyic products included in sections 1 and 2 of part VE made by the associative entity, apportioned among the various offsetting percentages potentially applicable to the various products.
The second column must reflect the taxable amount related to the members who qualify for assistance, obtained by applying the percentage of line 4 to the amounts of the first column;
these amounts must be reflected in part VG in lines **VG52** to **VG58** depending on the offsetting percentage applied.

**Analytical deductions**

The form has been prepared for the determination of the tax that is analytically deductible.
**Line 20**, tax discharged on the contributions carried out by members who cannot apply the special agricultural regime.
**Line 21**, tax relative to purchases and imports of agricultural and ichthyic products made by persons, who are neither associated nor participants.
**Line 22**, tax relative to purchases and imports of non-depreciable goods and services, which are clearly identified and which are used exclusively for the production of goods and services that form the subject matter of the different transactions.
**Line 23**, tax relative to the remaining purchases and imports of goods and services necessary to conduct the activity (for example, general expenses).
**Line 24**, percentage of deduction relative to the tax contained in line 23, determined in the following manner:

(line 2 + line 3) / ( line 1 + line 2 + line 3)

This percentage equals the complement to 100 of the percentage referred to in line 4.
**Line 25**, deductible tax on the other purchases and imports, determined by applying the percentage in line 24 to the tax indicated in line 23;

**Line 26**, aggregate amount of VAT, which is analytically deductible, resulting from the sum of the amounts reflected in lines 20, 21, 22 and 25. This amount must be reflected in line **VG61**.

## FARM HOLIDAYS *(Part VG - Section 4)*

With effect from the 1st of January 1992, paragraph 2 of article 5 of Act 413/1991, introduced a special system for the flat rate determination of the VAT due for persons who carry out farm holiday activities in terms of Act No. 730 of the 5th of December 1985, as well as article 3 of Legislative Decree No. 228 of the 18th of May 2001.
For these persons 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 of Act 413/1991 referred to above, this system of the flat rate determination of the tax is also applicable to income taxes, excluding capital companies.
In addition, the aforesaid article gives taxpayers who do not want to determine the tax due on a flat rate basis the right to communicate the choice when submitting the VAT return relative to the year in which the choice was made, which is also valid as regards income taxes (see line VO32).
Obviously, 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 books are kept the taxpayer must issue an invoice, subject to VAT, for the internal transfers from one activity to the other.

## ENTERTAINMENT AND SHOW ACTIVITIES

Legislative Decree No. 60 of the 26th of February 1999 in carrying out the delegation contained in Act No. 288 of the 3rd of August 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 annexed to Presidential Decree No. 640 of the 26th of October 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, annexed to Presidential Decree No. 633/1972, (which activities are subject to VAT on the basis of the ordinary criteria only. The provisions of article 74-quater apply to these activities.)
For an explanation regarding the reforms to the tax regulations applicable to entertainment and show business activities, please refer to circular no. 165/E of the 7th of September 2000, circular no. 247/E of the 29th of December 1999, resolution no. 371/E of the 26th of November 2002 and circular no. 1 of the 15th of January 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 books, 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 applicable to the tax on entertainment. In terms of article 6 of Presidential Decree No. 544 of the 30th of December 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 persons 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, sale 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, based on access rights issued with suitable meters or computer-based ticket offices, these persons 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 persons who carry out activities relating to the organization of games, entertainment and the other activities referred to in the tariff annexed 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 the 10th of November 1997, which regulates the manner of communicating the options concerning value added tax and direct taxes, the persons who are obliged to communicate the option exercised in 2003 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 as to any revocation relating to the same activities previously subject to the tax on shows must be effected by crossing box 2 of line VO7.

**2. Show activities**

The show activities contained in table C annexed 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 moment when 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, paragraph 5 of article 74-quater introduces a special system of relief. 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 annexed to Presidential Decree No. 633/1972, whose turnover in the previous year did not exceed 25,822.84 Euro (fifty million Lire). 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 regards the accounting obligations and in respect of the persons referred to in paragraph five of article 74-quater, whose turnover in the previous year did not exceed 25,822.84 Euro (fifty million Lire), article 8 of Presidential Decree No. 544 of the 30th of December 1999, (which contains rules for simplifying the taxpayer's obligations relative to the tax on entertainment) provides for:
- the exemption from the obligation to record the considerations;
- the exemption from the obligation to settle and pay the tax;
- the numbering and keeping of the invoices received;
- the possibility to certify the considerations for fiscal purposes by means of a receipt or a slip;
- the annual payment of the tax;
- the submission of the annual communication of VAT data;
- the submission 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 person also carries out other activities.
Line VG42 of the return is reserved for the persons to whom the special regime governed by paragraph five of article 74-quarter applies, for the purposes of indicating 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 contained in table C attached to Presidential Decree No. 633/1972, whose turnover does not exceed 25,822.84 Euro (fifty million Lire), 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 reflected in column 2 of line VG42.
The relief regime imposed by paragraph 5 of article 74-quarter is the natural VAT regime for persons who undertake travelling shows and smaller taxpayers who carry out show business activities. These persons 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 the 10th of November 1997, the option must be communicated in the annual VAT declaration relative to the tax period in which the taxpayer made the option. Accordingly, the persons obliged to communicate the option relative to 2003 must cross box 1 of 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 (fifty million lire) in respect of turnover is exceeded then, starting from the next calendar year, it is no longer possible to apply the relief system. As explained in circular no.50/E of the 12th of June 2002, to determine the turnover it is necessary to make reference to the aggregate amount of the sale 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 the 9th of July 1997, in place of the tax relief provided by the legislation previously in force. Decree No. 310 of the 22nd of September 2000, published in Official Gazette No. 254 of the 30th of October 2000, defines the considerations and criteria for the granting and use of the tax credit referred to.

**3. Amateur sports associations and societies and similar persons**

Article 90 of Act No. 289 of the 27th of December 2002 introduced important innovations regarding amateur sports activities. Explanations regarding the above were furnished in circular no. 21 of the 22nd of April 2003.
In particular, the new regulations make provision for the following types of persons 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 the 10th of February 2000;
- capital based non-profit amateur sports societies.

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 agreement of both categories of persons must contain the paragraphes required to guarantee the absence of profit-making and to ensure compliance with the other principles prescribed by article 18 of Act No. 289 of 2002 and the regulations to which paragraph 18 refers.
Article 90 of Act 289/2002 also brought about numerous changes to the tax regulations in favour of amateur sports.
In particular, the tax relief introduced by Act No. 398 of the 16th of December 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.
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 Act No. 398 of 1991, is with effect from the 1st of January 2003 extended to non-profit amateur sports societies who exercise the same option. Article 9 of Presidential Decree No. 544 of the 30th of December 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 achieved in the performance of commercial activities connected to the institutional purposes. Accordingly, insofar as amateur sports societies and associations and similar persons, who opt for the application of the provisions contained in Act No. 398/1991 are concerned, the special VAT regime regulated by paragraph 6 of article 74 is also applicable in respect of 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) by no later than the 16th day of the second month following the calendar trimester of reference. The 1% interest is not due;
- progressive numbering and keeping of invoices relating to purchases;
-the possibility of certifying the considerations for taking part in 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 the 13th of March 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 the 11th of February 1997, suitably supplemented. This may even be done by way of a single recording effected by no later than the fifteenth day of the subsequent month.
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 Act 398/1991, must be communicated with due compliance with the provisions imposed by Presidential Decree No. 442 of the 10th of November 1997, concerning options and revocations for the purposes of value added tax and direct taxes.
Accordingly, to communicate the option exercised in 2003, the amateur sports societies and associations, the non-profit associations and the pro-loco associations must cross box 1 of line VO30.
The option is binding for at least five years. Nevertheless, the loss during the year of the necessary requirements to have access to the benefits granted by Act No. 389/1991, entails the application of VAT according to the general criteria dictated by Presidential Decree No. 633/1972 with effect from the month following the month in which the requirements ceased to exist. Taxpayers are reminded that in terms of paragraph 2 of article 90 of Act No. 289 of the 27th of December 2002 in order to take advantage of the relief introduced by Act No. 398/1991, commencing from the fiscal period under way at the 1st of January 2003 the limit is set at 250,000 Euro. Accordingly, persons whose income did not exceed 250,000 Euro during the tax period prior to the one underway at the 1st of January 2003 can take

advantage of the relief provided for in Act No. 398 of 1991 as amended commencing from the aforesaid year.
Box 2 of line VO30 must be crossed to communicate the revocation.
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 Act No. 398/1991 (either by choice or because they do not fulfil the requirements set out in article 1 of the Act 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 sales falling within the special used goods regime, can first complete Form C (set out below) or Form D, in the case of auction agencies acting for their own account or on behalf of private individuals on the basis of a commission contract.

***NOTICE: arising out of the provisions of paragraph 6 of article 30 of Act No. 388 of the 23rd of December 2000, persons subject to tax, who were charged VAT equivalent to 10% or 50% of the taxable base when purchasing vehicles must, in terms of paragraph 5 of article 30 of the abovementioned Act, apply the marginal VAT regime stipulated for sellers of used goods, when the vehicle is subsequently resold.***

***NOTE: 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 persons (including auction agencies) who apply the analytical method and by those who apply the global method, must be reflected in line VF12 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 no. 177/E of the 22nd of June 1995, must be deducted according to the general rules. Accordingly, such expenses must be reflected in lines VF1 to VF9.***

**FORM C**

**TO BE USED TO COMPLETE SECTION 2 (USED GOODS)**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **PART 1** | **Analytical method of determining the margin** | | | | | | |
| **1** | Total of sales 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** | Dif f erence 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 & ancillary expenses that contribute to determining the margin | | | | | | |
| **13** | Negative margin of the previous year (from line VG22 of the 2003 return relative to 2002) Aggregate | | | | | | |
| **14** | Gross margin [( sum of the amounts in line 10)-(line 12 + line 13)] | | | | | | |
| **15** | or 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 per 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 to used goods, as defined in paragraph 1 of article 36 of Decree Law No. 41 of the 23rd of February 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 sales made vis-à-vis community persons (which, in effect are considered as transactions within the State) and the sale 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 total 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 reflected in line **VG21**. On the other hand, 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), as well as the 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 sales and purchases register provided for in terms of paragraph 4 of article 38 of Decree Law 41/1995 referred to above.
Persons 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 between the various 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/2003 return for the 2002 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 reflected in line **VG21**. On the other hand the margins, net of VAT and the relative tax must be included in **part VE**, subdivided among the respective rates;
- in **line 15** (alternative to line 14), indicate the amount of the negative margin, which arises in circumstances where 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 reflected in line **VG22** (see circular no. 144/E of the 9th of June 1998);
- in **line 16** indicate the gross margins, relating to the taxable transactions, on the basis of the rates applied. In this regard, the aggregate gross margin must be subdivided between 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 no. 177/E of the 22nd of June 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 completion 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), as well as 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 2003 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 2004 year is calculated on an annual basis and appears at line VG22 of the 2003 VAT return.

**Carrying the data forward to part VE of the return.**
In order to correctly determine the 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 between 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 reflected 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 reflected 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), as well as 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 FORM C**

| 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 indicate to 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 indicate to 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 indicate to line 22 col.3 | | | |

**HOW TO COMPLETE FORM D (AUCTION SALE AGENCIES)**

The form 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.

**FORM D**
**TO BE USED TO COMPLETE SECTION 2 (USED GOODS)**

| | | |
|---|---|---|
| 1 | Total of the considerations due by the purchasers | |
| 2 | Total of the 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 reflected:

- in **line 1** indicate the aggregate amount of the considerations due by the highest bidder, gross of VAT, relating to the transactions effected (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 being 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 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), as well as 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 included in line VE32.

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

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

Any person who during 2003 carried out an activity that fell within the scope of a particular method of determining the deductible VAT, 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 sales 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 box 1 of line **VA20** and the relative amount must be reflected in line **VE33**; the purchases inherent to such transactions must be included in line **VF16** and section 3 of part VG must not be completed.

**Occasional sales of used goods**

Where occasional sales of used goods occur, box 1 of line **VA21** must be crossed. To determine the margin the taxpayer must complete form C, set out in the section headed "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 sales, must be included in line **VF12**.

## SEPERATE ACCOUNTING *(Part VH)*

As set out above (in paragraphs 1.2 and 3.2) where separate books of account are kept (article 36), part VH must contain the summarizing information of all the activities carried out.

Above all it is pointed out that if the taxpayer carries out more than one activity in respect of which he has adopted (in terms of the law 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 in respect of the individual periods, must be reflected. For example, where the taxpayer intends setting off the tax payable resulting from the monthly payment (e.g. March) with the 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 effecting payment within the time limit provided for the monthly payment and reflecting 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 effecting a set off between the results of the monthly payments and the quarterly ones coinciding with the third month of every quarter.
Note that the criteria illustrated above, for the purposes of indicating the data as to payments, must also be applied in other circumstances where, as a result of special provisions, the taxpayer effects 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, as well as 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 payment for the 1st quarter;
**4)** credit arising out of the payment for the 1st quarter: to be carried forward as a deduction against the payment for April;
**5)** credit arising out of the payment for April: to be carried forward as a deduction against the payment for May;
**6)** credit arising out of the payment for May: to be carried forward as a deduction against the payment for June;
**7)** credit arising out of the payment for June: to be carried forward as a deduction against the payment for the 2nd quarter;
**8)** credit arising out of the payment for the 2nd quarter: to be carried forward as a deduction against the payment for July;
**9)** credit arising out of the payment for July: to be carried forward as a deduction against the payment 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 against 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 must be deducted from the tax due for the first debit payment due for any of the activities carried out, up to the amount of the entire debit arising out of 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 declaration is made by persons, as referred to in article 7 of Presidential Decree No. 542 of the 14th of October 1999.

Persons who entered into both taxable and exempt leases (for example, leases in respect of capital goods) can take advantage of the separation of activities in terms of paragraph 3 of article 36, as amended by Legislative Decree No. 422 of the 19th of November 1998.

## 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 VAT included 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 | 9% | percentage | 8.25% |
| 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 , 109, 110 and 120, in relation to the different rates applied and multiplying the quotient by 100, rounding up or down to the nearest unit.
It is pointed out that for the rates of 7, 7.5 , and 12.5 the taxable amount must be determined by dividing the gross amount of the considerations recorded by 107, 107.5 and 112.5 respectively and multiplying the quotient by 100 and rounding up or down to the nearest unit.
The taxable amounts so determined 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 so calculated 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 |
| VA T (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 the 23rd of March 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 effect 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 person who in the previous year effected quarterly payments and who in the next year made monthly payments 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 in the same way as for persons who start the activity from the 1st of January of that year.
In such circumstances, the interested person must effect 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 correctly effect the periodic payments and to reflect them in part VH:

| Year 2003 | Tax Payment Code | Due date for payment | Reference base |
|---|---|---|---|
| VH1 | 6001 | 16 February | December 2002 if activity started in January 2003 |
| VH2 | 6002 | 16 March | January 2003 |
| VH3 | 6003 | 16 April | February 2003 |
| VH4 | 6004 | 16 May | March 2003 |
| VH5 | 6005 | 16 June | April 2003 |
| VH6 | 6006 | 16 July | May 2003 |
| VH7 | 6007 | 16 August | June 2003 |
| VH8 | 6008 | 16 September | July 2003 |
| VH9 | 6009 | 16 October | August 2003 |
| VH10 | 6010 | 16 November | September 2003 |
| VH11 | 6011 | 16 December | October 2003 |
| VH12 | 6012 | 16 January | November 2003 |
| **Year 2004** | **Tax Payment Code** | **Due date for payment** | **Reference base** |
| VH1 | 6001 | 16 February | December 2003 |
| VH2 | 6002 | 16 March | January 2004 |

## MINIMUM TAXPAYERS *(Part VB)*

**The flat-rate regime (paragraphs 171 to 176 of article 3 of Act No. 622 of the 23rd of December 1996)**

With effect from the 1st of January 1997 paragraphs 171 to 176 of article 3 of Act No. 622 of 1996 introduced a special regime for the flat-rate determination of value added tax for so-called "minimum" taxpayers.
For the fiscal period 2003 minimum taxpayers have been defined as individuals carrying out business activities or arts and professions for whom during 2002 the following conditions existed jointly:

a) turnover, converted to an annual figure that does not exceed 10,329.14 Euro (20 million Lire). To determine the turnover reference must be made to the criteria contained in article 20 - that is the aggregate amount of the sale of goods and the performance of services, which are recorded or which are subject to being recorded in the fiscal 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 turnover (Paragraph 3 of article 2, article 7, and paragraph 1 of article 74).

Where the person subject to tax carries out more than one activity the aggregate 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) capital 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 (20 million Lire). In addition, 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 sales;
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 turnover for 2002 and always within the limit of 10,329.14 Euro (20 million Lire).

The activities referred to in articles 34, 74 and 74-ter are excluded from the flat-rate regime. So too are activities that fall within the scope of the other special regimes in respect of which the related regulations remain applicable, for example farm holiday activities in terms of Act No. 730 of the 5th of December 1985, as well as article 3 of Legislative Decree No. 228 of the 18th of May 2001.

Minimum taxpayers who have not opted for the application of VAT in the ordinary way 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 no. 10 of the 17th of January 1997 and circular no. 75 of the 13th of March 1997.

## TAX CREDITS *(Lines VL28 and VL34)*

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

- Female entrepreneurs (article 5 of Act No. 215 of the 25th of February 1992 and Ministerial Decree No. 706 of the 5th of December 1996);
- Innovative investments (articles 5 and 6 of Act No. 317 of the 5th of October 1991);
- Taxi operators (article 20 of Decree Law No. 331/1993 and article 1 of the Ministerial Decree of the 29th of March 1994);
- Incentives for scrapping (article 29 of Decree Law No. 669 of the 31th December 1996, converted with amendments by Act No. 30 of the 28th of February 1997, article 22 of Act No. 266 of the 7th of August 1997, Decree Law No. 324 of the 25th of September 1997, coordinated with Conversion Act No. 403 of the 25th of November 1997 and article 17 of Act No. 449 of the 27th of December 1997);
- Trade incentives (article 11 of Act No. 449 of the 27th of December 1997);
- Research costs (article 8 of Act No. 317 of the 5th of October 1991);
- Hiring of new employees by small and medium-sized businesses (article 4 of Act No. 449 of the 27th of December 1997, regulation no. 311 of the 3rd of August 1998, Managerial Decree of the 27th of August 1998, Ministerial circular no. 219/E of the 18th of September 1998), (article 4 of Act No. 448 of the 23rd of December 1998, Ministerial circular no. 161/E of the 25th of August 2000);
- Purchase of vehicles that use methane or LPG or the installation of systems that use methane or LPG (Decree Law 324/97 and Ministerial Decree No. 256 of the 17th of July 1998);
- Purchase of weighing instruments (article 1 of Act No. 77 of the 25th of March 1997);
- Cinema-hall operators (paragraph 2 of article 20 of Legislative Decree No. 60 of the 26th of February 1999, Decree No. 310 of the 22nd of September 2000 and Circular no. 165/E of the 7th of September 2000). See appendix to the item "Entertainment and show activities";
- Incentives for scientific research (article 5 of Act No. 449 of the 27th of December 1997, Decree No. 275 of the 22nd of July 1998 and the Decree of the 18th of May 2000);
- Businesses producing editorial products (article 8 of Act No. 62 of the 7th of March 2001 and the regulations adopted in terms of Prime Minister's Decree No. 143 of the 6th of June 2002).

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 operation afterwards.

The taxpayer who uses special tax credits when making periodic payments must indicate in the "payables" field of the lines contained between VH1 and VH12 the result of the payments net of the credits used. The sum of the tax credits so used must be shown in line VL28. On the other hand, the tax credit used when completing the General return must be reflected in line VL34.

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

## DETERMINING TURNOVER (PART VE)

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

**The following contributes to the formation of the turnover** in terms of article 20: the aggregate amount of the sales of goods and the performance of services, which are recorded or which are subject to being recorded with reference to the fiscal 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 turnover**: the sale of depreciable goods, including goods referred to in number 3 of article 2425 of the Italian Civil Code (industrial patents, intellectual property rights, licences, as well as trademark rights), the internal transfers between separate books of 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 tax, and subsequently deducted in section 3 of part VE, with the purpose of determining the annual 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 can contribute to the formation of the ceiling referred to in paragraph 2 of article 2 of Act No. 28 of the 18th of February 1997. In particular, indicate the following:

a) the considerations of non-taxable export sales referred to in letters a) and b) of paragraph 1 of article 8, which also include:
   - sales to the purchaser or the agent, carried out by way of a transport or delivery of goods outside the territory of the Community, handled by or in the name of the seller or his commission agent;
   - sales 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 sales of goods and performance of services, similar to export sales (first paragraph of article 8-bis), carried out in the conduct of the business' activity;
   - considerations for international services or those connected to 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 sales referred to in article 41 of Decree Law No. 331 of 1993, which include:
   - circumstances where the national seller 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 person subject to tax belonging to another member State);
   - circumstances where a national person sells goods and causes the goods to be delivered by his own community supplier to the purchaser 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 sale 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 sales of agricultural and ichthyic products, even if not included in the first part of Table A, annexed to Presidential Decree No. 633/1972, made by agricultural producers referred to in article 34;
   - considerations for the performance of services referred to in paragraphes 4-bis, 5, 6 and 8 of article 40 of Decree Law No. 331 of 1993, rendered to persons subject to tax, of other member States (services relative to movable goods, including the assessments, carried out in Italy, on condition that the goods, on completion of the work, 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 sales to national persons subject to tax 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 seller.

**Other non-taxable transactions**

In line **VE32** in relation to the non-taxable transactions, which do not contribute to the formation of the ceiling the following must be detailed;
- the sales relating to goods in transit or deposited in places subject to customs control;
- sales to persons 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 sale 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 sale of goods and the performance of services, where the subject of such sale or service is 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 sales of goods and related ancillary services carried out vis-à-vis State Administrations or non-governmental organizations, recognized in terms of Act No. 49/1987, which in the manner established by Ministerial Decree 10-3-1998, 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 Act No. 49 of the 26th of February 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 the 30th of March 1999);
- the 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 sales referred to in article 41 of Decree Law No. 331 of the 30th of August 1993, converted by Act No. 427 of the 29th of October 1993, which include:
  - the delivery, by the national seller on behalf of the community purchaser, of goods to a member State other than the State to which the purchaser belongs (trilateral agreement promoted by the community person);
  - the sale by a national person who purchases the goods in another member State, commissioning the supplier to deliver them in a third member State to the purchaser, who is liable to pay the tax relative to the transaction (trilateral agreement promoted by a national person);
- the intra community sales of agricultural products included and not included in the first part of Table A, annexed to Presidential Decree No. 633, made by agricultural producers falling with the special regime referred to in article 34 of the aforesaid Decree;
- the intra-community sales 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 paragraphes 4-bis, 5, 6 and 8 of article 40 of Decree Law No.331 of 1993 rendered to persons from other member States, who are subject to tax (performance of services relative to movable goods, including the assessments carried out in Italy, on condition that the goods, on completion of the work, 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 the intra-community purchases of goods referred to in paragraphes 7 and 8 of article 74 (scrap and other salvage materials);
- 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 subject to the tax, in terms of paragraph 7 of article 3 of Decree Law No. 90 of the 27th of April 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 Act No. 28 of the 18th of February 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 persons, in terms of the special provisions on the subject;

***NOTICE: The sales and purchases of goods, which fall within the marginal regime referred to in Decree Law No. 41 of the 23rd of February 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 seller resides.***

## TRANSACTIONS RELATIVE TO GOLD AND SILVER

### 1. General

Act No. 7 of the 17th of January 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 persons that intervene in the transaction.
Transactions involving silver, which transactions have certain definite characteristics, follow the same tax treatment as that provided in respect of transactions relating to 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 Act 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 coins 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 the coins with the same characteristics, even though they are not contained in the aforesaid list.

***2.b. Exemption***

Article 10, paragraph one, number 11 referred to above exempts the sales of investment gold, even in the form of securities, for the financial operations provided for in letter c-quater (and c-quinquies), paragraph 1 of article 81 of Presidential Decree No. 917 of the 22nd of December 1986, if such operations are related to investment gold, as well as the intermediations relative to the aforesaid transactions.
It must be noted that paragraph 1 of article 81 of the T.U.I.R. (Income Tax Consolidated Act) provides the following:
- **letter c-quarter** "income, other than income referred to previously, in any event realized 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 to any other parameter of a financial nature. For the purposes of the application of the above, the aforesaid relationships are also considered financial instruments";
- **letter c - quinquies** "the capital gains and other income, other than those mentioned previously, which are realized by means of sales by onerous title or the finalization of relationships that produce unearned income and by means of sales by onerous title or the 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:
- sales 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 seller in part VE at line **VE33** and by the purchasers in part VF at line **VF13**. In addition to the internal purchases the intra-community purchases and the imports must also be included therein.
In addition, the intra-community sales, 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***

Persons that produce investment gold or that transform gold into investment gold have the right to elect for VAT to be applied even only for individual sales. ***This option, limited to the individual sales, was also extended to persons who trade in investment gold, in terms of article 42 of Act No. 342 of the 21st of November 2000***. If the option is exercised the application of the tax is due by the purchaser, if he is a person subject to tax in the territory of the State, who will have to adopt the so-called reverse charge mechanism (see paragraph 4b).
Accordingly the option, whether it relates to individual transactions or all the transactions, can be exercised only in relation to sales carried out vis-à-vis persons who are subject to the tax.
If the seller has opted for the application of the tax, a similar right is also granted to the intermediaries. The relevant persons must communicate the option in the following year, in accordance with the procedure contained in Presidential Decree No. 442 of the 10th of November 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**, 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 Act No. 7 of the 17th of January 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 carrying out of transactions that are exempt or in any event not subject to tax, does not operate in relation to the "sales of gold referred to in article 10, no. 11), carried out by persons 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 in respect of persons 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 persons 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 persons 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 persons 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, taxpayers who within the scope of their own activity fall either within the regime referred to in article 19, paragraph three, letter d) or that referred to in paragraph 5-bis, must keep separate books of account for the relative transactions and are obliged to complete, when submitting the General return, two forms so as to show the VAT allowed as a deduction separately for each regime*.

**4. Gold other than investment gold**

***4.a. Definition***

The second type of gold regulated by Act 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-worked products with a purity equal or superior to 325 thousandths.
In addition, 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 an end use, in which it is destined to be reworked or transformed(see resolution no. 375/E of the 28th of November 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 sales are made subject to the tax 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 purchaser becomes liable for the tax instead of the seller. The latter must issue an invoice for the sales 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 purchaser is obliged to supplement the invoice by setting out the rate and the relative tax.
Insofar as payment of the VAT is concerned, the purchaser records the document, duly supplemented, in the register of invoices issued or 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 turnover for the seller.
Over and above the sales of so-called industrial gold as defined above, the reverse-charge mechanism is applied if carried out, vis-à-vis the persons subject to tax in the territory of the State and also in respect of sales of investment gold that are taxable by choice, as well as sales of pure silver (in this regard see paragraph 8).
In relation to the manner of completing the General VAT return persons who have purchased gold with the aforesaid mechanism must set out, in order to determine the tax due, the taxable amount and the relative tax as follows: in line **VJ7** for the purchases within the State of industrial gold and pure silver, in line **VJ9** for the intra-community purchases of industrial gold and pure silver and in line **VJ8** for the purchases within the State of investment gold which are taxable by choice.
It must be noted that line **VA30 field 1** must also contain the intra-community sales 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, if the sales of industrial gold are to private consumers, they are taxable according to the ordinary rules relating to the tax (VAT debited by the sellers).

**5. Tax refunds**

For the purposes of claiming, in whole or in part, the refund of the deductible excess, taxpayers legally entitled to do so must include in the computation referred to in article 30, third paragraph letter a) as amended

by Act No. 7/2000, the transactions relative to sales 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 sales 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 made by persons subject to tax 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 sales (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 persons subject to tax) of a certificate with the customs declaration on the person's own letterhead, which specifies how the regulation invoked is rendered operative". *(Circular no. 24/D of the 15th of February 2000).*
Imports of investment gold must be reflected in line **VF13**, whereas imports of so-called "industrial gold" must be reflected in line **VF9**, 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 Act 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 Act.
It follows that silver falling within this definition is subject to the same fiscal treatment as 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 General return.
In the same way, the sales 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 Act No. 7 of the 17th of January 2000, which regulates transactions relative to gold and silver, persons 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 if, during the fiscal year they purchased, in terms of article 17, paragraph five, with the application of the so-called reverse-charge mechanism:

- 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 the 26th of October 2001);
- silver.

In relation to the accounting obligations, for this category of taxpayer, Presidential Decree No. 315 of the 27th of September 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 no. 216/E of the 27th of November 2000*.

## OPTIONS AND REVOCATIONS *(Part VO)*

In terms of article 2 of Presidential Decree No. 442 of the 10th of November 1997, as amended by article 4 of Presidential Decree No. 404 of the 5th of October 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, exclusively using part VO of the General VAT return.
In circumstances where a person is exempt from submitting the General return, part VO must be submitted enclosed with the income tax return. In this regard, the front page of the UNICO 2004 form has a specific box, which if crossed indicates that part VO has been completed by the aforesaid persons. Recourse to this method of communicating the option or revocations is only necessary in circumstances where the person is not obliged to submit the General VAT return with reference to other activities carried out or, as already set out in circular no. 209/E of the 27th of August 1998, when the exemption from the obligation of submitting the return remains even pursuant to the optional system chosen.
Circular no. 209/E of 1998 also furnished 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.
On the other hand, no variation is made to the minimum periods of validity of the option provided for by article 3 of Decree 442/1997 referred to above and the more extensive periods provided for by the specific legislative provisions; the aforesaid time periods take effect from the 1st of January of the tax year in which the option was made. 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. 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 again cross the corresponding box.

## 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
At times some of the aforesaid entities incorrectly reflect 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 PROVIDED FOR IN TERMS OF ARTICLES 13 AND 14 OF ACT NO. 388 OF THE 23rd OF DECEMBER 2000.

Articles 13 and 14 of Act No. 388 of the 23rd of December 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.

However, the following obligations remain in force:

- invoicing and certification of the considerations;
- preservation of documents received and issued;
- submission of the annual communication of VAT data by taxpayers referred to in article 13, whose turnover during 2003 was in excess of 25,822.84 Euro (50 million Lire);
- submission of the General 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 Act 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:
- decree of the 8th of February 2001;
- decree of the 28th of February 2001;
- decree of the 14th of March 2001 (tax relief regime for new entrepreneurial initiatives and self-employed persons);
- decree of the 14th of March 2001 (tax relief regime for marginal activities);
- decree of the 26th of March 2001;
- circular no. 1/E of the 3rd of January 2001;
- circular no. 8/E of the 26th of January 2001;
- circular no. 23/E of the 9th of March 2001;
- circular no. 59/E of the 18th of June 2001.

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

Form E has been prepared to facilitate the calculation of the aggregate amount of the adjustments to be reflected 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.

**FORM E**
**ADJUSTING THE 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 | |
| **TOTALE** | **6** | Algebraic sum of lines 1- to5 (to be indicate toVG70) | |

**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 of 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 to the tax regime
Whenever changes in the tax regime of the asset 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 carried out, 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 asset transactions carried out, which have consequences on the deduction that is due (for example following on from legislative adjustments the change from a regime of total exemption to a regime of total taxability or vice-versa, or following on from the option to separate the activities ex article 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 person subject to tax 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 effected 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 sale 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 sale of the depreciable asset.

**Line 5**, variation of the deduction relative to purchases carried out in previous years.
In terms of article 19, paragraph 1, second period, the right to the deduction arises 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 the 24th of December 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, 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 reflected in this line.

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

## SCRAP

The VAT regime applicable to sales of scrap and other salvage material underwent important adjustments in terms of Decree Law No. 269 of the 30th of September 2003, converted by Act No. 326 of the 24th of November 2003. Article 35 of the aforesaid Decree, in reformulating the paragraphs of article 74, which contained the VAT regulations applicable to the sale of scrap and other salvage material (ex paragraphes 8,9,10 and 11) made the abovementioned transactions subject to VAT in place of the non-taxable regime previously in force. The new provisions came into effect on the 2nd of October 2003, the date on which Decree Law 269/2003 came into force.
In terms of the new wording of paragraph 7 of article 74 the tax is due by the purchaser who is subject to tax according to the special accounting inversion mechanism, known as the reverse-charge method. In fact, the purchaser is obliged to supplement the invoice (issued by the seller without debiting the tax), by indicating the applicable rate and the relative tax. The invoice must be recorded in the register of invoices issued referred to in article 23 or in the register of considerations referred to in article 24, so as to include the invoice in the periodic payments. In addition, the same invoice must also be recorded in the purchases register referred to in article 25, in order to effect the tax deduction.
By repealing paragraphes 9 and 10 (ex paragraphes 10 and 11) of article 74, the regulations set out above are applicable to all persons who carry out the sale of goods identified in paragraphes 7 and 8 (ex articles 8 and 9) of the aforesaid article. The ordinary VAT regime applicable to the same sales carried out vis-a-vis private consumers remains unaltered.
As a result of the adjustments made by article 35 of Decree Law No. 269/2003 to article 42, paragraph 1 of Decree Law No. 331/1993, the **intra-community purchases** of scrap and other salvage material, like domestic sales, have also become subject to VAT. Accordingly, when the intra-community purchase of such goods is made, the purchaser is obliged to supplement the invoice according to the ordinary rules.
Similarly, following on from the abolition of letter c-bis of article 68 brought about by article 35 of Decree Law No. 269/2003, the **imports** of the same goods are subject to VAT. Nevertheless, the new paragraph 6 of article 70 regulates the manner in which VAT is applied to imports of scrap and other salvage materials. As an exception to the ordinary collection criteria regarding the tax on imports, in terms of the new paragraph the tax is not paid at customs but is discharged by means of recording the customs document in the registers referred to in articles 23 or 24. It must also be recorded in the register referred to in article 25 for the purposes of the deduction due.
The form below is a guide for the completion of the return for 2003 by persons that have made sales and/or purchases of scrap and other salvage material both in the period before, as well as the period after Decree Law No. 269/2003 came into force.

| SELLER | | PURCHASER | |
|---|---|---|---|
| *Transactions carried out in terms of the regime of non-taxability* | *Transactions carried out in terms of the regime of taxability (Leg. Decr.269/2003)* | *Transactions carried out in terms of the regime of non-taxability* | *Transactions carried out in terms of the regime of taxability (Leg. Decr.269/2003)* |
| Sales to San Marino VA34; VE30 | Sales to San Marino VA34; VE30 | Internal purchases VF14 | Internal purchases VF9; VJ6 |
| Intra-community sales VA30 field 1; VE30 | Intra-community sales VA30 field 1; VE30 | Purchases from San Marino VA35; VF14 | Purchases from San Marino VA35 field 1; VF9; VJ1 |
| Exports VA33; VE30 | Exports VA33; VE30 | Intra-community purchases VA31; VF14 | Intra-community purchases VA31; VF9; VJ9 |
| Internal sales VE34 | Internal sales as regards persons subject to tax VE34 | Imports VA32; VF14 | Imports VA32; VF9; VJ10 |
| | Internal sales as regards private consumers part VE section 2 | | |

## CONTROLLING AND SUBSIDIARY COMPANIES

***NOTICE: as specified in terms of resolution no. 347/E of the 6th of November 2002, non-resident companies who operate in Italy through an established organization, a tax agent or which register themselves directly in terms of article 35-ter, cannot take advantage of the procedure for the group payment of VAT referred to in article 73.***

**Summaries to be submitted by controlling companies**

The controlling entity or company is bound to submit two summaries for the group:

- the IVA 26PR / 2004 form to be included with its own General VAT return;
- the form of the periodic payments, IVA 26LP/2004 Form, which must be submitted, in the period provided for the submission of the VAT return (i.e. from the 1st of February to the 2nd of November 2004), to the competent agent, enclosing a copy of IVA 26PR/2004 form. In addition, the IVA 26LP form 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 (500 billion Lire), the guarantee can be given for all the subsidiary companies reflected 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 no. 164 of the 22nd of June 1998). In addition 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 entity taking part in the group VAT payment from which the credit derives (Circular no. 54 of the 4th of March 1999).

As already emphasized in paragraph 1.1., companies that took part in the group VAT payment procedure for the year 2003 must submit the General VAT return autonomously. Moreover, the VAT return must be presented autonomously also 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 it is pointed out that the VAT credits or debits (input and output tax) transferred to the controlling entity or company by the companies taking part in the group VAT payment in terms of article 73, u.c. (article 8 of Presidential Decree No. 542 of the 14th of October 1999) cannot form part of the set off as referred to in Legislative Decree No. 241 of 1997.

On the other hand, the VAT debits and credits resulting from the form (the IVA 26PR form) of the group return completed by the controlling entity or company can form part of the set off mentioned above.

As specified in Ministerial Resolution no. 626305 of the 20th of December 1989, where there is partial setting off of the credits transferred by the individual companies, it is the duty of the controlling entity 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 with the General returns of the individual subsidiary companies, in the applicable forms, whilst awaiting the simplification process and the new procedure for the electronic transmission of the returns. Fulfilment of the obligations has as a fact been replaced with the information requested in the controlling company's return, in column 6 of part VS of the IVA 26/PR form, 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 the 13 of December 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 entity or company during the year.

The data in the **IVA 26PR/2004 form** is contained in the General VAT return to be submitted by the controlling entity 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 reflect the credit surplus of the group carried forward from the previous year, used during the course of 2003 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 for the 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 IVA 26PR Form 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 transactions not subject to the tax (art. 7) |
| 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 Act No. 44 of the 23rd of February 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 General return.

**2 Small and medium-sized businesses who are creditors of the abolished EFIM**
Article 1 of Decree Law No. 532 of the 23rd of December 1993 and article 6 of Decree Law No. 415 of the 2nd of October 1995, converted with amendments by Act No. 507 of the 29th of November 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 Persons resident or with registered or operational offices in the province of Catania affected by the eruption of Etna, which commenced on the 29.10.2002**
The deadlines relative to obligations and payments of a fiscal nature were suspended from the 29th of October 2002 until the 31st of March 2004 by article 10 of Prime Minister's Ordinance No. 3315 of the 2nd of October 2003

(Official Gazette no. 236 of the 10th of October 2003). The deadlines had already been suspended until the 31st of March 2003 by a decree dated the 14th of November 2002 (Official Gazette no. 270 of the 18th of November 2002 ) and to the 30th of June 2003 by article 18 of Prime Minister's Ordinance No. 3282 of the 18th of April 2003 (Official Gazette no. 99 of the 30th of April 2003).

**4 Persons 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 deadlines relative to obligations and payments of a fiscal nature were suspended from the 31st of October 2002 until the 31st of March 2004 by article 4 of Prime Minister's Ordinance No. 3308 of the 8th of September 2003 (Official Gazette no. 213 of the 13th of September 2003). These deadlines had already been suspended until the 31st of March 2003 by the Decrees of the 14th of November 2002 (Official Gazette no. 270 of the 18th of November 2002), 15th of November 2002 (Official Gazette no. 272 of the 20th of November 2002) and 9th of January (Official Gazette no.16 of the 21st of January 2003) and until the 30th of June 2003 by article 18 of Prime Minister' s Ordinance No. 3282 of the 18th of April 2003 (Official Gazette no. 99 of the 30th of April 2003).

**5 Persons resident or with registered offices or operational offices in the regions of Liguria, Lombardy, Piedmont, Veneto, Friuli Venezia -Giulia and Emilia-Romagna affected by the floods that commenced on the 25th of November 2002.**

The deadlines relative to obligations and payments of a fiscal nature were suspended from the 25th of November 2002 until the 30th of June 2003 by article 18 of Prime Minister's Ordinance No. 3282 of the 18th of April 2003 (Official Gazette no. 99 of the 30th of April 2003), which time limit had already been suspended until the 31st of March 2003 by a Decree of the 5th of December 2002 (Official Gazette no. 288 of the 9th of December 2002).

**6. Persons resident or with registered or operational offices in certain municipal areas of the Friuli Venezia-Giulia region affected by the floods which commenced on the 29th of August 2003.**

The deadlines relative to obligations and payments of a fiscal nature were suspended from the 29th of August 2003 until the 31st of December 2004 by a Decree of the 19th of September 2003 (Official Gazette no. 222 of the 24th of September 2003).

**7 Other persons affected by exceptional events not provided for in the codes set out above.**

Where the person has made use of relief not provided for in the codes set out above, the number 7 must be indicated in the appropriate box.

**How to complete part VH**

Persons 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 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 |
| AFGHANISTAN | 002 |
| AJMAN | 239 |
| ALBANIA | 087 |
| ALDERNEY C.I. | 794 |
| ALGERIA | 003 |
| AMERICAN SAMOA ISLAND | 148 |
| ANDORRA | 004 |
| ANGOLA | 133 |
| ANGUILLA | 209 |
| ANTIGUA AND BARBUDA | 197 |
| NETHERLANDS ANTILLES | 251 |
| SAUDI ARABIA | 005 |
| ARGENTINA | 006 |
| ARMENIA | 266 |
| ARUBA | 212 |
| ASCENSION | 227 |
| AUSTRALIA | 007 |
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| AZERBAIJAN | 268 |
| AZORES ISLANDS | 234 |
| BAHAMAS | 160 |
| BAHRAIN | 169 |
| BANGLADESH | 130 |
| BARBADOS | 118 |
| BARBUDA | 795 |
| BELGIUM | 009 |
| BELIZE | 198 |
| BENIN | 158 |
| BERMUDA | 207 |
| BHUTAN | 097 |
| BELARUS | 264 |
| BOLIVIA | 010 |
| BOSNIA AND HERZEGOVINA | 274 |
| BOTSWANA | 098 |
| BOUVET ISLAND | 280 |
| BRAZIL | 011 |
| BRUNEI DARUSSALAM | 125 |
| BULGARIA | 012 |
| BURKINA FASO | 142 |
| BURUNDI | 025 |
| CAMBODIA | 135 |
| CAMEROON | 119 |
| CAMPIONE D'ITALIA | 139 |
| CANADA | 013 |
| CANARY ISLANDS | 100 |
| CAPE VERDE | 188 |
| CAROLINE ISLANDS | 256 |
| CAYMAN (ISLANDS) | 211 |
| CZECH (REPUBLIC) | 275 |
| CENTRAL AFRICAN (REPUBLIC) | 143 |
| CEUTA | 246 |
| CHAFARINAS | 230 |
| CHAGOS ISLANDS | 255 |
| CHRISTMAS ISLAND | 282 |
| CHAD | 144 |
| CHILE | 015 |
| CHINA | 016 |
| CYPRUS | 101 |
| CLIPPERTON | 223 |
| COCOS (KEELING) ISLAND | 281 |
| COLOMBIA | 017 |
| COMOROS ISLANDS | 176 |
| CONGO | 145 |
| CONGO (DEMOCRATIC REP. OF THE) | 018 |
| COOK ISLANDS | 237 |
| COREA (REPUBLIC OF) | 084 |
| COREA (DEMOCRATIC PEOPLE'S REPUBLIC) | 074 |
| CÔTE D'IVOIRE | 146 |
| COSTA RICA | 019 |
| CROATIA | 261 |
| CUBA | 020 |
| DENMARK | 021 |
| DOMINICA | 192 |
| DOMINICAN (REPUBLIC) | 063 |
| DUBAI | 240 |
| EAST TIMOR | 287 |
| ECUADOR | 024 |
| EGYPT | 023 |
| EL SALVADOR | 064 |
| UNITED ARAB EMIRATES | 796 |
| ERITREA | 277 |
| ESTONIA | 257 |
| ETHIOPIA | 026 |
| FAEROER (ISLANDS) | 204 |
| FALKLAND (ISLANDS) | 190 |
| FIJI | 161 |
| PHILIPPINES | 027 |
| FINLAND | 028 |
| FRANCE | 029 |
| FUIJAYRAH | 241 |
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| THE GAMBIA | 164 |
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| GERMANY | 094 |
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| HONDURAS | 035 |
| HONG KONG | 103 |
| INDIA | 114 |
| INDONESIA | 129 |
| IRAN (ISLAMIC REP. OF) | 039 |
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| IRELAND | 040 |
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| AMERICAN ISLANDS OF PACIFIC | 252 |
| SOLOMON ISLANDS | 191 |
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| PANAMA | 051 |
| PANAMA – CANAL ZONE | 250 |
| PAPUA NEW GUINEA | 186 |
| PARAGUAY | 052 |
| PENON DE ALHUCEMAS | 232 |
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