

Italy Introduces a New Beneficial Tax Regime for “Resident Non-Domiciled” Individuals

January 16, 2017

With the approval of the 2017 Budget Law, Italy has introduced an attractive tax regime for high net worth individuals moving to, and becoming tax resident in Italy.

Tax residence is determined pursuant to Italian statutory rules. Hence, an individual is deemed to be an Italian tax resident if, for the greatest part of the tax period (i.e. at least 183 days in any given year), he either is enrolled in the registry of the Italian resident population, or sets in Italy the center of his economic, social and personal interests, or has an Italian habitual abode available to him. Hence, subject to possible dual resident status analysis, individuals may opt to transfer their tax residence in Italy to benefit from this new regime while maintaining their domicile abroad.

This regime enables eligible taxpayers who have not resided in Italy for at least 9 out of the 10 years preceding the year of the transfer, to opt to be taxed in Italy on their foreign-source income by paying a flat annual charge of €100,000 and to cherry pick the foreign State/s falling within its scope. Accompanying relatives can access the same regime by paying a flat annual charge of €25,000. The election has a validity for a period not exceeding 15 years and can be revoked at any time.

Italian-source income, capital gains and losses realized during the first five years of regime’s application on the disposal of so-called “qualified participations” (i.e. equity interest exceeding 2% or 20% of vote or 5% or 25% of value, depending on whether such equity interest is held in a company that is listed or not listed) and foreign-source income derived from countries excluded from the election are subject to ordinary Italian taxation. In that case, a foreign tax credit would be granted according to ordinary and/or treaty rules, as applicable. However, compliance with the far-reaching foreign asset reporting obligations and asset taxes on foreign real estate and foreign financial assets do not apply, whereas estate and gift taxes are due solely with respect to assets located in Italy.

If you have any questions concerning this memorandum, please reach out to your regular firm contact or the following authors

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Access to this regime is subject to obtaining a positive ruling from the Italian tax authorities. The ruling proceeding may take up to 120 days from filing.

While the regime is already effective, important details thereof will be set with administrative regulations expected to be issued by the end of March.

Moreover, it is worth noting that this regime cannot be coupled with other beneficial tax regimes already available to certain qualified workers opting to transfer their tax residence or domicile to Italy, that may be eligible to a partial exemption from Italian personal income tax on their Italian-source employment or self-employment income.

Finally, an expedited immigration procedure (to be articulated with ad hoc ministerial decrees) has been enacted for those individuals who intend to file for this regime's application and would need to obtain a visa or a working permit to reside and work in Italy.

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