



FLAT TAX REGIMES FOR HIGH NET WORTH INDIVIDUALS AND RETIREES MOVING TO ITALY



FLAT TAX REGIME FOR NEW RESIDENTS

The Italian Budget Law n° 232/2016 for 2017 introduced a significant tax incentive regime to attract foreign workers and investors to transfer their residency to Italy.

The above mentioned tax regime, introduced by the new article 24-bis of the Italian Income Tax Act (D.P.R. 917/1986 - hereinafter ITA), makes Italy an attractive destination for those "high net worth individuals" also as an alternative to other European tax regimes like Portugal, Malta or Switzerland.

MAIN FEATURES OF THE REGIME

Starting from fiscal year 2017, a **new Italian tax resident** may opt to pay a yearly flat tax of EUR 100.000 in respect of his/her **foreign income**, instead of the ordinary progressive tax rates.

An individual who opts for this tax regime will pay ordinary income taxes for all incomes sourced in Italy. However, no foreign tax credit will be granted against the flat tax for taxes paid abroad. For this reason, the legislator lets the taxpayer the possibility to exclude income arisen in one or more specific countries, to which then the ordinary regime will apply. Only in this case taxes paid abroad can be used to offset Italian taxes.

The new provision, which represents an exception to the general principle of worldwide taxation for Italian tax residents, may substitute the State Income Tax (Irppef -23% -43%) and the Regional and Municipal Income Taxes on income earned abroad and Wealth Taxes on financial assets and properties held abroad (Ivafe -0,2% and Ivie -0,76%).

Option is valid for 15 years and is revocable.

Benefit ceases in case a flat tax payment is missed.



The flat tax regime can be extended, upon request, to one or more family members (when these satisfy the same conditions provided for the main taxpayer) with an additional payment of EUR 25.000 per year for each member (as defined by art. 433 of the Italian Civil Code).

The loss of requirements for a family member does not imply the automatic exit of the main taxpayer; vice versa, the end for the main one implies the end of the regime also for other family members.

REQUIREMENT

In order to benefit from the tax measure, the individuals who transfer their tax residency to Italy are required to have not been tax resident in Italy for at least 9 out of the past 10 years.

EXCLUSION

The flat tax regime does not apply on:

- income of Italian source;
- capital gains on qualifying shares, for five years after application.

FURTHER BENEFITS

By opting for the new tax regime individuals will be exempt from:

- ▶ donations and inheritance taxes relating to assets and real estate owned abroad, with the clear benefit of tax optimisation for those individuals;
- ▶ tax on real estate owned abroad and from wealth tax on foreign financial investments;
- ▶ fulfilling the requirements provided by the foreign investments monitoring legislation, that is filing the RW reporting form (disclosure form to be attached to the Italian tax return with respect to any asset held abroad).

How we can help net worth individuals moving to Italy

- flat tax eligibility check
- tax analysis of assets and income
- exit-tax check
- residency status test for Italy and country of origin
- preparation and submission of tax ruling application
- Italian tax compliance while the package is in place
- wealth and inheritance tax planning

FLAT TAX REGIME FOR RETIREES MOVING REIDENCY TO ITALY

On December 30th 2018, the 2019 Italian Budget Law introduced a new legislation aimed to promote the transfer of residency in the south part of Italy of retirees individuals holding foreign pension incomes.

The new regime makes Italy an attractive destination for those "retirees workers" also as an alternative to other favorable European tax regimes like Portugal.

MAIN FEATURES OF THE REGIME

Starting from fiscal year 2019, non Italian resident individuals holding foreign pension incomes transferring their tax residency in Italy are allowed to apply for a flat tax 7% on foreign source income.

REQUIREMENTS

- The applicant must hold retirement income paid by foreign subjects.
- The applicant must not have been Italian tax resident in the previous five tax periods.
- Last residency must be in a country with which a DTT or an agreement on the exchange of information is in force.
- Application must be requested in the tax return relating to the tax period when residency is transferred to Italy.
- Tax residency must be moved to southern Italy in municipalities with less than 20.000 inhabitants belonging to the territory of regions highlighted on the map.



Elegible regions for the application of the scheme:
Sicily, Calabria, Sardinia, Campania, Basilicata, Abruzzo, Molise and Puglia

FEATURES

The new provision, which represents an exception to the general principle of worldwide taxation for Italian tax residents, may substitute the State Income Tax (Irpef -23% -43%) and the Regional and Municipal Income Taxes on income earned abroad and Wealth Taxes on financial assets and properties held abroad (Ivafe -0,2% and Ivie -0,76%).

Option is valid for 5 years and is revocable.

Benefit ceases in case a flat tax payment is missed or partially missed.

FURTHER BENEFITS

By opting for the new tax regime individuals will be exempt from:

- ▶ tax on real estate owned abroad and from wealth tax on foreign financial investments;
- ▶ fulfilling the requirements provided by the foreign investments monitoring legislation, that is filing the RW reporting form (disclosure form to be attached to the Italian tax return with respect to any asset held abroad).

How we can help retirees moving to Italy

- flat tax eligibility check
- tax analysis of foreign source income
- exit-tax check
- residency status test for Italy and country of origin
- Italian tax compliance while the regime is in place
- drafting and filing of Annual Tax returns



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