



WEALTH PLANNING NEWS

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UPDATES INTRODUCED IN TERMS OF ITALIAN AND INTERNATIONAL TAXATION

At the beginning of 2024, significant changes were made in terms of international taxation. On December 28, 2023, legislative decree no. 209 of December 27, 2023, was published in the Official Journal. Among the most relevant themes, there is certainly the change in the concept of tax residence in Italy for individuals.

In addition to these provisions, the 2024 Finance Act (Legge di bilancio) revised upward the rates provided for the two wealth taxes in force in Italy and relating to assets held abroad, namely IVIE and IVAFE.

TAX RESIDENCE IN ITALY

Article 2, c.2 of the Income Tax Code, which governs the tax residence of individuals, has been modified by Art. 1 of Legislative Decree No. 209 of 2023 (International Tax Decree).

Former version of Article 2, para. 2	New version of Article 2, para. 2
For the purposes of income tax, are considered residents the individuals that, for the majority of the tax period, are registered in the records of the resident population or have their domicile or residence in the territory of the State in accordance with civil law.	For income tax purposes, individuals who, for the majority of the tax period, taking into account daily fractions as well, have their residence in accordance with the civil code or domicile in the territory of the State, or are present therein, are considered residents. For the implementation of this provision, domicile is understood to be where the individual's personal and family relationships primarily take place. Unless evidence to the contrary, individuals registered for the majority of the tax period in the records of the resident population are also presumed to be residents.

The new article, compared to the former version, introduces significant changes on 4 main points: the importance of fractions of a day spent in Italy, the introduction of a new concept of fiscal domicile, the requirement of mere presence on the state territory and the elimination of the absolute presumption of residence in Italy for people registered in the residents register.

The criteria thus established are alternative, so only one of them needs to occur for an individual to be considered a resident under Italian internal law.

- **Fractions of a day:** To be considered a resident in Italy, a person must reside in the country for the majority of the tax period, but now fractions of a day are also taken into account. This change is particularly relevant for citizens residing in neighbouring countries who often travel to Italy.
- **Mere presence on the state territory:** The concept of mere presence on the state territory is undoubtedly a significant novelty, as it could lead to treating as residents in Italy even those who do not intend to settle in the state territory.
- **Fiscal domicile:** Compared to the precedent version, emphasis is placed on the connection criterion derived from the place where personal and family relationships develop. The new concept is very far from that provided for by the civil code, according to which domicile is the place where the person has established the main seat of their business and interests.
- **Removal of link arising from non-registration with AIRE:** Registration in the resident population registry led to an absolute presumption of residence in Italy. The recent change reduces this presumption to a relative one, thus allowing the taxpayer to demonstrate that the tax residence is abroad.

INCREASE IN IVIE

From 2024, the rate of IVIE is reviewed upwards.

This tax is due on the value of real estate located abroad and held by individuals residing on Italian territory.

Previously, the rate was set at 0.76% of the value of the property, but from 2024, the tax due is equal to **1.06%** of the value of the property. The criteria for determining the value vary depending on the state in which the property is located:

- For European Union countries or countries adhering to the European Economic Area (Norway and Iceland) that guarantee adequate information exchange, the primary value to use is the cadastral one, as determined and reassessed in the country where the property is located, for the payment of income or wealth taxes, or other taxes based on the value of the property, even if the property was acquired through inheritance or gift. In the absence of a cadastral value, reference is made to the cost indicated in the purchase deed and, failing that, to the market price.
- For the other countries, the value of the property is determined based on the cost resulting from the purchase deed or contracts and, in the absence, the market price.

INCREASE IN IVAFE

Individuals, non-commercial entities, and società semplici residing in Italy who hold financial assets, current accounts, and savings books abroad, must pay a tax on the value of said goods.

The tax is calculated on the value of financial products and is due proportionally to the share of possession and the period of holding.

Some financial instruments are excluded from the scope of application of IVAFE, but still to be reported on the taxpayer's return in the RW panel, and are, by way of example, shareholder loans, foreign currencies, precious metals, stocks or bonds not deposited in a bank.

The rate is 0.2% per year, but it has been modified for financial products held in states or territories with a privileged tax regime, consequently, from 2024, the rate is set at **0.4%** per year.

The Wealth Planning Italy department is at your disposal for any further information.

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