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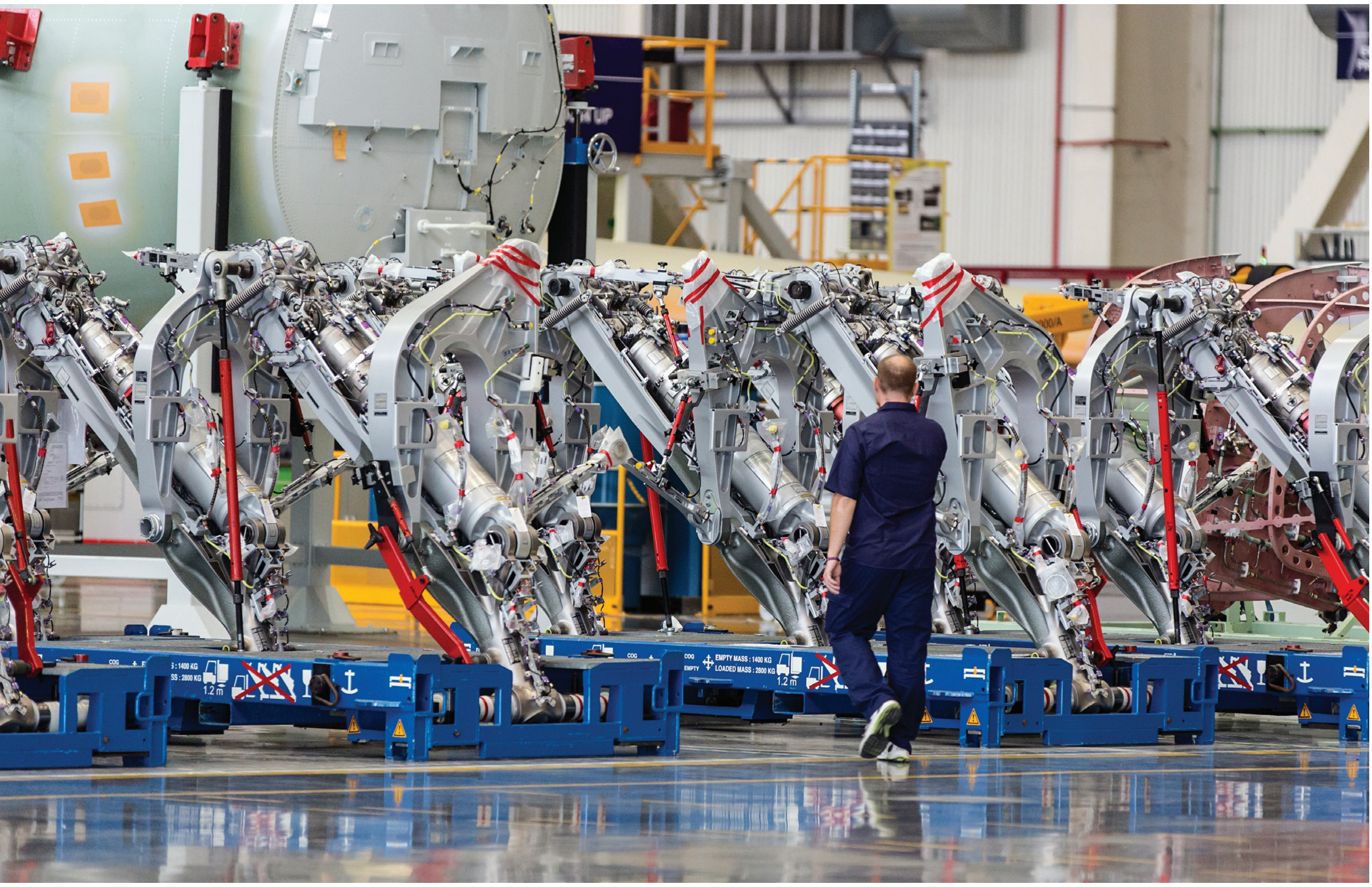
Industry 4.0 and tax incentives

PwC's integrated service to make the most of the tax-saving opportunities arising from technological and digital business transformation



Industry 4.0
and tax incentives

The 2017 Budget Law introduces new significant tax incentives for companies investing in technological and digital transformation, in accordance with the Industry 4.0 model

The Italian Government's adoption of the **national Industry 4.0 plan for industrial technological and digital transformation** represents a great opportunity for companies operating in Italy.

The plan aims to **raise tax incentives for investments in goods and technologies** that connect physical and digital systems, in order to conduct complex analysis (Big Data) and adapt manufacturing systems in real time.

The 2017 Budget Law **introduces new tax incentives and increases existing incentives for companies investing** in technological and digital transformation in accordance with the Industry 4.0 model: hyper-depreciation on tangible operating assets and super-depreciation on intangible operating assets, a new Sabatini Act, tax credits for R&D, facilitations for SMEs and innovative start-ups, etc.

Industry 4.0 stands for the digital integration of manufacturing processes and the supply chain, the development of products or business models with an innovative digital content and the implementation of systems of analysis based on Big Data

Hyper-depreciation and super-depreciation

The 2017 Budget Law allows a **250% tax benefit on the purchase of certain tangible assets** under the terms of Industry 4.0 and a **140% tax benefit on the cost of certain intangible assets** (software and development/system integration) related to investments in Industry 4.0 tangible assets.

When
Investments made by 31 December 2017 or 30 June 2018, provided that the seller accepted purchase order and advances of at least 20% of the purchase cost have been paid before 31 December 2017.

Documents
In order to benefit from the concession, the legal representative must declare that the assets have the technical characteristics prescribed by the law and that they are interconnected with the corporate production management system or with the supply network. **A sworn expert's report** by an engineer, a qualified industrial technician or an accredited certification institution **must be provided for assets with a unit cost of over Euro 500,000**.

The new rules complete the range of investment incentives for businesses in the form of tax measures and soft loans

Other concessions

- **Tax credit for R&D** (50% of the expenditure exceeding average R&D investments made between 2012 and 2014, up to € 20 million per year);
- **extensions of super-depreciation** for assets not specified in the law for Industry 4.0;
- tax deductions of up to 30% for investments of up to Euro 1 million in **innovative start-ups and SMEs**;
- absorption by the sponsor company of the **tax losses incurred by newly-established businesses during their first three financial years**;
- **individual savings plans: derating** of income specifically obtained from **medium- and long-term investments**;
- extension, increase and eligibility for the purposes of the **New Sabatini-*ter* Act**.

Industry 4.0

PwC Tax and Legal Services' approach

Objective

Optimisation of the expected economic returns and cash flows from the investments made/to be made in compliance with the regulations governing hyper-depreciation and super-depreciation.

Analysis

- Analysis of the situation past, present and future in order to verify the feasibility of the investments in terms of access to the concessions;
- identification of investments in tangible capital assets newly subject to hyper-depreciation;
- identification of investments in intangible assets newly subject to super-depreciation;
- review of the investment plan in order to align (i) the timing of the investments with the expiry dates in the tax regulations and (ii) the timing of any possible tax deduction with the expected returns and cash flows from the investment.

Implementation

Arrangement of a complete file on the expected benefits consisting of:

- a description of the investments;
- technical, legal and tax documentation;
- a declaration of the legal representative and/or a sworn expert's report to the effect that the investments comply with the requirements in tax regulations and are interconnected with the corporate production management system or with the supply network (as required by the 2017 Stability Law).

Additional analysis on request

- Analysis of the possibility of using R&D tax credit;
- support in choosing the best financing options with relation to its treatment for tax purposes (e.g. bank loan and deductibility of interest expense; equity and deductibility under Allowance for Corporate Equity rules (ACE);
- analysis of possible tax concessions on investments, already realised or currently underway.

Why PwC

In PwC you will find expertise in tax matters, operations and strategy: thanks to our integrated multi-disciplinary team in the tax office you will be able to take the utmost advantage of an Industry 4.0 investment.

We offer you a global partnership which gives enterprises the chance to identify the opportunities from an investment plan and provide a turnkey end-to-end service that maximises the impacts of 4.0 technologies on their business and optimises the tax benefits from the new rules.

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