Italy to pilot a cooperative compliance program for large business taxpayers

July 8, 2013

In brief

The Italian Revenue Agency on June 25, 2013, launched a pilot project to design a framework for implementing a cooperative compliance program for “Large Business Taxpayers.” In line with recent OECD recommendations, the project requires commitment from both taxpayers and the Revenue Agency to deal with each other in a transparent and cooperative manner, with a view to more efficient tax risk management. The project also will seek to identify the main features of an effective tax control framework.

Taxpayers wishing to participate in the program should apply by July 31, 2013. The Revenue Agency will accept only a limited number of participants in the pilot project, so filing an application will not guarantee acceptance.

In detail

Main features of the pilot project

Through the pilot project, the Revenue Agency will help design and test a taxpayer’s internal tax control framework. Participants will help develop a framework for a more cooperative relationship between the Revenue Agency and taxpayers, including helping to define the Revenue Agency’s role and responsibilities.

Pilot project participation may lead to a stronger relationship with the Revenue Agency and the opportunity to influence new tax compliance laws. On the other hand, taxpayers should consider whether they wish to disclose their specific facts and circumstances to the Revenue Agency.

Once the pilot project concludes, we expect the Revenue Agency to introduce a new program available to all large taxpayers. Benefits of this general program should include simplified compliance requirements for taxpayers, advanced legal certainty on transactions, and open dialogue with the Revenue Agency.

Who can join

The Revenue Agency will select participants in the pilot project based on the following requirements:

1. Mandatory requirements. The applicant must:
   - be a “Large Business Taxpayer” -- i.e., a taxpayer with a 2011 turnover of €100 million (approx. $130 million) or more, and
   - have implemented an organizational risk control model or have adopted a “tax control framework” to manage tax risks
2. Optional requirements. The applicant should:

- be part of an international group
- have participated in similar cooperative compliance programs in other jurisdictions or have subscribed to a code of conduct with other tax administrations, and
- have participated in other Italian cooperative compliance initiatives, such as the APA program or the transfer pricing documentation regime.

**The takeaway**

Given the July 31 application deadline, taxpayers wishing to join the pilot program will have to act quickly. In considering whether to participate, taxpayers should weigh the positive and negative aspects of the project in light of the taxpayer’s tax strategy and risk appetite.

Regardless of whether they participate in the pilot project, large taxpayers in Italy should consider adopting a tax control framework to reduce tax audits and increase future tax certainty.

**Let’s talk**

For a deeper discussion, please contact:

**Your International Tax contacts in the United States:**

Alessandro Di Stefano  
+1 (646) 471-2090  
alessandro.di.x.stefano@us.pwc.com

**Your International Tax contacts in Italy:**

Alessandro Caridi  
+39-02-91605003  
alessandro.caridi@it.pwc.com

Marco Meulepas  
+39-02.91605501  
marco.meulepas@it.pwc.com

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