This text is a consolidated version of Law No. 91 of 13 October 1984 on income taxation, as amended and/or supplemented subsequent to 1984. It merely serves as a working tool.

Law No. 91 of 13 October 1984

Introduction of the General Income Tax

Amended and/or supplemented by :

M1 **Law No. 155 of 30 December 1986,** ***Amendments to Law No. 91 of 13 October 1984, "Introduction of the General Income Tax", and to Law No. 38 of 22 March 1986, "Provisions in Tax Matters"***

M2 **Law No. 19 of 19 February 1988,** ***Amendments to Law No. 91 of 13 October 1984 and to Law No. 155 of 30 December 1986 concerning the taxation of income earned by tradesmen and professionals***

M3 **Law No. 9 of 22 January 1993,** ***Amendments to Law No. 91 of 13 October 1984, "Introduction of the General Income Tax"***

M4 **Law No. 59 of 13 May 2003,** ***Amendments to Law No. 127 of 10 December 2001 and Supplements to Law No. 91 of 13 October 1984***

M5 **Law No. 98 of 25 July 2003,** ***Amendments to Article 26 of Law No. 91 of 13 October 1984***

M6 **Law No. 156 of 20 December 1999,** ***Provisions concerning insurance and social security benefits granted by the Social Security Institute***

M7 **Law No. 51 of 20 April 1995,** ***Revaluation of income from real estate***

M8 **Law No. 5 of 29 January 1996,** ***Provisions in criminal matters***

M9 **Law No. 112 of 20 December 2002,** ***2003 Budget and 2003 – 2005 multiyear budget for the overall general government***

CONTENTS

LAW No. 91 of 13 October 1984

Introduction of the General Income Tax

SECTION I
GENERAL PROVISIONS

Art. 1
Basic principle

Any income, by anyone held, in money or in kind, regular or occasional, deriving from any source shall be taxable under this law.

Art. 2
Taxable persons

M1 *(Section I, Art.1)*
Income taxation shall be levied on all income received by individuals, both residents and non-residents of the State. With regard to non-residents, only the income generated domestically or as such considered shall be taxable.

Profits earned by companies or similar entities shall be equally taxable.

Partnerships, both general and limited, shall not be taxable. Profits shall be attributed to each partner proportionally to their shareholdings and irrespective of whether they are actually received or not.

Companies among professionals shall be assimilated to partnerships.

Art. 3
Territorial scope and taxation period

For the purpose of non-resident taxation, the following income shall be considered in any case as generated domestically:

a) income from real estate on the territory of the State;

b) capital gains paid by the State or by persons operating on the territory of the State;

c) wage income paid by residents domestically or abroad;

d) income from or assimilated to self-employment and profits derived from activities carried on domestically or on behalf of entities resident or having a permanent establishment in the State;

e) any other income deriving from transactions or activities carried on domestically or directly or indirectly related to property located in the State.

An autonomous tax obligation shall correspond to each calendar year.

Art. 4
Tax base

The tax base shall be the taxpayer's overall income made up of all income net of liabilities and deductions allowed under the Tax Law and with the exception of:

a) income subject to separate taxation;

b) income subject to final withholding tax;

c) tax-free income.

In computing a taxpayer's taxable income, the following shall be considered:

a) except for self-earned income, income earned by minor children living with the taxpayer including recognized natural children, adopted children and stepchildren;

b) other persons' income which the taxpayer may freely dispose of or administer without having to be answerable.

Within a year from the entry into force of this Law, a special regulation[1] shall set forth the criteria for the taxation of foreign source income to be computed in the taxpayer's overall taxable income, as well as for the deduction of final income tax paid in the foreign source country.

Art. 5
Household taxation

M3 *(Section I, Art. 1.1)*
Married taxpayers may choose that income tax be levied respectively on half the household income, formed by the spouses' income plus the income attributed to both of them under Art. 4.2 above, net of deductions under Art. 6 below. From the taxation so computed, and inasmuch as taxpayers are eligible, tax deductions under Art. 9 - except for dependent spouse tax offset – shall be allowed for an overall household income exceeding ITL 15,000,000= *(€ 7,746.85)*. Such option may not be exercised if the household receives foreign source income other than real estate income, capital gains and income taxed separately, on a non occasional basis. Pension income paid in the Republic under Art. 8 bis shall be considered while determining income brackets and computed starting from the lowest income bracket and tax rate.

M1 (*Section I, Art. 2.2*)
Solely for the purposes of tax return filing, deductions under paragraph 1 of this Article shall be reduced by half for each spouse.

[1] See Art. 1 of Law No. 38 of 22 March 1986 as amended by Art. 37 of Law No. 155 of 30 December 1986.

Art. 6
Deductible liabilities

M3 *(Section I, Art. 1.2)*
From the overall income computed under the preceding Articles, except where deductible while determining the individual income and together with the other tax benefits allowed under the Tax Law, tax deductions shall be granted for the following expenses – subject to being fully documented with the exception of point g) – borne by the taxpayer and by the persons whose income is attributed to and cumulated with that of the taxpayer:

a) funeral expenses not exceeding ITL 3,000,000= *(€ 1,549.37);*

b) the whole amount of interest paid on farm or property loans primarily or secondarily secured by the State; for an amount not exceeding ITL 3,000,000= *(€ 1,549.37)* ,interest paid on other farm or property loans secured by mortgage.

c) mandatory social security contributions under Arts. 1 and 5 of Law No. 15 of 11 February 1983 and under Art. 6 of Law No. 87 of 25 November 1980, as well as mandatory social security contributions under Law No. 73 of 26 September 1980;

d) premiums paid on life insurance policies exceeding 5 years, on accident insurance policies and voluntary social security contributions for a maximum annual amount of ITL 3,000,000 *(€ 1,549.37);*

e) alimony resulting from legal and effective separation or declaration of nullity or termination of civil effects of marriage subject to order by the court;

f) annual school fees for vocational, secondary and university education;

g) the amount of ITL 6,000,000= *(€ 3,098.74)* for home assistance of a permanently disabled person where the allowance under Law No. 138 of 13 November 1991 is not paid;

h) expenses for dental and health prostheses and for dental care not exceeding ITL 3,000,000= *(€ 1,549.37);*

i) 50% of the rent of residential housing;

l) donations or gifts in favour of the State and public entities;

m) donations or gifts in favour of the Roman Catholic Church and non-profit cultural, social, recreational and sports associations not exceeding ITL 3,000,000= *(€ 1,549.37).*

The deductions above shall not apply where the Committee referred to in Art. 41 provides for the summary assessment of a taxpayer's overall income.

Deductible liabilities may be adjusted or changed by Regency Decree on proposal of the Congress of State.

Art. 7
Income taxed separately

M1 *(Section I, Art.4)*
The following income shall be taxed separately, according to the criteria set forth in the following Article:

a) asset appreciation referred to in Art.. 27, including that realised upon the sale or winding up of companies, excluding that related to company assets or pertaining to companies or similar entities;

b) remuneration and arrears of previous years, and any severance pay for termination of employment or the like, compensations, however defined and by anyone paid, for the termination of agency relationships or other cooperation relationships on a coordinated and continued basis;

c) pension income paid by the State, the Social Security Institute, domestic and foreign social security institutions;

d) goodwill assets of organised economic activities carried on professionally;

e) winnings from lotteries and ability games when not resulting from initiatives organised by domestic civil institutions;

f) remuneration under Article 6, paragraphs b) and c) of Law No. 59 of 20 May 1985;

g) remuneration under Article 11 of Law No. 38 of 22 March 1986.

M2 *(Art. 1)*
h) 60% of income received by the persons under Art. 19 for services rendered during a taxation period at least three years prior to that in which the income was received, or for continued services started during a taxation period at least three years prior to that in which the income was received and continued for at least two taxation periods following the initial one, provided that the date of their performing or beginning is fully documented.

M1 *(Section I, Art. 4)*
Goodwill assets shall be presumed to subsist where a business licence or authorisation is surrendered by the owner and subsequently transferred to or managed in any form by another person, unless the contrary is proved. If the new owner or manager carries on the business in the same premises as the previous owner, proof of the contrary shall be not admitted.

The presumption above shall not apply where a business licence or authorisation is surrendered by the owner in favour of a family member living with him, or of a relative up to the second degree of direct kinship, even if not living with him.

Art. 8
Criteria for separate taxation

M3 *(Section I, Art. 1.3)*
With regard to the income referred to in the preceding Article, each income shall be taxed a rate of 12%, due account being taken of exceptions under the following paragraphs.

Income referred to in Article 7 a) shall be taxed a rate of 5%.

With regard to income referred to in Article 7 b) a rate of 2.5% shall be levied on income not exceeding ITL 40,000,000= *(€ 22,658.28)* and a rate of 5% on the other income.

Art. 8 bis

M3 (*Section I, Art. 1.4)*
Income referred to in Article 7 c) shall be taxed separately as it is not added to other income in the formation of the taxpayer's overall income, without prejudice to Article 5.

Pension income shall be taxed as follows:

a) income up to the amount of a minimum pension fixed annually shall be taxed a rate of 1.2%;

b) the other income shall be taxed the rates corresponding to the general taxation impact on wage income net of applicable personal allowances. Such rates shall apply progressively according to income brackets by million lire, by levying the tax rate corresponding to the upper bracket when the amounts of the pensions paid do not coincide with the income brackets.

Art. 9
Personal allowances

M1 *(Section I, Art. 6.1, 6.2, 6.3, and 6.4)*
A personal allowance of ITL 100,000= (€51.65) shall be granted for the dependent spouse and for each dependent family member.

Dependents include:

a) the spouse who is not legally and effectively separated;

b) minor children, including recognised natural children, adopted children and stepchildren and non recognised natural children as long as they live with the taxpayer;

c) major children permanently unable to work and children under 26 attending officially recognised education courses, including recognised natural children, adopted children and stepchildren and non recognised natural children as long as they live with the taxpayer;

d) parents and parents-in-law over 60 even if not living with the taxpayer;

e) relatives and relatives-in-law effectively exercising their right to alimony.

The persons in letters a), b), c), d), and e), shall be considered dependent if their own income is lower than the annual amount of a social pension, under Article 45.1 of Law No. 15 of 11 February 1983.

Tax deductions for dependents shall be computed according to the months of dependency and shall not be granted to non-resident taxpayers.

M3 (*Section I, Art. 1.5)*
In addition, ITL 150,000= (€ 77.47) shall be deducted as personal exemption.

ITL 100,000= (€ 51.65) shall be deducted in substitution for the analytical report of deductible liabilities under Art. 6 – except for letter c) for dependent workers – with the possibility of applying for the deduction of actual liabilities in the annual tax return.

Under the taxation regime set forth in Art. 8 bis, recipients of pension income:

- may not apply for personal exemptions;

- shall relate the deductions under paragraph 6 – in the same way as the analytical report of deductible liabilities- primarily to their income pension if they receive other income subject to ordinary taxation.

Where wage income is computed in the tax base, a tax allowance to be predetermined annually by Regency Decree shall be granted as expenses for the production of income.

M1 *(Section I, Art. 6)*
Tax deductions applicable to wage income shall be calculated on the basis of the working period during the year up to gross taxation on wage income.

Where the calculation of the tax base includes the income of workmen, farmers and tenant farmers, each recipient shall be eligible for additional tax deduction rates to be computed on the net taxation levied on the income above:

Year 1985: 38%
Year 1986: 32%
Year 1987: 24%
Year 1988: 16%
Year 1989: 8%

Tax deductions and income brackets in this Article shall be annually reviewed and may be adjusted or changed by Regency Decree on proposal of the Congress of State.

Art.10
Exemptions

M1 (*Section I, Art. 7*)
Exemptions shall apply to:

a) income received by foreign diplomatic and consular agents in the fulfilment of their functions; on condition of reciprocity, income received by the staff of foreign diplomatic and consular representations who are not San Marino nationals;

b) real estate income of the State;

c) income from rural tenements, or portions of rural tenements and related appurtenances used by the holder or tenant of the land on which they are located and intended for:

c1) residential use by the person who, through his work, provides for manual land cultivation or land maintenance;

c2) use as barn for livestock fed on produce of such land and essential to work the land;

c3) the preservation and first processing of the produce of such land;

c4) the maintenance of machinery and equipment necessary to land cultivation;

d) exemptions shall also apply to:

d1) income from residential property owned by cooperatives under Law No. 32 of 24 April 1980 for a period of 5 years in case of divided property cooperatives, and for a period of 10 years in case of undivided property cooperatives;

d2) for a period of 5 years, income from restored or restructured buildings under the General Town Planning Law;

e) for a period of 10 years, income from formerly unproductive land starting from the first agricultural year with a normal production;

f) remuneration, prizes, tokens and the like paid to nationals serving voluntarily in the San Marino Uniformed Corps and public musical bands;

g) amounts paid under Law No. 110 of 2 December 1982;

h) family allowances;

i) social pensions to the extent indicated in Article 45.1 of Law No. 15 of 11 February 1983;

l) proceeds of non profit companies, associations, institutions and entities, except for proceeds directly attributed to the activities indicated in Article 20, and excluding from these latter proceeds those obtained occasionally in a way complementary or instrumental to certain institutional activities;

m) winnings from lotteries or ability games resulting from initiatives organised by domestic civil institutions;

M7 (*Art. 1)*
n) income from land and buildings determined under Decrees No. 48, 49 and 50 of 20 April 1995 for an amount of ITL 2,000,000= (€ 1.032,91);

M1 (*Section I, Art. 7)*
o) tokens granted for Professional Training under Law No. 10 of 13 February 1980 and relevant agreements.

Art. 11
Income classification

Income is classified as follows:

- category I – capital income
- category II –income from land
- category III – income from buildings

- category IV – income from employment
- category V – income from self-employment
- category VI – corporate income
- category VII – sundry income.

Art. 12
Tax application

M3 *(Section I, Art. 1.6)*
The general tax shall be levied as follows:

a) on individuals, at progressive rates to the increasing income brackets (see Table annexed to this Law);

b) on entities referred to in the last paragraph of Art. 20, at a proportional rate of 24%;

c) on entities referred to in Articles 26 and 35.4, at the proportional rate of 24% on the corporate income, and at the progressive rates to the increasing income brackets on the other income taxable at progressive rates after having been added to the corporate income. Upon filing a tax return, the individuals and entities referred to above may be taxed a progressive rate even on the corporate income.

In the case described in the first sentence of point c), liabilities under Article 6 shall be deducted primarily from the income summed with the corporate profits.

SECTION II
CAPITAL INCOME

Art. 13
Capital income

M1 (*Section I, Art. 9)*
Capital income shall be understood as income obtained either from lending or capital use for the production of a defined income. Capital income shall also include:

a) interest of any kind, except for compensatory interest;

b) perpetual annuities;

c) dividends and any other proceeds from holdings in companies, entities, associations or other organisations, as well as interest and general remuneration from bonds and other credit instruments other than shares.

Interest on lending may not be lower than the official rate of interest. Failing an indication of the official rate, interest shall be presumed equal to the current market rate.

Lending to legally recognised companies by their partners shall always be presumed as bearing interest at the same rate as the official rate of interest.

Capital income shall be computed in the overall tax base of the taxation year in which it was obtained. Capital income shall be considered as a component of income under Article 21 when obtained from the activities indicated in Article 20.

SECTION III
INCOME FROM LAND

Art. 14
Income from land

Income from land shall be understood as income deriving from the holding of lands suitable for farming and including both rental income and farm income to be redefined by special rules.

Where the land is leased, farm income shall be computed in the tenant's overall income to the extent of 60%.

Where the land is not even partially farmed, for an entire annuity, only with regard to that annuity shall a 40% reduction of rental income be allowed, and farm income excluded from the tax base.

Land income components shall be computed in the overall income to the extent resulting from the Cadastral Register.

Art. 15
Farming activities

Land income shall also include income obtained from the manipulation, processing and selling of land produce, provided that these activities are relevant to ordinary farming, even if farming is carried on in the form of a company or partnership, and that they mainly focus on land produce.

Similarly, the breeding of livestock and other animals directly or indirectly destined to human feeding shall be considered as farming activity if the products for livestock and animal feeling are obtained mainly from the land.

Farming activities shall also include sheep farming, beekeeping, flower growing and breeding.

SECTION IV
INCOME FROM BUILDINGS

Art. 16
Income from buildings

M1 (*Section I, Art. 10)*
Income from buildings for dwelling purposes, for the duration of possession and to the extent resulting from the Cadastral Office, shall be computed in any case in the overall income of the holder or of the holders according to their respective holdings.

Where a dwelling unit is rented, the net income from invested capital shall be equal to 60% of the rental value, the latter not including the expenses that tenants shall reimburse to the owner for heating, lighting, drinkable water supply and the like. By deducting 40% of the rental value, all expenses for repair, ordinary and extraordinary maintenance, and any other cost or loss borne by the holder shall be deemed as offset.

Where the building has not yet been registered at the Cadastral Office, income shall be determined by analogy and comparison with similar premises as from the taxation period in which the building was declared suitable for use.

Buildings only used for religious worship and cemeteries shall not be considered as income-generating.

Art. 17
Buildings for economic activities

M1 (*Section I, Art. 11*)
Income from buildings used for economic activities shall consist of the rent received by the lessor reduced by 40%.

The rental value reduction indicated above shall have the effects set forth in Article 16.

Where the economic activity is carried on directly by the holder, such income shall be computed in the overall corporate income under the provisions of Section VI. By way of derogation from the preceding sentence, if the holder is an individual, such income shall not be computed in the overall corporate income without prejudice, however, to the applicable provisions of Section VI concerning the deductibility of costs related to profit generation.

Income from buildings not used by the holders which are producer's goods shall be in any case computed in the overall income according to the provisions of Section VI.

In all other cases, income generated from buildings of any kind shall be computed in the overall income on the basis of cadastral records.

Where the building has not yet been registered at the Cadastral Office, income shall be determined by analogy and comparison with similar premises as from the taxation period in which the building was declared suitable for use.

SECTION V
INCOME FROM LABOUR

Art. 18
Income from employment

Income from employment shall include all wages and salaries and remuneration received during the calendar year in money or in kind also in the form of profit-sharing, benefits or gifts.

The gross income referred to above, according to the table of applicable tax rates, following and supplementing the provisions of letter c), first paragraph, of Article 6 and of paragraph 8 of Article 9, shall be computed in the tax base to the extent of 80%.

Other income considered as or assimilated to income from employment shall include:

a) pensions;

b) life rents obtained on the basis of a contract;

c) arrears of remuneration related to previous years and severance pays referred to in Article 7.b) taxable under Article 8;

d) similar benefits or remuneration paid to members of parliament or government and to any other national holding an elective office or fulfilling public functions;

e) any other periodic allowance, however denominated, not produced either by capital or labour;

f) remuneration of members of duly incorporated producers' and workers' cooperatives deriving from distribution of profits or production or budget bonuses, to a maximum of 20% over the ceilings fixed in the existing collective bargaining agreement;

g) money refund offers in favour of members of consumers' cooperatives.

Allowances for travelling and subsistence abroad shall be computed in the taxable income for the amount exceeding the maximum allowance granted per diem to civil servants. The other sums paid for services rendered in a post abroad shall be computed in the taxable income to the extent of 75%. Reimbursements of fully documented and identifiable expenses shall not be computed as income.

Income referred to in the third paragraph above shall not be eligible either for tax relief applicable to expenses for the production of wage income, or for lump-sum deductions except for income referred to in letter a) of this paragraph.

The income referred to in letter d) above shall be computed in the overall taxable income to the extent of 70%.

Art. 19

Income from self-employment

M1 (*Section I, Art. 12)*

Income from self-employment shall be the difference between all remuneration received during the calendar year by a tradesman or professional while performing his activity and the expenses related to such activity subject to being fully documented and actually paid during the same year.

Expenses for the buying of producer's goods with a single cost lower than ITL 1,000,000= (€ 516.46) shall be wholly deductible. With regard to other producer's goods, including real estate exclusively destined to the performing of the trade or professional activity, depreciation allowances shall be granted annually according to the criteria fixed in a special table prepared by the Ministry of Finance and approved by Regency Decree.

Income from self-employment shall also include:

a) fees received, in any form or denomination, by directors or auditors or remuneration received for continued and coordinated collaboration relationships. Such income shall be computed in the tax base to the extent of 75%;

M3 (*Section I, Art. 1.7*)

b) proceeds from the economic exploitation of trademarks, works of authorship, copyrights, industrial inventions and the like, and in any case deriving from the performing of works and services of a technical and professional nature, provided that they were not received by residents carrying on a business; such proceeds shall be computed in the tax base to the extent of 75%, except for income deriving from technical and professional services if the tax filer applies for the analytical deduction of fully documented expenses. Such lump-sum reduction of the taxable income shall not apply to income generated by the economic exploitation of rights acquired by inheritance or gift.

SECTION VI
CORPORATE INCOME

Art. 20
Corporate income

Corporate income shall be understood as the income generated by the carrying on of a business activity related to trade, manufacturing of goods or services, intermediation, transport, banking, insurance and any other activity ancillary to the former.

The activities referred to in Article 15, exceeding the limits set forth therein and identical in nature to the activities listed in the paragraph above, shall be considered as generating corporate income.

Corporate income shall also include profits generated by the performing of activities related to craftsmanship, agency, small trade, and generally by any economic activity aimed at manufacturing and trading goods and services, excluding income from farming not covered in the paragraph above.

Profits of companies and similar entities required to file a balance sheet annually shall be in any case classified and determined under the provisions of Section VI.

Art. 21
Income determination

M1 (*Section I, Art. 13*)

Corporate income shall consist of net profits made during the tax year, that is to say the difference between revenues in any way obtained but related to profit production and the total costs incurred in carrying on the business, set forth in the Tax Law, and adjusted in accordance with the criteria specified in the tax legislation.

The computation of income shall include windfall profits, the value of products used for personal or household consumption by the entrepreneur, or assigned to partners, or used for purposes foreign to the business, as well as the appreciation of business-related assets other than those marketed or manufactured by the enterprise during the taxation period in which the

appreciation occurred or was recorded only as far as companies and similar entities are concerned.

Taxable income computation shall equally include the difference between the normal market value of the goods and services and the sale price charged to companies neither having their registered office nor their main activity on the territory of the State.

Appreciations occurred in carrying on business shall not be computed in the corporate income insofar as they have been earmarked to a special provision on the liability side and reinvested in assets that can depreciate by the second taxation period following that of profit taking. Failing reinvestment or total reinvestment of the provisioned amount, the latter shall be computed as corporate income during the second taxation period following that of profit taking. Conversely, if reinvestment occurs by the fixed deadline, the reinvested amount shall be entered in the depreciation fund.

Any loss documented in a taxation period and determined in accordance with the provisions of this Section shall be tax allowable to the extent of 90% over the following three taxation periods.

Revenues and costs shall be allocated during the taxation period in which the amounts of revenues and costs are or can be objectively determined.

Art. 22
Costs

In determining income due account shall be taken of all costs related to the acquisition of goods and services, as well as losses, windfall losses and capital losses in the year in which they occurred, or – within the limits set forth in Article 21 for capital appreciation, in the year in which they were recorded when deriving from valuation under Article 24.

Losses related to tax-exempt assets shall not be tax allowable.

Any other cost or charge shall be tax allowable if incurred in carrying on business and only if related to the making of profits computed as corporate income.

Costs directly attributable to goods other than those generating taxable profits, account being taken of the exception envisaged in Article 23, third paragraph, shall not be tax deductible and increase the cost of the goods.

Allowable expense shall not include income tax paid.

Remuneration paid for the services rendered by the entrepreneur and family members under Article 9 shall not be allowable expense, except where such persons have been employed in accordance with the laws in force.

Art. 23
Interest paid

M3 (Section I, Art. 1.8)
Interest paid shall be deductible when paid to residents on the territory of the Republic or to banking institutions. Interest paid by the persons and entities referred to in Article 39.12 to non resident financial companies and interest paid on bond issues shall be equally deductible.

Interest paid by banking institutions to their customers shall be always deductible.

Interest related to goods other than those produced or marketed by the business referred to in Article 22, fourth paragraph, shall not be tax deductible and increase the cost of the goods until their use has or can be started.

Art. 24
Inventory valuation

M1 *(Section I, Art. 14*)
Stocks of raw and ancillary materials, unfinished and finished goods shall be valued in accordance with the provisions of this Article.

Stocks shall be valued separately for each category of goods of identical nature, type and quality.

A statement from the inventory book shall be annexed to the balance sheet, indicating the quantity and unit value of end-of-period stock by category of goods.

For the first taxation period any stocks of goods referred to in the first paragraph shall be valued on the basis of what results from dividing the total cost by the quantity of the goods purchased, manufactured or worked during the taxation period.

Total cost shall consist of the purchase price of the goods net of discounts and abatements and of direct ancillary expenses, with the exclusion of interest paid and overhead expenses.

Besides what indicated above, the value of goods shall be inclusive of transformation costs actually borne, excluding overhead and marketing expenses.

Work in progress shall be valued on the basis of costs and direct ancillary expenses incurred during the taxation period.

Works and services still being performed shall be valued on the basis of a portion of the prices agreed net of final settlements.

In subsequent taxation periods, in case of a rundown, the inventory appreciation of the most recent taxation period shall be presumed to have been retailed or used, on the basis of year-by-year changes in quantity and value of the categories of goods to be valued. Any increase in quantity or number of new inventory categories shall be attributed an average unit cost under the procedure of paragraph 4 of this Article.

Where the unit value calculated under the paragraph above exceeds the average market value of the last quarter of the taxation period, all stocks may be valued at the lesser value, regardless of when they built up.

At the taxpayer’s request, the Ministry of Finance, having heard the favourable opinion of the Tax Office, may allow inventory valuation systems other than those specified.

Inventories of securities generating the earnings referred to in paragraph 1 of Article 21 shall be valued as follows: during the first taxation period when an inventory of securities is recorded, such securities, distinguished by category, shall be valued under the average unit

cost method, that is to say by dividing the total invoice cost plus any direct charges, excluding interest paid and overhead expenses, by the quantities purchased. Inventory appreciations recorded in the following years shall be valued by applying the invoice unit cost for each separate year. In case of decrease, any increases recorded in previous taxation years, starting from the most recent, shall be presumed to have been retailed.

Any depreciation in listed securities shall be recorded on the basis of the average rate of remuneration in the last quarter of the taxation period. Inventories of other securities shall be valued on the basis of appropriate documentation.

Inventories at the end of a taxation period, also determined officially under this Article, shall be considered as opening stocks of the following taxation period.

With regard to the inventories referred to above, by 30 November of each year, abatement rates may be allowed by Regency Decree for raw materials, ancillary materials, work in progress and goods the real value of which has been actually lower than that calculated under the criteria above, account being taken of market price developments and product perishability.

Such rates shall apply to homogeneous groups of products.

Art. 25
Depreciations and provisions

All producers' goods, both tangible and intangible, as well as multi-year utilization costs may be depreciated according to the rates and criteria fixed by the Ministry of Finance in an appropriate Regency Decree, which shall also indicate the criteria and amounts for deductible provisions.

The Regency Decree shall also provide for accelerated depreciation.

The depreciation rate shall be applied on the value of depreciable assets made up of their cost plus direct ancillary expenses and interest paid in accordance with the criterion set forth in Article 23.

Costs of maintenance, repair and transformation shall be tax allowable according to the criteria fixed by the Ministry of Finance in the Regency Decree referred to in the first paragraph. Special criteria may be envisaged for specified business sectors.

Art. 26
Major companies

M5 (*Art. 1*)
Companies whose profits are defined under Article 20 and which are not required to file a balance sheet, shall have the obligation to compile a balance sheet with a profit and loss account for the two following fiscal years, if during the reference year under Article 34 they have made profits exceeding € 620,000.00.

By way of derogation from the paragraph above, even if the profits made during the taxation period exceeded the amount indicated in the paragraph above, taxpayers referred to in Article 27 bis, first paragraph, accepting the income definition under Article 27 ter, may apply to the Tax Office for lump-sum income tax for the year following the reference year, in accordance

with the provisions of Section VII of Law No. 91 of 13 October 1984 and subsequent amendments.

The criteria referred to in the preceding paragraphs may be changed and specified by Regency Decree on proposal of the Congress of State.

The Ministry of Finance shall indicate to companies the criteria for determining the profits referred to in the first paragraph.

With regard to balance-sheet compilation, the provisions of Law No. 68 of 13 June 1990[2] and subsequent amendments shall apply to companies subject to this Article.

SECTION VII
SUNDRY INCOME

Art. 27
Sundry income

Any other income different from that explicitly provided for by this Law, as well as capital gains not included in the corporate income realized for speculative purposes, shall be included in the total income.

A capital gain shall be the difference between the actual price obtained and the actual buying price plus any other cost.

With regard to capital gains on real estate, account shall be taken of currency depreciation to the extent fixed annually by Regency Decree, having heard the opinion of the Assessment Committee.

A taxable gain shall be reduced by 30% in case of sale of residential housing leased uninterruptedly for the previous three years, by 50% if the buyer has been the householder for the previous three years.

Capital gains realized through the buying and selling of property for personal use by the buyer or by relatives shall be regarded as having no speculative purpose and therefore not taxable, provided that the period of time between the buying and the selling is not shorter than 5 years.

Art. 27 bis
Lump-sum taxation

M3 (*Section I, Art. 1.10*)
Taxpayers – individuals – having been licensed under Law No. 10 of 25 January 1990 and Law No. 65 of 25 July 2000, and where the volume of purchases made the previous year has not exceeded the amount to be fixed by a subsequent Regency Decree, may apply, by September of each year, to the Tax Office for lump-sum income tax for the following year.

M1 (*Section I, Art. 16.2*)
Lump-sum taxation shall be applied on the basis of indicators of taxable capacity.

[2] Company Law.

The indicators referred to above shall differ by category and consider all the elements annually fixed by the Ministry of Finance and the Budget in a Regency Decree.

By way of derogation from all other provisions of this Law and without prejudice to the special provisions of other laws, taxpayer entitled to lump-sum taxation shall be only required to keep the purchase book and related documents and file a tax return by the due date.

Art. 27 ter
Procedures for lump-sum taxation

M1 (*Section I, Art. 16*)
Within 30 days following the deadline referred to in the preceding Article, the Tax Office shall provide all the elements for assessing objectively an application for lump-sum taxation. After consulting the applicant taxpayer, the Tax Office shall transmit to the Assessment Committee the outcome of the processed application, a reasoned proposal for lump-sum taxation or an indication of requirements not met by the applicant taxpayer.

The Assessment Committee shall specify within the following 30 days the amount of taxable income.

Taxpayers not accepting income as specified by the Assessment Committee shall not be granted lump-sum taxation.

SECTION VIII
INCOME TAX RETURN

Art. 28
Persons required to file a tax return

Anyone receiving income shall file an annual tax return under the provisions of this Section, even if no tax liability arises. Persons referred to in Articles 19 and 20 shall file a tax return even if they have not generated any income.

Individuals shall file a single tax return for all income received by the taxpayer and for the income attributed to any dependent under Art. 5 of this Law.

If married taxpayers make use of the faculty envisaged in Art. 5, they shall file a joint tax return.

Income earned by minor children shall be declared and signed by their legal representatives.

Where the taxpayer is entitled to a tax credit, the tax return shall be treated as a repayment claim.

Non residents shall submit an income tax return for domestically generated income, or income considered as such which has not been subject to a withholding tax.

Art. 29
Exemption from tax return filing

M1 (*Section I, Art. 17*)
The following persons shall not be subject to income tax return filing:

1) persons not obliged in any case to file an income tax return, who receive only tax-free income, income subject to final withholding tax, or income form land not exceeding the threshold for exemption;

2) persons with income from employment or pension income, not receiving any other earnings other than those mentioned in 1) above, except for income referred to in Art. 7 n) of this Law, provided that a certificate issued by the employer or other paying agent, in conformity with the relevant form approved by Regency Decree is submitted to the Tax Office by the filing deadline. In the event of such an exception, the taxpayer, under his own responsibility, shall inform the employer of any cadastral income earned for the purpose of the exemption under Art. 7 n) of this Law, so that the employer may take such income into account when filing a reconciliation return;
3) persons only receiving pension income paid by San Marino institutions; such persons shall be exempted also from filing alternative certificates instead of a tax return.

Taxpayers with an overall income including wage or assimilated income earned by a dependent under Art. 5 shall not be eligible for exemption.

Art. 30
Contents of a tax return

An income tax return shall be filed, under penalty of nullity, using the forms prescribed by the Ministry of Finance by way of Regency Decree. Always under penalty of nullity, the income tax return shall be signed by the taxpayer, or by the legal or contractual representative, or by both spouses if submitting a joint tax return. The tax return shall indicate all positive and negative components for computing taxable income under the provisions of this Law.

The income tax return shall indicate the name, address, civil status and the social security number, where applicable, of the taxpayer (individual) and of any other person entitled to deductions and allowances under Articles 6 and 9 or whose income is attributed to the taxpayer under Article 5. Taxpayers (individuals) making profits from a business shall also indicate the corporate name, if applicable, the place where account books are kept, as well as the tax registration number (*codice operatore economico*) of the business.

The income tax return shall equally contain any other information on whether the taxpayer and persons referred to in the preceding paragraph, own or temporarily hold tourist aircrafts, pleasure boats, motor vehicles, second homes, even if outside the State territory.

Where the taxpayer is a company or similar entity, the income tax return shall contain, besides what set forth in the first and second paragraphs above, the corporate name, the name of the legal representative of the registered or administrative office, the company address, the corporate purpose and the place where the activity is carried on, as well as the place where the account books are kept. Companies and entities not having a registered or administrative office in the State shall indicate the address of the permanent establishment or, failing this, the name and address of their representative.

Art. 31
Attachments to a tax return

Taxpayers shall attach to their tax returns evidence of tax payment to the State Treasury by the tax return filing deadline.

Individuals receiving or holding income taxed at source shall attach to their tax returns evidence of the withholding tax payment ("certificato del sostituto d'imposta") using the forms prescribed by the Ministry of Finance by way of Regency Decree, and stating the reason for payment, the amounts paid, the amounts withheld and any other element taken into account when tax is withheld.

Taxpayers shall also attach, under penalty of ineligibility for allowance, the documents evidencing the deductible liabilities referred to in Article 6 of this Law.

Sole proprietors meeting the criteria under Article 26 of this Law shall attach to their tax returns copy of the balance sheet and profit and loss account duly signed. This provision shall not apply to minor businesses allowed to simplified book-keeping, unless they have opted for ordinary accounting.

Taxpayers who are companies or similar entities shall attach to their tax returns, besides the evidence referred to in the first paragraph, a list of company directors, a signed copy of the balance sheet and profit and loss account together with the reports of the director and auditors and the minutes of the general meeting approving the balance sheet, as well as any other evidence referred to in the second paragraph, where applicable.

Foreign companies operating domestically shall attach to their tax returns the balance sheet and profit and loss account of the activity carried on domestically through a permanent establishment, as well as any other evidence referred to in the second paragraph, where applicable.

Art. 32
Tax return filing deadline

M1 (Section I, Art. 18, paragraphs 1-4)
Income tax returns and relevant attachments shall be either filed in duplicate to the Tax Office, which shall issue a payment receipt, or sent by registered mail with return receipt evidencing tax return filing.

Evidence of filing shall be the receipt issued by the Tax Office.

The Congress of State, by way of administrative provision, may decide, upon request of the Tax Office, that tax returns be filed also with other public offices duly authorised to this end.

Individuals shall submit their tax returns by 31 May of each year for income earned during the previous calendar year.

M3 (*Section I, Art. 1.11*)
Where the taxpayer is a company or similar entity subject to balance sheet compilation, the tax return shall be submitted by 31 July of each year. The same deadline shall apply to the persons referred to in Article 26 and Article 35, fourth paragraph.

M1 (*Section I, Art. 18, from 6th paragraph*)
Tax returns filed within thirty days after the due date shall be valid; the taxpayer, however, shall be fined under Art. 63.

Tax returns submitted after such deadline shall be void. However, the State Treasury shall be equally entitled to collect such tax payment.

In case of decedent taxpayer, the deadline for the tax return filing indicated in the fourth paragraph shall be extended until 31 August.

Art. 33
Filing of withholding tax return by withholding agents
(Dichiarazione dei sostituti d'imposta)

M1 (*Section I, Art. 18*)
Persons paying amounts taxed at source shall submit by 31 May of each year or when filing the annual tax return in case of companies or similar entities, a withholding tax return for the previous calendar year using the forms prescribed by the Ministry of Finance by way of Regency Decree. Such return shall always indicate evidence of withholding tax payment.

The filing requirement under this Article shall not apply to the State and public entities, which shall declare, however, the amounts withheld by the date specified in the first paragraph, in accordance with the criteria and procedures set forth by the Ministry of Finance.

SECTION IX
ACCOUNTING ENTRIES

Art. 34
Accounting requirements for companies, similar entities and major companies

Companies and similar entities as well as sole proprietors having generated higher profits than those referred to in Art. 26 during the reference year, shall keep a day book, an inventory book, a register of depreciable assets, all duly certified, as well as auxiliary accounting entries clearly indicating asset items and profit items, classified consistently with the size and nature of the business. They shall also compile the inventory and the balance sheet with a profit and loss account.

Persons using code accounting or mechanized, electronic or similar accounting systems for data processing shall keep a special register for the data indicated by the Ministry of Finance.

M3 (*Section I, Art.1.12*)
The reference year mentioned in this Article shall be understood as: the year in which the economic activity began, the second year of exemption from accounting requirements under Article 35, and the second year of accounting requirements under the first paragraph of Article 26 and the fourth paragraph of Article 35.

Art. 35
Simplified accounting rules for minor businesses

Where the profits made during the reference year do not exceed the amount indicated in Article 26, taxpayers under Article 20 shall be exempted for the following two years from

accounting requirements under Article 34. However, they shall maintain an inventory book, a purchase and sales book, without prejudice to the obligation to keep purchase and export invoices and any other book or document required.

Registers shall be duly certified.

Within the annual filing deadline, such taxpayers shall indicate in the inventory book the value of stocks.

M3 (*Section I, Art. 1.13*)
The taxpayers referred to above may opt to comply with all accounting requirements under the preceding Article. Such option shall be exercised by the month of January of each year and shall be binding on the taxpayer for that year and the following one.

A taxpayer may withdraw the option subject to appropriate written request to the Tax Office within the first four months of the second year.

Art. 36
Accounting requirements for tradesmen and professionals

M1 (*Section I, Art. 19*)
Tradesmen and professionals shall record chronologically all sums received, in any form or under any denomination, in the performing their professional or trading activity. With regard to services performed abroad, they shall report separately the amount of any tax withheld, the name and address of the payor, except for professional services related to operations protected by anonymousness under the existing legislation, as well as the identification data of the bill or fee. Similarly, they shall record all expenses which are tax allowable under Article 19.

Within the filing deadline, tradesmen and professionals shall report the assets, classified homogeneously and by year of acquisition, the depreciation of which is tax deductible and the corresponding depreciation expense.

Such entries shall be reported in a special register or in separate registers duly certified.

M2 (*Art. 2*)
Income under Article 7, first paragraph, letter h), shall be reported in the accounting books in a special column or otherwise highlighted.

Art. 37
Accounting requirements for withholding agents (sostituti d'imposta)

M1 (*Section I, Art. 20*)
Companies and other persons withholding tax at source shall chronologically record in special and duly certified registers the amounts paid to each recipient, the latter’s name and the amounts withheld.

Withholding tax on wage income shall be recorded in the wages book provided by the Social Security Institute.

Insofar as the names of recipients of interest payments from credit institutions are protected by bank secrecy, credit institutions shall not be required to enter such names in the registers referred to in the preceding paragraph, without prejudice to accounting requirements.

Art. 38
Record keeping

M1 (*Section I, Art. 21*)
All entries and records required under Section IX, as well as the entries and records required under other tax laws and in any case relevant for assessment purposes, even if in conflict with provisions providing for shorter periods, shall be kept for three years, excluding the tax period they refer to, and in any case until the assessments for said tax period are concluded.

SECTION X
WITHHOLDING TAX

Art. 39
Withholding tax

M4 (*Art. 1*)
[1] Performers of activities referred to in Articles 19 and 20, farming businesses, the State, public and private entities paying wage income under Article 18, shall apply upon such payments a withholding tax - as advance income tax payment - with an obligation to charge this tax to the income recipient.

[2] Withholding tax shall be proportionate to the expected annual income according to the tax rates in force and account being take of deductions under Article 9, to be declared by employees under their own responsibility.

[3] The withholding tax reconciliation amount shall be collected until February of the following taxation period, account being also taken of the provisions set forth in the first paragraph, point 2 of Article 29, in the event an employee makes use of the faculty envisaged by the same paragraph.

[4] The persons and entities referred to in the first paragraph shall apply on any sum paid as severance pay a withholding tax equal to that provided for in Article 8.

[5] The State, the Social Security Institute and San Marino institutions paying pension income referred to in letter c) of Article 7 shall levy a withholding tax according to the rates set forth in Article 8 bis. The withholding tax shall be proportionate to tax deductions under the first paragraph of Article 9, which taxpayers shall declare under their own responsibility, and under paragraph 8 of the same Article.

[6] The persons and entities referred to in the first paragraph paying remuneration in money or in kind, however denominated, to non-residents for self-employment services or the like shall apply a 15% final withholding tax. Where non-resident recipients are individuals, withholding shall be also levied on severance pay for the termination of relationships other than employment as indicated in letter b) of Article 7.

[7] The persons and entities referred to in the first paragraph paying remuneration, however denominated, for agency, representation, trade services and the like, shall apply a 5% final withholding tax on the amounts paid to non-resident recipients.

[8] A final withholding of 12% shall be levied on income referred to in Article 7, first paragraph, letter d).

[9] The withholdings referred to in paragraphs 6 and 7 of this Article shall also be levied when remuneration or compensations are paid by the State, other public entities or public enterprises (Aziende Autonome).

[10] All entities required to compile annually a balance sheet with a profit and loss account paying deductible interest to recipients other than credit institutions, shall levy on such interest a final withholding tax of 13%, with an obligation to charge this tax to the interest recipient. Withholding tax rates on interest paid by credit institutions may be modified by Regency Decree upon proposal of the Congress of State. A 10% withholding shall be imposed on interest derived from the issue of certificates of deposit, bonds and similar securities under San Marino law, provided that their maturity is not less than 36 months.

[11] By way of derogation from the preceding paragraph, credit institutions applying final withholding tax shall be allowed faculty to charge this tax to the recipient.

[12] The withholding tax levied on the interests referred to in paragraph 10 and paid to companies or similar entities - except for those covered by the second-last paragraph of Article 2 – shall be considered as tax advance payment.

[13] Profits distributed by joint stock companies shall not be taxed at source; the corporate tax paid by such companies shall exempt recipients of distributed profits from withholding.

[14] Withholding tax under Article 8 of Law No. 117[2] of 20 December 1984 shall be applied at a rate of 2.5%.

[15] Interest paid on repurchase agreements involving securities of any kind and nature shall be subject to a 2% withholding tax, with an obligation to charge this tax to the interest recipient. Such rate may be modified by Regency Decree.

[16] The provisions set forth in paragraph 12 of this Article and in the second paragraph of Article 51 shall apply for the purpose of levying and collecting the above-mentioned withholding tax.

[17] Withholding tax-free interest, premiums and gains derived from foreign bonds, of whatever nature, kind and maturity, and from any other foreign securities other than shares, paid by banking and financial institutions referred to in Law No. 21 of 12 February 1986 and Law No. 24 of 25 February 1986, and subsequent amendments, shall be subject to a 4% withholding tax, with an obligation to charge this tax to the recipient. Such rate may be modified by Regency Decree.

[18] The above-mentioned withholding shall be levied as tax advance payment under paragraph 12 of this Article.

[19] Withholding tax shall be levied by banking or financial institutions making the payments referred to above to a beneficial owner or to an entity or person to whom the payment is secured.

[2] "Adjustment of the social security provisions following the enactment of the Law on General Income Tax"

[20] Withholding tax shall not be levied where the beneficial owner is a credit institution under Law No. 21[3] of 12 February 1986, as subsequently amended and supplemented, a foreign bank or financial intermediary or a collective investment undertaking.

[21] The withholding tax referred to in paragraph 17 of this Article shall be collected according to the provisions of the second paragraph of Article 51.

SECTION XI
ASSESSMENT

Art. 40
Competent bodies

M1 (*Section I, Art. 23*)
Personal income assessment under the provisions of this Section and the imposition of any administrative sanctions shall be a prerogative of the Assessment Committee referred to in the first paragraph of Article 41, in accordance with the provisions of this Law and upon proposal of the Tax Office.

The income assessment and imposition of administrative sanctions, if any, on taxpayers required to compile a balance sheet and profit and loss account annually shall be a prerogative, under the same terms and criteria set forth in the preceding paragraph, of the Assessment Committee referred to in the second paragraph of Article 41.

Art. 41
Assessment Committee

M1 (*Section I, Art. 24, paragraph 1*)
The Assessment Committee referred to in the first paragraph of Article 40 shall be composed of seven members elected by the Great and General Council from among citizens expert in tax matters, one of whom shall act as Chairperson.

M3 (*Section I, Art. 1.15*)
The Assessment Committee for income of companies, similar entities, major businesses and taxpayers referred to in Article 35, fourth paragraph, shall be composed of three members elected by the Great and General Council from among citizens expert in tax matters, one of whom shall act as Chairperson.

M1 (Section I, Art. 24, paragraphs 3-7)
The Committees shall appoint a Secretary from among their members.

The Committees referred to in this Article shall be elected by the Great and General Council by a two third majority in the first two votings and by simple majority in the following votings.

The Assessment Committees shall serve a four year term.

The Committees shall decide by a majority of the members present.

[3] "Bank Law"

The members of the Assessment Committees shall fulfil their functions as public officers.

The members of the Committees referred to in this Article cannot be members of the Estimate Board under Article 49 hereunder.

The members of the Committees shall abstain from performing their functions, under penalty of nullity of their deliberations, if assessments concern the members themselves or their relatives by consanguinity or affinity within the third civil degree, or in case of clear conflict of interest.

Art. 42
Supervisory functions of the Committees

M1 (*Section I, Art. 24*)
In fulfilling their supervisory functions, Assessment Committees shall periodically issue directives for homogeneous categories of taxpayers.

The Tax Office shall implement such directives and report back to the Committees.

For supervision and assessment purposes, the Assessment Committees may also:

a) require public officers to provide an abstract or copy of documents and acts held by them;

b) summon taxpayers to appear at the Office and produce documents, clarifications, information and evidence;

c) accede to the premises of enterprises;
d) examine and verify the account records, and any acts and documents kept by businesses, companies and similar entities;

e) require the submission of evidence of income or of change in income.

For the purposes of tax return control and income assessment, competent public officers shall ensure, under their own responsibility, the regular flow of useful data and information, excluding those relevant to pending judicial proceedings.

The Committees shall exercise the supervisory powers referred to in the third paragraph above through the relevant bodies.

The powers under letters c) and d) shall be exercised in case of specific and consistent elements or assumptions.

Art. 42 bis
Assistance of technical experts

M1 (*Section I, Art. 25*)
In performing their functions, the Assessment Committees referred to in Articles 40 and 41 shall rely on the assistance of a technical expert to be appointed by the Committees annually. Such expert may be reappointed.

To perform their tasks, experts shall have access to all information and documents held by the Tax Office.

While performing their tasks, experts shall be bound by professional secrecy obligations, that is they shall not disseminate or disclose to anyone other than the Assessment Committees and the Estimate Board the information in their possession.

Art. 42 ter
Controls made by the Tax Office

M3 (*Section I, Art. 1.16*)
The Tax Office shall: collect any data and information relevant to accurate income assessment; audit tax returns filed by taxpayers and withholding agents (sostituti d'imposta); check the regular keeping of accounting records; take note of unfiled tax returns and of those equally considered as unfiled because invalid; propose the Committees referred to in Article 41 to amend assessments or make official assessments; implement the provisions issued by the Committees. Moreover, upon performing the ordinary audit of income tax returns, the Tax Office shall – under the tax law - amend such returns when finding errors in reported, calculated or settled amounts, or that a taxpayer is not eligible, either totally or partially, for income deductions or personal allowances. When amendments result in higher tax claims, the Tax Office shall compile an internal tax collection roll and require affected taxpayers to settle the amounts due. Failing the required taxpayers to do so, the amended tax returns shall be submitted to the competent Committees for assessment, together with the tax collection roll for information.

M1 (*Section I, Art. 25, 2nd paragraph*)
For control and assessment purposes, the Tax Office may:

a) request public officers to provide an abstract or a copy of documents and acts in their possession;
b) summon taxpayers to appear at the Office to submit clarifications, information and evidence;
c) request the assistance of technical experts for assessments requiring special expertise;
d) require to produce evidence of income or of any change in income.

Within the scope of the general or special provisions issued by the Assessment Committees, the Tax Office may:

1) accede to the premises intended for the operation of businesses;
2) examine and verify accounting books, any act and document kept by businesses, companies and similar entities.

Random controls not falling within the scope of the provisions issued by the Committees may be made by the Tax Office in the presence of precise elements and assumptions.

The Tax Office shall inform the competent Committee of such initiatives, indicating the reasons and outcome thereof.

Art. 43

Individual income tax assessment

M1 (*Section I, Art. 26*)

The Assessment Committee referred to in the first paragraph of Article 40 shall amend the assessments of filed tax returns when the controls performed by the Tax Office show that total income declared is lower than the real one or the applicant taxpayer is not eligible for income deductions or tax allowances.

Any inaccurate, incomplete or untrue tax return filed shall be assessed by auditing the tax return itself, comparing it with previous tax returns, and on the basis of serious, precise and consistent assumptions.

The Assessment Committee may perform a summary assessment if total income resulting from analytical determination is lower than the income reasonably attributable to a taxpayer. In this case, income shall be computed by induction on the basis of objective elements and circumstances, of assumptions referred to above and of indirect indicators of taxable capacity, such as the holding of goods mentioned in the third paragraph of Article 30.

A taxpayer may demonstrate that the higher income attributed to him totally or partially depends on tax-free income or income subject to final withholding tax.

Art. 44

Income assessment of companies, similar entities and major businesses

The Committee assessing income of companies, similar entities and major businesses shall, as a rule, amend income assessments on the basis of the accounting records prescribed by this Law. More specifically, tax returns shall be amended in case of:

a) inconsistencies between the tax return and the accounting records;

b) failure to apply the provisions of Section VI concerning corporate income determination;

c) clear untruthfulness of the tax return resulting from comparing the elements contained in the tax return with those acquired by the Tax Office or the Assessment Committee through the controls provided for by law and, in any case, from information legally obtained, from acts, documents and records produced by taxpayers, or from inspections and controls of accounting records and other acts or documents concerning the company or another taxpayer.

The existence of undeclared assets and the inexistence of declared liabilities may be inferred from serious, precise and consistent assumption.

The Committee may make a summary assessment of corporate income on the basis of any collected data and elements and of what may be inferred from facts and circumstances foreign to the balance sheet and accounting records where:

a) the tax return does not state the corporate income or the acts and documents prescribed by law are not attached thereto;

b) the Tax Office reports that a taxpayer has not kept or has failed to submit accounting records for supervision by the Office ;

c) omissions, incompleteness and false indications are so numerous, recurrent and serious as to make all accounting records unreliable.

Art. 45
Income assessment of minor businesses

Assessments of corporate income referred to in Article 35 may be summarily amended on the basis of the applicable provisions above, account being also taken of the economic position of the business, the number of employees, labour cost, general expenses, purchases, inventories and other indicators of taxable capacity.

Minor businesses having opted for ordinary book accounting shall be subject to analytical assessment under the preceding Article.

Art. 46
Official tax assessment

M1 (*Section I, Art. 27*)
Where a tax return has not been filed or is null and void, the Assessment Committees shall proceed with an official summary assessment, after having summoned the taxpayer.

In cases under the preceding paragraph, the Committees may use any data and information collected or acquired.

Under the circumstances envisaged in this Article, the Committees may also totally or partially disregard, if appropriate, the taxpayer's accounting records, even if regularly kept.

Art. 47
Time limitations for notifying an assessment notice

M1 (*Section I, Art. 28*)
Any official or amended assessment shall be notified, otherwise it expires, by 31 December of the second year following that in which the relevant tax return was filed or due to be filed.

Where a tax return has not been filed or is null and void, the assessment shall be notified by 31 December of the third year following that in which the tax return was due to be filed.

Notifications shall be made by the Tax Office.

M3 (*Section I, Art. 1.17*)
Under Article 2 of Law No. 49 of 17 May 1984, as amended by Article 5 of Law No. 5 of 19 January 1989, if an assessment cannot be notified in person due to the impossibility to find the taxpayer, the notification shall be made public "ad valvas palatii" (by posting a notice at the Government Building) and transmitted to the taxpayer by registered mail with return receipt. The registered mail shall be deemed to have been received, after having remained for 15 days at the Post Office. An assessment notice may be appealed against from the day following the expiry of said deadline.

The procedure under the preceding paragraph shall apply also where an assessed taxpayer is not liable to tax in San Marino by reason of his domicile.

Art. 48
Appeals against assessment notices

M1 (*Section I, Art. 29*)
Taxpayers as well as the Tax Office may appeal to the Estimate Board against an assessment notice within 30 days from the day of notification.

A taxpayer shall file a petition to the Tax Office for examination. If the latter deems the petition well-grounded because of material errors, total or partial duplication of tax or lack of tax liability, it shall revoke or amend the assessment notice and temporarily notify to the taxpayer, if appropriate, a new assessment notice, the Assessment Committees having been informed thereof for ratification. Conversely, if the petition is deemed ill-grounded because of the same reasons, the Tax Office shall transmit the petition to the Estimate Board within 90 days since its receipt.

Pending the entry into force of a new regulation on tax disputes, the same rules that apply to tax litigation with the former Tax Committee shall apply to tax litigation with the Estimate Board.

The Estimate Board may always amend the assessments made by the Committees referred to in Article 40, according to the same terms and criteria followed by said Committees for official tax assessments.

In case of violation or misapplication of the law, incompetence or abuse of power, the Tax Office and taxpayers may appeal to the ordinary judicial authority against the decision of the Estimate Board within 60 days from the date of notification of such decision by the Tax Office.

Pending the entry into force of the regulation referred to in the third paragraph, the judicial authority may be appealed to only after having filed a petition to the Estimate Board.

Art. 49
Estimate Board

M1 (*Section I, Art. 30*)
The Estimate Board shall be composed of five members elected by the Great and General Council, under the same criteria for the appointment of the Assessment Committees, from among citizens expert in tax matters, one of whom shall act as Chairperson.

The Secretary shall be elected by the Estimate Board from among its members.

The members of the Estimate Board may not be members of the Assessment Committees.

The Estimate Board shall serve a four year term.

In fulfilling their functions, the members of the Estimate Board shall act as public officers.

The members of the Estimate Board shall abstain from performing their functions, under penalty of nullity of their deliberations, if assessments concern the members themselves or their relatives by consanguinity or affinity within the third civil degree, or in case of clear conflict of interests.

Art. 49 bis
Tax hearing

MI (*Section I, Art. 31*)
Pending the enactment of a new and comprehensive legislation on tax litigation, and without prejudice to the provisions in the third paragraph of Article 48, the Assessment Committees and the Estimate Board shall apply the criteria of the hearing procedure between the Tax Office and the taxpayer.

To this end, the Assessment Committees and the Estimate Board may request the Tax Office to report on the issues concerning assessments or tax disputes.

A taxpayer shall be allowed faculty to explain his reasons before the Assessment Committees and the Estimate Board and to be assisted to this end by a trusted person.

The Committees and the Estimate Board may hear the parties either jointly or separately. In the latter case, the other party shall be informed of the outcome.

SECTION XII
COLLECTION

Art. 50
Collection of tax due upon tax return filing

General income tax due on the basis of a tax return shall be paid to the State Treasury which shall issue evidence of payment in two copies, one of which shall be annexed to the tax return. By administrative provision, the Congress of State may allow payment also at other branches licensed by the State Treasury.

Failing payment by the due date, interest equal to the rate charged by the State on a cash advance plus 2 percentage points shall be charged on unpaid amounts, lesser or overdue payments, accruing from the day following the date due until the day of payment, or in case of tax roll payment, until the day specified in Article 55.

The interest charged may be cumulated with other penalties of a pecuniary nature.

Art. 51
Collection of withholding tax

M3 *(Section I, Art. 1.18*)
Withholding tax under Article 39 shall be paid directly to the State Treasury. Payments shall be made within two months following that of withholding or of monthly wage income earned.

Withholding on interest paid by credit institutions shall be paid as follows: an advance equal to 50%, proportioned to the stated interest rate accrued in the previous taxation period, shall be paid by 31 July of each year, while the amount resulting from the reconciliation withholding tax return filed by the same institutions, shall be paid within the first two months of the year following that in which the interest accrued.

Such return, solely indicating the overall amount of interest paid, accrued over the previous taxation period, shall completely supersede the one under Article 33.

Failing direct payment by the due date, interest equal to the rate charged by the State on a cash advance plus 2 percentage points shall be charged on unpaid amounts, accruing from the day following the date due until the day of payment, or in case of tax roll payment, until the day specified in Article 55.

Art. 52
Collection on tax roll

Tax for which no direct payment to the Treasury has been made, as well as charged interest, surcharge and pecuniary penalties shall be collected on the tax roll, compiled by the Tax Office and signed by the Tax Office Director or his delegate. The roll shall contain the taxpayers' name, personal data, address, taxation period, taxable base and related tax bill, voluntary tax payments, withholding tax amounts, tax still due, charged interest, surcharge and pecuniary penalties.

Tax or surcharge due according to the assessments made by the Assessment Committees and the Estimate Board shall be entered in the roll by 31 December of the year following that of the final assessment, otherwise it expires.

Tax rolls shall be made executive by the Budget Commission and made public by the State Treasury to taxpayers for 30 days by posting a public information notice "ad valvas palatii" (at the Government Building) and at seats of local authorities.

Such public information notice shall replace single notifications and impose a legal obligation to pay tax.

Art. 53
Types of tax rolls

There are main and supplementary tax rolls.

Tax not paid to the State Treasury shall be entered in the main rolls.

Surcharge, pecuniary penalties, charged interest and other sums due by taxpayers shall be entered in the supplementary rolls.

Art. 54
Provisional entries in the rolls

Where a taxpayer has appealed against the Estimate Board's decision to confirm the assessments made by the Assessments Committees referred to in Art. 40, or against the Estimate Board's higher tax assessment, two-thirds of the tax computed on such confirmed or higher assessments shall be provisionally entered in the roll.

Art. 55
Tax settlement

The amount of tax, surcharge, pecuniary penalties and charged interest entered in the rolls shall be settled within 90 days running from the last day of publication of the rolls.

Failing settlement within such deadline, default interest equal to the rate charged by the State on a cash advance plus 2 percentage points shall be charged on unpaid amounts until settlement under the criteria set forth in Article 60.

Art. 56
Establishment of rolls

Under Article 52, second paragraph, rolls may be established without any specified deadline

M3 (*Section I, Art. 1.19*)
Where the Tax Office has reasonable grounds to believe that a taxpayer might seek to avoid tax payment with any means, the Tax Office, having heard the body which assessed said taxpayer's income, may at any time establish a special roll to be collected within 30 days from the individual notification to the taxpayer by the State Treasury, provided that said special roll has been made executive by the Budget Commission. The same procedure may be applied – solely with an obligation to inform the relevant Assessment Committees – upon a taxpayer's request for definition of outstanding tax liabilities subsequent to assessment.

Art. 57
Interest charged for entering Committees' assessments in the tax rolls

Interest equal to the rate charged by the State on a cash advance plus 2 percentage points shall be charged on tax levied on undeclared or partially declared income, accruing from the date by which tax return filing was due until the day of payment specified in Article 55.

Art. 58
Joint liability of withholding agents

When a withholding agent is entered in a roll for tax and pecuniary sanctions related to income on which he neither levied nor paid a withholding, he shall be jointly liable with the taxpayer.

Art. 59
Tax refunds

Anyone having made an income tax payment under Article 54 which was undue, shall have a right to be refunded by the State. He shall also have a right to receive an interest to the extent set forth in paragraph four of Article 51 accruing until the day of acceptance of his claim.

Refunds of tax paid through withholding shall be granted to a withholding agent only for the amount exceeding the tax due by the withholding agent in a taxation period. A withholding agent may only apply for a tax refund of payments having exceeded the amount of tax withheld.

With regard to amounts subject to final withholding, tax refunds may be applied for only by a withholding agent.

An application for tax refund shall be filed with the Tax Office. With regard to advance tax payments made through withholding, the application may be filed together with the annual tax return of the same taxation period in which payment was made.

The Tax Office shall process the application for tax refund within six months from the date of filing of the application.

Failing the Tax Office to inform the applicant taxpayer on whether his application has been accepted or not by said deadline or in case of rejection by the Tax Office, the taxpayer may file a petition to the Estimate Board within 60 days from the expiry of said deadline or from the notification of rejection.

By the same deadline the taxpayer may also appeal to the judicial authority against the Estimate Board's rejection.

Tax refunds under this Article shall be paid without prejudice to the assessments under Article 47.

Art. 60
Forced collection

With regard to outstanding tax rolls the State Treasury shall notify to the debtor an injunction to pay within 30 days.

Failing settlement by said deadline, the State Treasury shall proceed to collection through the *mano regia* procedure (forced collection), with a lien on all the taxpayer's property.

Injunctions to taxpayers not to be found shall be made public "ad valvas palatii" (by posting a notice at the Government Building), such publication being equal to a notification.

Art. 61
Filing of a petition against tax rolls

Against material errors and duplications occurred during roll compilation, a petition may be filed with the Tax Office within 60 days from the last day of publication of the rolls.

With regard to the criteria for filing a petition and the power of the Tax Office to revoke or amend, the provisions under paragraph two of Article 48 shall apply. Where a taxpayer has settled the amounts entered in the roll against which he files a petition, the Tax Office may directly refund such payment if the petition is well-grounded because of the reasons above.

The Tax Office shall rectify any material errors and duplications directly detected, even in the absence of a taxpayer's petition.

Within the same term set forth in the first paragraph, a taxpayer may file a petition with the Estimate Board against a roll established by virtue of a final unappealed assessment, for failure of assessment notice or irregular notice.

A taxpayer may appeal to the judicial authority against the negative decision of the Estimate Board or against the entry on the tax roll following final assessment by the Estimate Board, for failure of notice or irregular notice. The taxpayer shall appeal within 60 days from notification of the negative decision or from expiry of roll publication.

The Estimate Board and the Judge may suspend collection by a reasoned order to be notified to the State Treasury, the Tax Office and the taxpayer.

M6

Art. 62
Revenue sharing
REPEALED by Art. 23 of Law No. 156 of 20 December 1990

SECTION XIII
ADMINISTRATIVE SANCTIONS

Art. 63
Inaccurate, incomplete and false tax returns

In case of failure to file a tax return under Article 28, a fine ranging from 1/4 to two times the tax due and, in any case, not less than ITL 50,000= *(€ 25.82)*, shall be applied. If no tax is due, a fine ranging from ITL 50,000= *(€ 25.82)* to ITL 100,000= *(€ 51.65)* shall be applied. Such amount can be reduced to ITL 20,000= *(€ 10.33)* in case of employees referred to in point 2 of Article 29, who have not submitted the certificate mentioned therein.

Taxpayers not filing their tax return, if the tax on the assessed income is higher than ITL 35,000,000= *(€ 18,075.99),* shall be punished by terms of a fine ranging from two to four times the amount of the tax due.

Tax returns submitted without having been signed and subsequently signed upon request by the Tax Office shall be considered as valid.

If the tax return submitted does not include one or more sources of income, a fine ranging from 1/4 to two times the tax and the higher tax due on the income deriving from sources not included, shall be imposed.

If the tax due on income sources not included in the tax return is higher than ITL 35,000,000= *(€ 18,075.99),* a fine ranging from two to four times the amount of the tax due shall be imposed.

If the omissions above also refer to income produced abroad, the fine shall be increased by 1/4.

If, apart from the cases in paragraph 4 above, the tax return shows a net income lower than the assessed one, a fine from 1/4 to two times the amount of the higher tax due shall be imposed. Such fine shall be increased by 1/4 if the difference between the income assessed and that declared also refers to income produced abroad. While, the same shall be reduced by 1/2 if the higher tax is lower than 1/4 of the assessed tax.

In case of tax returns submitted with a delay not exceeding 30 days, the fines provided for in the first paragraph shall be reduced to 1/4.

Failure to file a tax return shall entail, in any case, the imposition of the fine envisaged in Article 67.

Tax returns submitted with a delay not exceeding 180 days after the deadlines in Article 32 shall be considered as valid if the taxpayer demonstrates that non compliance with said deadlines was due to force majeure or if the tax return is submitted within 90 days after having demonstrated that the force majeure no longer exists.

If within 360 days since the deadlines in Article 32 the taxpayer declares one or more sources of income that he had failed to include in his income tax return, and which had not been assessed by the Tax Office, no administrative fine shall be imposed on such income and, with regard to the higher tax deriving from the new tax base, the taxpayer shall pay interest at the current market rate. Such amount shall be increased by 50% starting from the day in which the sources of income should have been declared till the day on which they have been reported to the Tax Office under the applicable provisions of Section VIII.

Similarly, no administrative fine shall be applied where a taxpayer submits an inaccurate, incomplete and false tax return unintentionally and provided that well-founded reasons are provided.

In such cases, the taxpayer shall compile a new tax return and the Tax Administration shall impose the payment of interest on the higher tax due by the taxpayer, calculated at the current market rate and increased by 1/4 starting from the deadline in Article 32 till the income tax settlement.

The cases referred to in paragraphs 11 and 12 above shall not prejudice assessments under Section XI.

Art. 64

Inaccurate, incomplete and false tax returns by withholding agents

In case of failure to submit tax returns under Art. 33, a fine ranging from one to two times the total amount of the withholding tax on the amounts not declared, shall apply.

If the total amount of the income declared is lower than that finally assessed, a fine ranging from one to two times the difference shall apply. If the tax return does not include the names of the recipients, a fine ranging from ITL 20,000= *(€ 10.33)* to ITL 50,000= (€ *25.82)* shall apply for any omitted name.

If tax returns are submitted with a delay not exceeding 30 days, the fine referred to in the first paragraph shall be reduced by 1/4.

The provision in paragraph 10 of Article 63 shall apply also to withholding agents.

Art. 65

Non fulfilment of obligations concerning tax return contents and attachments

If the tax returns referred to in Articles 28 and 33 do not contain all data required, a fine ranging form ITL 20,000= *(€ 10.33)* to ITL 100,000= *(€ 51.65)* shall apply, except for cases of inaccurate, incomplete and false tax returns.

If the attachments in Article 31 are omitted or incomplete, a fine ranging from ITL 30,000= *(€ 15.49)* to ITL 150,000= *(€ 77.47)* shall apply.

Art. 66

Non-fulfilment of accounting obligations

If accounting records are not kept in accordance with law provisions, a fine ranging from ITL 100,000= *(€ 51.65)* to ITL 600,000= *(€ 309.87)* shall apply.

Anyone not keeping, totally or partially, the documents under Article 38, and anyone who, even if requested, refuses to submit such documents, prevents them from being inspected, or declares not to possess them, shall be subject to double the above-mentioned fine.

The fine in the preceding paragraphs shall be reduced up to 1/4 of the minimum amount if the irregularities of the accounting records or the absence of documents are not serious.

Art. 67
Delays and omissions in the tax payment

Anyone who, by the prescribed deadline, fails to make the payment referred to in Article 50, or pays a lower amount, shall be subject to a surcharge equal to 15% of the unpaid amounts. Such surcharge shall be reduced to 5% if the payment is made within 5 days since the deadline, without prejudice to the payment of the interest referred to in Article 50.

Art. 68
Non-payment of withholding taxes

Anyone failing to pay , totally or partially, the withholding tax under Article 39 above and under other tax laws shall be subject to a surcharge equal to 20% of the unpaid amounts. Such surcharge shall be reduced to 10% if the payment is made within the following 15 days, without prejudice to the payment of the interests referred to in Article 51.

Art. 69
Non-fulfilment of the withholding tax obligation

Anyone failing to levy, totally or partially, withholding taxes, shall be subject to a surcharge equal to 15% of the amount not withheld, without prejudice to the application of the sanctions envisaged in Article 68 above for non-payment.

Art. 70
Delayed payment of tax collected on the rolls

Failure to pay tax entered in the rolls, when the relevant amount exceeds ITL 500,000= *(€ 258.23)*, shall be punished by terms of a fine ranging from ITL 30,000= *(€ 15.49)* to ITL 150,000= *(€ 77.47)*, without prejudice to the charging of default interest.

The State Treasury shall inform the Assessment Committee of such failure to pay within 30 days since the expiry of the payment deadline.

The pecuniary sanction shall not apply if a taxpayer demonstrates that failure to pay was due to force majeure.

Art. 71
Other violations

M1 *(Section I, Art. 32)*
The following violations shall be subject to a fine ranging from ITL 50,000= *(€ 25.82)* to ITL 300,000= *(€ 154.94):*

a) non compliance with orders, requests and summons made under letters a), b) and d) of Article 42 and under Article 42 bis, without prejudice to the provisions in Article 66;

b) any other non compliance with the obligations set forth by this Law and by any other income tax law.

Art. 72
Complementary sanctions

M1 *(Section I, Art. 33)*
The application of a pecuniary sanction for an amount exceeding ITL 30,000,000= *(€ 15,493.71)* shall also imply for the taxpayer:

- 5-year disqualification from the office of member of the Estimate Board and of the Assessment Committee;
- suspension from the exercise of representation and assistance functions in tax matters for a period not less than 4 months and not exceeding 12 months;
- disability to enter into procurement or supply contracts with public administrations for a period not less than one year and not exceeding 3 years.

Art. 73
Determination of pecuniary sanctions

In determining the pecuniary sanction due account shall be taken of the seriousness of the violation and of the harmful, direct or indirect, consequences for the State.

A pecuniary sanction may be increased up to 50% in respect of anyone who, in the three preceding years, was punished by terms of both administrative and criminal sanctions for one or more violations of the same law provision.

The pecuniary sanction may be reduced up to 50% in case of minor violations.

Art. 74
Establishment of violations

Any violation of the provisions of this Law or of other laws on direct taxation, not constituting a crime, shall be established in a verbatim record by the bodies responsible for assessment.

After fulfilling their task, such bodies shall transmit the verbatim record to the Assessment Committees, for the imposition of sanctions. These measures may be appealed against to the Estimate Board within 60 days since the notification of the appealed measure. Within the same period an appeal against the decision of the Estimate Board may be filed with the judicial authority by instituting a civil proceeding.

In case of violations leading to amendment or official assessments, the imposition of sanctions shall be notified to the taxpayer together with the assessment; appeals may be made under Article 48.

Pecuniary sanctions and surcharge shall be entered in the supplementary rolls by 31 December of the year following that in which the provision became definitive. In case of

appeal, the provision shall be considered definitive after 60 days since the notification of the last unappealed decision or following the decision by the appeal judiciary authority.

Violators shall pay to the State Treasury, within 30 days since the date of notification of the sanction, an amount equal to 1/4 of the highest fine, in addition to the tax due.
The competent bodies for tax disputes may declare that sanctions are not-applicable when a violation is justified by objective uncertainty of the scope of application of the relevant provisions.

Art. 75
Recurrent violations of the same provision

A sanction shall be applied for each violation, even if concerning the same law provision.

When a provision is repeatedly violated on account of the same behaviour, the sanction, considering the de facto circumstances, may be applied only once. Such sanction shall correspond to the sanction that would apply to the most serious violation, increased by an amount ranging from 25% to twice the amount.

Art. 76
Persons subject to pecuniary sanctions

M1 *(Section I, Art. 34)*
Pecuniary sanctions shall be paid by anyone who, in propria persona or in his official capacity, must comply with the violated provision, as well as by contractual representatives.

When a violation is perpetrated, also by abetment, by a minor not required to personally comply with the violated provision, those exercising parental responsibility or guardianship shall be liable for payment of the pecuniary sanction.

When tax is due by a legal person or by Entities or Organisations, though not having legal personality, such legal persons, Entities and Organisations shall be equally liable for payment of the pecuniary sanction.

If the pecuniary sanction is due, for any reason, by more persons, such persons shall be jointly liable.

Art. 77
Transfer of pecuniary sanctions

Obligations related to pecuniary sanctions shall not be inherited.

Any transferee by virtue of a deed inter vivos in a commercial or industrial business shall be, in respect of the financial Administration, jointly liable with the transferor for the payment of tax, as well as of the pecuniary sanction inflicted for infringement of tax obligation of the business for the year in which the transfer occurred and for the two previous years.

The transferee's liability shall be limited to tax and pecuniary sanctions due on the date of the transfer, resulting from notified acts, and may not exceed the value of the business finally assessed for the purpose of registration tax, except where such transfer was made to fraud the Financial Administration and with the transferee being aware thereof. Knowledge shall be presumed, unless the contrary is proved, when transfer was made within three months from

the establishment of the violation of a provision for which the Tax Law envisages a pecuniary sanction higher than ITL 20,000,000= *(€10,329.14).*

On request and at the expense of the interested party, the Office shall issue a certificate on pending and settled disputes, for which the debt has not been paid. If no debt result from such certificate, the transferee shall be exempted from any joint liability with the transferor.

SECTION XIV
CRIMINAL SANCTIONS

Art. 78, 79 and 81
Criminal sanctions

M8 *(Article 12)*
Articles 389 of the Criminal Code and 78, 79 and 81 of Law No. 91 of 13 October 1984, as amended by Law No. 155 of 30 December 1986, shall be superseded by the following:

"Art. 389
Tax evasion

Anyone who files false tax returns using fraudulent means or otherwise puts in place fraudulent arrangements for the purpose of evading tax liabilities, or facilitating others to evade tax liabilities, shall be punished, where the final amount of tax evaded, as finally assessed by the relevant tax bodies, exceeds ITL 25 million= (*€12,911.42)* for each operation or ITL 250 million= (*€129,114.22)* in the taxation period, by terms of second degree imprisonment, a fine in liras and third degree disqualification from the office of member of the Estimate Board and Assessment Committee, from functions of representation and assistance in tax matters, from the offices of director, general manager, auditor or member of supervisory bodies and liquidator of a company or other entity with legal personality, from entering into procurement and supply contracts with the Public Administration.

In case of habitual offender, third degree disqualification from public offices and a six-month suspension of the business license shall be also imposed.

Conviction shall be followed by the publication of the judgment.

Payment of tax liabilities and related administrative sanctions within ninety days following that of the final assessment order shall exclude punishability.

The criminal action, reporting obligation and preliminary investigation, as well as the prescription of the crime shall only have effect after the expiration of the term set forth in the preceding paragraph.

In the event of a connection with other crimes, the latter shall be prosecuted separately by the judicial authority".

M8 Art. 80 is repealed by Art. 17 of Law No. 5 of 29 January 1996 "Provisions in criminal matters".

SECTION XV
FINAL AND TRANSITIONAL PROVISIONS

Art. 82
Income tax law enactment and effective application

The general income tax governed by this Law shall include the ordinary and the complementary income taxes provided for by Law No. 10 of 16 March 1922, the social security tax and the progressive complementary tax introduced by Law No. 42 of 22 December 1955, as well as the additional social security tax under Article 24 of Law No. 15 of 11 February 1983.

The general income tax shall be effectively applied starting from 1 January 1985 and shall be levied on income received by taxpayers under Article 2 after 31 December 1984.

Art. 83
Tax relations

Upon proposal of the Congress of State, a Regency Decree shall establish the terms and modalities for the collection of the complementary tax and of the additional social security tax levied on wage income for the tax periods 1983 and 1984.

State and social security taxes concerning any other existing tax relation shall be collected by the Tax Office on the rolls according to the terms and modalities under Law No. 10/1922 and following amendments, though repealed.

M3 *(Section I, Art. 1, point 20)*
Companies benefiting from tax facilities under Law No. 19 of 13 May 1959, Law No. 26 of 17 September 1960, Law No. 39 of 7 July 1977, and Law No. 36 of 28 March 1984, till the expiry of the above-mentioned facilities, shall pay the income tax at the following rates proportionate to such facilities:

Law No. 19/1959: 15% rate;
Law No. 26/1960: 5% rate for the first decade of facilities and 15% rate for the following decade;
Law No. 39/1977: 15% rate;
Law No. 36/1984: 15% rate.

Considering the necessary arrangements for the implementation of this Law and in the light of the overlapping of two tax laws, starting from this year and only for the biennium 1985-1986, the deadlines provided for by this Law for tax assessments and collections shall be extended, if necessary, by three months.

Art. 84
Stocks

The persons referred to in Article 20 shall compile an inventory of stocks as of 31 December 1984, under the applicable criteria established by this Law, and send copy thereof to the Tax Office by 31 March 1985.

The closing stocks referred to in the preceding paragraph shall constitute the opening stocks of the 1985 tax period.

Art. 85

General income tax collection for 1985 and for the following tax periods

The persons referred to in Article 19 shall pay, by 30 June 1985, 40% of the State and social security taxes due in 1984, as advance income tax payment for 1985.

The persons referred to in Articles 15 and 20 shall pay, by the deadline indicated in the paragraph above, 60% of the State and social security taxes due in 1984 as advance income tax payment for 1985.

By 30 November 1985, the persons referred to in the preceding paragraphs shall pay an additional 20% of the taxes mentioned above.

The income tax balance due for 1985 shall be paid by the date on which the tax return concerning that tax period shall be submitted.

Tax payable for the following years, through the collection during each tax period of at least two advance payments proportionate to the tax paid on the basis of the self-assessment method, shall be collected under the terms and criteria annually established by Regency Decree by 31 March of every year.

Advance payments may not exceed altogether 90% of the amount due.

With regard to newly produced income, advance payments shall be proportionate to a tax base agreed upon with the Assessment Committees.

Art. 86

Technical changes

Where not provided for by law, the values to which liabilities, obligations, claims, depreciations and administrative sanctions are referred and calculated, as well as the values in the table of tax rates may be changed, as a result of inflation effects, by Regency Decree, upon proposal of the Congress of State.

Art. 87

Administrative provisions

The Ministry of Finance, after having heard the Tax Office, may issue administrative circulars containing indications and instructions for the application of the Tax Law.

Art. 88

Income publication

The Tax Office shall publish, at least every two years, the income declared by taxpayers and the income assessed.

Art.89
Repealed provisions

The following provisions are repealed:

- Law No. 10 of 16 March 1922;
- Law No. 28 of 31 August 1922;
- Law No. 16 of 4 August 1927;
- Law No. 25 of 14 September 1950;
- Law No. 33 of 15 September 1953;
- Articles 3, 4, 5 of Law No. 5 of 27 February 1954;
- letter a) of Article 14, Articles 15, 16 and 17 and the 5th paragraph of Article 67 of Law No. 42 of 22 December 1955;
- Regency Decree No. 33 of 29 November 1956;
- Law No. 19 of 13 May 1959;
- Law No. 29 of 6 December 1960;
- Law No. 26 of 4 August 1962;
- Law No. 62 of 30 November 1964;
- Decree No. 74 of 23 August 1974;
- Article16, 1st paragraph, of Law No. 37 of 28 October 1975;
- Law No. 41 of 22 July 1977;
- Articles 3, 4, 5, 6, 7, 8, 9, 10 of Law No. 22 of 4 May 1977;
- Law No. 12 of 28 February 1980;
- Law No. 14 of 29 February 1980;
- Article 24 of Law No. 15 of 11 February 1983;
- Article 6 of Law No. 36 of 28 March 1984;
- any other provision in contrast with this Law.

TABLE ANNEXED TO THE PROGRESSIVE TAX RATES

ATTACHMENT TO LAW NO. 91 OF 13 OCTOBER 1984 (ART. 12)

M3 *(Section I, Art. 2)*

INCOME TAX

Up to ITL 18,000,000= *(€ 9,296.22)* 12% on the total amount

from ITL 18,000,000= *(€ 9,296.22)* to ITL 30,000,000= *(€ 15,493.71)* + 17% on the amount exceeding ITL 18 million *(9,296. 22 euro)*

from ITL 30,000,000= *(€ 15,493.71)* to ITL 50,000,000= *(€ 25,822.84)* + 23% on the amount exceeding ITL 30 million *(15,493.71 euro)*

from ITL 50,000,000= *(€ 25,822.84)* to ITL 90,000,000= *(€ 46,481.12)* + 29% on the amount exceeding ITL 50 million *(25,822.84 euro)*

from ITL 90,000,000= *(€ 46,481.12)* to ITL 170,000,000= *(€ 87,797.67)* + 35% on the amount exceeding ITL 90 million *(46,481.12 euro)*

from ITL 170,000,000= *(€ 87,797.67)* to ITL 300,000,000= *(€ 154,937.07)* + 40% on the amount exceeding ITL 170 million *(87,797.67 euro)*

from ITL 300,000,000= *(€ 154,937.07)* to ITL 450,000,000= *(€ 232,405.60)* + 45% on the amount exceeding ITL 300 million *(154,937.07 euro)*

from ITL 450,000,000= *(€ 232,405.60)* + 50% on the amount exceeding ITL 450 million *(232,405.60 euro)*