

# ITALY: BENEFICIAL TAX REGIMES FOR INDIVIDUALS

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The tax benefit reasons for moving to Italy



VASAPOLLI  
& ASSOCIATI  
TAX AND LAW FIRM



# Why move to Italy?

Italy has so much to offer to residents: timeless and culture-rich cities, romantic hill towns, superb mountains, amazing islands, vineyard-covered countryside and a stunning coastline. Furthermore art, culture, history, architecture, fashion and lifestyle, food and wine. There is also no shortage of investment opportunities in a country which has one of the world's leading economies and represent an easy access to the rest of Europe.

This is *La Dolce Vita*: it's about surrounding yourself with beauty, taking the time to enjoy the simplest experiences – like an *espresso* coffee in a Florentine square - and the most extraordinary ones – like the Milan Fashion Week - without renouncing to the opportunities that only a country that plays a leading role on the international economic stage can offer.

Tax benefits for individuals play a key role in making moving to Italy an ideal choice. This brochure provides a presentation of the most advantageous tax regimes for people who move their residence to work or live in Italy.



# Flat tax for High-Net-Worth Individuals

## Income tax benefits

High-net-worth individuals (HNWIs) moving their residence to Italy are enabled to apply **a flat tax** to their **foreign income**, amounting to **€ 100,000** for each fiscal year, in lieu of the Italian Income Tax.

For example, under this tax regime, the flat tax could substitute the ordinary income tax on foreign investments (foreign interests, dividends, capital gains) with the exception of capital gains on qualified participation earned in the first five years of application of the tax regime.

Consequently, individuals opting for the flat tax will be taxed in Italy only:

- on their Italian income (if any);
- on qualified capital gains if realised within 5 years.

Individuals who opt for the flat tax regime are considered to be resident in Italy also for double tax treaty purposes, unless the relevant treaty provides otherwise and the CFC rules do not apply to payers of the flat tax.

## Further benefits

**No inheritance and gift tax are due on foreign assets**, therefore individuals opting for the flat tax could pass on foreign assets free of tax.

In addition, HNWIs moving their tax residence to Italy:

- have **not to pay Italian wealth tax** (*IVIE* and *IVAFE*) on their real estate and financial investments owned out of Italy;
- are **not required to declare their foreign investments** in the Italian tax return (with the exception of qualified participations in the first five tax periods of application of the tax regime).

The election for the regime may be extended to **family members** of the HNWIs through the payment on their **foreign income** of a **flat tax** amounting to **€ 25,000** per member.

## Conditions

The HNWIs regime is available for individuals who:

- actually move their tax residence in Italy;
- have been non-tax resident in Italy for at least 9 out of 10 years preceding their transfer to Italy.

Family members of HNWIs who want to apply for the tax regime must meet the same conditions.

Taxpayers may access to the regime submitting an advance tax ruling to the Italian Revenue Agency.

## Duration

The option for this tax regime is valid for a period of **15 years**.

# Tax relief for workers

## Benefits

**Income from employment, self-employment and sole proprietorship** generated by workers who move their tax residence in Italy is **70% exempt**.

The exemption is **90%** if the residence is taken in one of the followings regions: Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria, Sardinia, Sicily.

## Conditions

In order to apply this tax regime, the following conditions must be met:

- the worker has not been resident in Italy during the two tax periods preceding the transfer;
- the worker undertakes to reside in Italy for at least two years;
- the work activity is carried out mainly in the Italian territory.

## Duration

The benefit is due from the year in which the residence for tax purposes is acquired and for the following 4 years (**5 years in total**).

The **length of the exemption can be extended from 5 to 10 years** if the individuals who moved the tax residence in Italy:

- have at least one child under 18 or any way economically dependent from them, or
- buy a residential property in Italy after that they move to Italy or in the previous 12 months.

For the additional five years period, income is 50% exempt. However, the exemption is 90% if the workers have at least three children under 18 or any way economically dependent from them.





# Tax benefit for professional sportsmen

## Benefits

**Income from employment generated by professional sportsmen** who move their tax residence in the territory of the Italian State is **50% exempt**.

A special contribution of 0.5% is due on the taxable base of the income earned in Italy to support young athletes.

## Conditions

In order to apply this tax regime, the following conditions must be met:

- the sportsman has not been resident in Italy during the two tax periods preceding the transfer;
- the sportsman undertakes to reside in Italy for at least two years;
- the work activity is carried out mainly in the Italian territory.

If the above conditions are met, can apply this tax regime only sportsmen who:

- reached the age of **20 years old**;
- are engaged in disciplines recognized by the Italian National Olympic Committee (**CONI**) in which the national sports federations and professional leagues have achieved **professional qualification**:
  - **by 1990**. In this case, only sportsmen whose total income exceeds **1 million euros** are eligible for this tax regime;
  - **after 1990**. In this case, only sportsmen whose total income exceeds **500,000 euros** are eligible for this tax regime.

## Duration

The benefit is due from the year in which the residence for tax purposes is acquired and for the following 4 years (**5 years in total**).



# Tax benefit for foreign retirees

## Benefits

A **substitute tax of 7% on all types of foreign income** is granted to people who decided to spend their retirement in some of the most suggestive part of South Italy. Instead, Italian income are subject to ordinary taxation.

## Conditions

The retiree **who perceives a foreign pension** may apply for that tax regime under the following conditions:

- have not been resident in Italy during the last 5 years prior the transfer;
- move from a country with which Italy has a cooperation agreement (e.g., double taxation treaty);
- move their residence in a town with a population of less than 20,000 inhabitants in the regions of Sicily, Sardinia, Campania, Basilicata, Abruzzo, Molise or Puglia or in a town with a population of less than 3,000 inhabitants included in a list established by law.

## Duration

The benefit is due from the year in which the residence for tax purposes is acquired and for the following 8 years (**9 years in total**).





# Vasapolli & Associati: Your Consultant in Italy

Founded in 1989 and with offices in both Turin and Milan and clients all over Italy, we are a dynamic, growing firm of professional certified public accountants with a diverse and international client base, operating across a full spectrum of business sectors.

We have extensive knowledge of the Italian regulatory framework as well as the international environment and how to navigate our clients through the complexities involved in differing tax and legal jurisdictions.

We have a solid experience that allows us to assist our clients in the choice of the most suitable **tax regime**, in solving any problem concerning **the tax residence of individuals**, in the **analysis of assets** and **income** owned in Italy and abroad, in **tax ruling** and **Italian tax compliance**. We also offer consultancy of primary stand in **wealth planning**.

More about us:

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