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## **Singapore is the showcase for South East Asia, not a fiscal paradise. Italy does not understand it.**

By Federico Donato

The current circumstances indicate an unfavourable situation for Italy. The Country is not only in recession, but is also affected by deflation: these two factors render the economic situation unbearable for Italian companies. In this context - where it is important to break this vicious cycle - it is of utmost importance for the business to look at international markets in a proactive way.

South East Asia represents today an important market and Singapore is the ideal gate to access it, a strategic hub offering the possibility to operate in a macro-area characterised by an economic dynamism, meeting the highest international standards of efficiency, safety and legality. That's why it is difficult to understand the reasons why a country such as Singapore - whose per capita GDP is the third in the world before Norway and Usa, and is the fourth global financial centre - for Italy is still in the Black List of the tax havens which includes Bahamas, Cayman or Virgin Islands, countries characterized by a different economic weight and by a much more favourable fiscal regime. Italian companies in Singapore are in a difficult situation as Singapore is still in the Black List, considering the costly and complex bureaucratic process they need to follow in order to justify their lawful presence in such a strategic outpost for the Asian markets. This is true for the big groups with a strong presence abroad, but, even more, for the companies that are trying the internationalization route and are striving because of their smaller dimensions. In Italy there is, indeed, the compulsory obligation to communicate to the Revenue Agency - through peculiar, complex and costly processes - all the operations between the companies resident in Italy and the economic operators having the registered address, residence or domicile in the countries pertaining to the Black List, outside the European Union, and indicated by the Decree of the Finance and Economy Ministry (Ministerial Decree 4 May 1999, Ministerial Decree 21 November 2001 and Ministerial Decree 23 January 2002). The CFC law (Controlled Foreign Companies) was implemented in 2002 in Italy and companies with branches in Singapore and in general with strong international presence had to 'contact' all the subsidiaries in the black listed Countries in order to avoid taxation of the profits made abroad as if they were generated in Italy, namely taxed once more by 27.5% in addition to what paid in the Country of origin.

**Moreover in phase of document analysis** it is applied the principle of the inversion of the legal burden of proof and therefore it is to be proved that the contacted company is not an empty box, but an operative reality where real work is being carried out, with the obligation to communicate promptly to the agency any structural and operational change in order to avoid being stripped of the achieved state. As it already happened with other

European Countries, in 2012 Singapore signed a treaty with the Italian Government against double taxation that foresees cooperation in the exchange of information.

Thanks to the cooperative attitude shown by Singapore and the signing of the new treaties, most of the European states adopted a less vexatious attitude than Italy, which is still including it in the Black List. In Italy the CFC law originates from two main reasons, namely the impossibility of exchange of information between the country in which the Italian Holding is resident and the Black listed Country where the subsidiary has its office as the governments haven't signed a treaty guaranteeing bilateral information and/or a level of taxation equalling zero in the country of residence of the foreign subsidiary or anyway inferior to half of the Italian corporate taxation rate of 27.5% (Excluded Irap, the regional tax on productive activities). Until today both requirements do not exist for Singapore, which in 2009 signed the twelfth bilateral agreement with France, thus showing the cooperative approach of the Country whose corporate tax is at 17%. The existence of an Italian exception in the Western and European sphere condemns Italian companies to a deficit in competitiveness in their activities in Asia. These are urgent reforms and we hope that the Italian Government, already active in this sense, will intervene with incisiveness (all rights reserved)

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