

REVALUATION OF BUSINESS ASSETS

article 110 of Decree Law 104/2020



Revaluation of business assets

Among the most interesting tax news of 2020, we highlight for your attention the possibility of revaluating at extremely favorable conditions business assets, as provided for by article 110 of DL (Decree Law) 104/2020. The scope of these provisions has been further extended by the Budget Law 2021.



The higher amortization or depreciation amounts are immediately fully deductible, and companies may look at revaluation as an opportunity for capitalization (or covering losses) falling in a financial year deemed to be burdened with the effects of the economic crisis.

However, the greatest advantage of the new law is the reduction of the tax rate to 3% (substitute tax for corporate income tax IRES, income tax on individuals IRPEF and regional business tax IRAP) of the higher value attributed to the assets, to be paid in three yearly instalments.



Beneficiaries



The beneficiaries of the law are all taxpayers with business income: companies (private and public limited companies such as S.r.l., S.p.A., S.A.p.A.), partnerships and sole proprietorships, as well as the non-resident subjects with a permanent establishment in Italy, regardless of the size of the entity and the adopted accounting regime (ordinary or simplified regime).

Of course, the Italian companies held by non-Italian groups are also included among the beneficiaries.

Furthermore, the Budget Law 2021 has extended the possibility to to IAS adopters opt for revaluation also.



Scope

The revaluation may be applicable to tangible (e.g. property, plant, equipment) and intangible assets (e.g. goodwill, trademarks, patents, licenses), as well as participations that are booked as financial fixed assets.



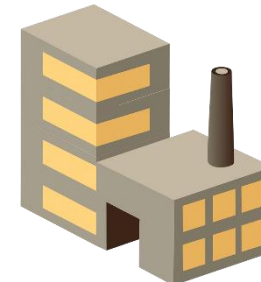
The revaluation is disclosed in the financial statements for the ongoing financial year as at 31 December 2020 and assets must be recognized already in the financial statements as at 31 December 2019.



The revaluation can apply also to single fixed assets chosen by the company.



A sworn appraisal on the assets is not mandatory; however, it is recommended in case of assets with significant values (for example, property) and unique assets (specialized equipment, trademarks, patents...).



Substitute tax



The revaluation can be made for statutory/accounting purposes only.

However, the revaluation can also be recognized for tax purposes upon payment of a substitute tax of 3% on the difference between the higher value and the accounting value (minus depreciation/amortization) of the fixed asset.

The law clearly presents favourable tax conditions, as there is the possibility to deduct the higher amortization/depreciation expenses already from 2021 and that the 3% tax replaces the corporate income tax (IRES rate at 24%) and regional business tax (IRAP rate is usually 3.9%).

Also, the tax may be paid in three equal instalments, starting from the payment of the tax balance 2020 (June 2021).

The higher values, minus the 3% tax, must be accounted to a special equity reserve, which can be used to cover losses, increase capital or be distributed.

In this latter case, it is possible to pay an additional 10% substitute tax that allows the “release” of the revaluation reserve.



Subsequent disposal of the asset

As to the disposal of the revalued assets, the higher values for tax purposes will only be recognized from the fourth financial year following the one in which the revaluation is carried out.



Consequently, should the revalued assets be sold before 31.12.2023, the capital gains and losses shall be determined over the assets' tax basis prior to revaluation, while the higher values will be effective for tax purposes only from 1.1.2024.





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