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To whom it may concern

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Reggio Emilia, Jan. 19, 2024

MEMORANDUM N. 7/2024

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Insight

Subject: Legal interest rate decreased to 2.5% from 2024 - Effects for tax purposes

1. DECREASE IN THE LEGAL INTEREST RATE FROM 5% TO 2.5%

By Ministerial Decree No. 288 of Nov. 29, 2023, published in the Official Gazette No. 288 of Dec. 11, 2023, the legal interest rate referred to in Article 1284 of the Civil Code was decreased from 5% to 2.5% per year.

2. DURATION

The new legal interest rate of 2.5% shall apply from 1.1.2024.

3. EFFECT FOR TAX PURPOSES

The change in the legal rate also has an effect in relation to certain tax provisions.

3.1 ACTIVE REPENTANCE

The reduction of the legal interest rate entails the reduction of the amounts due in the case of an industrious repentance under Article 13 of Legislative Decree No. 472 of 18.12.97.

In fact, in order to regularize omitted, insufficient or late payments of taxes by means of the voluntary repentance, it is necessary to pay, in addition to the prescribed reduced penalty, also the interest on arrears calculated at the legal rate, with accrual day by day, starting from the day following the day by which the obligation had to be fulfilled and up to the day on which the payment is made.

The legal rate to be applied is the one in force in individual periods, according to a pro rata temporis criterion, and is therefore equal to:

- at 0.2%, from 1.1.2016 to 31.12.2016;

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- at 0.1%, from 1.1.2017 to 31.12.2017;
- at 0.3%, from 1.1.2018 to 31.12.2018;
- at 0.8%, from 1.1.2019 to 31.12.2019;
- at 0.05%, from 1.1.2020 to 31.12.2020;
- at 0.01%, from 1.1.2021 to 31.12.2021;
- at 1.25%, from 1.1.2022 to 31.12.2022;
- at 5%, from 1.1.2023 to 31.12.2023;
- at 2.5%, from 1.1.2024 up to and including the day of payment.

For example, the voluntary repayment of the failure to pay the second IRPEF/IRES or IRAP advance payment due on Nov. 30, 2023, which will be made on Feb. 17, 2024, involves the application of the legal rate:

- by 5%, for the period 1.12.2023 - 31.12.2023;
- by 2.5%, for the period 1.1.2024 - 17.2.2024.

3.2 INSTALLMENT OF AMOUNTS DUE AS A RESULT OF ADHERING TO LITIGATION-DEFINING INSTITUTIONS

The reduction to 2.5% of the legal interest rate is also relevant in the case of an option to pay the amounts due in installments as a result of the following litigation-defining institution:

- settlement proposal, pursuant to Art. 8 of Legislative Decree No. 218 of 19.6.97; on the installments following the first, legal interest is calculated from the date of completion of the act of adhesion;
- acquiescence to the assessment, pursuant to Article 15 of DLgs. 19.6.97 n. 218; on the installments following the first, legal interest is calculated from the day following the payment of the first installment;
- judicial conciliation, pursuant to Art. 48 of DLgs. 31.12.92 n. 546; legal interest is calculated on the installments following the first one.

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3.3 ADJUSTMENT OF USUFRUCT AND ANNUITY COEFFICIENTS FOR THE PURPOSE OF INDIRECT TAX PURPOSES

Following the decrease of the legal interest rate from 5 percent to 2.5 percent, the Ministry of Economy by decree Dec. 21.12.2023 issued the new coefficients for calculating usufruct, bare ownership, rights of use and dwelling, and for determining life annuities.

The new table of coefficients (which vary according to age) is as follows:

Age of the beneficiary (completed years)	Coefficient
0 to 20	38,00
21 to 30	36,00
31 to 40	34,00
41 to 45	32,00
46 to 50	30,00
51 to 53	28,00
54 to 56	26,00
57 to 60	24,00
61 to 63	22,00
64 to 66	20,00
67 to 69	18,00
70 to 72	16,00
73 to 75	14,00
76 to 78	12,00
79 to 82	10,00
83 to 86	8,00
87 to 92	6,00
93 to 99	4,00

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The following table can be used to determine the value of the usufruct granted for a person's entire lifetime and the complementary value of bare ownership.

Age of the beneficiary (completed years)	Coefficient	usufruct value %	Bare ownership value %
0 to 20	38,00	95,00	5,00
21 to 30	36,00	90,00	10,00
31 to 40	34,00	85,00	15,00
41 to 45	32,00	80,00	20,00
46 to 50	30,00	75,00	25,00
51 to 53	28,00	70,00	30,00
54 to 56	26,00	65,00	35,00
57 to 60	24,00	60,00	40,00
61 to 63	22,00	55,00	45,00
64 to 66	20,00	50,00	50,00
67 to 69	18,00	45,00	55,00
70 to 72	16,00	40,00	60,00
73 to 75	14,00	35,00	65,00
76 to 78	12,00	30,00	70,00
79 to 82	10,00	25,00	75,00
83 to 86	8,00	20,00	80,00
87 to 92	6,00	15,00	85,00
93 to 99	4,00	10,00	90,00

The percentage for calculating the usufruct was obtained by multiplying the coefficient by the interest rate of 2.5%, while the percentage relating to the bare property was obtained by the difference between 100 and the percentage of usufruct. Thus, for example, the full ownership of a person between the ages of 31 and 40 (coefficient 32.00) can be divided into a usufruct right equal to 85% (34 x 2.5%) of it and a bare ownership right equal to 15.00% (100 - 85.00).

Thus, if the full ownership of a property is worth 500,000 euros, the usufruct right of a 34-year-old person will be worth 425,000 euros (500,000 x 85%), while the bare ownership will be worth 75,000 euros (500,000 - 425,000; or 500,000 x 15%).

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Effective date

The new coefficients apply to public deeds formed, judicial deeds published or issued, notarized private deeds and unauthenticated private deeds submitted for registration, successions opened and gifts made, as of 1.1.2024.

The firm remains available for any clarifications.