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Italy: **Substitutive tax on personal income received abroad** *(resident but non domiciled)*

Currently, a progressive income tax scale for individuals – Italian tax residents -is in force in Italy. The scale is from 23 to 43 percent, based on the amount of income received. At the same time, the income received abroad is subject to the taxation too.

However, there are rules aimed to attracting wealthy businessmen (*High Net Worth Individual*). In particular Art. 24bis of the Income Tax Consolidation Act provides the possibility for individuals who transfer their tax residence to Italy to pay a Substitutive tax on income received abroad (with some exceptions). Income earned by such individuals in Italy is subject to the general taxation regime.

The Substitutive tax is Euro **100,000** per year, regardless of the actual amount of income received outside of Italy. Above mentioned exemption can be extended to family members, for whom the alternative tax is reduced to Euro **25,000** per year per any family member.

Before applying to this exemption, the interested person, also through his legal or tax advisors, can submit to the Revenue Tax Agency (*Agenzia delle entrate*) the application (*interpello*) and request a preliminary opinion on the possibility of applying, instead of the general taxation system, a Substitutive tax on income. The request may be submitted by an individual who has not been an Italian tax resident for at least nine of the last ten years prior to the request.

The period of use of this benefit cannot exceed **15 years**. After the expiration of this period, the general taxation regime will be applied to income received abroad, if the individual retains tax residency in Italy.

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KEY MOMENTS

- Transfer tax residence to Italy.
- Flat tax rate of Euros 100,000 per year, for family members – Euros 25,000 per year.
- Benefit period – no more than 15 years.