

Cooperative Compliance Program Targets Large Taxpayers

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Italy has taken the first step toward introducing a compliance program based on a cooperative approach between large taxpayers and the tax authorities.

The Italian Revenue (Agenzia delle Entrate) announced a pilot program, the *regime di adempimento col-laborativo* (RAP), for large taxpayers on June 25. The RAP conforms with the most recent OECD guidance on cooperative compliance and follows the international trend away from tax return examinations and toward real-time risk evaluation and the resolution of compliance issues before returns are filed. (Prior coverage: *Tax Notes Int'l*, Mar. 18, 2013, p. 1043.)

Though Italy does not have a formal cooperative compliance procedure in place, in 2009 it introduced a large-case examination program, under which cases are identified based on the risk associated with the taxpayer's industry, the nature of a transaction, and the taxpayer itself, taking into account the taxpayer's prior dealings with the tax authorities. This allows examination efforts to be focused on high-risk taxpayers.

The goal of the pilot RAP is to identify, through a joint effort of the Italian Revenue and taxpayers, the elements essential to a final program designed to improve tax risk management and overall tax compliance.

Taxpayers volunteering to participate in the RAP are expected to provide the tax authorities with timely, detailed information about completed transactions, including all relevant data and positions, and to identify all compliance issues that need to be resolved. In turn, the Italian Revenue must commit to promptly addressing the taxpayers' needs and resolving tax issues in a more relaxed environment than that of a post-filing examination.

In addition to saving authorities and taxpayers time and resources, the RAP would allow taxpayers to resolve issues before filing and to obtain certainty sooner.

These benefits are especially significant in light of Italy's sharp civil and criminal penalties.

To be eligible for the pilot program, applicants must qualify as large corporations (that is, have at least €100 million in sales) and must have adopted a model of organization, management, and control under Legislative Decree 231/2001 (or must have a tax risk management and control system in place). Preferential treatment will be given to taxpayers that are part of a multinational group or that engage in a trade or business through a permanent establishment in Italy or abroad. Preference will also be given to companies that participate in similar programs of other countries, have previously obtained rulings from the Italian tax authorities on international matters, or have elected to satisfy the Italian transfer pricing documentation requirements.

Applications for the RAP must be submitted by July 31 to dc.acc.grandicontribuenti@agenziaentrate.it. Applications must include a description of the eligibility requirements met by the taxpayer, a brief description of the reasons for being admitted to the pilot RAP, a brief description of the taxpayer's internal tax control system, if any, and the contact information (telephone number and e-mail address) of the taxpayer's designated representative.

Comments

Although it is at a very preliminary stage, the RAP is likely to raise a number of issues and challenges. For example, if transfer pricing matters are included in the issues that can be addressed by the program, should a taxpayer that has an advance pricing agreement in place and also participates in the RAP have newly implemented transfer pricing arrangements reviewed by the RAP team, or by a team of the office with which the agreement was originally negotiated? ◆

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