



Flat tax for High Net Worth Individuals (HNWIs)

Why moving to Italy is the ideal tax choice

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Italy is welcoming HNWIs with open arms

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

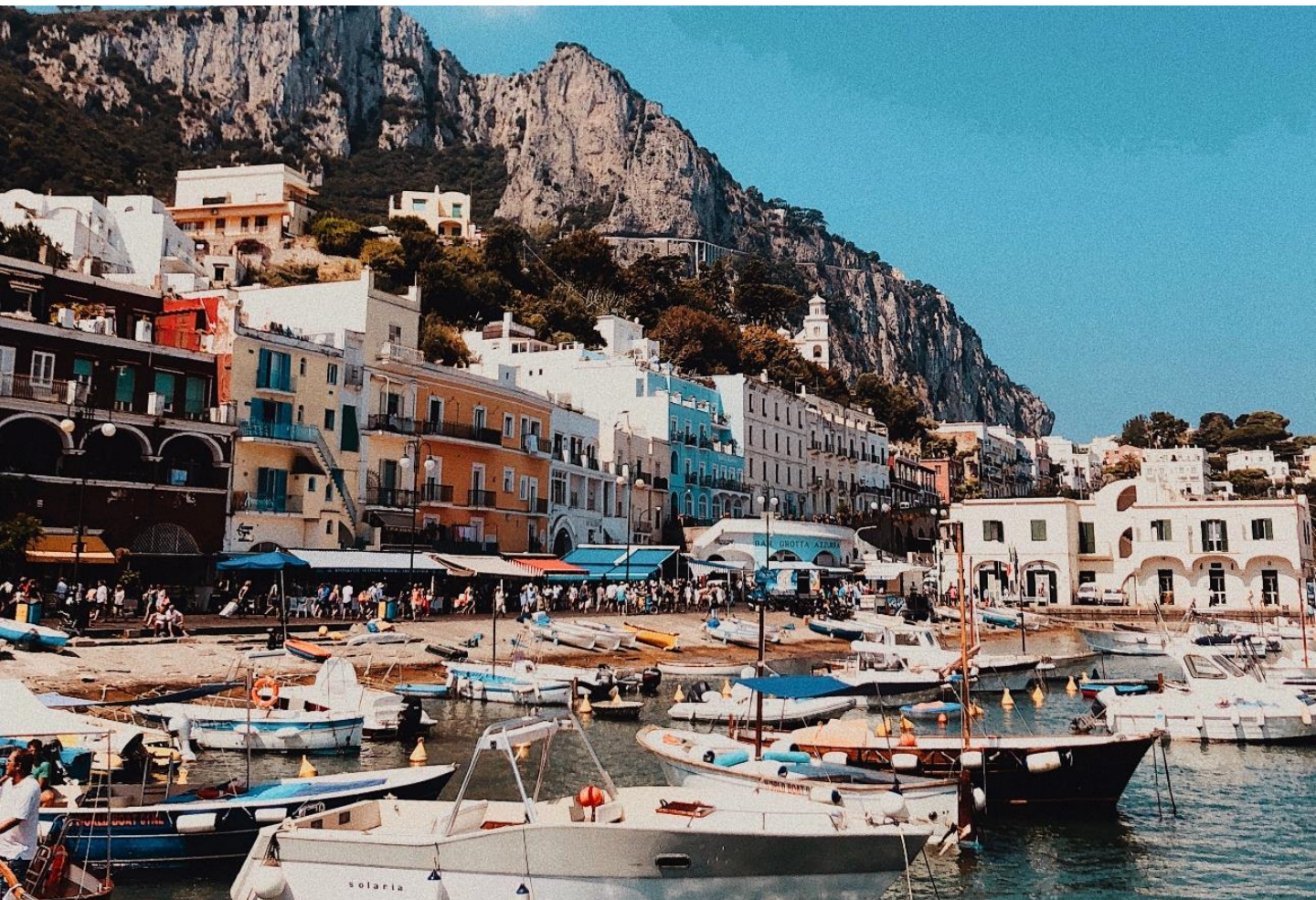
If you are a HNWI and are planning to move because of changes to foreign tax rules, or simply because you are keen to enjoy *la dolce vita*, this is the package for you.

Three things are on offer: a special flat tax for your foreign income, an inheritance and gift tax exemption, and fast-tracking of visas.

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 for each 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 tax monitoring obligations (RW Form) and wealth tax payments⁽¹⁾.

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, those 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.

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 is 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 tax authorities will check that you have not been tax resident in Italy for more than 12 months over the last 10 years. They have 90 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.

The arrangement will terminate immediately if you do not pay the flat tax, or pay only part of it, by the annual deadline.

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

What does the new residence requirement involve?

You must actually move to Italy in order to benefit from the flat tax.

Once you are here, you must 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 home, they 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.

I own a foreign company. What should I know?

CFC rules

The CFC rules do not apply to payers of the flat tax. This is because CFC rules apply when income is produced in countries with a preferential tax regime, while the new flat-tax regime does not make any distinction between foreign states, based on levels of taxation.

Deemed residence

Under ordinary rules and under certain circumstances, a foreign company may be deemed to be resident in Italy. However, if you are the sole director of a foreign company and you change your residence and become a new flat taxpayer of Italy, this will not redefine your company as Italian. It will be redefined as Italian only if there is a board of directors, the majority of whom are resident in Italy without opting for the flat-tax regime.

Shell companies

If your holdings include a shell company, the income from it is normally attributable to the beneficial owner. However, if you opt for the flat-tax regime the income produced by the shell company will be taxed in Italy only if it is deemed to be Italian income; otherwise, it will be covered by the flat tax.



What about incomes from bank deposits?

- **Capital income:** income paid by foreign states or by non-resident parties is considered to be foreign income and, as such, included in flat tax. This is also the case when the foreign financial assets that are generating the income are covered by (i) a custody agreement or a management, administration and advisory agreement with an Italian intermediary, even though they are deposited on a foreign account, or (ii) a life insurance policy taken out with a foreign insurance company operating in Italy under the freedom to provide services, even though the collection of the proceeds is entrusted to an Italian intermediary.
- **Miscellaneous income:** income from assets located in Italy and gains from the sale of shares in companies resident in Italy are considered to be generated in Italy and excluded from the flat tax.

Income is treated as foreign income when, for example, an Italian intermediary is appointed to:

- manage financial assets deposited abroad (discretionary portfolio management);
- administer financial assets deposited abroad following the client's instructions, and without any discretionary powers;
- provide financial advice and monitor investments, without the power to handle the assets directly.

Inheritance and gift tax exemption

Any assets bequeathed or gifted by an Italian tax resident 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.

Immigration to Italy

The immigration procedures depend on your nationality, how long you intend to stay, and what you are planning to do in Italy. If you are **not** an EU national, the following rules will apply.

I'm coming on business or as a tourist

If you are coming from:

- a visa-exempt country and intend to travel within the Schengen Area (Italy included), you can stay in the Schengen Area for up to 90 days in a 180-day period;
- a country that is not visa-exempt, you can apply for a short-stay Schengen visa, valid for a maximum of 90 days.

I'm moving to Italy for other reasons

If you are relocating to Italy for work or family reasons, or simply to enjoy the Italian lifestyle, you'll need to apply for an entry permit (if required), a long-term visa (*visto nazionale*) and a residence permit.



A valid long-term visa allows you to travel freely in other Schengen Member States for up to 90 days in a 180-day period for tourism or business.

I'm moving to Italy and plan to take up residency

If you intend to stay in Italy for more than three months you must apply for one of the following visas.

High net worth investor visa

If you are over 18 years of age and intend to make significant investments in areas strategic to the Italian economy or Italian society, this type of visa might suit you.

What are the requirements?

To qualify for this type of visa, you must be intending to do one of the following.

- a. Invest at least EUR2 million in government bonds.
- b. Invest at least EUR0.5 million in an Italian corporation or at least EUR0.25 million in an innovative startup.
- c. Donate at least EUR1 million to culture, education, immigration management, scientific research, or conservation of Italy's cultural heritage and landscape.

Elective residence visa

This visa allows you to enter and settle in Italy if you can support yourself without working.

What are the requirements?

To qualify for this type of visa, you must be able to show that you have both of the following.

- Accommodation in Italy (rented or owned).
- Sufficient income to reside in Italy without working. You must reasonably expect to have an annual income of at least EUR31,000 from sources other than employment, e.g. pensions, annuities, income from real estate, proceeds from stable business/commercial activities.





Self-employment visa (“Quota di Autonomo” – Corporate roles)

If you intend to move to Italy as a self-employed worker in a corporate role, e.g. a company director, the *Quota di Autonomo* immigration process may be your best route.

Each year, an Italian “quota decree” sets the annual quota of residence permits available for self-employed workers who have corporate roles.

What are the requirements?

You will need to show that:

- your documented corporate role is in a company that has operated for at least three years;
- your financial resources exceed the statutory minimum level for exemption from healthcare contributions (which varies each year);
- you have suitable accommodation in Italy.

What if I don't fit into these visa categories?

You could also relocate to Italy as a local or seconded employee, depending on your work in Italy.

Can I bring my family with me?

The above visas would enable you to bring your family to Italy, if you can show that you have:

- proof, in the form of marriage and birth certificates, that they are family members;
- sufficient financial resources to support your dependents, and that these resources exceed the statutory minimum level for exemption from healthcare contributions (which varies each year);
- accommodation in Italy, suitable for you and your family.

Family members may benefit from different types of immigration procedures, to be assessed on a case-by-case basis. This is another area in which KPMG can help you.

What are my long-term options?

After five years in a row of living in Italy under certain types of residence permits it would be possible – if you meet certain conditions – to apply for a permanent residence permit.



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