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De Berti Jacchia Franchini Forlani
studio legale

# Italian Web Tax – preliminary comments

*Tiziana Zona*

*Alessandro Foti*

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The web tax now on the table of the Italian Parliament opens new angles of discussion within EU.

It is certainly high times for the States to take actions regulating the digital economy' impact on the global tax system and the acceleration of the Italian Parliament is likely to be a push to find a common alternative at OECD or at least at EU level even if we do not think that the draft under discussion will be implemented "as it is" in the current version.

It is commendable that the proposed draft introduces certain thresholds (of turnover and units sold) over which a contradictory procedure to assess the existence of a virtual permanent establishment in Italy will automatically start.

At the same time it is clear that a 6% taxation on revenues generated by the sale of digital services to Italian tax residents and permanent establishments of non-tax residents poses doubts on the qualification of such tax as income tax.

In fact, whilst this qualification should not essentially affect sellers resident in Italy or operating through a permanent establishment therein due to the specific tax credit they are entitled to, it may create double taxation issues for non-resident sellers for which no similar tax credit is granted.

In such a perspective two different critical aspects should be addressed under the existent wording of the tax treaties network executed by Italy

1) the actual applicability of the web tax to the tax treaty partners (that seems fully doubtful); if applicable

2) the creditability of the proposed web tax suffered in Italy against any tax covered by the tax treaty.
Further it cannot be undervalued the difficulties triggered by the proposed law on any financial intermediaries required to withhold the web tax on payments relating to the digital services sold by non-Italian residents: we expect that the assessment on whether or not a payment is connected to digital services should not be always straightforward. We feel confident that a web tax levied through a withholding tax regime by financial intermediaries might fail in tracing and taxing all the transactions connected to the advertising on web sites, which in turn generate huge digital revenues.

In the light of the above, we tend to believe that greater efforts should be further strived to re-think and introduce a tax aligned with the traditional International principles of taxation or rather to introduce new principles more adherent to present and future dematerialized economy.

What we do know is that a common international initiative would really involving in a value to avoid an unfair competition among the States.