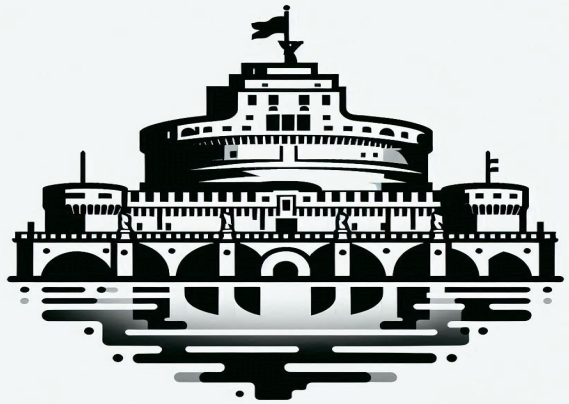


FOREIGN BUSINESSES OPERATING IN ITALY



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OVERVIEW

Expanding a foreign business into Italy requires selecting the appropriate legal structure. Three common options are **Branch Offices, Independent Subsidiaries, and Innovative Startups**. Each has distinct characteristics, regulatory requirements, and benefits. This essay examines the differences between these entities and outlines the necessary steps for registration and compliance.

SETTING UP A BRANCH OFFICE (*Sede Secondaria*)

Definition and Characteristics

A **Branch Office** is an extension of a foreign company that conducts commercial activities in Italy while remaining legally dependent on its parent company. Unlike a representative office, a branch office can engage in revenue-generating operations.

Key features:

- **No separate legal personality** – It is considered part of the foreign company.
- **Commercial activity permitted** – Can sign contracts, invoice clients, and generate revenue.
- **Liability remains with the parent company** – The branch office does not provide liability protection for the foreign parent.
- **Governed by Italian laws** – Must comply with Italian commercial, tax, and employment regulations.

Registration Process

- **File a registration application** with the **Italian Business Register (Registro delle Imprese)**.
- **Obtain a tax identification number (Codice Fiscale)** and a **VAT number (Partita IVA)**.
- **Appoint a legal representative** responsible for managing the branch in Italy.
- **Deposit required documents**, including:
 - o The parent company's articles of incorporation.
 - o A resolution from the foreign company approving the branch.
 - o Identity documents of the appointed representative.
 - o **Register for social security (INPS) and labor insurance (INAIL)** if hiring employees.

Compliance and Reporting

- Must file annual financial statements with the Italian Chamber of Commerce.
- Subject to corporate income tax (IRES) and regional tax (IRAP).
- Must maintain local accounting records.

Advantages

- Full control by the parent company.
- Lower setup costs than an independent subsidiary.
- No minimum capital requirements.

Disadvantages

- The parent company assumes liability for debts and legal issues.
- Higher tax burden compared to a subsidiary in some cases.
- Requires ongoing regulatory compliance in Italy.

SETTING UP AN INDEPENDENT SUBSIDIARY (Filiale Indipendente)

Definition and Characteristics

An **Independent Subsidiary** is a legally separate entity from the foreign parent company, incorporated under Italian law. It typically operates as a **Società per Azioni (S.p.A.)** or a **Società a Responsabilità Limitata (S.r.L.)**.

Key features:

- **Separate legal personality** – Provides liability protection for the parent company.
- **Can engage in any commercial activity** – Operates independently.
- **Must comply with Italian corporate law** – Subject to local governance and tax obligations.

Registration Process

- **Choose a corporate form (S.p.A. or S.r.L.)**
- **Draft and notarize Articles of Association.**
- **Register with the Business Register.**
- **Obtain a VAT number and tax identification number.**
- **Open a corporate bank account.**
- **Appoint a board of directors or managing director.**

Compliance and Reporting

- Annual tax filing and financial statements.
- Subject to corporate income tax and VAT.

Advantages

- Liability limited to the subsidiary's assets.
- More credibility with Italian clients and suppliers.
- Easier access to Italian financing and government incentives.

Disadvantages

- Higher setup and operational costs.
 - More complex regulatory requirements.
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INNOVATIVE STARTUP (Startup Innovativa)

Definition and Characteristics

An **Innovative Startup** is a special category of business in Italy aimed at fostering entrepreneurship in high-tech and research-driven industries.

Key features:

- Must be engaged in innovative sectors (e.g., technology, biotech, fintech).
- Must not distribute profits.
- At least 15% of costs must be for R&D activities.
- Eligible for tax incentives and investment benefits.

Registration Process

- Incorporate as an S.r.L. (simplified or standard).
- Register in the Special Section of the Business Register for Innovative Startups.
- Obtain tax and VAT identification numbers.
- Submit a business plan detailing innovation aspects.
- Comply with ongoing reporting and investment requirements.

Compliance and Reporting

- Annual reports to maintain startup status.
- Subject to corporate taxes but with significant exemptions.
- Special labor law flexibility for hiring employees.

Advantages

- Tax benefits and reduced regulatory burden.
- Access to government funding and investor incentives.
- Reduced costs for hiring employees.

Disadvantages

- Must meet strict innovation and investment criteria.
 - Compliance requirements to maintain startup status.
 - Limited to small and medium enterprises (SMEs).
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Conclusion

Foreign businesses entering Italy must choose the structure that best fits their operational needs. **Branch Offices** provide direct market access but hold the parent company liable. **Independent Subsidiaries** offer full legal protection but require higher costs and regulatory compliance. **Innovative Startups** present unique opportunities with tax incentives but must meet strict criteria. Understanding these distinctions is crucial for successfully expanding a foreign business into Italy.