# Italy: New time-stamping requirement for permanent establishment accounts

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## Italy: New time-stamping requirement for permanent establishment accounts

As part of Italy's ongoing tax reform, a new legislative decree — expected to enter into force shortly — introduces a measure aimed at enhancing reliability and transparency in the reporting obligations of Italian permanent establishments (PEs) of non-resident entities.

### Background

Article 152 of the Italian Income Tax Code (TUIR) provides that the taxable income of an Italian PE of a non-resident entity is determined on the basis of the profits and losses attributable to it, as reflected in a separate income statement and balance sheet prepared in accordance with the accounting principles applicable to comparable resident entities. While a branch is not a separate legal entity under Italian law and is not subject to formal shareholder approval under corporate law procedures, separate accounting statements are nevertheless prepared for tax purposes on a substantially equivalent basis. Accordingly, the accounting principles applicable to resident entities with the comparable characteristics are deemed to apply.

### What will change and why

Under the new provision, an Italian PE's income statement and balance sheet must be given a **legally certain date,** no later than the deadline for filing the relevant tax return, through a **qualified electronic time stamp** or another legally recognized date-certification method. In addition, the relevant accounting data must be reported in a dedicated section of the tax return.

According to the explanatory memorandum accompanying the decree, the measure aims to combat tax evasion and avoidance by enhancing the reliability and traceability of PE accounting data. Once finalized and time-stamped, PE accounts will effectively be "crystallized" and incorporated into the tax return. In this respect, the new requirement aligns PE accounts with corporate financial statements, which acquire evidentiary certainty upon formal approval.

The measure addresses an existing gap in the treatment of PE accounts and implements the principles set out in **article 17 of Law no. 111 of 9 August 2023,** which delegated the Government to reform the Italian tax system.

In particular, the reform aims to promote voluntary tax compliance and combat tax evasion and avoidance through the enhanced use of digital technologies. The new requirement supports these objectives by improving the accessibility of databases, the availability of relevant information, and facilitating its timely use by the tax authorities.

## When and how

The new rules will apply to **tax periods in progress as at 31 December 2026 and subsequent tax periods**.

In particular, the PE income statement and balance sheet must:

- be assigned a legally certain date by the deadline for filing the relevant tax return through a qualified electronic time stamp or another legally recognized mechanism; and
- be reported in a dedicated section of the tax return.

## Key Takeaway

The introduction of a mandatory time-stamping requirement represents a significant step towards enhancing the evidentiary value and reliability of PE accounts. Although it does not affect the calculation of PE taxable income, it introduces an additional compliance obligation that multinational groups operating in Italy through PEs should prepare to implement starting from fiscal year 2026.

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