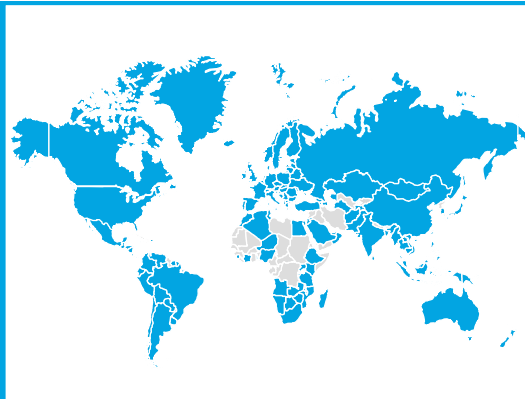


INPATRIATES

Italy

Tax facts for international assignees



INCOME TAX: WHO IS LIABLE/RESIDENCY

Italian tax residents are subject to Italian Personal Income Tax (IRPEF) on his or her worldwide income. The Italian fiscal year is 1st January - 31st December.

An individual is considered Italian Tax resident basing on art. 2, paragraph 2 of the Italian tax code (T.U.I.R.) that states the requirements to be held for the most of the fiscal year (i.e. in the tax year 183 days):

- being registered in the municipal registry of the population resident in Italy;
- having elected in Italy its domicile with the meaning under the Civil Code;
- permanently resides or is present in Italy.

Inpatriate Tax Regime

The Decree no 34/2019 (Crescita Decree) amended the art. 16 D.lgs n.147/2015, providing for the exemption of the income raised in Italy (both employed and autonomous income), increasing from 50% to 70% for taxpayers admitted to the facilitation moving their tax residency in Italy starting from April 30th, 2020 for a five fiscal years period if:

- The worker (employee/self-employed) was not considered tax resident in Italy for the last two fiscal years before moving to Italy
- he commits to staying for at least two years (according to Article 2 of the Presidential Decree 917/1986) and to work in mainly in the Italian territory.

Furthermore, the timeline can be extended from five to ten fiscal years if certain conditions are met (i.e. if the individual acquires a new home in Italy).

Non-Tax Residents

Non-resident individuals are taxed on Italian-source income. This includes income from a permanent establishment in Italy, salaries paid in Italy for work performed in Italy, directors' fee, real property in Italy, dividends and royalties and similar income.

The filing date for Tax Returns is the end of November of the following fiscal year.

For the fiscal year 2019, the deadlines for the tax payments are:

the payment of the balance 2019 and of the possible first advance payment for the fiscal year 2020 by June 30th, 2020 with the possibility of paying in instalments;

the payment of the second or single advance payment for the fiscal year 2020, by November 30th.

The double taxation on foreign income source can be avoided by the tax treaties.

When the individual arrives in Italy, he/she will have to inform the Government Offices (if not EU citizens), the Italian Tax Authorities (to obtain an Italian Tax code) and the Municipal office (if he/she will stay for more than 3 months).

REGISTRATION/FORMALITIES

When the individual leaves Italy he/she will have to de-register from the Municipal Authorities.

Mere absence from Italy for determined periods after exit is not sufficient for breaking residency.

INCOME TAX RATES

Tax rate	Taxable Income	IRPEF (Gross)
23%	Up to 15,000 euros	23% of income
27%	More than 15,000 and up to 28,000 euros	3,450 + 27% on the part exceeding 15,000 euros
38%	More than 28,000 and up to 55,000 euros	6,960 + 38% on the part exceeding 28,000 euros
41%	More than 55,000 and up to 75,000 euros	17,220 + 41% on the part exceeding 55,000 euros
43%	More than 75,000	25,420 + 43% on the part exceeding 75,000 euros

In addition to the above “ordinary” tax (personal income tax, or Irpef), a regional (3%) and municipal (1%) tax also apply.

If the individual is hired by an Italian employer, the taxation is withheld directly by the employer before paying the salary.

A foreign company without a branch or a permanent establishment in Italy is exempt from withholding. In this case, each employee must pay his taxation on his own (annual tax return).

The Italian Tax Authorities accept limited deductions for first home mortgage interests, health expenses, additional pension scheme, life insurances, school expenses, as well as donations to Italian Charities.

High Net-Worth Individuals

The new tax treatment set by the mentioned art. 24-bis Tuir is available to those in individuals who:

- move their tax residency to Italy (according to art. 2 del TUIR);
- have not been tax residents of Italy for at least nine tax years in the decade preceding the date when the option becomes effective.

The tax treatment (100,000 € per year) will apply for a term of 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 returning 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 municipalities 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 new regime, reserved for pension income holders meeting certain requirements, guarantees effective taxation of 7% on the retirement income.

SOCIAL TAX RATES

Employees' social security burdens are calculated based on the type of employment (Blue collar, white collar, “Quadro”, Executive), and the employer's commercial sector. The average percentage is 9.19% on behalf of the employee and 23% on behalf of the employer.

Self-employees are subject to a specific public social security contribution. The rate is about 30%: 26% on behalf of the worker and 4% on behalf of the employer in case of a freelance worker with a VAT number.

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

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations. The information contained within this publication is based upon information available up to the version date indicated in the document footer, and is accurate only as of such version date. While every reasonable effort has been taken by BDO to ensure the completeness and accuracy of the matter contained in this publication, the information contained herein does not constitute an examination of any recipient's compliance with laws, regulations, or other matters. You should not act, or refrain from acting, upon the information contained herein without obtaining specific professional advice. Please contact the appropriate BDO Member Firm to discuss these matters in the context of your particular circumstances. Neither the BDO network, nor the BDO Member Firms or their partners, employees or agents accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO is an international network of public accounting, tax and advisory firms, the BDO Member Firms, which perform professional services under the name of BDO. Each BDO Member Firm is a member of BDO International Limited, a UK company limited by guarantee that is the governing entity of the international BDO network. Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium. Each of BDO International Limited, Brussels Worldwide Services BVBA and the member firms of the BDO network is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BVBA and/or the member firms of the BDO network.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

© Brussels Worldwide Services BV, December 2020

www.bdo.global