

ITALY – TAX INCENTIVES TO ATTRACT HUMAN CAPITAL

Employees, self-employed, high net worth and pensioners who move residency into Italy



Tax Incentives to attract human capital in Italy

With the 2019 budget law, Italy introduced a very favourable tax regime to attract pensioners. With this regime the Italian Government added a special tax regime to the others already in force to attract individuals in Italy. Below you can see an overview of the various tax regimes in Italy.

Attract Individuals with high incomes and assets (non-domiciled tax regime)

Individuals with high incomes and assets outside Italy have the possibility to pay a **substitute tax of 100.000 euros** on their non-Italian source incomes, irrespective of the actual amount of incomes and their remittance to Italy.

This special tax regime applies to individuals who:

- transfer the tax residency in Italy; and
- have not been Italian tax resident for at least 9 of 10 prior years; and
- opt for this special tax regime providing specific information with their Italian tax return.

This regime is very favourable for individuals with high incomes related to assets and business outside Italy. Interests, dividends and royalties related to non-Italian assets can be considered taxable only in Italy at the favourable substitute tax of 100,000 euros. The payment of this substitute tax replaces the necessity to pay wealth, inheritance and gift tax on assets held outside

Italy. This regime is applicable for a maximum of **15 years** and can be revoked at any time. The tax regime can be extended also to the incomes of family members with the payment of a substitute tax of 25,000 euros for each family member with incomes and assets.

For non-EU individuals, a new immigration procedure is available to facilitate the obtainment of visa.

Attract employees and self-employed - exemption of 50% of income

Employment and self-employment income generated in Italy by individuals who move their tax residency in Italy is **50% exempt**.

This special tax regime applies to individuals who:

- hold a decree; and
- have continuously worked as employees or self-employed in the last 24 months outside Italy; or
- have continuously studied in the last 24 months outside Italy and obtained a decree or another postgraduate academic decree with a duration of at least 2 years; and
- start to work in Italy as employee or self-employed; and
- commit to stay in Italy at least 2 years

The duration of this tax incentive is **5 years** from the acquisition of the residency in Italy.

The special tax regime applies also to individuals who

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start self-employment activity and who do not hold a decree, if the following conditions are met:

- Not having been resident in Italy in the five tax periods prior the move into Italy
- Start a freelance activity in Italy with incomes generated mainly in Italy
- commit to stay in Italy at least 2 years.

Attract pensioners

The special tax regime for pensioners allows to pay 7% of tax rate on any non-Italian source income, if the individuals met the following conditions:

- transfer their tax residency into a municipality with no more than 20,000 residents in one of these regions: Sicily, Sardinia, Calabria, Campania, Basilicata, Abruzzo, Molise and Puglia;

- have not been tax resident in Italy during the 5 previous years;
- receive a pension income paid by a non-Italian entity.

Next steps

The procedure for application of these regimes need detailed tax planning and analysis, we have deep experience to assist individuals to optimize their international tax costs. ^(*)

For further information please contact us:

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