

New preferential tax regime to wealthy individuals who take up residence in Italy

Article 1 paragraph 152 of Law no. 232 of December 11, 2016 provides for a privileged fiscal regime for wealthy individuals becoming Italian tax residents. Such benefit is comparable to those regimes provided in other Countries for the so-called “*residents non domiciled*” and allows individuals who become Italian tax resident to opt for a flat yearly tax of Euro 100.000 on income from sources outside.

Subjects allowed to benefit

All individuals must have been a tax resident of Countries other than Italy for at least 9 of the 10 years preceding the year during which he or she becomes an Italian tax resident

Flat tax

By this option, the income from sources outside Italy is subject to a flat tax, replacing any tax to which an Italian tax resident would otherwise be subject, of Euro 100.000 for each fiscal year, to be paid in one lump-sum, within the terms provided for the payment of income taxes. Income from Italian sources will be taxed in accordance with the regime ordinarily applicable to Italian tax residents.

The only exception is that, during the first five years, the new resident will still be taxed on capital gains from the sale of a “qualified participation” in a [foreign](#) company.

The option is available for up 15 years and can be waived at any time during that term. In this case, it cannot be used again.

At the time of opting for the flat tax or at any time during the 15-year term, the new tax resident can indicate that he or she does not want the option to operate with respect to income generated in one or more nominated foreign Country or Countries.

No tax credit will be allowed against the € 100,000 annual amount for taxes paid abroad.

Advantages for relatives

Option also available for relatives at a reduced amount (including sons-in-law, daughters-in-law and parents-in law), who also receive income from non-Italian sources, as long as the same conditions provided for the head of the family to opt for the regime are met. The annual flat tax is Euro 25.000 for each family member.

Further tax advantages of this option.

Those individuals opting for such regime are not required to report in their annual tax return, financial investments and other assets held outside Italy, whether or not such investments and assets produce income (the RW reporting obligations). In addition, a tax is levied on the financial investments (IVAFE) and properties.

New tax residents who choose to be taxed under the special regime will be exempt from gift tax and inheritance tax on transfers of assets located outside Italy

Procedural rules

To benefit from the flat tax, a new tax resident must request a ruling, called “interpello”, from the Italian tax authority (Agenzia delle Entrate) approving his/her election. The interpello must specifically indicate the jurisdictions where the applicant was a tax resident prior to acquiring Italian residence. The Agenzia delle Entrate will exchange information with the tax authority of those jurisdictions.

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