

# ITALY: THE NEW TAX HAVEN FOR NON-RESIDENT WORKERS?

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With a recent Decree issued by the Government, Italy maximised its efforts on the “package” towards non-resident workers; the offer of a very favourable and durable tax regime (up to 90 per cent exemption for 5 to 10 years) has the aim to attract non-resident workers to become Italian tax residents (the so-called “impatriates workers”). This “attraction package” is also a relevant instrument, jointly with others, to convince foreign companies to open a branch or a subsidiary in Italy.

This favourable regime can be utilised also by the Italian citizens working abroad that wish to return in Italy, even if they did not enroll their name in the Registry of Italians Resident Abroad (A.I.R.E.).

## The attraction package for non-resident workers

### At a glance:

Starting from 1<sup>st</sup> January 2020, income from employment and self-employment generated in Italy by workers who move their tax residence in the territory of the Italian State is 70 per cent exempt.

The exemption is increased to 90 per cent if the individual moves its residence to one of the following Regions of South of Italy: Abruzzo, Molise, Campania, Puglia Basilicata, Calabria, Sardegna, Sicilia. It is remarkable that it is required only the transfer of the residence to South of Italy, while the working activity (domicile) can be performed wherever in Italy (as per Article 43 of the Italian Civil Code, the “residence” is the place of habitual abode while the “domicile” is the main place of business and personal interests).

The benefit is due from the year in which the residence for tax purposes is acquired and for the following 4 years. Under certain conditions (listed below) the exemption can be extended to 10 years.

### Conditions:

The above benefits are subject to the following conditions:

- individuals must have been tax resident outside of Italy for at least the two prior tax years,
- they must engage to remain resident in Italy for at least two tax years,
- they (both employees and self-employed workers) must work mainly within the Italian territory.

For employees, the employer can be either a resident company or a company connected to it. The worker who moves to Italy to work in a permanent establishment of a foreign company where s/he is already employed is also granted the benefit, as well as the worker seconded to Italy by virtue of an employment relationship established abroad with a company connected to the Italian company on the basis of the relationships established by the law.

## Extension of the five years period

The length of the exemption can be extended from five to ten years if the individuals who moved the tax residence in Italy:

- have at least one child under 18 or any way economically dependent from them, or
- buy a residential property in Italy after that they move to Italy or in the previous 12 months.

With reference to the child under 18 or any way economically dependent, the Decree does not specify when such condition has to be met. The Italian Tax Authority will have to clarify if that condition must be met in the year in which the person becomes Italian tax resident or in a subsequent tax period (e.g.: the last year of the initial exemption period or the first year of the extension period). In any case it is reasonable to assume that that condition must be met only in the relevant year, without taking into consideration the changes that may happen in the following years.

The residential property which acquisition allows the extension of the exemption period:

- can be acquired by the worker who moved its residence, or by the spouse, a child or the co-living partner;
- can be situated anywhere in Italy, and not just in the place of residence or domicile of the moving individuals;

- can be of any value and size (even very small).

The Decree does not specify when the acquisition of the residential property has to be performed. It is reasonable to assume that the time limit is the expiration date of the initial five years period of tax exemption.

As a general rule, during the extension period the exemption is limited to 50 per cent of the income from employment and self-employment generated in Italy. However, the exemption for the additional five years period is increased to 90 per cent for individuals that have at least three children under 18 or anyway economically dependent from them. Even in this case the Italian Tax Authority will have to clarify if that condition must be met in the year in which the person becomes Italian tax resident or in a subsequent tax period.

## The other tax incentives for attracting foreign people and investments

Several tax incentives are in place to attract in Italy foreign people and investments.

Among them:

- the favourable tax regime for new residents and their family members (possibility of paying a fixed substitute tax on income generated abroad, including capital gains, for a duration of 15 years, exemption from inheritance and gift taxes for assets and rights held abroad);
- the new favourable tax regime for foreign pensioners;
- attractive measures and tax incentives for investments in start-ups and innovative SMEs;
- tax credit for R&D investments;
- Patent Box;
- Industry 4.0 incentives.

A whole package of tax incentives that make Italy a very attractive place to make investments and move to work.

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