Italy

Summary

In 2017 Italy introduced a tax regime of an annual flat tax of €100,000 to incentivise high net worth individuals to become resident in Italy. Those who wish to take advantage of the beneficial regime, cannot have been resident in Italy for the nine out of the last 10 tax years. This regime can apply for up to 15 years.

Being granted residency

The Italian immigration law offers several visas for non-EU residents (EU residents can freely travel without visas). For a non-EU individual that is not looking to work in Italy, an 'elective residency visa' will be required.

Theses visas are not subject to any annual cap on availability. Applicants may obtain the elective residency visa by submitting a special request including the following evidence:

- Sufficient income to reside in Italy without working
- A place of residence available in Italy.

The visa has a maximum duration of 12 months and needs to be renewed 30 days prior to the expiration date. However, after five years the individual can apply for a European residency via that does not expire and allows the holder to move freely within the EU.

For UK residents looking to move, the decision as to whether they can be done freely will be determined following Brexit.

Basis of tax

- A flat rate of €100,000 per year is paid upfront in lieu of income tax and capital gains tax on foreign source income.
- No remittance rules, i.e. non- Italian income can be remitted tax-free, regardless of the source.
- No inheritance tax or gift tax on non-Italian assets but this may prejudice the taxpayer from benefiting from the double tax treaty for inheritance tax of gift taxes, for example, the one between Italy and the UK. As the assets are not assessable to gift taxes in Italy this may mean that the other country i.e. the UK can tax the assets, regardless of the treaty provisions
- No obligation to disclose non-Italian assets to the Italian tax authorities but there are general common reporting standards which may mean information will be shared with the Italian authorities.
- Exemption from payment of wealth taxes on non-Italian assets (0.2% on financial investments and 0.76% on real estate).
- The regime can be extended to spouses for an additional €25,000, per annum.
- The ability to opt in and out of the regime for certain sources of income, where the double tax treaties may provide a more beneficial position due to the offset of foreign tax credits.

Capital gains tax

- The sale of certain, qualified, shareholdings are excluded from the flat rate if realised in the first five years. These include shareholdings in unquoted companies of 25% or more (or 20% or more of voting rights) or 5% in quoted companies (or 2% of voting rights).

- No capital gains tax on residential real estate, held for more than five years

- No liability to capital gains tax on collectable items.

This tax regime applies for a maximum of 15 years whether this is favourable depends upon the value of the foreign income.

Inheritance tax and gift tax

The UK will continue to charge UK inheritance tax on UK situs assets, such as UK property or UK registered shares. Inheritance tax will also continue to apply to worldwide assets until the UK domicile has been shed. Simply living in Italy will not shed domicile.

If an individual become domiciled in Italy through making Italy their permanent home, the Italian gift tax rates are very low varying from 4% - 8% depending upon the relationship of the donee. Also, if the individual makes gifts within the first 15 years under the regime, there will be a full exemption from Italian gift tax and inheritance tax on foreign assets (subject to the tax rules in the country where those other assets were held). Italy will have sole taxing rights except on UK situs assets.

Alternative options

If an individual did not wish to pay the flat rate of €100,000 the 2017 and 2019 budgets have introduced other favourable tax regimes These include:

- A four-year tax exemption on 90% of remuneration received by professors and researchers who move to Italy who have worked elsewhere for at least two years.

- A five-year tax exemption on 50% of the remuneration for managers and professionals who move to Italy after residency outside Italy for at least five years (two for the non-EU citizen)

- A 7% flat rate tax on all foreign source income and gains with no wealth tax on foreign assets. This applies to retired foreign pensioners who move to certain parts of Italy.

Immigration must be to a town with a maximum of 20,000 residents and that typically comprise the wealthy or rural areas, including Sicily, Sardinia and Poplin.

This applies to individuals who have not been resident in Italy in the last five years and they must have previously resided in a country that has an administrative cooperation agreement with Italy.

The regime will last for up to six years after taking up Italian residence, after which the individual will revert to Italy's ordinary income tax regime ranging from 23% to 43%.

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