

08th June 2026**WEALTH ADVISORY SERIES, ISSUE NR.3****DOING BUSINESS IN ITALY: STRATEGIC, CORPORATE AND TAX CONSIDERATIONS FOR UK INVESTORS****EXECUTIVE SUMMARY**

In the post-Brexit context, Italy is emerging as one of the leading European platforms for British companies and entrepreneurs seeking to **maintain** or **strengthen their presence in the European Union** market.

This trend is driven not only by commercial expansion but also by broader structural changes: the reconfiguration of global value chains, the increasing regionalisation of supply chains, and **European industrial policies** oriented towards **production resilience** and **technological transition**.

In this scenario, Italy combines strong attractiveness factors such as an advanced industrial base, consolidated manufacturing expertise, and an expanding ecosystem of public incentives, with a regulatory and tax environment characterised by complexity, requiring **careful planning**.

For UK investors, the central issue is not simply market entry, but the definition of a coherent structure integrating corporate, tax, and operational profiles within a broader European strategy.

1. ITALY AS A EUROPEAN STRATEGIC PLATFORM

In recent years, the role of **Italy** within the European economy has progressively evolved. From a predominantly domestic market, the country is increasingly becoming a **production and operational platform within European value chains**.

Three key factors explain this transformation.

The first regards the reorganisation of supply chains, which has highlighted the limitations of overly concentrated production models and encouraged geographical proximity strategies between production and end markets.

The second relates to European Union industrial policies, which promote the strengthening of internal productive capacity through investments in digitalisation, sustainability, and innovation.

The third concerns the growing adoption of multi-hub models by multinational enterprises, reducing dependence on single production jurisdictions in favour of greater geographical diversification.

In this context, **Italy** plays an increasingly relevant role as an industrial and logistics node **connecting Europe, the Mediterranean, and emerging markets**.

2. MARKET ENTRY STRUCTURES IN ITALY

The choice of the entry structure is one of the most critical elements in defining an investment strategy in Italy, as it directly affects governance, taxation, and operational setup.

The main options include the incorporation of a subsidiary, the establishment of a branch, a representative office, or acquisition transactions.

An **Italian subsidiary** (S.r.l. or S.p.A.) is the most common solution. The S.r.l. is typically used for medium-sized investments due to its managerial flexibility, while the S.p.A. is more common in larger or more complex industrial operations.

With a lower degree of complexity, a **branch** allows a direct, operational presence of the parent company in the Italian market, requiring nonetheless a careful attention to the correct allocation of taxable income in light of the activities effectively carried on in the territory.

The least degree of organizational (legal, tax, operations) structure is the **representative office**: it is limited to preliminary, non-commercial activities such as market analysis and business development.

Finally, **M&A transactions** are increasingly used as entry route, enabling rapid access to existing operational structures, including clients, personnel, and local know-how.

3. ECONOMIC PLANNING AND OPERATING MODEL

The sustainability of an investment in Italy depends significantly on the quality of **initial planning**.

An effective business plan must be designed on a multi-year horizon and consider not only growth projections, but also cost structure, implementation timelines, and the realistic ability to reach break-even.

A frequently underestimated element for international investors is the rigidity of certain operating costs, particularly labour and administrative overheads, which may materially impact overall profitability.

The financial structure of the business initiative is also a key consideration. The mix of equity, debt, and intra-group financing is not neutral, as it affects group taxation and cash flow management across jurisdictions.

4. INTERNATIONAL TAXATION AND TRANSFER PRICING

The presence of multinational enterprises makes transfer pricing a central issue in UK-Italy structures.

Intra-group transactions must comply with the arm's length principle, according to which economic conditions must reflect those that would have been agreed between independent parties.

The transfer pricing perimeter includes the sale of goods, intra-group services, royalties, licencing, and financing, as well as any type of intercompany flow.

However, the issue is not purely technical. The key critical factor is the **allocation of value within the group**: where decisions are taken, what functions are performed, where risks are effectively assumed and where IPs are developed and exploited.

The Italian **penalty protection regime** requires the preparation of Master File and Local File in line with the OECD standards. In terms of tax risk management, it is relevant to consider transfer pricing and **international taxation topics** (especially those related to the residence of corporations, e.g. permanent establishment) are very **hot topics during tax inspections**, also in light of the potential **criminal consequences** they may trigger.

5. PERMANENT ESTABLISHMENT RISK

One of the main areas of attention for UK investors relates to the risk of constituting a permanent establishment in Italy.

This risk does not depend exclusively on the presence of a formal local company and may also arise in its absence, particularly where there is continuous activity or operational decision-making carried out within the territory.

Elements such as **local personnel** (e.g., home-office arrangements), **agents** with negotiating power, **operational infrastructure**, or **local commercial management** may increase the risk of creating a (undisclosed) permanent establishment of the foreign entity in Italy.

The consequences may include the attribution of a taxable base in Italy, tax adjustments, penalties, double taxation and possible criminal charges (against the foreign legal representatives).

Accordingly, the advance definition of operational governance and the separation between decision-making functions and execution activities are fundamental planning elements to start from.

6. INCENTIVES AND SECTOR OPPORTUNITIES

Italy has historically been perceived as a complex operating environment for foreign capitals. That perception is increasingly at odds with the legislative reality. Since 2022, budget laws have expanded and extended a broad suite of fiscal incentives — many of which apply equally to permanent establishments of non-resident companies as to domestic businesses.

The Italian incentive framework includes several measures of particular relevance to foreign investors and – among the most appealing – includes:

- *110% Super-Deduction (new “Patent Box”)*: the current regime replaces the previous IP Box incentive with a direct super-deduction mechanism. Companies may deduct 110% of qualifying R&D expenditure linked to eligible intangible assets, bringing the effective deductible base to 210% of actual expenditure. With a corporate income tax (“IRES”) rate of 24%, the economic benefit approximates a saving of 26% of qualifying costs per year, rising to approximately 27.9% when the regional tax on production activities (“IRAP”) is factored in;
- *Hyper-Depreciation (Iperammortamento) 2026*: recent reforms have reintroduced a hyper-depreciation mechanism for qualifying investments in Industry 4.0 technologies and capital assets. Rather than a refundable tax credit, the regime increases the depreciable tax basis of qualifying assets, generating enhanced depreciation deductions for corporate income tax purposes over the asset’s useful life. The scheme applies to investments in new tangible and

intangible assets included within the Industry 4.0 technology framework and is currently available for investments made between 1 January 2026 and 30 September 2028.

- *ZES Unica — Special Economic Zone for Southern Italy*: the ZES Unica (*Zona Economica Speciale Unica per il Mezzogiorno*) consolidates the previous Southern Italy special economic zones into a single investment framework. It provides a tax credit on acquisitions of new tangible and intangible capital assets for productive facilities located within the area. Credits can reach up to 70% of the eligible investment amount, subject to state aid ceilings and the applicable regional intensity map under the EU Regional Aid Guidelines 2022-2027.

These specific provisions can be coupled also with public incentives like non-repayable contributions, guarantees to access bank loans, reimbursement of expenses for specific projects (e.g., global expansion, digital marketing, e-commerce, etc.).

Therefore, an **advance design** and **planning** of all aspects of the new business become crucial to further deploy the most appropriate **entry and growth strategy**.

7. ITALY AS A EUROPEAN AND MEDITERRANEAN HUB

From a broader perspective, Italy represents a strategic gateway not only to the European market but also to the Mediterranean region and neighbouring economies.

The country's geographic position enables natural integration with **Southern Europe**, the **Balkans**, **North Africa**, and the **Middle East**, making it a potential hub for multi-regional expansion strategies.

In the current context of global value chain reorganisation, this role is becoming increasingly significant.

CONCLUSIONS

Doing business in Italy requires a structured approach integrating corporate, tax, and operational dimensions into a coherent strategy.

Investment success depends on the ability to align legal structure, operating model, and economic governance, ensuring that the legal framework reflects the underlying economic substance.

From this perspective, **Italy is not merely an expansion market, but a strategic platform for the international growth of UK businesses and entrepreneurs within the European Union, offering also a reliable and mature starting point for a further projection towards North Africa and Middle East.**

Should you require any advice to design or review your wealth and business mobility strategies, please do not hesitate to contact us:

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About MUSE Strategy

MUSE Strategy is an international consulting firm founded in 2022 to support multinational groups, families and individuals navigating the complexity of a globalised economic landscape. Based in Milan and with offices in London and Abu Dhabi, the firm is distinguished by an integrated, boutique approach in which business transformation, transfer pricing and wealth advisory intersect with corporate, operational, legal and international tax considerations.

MUSE Strategy's work extends beyond compliance to the design of long-term strategic frameworks, combining risk analysis, performance optimisation, corporate finance, sustainability and strategic venture development. With a focus on anticipation rather than reaction, the firm advises clients on aligning enterprise, capital and governance over time - supporting decisions that are durable, coherent and internationally resilient.