

NOTE AHEAD ON:**1. Super-Amortization and Hyper-Amortization**

Italian Budget Law for FY2017 extended the **140%** over-amortization to 2018 (**Super-Amortization**) for the purchase of new instrumental materials and introduced the amortization to **250%** (**Hyper-Amortization**) for the purchase of tangible and intangible assets for technological transformation into digital business model, according to "Industry 4.0" system, with increases in the cost of purchasing assets (IRES only, they do not produce effects for IRAP purposes).

Over-amortization provides for an increase of 40% of the cost of acquiring new instrumental materials, with an amortization rate of more than 6.5%.

The hyper amortization follows the operation of the super-amortization, with:

- 150% increase in the cost of purchase of new "instrumental materials" for the technological and digital transformation of enterprises according to Industry 4.0 model "as per Annex A of Law 232/2016 (amended in some parts by the conversion into law of DL 243/2016);
- increase of 40% of the cost of purchase of *intangible* assets included in Annex B of Law 232/2016 provided that it has made the facilitated investments referred to in the preceding paragraph. Intangible property does not necessarily have to cover the material good that benefits from hyperammoration.

The relative benefit of both super-depreciation and hyper-depreciation results in an increase in the acquisition cost of the asset, which results in an increase in the annual deductible depreciation (or annual lease rate).

For material assets acquired in property the calculation is made on the basis of the coefficients established by the law (DM 31 December 1988), for leased assets the calculation is made for a period not less than half the amortization period corresponding to the established coefficient, for intangible assets the calculation is made not to exceed 50% of the cost.

The surcharges resulting from the over-amortization and over-amortization do not affect

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the calculation of advance tax payments, capital gains and losses.

By analogy with what is set for over-amortization, the assets that can be facilitated by the measure of the depreciation can be acquired by:

- purchases by third parties
- financial leasing contracts.

The right to tax benefit of both mature measures for investments made and delivered by 31 December 2017 may be extended by 30 June 2018, provided that the following conditions are met:

- purchase on the property: the order is accepted by the seller and payment of advance payments has been made at least 20% of the acquisition cost by 31/12/2017;
- lease purchase: both leases have been signed by both parties and a maximum of 20% of the principal is paid by 31 December 2017 at the latest.

Concerning the intangible assets, the law states that the list refers to "stand alone" software, which is not necessary for the operation of the material asset, because the embedded software on the machine is considered together with it and facilitated with an increase of 150%.

In order to benefit from the over-depreciation, the law requires a self-certification which attests that the asset has the technical characteristics to include it in the list set out by the law and is interconnected to the production management system or to the supply network. For purchases with a unit cost of less than € 500,000 the self-certification is to be borne by the legal representative, if more than € 500,000 this certificate must be signed by a sworn technical expertise issued by an engineer or an industrial expert.

It should be noted that for a good to be defined as "interconnected" it is necessary and sufficient to: exchange information with IT internal systems (eg management system, planning systems, product design and product development systems, remote monitoring, and control , Other plant machines, etc.) and / or external (eg: customers, suppliers, partners in collaborative design and development, other production sites, supply chains, etc.).

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2. Italian Budget Law 2019 – a look ahead

We notice that the Italian Budget Law for fiscal year 2019 shows some changes in the system shown above, as follows:

- the super-amortization will not be applicable for assets purchased after 01/01/2019;
- the Hyper-amortization will be extended through year 2019 with a possible re-modulation of the tax impact according to the size of the investments:

250% for investments up to 2,5 millions euro

200% for investments between 2,5 and 10 millions euro

150% for investments higher than 10 millions euro.

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