

## Italy issues fiscal decree to simplify Italian e-invoicing process

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### Executive summary

Italy's Law Decree No. 119/2018 (Fiscal Decree), issued in connection with the Italian Budget Law 2018 and in force as of 24 October 2018, introduces several simplifications to the Value Added Tax (VAT) compliance rules and, in particular, with respect to the electronic invoicing (e-invoicing) requirements.

In light of the massive amount of transactions that, starting from 1 January 2019, will be transmitted *via* the Interchange System (*Sistema di Interscambio - SDI*), the aim of the Fiscal Decree is to counteract the possible adverse consequences of delays in the implementation of taxpayers' IT systems. Therefore, one of the main provisions of the Fiscal Decree is the temporary (i.e., from January to June 2019) non-application or significant mitigation of administrative penalties in the case of the delayed issuance of e-invoices.

Other important provisions concern the modification of the ordinary terms for issuing invoices, the introduction of simplifications in posting sales invoices and in booking purchase invoices into the relevant VAT ledgers and, finally, a more favorable term for exercising the right of a VAT deduction.

The Fiscal Decree shall be implemented into Law within 60 days from its entering into force (24 October) and that the implementing Law may include amendments to these provisions, that have temporarily entered in force.

## Detailed discussion

### **Exemption/reduction of penalties (Art. 10)**

For the first half of 2019, the administrative penalty provided for late invoicing (ranging from 90% to 180% of the VAT) does not apply if the taxpayer issues the e-invoice within the deadline for the monthly/quarterly VAT calculation of the period of reference.

The mentioned penalty is reduced by 80% when the e-invoice is issued within the deadline for the monthly VAT calculation of the month/quarter following the one of reference.

### **Mandatory content and terms of issuance of the electronic invoice (Art. 11)**

As from 1 July 2019, an invoice can be issued (i.e., sent) up to 10 days after the day on which the taxable event occurs.

Invoices shall mandatorily mention the date of the taxable event when it does not correspond to the date of issuance of the invoice.

This provision - applicable to both electronic and analogic invoices - shall specifically impact e-invoices due to the potential delay between the taxable event and the day when the invoice is actually transmitted via SDI.

### **Simplifications for posting of sales invoices (Art. 12)**

According to the new provisions, sales invoices must be posted into the VAT sales ledger by the 15th day of the month following the one in which the supply occurred and with reference to this latter.

This provision substantially provides for a coherent and uniform term of registration for all invoices issued.

### **Simplifications in terms of booking of invoices received (Art. 13)**

With a view to reducing/simplifying taxpayer's obligations, the Fiscal Decree repeals the obligation of numbering purchase invoices in a progressive order. In particular, as stated by the official report illustrating these changes, the need of progressive numbering of purchase invoices can be considered an obsolete requirement for the e-invoices sent via the SDI.

### **Simplifications in terms of VAT deduction right (Art. 14)**

The Fiscal Decree states that the right of VAT deduction can be exercised on the input VAT related to invoices received and booked into the VAT ledgers by the 15th day of the month following the one on which the time of supply occurred.

Indeed, in the light of clarifications provided by Tax Authorities in Circular Letter No. 1/2018, the date of receipt of a purchase invoice was the key for identifying the moment as from which the right of deduction could be exercised. Thus, this simplification allows taxpayers to anticipate the deduction to the month in which the time of supply of the purchase occurred, provided the relevant invoice is received in the following month (by the 15th day).

This provision is not applicable to purchase invoices related to transactions whose time of supply occurred in a previous fiscal year.

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