

TRANSITION 5.0 PLAN.

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On July 24, 2024, the Ministry of Finance and the Ministry of Made in Italy signed the Implementing Decree, published in the Official Gazette on 6/8/2024, which regulates the Transition 5.0 Plan, introduced by Art. 38 of Decree Law 19/2024, which grants a tax credit to companies that make new investments as part of innovation projects from which a reduction in energy consumption results.

The main aspects of the facility are summarized below:

Beneficiaries	<p>Eligible for the benefit:</p> <ul style="list-style-type: none">- All enterprises resident in the state territory;- Permanent establishments in the territory of the state of nonresidents. <p>Excluded from the benefit are enterprises:</p> <ul style="list-style-type: none">- in a state of voluntary liquidation, bankruptcy, compulsory liquidation, arrangement with creditors without going concern, or subject to other insolvency proceedings;- Recipients of disqualification sanctions pursuant to Legislative Decree 231/2001 and Legislative Decree 159/2011;- Who do not comply with workplace safety regulations;
Eligible projects	<p>Eligible for the benefit are innovation projects started on or after January 1, 2024 and completed by December 31, 2025 concerning investments made in one or more new tangible and intangible assets instrumental to the operation of a business as set out in Annexes A and B to Law No. 232 of December 11, 2016 (Industry 4.0), through which an overall reduction in the energy consumption of the production structure located in the national territory, to which the innovation project refers, of not less than 3 percent or, alternatively, a reduction in the energy consumption of the processes involved in the investment of not less than 5 percent is achieved.</p> <p>Within the framework of the innovation project of the Transition 5.0 Plan, in addition to the above investments, the following are also, eligible for aid:</p>



	<p>a) investments in new tangible assets instrumental to business operations aimed at self-production of energy from renewable sources intended for self-consumption, with the exception of biomass, including facilities for storing the energy produced. With reference to self-production and self-consumption of energy from solar sources, only the following are considered eligible:</p> <ul style="list-style-type: none"> - PV modules produced in EU member states with a module-level efficiency of at least 21.5 percent; - photovoltaic modules with cells, produced in the EU member states with a cell-level efficiency of at least 23.5 percent; - modules produced in European Union member states consisting of bifacial silicon heterojunction or tandem cells manufactured in the European Union with a cell efficiency of at least 24.0 percent. <p>b) expenditures in training activities aimed at acquiring or consolidating skills in technologies relevant to the digital and energy transition of production processes.</p> <p>Innovation projects primarily aimed at:</p> <ul style="list-style-type: none"> - To activities directly related to the use of fossil fuels; - to activities under the European Union Emissions Trading Scheme (ETS) that generate projected greenhouse gas emissions not less than the relevant benchmarks; - to activities related to waste landfills, incinerators and mechanical biological treatment plants; - to activities in whose production process a high dose of pollutants classifiable as special hazardous waste is generated; <p>Also not considered eligible innovation projects are investment projects in freely transferable assets of enterprises operating under concession and tariff in the energy, water, transportation, infrastructure, postal, telecommunications, sewage collection and purification, and waste collection and disposal sectors.</p> <p>In the above cases of ineligible projects, however, some exceptions are recognized to be verified on a case-by-case basis.</p>						
<p>Measure of benefit</p>	<p>The tax credit is determined on the basis of the eligible investment expenditure and the reduction in energy consumption achieved:</p> <table border="1" data-bbox="491 1899 1422 2072"> <thead> <tr> <th data-bbox="491 1899 762 1989">Spending limit</th> <th data-bbox="762 1899 1257 1989">Saving consumption</th> <th data-bbox="1257 1899 1422 1989">Measure of credit</th> </tr> </thead> <tbody> <tr> <td data-bbox="491 1989 762 2072">Investments up to €2.5 million</td> <td data-bbox="762 1989 1257 2072">Production structure: 3% to 6% Process: 5% to 10%</td> <td data-bbox="1257 1989 1422 2072">35%</td> </tr> </tbody> </table>	Spending limit	Saving consumption	Measure of credit	Investments up to €2.5 million	Production structure: 3% to 6% Process: 5% to 10%	35%
Spending limit	Saving consumption	Measure of credit					
Investments up to €2.5 million	Production structure: 3% to 6% Process: 5% to 10%	35%					



	Production structure: 6% to 10% Process: 10% to 15%	40%
	Production structure: over 10% Process: over 15%	45%
Investments from €2.5 million to €10 million	Production structure: 3% to 6% Process: 5% to 10%	15%
	Production structure: 6% to 10% Process: 10% to 15%	20%
	Production structure: over 10% Process: over 15%	25%
Investment over €10 million	Production structure: 3% to 6% Process: 5% to 10%	5%
	Production structure: 6% to 10% Process: 10% to 15%	10%
	Production structure: over 10% Process: over 15%	15%

It should be noted that in the Ministerial Circular published on August 16, 2024, precise euro/kW parameters were identified for determining the maximum allowable cost for renewable energy power plants to be verified on a case-by-case basis, if necessary.

Cumulus

The tax credit can be cumulated with other facilities financed with national resources that are related to the same costs, provided that such cumulation, taking into account also the non-competition in the formation of income and the IRAP tax base, does not lead to the exceeding of the cost incurred.

Within the framework of the Nuova Sabatini, the cumulability of the Transizione 5.0 tax credit with this facility has been recognized. The Transizione 5.0 tax credit, in fact, does not constitute state aid, therefore, the limits on cumulation provided by the Nuova Sabatini regulations do not apply.

The tax credit cannot be combined, in relation to the same eligible costs, with:

- The tax credit for investment in new capital goods 4.0, as per Article 1, paragraphs 1051 et seq. of the Budget Law 2021 (Law No.178/2020);
- the tax credit for investments in the Single SEZ Mezzogiorno referred to in Articles 16 and 16-bis, of Ln. Decree 124/2023;
- the tax credit for investments in the FTZ referred to in Article 13 of Decree Law No. 60/2024.

In the event of failure to complete the procedure for the use of the Transition 5.0 credit (e.g., failure by the company to send the required communications and their attachments), the right to access the tax



	<p>credit for investments in new capital goods 4.0 referred to in the Budget Law 2021 remains unaffected, subject to the communication of completion of investments referred to in Article 6 of Decree-Law No. 39/2024.</p>
Procedure	<p>For access to the benefit, in order to ensure compliance with the overall spending limit authorized by DL 19/2024 and to ensure monitoring of available resources, the following procedure was established:</p> <ol style="list-style-type: none">1) The enterprise submits a prior notice containing the information necessary to identify the beneficiary, the innovation project, including the start-up and completion date, the eligible investments and the amount thereof, and the amount of tax credit potentially due;2) The GSE, having verified the correct uploading of the data and the completeness of the documents and information rendered, as well as compliance with the maximum limit of eligible costs, within five days of the transmission of the prior notice, notifies the enterprise of the amount of tax credit booked within the limit of available resources;3) within thirty days of receiving the notice of the amount of tax credit, the enterprise shall submit a notice, containing the details of invoices, on the execution of orders accepted by the seller with payment on account, in an amount at least equal to 20% of the acquisition cost;4) Within five days from the date of submission of the communication referred to in the preceding point, the GSE, shall transmit to the company the confirmation of the amount of tax credit booked or, in the case of communications from which there is evidence of a reduction in the amount of investments identified in the prior communication, the new and lower amount of tax credit booked;5) Following the completion of the innovation project, and in any case no later than February 28, 2026, the enterprise shall submit appropriate completion notice containing the information necessary to identify the completed innovation project, including the date of actual completion, the eligible amount of investment made, and the amount of the relevant tax credit. The notice of completion shall be accompanied by, among other things, the certification of energy savings, and certificates proving possession of the legal representative's appraisal/self-certification and accounting certification;6) Within ten days of the submission of the completion notice, the GSE shall notify the enterprise of the amount of tax credit that can be used for offsetting, which cannot in any case exceed the amount of tax credit booked. <p><u>Communications submitted by the enterprise under this article, signed</u></p>



	<p>by the legal representative, including the relevant attachments, shall be transmitted exclusively electronically through the "Transition 5.0" IT platform, accessible through SPID on the institutional website of the GSE.</p>
Availment of the tax credit	<p>The tax credit can be used, exclusively by offsetting, ten days after the last communication from the GSE regarding the amount of the credit following the completion of the project.</p> <p>The tax credit is usable in one or more installments by Dec. 31, 2025, by submitting Form F24 solely through the online services offered by the Internal Revenue Service. The amount of unused tax credit as of December 31, 2025 is usable in five equal annual installments.</p> <p>The tax credit cannot be assigned or transferred even within the tax consolidation.</p> <p>The tax credit is not subject:</p> <ul style="list-style-type: none">- to the annual limit of 250,000.00 euros for the use of tax credits from the RU panel (Art. 1 co. 53 of Law 244/2007);- to the general annual compensation limit in the F24 form of 2 million euros (Art. 34 of Law 388/2000);- to the prohibition of offsetting of credits related to state taxes in the presence of registered debts, for state taxes and related accessories, for an amount exceeding 1,500.00 euros (Art. 31 of DL 78/2010).
Documentary obligations	<p>In addition to the documentation required to access the benefit, there are additional documentary requirements:</p> <ul style="list-style-type: none">- The actual incurrence of eligible expenses and their correspondence to the accounting documentation prepared by the enterprise must be evidenced by appropriate certification issued by the entity in charge of the statutory audit. For only those enterprises that are not required by law to have their accounts audited, the expenses incurred in fulfilling the obligation to certify the accounting documentation are recognized as an increase in the tax credit for an amount not exceeding 5,000.00 euros, without prejudice, however, to the maximum limit provided for the facilitation.- The technical characteristics of the assets such as to include them in the lists in Annexes A and B of Law 232/2016 and the interconnection of the same to the company's production management system or supply network must be proven by an appropriate sworn technical report issued by an engineer or industrial expert registered in the respective professional registers or by an accredited certification body, drawn up on the basis of the appropriate models made available by the GSE. For assets with a unit acquisition cost not exceeding 300,000.00 euros, this documentary burden can be fulfilled through a declaration made by the legal representative pursuant to Presidential Decree



	<p>445/2000.</p> <ul style="list-style-type: none">- Invoices, transport documents and other documents related to the acquisition of the subsidized goods must contain the express reference to the provisions of Article 38 of DL 19/2024. If subsequent to the tax credit reservation notice, the aforementioned documents must also include the unique alphanumeric identification code issued by the GSE IT platform, distinguished by the structure TR5-XXXXX. <p>For the purpose of subsequent audits, individuals availing themselves of the tax credit are required to retain, under penalty of revocation of the benefit, appropriate documentation to prove the actual incurrence and correct determination of the eligible costs.</p>
Checks	<p>On the basis of an appropriate control plan, the GSE carries out checks on the existence of requirements, documentary checks and on-site checks in relation to innovation projects, starting from the transmission of the prior communication.</p>
Forfeiture	<p>The enterprise forfeits all or part of the right to use the tax credit:</p> <ul style="list-style-type: none">a) on a date prior to December 31 of the fifth year following the year of completion of the innovation project, the subsidized assets are sold to third parties, intended for purposes outside the operation of the enterprise;b) until December 31 of the fifth year following the year of completion of the innovation project, the level of energy consumption reduction achieved by the innovation project is not maintained;c) failure to put into operation the assets referred to in Article 7 (Tangible assets aimed at self-production of energy from renewable sources for self-consumption), within one year from the date of completion of the innovation project;d) absence of one or more eligibility requirements, until the date of transmission by the GSE of the communication on the amount of tax credit that can be used for compensation;e) False statements made and signed in the procedure;f) Failure to comply with the provisions on cumulation of facilities and prohibition of double financing;g) Failure to comply with the DNSH principle (principle of not causing significant harm to the environment);h) Failure to maintain appropriate documentation to prove the actual incurrence and correct determination of the eligible costs and the related tax credit;i) Inability to carry out the checks for reasons attributable to the beneficiaries;j) other violations or defaults resulting in the non-existence or non-entitlement, even partial, of the tax credit.

