



# Italy: Flat tax for crypto investors



How you can enjoy the  
Italian tax benefits

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# Flat tax for crypto investors

## Italian tax incentives for new residents also apply to crypto investors

To attract investment and human capital, Italy is offering a special package of incentives to individuals who become new residents.

There are three main incentives: a special flat tax for foreign income, an inheritance and gift tax exemption, and fast-tracking of visas.

If you have entered the swiftly-evolving world of cryptos, NFTs, smart contracts and DeFi, and would like to enjoy these tax benefits, this is the package for you.

Why? Because most of the income from your crypto investments would qualify for the Italian flat-tax regime as foreign income. Your crypto capital gains may also be eligible and certain tax reporting obligations (RW Form) will be reduced.

## Special flat tax for foreign income

The flat tax is central to the package.

Regardless of the level of your **foreign income**, you can opt to pay an annual flat tax of EUR100,000, and a lower amount of EUR25,000 per family member, defined very broadly as your:

- spouse;
- children;
- brothers and sisters;
- parents and parents-in-law;
- sons and daughters-in law.



## Why is the flat tax advantageous?

If you become a resident of Italy and opt for the flat tax, you will benefit in two ways:

- You will be able to remit foreign income to Italy without paying any additional tax.
- You will be exempted from certain tax reporting obligations (RW Form) and wealth tax payments<sup>(1)</sup>.

Essentially, you will be taxed in Italy only on your:

- Italian income;
- capital gains from qualifying equity interests sold within five years of opting for the flat tax.

In the second case, however, the capital gains could be included in the flat-tax regime after you have filed a tax ruling application demonstrating that there has been no abuse of law because of the sale and/or that you are committed to remaining in Italy for at least five years after the sale of the qualifying equity interest.

## How does the flat tax work for a crypto investor?

### Crypto capital gains

Currently, since there are no special regulations, the Italian Revenue Agency treats cryptocurrencies in the same way as traditional currencies.

This means that capital gains generated by spot sales are subject to a substitute tax of 26 percent every time the investor's average total deposits of cryptocurrencies – regardless of the holding mechanism – exceed EUR51,645.69 for more than seven consecutive business days. Instead, capital gains generated by forward sales are always subject to the substitute tax (26 percent).

Under the flat-tax regime, however, such capital gains, if produced abroad, are covered by the flat tax of EUR100,000 and are not subject to the substitute tax.

In a cryptocurrency context, what is challenging is how to determine whether income is produced in Italy or abroad.

For instance, if the crypto asset is held via a foreign custodian, that asset and the income it generates will be classified as foreign. But if the crypto investor holds the asset directly, it becomes more difficult to ascertain where the asset is located and how the income should be classified.

This is because cryptocurrencies are considered as 'a-territorial assets' in view of the various holding mechanisms, the most common of which are listed in the table below.

Holding mechanism	Flat-tax regime applicable	
	Italy	Abroad
Custodian located in	No	Yes
Paper wallet stored in	No	Yes
Hardware wallet stored in	No	Yes

Therefore, a tailored case-by-case analysis is strongly recommended.

### Tax monitoring (RW Form)

Residents of Italy are subject to tax monitoring rules and are required to fill in an RW Form (part of the Italian tax return) if their foreign financial assets amount to more than EUR15,000.

In recent months, the Italian Revenue Agency has clarified that resident crypto investors will have to fill in an RW Form regardless of the amount of cryptocurrencies held.

Instead, by opting for the flat-tax regime, new residents will be exempted from filling in an RW Form.

(1) The exemption is not applicable to so-called 'qualifying' equity interests.

### **Does the scheme offer any flexibility?**

Yes. You can cherry-pick countries and assets that you wish to exclude from the flat tax and include them in your Italian tax return instead. These items will be subject to the ordinary Italian rules on tax payments and foreign tax credits.

### **Am I eligible?**

You are eligible for the flat tax if you have lived outside Italy for at least nine out of the 10 years before you move here.

To check that you qualify for the new package, it would be best to apply for a tax ruling. In your application you must indicate where you used to live and where your foreign funds come from.

The Italian Revenue Agency will check that you have not been resident in Italy for more than 12 months over the last 10 years. They have 120 days to reply to your application.

### **How long do the benefits last?**

Once you have opted for the flat tax, the arrangement will remain in place for a maximum of 15 years, unless you wind it up early. If you do pull out early, there will be no penalty.

However, the arrangement will terminate immediately if you do not pay the full flat tax by the annual deadline.

### **What does the new residence requirement involve?**

You will need to qualify as a resident of Italy in order to benefit from the flat tax.

To do so, you will have to enroll in the register of the resident population ('Anagrafe'), at your local town hall. Municipal authorities have been given a supervisory role and, after visiting your Italian home, they will confirm your enrollment in the register.

### **Are there any other tax implications?**

Individuals who opt for the flat tax are also considered to be resident for **double tax treaty** purposes, unless the relevant treaty (e.g. Italy-Switzerland) stipulates otherwise.



## Inheritance and gift tax exemption

Any assets bequeathed or gifted by a resident of Italy are normally subject to Italian inheritance and gift tax.

However, there are generous benefits for new flat-tax residents and you would be taxed only on assets and rights held in Italy; you could pass on foreign assets free of tax.

## Fast-tracking of visas for non-EU citizens

If you are a non-EU citizen and intend to stay in Italy for more than three months you have to apply for a visa.

To facilitate the visa process, Italy will offer you a fast lane if you (and your relatives) also intend to:

- invest a minimum of EUR250,000 in an innovative start-up business;
- invest a minimum of EUR2 million in Italian government bonds for at least two years;
- invest a minimum of EUR500,000 in an Italian company, including listed ones, for at least two years;
- make a philanthropic donation of at least EUR1 million in a sector that helps the Italian economy (scientific research, education, culture, etc.).



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