



THE FLAT TAX REGIME



IN A NUTSHELL

Among the measures introduced, aimed at attracting new residents to Italy, there is the flat tax regime under Article 24 bis TUIR.

Under this regime, it is possible to pay a lump sum of 200,000 euros that covers foreign-income, while Italian-sourced income is subject to normal IRPEF rates.

The favorable regime can also be extended to family members of the person who decides to transfer residence to Italy, simply by increasing the amount due by 25,000 euros per year.

In addition, the regime for new residents also covers inheritance and gift taxes on assets held abroad, thus derogating from the rules of domestic law that provide, in the case of residence in Italy, for the taxation of assets held abroad.

The purpose of the rules is to incentivize the transfer of residence of wealthy individuals who have assets abroad and foreign sourced income.

This scheme has seen increasing success over the years, and there are currently more than 2,000 residents taking advantage of this favorable regime.



WHO CAN BENEFIT AND UNDER WHAT CONDITIONS

The Article 24 bis regime is accessible to both Italian and foreign nationals.

The requirements imposed by law, in order to be able to validly take advantage of this new regime, are the transfer of tax residence to Italy, as provided for in Article 2 TUIR, and not having been tax resident in Italy for at least 9 of the 10 years preceding the one for which the option is valid.

> DURATION

The regime has a limited duration and the effects of the option cease after 15 years.

The option for the substitute regime is perfected with the filing of the tax return for the tax period in which the residence is transferred and is effective the same year.

> RULING

In order to allow for greater certainty in order to access the flat tax regime, the law provides for the possibility of submitting a tax ruling in order to obtain confirmation of the existence of the conditions.

The ruling may be submitted by means of a specific request in which the taxpayer indicates the existence of the elements necessary to access the special regime and a specific checklist is provided for by the Italian tax authorities.

The Italian Tax authorities, on its side, must render an answer on the matter subject to the ruling within 120 days.

> BENEFITS OF THE REGIME

The option allows to benefit from the application of a flat tax of €200,000 per year on income generated abroad, regardless of its type and qualification.

For each family member benefiting from the scheme, the additional tax due is EUR 25,000. The regime provides for exemption from the obligation of fiscal monitoring and from the payment of IVIE and IVAFE and also covers inheritance and gift tax on assets held abroad, thus derogating from the rules normally applicable to Italian residents under the ordinary regime.

In addition, capital gains from qualified participations realized during the first five years of validity of the option are also considered Italian income.

› EXCLUSION OF CERTAIN COUNTRIES FROM THE OPTION

The “New Residents” regime also provides for the possibility of excluding certain foreign countries from the regime. Thus, foreign income generated in such countries will be taxed according to the ordinary regime.

The exclusion is irrevocable, but may also be effected by a change subsequent to the beginning of the option. Income generated abroad and excluded from the flat-rate tax allows the recipient to benefit from the credit for taxes paid abroad.

› REVOCATION

The regime is temporary and therefore its effects cease once 15 years have elapsed since the tax period of validity of the option.

Moreover, as it is an optional regime, the new resident can revoke it before the 15-year period of validity has elapsed.

In the event of revocation by the principal taxpayer, the family members to whom the option was extended will also be affected.

› LOSS OF THE ADVANTAGES

Failure to pay or partial payment of the flat tax by the due date for the payment of income tax terminates the regime, with effect from the tax period in respect of which the payment was due.

EDMOND DE ROTHSCHILD'S INTERNATIONAL WEALTH PLANNING
NETWORK IS AT YOUR DISPOSAL FOR ANY FURTHER INFORMATION.

This document is issued by the Edmond de Rothschild Group. Redacted July 2024.

It has no contractual value and is provided for information purposes only and does not constitute personalized legal, tax or accounting advice. This document should not be construed as an offer of financial products or services or a recommendation to buy or sell a financial instrument or to subscribe to a financial service. The information contained herein has not been reviewed in light of your personal circumstances or your specific objectives or needs. You should consult your own independent advisors. This document is based on information from external sources or documents deemed reliable. The Edmond de Rothschild Group endeavours to ensure that the information contained herein is accurate, complete and up to date but cannot guarantee its completeness or accuracy. Any investment involves risks, in particular the risk of loss of capital and fluctuations in value and return. In no event shall any entity of the Edmond de Rothschild Group, its directors or employees, be liable for any direct or indirect damages, losses, costs, claims, compensation or other expenses arising out of the use or distribution of this document or any decision taken in reliance thereon. Unless otherwise indicated, the sources used in this document are those of the Edmond de Rothschild Group. This document is confidential and intended solely for use by the Edmond de Rothschild Group and the persons to whom it is issued. Any reproduction or use of all or part of this document and its contents, in any form and for any purpose whatsoever, is strictly prohibited, except with the prior written consent of the Edmond de Rothschild Group. Copyright © Edmond de Rothschild Group - All rights reserved