



Setting Up a Business in Italy

The foreign investor's guide to navigating
complexity in this jurisdiction

We are the business behind business®

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Jurisdiction profile

Italy, a founding member of the European Union (EU), is a gateway to the European single market. Established in 1993 this system allows the free movement of goods, services, capital, and people within the European Union and some non-EU countries—plus North Africa, and the Middle East, thanks to its strategic position in the middle of the Mediterranean. Over the past decade, Italy has introduced several policies to improve its business environment by making it easier for companies to set up business and by streamlining the incorporation process.

As the third largest economy in the Eurozone and the eighth in the world, Italy is fully diversified and dominated by small and medium-sized firms (SMEs). SMEs generate 66.9% of overall value added in the Italian non-financial business economy, exceeding the EU average of 56.4%. The share of employment they generate is even larger—78.1% compared with an EU average of 66.6%¹.

Thanks to its significant manufacturing base, Italy is the second-largest manufacturer in the EU behind Germany, and also the world's eighth-largest exporter². Top exports include pharmaceutical products, vehicles, industrial machinery, food and wine, clothing and robotics. The country is the world's third-largest exporter of industrial robots after Japan and Germany³. Tourism is also an important source of revenue, contributing to 10.5% of gross domestic product (GDP) in 2023⁴.

During the COVID-19 pandemic, the Italian government deployed more than €200B of extra spending to support the economy. This unprecedented stimulus package strengthened Italy's digital connectivity, helped the transition to a greener economy, and upgraded infrastructure for research, education, health, and transport. Around €4B was earmarked to support employment—including tax breaks for companies that hire and train permanent employees. These measures are expected to contribute to growth. According to the National Institute of Statistics (ISTAT), GDP grew by 0.7% in 2024 and is forecast to rise by 0.8% in 2025.



Five top takeaways for investors in Italy

A strategic logistics hub

Italy's transport network includes more than 6,940km of motorway, 1,460km of high-speed railway, two intercontinental airport hubs (Rome and Milan) as well as numerous strategic ports for maritime freight and transshipment. These include Gioia Tauro, the largest port in the country and the sixth largest in the Mediterranean. Logistics contribute to around 10% of the country's GDP⁵.

Excellence in R&D innovation

Italian researchers are major contributors to several European R&D networks, such as the CERN physics laboratory, as well as top-level international research centers. Italy's excellence has emerged in the fields of neurosciences and robotics, which benefit the country's industrial processes. Italian companies are major investors in scientific and technological research. The €185.4M average annual R&D expenditure of Italy's top R&D spending companies is higher than the equivalent EU average of €165.8M⁶.

Hi-tech incentives

With the aim of attracting foreign direct investments (FDI) focused on innovation and advanced technologies,

Italy provides opportunities for investors in a number of high-tech sectors—particularly biotechnology, chemicals, aerospace, and automotive. A 30% tax credit is available for private investments in R&D, including highly qualified personnel. Investments in capital goods enjoy a 40% deduction, which may be raised to 150% for investments in digitalization and high-tech sectors.

Access to “Made in Italy” quality

International companies operating in Italy can rely on extensive networks of SMEs and manufacturing hubs throughout the country to supply high-quality intermediate products tailored to meet specific needs in a wide range of sectors, such as machinery, automation, fashion, design, and food.

A thriving financial sector

Italy's capital market is one of the largest markets by value in Europe, characterized by large transactions including securitizations, debt capital markets, non-performing loans, real estate finance, and general lending transactions. The introduction of a new regime for real estate asset securitizations has made securitization transactions easier and widen their scope.

Italy at a glance



Currency
Euros



Population
58.99M (2024)



Telephone country code
+39



Business language
Italian and English



GDP
\$2,373T USD (2024)



Legal system
Civil Code jurisdiction



Official language
Italian



GDP per capita
\$53,115 USD (2024)



Timezone
Central European
Summer Time and
Central European Time

How to do business in Italy

Italy has adopted the EU's common foreign investment control system to protect strategic activities such as energy, transport, communication, finance and aerospace. The government has the power to impose conditions or veto foreign investments in these strategic sectors. Foreign companies usually opt to set up an Italian branch or incorporate an Italian company. The main business vehicles used for domestic companies are:

Limited liability company

(società a responsabilità limitata | SRL or società a responsabilità limitata semplificata | SRLs)

Small and medium-sized companies with a limited number of shareholders.

- SRL is a popular choice for small and medium-sized businesses.
- May have a share capital lower than €10,000 and one director (who does not need to be an EU citizen or resident).
- Shareholders' liability is limited to the amount invested in the company. The shareholders set out in the articles of association how the company is managed and supervised.
- SRLs can be set up with as little as €1. However, SRLs are subject to specific restrictions—shareholders must be individuals and the preparation of the articles of association must follow certain procedures.

Limited company

Limited company (società per azioni | SpA)

Medium-sized and large companies or listed companies.

- The structure of an SpA provides greater protection to investors and is the preferred option for companies that plan to raise capital or seek a stock market listing.
- Requires a minimum investment of €50,000 and at least one shareholder. Regulated businesses such as banks and insurance companies are subject to higher capital requirements.
- At least 25% of the capital must be paid up before the incorporation of the company. However, in the case of single shareholder limited companies, the capital must be deposited in full before incorporation.
- There are three different systems of corporate governance to choose from:
 - **The traditional Italian system:** The shareholders' meeting appoints the board of directors (or sole director), the supervisory body and the registered auditor.
 - **A two-tier system:** The company is managed by a management board, while the control function is exercised by a supervisory board.
 - **A one-tier system:** The shareholders' meeting appoints the board of directors, which comprises an internal controlling committee consisting of independent, non-executive directors.

General partnership

(società in nome collettivo | SNC)

Partnerships set up to conduct commercial and non-commercial activities.

As partnerships have no legal personality, investors are liable for the company's obligations and debts. Partnerships, whether general or limited, do not require any minimum capital.

- In a SNC, the members have unlimited liability for the partnership's obligations and are subject to bankruptcy law.
- The company's business name must contain the name of at least one of the partners and indicate that it is an unlimited partnership.

Limited partnership

(società in accomandita semplice | SAS)

- In a SAS, the general partners are responsible for managing the company and have unlimited liability, while the limited partners are liable for the partnership's debts within the limits of their investment.
- The business name must contain the name of at least one general partner and indicate that it is a limited partnership. If a limited partner's name is included in the business name, he or she will have
- unlimited liability, jointly and individually, with the general partners for the partnership's debts.

Representative office

A popular way to operate is through the creation of a branch or representative office of a foreign company.

- A representative office is the simplest route to establishing a presence in Italy because no preliminary filings or authorizations are required to start its activities. However, it must be first registered with the Representative Office Establishment (RoE).
- Representative offices can only operate for promotional and networking purposes. No trading or productive activities are allowed.

Branch office

- A branch is subject to corporate taxes on income earned in Italy as well as social security obligations.
- A branch in Italy can perform various activities, primarily related to the parent company's business abroad. It can act as an extension of the parent company, conducting commercial operations, providing services, or maintaining a physical presence to represent the company in the Italian market.
- It does not have its own legal personality; it shares the same legal identity as the parent company.
- Once the branch is established, the branch manager must obtain a personal Italian tax code. The branch itself must apply for its own tax code and VAT number. The transfer of profits to the foreign parent company is generally not subject to tax in Italy.

Taxation

This feels a bit long and confusing. How about: Italy offers tax incentives for companies as well as measures to attract human capital, such as the Investor Visa for Italy, a special tax regime for new residents with substantial income abroad.

Companies whose headquarters or main business activity is based in Italy are considered resident entities and are taxed on their worldwide revenue. Non-resident companies are taxed on their Italian-sourced income. Resident corporate entities are subject to corporate tax as well as a regional production tax. The tax period is a 12-month calendar year.

Corporate tax	The corporate tax rate is 24% and is calculated on the company's total net income.
Regional tax on production activities	The regional tax on production activities (IRAP) is a local tax collected by the region in which business operations are carried out. Rates depend on the region and the type of business activities. Average rates are: • 3.9% for most businesses • 4.65% for banks and financial institutions • 5.9% for insurance companies Mutual investment funds, pension funds, European economic interest groups (EEIGs) and door-to-door salespeople are exempt from IRAP. Non-resident entities are liable for IRAP if their activities are conducted over a period of at least three months through a permanent establishment in Italy.
Capital gains tax	Capital gains are usually treated as ordinary income and taxed at the corporate income rate of 24%, plus IRAP at 3.9%, although certain exemptions apply. Capital gains obtained by non-resident companies are taxed at a rate of 26%.
Digital services tax	The digital services tax (DST) applies to business activities with global annual revenues of at least €750M and Italian-sourced digital services revenues of at least €5.5M, regardless of fiscal residence. The rate is 3% of gross revenue, net of VAT or indirect taxes.
Income tax	Italian permanent residents are taxed on their worldwide income, while non-residents are liable for tax on their Italian-sourced income only. Tax is applied to gross income (minus any deductions provided by law) in increasing rate brackets depending on the level of income: • Up to €28,000: 23% • From €28,000 to €50,000: 35% • Over €50,000: 43% Spouses are taxed separately on their earned income. In case of income from jointly owned property, each spouse is taxed on one half.

Dividend tax

Dividends received by resident entities from other resident entities are taxed on only 5% of their amount at a 26% rate.

Dividends paid to companies based in the EU and the European Economic Area (EEA) are subject to a 1.2% withholding tax rate at source. Payments to a qualifying EU parent company are exempt from withholding tax.

Dividends from entities in blacklisted countries are subject to ordinary tax on 100% of their amount and attract a 26% advance withholding tax. Dividends paid to non-residents (other than EU companies) are subject to a 26% final withholding tax. Reduced rates apply if covered by international tax treaties.

Value added tax (VAT)

VAT applies to the supply of goods and services within the Italian territory, as well as imported goods and services. The standard rate is 22%, although reduced rates are provided for certain categories: 10% for electric power and medicines; 4% for certain foods, drinks, and agricultural products. Education, insurance services, specific financial services and the leasing of certain types of real estate are exempt from VAT.

Stamp duties

Stamp duties at varying rates (usually between €2 and €100) are levied on certain documents including bank statements, written contracts, judicial acts, and accounting books.

Tax treaties

Italy has signed more than 90 international treaties to avoid the double taxation of income produced in different countries.

Customs policy

Import duties and VAT are imposed on goods imported from outside the European Union. Duties range between zero and 17%, with the general tariff averaging at 4.2%. Foodstuffs, textiles, and clothing attract higher tariffs.

Employment and labor regulation

Labor regulations provide for open-ended contracts, fixed-term contracts, or contracts for specific tasks or occasional services. Employees are divided into four categories: executives, middle managers, white-collar employees, and blue-collar employees.

At the start of employment, employers must inform employees of the main terms and conditions of their contract. While there is no legal requirement to provide a written contract—except for part-time contracts—most contracts are written. They must include:

- The start date
- Duration of the trial period, if applicable
- Duration of the fixed term, if applicable
- Non-compete clause, if applicable
- Salary, method for calculation of the salary, frequency of payment and any benefits
- Working hours
- Paid holiday leave
- The employee's duties and the related work category

Under Italian law, compensation is paid in 13 monthly installments (the 13th being paid with the December salary). Some collective agreements provide for a 14th monthly instalment, usually paid in June.

Social security system

The social security system provides retirement, survivor, and disability pensions, along with healthcare, unemployment benefits, and family allowances. Social security contributions are paid to the Italian social security administration, INPS. Employees also have the option to join pension funds provided by their collective agreement to increase social security benefits.

Social security contributions are calculated on a percentage basis relative to gross income. For most employees, the amount of contribution is based on actual pay; for others, on hourly remuneration. Contribution rates and benefit entitlements vary depending on the sector of activity, company size, geographic location, and job title. For employees, rates can range from 9% to 10% of salary, while employers' contributions range from 30% to 35% depending on the employee's level and the business sector.

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Collective bargaining is widespread in Italy, both at national and industry level, and its agreements are binding for all employees. Although this sets the minimum standards for employment, employers are free to apply more favorable treatment to their employees.

Foreign employees

EU nationals as well as those from European Free Trade Association countries can reside and work in Italy without formal authorization for up to three months, and thereafter are required to apply to their local police office for a residence card. The admission of non-EU employees—including U.K. nationals as of January 1, 2021—is subject to an entry quota system, except for highly skilled employees who qualify for the EU Blue Card scheme.

Non-EU investors can apply for a two-year residence permit, renewable for a further three years, provided they undertake one of the following:

- Buy Italian government bonds for at least €2M
- Invest at least €500,000 in an Italian company and maintain the investment for two years
- Invest at least €250,000 in an Italian start-up and keep the investment in place for two years
- Philanthropic donations of at least €1M to cultural assets or education and research

Termination and severance

In Italy, the termination of any employment contract must be justified. It can be due to objective justified reasons, such as redundancy due to company reorganization; subjective justified reasons, for example, when the employee fails to meet performance targets, or is often absent from work without a justifiable reason; just cause following serious misconduct; or breach of contract.

Individual dismissals must be given in writing and must detail the reasons on which they're based. Collective dismissals follow a specific procedure that applies to all employees and executives, requiring written notice, the reason for dismissal, the number of employees affected, their duties, and the timeline for dismissal—plus any measure taken to reduce the impact.

Severance payments

Severance payments must be paid to employees whenever a contract is terminated, regardless of the cause of termination. The amount, which depends on the employee's salary and length of service, corresponds to around 8% of the annual gross salary for each year of employment.

At the end of their employment, employees are entitled to pay out of severance, unused accrued annual leave, pro-rata payment of the 13th and 14th salary installments if applicable, and a notice period if the dismissal is without just cause. If the employer does not require the employee to work during the notice period, the employee is entitled to a payment corresponding to the normal salary that would have been paid during that period.

If one of the parties terminates a fixed contract before its expiration date and without just cause, the other party may be awarded compensation. In case of early termination by the employer, the employee's compensation would be equal to the amount accrued up to the contract expiration date.

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To hire a non-EU individual living abroad, employers must request authorization from the immigration authorities. Once authorization is granted, the employee can request a visa from the nearest Italian consulate or embassy to enter the country.

How CSC can help you invest in Italy

Foreign investors entering the Italian market should seek advice from professionals who understand local rules, culture, and regulatory requirements.. Working with a trusted partner is essential.

What we do

CSC provides a wide range of financial and administrative services to clients operating and investing in the international business environment. We help companies expand globally, offering support with restructuring, outsourcing, and further developments.

We're experts in management and administration services for operational companies and holding structures across the globe.

In Italy, we help clients incorporate their companies and stay compliant with local regulations, allowing foreign investors to focus on growing their business in Italy and beyond.

Who we are

CSC provides knowledge-based solutions for every phase of the business life cycle, helping businesses form entities, maintain compliance, execute transaction work, and support real estate, M&A, and other corporate transactions in hundreds of U.S. and international jurisdictions.

We work with some of the world's largest banks and commercial lenders to reduce risk in their lien portfolios, improve their transaction speeds, and create a secure environment for their financial processing needs. We also provide solutions for secure real estate document preparation and recording.

We're the trusted partner for 90% of the Fortune 500®, nearly 10,000 law firms, and more than 3,000 financial organizations. Headquartered in Wilmington, Delaware, USA, since 1899, we are a global company capable of doing business wherever our clients are—and we accomplish that by employing experts in every business we serve.

Services

→ Entity solutions

- **Corporate services**
 - Formations and incorporations
 - Corporate secretary
 - Global treasury management
 - Domiciliation
 - Accounts and reporting
 - Director services
 - Tax Compliance services
- **Special purpose vehicles (SPVs)**
- **Global subsidiary management**
- **Global payroll**
- **Executive compensation services**
- **Private Client services**

→ Fund solutions

- **Fund administration**
 - Private equity
 - Private debt
 - Real estate
 - Infrastructure
 - Fund of funds
 - Hedge fund
- **Shadow accounting**
- **Outsourcing**
 - Middle office outsourcing
 - Loan administration
 - Reconciliation
 - Treasury management
- **Regulatory and governance**
 - Anti-money laundering (AML) and Know Your Customer (KYC)
 - Regulatory reporting
- **Technology and consulting**

→ Digital brand and cyber risk

- **Domain security**
- **Domain management**
- **Online brand protection**

→ Business administration and compliance

- **Transaction filings**
- **Charitable filings**

→ Capital markets

- **Trustee services**
 - Indenture and note trustee
 - Successor trustee
 - Bankruptcy, insolvency, and restructuring
 - Specialized Trustee services
 - Delaware statutory trust
- **Escrow services**
- **Independent director**
- **Loan agency**
 - Administrative and facility agent
 - Collateral and security agent
 - Depositary agent and account bank
- **SPV services**
 - Transaction structuring and compliance
 - Domiciliation and management





 **Let's talk** 1 800 927 9800 | cscglobal.com

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1. *European Commission*
2. *Observatory of Economic Complexity (OEC)*
3. *World's Top Exports*
4. *Statista*
5. *Intesa San Paolo "Italian Maritime Economy" Report 2024*
6. *European Commission*