STUDIO DE GIORGI e ASSOCIATI

Dottori Commercialisti – Revisori Legali via Motta 10, Milano, Italy

BOOKKEEPING SERVICES

KICK OFF

AGENDA

INTRODUCTION

INVOCES ISSUED

INVOICES RECEIVED

PAYMENT RECEIPTS

BANK STATEMENTS

EXPENSE REPORTS

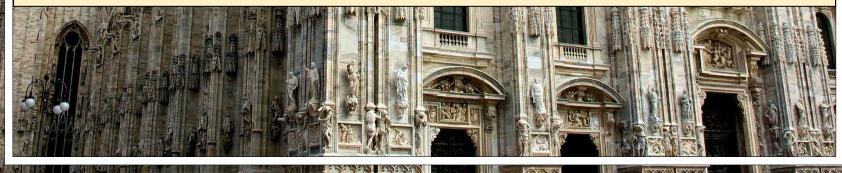
PETTY CASH SHEET

CREDIT CARD STATEMENTS

PAYROLL

CLOSING COMMENTS





Established in 1974, STUDIO DE GIORGI e ASSOCIATI is a professional firm of accountants and auditors focused on providing administrative assistance to foreign clients, national and international tax and company law, and individuals' tax planning – as well as to Italian clients investing abroad.

This brief pamphlet is aimed at welcoming you within the perimeter of our **bookkeeping services**, guiding you in the monthly process of conveying information to us.

This presentation is meant to help with some general principles that govern the Italian accounting regulations, and some of the base lines and requirements.

As well as some general guidelines on how things need to be dealt with.

An Italian entity will typically have 13 main types of documents relevant for

bookkeeping purposes:

- 1. E-invoices issued
- 2. E-invoices received
- 3. Invoices issued (not in the electronic invoicing system)
- 4. Invoices received (not in the electronic invoicing system)
- 5. Receipts and other payment documents, different from invoices
- 6. Bank statements (or, list of bank transactions with the details of entries)
- 7. Travel expense reports
- 8. Petty cash reports
- 9. Credit card statement (or, list of credit card transactions with the details of movements)
- 10. Salary-related accounting information sheets
- 11. Details of payments made on behalf of the Italian entity by HQ or group companies
- 12. Details of intercompany transactions
- 13. General correspondence

Each of those categories generates documentation that needs to be conveyed to our bookkeeping department, **on a monthly basis**, for the performance of general ledger and VAT ledger entries.

Accounting documentation should be made available (original documents) at our premises within the 5th calendar day of the following month.

The deadline may vary in case trial balance reports are required at an earlier stage of the month.

Most of the documentation nowadays will have to be made available to us **via e-mail** (i.e. zipped pdf's, or with the use of a service such as Dropbox or the like).

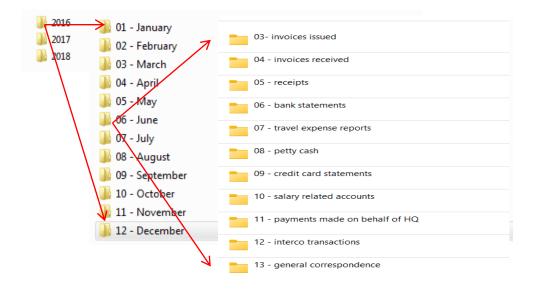
In case some documents (e.g., correspondence) are delivered physically, those can be scanned to be safekept with the company's archives.

PHYSICAL DELIVERY: accounting documents are collected and sent to us on a monthly basis, with the use of the postal / courier service.



ELECTRONIC DELIVERY: accounting documents are zipped and sent to

us via e-mail or uploaded on a portal, with the below folder content structure:





INVOCES ISSUED



ELECTRONIC INVOICES

COMPLIANCE: For each taxable transaction, the supplier of goods or services issues an invoice, as a note, bill, receipt and the like, or, without prejudice to its responsibilities, ensures that it is issued, on its behalf, by the transferee or by the purchaser or by a third party.

Italy has adopted the "electronic invoice" system (i.e. "SDI"), which means that the invoice is issued and received in any electronic format via a governmental portal. Almost all invoices must be created electronically – even cross border ones; minor exceptions apply.

Electronic invoices must be prepared within 12 days from the execution of the operation; they can be corrected within 5 days of the issuing thereof.

If an invoice that was supposed to have been issued – electronically – via the SDI system is not issued electronically, it is considered as if it had not been issued.

INVOCES ISSUED

STUDIO DE GIORGI e ASSOCIATI

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Pagina 1 di 1

COMPLIANCE: Invoices must be sequentially dated and numbered; no skipped numbers are allowed. Numbers can start from 1 every year, or from the last number used in the prior year. Invoice numbers can include prefixes / suffixes. (i.e.: A-2017-1203-R). Multiple number series for different services or classes of goods are allowed (i.e.: A-2017-1203-R; B-2017-1203-R). Credit notes only cancel invoices; they cannot be used as an alternative to an invoice, but only as the reversing document. If a credit note is issued, it must refer to the specific invoice that it is reversing.

JOURNAL LEDGER: Outgoing invoices must be booked on the journal ledger in the month of issuance; they define the amount of taxable revenue. Forecast income should be accrued for at year end, in order to comply with the taxation requirements. Specific rules apply on exchange rates in case of currencies different than EUR.

VAT LEDGER: VAT treatment depends on the operation and client type (business vs private; national vs EU vs non-EU subject). VAT may have to be reverse-charged or subject to the split payment mechanism. VAT on sales invoices issued is due by the 16th day of the month following its issuance.

OTHER OBLIGATIONS:

Information on invoices issued will have to be disclosed on the periodic VAT calculation reports as well as on the e-list of invoices and (condensed) on the yearly book of inventories.



INVOICES RECEIVED



INVOICES RECEIVED

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COMPLIANCE: Invoices will have to be numbered and dated (within the month of booking) by the recipient, with an internal numbering system. Numbers can start from 1 every year, or from the last number used by the company and can include prefixes / suffixes. (i.e.: A-2017-1203-R). Multiple number series for different services or classes of goods are allowed (i.e.: A-2017-1203-R; B-2017-1203-R). No skipped numbers are allowed. The same other principles related to outgoing invoices apply. Your details (name, VAT number, address, fiscale code, etc.) have to appear clearly as the purchaser.

JOURNAL LEDGER: Incoming invoices determine the amount of deducible costs. The services or goods detailed on purchase invoices must be related to the company's activity. Expenses should be accrued for at year end, in order to allow deductibility in the correct fiscal year. Specific rules apply on exchange rates in case of currencies different than EUR.

VAT LEDGER: deductibility of VAT on purchase invoices is specific to the each business and expense type. Non-deductible VAT increases the cost of purchases. VAT on purchase invoices is deducted within the 16th day of the month following its entry on the ledger.

OTHER OBLIGATIONS:

Information on invoices received have to be disclosed on the periodic VAT calculation reports as well as on the e-list of invoices and (condensed) on the yearly book of inventories.



PAYMENT RECEIPTS



PAYMENT RECEIPTS



COMPLIANCE: Payment receipts may be issued in lieu of purchase invoices, by some suppliers.

Typically, they would be related to supply of goods of small value, non repetitive purchases or purchases from retail shops.

Costs can be deducted if they mention the details of the purchasing party. VAT cannot be deducted, as it is not shown in detail.

JOURNAL LEDGER: Payment receipts, unless they mention the details as outlined above, cannot be accounted as deductible costs.

VAT LEDGER: Receipts, as opposed to invoices, do not allow for the deduction of VAT on purchases, and are not reported on VAT ledgers.

OTHER OBLIGATIONS:

If a receipt is collected by an employee in the course of a business trip, the document originating a booking entry is an expense report; the costs incurred are therefore deductible for the taxpayer; VAT never is.



BANK STATEMENTS



BANK STATEMENTS

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Estratto conto al 31.05.2017

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COMPLIANCE: Bank statements are specific periodic reports issued by banks that recap the transactions incurred in a period (typically, a month or a quarter). A bank statement differs from a list of bank entries because the former includes the detail of credit interest and withholding taxes there onto (which is deductible from income taxes).

Details of bank transactions may be required (i.e.: details of "grouped" payments; information on receipts).

JOURNAL LEDGER: Banking information is disclosed by booking date and value date. Entries booked on the basis of the bank statements only have effects on the journal ledger; they have no relevance on VAT ledgers

GENERAL INFORMATION:

Any operator that needs to work with an Italian bank account needs to receive an Italian fiscal code.

Typically, an Italian bank account is subject to the following charges, irrespective of the number of transactions:

- Periodic stamp duty
- General bank account charges
- Internet banking charges

EXPENSE REPORTS





EXPENSE REPORTS

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COMPLIANCE: An expense report is a document used by a representative of an entity – typically, an employee – to claim the reimbursement of expenses incurred while travelling on behalf of its employer.

It is filled in by the employee, approved by its employer, and booked into the accounts.

It has to include supporting documentation (receipts of payments made by the employee) and the report should make orderly reference to the accompanying vouchers.

JOURNAL LEDGER: The entries booked on the basis of the expense report sheets only have effects on the journal ledger; they have no relevance on VAT ledgers.

GENERAL INFORMATION:

Expense reports may / should include, divided by expense categories:

- Amounts in currencies other than Euro, that have to be converted;
- Statement of advances received in cash by the employee;
- Information on payments made with corporate credit cards
- Approval signatures

Invoices addressed to the company and included in the expense reports should be included among the list of periodic VAT purchase invoices.



PETTY CASH SHEET



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PETTY CASH SHEET

	PETTY CASH		
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DATE	DESCRIPTION	N	OUT
		Euro)
	BEGINNING BALANCE	100,00	
01/01/2017	Payment registered letter		2,20
	TOTAL	100,00	2,20
	BALANCE	97,80	

COMPLIANCE: Petty cash sheets are used to report the usage of cash in a corporate environment.

The sheet should bear all the information that is needed to reconcile the periodic (monthly) movements, including the name of the company and its full details (fiscal code, legal seat, VAT registration number).

Cash should be used in compliance with the local anti money laundering provisions, including limited to the use thereof.

JOURNAL LEDGER: The entries booked on the basis of the petty cash sheets only have effects on the journal ledger; they have no relevance on VAT ledgers.



CREDIT CARD STATEMENTS

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CREDIT CARD STATEMENTS

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COMPLIANCE: Credit card statements, just like bank statements, are specific periodic reports issued by credit card companies that recap the transactions incurred in a period (typically, a month or a quarter).

A credit card statement will detail the payments incurred with the credit card.

Details of credit card statements will typically be required (i.e.: copies of invoices / payment receipts for payments incurred).

JOURNAL LEDGER: Credit card payment information is disclosed by booking date and value date. Entries booked on the basis of the credit card statements only have effects on the journal ledger; they have no relevance on VAT ledgers.



PAYROLL



PAYROLL

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				Date	e 23/02/2017	Page 1
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Regional IRPEF levy				531,27		SP
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13TH MONTHLY INST	•		2.591,06	2.591,06	CE	SP
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COMPLIANCE: Payroll costs, when personnel is employed, are typically booked on the basis of a payroll accounting sheet, monthly.

The salary of employees may be calculated in 12, 13, 14 or 15 monthly installments.

The right to receive the payments of those installments in excess of 12 is accrued on a monthly basis; payment thereof typically happens at specific periods (i.e. 13th monthly salary is paid during the month of December; the 14th during June).

JOURNAL LEDGER: The entries booked on the basis of the salary report sheets only have effects on the journal ledger; they have no relevance on VAT ledgers.

GENERAL INFORMATION:

Monthly salary accounting sheets can also include monthly accruals of costs. The balance of the monthly sheets have to be compared with year end entries. Year end entries include:

Accruals for leaving indemnity + revaluation thereof

Tax on leaving indemnity revaluation

Accruals for extra monthly installments

Accruals for unused vacation time (days and hours)





GENERAL INFORMATION:

As part of the year-end accounts closing process, a certain number of transactions should be considered and implemented to give a true and fair representation of the PL and BS. Among these:

Comparing intercompany balances (commercial and financial transactions) Performing the amortization of tangible / intangible assets Evaluating debits and credits Analyzing tax reimbursement positions (including accrual of interest) Booking the value of unsold stock Considering year end exchange rate fluctuations Finalizing accruals and deferrals of costs and revenue (i.e. opex, personnel, etc.)

PAYMENT OF TAXES AND THE LIKE

In general terms, Italian taxes are paid via an ad hoc payment form, called "F24", that can be processed only by authorized banks.

An example is provided here to show the features of the form.

Payment forms are typically due by the 16th day of the month following the moment of relevance of the transaction.

In the next slide, we're showing a list of some of the most common tax codes appearing on the F24 forms.

resentazione I		iario entr	o il 18/03/202	24				MOD NUM: 1 Mod. F24
	ate							
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. 9			3802	0002	2024	21, 87		SALDO (E-F)
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0 7 1			3848	0002	2023	69,50		
			3848	0002	2023	4,46		
1 6 6			3848	0002	2023	3,14	+/-	SALDO (G-H)
1 6 6			3040	0002				
		— ,,,	5646		TALE G	86,11H	, +	86,11

The forms are set up in sections

SEZIOINE ERARIO

1001: withholding taxes on employee salaries

1040: withholding taxes on professional services received (2nd column: month of relevance; 3rd column: year of relevance)

60xx: VAT, last 2 digits the month to which the payment refers, 6001 January, 6002 February etc. 6013 will be the advance on VAT December

1991: interest on overdue VAT payments

8904: penalties on late VAT payments

3802/3848/1001/1012/1701/1713/6781: wage tax deductions

All "sezione INPS": codes social charges relating to employees

INAIL: INAIL is the National compulsory employee insurance institute against accidents on the job, is a non-profit public body that manages compulsory insurance against accidents at work and occupational disease.

In general, the "erario/regioni/tributi locali" sections refer to payroll tax deductions, while the "INPS" section refers to social security charges.

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