NEW DTA ITALY- CHINA

On Monday 15th April 2024, the Italian Government approved the draft law of the new Double Tax Agreement (“new agreement” or “new DTA”) with China on income taxes and for the prevention of tax evasion.

The draft law updates the current agreement on force from the 31st of October 1986. The new agreement was signed in 2019 and started the iter to became law in Italy without being finalized yet.

With the decision from the Italian Ministry council of the 15th of April, the Government is showing its interest in proceeding with the ratification and execution of the new agreement.

The new DTA will apply to residents of both States and concerns the specifically listed direct taxes and, with regard to the principle of non-discrimination and aspects of administrative cooperation.

The tax breaks and incentives introduced in the new DTA are designed to encourage more cross-border trade and investment between the two countries while making doing business easier.

Moreover, the new DTA is generally in line with the 2017 OECD Model Tax Convention and the OECD Multilateral Convention, which both China and Italy signed in 2017.

Here as follows update and comparison about new provisions related to dividends, interest, royalties, and capital gains introduced to the old DTA.

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Changes to the New DTA		
Items	1986 DTA	Update
Dividend	Standard rate 10%	Standard rate 10% Preferential 5% tax rate for beneficial owners directly hold – for a minimum period of one year - at least 25% of the share capital of the company paying dividends
Interest	Standard rate 10%	Standard rate 10% Exemption if paid to Government or local authorities, public bodies, or institutions whose capital is wholly owned by the Government (for example securities issued by SACE, SIMEST) 8% on interests paid to financial institutions in relation to loans of at least three years.
Royalties	Standard rate 10%	Preferential 5% tax rate – application of the tax only on the 50% of gross amount, leading to an effective 5% tax rate

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