Italy has introduced a new voluntary disclosure program that started on 24 October 2016 and will last until 31 July 2017. Due to the induction of automatic exchange of information between Italy and several other countries, as well as the possibility of group requests, Italian taxpayers who have not yet regularized their assets are encouraged to do so as soon as possible.

On 24 October 2016, the Italian government published the Decreto Legge no. 193 which re-opened the terms of the Voluntary Disclosure Program (VDP). Concerning the timeline, Italian taxpayers can apply to the program until 31 July 2017, while payment of the VDP and submission of the documentation should be made by 30 September 2017, at the latest. The conditions for participation in the VDP are the same as for the prior VD, with a few changes concerning the fiscal years for which the VDP will be applicable.

1. Ordinary procedure
Anyone entering the VDP will have to reimburse the taxes due to the state as if the income had been declared ordinarily. Penalties will range between 12.5% and 20% of the unpaid taxes. Moreover, a penalty for not having completed the RW form (Foreign Accounts Report) is due. This amounts to 0.5% for white-listed countries (e.g., Switzerland) or up to 1% for black-listed countries (e.g., Bahamas).

Taxes and penalties must be paid for six years (2010 – 2015) in case of tax evasion (i.e., the account was not included in the yearly tax declaration) or for seven years (2009 – 2015) if no taxes had ever been declared. Moreover, the new VDP also includes 2016, even if the deadline for completing this obligation has not yet been reached.

Based on our past experience with the former VDP, we are able to estimate the total payment due in accordance with the ordinary procedure for a case of tax evasion without any new gains during the period under examination to between 8%-10% of the total assets of the client (without 2016).

2. Simplified calculation
The taxpayer can opt for a flat-rate payment of taxes as long as the annual average amount of financial assets does not exceed EUR 2 million. In that case, income will be calculated at 5% per year, of which 27% will be charged. However, inflows will be taxed at the 43% rate and outflows could also be subject to 43% taxation in some cases. Penalties related to undeclared incomes and the RW form are the same as under the previous VDP. In this case, according to our experience, a flat-rate calculation for a period of six years (2010-2015) will incur payment of 14% of the assets (without 2016).

3. Amnesty
Any person cooperating voluntarily will be exempted from punishment for crimes of misrepresentation, failure to declare, non-payment of certified withholding tax and non-payment of VAT, as well as any crimes of fraudulent misrepresentation using invoices or non-existent transactions or other mechanisms. This amnesty applies to individuals as well as entities. In return for VDP, Italy introduced the crime of “self-laundering” into its national law in 2015, which means that, upon expiration of the VDP, non-compliance with Italian tax laws will be very risky.

4. Group request and automatic exchange of information
Italy has in place agreements with various countries that provide for an exchange of information (automatically or on request, including group requests) in accordance with the OECD standard. In the case of group requests, naming the taxpayer under investigation is not required; it is sufficient to describe a group of taxpayers that are considered to be non-
compliant. Other states will sign such agreements in the next few months.

KPMG has developed a pragmatic approach to protect the confidentiality of its clients during voluntary disclosure procedures. Our approach involves performing procedures in two phases: the first in Switzerland – making an inventory of assets held here, reconstructing their origin and calculating taxes and penalties. The second is in Italy where Italian inland revenue procedures are started by assessing taxes and penalties. No bank documents or other information identifying the Italian taxpayer will be submitted to Italian inland revenue before the client agrees to file a voluntary disclosure.

To provide a better understanding of the costs of the procedure, we have developed a guide to fees for the following cases:

Our work is paid at an hourly rate and not as a percentage. The fees vary from case to case, depending on the number of transactions and the complexity of transactions that the client has carried out during the period under review.

Indicative fees range from CHF 12,000 for case A to CHF 150,000 for case D and cannot be quantified for case E: the average hourly rate which may be greater if the case turns out to be particularly complex.

Please note that the possible involvement of a criminal lawyer in Italy is not included in our fee.

Fees are stated net of expenses (3.5% for Switzerland, 5% for Italy) and VAT if due (8% for Switzerland, 22% in Italy) and a net 4% social security contribution due in Italy.

### Voluntary Disclosure in Italy

<table>
<thead>
<tr>
<th>Case</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Flat-rate calculation</td>
</tr>
<tr>
<td>B</td>
<td>Limited number of annual investments (about 10) and a maximum of 5 deposits/transfers during the reporting period, on a consolidated basis. No other assets (such as property, boat, gold, etc.)</td>
</tr>
<tr>
<td>C</td>
<td>Usual number of annual investments (about 30) and a maximum of 10 deposits/transfers during the reporting period, on a consolidated basis. Limited number of other assets.</td>
</tr>
<tr>
<td>D</td>
<td>High number of annual investments and deposits/transfers originating from business activity. Use of external investment structures. Presence of other assets.</td>
</tr>
<tr>
<td>E</td>
<td>Case D but with additional elements of greater complexity</td>
</tr>
</tbody>
</table>

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