



# Italy: changes to Digital Service Tax (DST) legislation

**Tax & Legal Alert**  
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Law no. 207 of 30 December 2024 (the '2025 Budget Law'), published in the Official Gazette on 31 December 2024 has significantly widened the subjective scope of the Italian Digital Service Tax (DST).

## DST legislation until 31 December 2024

When it was introduced on 1 January 2020, the Italian DST was deemed to apply to revenues deriving from the provision of certain digital services by the relevant taxable persons, during a calendar year.

A taxable person for the purposes of Italian DST is any business that, individually or group-wide, meet both of the following conditions, in the calendar year before the one in which the taxable revenues are earned:

- 1) total worldwide revenues of not less than EUR750 million (first threshold);
- 2) revenues earned in Italy from digital services of not less than EUR5.5 million (second threshold).

A taxable person providing any taxable digital service in a calendar year, has to pay DST on the relevant taxable revenue. That DST payment was due on 16 May of the year following the one in which the taxable revenue was earned; thus, for taxable revenue earned during FY2024, DST is due by 16 May 2025.

## The new rules

The 2025 Budget Law introduces two significant amendments to the current DST legislation:

- the 'second threshold' described above has been abolished. According to the amended wording of the legislation, taxable persons are those businesses who realise revenue deriving from digital services and that generate, individually or group-wide, total worldwide revenues of not less than EUR750M in the previous year (the Italian wording reads as follows: *'Sono soggetti passivi dell'imposta sui servizi digitali i soggetti esercenti attività d'impresa che realizzano ricavi derivanti da servizi digitali di cui al comma 37 nel territorio dello Stato e che, singolarmente o a livello di gruppo, nell'anno solare precedente a quello di cui al comma 35-bis, realizzano un ammontare complessivo di ricavi ovunque realizzati non inferiore a 750 milioni di euro'*). This means that every corporate group exceeding the threshold in any given year may be subject to DST the following year, if it derives any revenue from the provision of digital services;
- a payment on account has been introduced, by which a taxable person must pay **by 30 November** a portion of that year's DST liability, equal to 30 percent of the previous year's DST amount. The balance is due by 16 May of the following year. This introduces a new reporting obligation, well in advance of previous deadlines.

## KPMG comments

The new rules potentially widen the scope of DST as, going forward, every corporate group exceeding the EUR750M threshold will have to assess whether it is a taxable person for DST purposes, **regardless of how little revenue** it generates from digital services in Italy. Furthermore, as the new rules apply from 1 January 2025, all corporate groups which exceeded the EUR750M threshold in FY2024 should immediately put in place procedures and mechanisms to determine 'taxable revenue' for the purposes of DST. They must also track their DST exposure on a monthly basis (as the accounting reports for DST – even if they must be settled by 16 May of the following year – must be prepared on a monthly basis). This could increase compliance costs and the complexity of revenue recognition and reporting obligations for many clients, who until now, had not fallen within the rules for DST.

Moreover, the introduction of a payment on account system means that businesses will have to set up new payment procedures to ensure they are ready to pay by 30 November and will have to provide for an adequate cash balance to be ready for the payment by that date. This could impact cash flow and treasury management, especially in large corporate groups with several entities being taxable persons for DST purposes.

We can help you to understand how these changes may affect your business and advise you on the following steps.

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