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**172 DTR I-1****Italy****Italy to Start Work on Details of New Municipal Services Tax for 2014 Budget**

*By Eric J. Lyman*

The details of Italy's new "municipal services tax" that was created to offset the lost income from eliminating the controversial IMU property tax will not be decided on until October at the earliest, according to government officials.

Italy announced Aug. 28 that the IMU property tax, which was put in place last year, would be mostly eliminated over the second half of this year. The tax was levied on property of all kinds, including primary residences. The tax on most primary residences will be removed retroactive to July 1, but a supplementary aspect of the tax on commercial property, second homes and luxury properties will remain in effect until the end of 2013.

At the same time the government announced the changes to the IMU property tax, it also said it would "federalize" many local taxes—levies on garbage collection, permits, road taxes and taxes for street lights—as a way of compensating for the estimated 4 billion euros (\$5.3 billion) in revenue the IMU property tax would have brought in over the final two quarters of 2013.

It was not clear how collecting existing taxes on a federal level would help offset the lost revenue from the IMU level or how local governments would be compensated for the lost income from the levies they used to collect.

A spokesman for the Ministry of Finance told Bloomberg BNA that some net gain in income would come from "new efficiencies."

"The details must still be ironed out," the spokesman said.

According to Maurizio Villani, head of the Studio Legale Tributario Villani in Lecce, the process of figuring out the most practical side of the new municipal taxes will most likely start in mid-October, with the Ministry of Finance.

"There's a balancing act between the need to remove the IMU, replace that lost revenue, and encourage economic growth," Villani told Bloomberg BNA. "The reason it hasn't been announced yet is because it's difficult. But the work will start in mid-October."

He added that the final plan will be in the 2014 budget, which will be passed before the end of the year.

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