



# EPRA

EUROPEAN PUBLIC  
REAL ESTATE ASSOCIATION

GLOBAL  
REIT SURVEY

EUROPE

# Italy

SIIQ

2024

A comparison of the  
major REIT regimes  
around the world.



# 1 General introduction

	Enacted year	Citation	REIT type
SIIQ/SIINQ	2007	<ul style="list-style-type: none"> <li>- Law No. 296/2006 and subsequently issued Regulations and Guidance</li> <li>- Amended by Law Decree No. 133/2014 (converted into Law No. 164/2014)</li> </ul>	Corporate entity

The Italian REIT regime was introduced in Italy by Law No. 296/2006, which provides for a special civil law and tax regime applicable to Italian-listed real estate investment companies that meet certain requirements defined by law, and whose main activity is the rental of real estate properties (Società d'Investimento Immobiliare Quotate, SIIQs).

The SIIQ regime is applicable also to non-listed Italian real estate investment companies that are subsidiaries of SIIQs if certain conditions are met (Società d'investimento immobiliare non quotate, SIINQs).

The SIIQ regime has been subsequently amended by Law Decree No. 133/2014 (converted into Law No. 164/2014), which entered into force in September 2014 and whose principal purposes were to foster the use of this investment vehicle in the Italian real estate sector and to increase the permeability between SIIQs and Italian real estate investment funds. With such amendment, specific provisions regarding the conversion of real estate investment funds in the liquidation phase into SIIQs have been introduced, allowing the contribution of real estate assets to SIIQs with almost no tax burdens, both for direct and indirect tax purposes.

Furthermore, recent amendments have been introduced by Law No. 234/2021 (Budget Law 2022) to the requirements for the qualification of a company as SIINQ to facilitate joint ventures between SIIQs and Italian real estate investment funds.

The legal framework for SIIQs and SIINQs also includes the secondary legislation (Decree of the Ministry of Finance No. 174/2007), which, at the date hereof, has not been amended to implement the changes introduced by Law Decree No. 133/2014.

The Revenue Agency provided the main clarifications regarding the SIIQ regime with the Circular Letter No. 8/E/2008 and with the Circular Letter No. 32/E/2015 (the latter in order to clarify and implement the rules introduced with Law Decree No. 133/2014). In the course of 2022 and 2023, the Revenue Agency rendered public several tax rulings, addressing specific aspects of the SIIQ regime.

## Sector summary\*

Listing country	Number of REITs	Number in EPRA REIT Index	Sector mkt cap (EUR m)	% of Global REIT Index
Italy	1	1	190,23	0,01%

## Top REITs\*

Company name	Mkt cap (EUR m)	1 yr return (EUR) %	Div yield	% of Global REIT Index
Igd - Immobiliare Grande Distribuzione	190,23	-28,76%	17%	0,01%

\* All market caps and returns are rebased in EUR and are correct as of June 28, 2024. The Global REIT Index is the FTSE EPRA Nareit Global REITs Index (EPRA, June 2024).

## 2 Requirements

### 2.1 Formalities/procedure

#### Key requirements

- Election for the SIIQ and SIINQ regime must be included in the tax return filed with the Revenue Agency
- Certain conditions are required for SIIQ and SIINQ status

An eligible listed real estate investment company must exercise the option for the SIIQ regime in the tax return filed in the tax year preceding the one in which the company will apply the SIIQ regime.

SIINQs must opt for the special regime jointly with the SIIQ parent company. In such regard, the Revenue Agency (Circular Letter no. 8/E/2008) clarified that ‘jointly’ must be intended as for the same or for a subsequent tax period to the tax period for which the SIIQ exercised the option.

It is not necessary that all the requirements to obtain the SIIQ status are met at the date of the filing of the tax return since specific provisions have been introduced by Law Decree No. 133/2014 extending the grace period during which such requirements must be met (so-called ‘preliminary SIIQ regime’ – see Section 2.3).

### 2.2 Legal form/minimum share capital

Legal form	Minimum share capital
Joint-stock company (for SIIQs) Joint-stock company, partnership limited by shares, limited liability company (for SIINQs)	Listing requirements (for SIIQs)

#### Legal form

The SIIQ must be a joint-stock company (Società per Azioni) listed on a regulated market.

Following entry into the SIIQ regime, the company’s name must include the words ‘Società d’Investimento Immobiliare Quotata’ or ‘SIIQ’; therefore, the company’s by-law must be amended accordingly (together with other amendments required by law).

Following the amendments introduced by the 2022 Budget Law, the SIINQ may be a joint-stock company (Società per Azioni), a partnership limited by shares (Società in accomandita per azioni) or a limited liability company (Società a responsabilità limitata), with a minimum share capital of 50.000 Euros, whose shares are not listed.

Moreover, the SIIQ regime applies also to Italian permanent establishments of foreign REITs established in EU/EEA States, which allow an adequate exchange of information with Italy.

### Minimum share capital

The ordinary listing requirements in respect of share capital are applicable to SIIQs.

## 2.3 Shareholders requirements/listing requirements

Shareholders' requirements	Listing mandatory	Foreign Shareholders' Restrictions
<ul style="list-style-type: none"> <li>- At least 25% of the shares must be 'widely held'</li> <li>- A single shareholder is not allowed to own more than 60% of voting rights and profit participation rights</li> <li>- For SIINQs, more than 50% of voting rights and profit participation rights must be owned by a SIIQ (or SIINQ) or, alternatively, 100% of voting rights and profit participation rights are owned by a SIIQ (or SIINQ) and Italian real estate investment funds with certain characteristics</li> </ul>	<ul style="list-style-type: none"> <li>- Yes, for the parent company (SIIQ)</li> <li>- Not for subsidiaries (SIINQ)</li> </ul>	No specific foreign shareholders restrictions has been enacted

### Shareholders requirements

With regard to ownership requirements for SIIQs, no single shareholder should hold, directly or indirectly, more than 60% of voting rights and profit participation rights.

The 60% shareholding requirement must be satisfied without interruption. An exception is provided if such a requirement is not satisfied because of M&A transactions or capital market transactions since, in this case, the SIIQ regime is suspended.

At least 25% of the SIIQ shares must be owned by shareholders that individually hold, directly or indirectly, less than 2% of voting rights and profit participation rights. It is worth noting that the 2% threshold is required for access to the SIIQ regime, but it does not affect the SIIQ status after the election. The 25% requirement is not applicable to companies already listed on regulated markets.

The aforesaid ownership requirements must be met within the end of the first fiscal year of application of the SIIQ regime. The SIIQ regime applies since the beginning of such a fiscal year.

However, Law Decree No.133/2014 has introduced a 'preliminary SIIQ regime' extending the timeframe within which the ownership requirements may be satisfied.

In particular, provided that the 25% free-floating threshold is met by the end of the first fiscal year for which the option has been exercised, the 60% shareholding requirement must be met within the 24 following months. In this case, the SIIQ regime has effect from the first day of the fiscal year in which the 60% threshold is satisfied.

Until both the ownership requirements are met, the Italian corporate income tax (IRES – standard rate 24%) and Italian regional tax on business activities (IRAP – standard rate 3.9%) are due pursuant to the ordinary rules.

On the contrary, the 'entry tax' due for access to the SIIQ regime (see Section 3.2) and other taxes (substitutive tax for direct tax purposes and mortgage and cadastral taxes on the contribution of real estate assets to the SIIQ) are applied according to the more favourable rules set forth by the SIIQ regime. In the case that the ownership requirements are not timely met, such taxes are re-determined on the basis of the ordinary rules, and the amounts already paid can be offset as a tax credit.

With regard to ownership requirements for SIINQs, following the amendments introduced by the 2022 Budget Law, (a) a SIIQ (or SIINQ) must own more than 50% of the voting rights and profit participation rights of the SIINQ or (b) at least a SIIQ (or SIINQ) together with other SIIQs or SIINQs or Italian real estate investment funds with certain characteristics (i.e. real estate assets held for lease or participation in SIIQs, SIINQs and other real estate funds that invest in the same assets in the same proportions are at least 80% of the total assets) together own 100% of the voting rights and profit participation rights of the SIINQ (provided that the participating SIIQs or SIINQs own at least 50%). Moreover, following access to the special regime, the SIINQs must opt for the consolidation for tax purposes with the SIIQ parent company.

### Listing requirements

SIIQ shares must be listed on the Italian stock exchange (Borsa Italiana) or any other recognised stock exchange of the EU/EEA countries that allows an adequate exchange of information with Italy. Recently, the Italian Revenue Agency clarified that SIIQs might also be listed on a Multilateral Trading Facility (MTF), such as AIM Italia (Answer to Tax Ruling No. 682/2021).

SIINQ shares must not be listed on a stock exchange.

## 2.4 Asset level/activity test

### Restrictions on activities/investments

- 80% real estate assets requirement (asset test)
- 80% real estate income requirement (profit test)

At least 80% of the SIIQ's assets must consist of ('asset test'):

- i. Real estate properties to be leased (ownership or other rights); and
- ii. Participations accounted as fixed assets in SIIQs/SIINQs/Italian real estate investment funds whose real estate assets held for lease or participation in real estate investment companies, real estate investment funds, SIIQs, SIINQs are at least 80% of the total assets ('Qualifying REIFs').

At least 80% of SIIQ's positive components of income must be ('profit test'):

- i. Proceeds from lease activity;
- ii. Dividends from leasing activity raising from participations in SIIQs/SIINQs/Qualifying REIFs; and
- iii. Capital gains realised on the disposal of real estate properties held for lease or of participations in SIIQs/SIINQs/Qualifying REIFs.

Asset test and profit test must be calculated on the basis of the financial statements (balance sheet and income statement), starting from the first year of application of the SIIQ regime. The Decree of the Ministry of Finance No. 174/2007 and the Revenue Agency (Circular Letter No. 32/E/2015 and Answer to Tax Ruling Nos. 109/2022, 195/2023 and 201/2023) provide further details regarding the tests (in particular, regarding assets and positive components of income to be excluded from the calculation).

As far as the asset test is concerned, both non-Italian real estate properties held for leasing and real estate assets under construction or subject to renovation works are included in the asset test if they are intended to be leased.

Participations in Qualifying REIFs and proceeds from leasing activity deriving from such participations have been included, respectively, in the asset test and profit test by Law Decree No. 133/2014. In such

regard, the Revenue Agency (Circular Letter No. 32/E/2015) clarified that real estate SICAFs (i.e. investment companies with fixed capital, introduced in Italy following the implementation of Directive 2011/61/EU – AIFM Directive) are relevant for the purposes of asset test and profit test if they have the requirements to be considered Qualifying SICAFs under the SIIQ regime (see point (ii) above) since they are subject to the same tax regime provided for real estate investment funds.

Moreover, pursuant to Law Decree No. 133/2014, the profit test calculation has been amended in order to include capital gains on real estate properties and capital gains on participations in SIIQ/SIINQ/Qualifying REIFs/Qualifying SICAFs.

The same tests must be satisfied by the SIINQs.

There are no specific restrictions regarding the activities that may be carried out by SIIQs and SIINQs. However, only the income deriving from the leasing activity would be exempt from taxation. Indeed, with reference to such income, SIIQs and SIINQs benefit from a favourable ‘flow-through’ tax treatment (26% withholding tax is applied to distributions). On the contrary, income deriving from activities different from the leasing activity is subject to ordinary income taxes (see Section 3.1).

## 2.5 Leverage

### Leverage

The leverage cannot exceed the ratio resulting from the company's by-law

The company's by-law (after the election for the SIIQ regime) shall mandatorily include the maximum leverage ratio allowed. This provision is aimed at protecting SIIQ's investors through the effective control of the National Security and Exchange Commission (CONSOB) and of the Bank of Italy.

## 2.6 Profit distribution obligations

Operative income	Capital gains	Timing
70% of net profits deriving from the leasing activity	50% of capital gains from the leasing activity	<ul style="list-style-type: none"> <li>- Net profits, annually</li> <li>- Capital gains in the two years subsequent to the disposal</li> </ul>

### Operative income

SIIQs, each year, must distribute at least 70% of the lower of:

- Net profits deriving from the leasing activity or from participation in other SIIQs, SIINQs, Qualifying REIFs, Qualifying SICAFs; and
- Total profits available for distribution, according to Italian civil law provisions.

Income is calculated by the SIIQ as an IFRS adopter, and, therefore, no depreciation of assets is admitted pursuant to IAS 40 (such as increasing profit distribution obligations).

## Capital gains

SIIQs must distribute at least 50% of net capital gains realised on the disposal of real estate properties held for leasing or on the disposal of participations in SIIQs, SIINQs, Qualifying REIFs and Qualifying SICAFs, in the two years subsequent to the disposal.

The Revenue Agency (Circular Letter No. 32/E/2015) clarified that unrealised capital gains accounted in the income statement according to the application of the ‘fair value model’ under the IAS 40 for real estate properties are not subject to distribution obligations (until they are effectively realised through the disposal of the assets).

The described distribution obligations regarding operative income and capital gains also operate for SIINQs.

## 2.7 Sanctions

### Penalties/loss of status rules

- Loss of SIIQ/SIINQ status
- No penalties

The withdrawal of the SIIQ/SIINQ status occurs if the company fails: (i) to distribute at least 70% of the net profits or (ii) to distribute at least 50% of the net capital gains. In these events, the SIIQ status ceases starting from the year in which operative income/capital gains have been accrued.

Furthermore, the SIIQ/SIINQ loses its status if it does not meet the asset test or the profit test for three consecutive years.

Finally, as regards SIIQs, they must uninterruptedly meet the maximum holding requirement of 60% (on the contrary, the free-floating requirement may be satisfied only at the moment of the option for the SIIQ regime, as described in Section 2.3).

The forfeiture of the SIINQ status occurs, in addition to the cases mentioned above, if the company ceases to meet ownership requirements or ceases to have in place the tax consolidation regime with the controlling SIIQ.

There are no specific penalties in the case of the withdrawal of the SIIQ or SIINQ status.

## 3 Tax treatment at the level of the REIT

### 3.1 Corporate tax/withholding tax

Current income	Capital gains	Withholding tax
<ul style="list-style-type: none"> <li>- Income deriving from rental or leasing activity is tax-exempt</li> <li>- Other income is subject to the ordinary corporate and local taxation</li> </ul>	<ul style="list-style-type: none"> <li>- Capital gains deriving from the disposal of rented real estate properties and participation in SIIQs, SIINQs, Qualifying REIFs and Qualifying SICAFs are exempt</li> <li>- Other capital gains are subject to the ordinary corporate taxation</li> </ul>	<p>Proceeds from leasing activity distributed by Qualifying REIFs to SIIQs are not subject to withholding tax</p>

## Current income

The SIIQ income deriving from the leasing activity and from dividends/proceeds from the leasing activity distributed by SIIQs, SIINQs, Qualifying REIFs, and Qualifying SICAFs are exempt from corporate income tax (IRES) and from regional tax on business activities (IRAP). The tax exemption applies from the beginning of the fiscal year in which the SIIQ regime is adopted. Such income will be taxed only in the hands of the shareholders upon distribution, applying a withholding tax (at a 26% rate), as better described below (Section 4).

The same tax exemption also applies to the lease income realised by SIINQs.

Income deriving from activities different from the leasing activity is subject to ordinary corporate income tax and regional tax on business activities (aggregate 27.9%).

With regard to such a portion of income, SIIQs are subject to the ordinary corporate income tax provisions limiting the deduction of interest expenses. In particular, interest expenses (net of interest income) are deductible from IRES taxable base up to 30% of the gross operative income determined for tax purposes (risultato operativo lordo della gestione caratteristica – ROL, approximately, equal to the EBITDA) of the relevant tax period. This provision may not apply to interest expenses on loans secured by a mortgage on real estate assets held for leasing under certain conditions that should be verified on a case-by-case basis.

## Capital gains

Capital gains on the disposal of rented real estate properties and from participation in SIIQs, SIINQs, Qualifying REIFs and Qualifying SICAFs are exempt from corporate income tax (IRES) and from regional tax on business activities (IRAP).

Capital gains different from those deriving from leasing activity are fully taxable according to the ordinary capital gains provisions.

## Other taxes

Excluding income taxes, other taxes (e.g., property tax (IMU)) ordinarily apply.

## Withholding tax

No withholding tax is levied on dividends received by the SIIQ from other SIIQs and SIINQs deriving from rental activities.

Moreover, according to the amendments introduced by Law Decree No. 133/2014, the 26% withholding tax ordinarily applied on proceeds distributed by Italian real estate investment funds is not applicable to proceeds from leasing activity distributed by Qualifying REIFs and Qualifying SICAFs to SIIQs or SIINQs.

Dividends distributed to SIIQs or SIINQs by other entities are subject to the ordinary regime.

## Accounting rules

Since SIIQs are Italian publicly listed companies, they must adopt IFRS standards. In addition, SIIQs shall set up two different sets of accounts with the purpose of distinguishing the net profits deriving from the ‘exempt’ activity (i.e. the activities which can benefit from the tax flow-through treatment) and any other activities carried on.

Moreover, pursuant to the special regime, also SIINQs are required to adopt the IFRS standards for their financial statements.

### 3.2 Entry tax

#### Conversion into REIT status

- 20% substitute tax on real estate properties contributed to SIIQs
- 20% 'entry tax'

Real estate properties contributed to a SIIQ can be subject to a 20% substitute tax on realised capital gains instead of the ordinary taxation (by the option of the conferrer), provided that the SIIQ retains the assets for a minimum three-year period.

Moreover, companies opting for the SIIQ regime are required to align the fiscal value of their real estate assets to their fair value, determined at the beginning of the first fiscal year in which the SIIQ regime applies (step-up of the fiscal value). Such an increase of the fiscal value may be alternatively subject to a 20% substitutive tax (so-called entry tax) or included in the taxable income for corporate income tax (IRES) and from regional tax on business activities (IRAP) purposes (under the ordinary rules). The Revenue Agency clarified that, in case of a previous step-up of the value of the real estate assets pursuant to specific rules, the fiscal value to be considered for entry tax purposes is the stepped-up value, although, in principle, such rules provide for the relevance of the higher fiscal value starting from a subsequent tax period (Answer to Tax Ruling Nos. 109/2022, 142/2023 and 201/2023).

If the capital gains are subject to the 20% entry tax (which is payable in five equal annual instalments), the higher fiscal value of the assets will be effective from the fourth period following that in which the company opted for the SIIQ regime. If the assets are sold before such date, capital gains are taxed at the ordinary tax rate (i.e. IRES and IRAP at an aggregate rate of 27.9%) while the 20% entry tax already paid can be offset as a tax credit. Thus, applying for the SIIQ regime offers the opportunity to reduce the tax burden on latent capital gains.

On the contrary, if capital gains are included in the taxable income, they are subject to the ordinary IRES and IRAP rules for the taxation of capital gains.

In addition, tax losses realised before the election for the SIIQ regime can be used to offset the tax base for the calculation of the 20% entry tax under the ordinary limits (i.e. within the limit of 80% of the taxable income, as clarified by the Revenue Agency in the Circular Letter No. 32/E/2015).

The same provisions also apply to SIINQs.

### 3.3 Registration duties

#### Registration duties

- Commercial buildings: VAT exempt (or subject to a 22% or 10% VAT under certain circumstances), EUR 200 registration tax, 2% mortgage and cadastral taxes
- Residential buildings: (i) if the transfer is subject VAT (22% or 10% under certain circumstances), registration tax and mortgage and cadastral taxes are due at the fixed amount (EUR 200 each); (ii) if the transfer is VAT exempt, registration tax is due at the rate of 9%, mortgage and cadastral taxes are due at the fixed amount of EUR 50 each

Indirect taxes are applied to the transfers of real estate properties to a SIIQ as follows

- Commercial buildings are exempt from VAT, but it is possible to opt for the VAT application (22% or 10%). In addition, the registration tax is applied at the lump sum of EUR 200 and, irrespective of the VAT application or not, 1.5% mortgage tax and 0.5% cadastral tax are levied on the fair market value (purchase price). In the case that commercial buildings are transferred to a SIIQ from the companies

that built them or carried out some restructuring works in the preceding five years, compulsorily VAT applies (at the rate of 22% or 10%).

- Residential buildings are exempt from VAT; registration tax is applicable at 9% on the fair market value (purchase price); mortgage and cadastral taxes are applicable at a lump sum of EUR 50 each. Registration, mortgage and cadastral taxes apply at the lump sum of EUR 200 if VAT compulsorily applies (since the residential buildings are transferred by the companies that built them or carried out some restructuring works in the preceding five years) or if VAT applies by option (at a rate of 22% or 10% under certain conditions).

The contribution to a SIIQ of a portfolio consisting mainly of rented real estate properties falls out of the scope of VAT and is subject to registration, mortgage and cadastral taxes at a fixed amount (EUR 200 each).

## 4 Tax treatment at the shareholder level

### 4.1 Domestic shareholders

Corporate shareholder	Individual shareholder	Withholding tax
<ul style="list-style-type: none"> <li>- Full taxation of dividends from exempted income</li> <li>- Dividends from non-exempted income subject to ordinary dividend taxation rules</li> <li>- Full taxation of capital gains (participation exemption not applicable)</li> </ul>	<ul style="list-style-type: none"> <li>- A final withholding tax is levied on SIIQ-exempted income</li> <li>- Dividends from non-exempted income are subject to ordinary dividend taxation rules</li> <li>- Full taxation of capital gains</li> </ul>	<ul style="list-style-type: none"> <li>- 26% withholding tax on the distribution of SIIQ-exempted income</li> <li>- Corporate and business shareholders can credit the withheld taxes</li> </ul>

#### Corporate shareholder

Dividends deriving from the SIIQ's non-exempted income are subject to the ordinary tax regime; therefore, they are subject to corporate income tax (IRES at 24%) on the limited amount of 5% of such dividends (i.e. effective IRES rate of 1.20%).

Dividends deriving from the SIIQ's exempted income are fully taxable in the hands of corporate shareholders at IRES ordinary rate (24%), and the 26% tax withheld upon distribution (on account) is offset against corporate income tax.

Capital gains resulting from the disposal of SIIQ shares are fully subject to IRES at the ordinary tax rate (24%) since the participation exemption regime is not applicable by law on SIIQ shares.

#### Individual shareholder

Dividends deriving from the SIIQ's non-exempted income are subject to the ordinary tax regime.

In the case of the individual who holds the SIIQ shares in the course of business activity, dividends from the SIIQ's non-exempted income are subject to individual income tax (IRPEF) at progressive rates up to 43% on the limited amount of 58.14% of such dividends.

In the case of the individual who holds the SIIQ shares not in the course of business activity, following the amendments introduced by Art. 1(999-1006) of Law No. 205/2017, dividends from the SIIQ's non-exempted income are subject to a final 26% withholding tax.

Dividends deriving from the SIIQ's exempted income are subject to a specific regime provided for by Law No. 296/2006.

In the case of the individual who holds the SIIQ shares in the course of business activity, dividends from the SIIQ's exempted income are fully taxable in the hands of the shareholder at IRPEF progressive rates and the 26% tax withheld at distribution (on account) is offset against individual income taxes.

In the case of SIIQ shares held by individuals not in the course of business activity, dividends from the SIIQ's exempted income are subject to a final 26% withholding tax upon distribution.

Capital gains realised on the disposal of SIIQ shares by individuals in the course of business activity are fully subject to IRPEF at progressive rates.

Capital gains realised on the disposal of SIIQ shares by individuals, not in the course of business activity are subject to a 26% substitute tax (from January 1, 2019, following the amendments introduced by Art. 1 (999-1006) of Law No. 205/2017).

As a final remark, following the amendments introduced by Law No. 145/2018 and subsequently by Law Decree No. 124/2019, Law Decree No. 34/2020, Law Decree No. 104/2020 and Law No. 178/2021, Italian entities investing in real estate assets are considered eligible investments for special long-term savings schemes (piani di risparmio a lungo termine – PIR) regime. Such a regime provides for an exemption from income taxes on financial income realised by resident individuals investing in PIRs established in accordance with certain requirements provided for by the law.

### Other taxes

No other taxes are levied.

### Withholding tax

As anticipated, a 26% withholding tax applies on dividends paid out of the SIIQ's tax-exempted income upon distribution.

The withholding tax is applied as final for individual shareholders not carrying out a business activity, while it is applied on account for corporate shareholders and individual shareholders carrying out a business activity (they credit the withheld taxes to offset corporate income tax and individual income tax).

Distributions to pension funds and collective investment funds established in Italy are exempt from the withholding tax.

The withholding tax is levied by the financial intermediaries where the SIIQ shares are deposited.

## 4.2 Non-resident shareholders

Corporate shareholder	Individual shareholder	Withholding tax
Final withholding tax	Final withholding tax	<ul style="list-style-type: none"> <li>- Double tax treaty benefits apply</li> <li>- Parent-Subsidiary Directive not applicable</li> </ul>

### Corporate shareholder

Dividends paid out of the SIIQ's non-exempted income are subject to the ordinary tax regime that foresees a 26% final withholding tax (provided that non-residents do not have a permanent establishment in Italy). This withholding tax rate may be reduced to a 1.20% rate if the dividends are paid to companies

that are resident in the EU or in EEA Countries, provided that an adequate exchange of information with Italian Tax Authorities exists.

Dividends deriving from the SIIQ's exempted income are subject to a final 26% withholding tax upon distribution. Double tax treaties apply.

Capital gains deriving from the sale of shares in SIIQs are subject to the tax regime ordinarily applicable to the sale of Italian-listed shares (including certain domestic and Double tax treaty exemptions available to non-residents). Double tax treaty protection applies in most circumstances. Italian Budget law for 2023 introduced some amendments to the taxation of capital gains on the disposal, directly or indirectly, of Italian property rich companies (i.e. whose value derives from more than 50% of Italian real estate assets); however, such amendments do not apply with respect to shares listed on a regulated market (such as those of SIIQs).

### Individual shareholder

Dividends paid out of SIIQ's non-exempted income are subject to the ordinary applicable tax regime, which provides a 26% final withholding tax. Dividends deriving from SIIQs exempted income will be subject to a final 26% withholding tax when distributed under the SIIQ regime. Double tax treaties apply.

### Collective investments undertakings

Article 1(631-633) of Law No. 178 of December 30, 2020, (2021 Budget Law) introduced favourable provisions for foreign collective investments undertakings investing in Italian resident companies. In particular, starting from January 1, 2021, dividends and/or capital gains derived from shareholdings in Italian companies would not be subject to withholding tax or substitute tax in Italy if realised by collective investments undertakings established in an EU Member State or EEA Member State, allowing for an adequate exchange of information for tax purposes (i) compliant with Directive UCITS IV (2009/65/CE) or (ii) not compliant with it but whose manager is subject to regulatory supervision in the State where it is established pursuant to Directive AIFM (2011/61/EU). At the date hereof, the Italian Revenue Agency did not provide specific guidelines with respect to the application of such favourable provisions to investments in Italian SIIQs/SIINQs.

### Withholding tax

Withholding taxes on dividends paid to non-resident shareholders are final, provided that the shares are not assets of a permanent establishment in Italy.

Non-resident shareholders may claim the double tax treaty relief on the dividends (after the amendments introduced by Law Decree No. 133/2014).

The applicability of the Parent-Subsidiary Directive under the SIIQ regime is not allowed for the portion referring to dividends from the SIIQ-exempt income. The Parent-Subsidiary Directive is only applicable to the portion of dividends from the SIIQ non-exempt income.

## 5 SIIQ/REIT cross-border investments

Foreign REIT	Corporate shareholder	Individual shareholder
It follows the ordinary taxation rule at a rate of 24%	1.20% taxation may apply; an analysis of the foreign REIT is required	In principle, standard taxation rules for investments in non-resident entities; foreign tax credit may be available, but an analysis of the foreign REIT is required

## Foreign REIT

It follows the ordinary income tax rule applicable to non-residents. As a consequence, any income deriving from immovable property situated in Italy will be subject to the general 24% corporate income tax rate applicable to non-resident entities if not covered by the provisions of any double tax treaty.

Moreover, as regards foreign investors, Law Decree No. 133/2014 extended the SIIQ regime to foreign REITs resident in EU/EEA white-list countries and having in Italy a permanent establishment which mainly carries out the leasing activity also through investments in Italian SIINQs. Starting from the fiscal year for which the option is effective, the lease income connected with the permanent establishment in Italy is subject to a 20% substitute tax. The Revenue Agency recently rendered public some tax rulings with respect to this rule, where in particular clarified that:

- The permanent establishment in Italy may apply the SIIQ regime also in the case that its assets are composed only by participations in Italian SIINQs (and not also by real estate assets leased) (Answer to Tax Ruling Nos. 109/2022 and 201/2023);
- The 20% substitute tax applicable to the lease income of the Italian permanent establishment cannot be reduced to the lower rate provided for by Double Tax Treaties with respect to dividend distributions, even though this creates a misalignment if compared to the tax treatment applicable in case of investment by the foreign REIT into an Italian SIIQ (Answer to Tax Ruling No. 60/2023); and
- The foreign REIT may hold participation in Italian SIINQs only through its Italian permanent establishment applying the SIIQ regime (and not directly from abroad) (Answer to Tax Ruling No. 61/2023).

## Corporate shareholder

Subject to taxation in Italy. Domestic corporate shareholders receiving dividend income from certain foreign REITs may benefit from a 95% exemption (if certain conditions are met). The remaining 5% would be taxed at the ordinary 24% corporate income tax rate. Thus, the effective domestic taxation of dividends received from a foreign REIT would be equal to 1.20%. An exception is made for REITs residents in a black-listed Country. In this case, the 95% exemption would not apply, and the full amount of the dividends distributed would be subject to a 24% ordinary corporate tax rate. The foreign tax credit will be limited to the taxable amount.

## Individual shareholder

Subject to taxation in Italy. In principle, the ordinary taxation rules provided for individual shareholders investing in non-resident entities apply (26% withholding tax or taxation on a limited amount of 49.72% or 58.14%). A foreign tax credit may be available. An analysis of the foreign REIT is required.

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