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ATO Activities Report

General Marketing Guidelines

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Report Highlights:

This report contains general information and guidelines for exporting and marketing in Italy.

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

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General Market Guidelines for Italy

IMPORT DUTIES

Italy applies to the EU tariffs (customs duties), which are based on the international Harmonized System (HS) of product classification. Duty rates on manufactured goods from the United States generally range from 5 to 8 percent and are normally levied on the c.i.f. value of the goods at the port of entry. The c.i.f. value is the price of the goods (usually the sales price) plus packing costs, insurance and freight charges to the port of entry. Most raw materials enter duty free or at low rates while agricultural products face higher rates and special levies. For information on EU duty rates levied on agricultural products, see FAS Brussels homepage via www.usdaitaly.org.

On entry, some stamp or administrative taxes may be levied on U.S. products. Italian customs officers may assess certain charges (*diritti doganali*) at the port of entry. The rate of the *diritti doganali* may vary substantially depending on their judgement and the specific port of entry.

QUOTATIONS AND PAYMENT TERMS

U.S. sales quotations are usually given a c.i.f. basis which is the sales price plus costs (such as packing), insurance charges, and air or ocean freight to the point of importation. The c.i.f. quote is generally preferred by Italian importers since they are usually familiar with the Italian customs charges and value-added taxes levied on the product at the time of importation, but may not be acquainted with U.S. costs for trucking, ocean, or air freight. Quotations and invoicing are usually in U.S. dollar terms.

American quotations, usually stated in dollars and on a c.i.f. or f.o.b. basis, are completely acceptable to Italian buyers. Generally, the practice of American firms selling to a new customer is to require cash against documents on the first sale or two. After establishing a credit, the importer will expect to pay by 30-, 60- or 90-day letter of credit. In all cases, the American exporter will have to decide how to balance between making the sale with liberal financing terms vs. more secure payment terms but with less sales potential. When beginning, American firms may find it necessary to offer their most competitive price and payment terms in order to gain the sale in the competitive international market. After, prices may be adjusted as sales and volume permit.

The Italian buyer may request a quote or shipment of goods under INCOTERMS. This is a set of international rules defining the important commercial terms and practices. By referencing INCOTERMS in contracts or invoices, both buyer and seller will have an equal understanding of their responsibilities in an agreement. Copies of the 90-page publication *Guide to INCOTERMS* are available through ICC Publishing, 156 Fifth Avenue, New York, NY 10010, (212) 206-1150. Exporters can also obtain information from the Dun & Bradstreet *Exporters' Encyclopedia*.

CUSTOMS CLEARANCE

For the purpose of making an inventory, merchandise may be examined by the Italian importer prior to customs clearance. No goods can clear customs without shipping documents and payment of any required customs duty, applicable value added taxes and any excise taxes. These procedures must be completed by the importer at the time of clearing customs. Import licenses, if required, should be presented by the importer within the period for which they were issued.

TEMPORARY IMPORTS

Samples with and without commercial value are admitted free of duty and taxes. However, samples with are admitted with following provisions:

- a) The samples are accompanied by a representative of the U.S. firm with a statement, notarized by an Italian Consulate, identifying the commercial traveler and attesting to the intention that the samples are being imported into Italy for the purpose of being shown or demonstrated and they are to be reexported in due course.
- b) A certificate of origin from a recognized chamber of commerce is submitted to identify the source of the goods.
- c) A deposit or bond, in the amount of the applicable customs duties and taxes, is made at the point of entry. This will be refunded when the goods are reexported.
- d) A list (in duplicate) with a full description of each sample, including weight and value, is submitted. It is helpful to have such a list in Italian as well.

U.S. traders should be aware of another and more simplified procedure in the form of a carnet for the temporary importation of samples without posting guarantees. See the "CARNETS" section of page 4.

In practice, samples valued in excess of lira 1 million (or about \$1,250) are virtually impossible to clear through Italian customs. In such cases, it is advisable to engage the services of a local freight forwarder.

GOODS IN TRANSIT

Goods can clear customs with and EU transit procedure that provides for the issuance of a single transit document under which the goods may be easily shipped across borders of the EU member states. These transit documents are completed for the importer by a freight forwarder in Italy. The EU transit document provides the basis for a single, comprehensive procedure covering the goods within the community. Since the single transit document is an EU form, the European importer, customs house broker, freight forwarder, or shipper must prepare the document at the

point of entry.

FREE TRADE ZONES

Trieste and Venice are the two free zones in Italy. Goods of foreign origin may be brought into the free trade zones without the payment of customs duties and taxes. The goods remain free of all such charges while held in the zones or if subsequently transshipped or reexported. The goods may be freely sold, manipulated, and processed.

Italy also has numerous general warehouses that are located throughout Italy in all the port areas and cities. There are no limitations as to the type or origin of merchandise that can be stored in free trade zones or bonded or customs warehouses. The time limit for such storage is 5 years. Merchandise deteriorated while in storage can be destroyed without payment of duty.

The advantage of a free trade zone or bonded warehouse to American firms is having a European base of supply to assure customers prompt delivery and service. Also being able to maintain inventory at low cost with a minimum of customs paperwork is also a distinct advantage.

INWARD AND OUTWARD PROCESSING

Inward processing is the temporary importation of raw material or products for additional manufacture or processing. Merchandise imported for additional processing and eventual reexport out of the EU is eligible for custom-free treatment.

The reexported goods may be partly or totally processed. The import duty and taxes are levied only on those goods that are not reexported and are finally sold in the EU.

To qualify for inward processing, an Italian (or EU) firm must satisfy customs that it is necessary to use imported goods instead of EU goods; state an intention to export products manufactured from the imported goods (or equivalent goods available in the EU); and assure that, upon reexportation, the conditions set forth in the authorization are satisfied, the exported products are accounted for, and the entered goods are identifiable and related to specific importations.

In outward processing, a firm in Italy may export goods for further manufacture or processing from the EU customs area and then reimport the final product. Duties and taxes are levied only on the increased value added by the expatriate manufacturing or processing when the goods are returned to Italy and not to the total value of the product. Only firms located in Italy or another EU country are eligible to take advantage of this option, and they should first gain approval of the Customs authorities.

SAMPLES AND ADVERTISING MATERIALS

Italy participates in the International Convention to Facilitate the Importation of Commercial Samples and Advertising Materials. Samples of negligible value imported to promote sales are accorded duty-free and tax-free treatment. Prior authorization is not required, however, restrictions do exist for live plants and animals and some food products. To ascertain whether the samples are of negligible value, their value is compared with a commercial shipment of the same product. Granting of duty-free status may require that the samples be rendered useless for future sale by marking, perforating, cutting, or other means. Imported samples of commercial value may be given a temporary entry and exemption from custom charges. However, a bond or cash deposit may be required as security that the goods will be removed from the country. This security is the duty and tax normally levied plus 10 percent. Samples may remain in the country for up to one year. They are not allowed to be sold, put to their normal use (except for demonstration purposes), or utilized in any manner for payment. Goods imported as samples may be imported only in quantities constituting a sample according to normal commercial usage.

CARNETS

As a result of several customs agreements, simplified procedures are available to U.S. business and professional people for the temporary importation of commercial samples and professional equipment. A carnet is a customs document that expedites customs clearance for temporary imports of samples or equipment. With the carnet, goods can be imported without the payment of duty, tax, or additional security. It also typically saves time since formalities are all arranged before leaving the United States. A carnet is usually valid for one year from the date of issuance and is issued at moderate cost. A bond or cash deposit of 40 percent of the value of the goods covered by the carnet is also required. This will be waived in the event the products are not reexported and duties and taxes are not paid.

Carnets are sold in U.S. by the U.S. Council for International Business at the following locations: 1212 Avenue of the Americas, New York, NY 10036, (212) 354-4480; 3345 Willshire Boulevard, Los Angeles, CA 90010, (213) 386-0767; and 1930 Thoreau Drive, #101, Schaumburg, IL 60173.

ADVANCE RULINGS FROM ITALIAN CUSTOMS

Prior to signing a long-term contract or sending a shipment of considerable value, it may be prudent for a U.S. exporter or the Italian importer to first obtain an official ruling on the customs classification, duty rate, and taxes that will be applied on the shipment. Such requests should be sent to Dipartimento della Dogana, Via vie delle Provincie 103, 00162 Rome. The request should describe the product, the material it is made from, and other details needed by customs authorities to classify the product correctly. While customs will not provide a binding decision, the advance ruling usually will be accepted if the imported goods are found to correspond exactly to the full description provided when requesting the ruling.

VAT (VALUED ADDED TAX)

The VAT is charged on the sale of goods and services within the country. In Italian this is called *l'imposta sul valore aggiunto (IVA)*. Unlike the customs duty, which is the same for all EU member countries, the VAT rates are installed by the tax authorities of each country and varies from country to country. At each stage of the manufacturing and distribution chain, the seller adds the appropriate amount of VAT (tax on the amount of value that the seller added to the product, plus the amount of VAT passed on to the seller by the supplier) to the sales price. The tax is always quoted separately on the invoice. In submitting the revenue to the government, each firm periodically subtracts the VAT it paid when making purchases of goods and services from the amount of VAT collected on sales. The balance is remitted to the government. This process repeats itself at each stage until the product is sold to the final consumer who bears the full burden of the tax. The box at the right contains a summary of the VAT rates in Italy.

For imports into Italy, the VAT is levied at the same rate as for domestic products or transactions. The base on which the VAT is charged on imports is the c.i.f. value of the goods at the point of entry, plus any duty, excise, taxes, levies, or other charges (excluding the VAT) collected by customs at the time of importation. This total represents the transaction value of the import when it clears customs. The Italian importer is liable for customs duties, VAT, and any other charges at the time of clearing customs. Exports from Italy are exempt from VAT since they are not consumed in the country and will be subject to taxes imposed in the country of destination,. Temporary imports that are reexported are not subject to the VAT. The importer may have to post a temporary bond for the amount of customs duty and taxes as security until the goods are taken out of the country.

The EU is seeking to harmonize the range of VAT rates among the EU member nations. The EU Council has adopted guidelines for converging the VAT rates over an extended transitional period such as seeking to establish a minimum. VAT rate for most products, lifting border tax controls, and defining which products will be allowed an exempted or zero VAT rate. Each country will still retain the collection and enforcement authority that currently exists.

Exempt Rate: Products exported from Italy are exempted from the value-added tax.

Preferential Rate: 4 percent rate applies mainly to such necessities of life as basic foods, medicines, and transportation. Examples of such goods include: fish, (fresh or f.) fresh milk and milk products, fruit, vegetables, wheat, corn, rice vegetable oil, margarine, fertilizers, finished goods used in urbanization projects (such as water treatment, transportation, electrical generation, and construction), medical instruments (orthopedic, dental, and optical), newspapers, magazines, and periodicals.

Reduced Rate: 9 percent rate applies to foods that are more processed such as coffee, cocoa, spices, malt, yogurt and fermented milk products, hydrogenated vegetable oil, processed cereal products, frozen fruit, soups, condiments, mineral water, beer, wine, wine vinegar, wood, gas and electricity for domestic and industrial use, scientific instruments, primary and semi-finished construction materials (cement, prefabricated materials, floor coverings), restaurant service and hotel accommodations, and private telephone service.

Standard Rate: 19 percent rate is the general or standard rate and applies to the majority of goods and services. Examples include such goods as beef and port (fresh or frozen), fruit juice, liquor, natural gas and petroleum products, chemicals and plastics, metals, machinery and machine parts, office machines, furniture.

Luxury Rate: 38 percent rate is applied on luxury items such as perfumes, jewelry, cameras, stereos, furs, sparkling wines, automobiles with engines larger than 2,00 cubic centimeters, and motorcycles with engines over 350 cubic centimeters.

The VAT is applied on the c.i.f. value plus the duty charged on the product. Important exempted services and items include the transfer of shares and back bonds, transfer of businesses and of land, commissions paid on goods exported, the forwarding of goods abroad, property rental, banking and financial transactions, as well as insurance. The VAT is applied on domestically produced goods as well as imports. The difference is either paid to the government, or, in the case of a balance in favor of the seller, the amount can be carried forward and offset against future amounts payable. The ultimate consumer bears the full burden of the tax. Any person, Italian or foreigner, that is engaged in a commercial or financial transaction that produces an income in Italy or invests in real estate, stock market, or other such venture, must obtain a fiscal code (codice fiscale) registration number for tax purposes.

EXCISE TAXES

Excise taxes (*l'imposta sui consumi*) are levied on a small number of products such as soft drinks, wine, beer, spirits, tobacco, sugar, and petroleum products. For imports, the excise tax is paid by the imported and is in addition to any customs duty or VAT. The EU plans to harmonize excise taxes and create the single internal market.

REQUIRED SHIPPING DOCUMENTS

Documents required for exporting include the usual shipper's commercial invoice and the bill of lading or air waybill, none of which require consular legalization. For textiles and apparel, it is good practice to provide a certificate of origin, available through most state chambers of commerce. For other products, however, if substantive proof of U.S. origin is provided through other accompanying documents as well as through characteristic trademarks, a certificate of origin is not normally necessary.

Shipments to Italy require one copy each of the bill of lading (or air waybill) and the commercial invoice for customs clearance. There are no consular requirements, but certificates of origin may be required as set out below.

U.S.. Customs also requires two copies of the *U.S. Shipper's Export Declaration* (U.S. Dept. of Commerce Form 7525V) for goods valued at \$1,500 or more. A declaration form must be

completed for all shipments by regular mail or parcel post valued at \$500 or more. The form must include the harmonized commodity number of the exported product as well as the weight stated in metric units. When sending goods through the mail, the exporter should inquire at the post office as to the proper documentation needed for mail shipments. For additional information or assistance on export documentation, readers should consult publications such as the *Exporters' Encyclopedia*, published by Dun's marketing Services or contact a local U.S. Dept. of Commerce International Trade Administration district office.

Although no special format is prescribed for the commercial invoice, it is advisable to include the following: date and place of shipment; name (firm's name) and address of the seller and buyer; method of shipment; number, markings of the packages, and their numerical order; description of the goods using the usual commercial description according to kind, quality, grade, and the weight (gross and net, in metric units), along with any factors increasing or decreasing the value; agreed price of goods; unit cost; total cost f.o.b. factory plus shipping; insurance charges; delivery and payment terms; and the signature of a responsible official of the shipper's firm. Bills of lading should bear the name of the party to be notified. The consignee needs the original bill of lading to take possession of the goods.

Certificates of origin are required for a small number of goods such as textile products. The need for a certificate of origin should be ascertained directly from the importer or from the appropriate customs authority. Letter of credit terms may stipulate that a certificate of origin be provided. Customs authorities accept certificates of origin issued by authorized local U.S. chambers of commerce or boards of trade.

MARKETING AND LABELING

There is no general requirement that imports be marked as to the country of origin. Under Italian legislation, the origin of imported merchandise is established through documentation accompanying the shipments arriving in Italy and not through marking of products or their containers. Certain specified commodities, however, must be marked or labeled to show composition, and name and location of manufacturer, in accordance with various laws and regulations.

The following articles are subject to special marking or labeling regulations: packaged foods; distilled spirits; beer; wine; vinegar; and feedstuffs.

Imports of certain commodities, including numerous foodstuffs, are subject to special regulations regarding the manner in which they must be labeled to show manufacturer, composition, content (in metric units), and country of origin. In view of the complexity of these regulations and changing requirements, information should be requested from the importer prior to shipment. Please see Italy: Food & Agriculture Import Requirements at www.usdaitaly.org for more specific information.

IMPORT LICENSING

With the exception of a small group of largely agricultural items, practically all goods originating in the U.S. and most other free-world countries can be imported without import licenses and free of quantitative restrictions. There are, however, monitoring measures applied to imports of certain sensitive products. The most important of these measures is the automatic import license for textiles. This license is granted to Italian importers when they provide the requisite forms. Licenses are not transferable. They may be used to cover several shipments within the total quantity authorized. In general, the goods involved are indicated on the license by the Harmonized System classification number and the corresponding wording of the tariff position.

TECHNICAL STANDARDS

The metric system is the key measurement system in international trade, with the U.S. being the only major nation where this system is not in full use. The 1988 Trade Act states that the metric system is the preferred system for weights and measures. American firms can be at a serious disadvantage in world markets since overseas buyers are reluctant to accept nonstandard (nonmetric) products since replacement parts and tools are less available and serious safety risks could result by mixing metric and nonmetric parts.

Italy applies the product standards and certification approval process developed by the European Union. Italy is required by the Treaty of Rome to incorporate approved EU directives into its national laws. There is frequently a long lag by the various EU members on obtaining national implementation.

With the development of a single harmonized EU product standard, U.S. exporters may find that it is usually much easier to comply with one EU-wide standard rather than having to meet several individual national standards when exporting to Europe.

There are numerous mandatory and voluntary standards in existence that define products, processes, or procedures and embrace many fields. The texts of these standards may be obtained directly from UNI, Ente Nazionale Italiano di Unificazione, Piazza Diaz 2, 20123 Milan (Italian National Bureau of Standards) or through the American National Standards Institute, 1430 Broadway, New York, NY 10018, (212) 354-3300.

EUROPEAN UNION CERTIFICATION

As part of the unification program to establish common standards for all EU member countries, key product areas will be regulated by the EU. Mandatory requirements to protect the health and safety of consumers, as well as the environment are constantly being developed and implemented. To indicate conformance to the mandatory EU requirements, a CE mark must be placed on all regulated products by the manufacturer or a representative before they can be sold on the EU market. The applicable product testing and certification requirements for individual product categories are specified in the various EU directives. The CE mark relates only to the mandatory health, safety, and environmental requirements established by the EU; it does not indicate conformity to European product standards. Thus, national marks of conformity with

product standards remain compatible with the CE mark and both may be applied to the product. It should be noted, however, that the CE mark does replace all national safety marks for the regulated products.

The EU Commission has released *The Global Approach to Certification and Testing*, a document that recommended harmonized testing and certification procedures within the Community. These proposals included establishing a "modular" system for demonstrating product compliance. Under this system, methods of demonstrating product conformity range from having the manufacturer self-certify the product to having a private testing company type-approve the product and provide market surveillance, depending on the probability and type of product risk. As standards and certification requirements are important in international trade, it is expected that more U.S. testing laboratories will be able to certify that products comply with EU requirements.

WEIGHTS AND MEASURES

Italy uses the metric system of weights and measures, which is called the International System of Units (SI). The EU has established standardized packaging units for numerous products, which should be consulted by U.S. exporters. Labeling must be in metric units for all imported products to be sold in Italy. products are allowed to be imported and then labeled in SI metric units prior to sale. Dual labeling information is permitted, but the nonmetric information must not predominate. The U.S. exporter would be well advised to first check with the Italian importer to ensure that the package size and labeling complies with all requirements prior to shipment.

Metric measurements should be used in every quotation where size or weight is involved. The Italian buyer will expect products and literature to be labeled in metric units. Detailed information on the EU's metric and packaging requirements may be obtained from: Office of European Community Affairs, Room 3036, U.S. Dept. of Commerce, Washington, D.C. 20230, (202) 482-2905.

U.S. EXPORT CONTROLS

For the purpose of national security, foreign policy, or the short supply of materials, the United States controls the export of goods and technology by two broad categories of export licenses--general and validated.

The vast majority of U.S. exports are shipped abroad under general licenses that do not require formal application or approval; This is true for almost all food and food products.

TRADEMARKS

The principal trademark registration laws are Royal Decree No. 929 of June 21, 1942, and Presidential Decree No 795 of May 8, 1948. Some types of terms are not registrable as trademarks, such as those deemed to be generic, those containing false indications of quality or origin of goods, and those similar terms already registered by others in Italy or for which applications are pending. For some goods, geographic names may not be used in trademarks nor can the portraits of persons be registered without their consent.

Trademark applications are examined for acceptability of their format and consistency with the laws. If an application is in order, the mark will be registered. There is no opportunity for opposition and the first applicant is entitled to registration. However, any other person who claims to be the first user of the mark in Italy can have the prior registration cancelled, provided one can prove the claim. No claim of prior use can be made after the registered mark is 5 years old.

Trademarks are registered for 20 years from the effective application filing date and are renewable for similar periods. Failure to use a mark within 3 years after its registration can result in cancellation. Trademarks may be assigned to other users provided such action does not involve deceptive trade practices.

For administrative purposes, trademark products are classified under 42 groups (1-34 for products and 35-42 for services). Applications must indicate the appropriate classification.