

# IOTA PAPER

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ITALY, GREEN LIGHT FOR THE START  
OF THE NEW PROJECT FOR  
PREPOPULATED VAT RETURNS

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*The Italian government has launched an ambitious new VAT collection program, under which the Revenue Agency will pre-fill VAT returns on behalf of taxpayers. This program aims to simplify the reporting and procedures of VAT documents and, at the same time, improve tax compliance. This is because pre-filled VAT forms could both simplify VAT collection for tax authorities and sharpen the ability of businesses to comply with tax duties.*

It's all ready for the launch of the experimental phase of the pre-filled VAT tax return. In short, the legislation, recently revised, provides that data collected from transactional information supplied from electronic invoices via SDI, cross-border transactions, as well as data gleaned on fees electronically, will be used by the Revenue Agency to pre-populate a VAT returns to be later submitted by the taxpayers. For now, this program applies only to businesses, professionals and self-employed workers resident and established in Italy. Indeed, the pre-populated VAT forms will be regarded as drafts, with taxpayers having eventually an opportunity to amend incorrect data. Regarding the timing, the so-called "Support" Decree, recently passed by Parliament, in consideration of the difficulties in adapting the IT procedures related to electronic invoicing due to the persistence of the pandemic, has intervened on the pre-populated VAT providing for a further postponement of its experimental launch. Below are the two new starting dates: the preparation of the draft VAT registers and the communications of periodic settlements (Lipe models) has been postponed to the operations carried out starting from 1 July 2021, no longer from 1 January 2021, while the draft of the annual VAT return will be made available to taxpayers starting from the operations carried out from 1 January 2022, no longer from 1 January 2021. The latter date therefore concerns the VAT returns that must be submitted by 2023. Therefore, in summary, the process of simplifying a vast range of tax obligations linked to pre-filled VAT with respect to VAT ledgers pursuant to art. 23 and 25 of the Italian VAT Decree, quarterly communication of VAT calculation and annual VAT return will all begin for transactions carried out as of 1 January 2022.

## The central role of the Revenue Agency in managing the new pre-populated VAT return

In detail, the Italian tax authorities, Agenzia delle Entrate, will create VAT ledgers and draft quarterly VAT returns, till to encompass also annual return, for Italian resident entities only. Particularly, for the preparation of these VAT reports, the Agency will be allowed to use transactions and data processed

through the SDI e-invoicing system, communications of cross-border transactions and daily online cash till reports and also the fiscal data present in the “Anagrafe Tributaria” or tax register , such as, for example, those of the VAT return of the previous year and of the communications of the periodic payments of the previous quarters. However, businesses will be able to review and amend the fiscal returns before approval. While, as regards non-resident Italian VAT-registered businesses, they will still be obliged to complete and submit their VAT returns as they currently do. Furthermore, with regard to the possibility provided for the VAT operator to use pre-filled VAT documents through professional intermediaries, the latter must have acquired the authorization to use the services of electronic invoicing.

## More automation, easier fulfillment of tax obligations

The start of the experimentation of the pre-filled VAT model and the related application methods will involve millions of taxpayers. It will mark a further step forward in the process of simplifying the tax system, centered on a renewed relationship between taxpayers and tax authorities, increasingly oriented towards dialogue and exchange, mutual and recognized reliability. A process that will see involved the Revenue Agency in providing a constant online assistance program to all VAT taxpayers, resident and established in Italy, using a special “dedicated” area of the website of the Agency itself, in which the draft documents already partially pre-filled with the data of the transactions acquired with electronic invoices, with the communications of cross-border transactions and with the data of the payments acquired electronically will be available.

## If taxation also looks to the future by using third party information reports to assist taxpayers meet their return filing obligations

All revenue bodies are confronted with the goals of making it easier for taxpayers to comply with law (i.e., reducing their compliance burden), improving taxpayers’ compliance and increasing administrative efficiency. This is particularly true as far as the Value Added Tax is concerned, due to its basic complexity. Anyway, during the last decade, the use of pre-filled tax documents as a strategic resource to maximize national tax compliance levels has been a distinct feature in several countries. But what does this step imply? Shortly, with the adoption of the pre-populated returns, the revenue body itself, rather than the taxpayer, becomes the originator of tax returns for a majority of taxpayer population, using a large range of third-party information sources and other information held by it relevant to each taxpayer’s tax affairs. In countries, like Italy, where these arrangements have been

established on a comprehensive basis, pre-populated returns are sent to taxpayers in either paper form or electronically for their confirmation, or if necessary, to obtain any additional information required to enable a final assessment to be made. Well, in this context, Italy has decided to take a further step forward, adding the pre-filled VAT return to the existing pre-filled income tax solution. The goal is clear: to maximize tax compliance with regard to a tax, such as VAT, traditionally elusive to the tax authorities.