



Italy: Non-domiciled residents

Tax Alert

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The 2017 Budget Law (approved by Parliament on 7 December 2016 and still to be published in the Italian Official Gazette) introduces new arrangements in order to attract capital investments to Italy:

- Flat-rate taxation on income produced abroad by new non-domiciled residents
- Simplified processes for visas and residency permits for foreign investors.

Special tax regime for new non-domiciled residents

Article 1 (par. 152) of the 2017 Budget Law adds article 24-*bis* to the Italian Consolidated Income Tax Code, to provide new residents with a favourable tax regime.

This tax regime allows applicants to pay a fixed tax of EUR100,000 for themselves and EUR25,000 for their relatives. The following types of foreign income are eligible:

- Rental income
- Capital income
- Employment income
- Self-employment income
- Corporate income (with or without permanent establishment)
- Other income.

The law also offers an exemption from monitoring obligations (RW Form filing) and from related wealth tax payments.

Ordinary taxes will be applied only on:

- capital gains from 'qualifying holdings', realized in the first five fiscal years;
- Italian-source income.

Inheritance and gift tax will be due on Italian assets only (and not on assets held abroad).

The new regime will be available from fiscal year 2017 and, once elected, will run for 15 years. It can be revoked at any time. The special arrangements will terminate immediately if tax is not paid, or is only partially paid, by the tax payment deadline of every year.

The regime is subject to certain conditions:

- Foreign tax residence status for at least 9 out of the previous 10 fiscal years.
- A favourable tax ruling (the application must be submitted to the tax authorities by the filing deadline for the tax return). This ruling has to indicate the previous places of tax residence and the sources of foreign income.

The practical procedures will be illustrated in a circular to be issued by the Italian tax authorities once the Budget Law enters into force.

Fast-track processing of visas and residence permits for foreign investors - amendments to the consolidated act on immigration

The process of obtaining Italian entry visas and resident permits will be quicker and easier for foreign investors (and their relatives) who:

- invest a minimum of EUR2 million in Italian government bonds for at least 2 years;
- invest a minimum of EUR1 million in an Italian company for at least 2 years;
- donate a minimum of EUR1 million for philanthropic purposes in a sector that furthers the Italian economy (scientific research, education, culture etc.).

This fast-track route is subject to evidence of the existence of the funds and their legal origin. In addition, the taxpayer must present the investment project (at least 3 months before the entry date) and be ready to transfer the funds to Italy.

The initial length of the residence permit will be 2 years; it will then be renewable for a further 3 years. After that, if the above requirements are still satisfied and the investment is still bearing fruit in Italy, it will be possible to claim a long-term EU residence permit.

An inter-ministerial decree will clarify how the simplified process will work in practice.

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