

The new Italian flat tax regime for new residents retirees

The Italian Budget Law for 2019 (Law 145/2018) has introduced a new favorable regime providing for the application of the individual income tax at 7% flat rate on all non-Italian source income earned by foreign pensioners transferring their tax residence in the southern Regions of Italy.

The flat tax regime is optional and is available for the year in which the transfer of tax residence occurs and for the following 9 years. It is possible to opt for the special regime from 1 January 2019.

How does the flat tax regime for Retirees works

The 7% flat tax applies to all non-Italian sourced income (i.e. not only non-Italian pensions but potentially all types of non-Italian sourced income) while all income realized in Italy are subject to ordinary individual taxation rules (including the application progressive rates up to 43%).

No tax credit is available in the hands of the individual opting for the flat tax regime for any tax levied in the Country of source of the income.

The pensioner can select specific foreign Countries to be excluded from the flat tax regime, and the income deriving therefrom is subject to Italian ordinary taxation, with the possibility to benefit from foreign tax credit.

In order to opt for the special tax regime, the following conditions shall be met:

- i. the individual shall receive a "pension income" paid by a non-Italian entity;
- ii. the individual shall have not been Italian tax resident for at least 5 years before exercising the option for the Italian flat tax regime;
- iii. the Country where the individual was tax resident before the relocation to Italy is included in the Italian white list of Countries providing for adequate exchange of information with Italy;
- iv. the individual shall transfer the residence in a Municipality having no more than 20,000 inhabitants located in one of Italy's southern Regions (i.e. Abruzzo, Apulia, Basilicata, Calabria, Campania, Molise, Sardinia and Sicily).

Other benefits in terms of indirect taxes

The pensioner opting from the flat tax regime can also benefit from the exemption from Italian wealth taxes on the value of foreign real estate and financial assets held out of Italy, as well as the non- application of foreign asset reporting obligations (except for Countries expressly excluded from the flat tax regime).

PwC Italy services

For the analysis and the election for the Italian special tax regime, our assistance could be structured as follows:

- preliminary feasibility assessment with the individual willing to transfer to Italy;
- analysis of the impact of the regime, highlighting the main consequences of the regime;
- drafting of a tax ruling with tax authorities if advisable;
- day-by-day tax compliance of the individual and family office services;
- drafting and filing of the annual Tax return of the individual.

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