



Italian tax authorities rule on the tax consequences of a UK director subscribing new shares of an Italian company

On 26 August 2019 the Italian tax authorities published ruling no. 347/2019, concerning a UK resident director of an Italian resident company who subscribed newly issued shares of that company. The company asked the tax authorities to clarify the tax ramifications for the director stemming from the subscription.

The tax authorities ruled that:

- Since the newly issued shares are subscribed by the directors of the company in their capacity as such, any income stemming from the subscription qualifies as remuneration in kind in consideration for their office as directors;
- The taxable income shall be computed as the difference between the fair market value of the shares and the subscription price paid by the directors;
- From a domestic tax perspective, the income received by the UK resident director qualifies as directors' fees sourced (and, therefore, taxable) in Italy, since it is paid by an Italian resident company;
- For the purpose of the Italy-UK tax treaty, that income qualifies as director's fees (article 16 of the treaty) derived by a resident of the UK in his capacity as director of an Italian resident company, which are taxable in Italy as source State.

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