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TAX REGIME FOR NEW RESIDENTS

TAX INCENTIVES FOR ATTRACTING HUMAN CAPITAL

- **TAX BENEFITS FOR RESEARCHERS AND PROFESSORS** - Tailored for those engaged in research or teaching roles, offering specialized benefits to encourage their contribution to the academic landscape
- **TAX BENEFITS FOR “IMPATRIATES” WORKERS** - Designed to facilitate the return of Italian citizens or foreign nationals to Italy, providing advantageous tax conditions to ease the transition.
- **TAX BENEFIT FOR NEW RESIDENTS** - Geared towards individuals establishing residency in Italy, offering incentives to newcomers through favorable tax arrangements.
- **TAX BENEFIT FOR FOREIGN PENSIONERS** - Aimed at individuals with foreign pensions, providing a unique tax framework to enhance financial benefits during their residence in Italy.

TAX REGIME FOR NEW RESIDENTS - WHAT IS IT?

- The regime is an incentive for new residents who **move their residence for tax purposes** to Italy
- Consists in the possibility of paying a **substitute tax on income generated abroad**.
- This beneficial regime is aimed at increasing investments and attracting to Italy high-net-worth individuals.
- This tax regime is available for "newly resident" **individuals** in Italy

IN SHORT WORDS

The Legislator, with Law 232/2016 (so-called "2017 Budget Law"), introduced in our system a flat-rate tax regime which can be accessed by the so-called “new residents”, i.e. citizens of all nationalities who transfer their own tax residence in Italy.

How long does it last? One you have opted for the flat tax, the **maximum period is 15 years**

Am I eligible? You are eligible for the flat tax if you

- are **individual** (no company) regardless of nationality
- have lived **outside Italy for at least 9 of the 10 years** before you move here

How much I pay? Substitute tax equal to **100,000 euros for each tax period**

THE RESIDENCE CONCEPT

Resident in Italy are those who:

- for most of the tax period, namely for at least 183 days (also considering the fractions of day), are enrolled in the registers of the resident population
- or have their domicile
- or residence in the territory of the Italian State

Article 43 of the Civil Code - **Notions of residence and domicile**

- "**residence**" as the place of habitual abode
- "**domicile**" as the main place of business and personal interests

These two conditions are alternatives.

Transfer during the year: given that for individuals the tax year coincides with the calendar year, a taxpayer who moves to Italy after 2 July (after 1 July in the case of a leap year) **cannot be considered resident for tax purposes for that year**, as s/he will be resident for less than most of the tax year. The criteria for determining tax residence applied in Italy differs from that applied in most other states (proportionality to the number of days actually spent in that state): double taxation agreements

PREVIOUS FOREIGN RESIDENCE

The new resident **does not have been fiscally resident in the territory of the Italian State for at least 9 years of the 10 tax periods** before the exercise of the option.

The period of Italian residence in question can be:

- a "spot" annuity (for example Erasmus year)
- the year preceding the effective date of the option in which the person already has assumed Italian tax residency

Article 1.2, letter b) of the provision of the Revenue Agency n. 47060/2017: the option can also be completed in the declaration of the tax period following the one in to which the tax residence has been transferred.

DURATION

Once you have opted for the flat tax, the maximum period is **15 years**, excluding the possibility of

renewal of regime.

The option for tax flat is freely revocable even before the scheduled expiry.

IS IT POSSIBLE TO EXTEND THE REGIME TO MY FAMILY?

Art. 24-bis, comma 6, DPR 917/86 - Furthermore, the regime for new residents, **can also be extended** upon the exercise of a specific option to the taxpayer's closest family members

- **Family member:** spouse, children (natural or adopted), brothers and sisters, parents, parents-in-law, sons and daughters-in-law
- Payment of a substitute tax reduced to **€25,000 for each family member for each tax period**
- It is permitted to extend the application of the regime to family members starting from a different fiscal year

INCOME SUBJECT TO FLAT TAX

Only income generated abroad is subject to the substitute tax.

- income from self-employment generated from activities carried out abroad
- income deriving from real estate or land holdings
- income from business activities carried out abroad through a permanent establishment
- capital gains paid by foreign states or non-residents;
- income from work if the work activity is carried out outside Italian territory;
- capital gains achieved as a result of the transfer for consideration of shareholdings in non-resident companies;
- other income deriving from activities carried out abroad and from assets located there abroad
- interest and other income deriving from bank deposits and current accounts paid by foreign entities;
- capital gains realized following the sale of non-qualified shareholdings in foreign companies, traded on regulated markets

INCOME EXCLUDED

Income generated in Italy is taxed according to the ordinary rules.

Other income excluded:

- income deriving from the sale of qualified shareholdings made within the first five years of residence in Italy
- foreign income not included in the option

CHERRY PICKING OPTION

It is possible to exclude the income generated in one or more foreign countries or territories from

the application of the substitute tax. In practice, the taxpayer can **choose to tax the income generated in certain jurisdictions (cherry picking) by using the ordinary taxation scheme.**

However, this choice must cover all income generated in the country or territory subject to exclusion.

The exclusion of a certain State (or certain States) **may occur at a later time** than the one in force which the option is exercised. However, re-entry is not permitted.

INCOME FROM PRIVILEGED REGIMES COUNTRIES

*Circular no. 17/E/2017 - "the substitute tax in question is recognized **independently of the foreign country of origin and regardless of the taxation discounted there**"*

- dividends deriving from the ownership of shares in fully-established companies privileged tax
- capital gains deriving from the sale of the same shareholdings
- income which, in the absence of the option, would be taxed according to the regulations Controlled Foreign Companies (CFCs).

HOW TO OPT IT?

The option is **completed in the tax return statement** relating to the tax period in which the subjects transferred their tax residence to Italy or in the tax return relating to the subsequent tax period.

- **Tax payment: 30/06/XXXX (single payment)**
- **Tax return submission: 30/09/XXX**

The option is considered **tacitly renewed** from year to year, unless there is a hypothesis of cessation of effects, revocation of the option or forfeiture from the regime.

TAX RULING - ADDITIONAL CERTAINTY

The tax ruling is **optional** (highly recommended)

Two alternatives:

- submit a request for a ruling regarding the existence of the access requirements to the regime before exercising the option (response within 120 days, otherwise silent consent)
- do not submit a request and exercise the option by indicating in the tax return relating to the first period of tax validity of the regime (in this case, the tax return must also report all the elements necessary to verify the subjective conditions for the access to the regime).

OTHER ADVANTAGES

Inheritance and Gift tax exemption: Any assets bequeathed or gifted by an Italian tax resident are

normally subject to Italian inheritance and gift tax. However, you would be taxed only on assets and rights held in Italy

Exemption from paying IRIE and IVAFE: Exemption from paying the tax on the value of properties held abroad (IRIE) and the tax on foreign financial assets (IVAFAE)

Shell Company: If your holding includes a shell company, the income from it is normally attributable to the beneficial owner. However, if you opt for the flat-tax regime the income produced by the company will be taxed in Italy only if it is deemed to be Italian income

No additional Tax: You will be able to remit foreign income to Italy without paying any additional tax

Exemption RW form: You will be exempted from tax monitoring obligations in Fiscal Statement

No CFC Rules: The CFC rules do not apply to payers of the flat tax. This is because CFC rules apply when income is produced in countries with a preferential tax regime, while the flat-tax regime does not make any distinction between foreign states