



Italy: VAT - new reverse charge mechanism for services in the logistics sector

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A new reverse charge mechanism has been introduced by Law no. 207 of 30 December 2024 (the “2025 Budget Law”, published in the Italian Official Gazette on 31 December 2024) and enacted in article 17(6)(a-*quinquies*) of Presidential Decree no. 633/72 (the “VAT Decree”).

Rationale behind the new reverse charge mechanism

In the last few years, the Italian Revenue Agency and the Italian Public Prosecutor have been scrutinizing operators in the logistics sector, to check the correct recovery of input VAT charged by contractors/subcontractors providing labour-intensive services (e.g. handling).

The pattern of (potential) fraud involves several parties, notably:

- contractors/subcontractors supplying labour-intensive services: these are usually producers' and workers' cooperative societies (typically small businesses);
- their customers: well-established companies operating in the logistics sector and subcontracting out part of their activities.

The main indicators of (potential) fraud, as detected by the Italian authorities, are:

- work contracts under which a contractor/subcontractor deploys its own resources (human and technical) to provide its customer with logistics services that are deemed to be an illicit supply of staff;
- failure by a contractor/subcontractor to pay VAT and other taxes.

The Italian Revenue Agency challenges the recovery of the input VAT charged by such contractors/subcontractors and applies heavy penalties. There are also criminal implications for the directors.

In light of such fraud, the new rule aims to reduce the VAT gap in the logistics sector and also to protect those customers that might be exposed to the risk of inadvertently becoming involved in fraud and to the serious tax and criminal consequences that this entails.

The old rule

The rule as worded prior to 31 December 2024 already included a reverse charge mechanism for contracted work, i.e. for the provision - under procurement contracts, sub-contracting agreements or arrangements involving delegation to consortia or other associated companies - of services characterized by a use of labour predominantly at the customer's business premises and by the use of capital goods owned by or attributable to the customer¹.

However, this rule never entered into force since the EU Commission did not authorize it². Basically, the Commission held that the rule was too generic and that a reverse charge mechanism was not the right way to combat VAT fraud in atypical supplies of staff.

The new measure

A comparison of the old and new reverse charge mechanisms reveals that the only difference is a narrowing of the range of customers subject to the new mechanism, which will now apply only to transport, handling and logistics companies.

The entry into force of the new rule is subject to EU authorization under article 395 of VAT Directive 2006/112/EEC.

Transitional period prior to EU authorization – optional split payment

Pending authorization of the rule by the EU, parties will be able to opt, for a period of three years, to have the VAT paid directly by the customer rather than the supplier, although the latter remains jointly liable for the payment of the VAT. In this case:

- the supplier must issue an invoice that includes Italian VAT according to article 21 of the VAT Decree (the Italian VAT charged to the customer is not included in the supplier's monthly VAT settlement);
- the customer will pay the taxable amount to the supplier and the output VAT to the Italian Treasury - through Form F24 - by the 16th of the month following that in which the invoice is issued (with no possibility of offsetting the VAT payment against other tax credits).

This special split-payment mechanism will begin to operate once an implementing provision has been published by the Italian Revenue Agency.

	Old measure	New measure
Type of supply	Provision of services	Provision of services
Underlying agreement	Performed through procurement contracts, sub-contracting agreements, delegation to consortia, or other contractual arrangements	Performed through procurement contracts, sub-contracting agreements, delegation to consortia, or other contractual arrangements
Features of the supply	Characterized by a predominant use of labour at the customer's business premises, with the use of capital goods owned by or attributable to the customer	Characterized by a predominant use of labour at the customer's business premises, with the use of capital goods owned by or attributable to the customer
Type of customer	Any	Transport, handling and logistics companies
Exclusions	Public bodies and other entities falling within the scope of the split-payment mechanism. Employment agencies as per Legislative Decree no. 276/2003	Public bodies and other entities falling within the scope of the split-payment mechanism. Employment agencies as per Legislative Decree no. 276/2003

¹Provision introduced by Law Decree no. 124 of 26 October 2019. [See our tax alert dated 30 October 2019](#).

²According to the EU Commission (see COM (2020) 243 final, dated 22 June 2020), "the fraud the measure aims to tackle has two components. About 30% of the fraud is caused by VAT unpaid by the companies providing the atypical supply of staff, while the other 70% is caused by fake input VAT used to pay social security contributions and withholding taxes on the remunerations of the contracted staff through an offsetting mechanism. [...] Regarding the first component of the fraud, the VAT unpaid by the companies providing the atypical supply of staff, this is a problem that should be tackled through conventional measures such as routine inspections and auditing. In this regard, the mandatory generalized electronic invoicing should be an extremely useful tool for the early detection of this fraud in order to address it. Therefore, the measure requested by Italy does not seem limited in scope, necessary and proportionate to address the specific fraud situation linked to the atypical supply of staff. It would be advisable to analyze first the results of the measures implemented in relation to direct taxes and compensation of credits, together with the use of mandatory e-invoicing and control measures on this sector".

VAT refund and penalties

In the event of an undue VAT payment, the customer can claim a refund³.

The customer could be charged a fixed penalty of between EUR250 and EUR10,000 for misapplication of the reverse charge mechanism⁴.

KPMG comments

Businesses in the logistics sector that subcontract work to third parties should evaluate whether to opt to pay VAT through the split-payment mechanism, to protect themselves against the risk of involvement in VAT fraud.

³ Under article 30-ter(2) of the VAT Decree.

⁴ As per article 6(9-bis)(1) of Legislative Decree no. 471/1997.

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