03 September 2025

Ruling n. 218 August 20, 2025

With Ruling n. 218 dated August 20, 2025, the Italian Tax Authorities ("**ITA**") provide some clarifications on the tax treatment applicable to negative goodwill / badwill arising in the context of a business acquisition carried out by an IAS/IFRS adopter.

The taxpayer illustrated the transaction for which it was seeking clarification: the case concerned the acquisition of two going concerns which had been accounted as a business combination in accordance with IFRS 3 using the acquisition method and the purchase price allocation ("**PPA**") procedure.

A positive delta between the fair value of the assets and liabilities acquired and the purchase price emerged, i.e. a gross negative goodwill. The mentioned delta was partially allocated to negative adjustments in the balance sheet (customer receivables and real estate assets), while the exceeding amount was booked in the P&L as net negative goodwill. Furthermore, the PPA process resulted in the recognition of newly identified intangible assets against a positive item booked in P&L which increased the net negative goodwill.

To address the question, ITA refer to Article 4(3) of Ministerial Decree No. 48 of 1 April 2009 (the "**IAS Regulation**"), which provides for that tax treatment of the sale of businesses/equity interests is the one set out in the relevant tax laws irrespective of the accounting treatment.

Based on this principle, gross negative goodwill is deemed to represent a tax-recognized provision for risks, which contributes to taxable income until its complete utilization. Consequently, the amount of gross negative goodwill attributed to the reduction in the value of receivables from customers is deemed to be tax-relevant, for both IRES and IRAP purposes. Therefore, the impairment of receivables is tax deductible, whereas the corresponding reversal of the provision is taxable, thus ensuring alignment between the accounting and tax values of receivables.

With respect to the amount of gross negative goodwill attributed to the reduction of real estate assets, ITA denied the deductibility of the "impairment", for both IRES and IRAP purposes, although the cost used as the basis for calculating depreciation must be considered gross of any impairment. Impairment may be "reabsorbed" in subsequent years through downward adjustments.

A different conclusion was reached with regard to the newly recognized intangible assets emerging from the PPA. They were deemed the result of a pure evaluative component not deriving from incurring in an actual cost. As a consequence, neither the corresponding income recognized in the P&L nor the related amortization charges, are deemed relevant for IRES or IRAP purposes.

As for net negative goodwill, ITA confirm their full taxability for IRES purposes in the year of recognition. Therefore, that item remains outside the scope of the IRAP taxable base.

The ruling appears consistent with previous ITA's clarifications; however, it highlights the systemic tension between (i) a strict formal derivation approach, which anchors tax values to purchase costs, and (ii) the enhanced derivation, which tends to follow accounting outcomes.

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