

The effects of tax provisions on enterprises

This note analyzes the effects of the main provisions on corporate income taxation adopted in Italy in 2017: the reduction of the corporate income tax rate (IRES) from 27.5% to 24.0%, the temporal extension of the super-depreciation for new capital goods (the so called “maxi-ammortamento”) and the reduction of the allowance of a notional return on equity (the so called ACE allowance, “Aiuto alla Crescita Economica”).

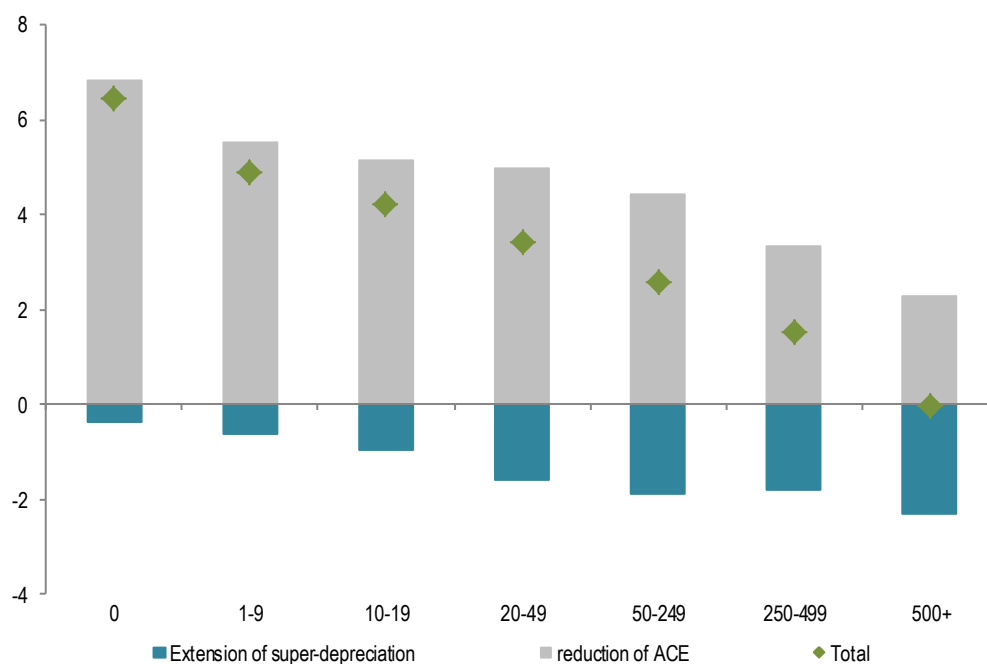
For 2017 the cut of the IRES rate will reduce the tax burden for about 63.7% of firms (all firms with tax debt). The extension of the super-depreciation will affect 24% of firms; the percentage of beneficiaries is higher for industrial firms and increases with the company size. 38% of firms will be disadvantaged by the reduction of the ACE relief. Overall (considering the three provisions), the beneficiaries will be 55% of firms.

The reduction of the IRES rate will determine a linear tax cut of 12.7%, the extension of the super-depreciation an average discount of 1.6% and the reduction of the ACE a tax rise of 4.2%. The extension of super-depreciation and the reduction of the ACE will jointly lead to an average tax rise of 2.6%, that decreases (until zero) as the company size grows (Figure 1). Overall, the three provisions will result in a tax cut of 10.1%.

In 2017 the effective IRES tax rate on before-tax-profits will decrease of 2.5 percentage points (median values).

FIGURE 1. THE EFFECTS OF THE EXTENSION OF THE SUPER-DEPRECIATION AND OF THE REDUCTION OF THE ACE ALLOWANCE ON IRES WITH RESPECT TO THE FISCAL LEGISLATION IN FORCE IN 2016. BY CLASS OF EMPLOYEES.

Tax year 2017, percentage changes



For more detailed information please refer to the Italian version

Contact persons:

Lorenzo Di Biagio (lorenzo.dibiagio@istat.it), **Marco Rinaldi** (mrinaldi@istat.it)
 phone +39 06 4673.7295, +39 06 4673.7271
 Istat – Italian National Institute of Statistics, Viale Liegi, 13 – 00198 Roma – Italy