

## Global Rewards Update: Italy – Foreign asset reporting requirements for Italian residents

July 2014

### Background

Tax resident individuals in Italy may be required to report, and pay wealth tax, on assets held overseas. This includes any shares acquired in foreign companies (and held overseas) as a result of participating in employee share plans.

Individuals were previously required to report assets held overseas in Form RW, if the value of the total foreign assets held by the individual exceeded, as an aggregate, EUR 10,000 at the end of the calendar year. Form RW was due with an individual's annual tax return by 30 September following the end of the tax year,

The 2013 European Law introduced a number of amendments to the previous Foreign Investments Monitoring Regime (Law Decree n°167/1990) applicable to Italian residents who hold assets, including shares, outside of Italy. The law was wide ranging but the changes applicable to share plans only are detailed below.

### Update to foreign asset reporting requirement for share plans

Following the changes made by the 2013 European Law applicable for returns to be filed from 30 September 2014, the Form RW will no longer include Sections I or III, where asset transfers in and out of Italy and abroad were previously reported. Form RW now only contains one section where the taxpayer has to report the amount of all investments and financial activities held abroad, including shares, subject to IVAFFE (wealth tax on foreign financial assets).

The threshold of EUR 10,000 has now been removed in respect of foreign assets and therefore Italian tax residents are required to include on Form RW all shares held as a result of participating in employee share plans, regardless of the total value of their foreign assets. The following examples would be within the scope of the requirements.

- Shares held as a result of vested restricted share units (subject to IVAFFE)
- Shares held as a result of exercised share options (subject to IVAFFE)
- Vested but unexercised share options where the market value at 31 December is higher than the exercise price (not subject to IVAFFE, but should be included for information purposes);
- Reinvestment of dividends into shares (subject to IVAFFE);
- Purchase of shares under an employee share purchase plan (subject to IVAFFE).

IVAFFE is generally payable at a rate of 0.15% (although the rate is 0.2% for FY14) on the value of each financial asset held in the year at 31 December (or the date of sale, if earlier).

The threshold of EUR 10,000 still applies for bank accounts held abroad and therefore employees are only

required to report these where the bank account value exceeds this threshold at the end of the year. Where the average annual value of the bank account exceeds EUR 5,000, the average yearly balance is subject to IVAFFE at a flat amount of EUR 34.20.

Please note that these rules will also apply where individuals hold assets through companies or other legal entities.

## Penalties for non-compliance

The penalties for non-compliance vary depending on whether the assets not declared are held in a “white list” country or a “black list” country. Where the assets not declared are held in a white list country, which is a country which has agreed an information exchange with Italy (e.g. the UK), the penalties range from 3% up to 15% of the value of the assets value not declared.

Where the assets not declared are held in a black list country, which is a country which has not agreed an information exchange with Italy (e.g. Jersey), the penalties range from 6% up to 30% of the value of the assets not declared.

Where Form RW is not filed on time, a flat penalty of EUR 258 applies provided that this is filed within 90 days of the 30 September deadline. Any Form RW filed after 90 days from the ordinary deadline is subject to the penalties described above, unless the taxpayer decides to opt for a regularisation process (i.e. “*ravvedimento operoso*”).

## Action

Although Form RW is an employee reporting requirement, companies should consider giving their employees specific guidance in respect of this or updating existing employee communications to ensure employees are aware of their compliance responsibilities.

## People to contact

For assistance with these issues, or any other issue related to the operation of your global equity plans, please contact your usual Deloitte adviser or email us at [globalshareplans@deloitte.co.uk](mailto:globalshareplans@deloitte.co.uk), and an adviser will contact you.

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