

Country-specific update for Italy for Microsoft Dynamics® AX 2012

This white paper describes the country-specific update released for Italy in Cumulative Update 2 (CU-2) for Microsoft Dynamics AX 2012. See Microsoft Knowledge Base article [2606916](#) for hotfix download information.

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Table of Contents

Introduction.....	3
Withholding tax update for the Modello 770 report.....	3
Setting up withholding tax and address information to generate the Modello 770 report	3
Set up address information for a self-employed vendor or contractor	3
Set up the birth county and heir status for a self-employed vendor	4
Set up a fiscal code for the legal entity	4
Set up a number sequence for the Modello 770 report.....	5
Create and export the Modello 770 report as an ASCII file	5
Forms.....	7
Modified forms.....	14

Introduction

This white paper describes a Microsoft Dynamics® AX feature, released in Cumulative Update 2 (CU-2), that is specific to users in Italy.

For more information about other features that apply to Italy, refer to the Help. Information that is specific to Italy includes (ITA) in the title.

Withholding tax update for the Modello 770 report

In accordance with Italian legislation, legal entities must generate and submit a Modello 770 report electronically to the Italian government.

You must generate the Modello 770 report electronically and export the report as an ASCII file to the [Italian Revenue Agency](#) website.

Setting up withholding tax and address information to generate the Modello 770 report

Complete the following tasks before you generate a Modello 770 report and export it as an ASCII file:

- Set up a withholding tax code, withholding tax group, withholding tax limit, and withholding tax value. For more information, see "Withholding tax configuration key (LedgerBasicWithholdingTax)," "Withholding tax codes (form)," "Withholding tax groups (form)," "Withholding tax limits (form)," and "Withholding tax values (form)" in the Help.
- Set up withholding tax for a vendor. For more information, see "(Global, AUS, ITA) Set up withholding tax for a vendor" in the Help.
- Pay a vendor invoice and withhold taxes from the payment. For more information, see "Journal voucher - Vendor payment journal (form)," "Pay a vendor invoice," and "About payment types" in the Help.
- Set up an Italian sales tax book. For more information, see "Italian sales tax books (form)" and "(ITA) Set up customer and vendor list" in the Help.

You must also complete the following procedures before you generate a Modello 770 report and export it as an ASCII file:

- [Set up address information for a self-employed vendor or contractor](#)
- [Set up the birth county and heir status for a self-employed vendor](#)
- [Set up a fiscal code for the legal entity](#)
- [Set up a number sequence for the Modello 770 report](#)

Set up address information for a self-employed vendor or contractor

Use the **Address setup** form to set up the country code, state and region code, and county and municipality codes for a self-employed vendor or contractor to include in a Modello 770 report. You must set up address information for all self-employed vendors and contractors for whom you withhold taxes from payments. For more information, see "Address setup (form)" in the Help.

For information about address codes and state numeric codes, see the Italian government's instructions for the Modello 770 report published on the [Italian Revenue Agency](#) website.

1. Click **Organization administration > Setup > Addresses > Address setup** to open the **Address setup** form.
2. Click the **Country/region** link, and then press CTRL+N to create a new country code.

3. In the **Country/region** field, enter the two-letter International Organization for Standardization (ISO) country code for Italy.
4. In the **Country/region type** field, select the country type for Italy.
5. Click the **State/province** link, and then in the **State** and **IT state code** fields, enter the identification code of the state and two-digit IT region code for the self-employed vendor or contractor.
Note: Use the numeric state code, not the state acronym.
6. Click the **County** link, and then in the **Italian county code** field, enter the two-letter ISO county code for the vendor or contractor.
7. Click the **City** link, and then in the **IT municipality code** field, enter the four-character Italian municipality code for the vendor or contractor. The code consists of a letter and three numbers.
8. Click the **ZIP/postal codes** link, and then in the **ZIP/postal codes** field, enter the Italian postal code.
9. Close the form.

Set up the birth county and heir status for a self-employed vendor

Use the **Vendors** form to set up information about a self-employed vendor's birth county and status as an heir to the company. For more information, see "Vendors (form)," "(ITA) Create a customer and vendor list," and "(ITA) Set up customer and vendor list" in the Help.

You can use the tax exempt number defined on the **Invoice and delivery** FastTab in the **Vendors** form to determine if the vendor is an individual or company. If the vendor has a tax exempt number, the vendor is considered a company; otherwise, the vendor is considered an individual. You can set up the birth county and heir status only for vendors who are considered individuals. The birth county, heir status, and fiscal code of the vendor are included in the Modello 770 report.

1. Click **Accounts payable > Common Forms > All vendors** to open the **All vendors** list page.
2. Select a self-employed vendor, and then click **Edit** to open the **Vendors** form.
3. Click the **Invoice and delivery** FastTab, and then in the **Fiscal code** field, enter the fiscal code of the vendor.

Note: For self-employed vendors who are not required to pay VAT, enter the personal fiscal code for the vendor provided by the Italian government. If the vendor is required to pay VAT, enter the VAT registration number (partita IVA), provided by the Italian tax authority, as the fiscal code of the vendor.

4. Select the **Calculate withholding tax** check box to calculate the withholding tax for vendor payment transactions in journals.
5. Click the **Purchasing demographics** FastTab, and then in the **Birth county** field, select the county where the vendor was born.
6. Select the **Heir** check box to identify the vendor as an heir to the company.
7. Close the form.

Set up a fiscal code for the legal entity

Use the **Legal entities** form to set up the fiscal code for your legal entity. You can use the fiscal code for tax declarations. The fiscal code is included in the Modello 770 report to allow the Italian government to identify your legal entity. For more information, see "Legal entities (form)" in the Help.

1. Click **Organization administration > Setup > Organization > Legal entities** to open the **Legal entities** form.

2. Click the **Statutory reporting** FastTab, and then in the **Fiscal code** field, enter the fiscal code of your legal entity.
3. Close the form.

Set up a number sequence for the Modello 770 report

Use the **General ledger parameters** form to set up a number sequence for the Modello 770 report. For more information, see "General ledger parameters (form)" in the Help.

1. Click **General ledger > Setup > General ledger parameters** to open the **General ledger parameters** form.
2. Click the **Number sequences** link.
3. In the **Number sequence code** field, select a number sequence for the **Model ID** reference.
4. Close the form.

Create and export the Modello 770 report as an ASCII file

Use the **Withholding tax – Model 770** form to generate a Modello 770 report and export it as an ASCII file to submit to the tax authorities.

1. Click **General ledger > Reports > External > Withholding tax - Model 770** to open the **Withholding tax - Model 770** form.
2. Press CTRL+N to create a new report. The report is numbered according to the number sequence that you set up for the **Model ID** reference on the **Number sequences** link in the **General ledger parameters** form.
3. In the **Filing year** field, enter the year of the tax filing. For example, enter 2011 as the filing year for tax year 2010.

Note: The default value is the current calendar year.

4. Click the **Report information** FastTab, and then in the **ATECOFIN Code** field, enter the companies ATECOFIN code. This code is defined in the **Italian sales tax books** form.
5. In the **Declaration type** field, select **Integrative** to compile and submit a new report if you have already submitted a report that requires corrections.
6. In the **Exceptional event** field, select any exceptional event that your company was subject to during the tax year from the following options:
 - **No exceptional events** – There were no exceptional events. This option is displayed by default.
 - **Extortion** – The company was extorted and obtained an extension of three years from the Italian government to meet their tax obligations.
 - **Abruzzo earthquakes** – The company was affected by the 2009 Abruzzo earthquakes.
 - **Exceptional circumstances** – The company was subject to various exceptional situations that resulted in the suspension of tax submissions for a period defined by the Italian government.
 - **Veneto flooding** – The company was affected by the 2010 Veneto flooding.
7. In the **Status** field, select the operational status of the company from the following options:
 - **Normal operation** – The company is operating as usual. This option is displayed by default.
 - **In liquidation** – The company is in liquidation.
 - **In bankruptcy** – The company is in bankruptcy.

- **Business closed** – The business operations are closed.
8. In the **Situation** field, select the tax period type from the following options:
- **Liquidation tax period** – The report covers the tax period when the company was in liquidation.
 - **Tax period after bankruptcy** – The report covers the tax period after the company filed for bankruptcy.
 - **Tax period when liquidation ended** – The report covers the tax period when the companies liquidation ended.
 - **IRES tax transformation period** – The report covers the tax period specified by the Imposta sul Reddito delle Società (IRES), or corporate income tax, when the company underwent a transformation.
 - **Normal tax period** – The report covers the usual tax period. This option is displayed by default.
9. In the **Editorial comments** field, select the section for which the company must file the withheld tax from the following options:
- **Section I**
 - **Section II**
 - **Section III**
 - **Section IV**

Note: The default value is **Section II**.

10. In the **Role** field, select the employee's role from the following options:
- **Legal representative** – The employee is a managing partner.
 - **Administrator of underaged** – The employee is an administrator for minors or people with disabilities.
 - **Bankruptcy curator** – The employee is a bankruptcy curator.
 - **Commissioned liquidator** – The employee is a liquidation administrator.
 - **Controller of sequestered goods** – The employee is an administrator for seized goods.
 - **Fiscal representative** – The employee is a tax representative for non-residents.
 - **General legatee** – The employee is an heir to the company.
 - **Liquidator** – The employee is an administrator for a voluntary liquidation.
 - **Extraordinary operator** – The employee is a representative who submits tax returns on behalf of a company that no longer exists because of a merger, acquisition, or other extraordinary transaction.
 - **Non - resident** – The employee is a tax representative for non-residents, with limitations as defined under article. 44, paragraph 3, of D.L. No 331/1993 on the [Italian Revenue Agency](#) website.
 - **Legal guardian** – The employee is a guardian for a minor who is an heir to the company.
 - **Sole proprietor liquidator** – The employee is an administrator who is responsible for disposing of the companies equipment during a voluntary liquidation.
 - **Property manager** – The employee is a property manager.
 - **Public representative** – The employee is a representative who signs declarations on behalf of the government.

- **Public liquidator** – The employee is a liquidator who operates on behalf of the government.
11. Click the **Withholding transactions** tab, and then click **Transfer** to add the vendor payments and withholding transactions to the Modello 770 report. Verify the transactions with your records and the Withholding tax – yearly report.
 12. Click the **Vendor totals** FastTab to view the total amount of withheld taxes for a vendor.
 13. Click the **Company totals** FastTab to view a summary of the totals of the withholding tax amounts for the company during the filing year.
 14. Click **Validate** to validate the data that you set up for vendors and your company.
 15. Click **Export** to open the **Modello 770 Export** form, and then in the **Export directory** field, specify a path to export the Modello 770 report as an ASCII file.
 16. Select the **Confirm flag** check box to initiate the import process and to bypass the validation logic in the government import tool. You can also select this check box if you are working with a previously submitted report that was rejected, but that you consider correct and complete.
 17. Click **OK** to export the Modello 770 report in ASCII format.

Note: The file name must be *legal entity fiscal code 77s [YY].77s*, where *legal entity fiscal code* is the legal entity’s fiscal code and *YY* is the last two digits of the filing year.

18. Close the form.

You can save and close the report several times without actually creating the file. You can also export the file multiple times if you modify the withheld tax information or if the file is corrupted.

Forms

This section contains information about the new forms used to generate and export the Modello 770 report as an ASCII file. For information about completing and filing the Modello 770 report, see the [Italian Revenue Agency](#) website.

Form name and locator	Description
Withholding tax - Model 770 (form) General ledger > Reports > External > Withholding tax - Model 770	Use this form to generate the Modello 770 report and export the information as an ASCII file to the tax authorities. The Modello 770 report is an annual report that provides information about the taxes that are withheld by a company when the company pays contractors and self-employed vendors. Model ID field The identification number of the Modello 770 report. Note: The model ID is numbered according to the number sequence that you set up for the Model ID reference on the Number sequences link in the General ledger parameters form. Filing year field Enter the year of the tax filing. For example, enter 2011 as the filing year for the tax year 2010. Note: The default value is the current calendar year. Exported field Select this check box if the Modello 770 report has been exported. Export date field The date when the latest version of the Modello 770 report was exported. Reporting information FastTab ATECOFIN code field Enter the companies ATECOFIN code as defined in the Italian sales tax books form (General ledger > Setup > Sales tax > External > Italian sales tax books).

Declaration type field

Select a declaration type for the Modello 770 report from the following option:

- **Integrative** – Indicates that you can compile and submit a new report if you have already submitted a report that requires corrections.
- **Corrective** – Indicates that the report to be generated is a correction to a previous report.
- **Original** – Indicates that the Modello 770 report is an original report.

Exceptional event field

Select any exceptional event that your company was subject to during the tax year from the following options:

- **No exceptional events** – There were no exceptional events. This option is displayed by default.
- **Extortion** – The company was extorted and obtained a three-year extension from the Italian government to meet their tax obligations.
- **Abruzzo earthquakes** – The company was affected by the 2009 Abruzzo earthquake.
- **Exceptional circumstances** – The company was subject to various exceptional situations that resulted in the suspension of tax submissions for a period defined by the Italian government.
- **Veneto flooding** – The company was affected by the 2010 Veneto flooding.

Status field

Select the operational status of the company from the following options:

- **Normal operation** – The company is operating as usual. This option is displayed by default.
- **In liquidation** – The company is in liquidation.
- **In bankruptcy** – The company is in bankruptcy.
- **Business closed** – The companies operations are closed.

Situation field

Select the tax period type from the following options:

- **Liquidation tax period** – The report covers the tax period when the company was in liquidation.
- **Tax period after bankruptcy** – The report covers the tax period after the company filed for bankruptcy.
- **Tax period where liquidation ended** – The report covers the tax period when the company liquidation ended.
- **IRES transformation tax period** – The report covers the tax period when the company underwent a transformation.
- **Normal tax period** – The report covers the usual tax period. This option is displayed by default.

Bankruptcy date field

Select the date when the company filed for bankruptcy.

Note: This field is only available if you selected **In bankruptcy** in the **Status** field.

Editorial comments field

Select the section for which the company must file the withheld tax from the following options:

- **Section I**
- **Section II**
- **Section III**
- **Section IV**

Note: The default value is **Section II**.

Type of declarer field

Specify the type of declarer who sends the tax declaration to the tax authority from the following options:

- **Filing for same legal entity** – Indicates that you are sending the Modello 770 report for the same company for which the withholding transaction is transferred.
- **Filing for other legal entity** – Indicates that the Modello 770 report is sent on behalf of another company.
- **Filing through fiscal assistance center (CAF)** – Indicates that the Modello 770 report is filed through the fiscal assistance center (CAF).

Fiscal code field

Enter the fiscal code of the person who prepared the report.

CAF inscription number field

Enter the 5-digit CAF inscription number.

CAF obligation field

Select who prepared the Modello 770 report:

- **Declaration prepared by legal entity**
- **Declaration prepared by declarer**

Note: This field is available only if the **Type of declarer** field is set to **Filing for other legal entity** or **Filing through fiscal assistance center (CAF)**.

CAF fiscal code field

Enter the 11-digit CAF code.

Note: This field is available only if the **Type of declarer** field is set to **Filing through fiscal assistance center (CAF)**.

CAF transmission date field

Select the transmission date for the selected declarer type.

Note: This field is available only if the **Type of declarer** field is set to **Filing for other legal entity** or **Filing through fiscal assistance center (CAF)**.

Signatory field

Select the employee who signed the report on behalf of the company.

Legal address field group

Select the legal address of the company.

Address changed field

Select this check box if the companies address changed during the previous calendar year.

Changed date field

Select the date when the companies address changed.

Fiscal address field group

Select the fiscal address of the company.

Address changed field

Select this check box if the companies fiscal address changed during the previous calendar year.

Changed date field

Select the date when the companies fiscal address changed.

Role field

Select the employee's role from the following options:

- **Legal representative** – The employee is a managing partner.
- **Administrator of under-aged** – The employee is an administrator for minors or people with disabilities.

- **Bankruptcy curator** – The employee is a bankruptcy administrator.
- **Commissioned liquidator** –The employee is an administrator for liquidation.
- **Controller of sequestered goods** – The employee is an administrator for seized goods.
- **Fiscal representative** –The employee is a tax representative for non-residents.
- **General legatee** –The employee is an heir to the company.
- **Liquidator** –The employee is an administrator for a voluntary liquidation.
- **Extraordinary operator** –The employee is a representative who submits tax returns on behalf of a company that no longer exists because of a merger, acquisition, or other extraordinary transaction.
- **Non-resident** –The employee is a tax representative for non-residents with limitations, as defined under article. 44, paragraph 3, 3, of D.L. No 331/1993 on the [Italian Revenue Agency](#) website.
- **Legal guardian** –The employee is a guardian for a minor who is an heir to the company.
- **Sole proprietor liquidator** –The employee is an administrator who is responsible for the disposal of equipment during a voluntary liquidation.
- **Property manager** –The employee is a manager of the property.
- **Public representative** –The employee is a representative who signs declarations on behalf of the government.
- **Public liquidator** –The employee is a liquidator operating on behalf of the government.
- **Public liquidator** – The employee is a liquidator operating on behalf of the government.

First date in role field

Select the date when the employee was assigned to the role specified in the **Role** field.

Signatory fiscal code field

Enter the fiscal code of the employee.

Birth county field

Select the Italian county code for the birth county of the employee.

Birth city or foreign country field

Enter the birth city if the employee was born in Italy or the country/region name if the employee was born outside Italy.

Foreign resident field

Select this check box if the employee is a foreign national.

Country/region field

Enter the country name of the employee's foreign residence.

Foreign address field

Enter the address of the employee's foreign residence.

Foreign state, province and county field

Enter the state, province, and county of the employee's foreign residence.

Place of residence field

Enter the place of the employee's foreign residence.

Note: The **Country/region**, **Foreign address**, **Foreign state, province and county**, and **Place of residence** fields are available only if you selected the **Foreign resident** check box.

Withholding transactions FastTab

Excluded field

Select this check box to exclude the withholding tax transaction from the vendor or company totals and from the transaction being exported.

Vendor account field

The vendor account number.

Name field

The name of the vendor.

Payment date field

The date when the payment was made to the vendor.

Tax code field

The withholding tax code.

Reason code field

The reason code for withholding the tax.

Service type field

The type of withholding the tax.

Total amount field

The total amount of the withholding tax transaction.

Withhold tax amount field

The amount of the tax withheld.

Recovered credits field

The amount of credits recovered from the withholding tax transaction.

Expense reimbursement amount field

The amount of expense reimbursed in the withholding tax transaction.

Not taxable by treaty field

The portion of the invoice amount that is not subjected to withholding tax calculation.

Prepayment journal voucher field

The amount that was paid in advance to the vendor before the withholding tax transaction.

Amount withheld as deposit field

Enter the amount that was withheld from the vendor as a deposit for the withholding tax transaction.

Suspended withhold amount field

Enter the withheld amount that was deferred from the payment to the vendor.

Exempted amount field

The amount that was exempted from the payment to the vendor.

Base amount field

The base amount of the withholding tax transaction.

Total amount field

The total amount of the withholding tax transaction.

Withhold tax amount field

The amount of the withheld tax.

Recovered credits field

The amount of credits recovered from the withholding tax transaction.

Deduction amounts used field

Enter the amount of the deduction in the withholding tax transaction.

Over payment field

Enter the amount that was overpaid in the withholding tax transaction.

Tax credit used as a deduction field

Enter the amount to be subtracted from the tax for the vendor payment line.

Paid amount field

The amount that is paid to the vendor as part of the withholding tax transaction.

Interest amount field

Enter the amount that was paid as interest to the vendor during the withholding tax transaction.

Note field

Enter the control code for withholding the tax.

Payment date field

Select the date when the payment was made to the vendor.

Prepayment field

The amount that was paid in advance to the vendor before the withholding tax transaction.

Vendor totals FastTab

Vendor account field

The vendor account number.

Other non-taxable amounts field

The amounts that are not taxable for a vendor during a specific period. This does not include amounts that are not taxable by treaty, which are displayed separately.

Not taxable by treaty field

The amount that is not taxable by treaty in the withholding tax transaction for a vendor.

Base amount field

The total base amount used to calculate withholding tax.

Gross payment amount field

The total amount of the gross payment made to the vendor, including the taxes.

Prepayment field

The total amount that was paid in advance to the vendor before the withholding tax transaction.

Withholding amount as deposits field

The total amount withheld as a deposit during the period for a vendor.

Suspended withhold amount field

The withheld amount that was deferred from a payment to the vendor.

Amount withheld as deposit field

The amount withheld as a deposit by the company from a payment to the vendor for the withholding tax transaction.

Base amount previous years field

Enter the base amount of payments, including withholding tax, that were made during the previous calendar year.

Amount withheld for previous years field

Enter the total amount of withheld payments, including withholding tax, during the previous calendar year for a vendor.

Expense reimbursement amount field

The amount of expenses reimbursed in the withholding tax transaction.

Withhold for tax purpose field

The total amount that was withheld from the payment to the vendor for tax purposes.

Company totals FastTab

Other non-taxable amounts field

The total amount that is not taxable for the company for a period. This does not include amounts that are not taxable by treaty, which are displayed separately.

Not taxable by treaty field

The total amount that is not taxable by treaty for each company.

Base amount field

The summary of the total base amount of all withholding tax transactions for the company.

Gross payment amount field

The summary of the total amount of all gross payments made to vendors, including taxes.

Prepayment field

The total amount that was paid in advance to vendors by a company before withholding tax transactions.

Withhold amount as deposit field

The total amount that was withheld as a deposit by the company from vendor payments for withholding tax transactions.

Suspended withhold amount field

The total withheld amount that was suspended from the payment for each company for a period.

Expense reimbursement amount field

The total amount of expenses reimbursed in withholding tax transactions for the company.

Paid amount field

The total amount paid to all vendors by a company as part of withholding tax transactions.

Withhold for tax purpose field

The total amount that was withheld by the company from vendor payments for tax purposes.

Amount withheld for previous years field

The summary of the total amount of payments withheld for each company during the previous calendar year.

Base amount previous years field

The summary of the total base amount used to calculate withholding tax for each company during the previous calendar year.

Transfer button

Add the vendor payment and withholding tax transactions to the Modello 770 report.

Reset button

Reset the values on all tabs.

Validate button

Validate the data that is set up for vendors and your company.

Export button

Open the **Modello 770 export** form and export the Modello 770 report as an ASCII file.

Modello 770 export (form)
General ledger > Reports > External > Withholding tax - model 770 > Export

Use this form to specify the path to export the Modello 770 report as an ASCII file.

Export directory field

Specify the export path for the Modello 770 report.

Confirm flag field

Select this check box to initiate the import process and to bypass the validation logic in the government import tool. You can also select this

check box if you are working with a previously submitted report that was rejected but that you consider correct and complete.

Modified forms

This section contains information about the modified forms used to set up the address information and heir status for self-employed vendors and contractors before you generate and export the Modello 770 report as an ASCII file. For more information about the address codes, see the Italian government's instructions for the Modello 770 report published on the [Italian Revenue Agency](#) website.

Form name and locator	Description
Address setup (form) Organization > Setup > Addresses > Address setup	State/province link IT state code field Enter the two-digit IT region code of the self-employed vendor or contractor. Note: Use the numeric state code, not the state acronym. County link Italian county code field Enter the two-letter ISO county code of the self-employed vendor or contractor. City link IT municipality code field Enter the four-character Italian municipality code of the self-employed vendor or contractor. The code consists of a letter and three numbers.
Vendors (form) Accounts payable > Common Forms > All vendors. Click Vendor	Contact information FastTab Birth county field Select the county where the vendor was born. Heir field Select this check box to identify the vendor as an heir to the company.
General ledger parameters (form) General Ledger > Setup > General ledger parameters	Number sequences tab Reference field Select the number sequence code for the Model ID reference.

The Microsoft Knowledge Base article number for this country-specific update is 2563234.

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