



**University
of Ferrara**

**Department
of Law**

Taxing Lawyers in Italy

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Department
of Law

Programme

1. Personal Income taxation in Italy;
2. Independent professions in the country;
3. VAT aspects of the Professions



Personal income taxation

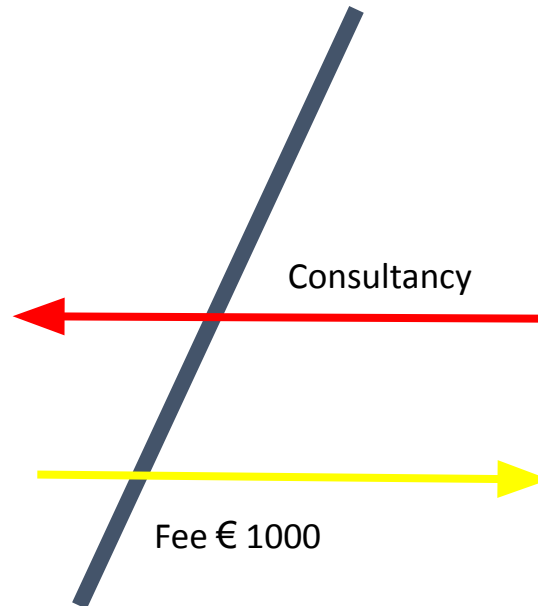
- Individual residents in Italy have to pay taxes on the income produced everywhere in the world;
- Those who are not resident in the country pay only on income originated from here;
- In the first case the taxation is progressive, in the second is mostly proportional to the income produced;
- The system is against any sort of discrimination between foreigners and locals;
- Lawyer is a profession that can be exercised only by individuals.

Progressive Taxation in Italy

Revenue in Euro	Tax rate
Up to 15.000	23%
From 15.000 to 28.000	25%
From 29.000 to 50.000	35%
Beyond 50.000	43%

Non resident lawyers working in Italy

- Flat rate of 30% on the revenue



The Double Taxation Convention between Italy and Kazakhstan: Some Provisions

- ARTICLE 14 Independent Personal Services
 - Income derived by a resident of a Contracting State in respect of professional services or other independent activities of a similar character shall be taxable only in that State, unless he has a fixed base regularly available to him in the other Contracting State for purpose of performing his activities. If he has such a fixed base, the income may be taxed in the other Contracting State but only so much of it as is attributable to that fixed base.
 - The term “professional services” includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

Calculating the Taxable Base

- Profits are taxed on the actual revenue on yearly basis under a cash flow approach;
- Costs deductible:
 - Any cost pertinent to the activity;
Burden of the proof on the shoulder of the taxpayer;
 - Some costs are deductible on a lump-sum amount due to their nature (as incurred for services or goods pertinent also to the person of the lawyer : i.e. non pure business revenues).
- Partnerships are possible: revenue shared between lawyers according to their ownership rate.

Special Regime for Lawyers (and Professionals) with a “*Low Revenue*” Threshold

- Up to 85.000 Euro of revenue per year the professional is eligible for a “flat tax system”;
 - Young professional enjoy a reduction to 5% for the first 5 years of their activity;
- Tax rate of 15%
- No cost is deductible, no input VAT can be credited;
- Critics: this system discriminates.

VAT: General Rules

- VAT charged according to territoriality rules depending on several factors:
 - The place where the goods are;
 - The place where the service is delivered;
- Derogatory criteria depending on the specific service delivered and the nature of the counterpart;
- The entire discipline is inspired by the EU Directives and regulations as they are relevant.

The Case of Legal Consultancy

- If the client is a business in Italy, the performance falls in the scope of VAT and invoice has to be issued;
- The client shall calculate the VAT rate and apply the tax accordingly, as no special duty is applicable to the Kazakh lawyer doing the job.
- Italian consultancy to a Kazakh client / firm falls outside the scope of VAT, as a consequence the client in Kazakhstan should not be charged with the Italian VAT.

Thank you for your participation

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