FAZZINI HOLZMILLER & PARTNERS

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Country by Country Reporting (CbCR): New requirements for multinational groups by 12/31/2026

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BACKGROUND – WHAT CbCR IS AND WHO IS SUBJECT TO IT 2

THE NEW REQUIREMENT: PREPARATION OF THE REPORT BASED ON THE SINGLE EUROPEAN TEMPLATE AND LEGISLATIVE DECREE 128/24, AND FILING WITH THE CHAMBER OF COMMERCE 2

STRUCTURE AND CONTENT OF THE REPORT 3

DEADLINES AND PENALTIES 3

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BACKGROUND – WHAT CbCR IS AND WHO IS SUBJECT TO IT

With this News we wish to draw your attention to the Country-by-Country Reporting (CbCR) regime, implemented in Italy by the 2016 Stability Law (Law No. 208 of 28 December 2015), which introduced into the Italian legal system the obligation for the ultimate parent company of a multinational group resident in Italy, with consolidated revenues equal to or exceeding EUR 750 million, to file with the Italian Revenue Agency a country-by-country report (the Country-by-Country Report, or CbCR).

This obligation arises within the international BEPS project, promoted by the OECD and the G20 to counter base erosion and the artificial shifting of profits between different countries.

The regime was subsequently implemented at European level through EU Directive 2016/881 (DAC 4), which amended Directive 2011/16/EU on administrative cooperation in the field of taxation between Member States.

THE NEW REQUIREMENT: PREPARATION OF THE REPORT BASED ON THE SINGLE EUROPEAN TEMPLATE AND LEGISLATIVE DECREE 128/24, AND FILING WITH THE CHAMBER OF COMMERCE

In implementation of Directive (EU) 2021/2101 of 24 November 2021, amending Directive 2013/34/EU as regards public country-by-country reporting of income tax information by large undertakings and multinational groups, Legislative Decree No. 128 of 4 September 2024, amending Legislative Decree No. 139/2015, introduced a new disclosure obligation with the Companies Register.

This obligation consists of the annual filing of an income tax information report (the so-called CbCR Report), with the aim of strengthening tax transparency and ensuring greater accessibility of information on the tax contribution of large multinational groups which, at the balance sheet date, have recorded revenues exceeding EUR 750 million in the last two reference financial years.

In particular, pursuant to Article 5-ter of Legislative Decree No. 139/2015, as amended by Legislative Decree No. 128/2024, the following entities are required to file the report with the Companies Register:

- **The parent company, with consolidated revenues exceeding EUR 750 million in each of the last two consecutive financial years;**
- **The stand-alone company, with revenues exceeding EUR 750 million in each of the last two consecutive financial years;**
- **The subsidiary of a third-country (non-EU) parent company, where consolidated revenues exceed the threshold of EUR 750 million in each of the last two consecutive financial years.**
- **A branch (i.e. permanent establishment) of a non-EU undertaking or of an undertaking controlled by a third-country (non-EU) parent company, with sales and services revenues exceeding EUR 11 million per year.**

The Operating Manual issued by the Chamber of Commerce, which specifically identifies the entities required to comply, is attached.

STRUCTURE AND CONTENT OF THE REPORT

Companies must prepare their report using a common template, provided for by Commission Regulation (EU) 2024/2952, structuring the data and making it public according to a specific taxonomy.

The report consists of a series of structured reports.

Based on the common European template, the report must be structured into several sections, as required by law. In brief, the relevant data to be considered are:

1. **General Information: name of the parent company, reference financial year, currency and choice between the "Tax Option" (data based on DAC4 reports) or the "Accounting Option" (data based on IFRS/OIC standards);**
2. **Quantitative Data: summary statement of revenues according to the EU scheme, profits, taxes (paid and accrued), reserves and number of employees, etc.;**
3. **List of Subsidiaries: list by name of all entities included in the consolidation established in each jurisdiction.**

The CbCR document must always be digitally signed by the company's director, even where the application/forms are not signed directly by the director but by a person appointed by him or her to file with the Companies Register.

DEADLINES AND PENALTIES

The report must be filed with the Companies Register office within 12 months of the closing date of the financial year to which the report refers (e.g. by 12/31/2026 for the financial year ended 12/31/2025).

The report must also be published on the company's website (free access, in Italian or English) and remain accessible for at least 5 consecutive years.

Legislative Decree 128/2024 provides that, in the event of late filing, failure to file, or material inaccuracy of the data filed with the Companies Register, an administrative penalty applies to the company's directors as provided by the 2016 Stability Law.

The Firm remains available to carry out a targeted review based on the group structure and the information available, also in order to properly plan the activities required ahead of the deadline of 31 December 2026. Given the particular nature of this requirement, "ad hoc" quotes will be provided according to the complexity of the report to be prepared.

To this end, we invite interested Clients to contact the Firm in good time (**in any case no later than 23 November**) so that we can proceed with this requirement.

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To stay constantly updated on the main tax developments, as well as on events and articles by our Firm's professionals, we invite you to follow us on our LinkedIn channel: www.linkedin.com/company/fazziniholzmillerpartners

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Best regards.

Fazzini Holzmiller & Partners

Attachment: Chamber of Commerce – Operating Manual – Entities subject to the requirement

	ENTITIES	CLASSIFICATION OF THE CASE (STRUCTURAL AND SIZE REQUIREMENTS)	OBLIGATION YES/NO	EXEMPTION BY EQUIVALENCE (ART. 5-QUATER)
1	Italian parent company with subsidiaries and/or branches abroad (i.e. subject to Italian law); art. 5-ter par. 1 letter a)	Parent company with registered office in Italy. The reporting obligation arises when, for the first time, revenues (or consolidated revenues) exceed the threshold of EUR 750,000,000 in each of the last two consecutive financial years; the obligation ceases only if revenues fall below EUR 750,000,000 for two consecutive financial years.	**REQUIRED to prepare and file the report with the Companies Register**	**NOT APPLICABLE**
2	Italian parent company with all subsidiaries and branches subject to Italian law (single tax jurisdiction)	Parent company with registered office in Italy. The reporting obligation arises when, for the first time, revenues (or consolidated revenues) exceed the threshold of EUR 750,000,000 in each of the last two consecutive financial years; the obligation ceases only if revenues fall below EUR 750,000,000 for two consecutive financial years.	**NOT REQUIRED**	**********
3	Italian stand-alone company with branches abroad (i.e. subject to Italian law); art. 5-ter par. 1 letter b).	Large stand-alone company not part of a group. The reporting obligation arises when, for the first time, revenues (or consolidated revenues) exceed the threshold of EUR 750,000,000 in each of the last two consecutive financial years; the obligation ceases only if revenues fall below EUR 750,000,000 for two consecutive financial years.	**REQUIRED to prepare and file the report with the Companies Register**	**NOT APPLICABLE**
4	Italian stand-alone company with all branches in Italy (single tax jurisdiction)	Large stand-alone company not part of a group, with all its branches in Italy. The reporting obligation arises when, for the first time, revenues (or consolidated revenues) exceed the threshold of EUR 750,000,000 in each of the last two consecutive financial years; the obligation ceases only if revenues fall below EUR 750,000,000 for two consecutive financial years.	**NOT REQUIRED**	**********

	ENTITIES	CLASSIFICATION OF THE CASE (STRUCTURAL AND SIZE REQUIREMENTS)	OBLIGATION YES/NO	EXEMPTION BY EQUIVALENCE (ART. 5-QUATER)
5	Italian subsidiary of a parent company subject to the law of a non-EU country (art. 5-ter par. 1 letter c) and par. 3).	Subsidiary with registered office in Italy. The reporting obligation arises when, for the first time, revenues (or consolidated revenues) exceed the threshold of EUR 750,000,000 in each of the last two consecutive financial years; the obligation ceases only if revenues fall below EUR 750,000,000 for two consecutive financial years.	**REQUIRED (unless exempt; see right-hand column)** If the parent company does not provide all the information necessary to fulfil the CbCR reporting obligations, the subsidiary shall nevertheless draw up, publish and make accessible an income tax information report relating to the parent company, in accordance with Articles 5-quinquies and 5-sexies, in iXBRL format, containing all the information in its possession or obtained or acquired by it, together with a statement certifying that the parent company has not made the necessary information available. The latter statement must be made within the CbCR report.	**APPLICABLE (Partial Exemption)** Exempt from the preparation and publication of the report if the non-EU parent company prepares an income tax information report equivalent to that referred to in Article 5-quinquies and if: 1) the 'equivalent' report (of the parent company) is made publicly accessible free of charge and in a machine-readable electronic reporting format on both the website of the parent company and that of the subsidiary named in that report, within twelve months of the balance sheet date of the financial year for which it is drawn up; 2) the 'equivalent' report (of the parent company) is drawn up in at least one of the official languages of the European Union, it being understood that the report published on the website of the subsidiary designated by the parent company, if Italian, must be drawn up in accordance with Art. 5-sexies (i.e. in Italian or in the language commonly used in the sphere of international finance); 3) the 'equivalent' report (of the parent company) must state the name and registered office of the subsidiary; **Residual requirement: if the subsidiary designated by the parent company is established in another EU country, the directors of the Italian subsidiary must notify the Companies Register that they are exempt from the obligation because the CbCR filing has been made in another EU country by another company of the same group.**
6	Italian subsidiary of a parent company subject to the law of an EU country.	Company with registered office in Italy controlled by a parent company with registered office in the EU. The reporting obligation arises when, for the first time, revenues (or consolidated revenues) exceed the threshold of EUR 750,000,000 in each of the last two consecutive financial years; the obligation ceases only if revenues fall below EUR 750,000,000 for two consecutive financial years.	**NOT REQUIRED (the parent company files in the EU country whose law governs it)**	**********

	ENTITIES	CLASSIFICATION OF THE CASE (STRUCTURAL AND SIZE REQUIREMENTS)	OBLIGATION YES/NO	EXEMPTION BY EQUIVALENCE (ART. 5-QUATER)
7	Italian branch established by a non-EU parent company or by a non-EU subsidiary (1) (see art. 5-ter par. 1 letter d) and par. 4).	Permanent establishment in Italy of a non-EU parent company or of a non-EU subsidiary, part of a group with a non-EU parent company. The reporting obligation arises when, for the first time, revenues (or consolidated revenues) exceed the threshold of EUR 750,000,000 in each of the last two consecutive financial years; the obligation ceases only if revenues fall below EUR 750,000,000 for two consecutive financial years. Branches do not include permanent establishments in Italy whose net sales and services revenues, as shown in the last approved profit and loss account and balance sheet, do not exceed the amount set out in Article 2435-bis of the Italian Civil Code (= EUR 11,000,000.00).	**REQUIRED** If the parent company does not provide the branch with all the information necessary to fulfil the CbCR reporting obligations, the branch shall nevertheless draw up, publish and make accessible an income tax information report, in accordance with Articles 5-quinquies and 5-sexies, in iXBRL format, containing all the information in its possession or obtained or acquired by it, together with a statement certifying that the parent company has not made the necessary information available. The latter statement must be made within the CbCR report.	**APPLICABLE (Partial Exemption)** Exempt from the preparation of the report if the non-EU parent company prepares an income tax information report equivalent to that referred to in Article 5-quinquies and if: 1) the 'equivalent' report (of the parent company) is made publicly accessible free of charge and in a machine-readable electronic reporting format on both the website of the parent company and that of the branch, within twelve months of the balance sheet date of the financial year for which it is drawn up; 2) the 'equivalent' report (of the parent company) is drawn up in at least one of the official languages of the European Union, it being understood that the report published on the website of the branch designated by the parent company, if Italian, must be drawn up in accordance with Art. 5-sexies (i.e. in Italian or in the language commonly used in the sphere of international finance); 3) the 'equivalent' report (of the parent company) must state the name and registered office of the branch; Residual requirement: if the branch designated by the parent company is established in another EU country, the directors of the Italian branch must notify the Companies Register that they are exempt from the obligation because the CbCR filing has been made in another EU country by another branch.
8	Italian branch opened by an EU subsidiary that is part of a group with a non-EU parent company.	Permanent establishment in Italy of a foreign company that is part of a group with a non-EU parent company. The reporting obligation arises when, for the first time, revenues (or consolidated revenues) exceed the threshold of EUR 750,000,000 in each of the last two consecutive financial years; the obligation ceases only if revenues fall below EUR 750,000,000 for two consecutive financial years. Branches do not include permanent establishments in Italy whose net sales and services revenues, as shown in the last approved profit and loss account and balance sheet, do not exceed the amount set out in Article 2435-bis of the Italian Civil Code (= EUR 11,000,000.00).	**NOT REQUIRED - The subsidiary subject to the law of an EU country that established the branch in Italy is required.**	**********

	ENTITIES	CLASSIFICATION OF THE CASE (STRUCTURAL AND SIZE REQUIREMENTS)	OBLIGATION YES/NO	EXEMPTION BY EQUIVALENCE (ART. 5-QUATER)
9	Italian branch of a non-EU stand-alone company.	Permanent establishment in Italy of a stand-alone company with registered office in a third (non-EU) country. The reporting obligation arises when, for the first time, revenues (or consolidated revenues) exceed the threshold of EUR 750,000,000 in each of the last two consecutive financial years; the obligation ceases only if revenues fall below EUR 750,000,000 for two consecutive financial years. Branches do not include permanent establishments in Italy whose net sales and services revenues, as shown in the last approved profit and loss account and balance sheet, do not exceed the amount set out in Article 2435-bis of the Italian Civil Code (= EUR 11,000,000.00).	**REQUIRED (unless the exemption is activated)** If the parent company does not provide the branch with all the information necessary to fulfil the CbCR reporting obligations, the branch shall nevertheless draw up, publish and make accessible an income tax information report, in accordance with Articles 5-quinquies and 5-sexies, in iXBRL format, containing all the information in its possession or obtained or acquired by it, together with a statement certifying that the parent company has not made the necessary information available. The latter statement must be made within the CbCR report.	**APPLICABLE (Partial Exemption)** Exempt from the preparation of the report if the non-EU parent company prepares an income tax information report equivalent to that referred to in Article 5-quinquies and if: 1) the 'equivalent' report (of the parent company) is made publicly accessible free of charge and in a machine-readable electronic reporting format on the website of the parent company, within twelve months of the balance sheet date of the financial year for which it is drawn up; 2) the 'equivalent' report (of the parent company) is drawn up in at least one of the official languages of the European Union, it being understood that the report published on the website of the branch must be drawn up in accordance with Art. 5-sexies (i.e. in Italian or in the language commonly used in the sphere of international finance); 3) the 'equivalent' report (of the parent company) must state the name and registered office of the branch - subject to the law of an EU country - that has fulfilled the reporting and publication obligations.
(1) Art. 5-ter par. 1 letter d) point 1 requires that the branch subject to the obligation be "part of a group which does not include subsidiaries of a third-country parent company whose consolidated revenues, as shown in the consolidated financial statements at the balance sheet date, exceed a total of EUR 750,000,000 in each of the last two consecutive financial years". In reality, the branch may well be opened by a subsidiary (controlled by the non-EU parent company), as this case is provided for by paragraph 4 of the same Art. 5-ter. It must not, however, be a subsidiary with registered office in the EU (more precisely, subject to the law of an EU Member State), as is definitively clarified by Directive 2013/34, Art. 48-ter, paragraph 5, which reads: "Member States shall require that branches opened in their territories by undertakings not governed by the law of a Member State publish and make accessible a report on income tax information of the ultimate parent undertaking…"			