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NEWSLETTER CONCERNING COVID-19 EMERGENCY MEASURES FROM ITALIAN GOVERNMENT

With the aim at facing the impact of the epidemic disease of Covid-19 (the “Coronavirus”), Italian Government adopted a number of extraordinary measures having impact on day by day operations of Italian tax payers.

Here is a brief summary of the most important provisions.

CORPORATE LAW

The Law Decree n. 18, published on March 17th, 2020 sets forth significant measures for the celebration of annual shareholders meetings convened for the approval of 2019 financial statements.

In details, the Decree extends, automatically and for every company, the deadline to convene the shareholders’ meeting within 180 days (instead of 120) after the end of the fiscal year. Such extension shall apply even in the absence of specific provisions in the articles of association or particular reasons justifying the extension.

Non-listed companies

In the view to facilitate the holding of shareholders meetings (both ordinary or extraordinary) convened within the term of July 31st, 2020, it is foreseen that the vote

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may be expressed in electronic form or by correspondence and attendees may attend the meetings by way of telecommunications systems (tele or video conference).

Such provisions will derogate to any conflicting provision contained in the articles of association.

Moreover, the shareholders of companies having the legal form of limited liability companies (SRL) are allowed to express their vote by way of written resolutions or written consent, even if not foreseen in the articles of association.

Listed companies

Particular rules are set for public listed companies in order to grant the exercise of remote voting by the shareholders or to strengthen the granting of proxies to designated representatives of the shareholders.

LABOUR LAW

Pursuant to the Decree issued on March 9th, 2020 employers are required to implement a set of measures aimed at (i) ensuring safety, hygiene and sanity at work, (ii) avoiding or limiting aggregations and multiple contacts and maintaining the distance limit between individuals, (iii) allowing flexible time schedule, (iv) encouraging smart working, (v) evaluating holiday regimes and paid leaves.

Moreover, the Decree issued on March 17th, 2020 provided for some additional measures in favour of employers and employees, such as:

redundancy and temporary lay-off funds: employers (other than domestic) may access the redundancy funds (“cassa integrazione”) in case of a reduction or suspension of working activities due to the Covid-19 emergency for a period of 9 weeks. Applications may concern the period between February 23rd and August 31st, 2020. Information and consultation procedures with the unions and work councils have been simplified;

special parental leaves: starting from March 5th, 2020, employees who have kids below 12 years old (no age limits are set for disable kids) may benefit from a specific parental leave of 15 days. Remuneration for the period is set at 50% of the normal salary. As an alternative, employees may choose to receive a baby-sitting bonus for a maximum amount of Euro 600,00.

collective dismissal procedures and individual dismissal for organizational reasons are temporarily suspended for a period of 60 days. For the same period are suspended also



the individual terminations of the employment relationships for so-called “justified reasons”;

employees who have been tested positive for Covid-19 or that are at home in isolation are considered on sick leave and compensated on the basis of the general provisions of law on sickness.

SUSPENSION OF JUDICIAL ACTIVITIES

Relevant measures were taken also in respect to judicial activities, where:

- civil, criminal, administrative and tax hearings already scheduled between March 9th and April 15th 2020 are postponed to a date subsequent to April 15th 2020 (with the only exception of urgent hearings);
- judicial terms between March 9th and April 15th 2020, included statutory terms for starting a new proceeding, are suspended;
- for the same period also the limitation period related to claims that are not actionable is suspended.

TAX

A number of economic and tax measures were set. Among these, are worth to be mentioned:

1. all tax and fiscal fulfilments (other than payments and levying of withholding taxes) due for the months of March, April and May 2020 are postponed to June 30th, 2020;
2. the enterprises being tax resident of Italy and operating in certain selected industries (deemed as being hurt the most by the emergency) and all businesses whose annual turnover does not exceed the limit of Euros 2 million, can postpone (without penalties and interest) to May 31st (with the further possibility to split in five monthly instalments starting from said date) the payments due in relation to the month of March for withholding taxes on employment (or assimilated to employment) income, VAT, social security contributions and mandatory insurance expiring within April 30th;
3. the enterprises having their tax domicile, legal or operating seat in the Municipalities originally listed as the “red area” (as per the Decree of the Prime Minister dated March 1st 2020) can postpone (without penalties and interests) to April 30th any kind of tax payments expiring in the period lapsing from February 21st and March 31st. For the



same period, they are also exempted from the levying of withholding taxes on employment (or assimilated to employment) income;

4. withholding taxes are not applied on revenues or fees collected until March 31st by professionals whose annual turnover doesn't exceed the limit of 400K Euros and who did not bear costs for employment (or assimilated to employment) income during the preceding month. The payment of the non-applied withholdings shall be performed by the professional himself by the month of May (or in five equal monthly instalments starting from May);

5. enforceable assessments or request of payments expiring between March 8th and May 31st are frozen. The relevant payments will fall due by June 30th. For the same time, are frozen inspection, assessment, litigation, or collection activities carried out by the relevant authorities. The term for assessments concerning the fiscal year 2015 (or 2014 in case of omitted tax return), ordinarily expiring at December 31st 2020, is extended by two years;

6. it is granted a tax credit equal to the lower amount between (i) Euro 20.000,00 and (ii) a half of the amount of costs borne for the sanitising of equipment and places of work in connection with the Coronavirus;

7. a tax credit is granted to the persons and/or entities carrying out retail activities. Such a tax credit amounts to 60 per cent of the rent due for the month of March in relation to the leases of real estate assets enrolled to the cadastre as C/1 units and can be exclusively offset against tax or social security debentures;

8. employers acknowledge a bonus to their employees having an overall taxable income for the year 2019 not exceeding the amount of Euro 40.000,00 of a maximum of Euro 100 and pro-rated as a function of the days actually worked in the month of March. This bonus is tax exempt and can be offset by the employers from taxes and social contributions falling due;

9. donations made during the year 2020 to selected entities (State, Regions, local territorial entities, public institutions or entities, non-lucrative foundations or associations legally acknowledged) engaged in the fight to Coronavirus are exempt from donation tax and are tax deductible for the donor. For individuals and non-commercial entities, donations are off-settable against income taxes for the lower amount between Euro 30,000.00 and 30 per cent of the amount of the donations; donors carrying out



business activity can deduct donations made for the purposes of corporate income tax and regional tax on productive activities;

10. upon certain conditions, companies can convert deferred tax assets (DTA – even if not accounted for) deriving from the sale and purchase of credits into tax credits, within the limit of the amount of the losses that can be carried forward. This measure does not apply to companies that are insolvent or in default.

LOCKDOWN OF NON-ESSENTIAL ACTIVITIES

With a further Decree by the Prime Minister, dated March 22nd, 2020, aimed at containing the spread of the virus throughout the Country, it is set the complete lockdown of a number of businesses regarded as being non-essential until the date of April 3rd. The enterprises have time until March 25th to manage and organize the lockdown. Activities that are allowed to continue are expressly listed in an annex to the said Decree. Exceptions to the list can be disposed on a case by case basis by the Prefect of the Province where the business is located.

CONTRACTUAL OBLIGATIONS

The emergency determined by the spread of the virus and the drastic measures that were adopted by Italian Government with the aim at contrasting its diffusion, may affect the ability of enterprises and professionals to properly perform their job, in compliance with contractually agreed-upon terms.

In case those factual circumstances should prevent the exact fulfilment of a contract, the defaulting party is theoretically allowed to claim the “force majeure” remedy. It must be noted, however, that Italian law system provides also for some other default rules covering the risk of “hardship” in performance of contracts.

Of course, a close analysis of the case which takes into consideration all the relevant aspects (either contractual, juridical and factual) should be carried out on a case by case basis, being necessary to ascertain whether the events that made it impossible to fulfil the obligations were beyond the control of the parties and against which the parties could neither resist nor oppose themselves.

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