Christmas webinar:
Foreign nationals moving to Italy
Raffaele Calabrese – Serena Civardi – Giuseppe Marianetti
Studio Tributario e Societario - Deloitte
Global Employer Services - Italian team

Raffaele Calabrese – GES Immigration Leader
rcalabrese@sts.deloitte.it

Serena Civardi – GES Milan Office Leader
scivardi@sts.deloitte.it

Giuseppe Marianetti – GES North-East Area Leader
gmarianetti@sts.deloitte.it
Table of Contents

- Tax Residency
- New Flat Tax Regime
- Italian Elective Visa
- Italian Investment Visa
- Italian Residence Permit
Tax Residency

Italian Tax Law
• The general principle governing taxation of individuals in Italy is **tax residency**.

• According to the Italian Tax Code, an individual is considered an Italian resident for tax purposes if, for the greater part of the fiscal year (i.e. for more than 183 days, OECD model):
  
  – the individual is registered in the **Records of the Italian Resident Population** ("Anagrafe");
  
  – the individual has a **domicile** in Italy (principal center of business, economic and social interests, e.g. the family); OR
  
  – the individual has a **residence** in Italy (habitual abode), according to the Italian Civil Code.

• If one of the above conditions is met, the individual qualifies as tax resident for Italian tax purposes.

• Italian Law does not allow different tax residencies in the same fiscal year.
Tax Residency
Italian Tax Law

- The satisfaction of one of the mentioned conditions, is sufficient in order to consider an individual as tax resident in Italy, for the entire fiscal year.
- The Italian Tax Law considers an individual as tax resident for the entire fiscal year or not tax resident for the entire fiscal year.
- An Italian tax resident is taxed in Italy on incomes sourced from everywhere (**world-wide principle**).
**Tax Residency**

**Italian Tax Law – tax rates**

**Italian tax resident individuals** are subject to income taxes on their worldwide income, while **Italian Tax non resident** individuals are subject to income taxes on incomes produced in Italy only.

Taxation normally applies on the basis of ordinary progressive rates which are:

<table>
<thead>
<tr>
<th>Income from</th>
<th>Income up to</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ 0</td>
<td>€ 15.000</td>
<td>23%</td>
</tr>
<tr>
<td>€ 15.001</td>
<td>€ 28.000</td>
<td>27%</td>
</tr>
<tr>
<td>€ 28.001</td>
<td>€ 55.000</td>
<td>38%</td>
</tr>
<tr>
<td>€ 55.001</td>
<td>€ 75.000</td>
<td>41%</td>
</tr>
<tr>
<td>€ 75.000</td>
<td>up</td>
<td>43%</td>
</tr>
</tbody>
</table>

Local taxes (approximately equal to 2.5%) are also payable.

Despite the above, some incomes are subject to substitute (flat) taxation (which is normally equal to **26%**), which applies on:

- Interests.
- Dividends
- Capital gains
Tax Residency
Italian Tax Law – wealth taxes

Italian tax resident individuals are also subject to the mandatory reporting obligation of any foreign asset/account/investment held outside of Italy. This reporting is strictly related to a wealth tax payable on most of such accounts.

Specifically, on foreign properties, assets, real estates and lands the taxation is equal to 0,76% of the value of the property, which is primarily based on purchase price of the property (for non-EU properties) or its cadastral value (for properties located in the EU). A tax credit is normally granted for property/wealth taxes paid in the country where the property is located.

A wealth tax is also payble on the value of any account/investment held outside of Italy. The tax rate is generally speaking equal to 0,2% of the account at the end of the year/last day of ownership, while a flat tax of € 34,20/year applies on current/cash accounts.

Example of assets subjec to this wealth tax: saving accounts, deposits, shares, bonds, portfolios, assets, unit-linked insurances, etc.

Some assets, such as private pension funds or shares in limited liability company are subject to the reporting obligation in the tax return, but not to any wealth taxation.
New Flat Tax Regime
High net worth individuals
The Italian tax relief so called “high net worth individuals regime”, set forth by Article 24-bis of Italian Tax Code and subsequent provisions, consists in a **substitute flat tax regime on foreign sourced incomes** received by individuals **moving their tax residency to Italy**.

**Article 24-bis of Italian Tax Code**

- become tax resident in Italy, **and**
- have not been tax resident in Italy for at least 9 fiscal years during the past 10 years preceding the application for the substitute tax regime.
This tax regime:
• applies to any non-Italian sourced incomes
• is due on an annual basis for a maximum of 15 years
• does not request any specific condition as to the activity to be carried out
• may be extended to the family members of the taxpayer and, in such case, the amount of the substitute tax is reduced to EUR 25,000 for each additional family member. Family members are defined for this purpose very broadly and are not limited to the spouse and children
This substitute tax does not apply to capital gains on qualified shareholding realized by the taxpayer in the first five years of effect of the option: therefore, said incomes are subject to taxation under general rules, with the possibility to request the foreign tax credit in case of double taxation suffered.

The individual opting for the substitute tax regime and having foreign incomes in different Countries can apply for not extending the substitute tax to the incomes earned in one or more specified States (so called “cherry picking”). In this way, incomes produced in Countries excluded from the substitute tax regime would be subject to ordinary taxation in Italy, but the individual could be entitled to claim the foreign tax credit for taxes paid abroad.
The Italian Tax Authority, with Circular no. 17/E dated May 23rd 2017, has clarified that **the CFC rules shall not be applicable** in case the taxpayer should opt for the substitute tax regime, as the income earned by the CFC would be regarded as a foreign income. Consequently, the incomes earned by a CFC and attributed directly to the individual tax resident in Italy can be covered by the **substitute tax** of EUR 100.000.
High net worth individuals regime
Article 24-bis of Italian Tax Code

The taxpayer can apply for a ruling request before the Italian Tax Authority in order to obtain the confirmation that he actually meets the conditions requested by Italian law for benefiting of the substitute tax regime.

The ruling request for the application of the substitute tax regime is not compulsory. However, it is highly advisable to apply for it in order to be sure that foreign sourced incomes can be actually subject to the substitute tax of EUR 100,000 and not to the ordinary taxation.
Italian Elective Visa
Overview
Italian Elective Visa

Overview

• The **Italian Elective Visa** allows the entrance and the stay in the Italian territory to any foreign person who:
  
  – wishes to settle down in Italy
  – have autonomous financial and economic resources
  – not works in Italy (with this kind of VISA the individual cannot work in Italy)

• It is an entrance permit for **long stays**, for a permanence longer than 90 days

• Elective Visa is not provided directly by the Italian Legislation; rather, it is provided in the Regulation about Visa typologies and the requirements for their obtaining, issued by a Decree of the Minister of Foreign Affairs
Italian Elective Visa
General immigration procedures

• Foreign people are allowed to enter in the Italian territory if provided with a valid passport (or equivalent document) and the **Entry Visa**, i.e. any valid type of Visa

• Italian Entry Visas are issued by the Italian diplomatic or consular representations in the State of origin or of residency of the foreign person (e.g. Russian Federation for Russian residents)

• In general, an Entry Visa can allow either **short stays** (up to 90 days in a 180 days period) or **long stays** (more than 90 days)

• For long stays, the foreign person also needs an **Italian Residence Permit** and the reason for the stay should be the same as the one indicated in the Entry Visa (e.g. Elective Visa)
Italian Elective Visa
Requirements

The foreign individual needs to satisfy three requirements to successfully apply for an Italy Elective Visa:

1. must **own or rent a real estate property** in Italy to be elected as dwelling (no minimum value), before the application

2. should have **large and autonomous financial resources**, i.e. no lower than € 31,000 per year, deriving by the ownership of either:
   - considerable incomes (pensions, annuities)
   - real estate properties
   - stable business activity; or
   - other sources other than employment

3. Employment income cannot be considered, therefore it will **not** be possible for the foreign person to **carry on any work activity** in Italy
Italian Elective Visa
Dependant Visa

• Other than the main holder of the Italian Elective Visa, a similar permission can be *extended* to:
  – the cohabiting spouse
  – the minor children
  – the cohabiting and dependents adult children; and
  – the cohabiting and dependents parents

• The monthly financial and economic resources required should be increased *by 20%* for the cohabiting spouse, and *by 5%* for each child

• The Elective Visa application is submitted to the Italian Consulate in the home country

• The application should include all the information and the supporting documentation/guarantees to prove that all the requirements are met

• The duration of the Italian Elective Visa is generally *one to two years*
Italian Investment Visa
Overview
Italian Investor Visa
Main Features

- The Italian Investor Visa allows the entrance and the stay in the Italian territory to any foreign person who wishes to perform a large investment in Italy
- The foreign investor can be accompanied by his/her family members who are among those entitled to reunification (i.e. spouse and dependent children)
- The duration of the first permit to stay will last 2 years
- After the renewal, the permit to stay will last other 3 years
Italian Investor Visa
Requirements

The foreign person needs to perform an investment in the form of one of the options below:

1. an investment of at least € 2 million in government bonds, which must be maintained for at least two years

2. an investment of at least € 1 million in "capital equity of a company established and operating in Italy ", to be maintained for at least two years

3. a philanthropic donation of at least € 1 million to support a project of public interest, in the fields of culture, education, immigration management, research scientific, restoration of cultural and landscape heritage
Italian Investor Visa
Procedures

• The foreign investor needs to demonstrate that he/she is the actual beneficiary or holder of the amounts indicated respectively above and that amount is available and transferable in Italy

• formally, by means of a written declaration, the commitment to invest the amount referred to in point (1) or to carry out a philanthropic donation that complies with the parameters indicated in points (1), (2) and (3) within three months of their entry into Italy;

• demonstrate that they have sufficient economic resources
Italian Residence Permit
Features and Procedures
Italian Residence Permit

Overview

- For all long stays Visas, it is necessary to apply for the *Residence Permit* within 8 days from the arrival in Italy
- The application form is to be submitted at the competent Post Office
- Following the submission the individual will receive a communication to visit the local Police office to get fingerprinted
- Following the fingerprinting the individual will receive a communication that the *Residence Permit* will be ready to be collected in the Police Office of the municipality of his residence
- The duration of the Residence permit, not issued for working purposes, is generally for *one year*
- In the process of the Residence permit issue, the foreign person has to register his name into the Records of the Italian Population at the competent Town Hall office
- In addition to the right to stay on and make return to the whole Italian territory for the period covered by the Residence permit, the holder of the Elective Residency Permit can register for the National Sanitary Service ("Servizio Sanitario Nazionale") for the insurance coverage of sanitary expenses
Renewal

• The Residence Permit is renewable in Italy at the competent post office, provided that the original requirements for the first issue still hold.

• Such Residence Permit cannot be renewed or extended if the foreign person interrupts its stay in Italy for a continuous period longer than six months, except if the interruption depends on military obligations or other relevant and proven motivations.

• Elective Residence permit can be revoked.

• The revocation can happen whether the requirements for the first issue are missed, referred to:
  
  – general conditions for the entrance in the Italian territory
  
  – ownership or rent contract of a house to be elected as dwelling
  
  – ownership of large and autonomous financial and economic resources, or in case of revoke or cancellation of Italian annuities.
Italian Residence Permit
Advantages

• After 5 years, it is possible to apply for the **EU long-term Residence Permit** – valid for further five years, that is permanent and allows the owner to be treated as an EU Member State citizen.

• Elapsed 10 years, it is possible to apply for the **Italian citizenship** (Italian passport).