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Market news

Italy – Financial Transaction Tax

Important

Target audience

- Network managers
- Tax operations
- Operations Manager

Effective date

Immediately

Latest updates on collection, payment and reporting of the IFTT on Italian shares

Highlights

In this Newsletter you will find the latest information we have on the collection, payment and reporting of the Italian Financial Transaction Tax (IFTT) on Italian shares.

The below information is based on the latest guidelines that have been issued by the Italian tax authorities. Nevertheless, certain areas may still require further clarification.

Our role in the IFTT process

Due to the current legal framework of the IFTT, we can only support limited categories of clients to fulfil their payment and reporting obligations in specific circumstances. So, we are currently finalising our operational procedures and will provide you with more information soon.

IFTT overview

On the next page, you will find an overview of the IFTT applicable to Italian shares and equivalent securities.

The IFTT applies to the **transfer of ownership of Italian shares** and equivalent securities, in particular:

Type of transaction	Details	Liable party
Equities	<p>The IFTT applies to transactions in Italian equities, unless a specific exception applies, such as for:</p> <ul style="list-style-type: none"> • shares of Italian listed companies with market cap < 500 million • acquisition of newly issued shares • market making • transactions by CCPs • intragroup transactions • transactions with certain counterparties (EU, ECB, central banks, supra-nationals, funds, etc) 	<p>The IFTT must be paid by the purchaser and collected by the intermediary acting on behalf of the purchaser. If:</p> <ul style="list-style-type: none"> • the purchaser himself is an intermediary, he must report the tax • there are several intermediaries in the trading chain, the intermediary closest to the purchaser must collect the tax • there is no intermediary in the trading chain, the purchaser must collect the tax himself <p>For IFTT purposes, 'non-bleached' black-listed intermediaries must be considered as the purchaser (see the next page for more details)</p> <p>Important: financial intermediaries that are involved in the execution of trades bear all obligations with no duties for parties in the settlement chain, such as Euroclear Bank.</p>
Corporate actions	<p>The IFTT applies to acquisitions of existing shares resulting from corporate actions.</p> <p>Certain events are potentially taxable, such as:</p> <ul style="list-style-type: none"> • conversions (convertible bonds into Italian shares) • bonus issues • Italian auction/Tender offers • exercise of rights <p>Note: the above list is not exhaustive and may still be subject to change.</p> <p>Specific exceptions apply, for corporate actions on Italian shares, such as for:</p> <ul style="list-style-type: none"> • shares of Italian listed companies with market cap < 500 million • proceeds that are newly issued shares • proceeds resulting from profit or capital distributions <p>No IFTT is due on such proceeds and they do not have to be reported</p>	<p>This is an area which still requires clarification in the market.</p>
Financing transactions	<p>Financing transactions such as securities lending and borrowing, triparty etc. are exempt from the IFTT, but you still need to report them.</p>	<p>The IFTT must be reported by the intermediary acting on behalf of the acquirer. If:</p> <ul style="list-style-type: none"> - the acquirer himself is an intermediary, he must report the tax - there are several intermediaries in the chain, the intermediary closest to the acquirer must report the tax - there is no intermediary in the chain, the acquirer must report the tax himself <p>For IFTT purposes, 'non-bleached' black-listed intermediaries must be considered as the purchaser (see the next page for more details)</p>

Types of intermediaries for collection, payment and declaration

The IFTT Decree contains four main categories of intermediaries. It first distinguishes between white-listed and black-listed intermediaries and it also considers whether or not those intermediaries have a permanent establishment (PE) in Italy.

1. *You are an intermediary based in a white-listed country⁽¹⁾ and you have a PE in Italy*

[Circular](#)
[Click here](#)

You must appoint this PE to collect, pay and report the tax in accordance with the procedures in the **Circular** published by the Italian tax authorities.

The PE is fully and jointly liable and bears the same responsibility as the white-listed intermediary.

Note: due to the current legal framework, we are unable to offer a service for clients that fall under category 1

2. *You are an intermediary based in a black-listed country and you have a PE in Italy*

[Circular](#)
[Click here](#)

You must appoint this PE to collect, pay and report the tax in accordance with the procedures in the **Circular** published by the Italian tax authorities. In this case, you are considered as being 'bleached' which means that you will be considered as a white-listed intermediary for IFTT purposes.

The PE is fully and jointly liable and bears the same responsibility as the non-resident black-listed intermediary.

Note: due to the current legal framework, we are unable to offer a service for clients that fall under category 2.

3. *You are an intermediary based in a white-listed country and you don't have a PE in Italy*

You have three possible options. You can:

[Monte Titoli](#)
[Click here](#)

- appoint an Italian fiscal representative. It is currently understood that no Italian service provider has indicated their intention to offer such a service
- appoint the Italian CSD, **Monte Titoli**.
- pay the tax directly to the tax authorities. To comply with IFTT obligations, you will have to obtain an Italian tax ID from the Italian tax authorities (for more details, see the 'How to request an Italian tax ID' section on the next page)

Note: due to the current legal framework, we are unable to offer a service for clients that fall under category 3.

⁽¹⁾ List of white-listed countries has been issued by Italian tax authorities and is available on my.euroclear.com > My Apps > Knowledge base and enter: Service: FTT – Market: Italy – Keyword: White list

4. You are an intermediary based in a black-listed country and you do not have a PE in Italy

You have four possible options. You can:

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- appoint an Italian fiscal representative. It is currently understood that no Italian service provider has indicated their intention to offer such a service
- appoint the Italian CSD, **Monte Titoli**
- pay the tax directly to the tax authorities. To comply with IFTT obligations, you will have to obtain an Italian tax ID from the Italian tax authorities (for more details, see the 'How to request an Italian tax ID' section below)
- If possible, appoint your PE that is based in a white-listed country (other than Italy). In this case, the PE is fully and jointly liable and bears the same responsibility as the non-resident white-listed intermediary

In any of the above cases, you are considered as being 'bleached' which means that you will be considered as a white-listed intermediary for IFTT purposes.

Note: if you are not considered as being 'bleached', in accordance with the procedures in the Italian tax services pages on my.euroclear.com, we can offer you a mailbox service (via Monte Titoli) which will help you fulfil your payment and reporting obligations, in the following circumstances:

- the limited corporate actions that are in the IFTT scope
- securities lending and borrowing movements on Italian shares
- triparty movements on Italian shares

If you want us to help you for the above-mentioned cases, you must comply with certain requirements (these will be based on Annex 5 and 8 of the IFTT Decree) and with record keeping duties (see record keeping section on the next page). We are currently finalising our operational procedures and will provide more detailed information soon.

How to request an Italian tax ID?

Liable parties should request an Italian tax ID from the Italian tax authorities. You need to provide them with:

AA5/6 Form
Click here

- a completed form **AA5/6**.
- additional official documentation proving the existence of the entity applying for an Italian tax ID (in accordance with the applicable tax rules in its country of residence)

All documentation should be sent to the Italian tax authorities by the liable parties (and not by any financial intermediary). You can use the following email address: entrate.ftt@agenziaentrate.it.

Payment deadline and Monte Titoli's extended submission deadline

We want to remind you that:

- the market deadline for the first IFTT payment on Italian shares has been set to **16 October 2013** (for the period March-September)
- if you appoint Monte Titoli to fulfil your payment and reporting obligation, Monte Titoli has extended its submission deadline for the reporting and payment of IFTT on Italian shares from 16 October to **10 November 2013**.

Important – Record keeping

As an intermediary, it is your responsibility to:

- detect and keep track of transactions that may be subject to IFTT
- maintain records of such transactions
- comply with the Italian tax authorities' audit procedures, if required

Corporate entities

Based on our understanding, corporate entities should be categorised as 'non-bleached' black-listed intermediaries for IFTT purposes.

If you fall under this category, we strongly advise you to seek legal advice to determine your exact roles and responsibilities.

Disclaimer

The information in this message has been gathered from different sources, generally believed to be reliable. Nevertheless, Euroclear Bank disclaims any responsibility as to the accuracy and completeness of the information. We recommend you to seek legal advice before taking any action related to the IFTT.