Italy: The Italian Revenue Agency issues important guidance on domestic Pillar Two compliance

Tax & Legal Alert
31 July 2026

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The Italian Revenue Agency has released 22 FAQs providing guidance to taxpayers on the domestic Pillar Two tax return[1] which **was due for the first time on 30 June 2026.** The guidance clarifies several practical aspects of the new compliance regime, including penalties, voluntary compliance procedures and the application of transitional relief. This return is the first compliance obligation for taxpayers, along with the filing of the GloBE Information Return (GIR).

The latest FAQ

In the most recent FAQ, no. 22, published on 17 July 2026, the Italian Revenue Agency provides important clarification on the consequences of late or inaccurate compliance with Pillar Two reporting obligations, including the GIR, the GloBE Notification, and the domestic Pillar Two tax return. The Italian Revenue Agency confirms that, in principle, penalties relating to each of these obligations may be regularized through the voluntary compliance procedure (*ravvedimento operoso*)[2] .

The ordinary rules applicable to late tax returns continue to apply to the domestic Pillar Two tax return. A return filed within 90 days of the statutory deadline may be regularized through voluntary correction, while a return filed after 90 days is considered as an omitted return and is not eligible for the reduced penalties available under the voluntary compliance regime. Taxpayers may also correct inaccuracies or errors in returns already submitted through the voluntary compliance mechanism.

This FAQ also states that, for the first three fiscal years in which the Global Minimum Tax rules apply, no penalties will be imposed unless there is fraud or gross negligence. During the same transitional period, the administrative penalties for late or inaccurate filing of the GIR and the GloBE Notification are reduced by 50 percent. Finally, the Italian Revenue Agency confirms that the validity of elections is not affected by the late filing of the GIR, including elections relating to the Transitional CbCR Safe Harbour. Taxpayers regularizing these violations must use the specific payment codes introduced by Italian Revenue Agency Resolution no. 27/E of 23 July 2026.

[1] Pursuant to article 53 Legislative Decree no. 209/2023
[2] Pursuant to article 13 of Legislative Decree no. 472/1997

Key clarifications from the FAQs

FAQ 1 clarifies that the information reported in the domestic Pillar Two tax return must be consistent with, and capable of being reconciled to, the data included in the GIR. As key GloBE elections, including those relating to the Transitional CbCR Safe Harbour (TCSH) and the QDMTT Safe Harbour, can only be made through the GIR, taxpayers must ensure that the domestic Pillar Two return appropriately reflects the effects of those elections.

FAQs 2 and 17 address currency: all amounts used to complete the tax return (not just the amount of Top-Up Tax due) must be reported in EUR, using the European Central Bank exchange rate on the last day of the fiscal year.

FAQ 3 clarifies that the election of a QDMTT Safe Harbour does not relieve taxpayers from their obligation to file the domestic Pillar Two tax return for the purposes of the Income Inclusion Rule (IIR) and, where applicable, the Undertaxed Profit Rule (UTPR). However, it does allow for completion of the form to be limited to a specific part.

FAQs 4, 5 and 18 provide a series of practical examples clarifying which entities are required to file the domestic Pillar Two tax return, depending on the group's structure and the GloBE status of the entities involved.

FAQ 8 clarifies that a UPE or POPE may submit a single return covering both IIR and QDMTT obligations, specifying the relevant code to be used and the sections of the return that must be completed.

FAQ 10 clarifies that, where a Constituent Entity located in Italy is required to apply the IIR with respect to entities located in a jurisdiction in which a QDMTT meeting the Safe Harbour status (QDMTT SH) is in effect, in the absence of a switch-off rule, and for which also a TCSH (i.e. the Simplified ETR test) is elected, the code referring to the QDMTT SH should be used.

FAQ 11 specifies that, either in Italy or in a foreign jurisdiction, if there are Constituent Entities, Minority-Owned subgroups, and Investment Entities – i.e. different subgroups that fall under the same TCSH (determined on an aggregate basis), they **must still be reported separately** in three separate lines in the domestic Pillar Two tax return for each type of entities and subgroup, even when the TCSH is tested on an aggregate basis and without a requirement to perform separate TCSH tests.

FAQ 16 clarifies that, for UTPR and QDMTT purposes, the Italian Constituent Entity designated to file the tax return and pay the tax fulfils those obligations on behalf of all other Italian Constituent Entities. While the designated entity centralizes the compliance process, the other Constituent Entities remain jointly and severally liable for the tax due.

However, where a Parent Entity (UPE, IPE, and POPE) is liable to pay Top-Up Tax under the IIR in relation to Constituent Entities or JVs located in Italy or abroad, each Parent entity must independently file a tax return. As a result, different entities within the same group may be responsible for filing and payment obligations under the QDMTT, IIR and UTPR. The Italian Revenue Agency has already clarified that domestic Pillar Two tax return must generally be filed even where no Top-Up Tax is due.

FAQ 19 clarifies where a low-taxed entity is held indirectly through one or more POPEs. the Italian UPE must still calculate the Top-Up Tax under the IIR. The mechanism under article 17(2) of Legislative Decree no. 209/2023 operates through a set-off adjustment that may reduce the Top-Up Tax payable to zero. but does not remove the filing obligation. Accordingly, both the Italian UPE and POPE must file their respective returns, even where no Top-Up Tax is ultimately due Where the jurisdiction qualifies for the Transitional CbCR Safe Harbour both entities are required to complete only Section II of *Quadro A*, with no requirement to complete *Quadri B* and *C* of the domestic Pillar two tax return.

FAQ 21 addresses cases where an Italian Constituent Entity changes group during the fiscal year and, therefore, must file two domestic Pillar Two tax returns, one for each group. The Italian Revenue Agency clarifies that, the reference fiscal year to be indicated in the cover page of each return remains the full fiscal year of the relevant group (e.g. 1 January–31 December 2024), even if the entity belonged to each group for only for part of that period. No short or split fiscal periods should be reported in the tax return.

Concluding remarks

The FAQs confirm that the Italian Revenue Agency expects broad compliance with domestic Pillar Two filing obligations, even where no Top-Up Tax is ultimately payable or a Safe Harbour applies. At the same time, the guidance provides useful clarification on reporting mechanics, filing responsibilities within groups and the operation of the transitional penalty relief regime.

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