Microsoft Dynamics® AX 2009 SP1

Country-specific update for Italy

White Paper

This white paper describes the country-specific update released for Italy in hotfix rollup 6 for Microsoft Dynamics AX 2009 SP1. See Microsoft Knowledge Base article 2405516 for hotfix download information.

Date: October 2010

Microsoft Dynamics®

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Introduction

This white paper describes a Microsoft Dynamics® AX feature, released in hotfix rollup 6, that is specific to users in Italy.

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

Microsoft Dynamics AX 2009 SP1 implements the Modello 770/2010 Semplificato, which contains information about payments to self-employed vendors. It does not contain information about payments made to employees. Reference material in Italian can be found on The Revenue Agency Telematic Services website.

Generating a Modello 770 report as an ASCII file

In accordance with Italian legislation, companies must generate and submit a Modello 770 report electronically to the Italian government. The Modello 770 report is an annual report that provides information about the taxes withheld by a company when paying contractors and self-employed vendors. Companies remit the withheld taxes directly to the government throughout the year. At the end of the year, the company generates and transmits a report to each vendor that itemizes payments made and taxes withheld.

You can generate the Modello 770 report electronically and export the report as an ASCII file to the tax authority website, The Revenue Agency Telematic Services.

Setup to generate the Modello 770 report

Complete the following tasks before you generate a Modello 770 report to export 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 Applications and Business Processes Help.

- Set up withholding tax for a vendor. For more information, see "(Global, AUS, ITA) Set up withholding tax for a vendor" in the Applications and Business Processes Help.

- Pay a vendor invoice and withhold the taxes from the payment. For more information, see "Journal voucher - Vendor payment journal (form)," "Pay a vendor invoice," and "About payment types" in the Applications and Business Processes 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 Applications and Business Processes 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

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

- Set up the company fiscal code

- Set up a number sequence for the Modello 770 report

Set up address information for a self-employed vendor

Use the **Country/region** form, the **State** form, the **County** form, and the **ZIP/postal code** form to set up address information for a self-employed vendor to include in a Modello 770 report. For more information, see "Country/region (form)," "State (form)," "County (form)," and "ZIP/postal Codes (form)" in the Applications and Business Processes Help.

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

You must set up address information for all self-employed vendors for whom you withhold taxes from payments.

1. Click **Basic** > **Setup** > **Addresses** > **Country/region** to open the **Country/region** form.

2. Press CTRL+N to create a new country/region.

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 **General** tab, and in the **IT 3-digit code** field, enter the three-digit country/region code for Italy.

6. Click **States** to open the **State** form.

7. Select a state, and then click the **General** tab.

8. In the **IT state code** field, enter the two-digit IT state code for the vendor.

    Note: Use the numeric state code, not the state acronym.

9. Click **Counties** to open the **County** form.

10. Select a county, and then click the **General** tab.

11. In the **ISO 3166 code** field, enter the vendor's two-letter ISO county code.

12. Close the **County** form, the **State** form, and the **Country/region** form to save your changes.

13. Click **Basic** > **Setup** > **Addresses** > **ZIP/postal codes** to open the **ZIP/ postal Code** form.

14. Select an Italian postal code, and then click the **General** tab.

15. In the **IT municipality code** field, enter the vendor's four-character Italian municipality code. The code consists of a letter and three numbers.

16. Close the form to save your changes.

Set up 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 Applications and Business Processes Help.

You can use the tax exempt number defined on the **Setup** tab in the **Vendors** form to determine if the vendor is an individual or a company. If the vendor has a tax exempt number, the vendor is considered a company; otherwise, the vendor is considered to be an individual. You can set up the birth county and heir status only for vendors who are considered to be 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** > **Vendor Details** to open the **Vendor** form.

2. Create a self-employed vendor. For more information, see "Create a vendor account" in the Applications and Business Processes Help.

3. Click the **Setup** tab, and then select the **Calculate withholding tax** check box to calculate the withholding tax for vendor payment transactions in journals.

4. 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 provided by the Italian government for the vendor. 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.

5. Click the **Contact information** tab.

6. In the **Birth county** field, select the county where the vendor was born.

7. Select the **Heir** check box to identify the vendor as an heir to the company.

8. Close the form to save your changes.

Set up the company fiscal code

Use the **Company information** form to set up the fiscal code for a company. 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 the company. For more information, see "Company information (form)" in the Applications and Business Processes Help.

1. Click **Basic** > **Setup** > **Company information** to open the **Company information** form.

2. Click the **Contact information** tab.

3. In the **Fiscal code** field, enter the fiscal code of the company.

4. Close the form to save your changes.

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 Applications and Business Processes Help.

1. Click **General ledger** > **Setup** > **Parameters** to open the **General ledger parameters** form.

2. Click the **Number sequences** tab.

3. In the **Number sequence code** field, select a number sequence for the reference **Model ID**.

4. Close the form to save your changes.

Generate and export the Modello 770 report

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

For instructions on completing and filing the Modello 770 report, refer to The Revenue Agency Telematic Services website.

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 reference **Model ID** on the **Number sequences** tab in the **General ledger parameters** form.

3. In the **Filing year** field, enter the year for the tax filing. For example, enter 2010 as the filing year for the tax year 2009.

   Note: The default is the current calendar year.

4. Click the **Company information** tab, and then in the **ATECOFIN** field, enter the company's ATECONFIN code. This code is defined in the **Italian sales tax books** form (**General ledger** > **Setup** > **Sales tax** > **External** > **Italian sales tax books**).

5. In the **Legal nature** field, enter the numeric code for your company type.

6. In the **Declaration type** field, select **Integrative** to compile and submit a new report if you have already submitted a report that requires corrections.

7. 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.

   - **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 earthquake.

   - **Exceptional circumstances** – The company was subject to various exceptional situations that resulted in the suspension of tax submission for a period defined by the Italian government.

   Note: The default is **No exceptional events**.

8. In the **Status** field, select the operational status of the company from the following options:

   - **Normal operation** – The company is operating normally.

   - **In liquidation** – The company is in liquidation.

   - **In bankruptcy** – The company is under bankruptcy.

   - **Business closed** – The company's operations are closed.

   Note: The default is **Normal operation**.

9. 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 bankruptcy.

   - **Tax period where liquidation ended** – The report covers the tax period when the company's 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 normal tax period.

   Note: The default is **Normal tax period**.

10. In the **Editorial comments** field, select the section that the company must file the withheld tax for from the following options:

    - **Section I**

    - **Section II**

    - **Section III**

    - **Section IV**

    Note: The default is **Section II**. You can select the section based on the Italian government's instructions for the Modello 770 report published on [The Revenue Agency Telematic Services](#) website.

11. In the **Role** field, select the employee's role from the following options:

    - **Legal representative** – A managing partner.

    - **Administrator of under-aged** – An administrator for minors or people with disabilities.

- **Bankruptcy curator** – An administrator for bankruptcy.

- **Commissioned liquidator** – An administrator for liquidation.

- **Controller of sequestered goods** – An administrator for seized goods.

- **Fiscal representative** – A tax representative for non-residents.

- **General legatee** – An heir to the company.

- **Liquidator** – An administrator for voluntary liquidation.

- **Extraordinary operator** – 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** – A tax representative for non-residents. The tax representative transfers items on behalf of a non-resident without paying VAT. The company or individual who accepts the items are required to pay VAT. For more information, see article. 44, paragraph 3, of D.L. No 331/1993 in The Revenue Agency Telematic Services website.

- **Legal guardian** – A guardian for a minor who is an heir to the company.

- **Sole proprietor liquidator** – An administrator responsible for disposal of company equipment during voluntary liquidation.

- **Property manager** – A manager of the property.

- **Public representative** – A representative who signs the declarations on behalf of the government.

- **Public liquidator** – A liquidator operating on behalf of the government.

12. Click the **Withholding transactions** tab, and then click **Transfer** to transfer the vendor payment and withholding transactions to the Modello 770 report. Verify the transactions with your records and with the Withholding tax – yearly report.

13. Click **Validate** to validate the data that you set up for vendors and the company.

14. Click **Export** to open the **Model 770 export** form, and then in the **Export directory** field, specify a path to export the Modello 770 report as an ASCII file.

15. Select the **Confirm flag** check box to initiate the import process by bypassing 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 to be correct and complete.

16. Click **OK** to export the Modello 770 report in the required ASCII format.

    Note: The file name must be [company fiscal code] 77S[YY].77s, where YY is the last two digits of the filing year.

17. Close the form to save your changes.

You can save and close the report several times without actually creating the file. You can also export the file multiple times if you modified 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 the withheld tax filing sections, validation tool to file the withheld tax under sections **SX** and **SV**, and instructions for completing and filing the Modello 770 report, refer to The Revenue Agency Telematic Services website.

Form name and locator	Description
Withholding tax - model 770 (form) **General ledger** > **Reports** >	Use this form to generate the Modello 770 report and export the information to an ASCII file to submit to the tax authorities. The Modello 770 is an annual report that provides information about the taxes

| **External** > **Withholding tax - model 770** | withheld by a company when paying contractors and self-employed vendors. |

Overview tab

Model ID field

The identification number of the Modello 770 report.

Filing year field

Enter the year that the tax filing is for. For example, enter 2010 as the filing year for the tax year 2009.

Note: The default is the current calendar year.

Exported field

This check box is selected if the Modello 770 report has been exported.

Export date field

The date when the latest version of the Modello 770 report was exported.

Company information tab

Company name field

The name of the company that generates and submits the Modello 770 report to the Italian government.

Fiscal code field

The fiscal code of the company.

ATECOFIN code field

Enter the company's ATECONFIN code as defined in the **Italian sales tax books** form (**General ledger** > **Setup** > **Sales tax** > **External** > **Italian sales tax books**).

Legal nature field

Enter the numeric code for your company type.

Telephone field

The telephone number of the company.

Fax field

The facsimile number of the company.

E-mail field

The email address of the company.

Declaration type field

Select **Integrative** to compile and submit a new report if you have already submitted a report that requires corrections.

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.
- **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 earthquake.
- **Exceptional circumstances** – The company was subject to various exceptional situations that resulted in the suspension of tax submission for a period defined by the Italian government.

Note: The default is **No exceptional events**.

Status field

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

- **Normal operation** – The company is operating normally.
- **In liquidation** – The company is in liquidation.
- **In bankruptcy** – The company is under bankruptcy.

- **Business closed** – The company's operations are closed.

Note: The default is **Normal operation**.

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 bankruptcy.
- **Tax period where liquidation ended** – The report covers the tax period when the company's 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 normal tax period.

Note: The default is **Normal tax period**.

Bankruptcy date field

Select the date when the company filed bankruptcy.

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

Editorial comments field

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

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

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

SS and **ST** fields

These check boxes are always selected. You can file the withheld tax under sections **SS** and **ST**.

SX and **SV** fields

These check boxes are always not selected. You can complete the withheld tax filing under sections **SX** and **SV** using the validation tool.

Ordinary to be sent later field

Select this check box to indicate that the details about the withheld tax transactions under sections **SX** and **SV** will be submitted later.

Writer fiscal code field

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

Legal address field group

Select the legal address of the company.

Legal address changed field

Select this check box if the company's legal address changed during the prior calendar year.

Changed date field

Select the date when the company's legal address changed.

Fiscal address field group

Select the fiscal address of the company.

Fiscal address changed field

Select this check box if the company's fiscal address changed during the prior calendar year.

Changed date field

Select the date when the company's fiscal address changed.

Signatory field

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

First name field

The first name of the employee.

Last name field

The last name of the employee.

Role field

Select the employee's role from the following options:

- **Legal representative** – A managing partner.
- **Administrator of under-aged** – An administrator for minors or people with disabilities.
- **Bankruptcy curator** – An administrator for bankruptcy.
- **Commissioned liquidator** – An administrator for liquidation.
- **Controller of sequestered goods** – An administrator for seized goods.
- **Fiscal representative** – A tax representative for non-residents.
- **General legatee** – An heir to the company.
- **Liquidator** – An administrator for voluntary liquidation.
- **Extraordinary operator** – 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** – A tax representative for non-residents. The tax representative transfers items on behalf of a non-resident without paying VAT. The company or individual who accepts the items are required to pay VAT. For more information, see article. 44, paragraph 3, of D.L. No 331/1993 in The Revenue Agency Telematic Services website.
- **Legal guardian** – A guardian for a minor who is an heir to the company.
- **Sole proprietor liquidator** – An administrator responsible for disposal of company equipment during voluntary liquidation.
- **Property manager** – A manager of the property.
- **Public representative** – A representative who signs the declarations on behalf of the government.
- **Public liquidator** – A liquidator operating on behalf of the government.

First date in role field

Select the date when the employee was designated to the role.

Signatory fiscal code field

Enter the fiscal code of the employee.

Birth county field

Select the birth county of the employee.

Birth city or foreign country field

Enter either the birth city if the employee was born in Italy, or the country name if the employee was born in a foreign country.

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 tab

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.

Vend 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.

Note field

The reason for 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.

Over payment field

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

Not taxable by treaty field

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

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.

Prepayment 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 deposit for the withholding tax transaction.

Suspended withhold amount field

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

Exempted amount field

The amount that was exempted from payment to the vendor.

Base amount field

The base amount of the withholding tax transaction.

Vendor totals tab

Vendor account field

The vendor account number.

Tax code field

The withholding tax code.

Other non-taxable amounts field

The payment or fee amount that is not subjected to withholding tax calculation.

Not taxable by treaty field

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

Base amount field

The base amount of the withholding tax transaction.

Gross payment amount field

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

Prepayment field

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

State addition as deposit field

The amount collected as deposit for state addition.

State addition for tax purpose field

The total amount of state addition collected for tax purposes.

Amount withheld as deposit field

The amount withheld as deposit by the company from paying the vendor for the withholding tax transaction.

Suspended withhold amount field

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

Suspended state addition field

The total amount suspended for state addition.

Base amount previous years field

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

Withhold amount previous years field

Enter the amount of withheld payments, including withholding tax that was withheld during the prior calendar year.

Expense reimbursement amount field

The amount of expenses reimbursed in the withholding tax transaction.

Paid amount field

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

Withheld for tax purpose field

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

Company totals tab

Other non-taxable amounts field

The sum total of all the payment or fee amounts that are not subjected to withholding tax calculation for the company.

Not taxable by treaty field

The sum total of the portions of all the invoice amounts that are not subjected to withholding tax calculation for the company.

Base amount field

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

Gross payment amount field

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

Prepayment field

The amount that was paid in advance to vendors before withholding tax transactions.

State addition as deposit field

The amount collected as deposit for state addition.

State addition for tax purpose field

The total amount of state addition collected for tax purpose.

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 deferred from payment to the vendor.

Suspended state addition field

The total amount suspended for state addition.

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 the vendors as part of withholding tax transactions.

Withheld for tax purpose field

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

Withhold amount previous years field

The total withheld amount of payments, including withholding taxes, which were made by the company during the prior calendar year.

Base amount previous years field

The total base amount of payments, including withholding taxes, which were made by the company during the prior calendar year.

Transfer button

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

Reset button

Reset the values on all the tabs.

Validate button

Validate the data set up for vendors and the company.

Export button

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

Model 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 a path to export the Modello 770 report to.

Confirm flag field

Select this check box to initiate the import process by bypassing 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 to be correct and complete.

Modified forms

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

Form name and locator	Description
Country/region (form) **Basic** > **Setup** > **Addresses** > **Country/region**	**General** tab **IT 3-digit code** field Enter the three-digit country/region code for Italy.
State (form) **Basic** > **Setup** > **Addresses** > **Country/region** > **States**	**General** tab **IT state code** field Enter the two-digit IT state code of the self-employed vendor. **Note:** Use the numeric state code, not the state acronym.
County (form) **Basic** > **Setup** > **Addresses** > **Country/region** > **States** > **Counties**	**General** tab **ISO 3166 code** field Enter the two-letter International Organization for Standardization (ISO) county code of the self-employed vendor.
ZIP/postal Codes (form) **Basic** > **Setup** > **Addresses** > **ZIP/postal codes**	**General** tab **IT municipality code** field Enter the four-character Italian municipality code of the self-employed vendor. The code consists of a letter and three numbers.
Vendors (form) **Accounts payable** > **Common Forms** > **Vendor Details**	**Contact information** tab **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** > **Parameters**	**Number sequences** tab **Model ID** field The number sequence reference for the Modello 770 report.

The Microsoft Knowledge Base article number for this country-specific update is 975708.

Microsoft Dynamics is a line of integrated, adaptable business management solutions that enables you and your people to make business decisions with greater confidence. Microsoft Dynamics works like and with familiar Microsoft software, automating and streamlining financial, customer relationship and supply chain processes in a way that helps you drive business success.

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