

INPATRIATES ITALY

Tax facts for International Assignees



INCOME TAX: WHO IS LIABLE/RESIDENCY

A tax resident in Italy is subject to tax on worldwide income. An Italian tax non-resident is only subject to tax on income sourced in Italy. The Italian-source income includes salaries and self employment' fees for work performed in Italy, directors' fee paid by entities resident in Italy, rental income linked to real estate property located in Italy, etc.

The deadlines for the tax payments are:

- the payment of the previous year's balance and of the possible first advance payment for the current fiscal year is by June 30th, with the possibility of paying in instalments;
- the payment of the second advance payment for the current fiscal year is by November 30th.

An individual is tax resident in Italy if he/she, for less than 183 days in the tax year (Jan 1st - Dec 31st) 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/she has his/her center of vital interests in Italy).
- physically present in Italy.

Any double taxation on foreign income source suffered by Italian tax residents can be avoided by claiming a tax credit for the taxes paid in the other country.

REGISTRATION/FORMALITIES

Inpatriates must comply with immigration obligations (if not EU citizens), tax obligations (obtaining an Italian tax code) and formal obligations (registering at the register of the resident population "Anagrafe") if he/she will stay in Italy for more than 3 months.

INPATRIATES TAX REGIME

The Decree n. 34/2019 (Crescita Decree) amended the art. 16 D.lgs n.147/2015, increasing the tax exemption of the income raised in Italy (both employment and self employment income) from 50% to 70% for inpatriates moving after April 30th, 2019, if they meet the following conditions:

- they were not considered tax resident in Italy for the last two fiscal years before moving to Italy;
- they commits to qualify as Italian tax resident for at least two years;
- they work mainly in Italy (i.e., at least 183 days in the calendar year).

If they move to the south of Italy, the tax exemption raises to 90%.

The tax exemption can be applied for five tax years starting from the first year they become Italian tax resident.

Furthermore, the timeline can be extended from five to ten fiscal years if they buy a house in Italy or have at least one under 18 years old or dependent child. In the extension period the tax exemption is 50%. If they have at least three children under 18 years old or dependent, the tax exemption during the extension period is 90%.

Extra UE citizens cannot extend the exemption from five to ten years.

The Italian tax authorities on several occasions clarified that even the individuals working remotely from Italy and meeting the above conditions can benefit from the regime.

INCOME TAX RATES AND SOCIAL SECURITY CONTRIBUTIONS

INCOME TAX RATES

Tax Rate	Taxable Income	IRPEF (Gross)
23%	Up to 15.000 €	23% of income
25%	More than 15.001 € and up to 28.000 €	3.450 € + 25% on the part exceeding 15.000 €
35%	More than 28.001 € and up to 50.000 €	6.700 € + 35% on the part exceeding 28.000 €
43%	More than 50.001 €	14.400 € + 43% on the part exceeding 50.000 €

In addition to the above national tax (“Irpef”), a regional (approx. 3%) and city (approx. 1%) tax also apply.

If the individual is hired by an Italian employer, the above taxation is applied by monthly withholdings.

Italian tax residents can benefit from some tax deductions such as first home mortgage interests, health expenses, additional pension scheme, life insurances, school expenses, etc.

A foreign company without a branch or a permanent establishment in Italy is exempt from tax withholding. In this case, the employee must pay taxes on his own by submitting the personal annual tax return.

SOCIAL TAX RATES

Social security burdens are based on the level of the employee (i.e., blue collar, white collar, middle manager “Quadro” or executive), and the employer’s sector. The average percentage is 10% on behalf of the employee and 27% on behalf of the employer.

Both the employer’s and the employee’s quota must be paid by the Italian employer via monthly withholdings.

To this purpose, if the employee is hired by an Italian non-resident Company, this latter must register in Italy by opening a social security representation and run a monthly shadow payroll for social security purposes only.

HIGH NET-WORTH INDIVIDUALS

A favorable tax treatment set by art. 24-bis TUIR is available to those individuals who:

- move their tax residency to Italy;
- have not been tax resident in Italy for at least nine tax years in the decade preceding the date when the option becomes effective.

A flat tax of 100.000 euros per year can be applied on the non-Italian sourced incomes and assets held abroad. The regime can be applied for 15 years from the year when the option becomes effective and will be automatically extended every year. It may not be extended beyond such 15-year term.

RETIRED INDIVIDUALS - FLAT TAX

The 2019 Budget Law introduced an optional tax regime for retired individuals moving to Italy (art. 24-ter TUIR). In particular, to benefit from the tax measure, it is necessary to transfer the tax residency to one of the cities of southern Italy with a population not exceeding 20,000 inhabitants and located in the regions of Sicily, Calabria, Sardinia, Campania, Basilicata, Abruzzo, Molise and Puglia.

This regime entails the application of a flat tax of 7% on the retirement income to individuals meeting certain conditions.

For further information and to register for future updates contact expat@bdo.global

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