

New Solidarity Tax Confirmed with Amendments

With Law No. 148 of September 14, 2011, the Italian Parliament confirmed Law Decree No. 138 of August 13, 2011, which, as illustrated in our previous alert of August 23, 2011, introduced, *inter alia*, a surcharge to be applied on income earned by all Italian residents (the so-called *contributo di solidarietà* or "solidarity tax") at a 3% rate on any income exceeding Euro 300,000 (whereas, under Law Decree No. 138, it amounted to (i) 5% on any income in excess of Euro 90,000, up to Euro 150,000, and (ii) 10%, for income exceeding Euro 150,000).

Law No. 148 confirmed that the solidarity tax would apply only for the tax periods 2011-2013. However, it also empowered the Italian government to extend its application after 2013 if and to the extent the Italian budget break-even should be achieved at that point in time.

Moreover, the solidarity tax will be deductible from gross income earned in 2012 and 2013.

As illustrated in our previous alert, the rules introducing the solidarity tax overlap with the application of the 10% additional tax on variable compensation paid to certain executives employed in the financial services sector in Italy, the application of which has been extended by the Italian tax administration to certain top executives of industrial holdings (see our previous alert of March 9, 2011), therefore triggering a form of double taxation on such type of income. Law No. 148 does not address this issue but the ministerial decree that will contemplate the detailed features of the surtax and its application (to be issued by October 30, 2011) could.

Should you have any questions regarding the above, please contact Vania Petrella (tel.: +39 06 69 522 204; e-mail: vpetrella@cgsh.com) or Gianluca Russo (tel.: +39 06 69 522 680; e-mail: grusso@cgsh.com) in our Rome office, or any of your regular contacts at the firm.

CLEARY GOTTLIEB STEEN & HAMILTON LLP

NEW YORK

One Liberty Plaza
New York, NY 10006-1470
T: +1 212 225 2000
F: +1 212 225 3999

WASHINGTON

2000 Pennsylvania Avenue, NW
Washington, DC 20006-1801
T: +1 202 974 1500
F: +1 202 974 1999

PARIS

12, rue de Tilsitt
75008 Paris, France
T: +33 1 40 74 68 00
F: +33 1 40 74 68 88

BRUSSELS

Rue de la Loi 57
1040 Brussels, Belgium
T: +32 2 287 2000
F: +32 2 231 1661

LONDON

City Place House
55 Basinghall Street
London EC2V 5EH, England
T: +44 20 7614 2200
F: +44 20 7600 1698

MOSCOW

Cleary Gottlieb Steen & Hamilton LLC
Paveletskaya Square 2/3
Moscow, Russia 115054
T: +7 495 660 8500
F: +7 495 660 8505

FRANKFURT

Main Tower
Neue Mainzer Strasse 52
60311 Frankfurt am Main, Germany
T: +49 69 97103 0
F: +49 69 97103 199

COLOGNE

Theodor-Heuss-Ring 9
50688 Cologne, Germany
T: +49 221 80040 0
F: +49 221 80040 199

ROME

Piazza di Spagna 15
00187 Rome, Italy
T: +39 06 69 52 21
F: +39 06 69 20 06 65

MILAN

Via San Paolo 7
20121 Milan, Italy
T: +39 02 72 60 81
F: +39 02 86 98 44 40

HONG KONG

Bank of China Tower
One Garden Road
Hong Kong
T: +852 2521 4122
F: +852 2845 9026

BEIJING

Twin Towers – West (23rd Floor)
12 B Jianguomen Wai Da Jie
Chaoyang District
Beijing 100022, China
T: +86 10 5920 1000
F: +86 10 5879 3902

BUENOS AIRES

CGSH International Legal
Services, LLP-
Sucursal Argentina
Avda. Quintana 529, 4to piso
1129 Ciudad Autonoma de Buenos Aires
Argentina
T: +54 11 5556 8900
F: +54 11 5556 8999

SÃO PAULO

Cleary Gottlieb Steen & Hamilton
Consultores em Direito Estrangeiro
Rua Funchal, 418, 13 Andar
São Paulo, SP Brazil 04551-060
T: +55 11 2196 7200
F: +55 11 2196 7299