

# EXPATRIATES

## Italy

### Tax facts for international assignees



#### INCOME TAX: WHO IS LIABLE

A tax resident in Italy is subject to tax on worldwide income. A non-resident is only subject to Italian tax on income from Italy sources. The Italian-source income includes salaries paid in Italy for work performed in Italy, directors' fee, real property in Italy, dividends, royalties and similar income.

For the fiscal year 2019, the deadlines for the tax payments are:

- the payment of the balance 2019 and of the possible first advance payment for the fiscal year 2020 by June 30<sup>th</sup>, 2020 with the possibility of paying in instalments;
- the payment of the second or single advance payment for the fiscal year 2020, by November 30<sup>th</sup>.

An individual is no longer resident in Italy if he/she, for less than 183 days in the tax year (Jan 1<sup>st</sup> - Dec 31<sup>th</sup>) is:

- registered in the records of the Resident population in Italy ("Anagrafe della popolazione residente").
- domiciled in Italy according to the Italian Civil Code (that means he has his centre of affairs and interests in Italy).
- permanently resides or is present in Italy.

Only for Italian tax resident is applicable an exemption to the full employment income taxation. Such exemption is set out by art. 51 para 8 *bis* of the Italian Income Tax Code, with a particular regime for employee income, in case the performance is provided abroad on an ongoing basis and as the exclusive object of the work contract, for more than 183 days in a fiscal year. In this case, the income taxes are determined based on the annual remuneration defined annually by the Italian Minister of Labor.

If an individual is assigned to perform work in another EU country, to continue social security contribution in Italy, the employee must obtain a valid A1 certificate of coverage.

In case of assignment in non-European countries with a bilateral agreement with Italy (i.e. USA, Argentina, Australia, Brazil, Canada, Israel, Mexico, Turkey, Uruguay and Venezuela) social system coverage is determined on a case by case basis depending on the treaty in force.

#### BREAKING RESIDENCY - EXIT PROCEDURES

When the individual leaves Italy, he/she will have to de-register from the Register of Resident Population and, in case of the individual is an Italian citizen, register with the AIRE (Italian register of Italians residents abroad). A mere absence from Italy for determined periods subsequent to exit is not sufficient for the purposes of breaking residency, but rather, an emigrant must follow the Italian legislation related to the tax resident status.

## INCOME TAX RATES

Tax rate	Taxable Income	IRPEF (Gross)
23%	Up to 15,000 euros	23% of income
27%	More than 15,001 and up to 28,000 euros	3,450 + 27% on the part exceeding 15,000 euros
38%	More than 28,001 and up to 55,000 euros	6,960 + 38% on the part exceeding 28,000 euros
41%	More than 55,001 and up to 75,000 euros	17,220 + 41% on the part exceeding 55,000 euros
43%	More than 75,001	25,420 + 43% on the part exceeding 75,000 euros

In addition to the above “ordinary” tax (personal income tax, or Irpef), a regional (3%) and municipal (1%) tax also apply.

If the individual is hired by an Italian employer, the taxation is withheld directly by the employer before paying the salary.

A foreign company without a branch or a permanent establishment in Italy is exempt from withholding. In this case, each employee must pay his taxation on his own (annual tax return).

The Italian Tax Authorities accept limited deductions for the Italian tax resident individual as first home mortgage interests, health expenses, additional pension scheme, life insurances, school expenses, as well as donations to Italian Charities.

## SOCIAL TAX RATES

Employees’ social security burdens are calculated based on the type of employment (Blue collar, white collar, “Quadro”, Executive), and the employer’s commercial sector. The average percentage is 9.19% on behalf of the employee and 23,81% on behalf of the employer.

Autonomous workers are subject to specific public social security contributions. The rate is about 30%: 26% on behalf of the worker and 4% on behalf of the employer in case of freelance worker with a VAT number.

**For further information and to register for future updates contact [expat@bdo.global](mailto:expat@bdo.global)**

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