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Italy – Government Reinstates EUR 10,000 Threshold for Reporting Foreign Assets

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In another interesting twist for Italy's foreign financial asset reporting regime, recently the Italian government issued a new Law Decree¹ which reinstates a minimum reporting requirement of EUR 10,000 for foreign bank accounts. In our previous report², we indicated that completion of the relevant Form RW would be required for purposes of indicating the total amounts of all financial and other assets held abroad during the year and that the "previous" EUR 10,000 *de minimis* limit for reporting had been abolished.

As a result of the changes, for 2013 onwards, reporting is required on Form RW for all foreign financial investments with the exception of foreign bank accounts with a value of less than EUR 10,000.

We describe this change below as well as some other important developments as compared with the prior exemption regime.

Why This Matters

Previously announced changes³ had removed the minimum reporting requirement of EUR 10,000 in respect of Italy's financial asset reporting regime for Italian resident taxpayers. This meant that Italian tax residents – including expatriates – were required to report annually **all** foreign financial and non-financial assets, thus extending the obligation to many who were not previously caught by the new reporting rules. This represented a potential burden on taxpayers and their service providers.

The new law reintroduces the EUR 10,000 threshold on a rather more limited basis, which should "exempt" many people from having to meet this reporting obligation and should ease the information gathering and reporting burdens somewhat on those that are still caught by the rules.

Changes Introduced by New Law Decree

The Law Decree reintroduces a EUR 10,000 minimum reporting requirement for the financial asset reporting system (Form RW of the Italian Tax Return) with some important qualifications. For 2013 and subsequent years, the reporting exemption applies **only** to foreign bank deposits and current accounts in which the total balance did not exceed EUR 10,000 for any part of the year. The exemption does **not** apply to any other types of foreign assets, for example shareholdings or other financial instruments or to other non-financial assets.

There remains a discrepancy between the reporting obligations for the IVAFE (the wealth tax on foreign investments) and the foreign asset reporting regime. IVAFE has to be paid on foreign bank accounts having an average balance of EUR 5,000 or more during the year, while the foreign asset reporting regime has a EUR 10,000 threshold.

KPMG Note

The change is a welcome simplification in that Italian resident taxpayers will not now have to report smaller foreign bank accounts; however it means that employees or any other individuals who have small shareholdings in foreign corporations (which are held outside the Italian Managed Savings Regime) will continue to have to report these on the Form RW.

For example, a shareholding in a non-Italian corporation with a market value of EUR 6,000 would be reportable both for IVAFE and financial asset reporting regime purposes, whereas a bank account with an average balance of EUR 6,000 is now reportable only for IVAFE purposes.

Footnotes:

- 1 *Decreto-Legge 28 gennaio 2014, n. 4. Decreto-Legge convertito con modificazioni dalla L. 28 marzo 2014, n. 50.* (Law Decree No. 4 of 28 January 2014 passed into law by way of Law No. 50 of 28 March 2014, published in the Official Gazette (*Gazzetta Ufficiale*) No. 74 of 29 March 2014).
- 2 For prior coverage see the following issues of *Flash International Executive Alert*: [2014-008](#) (29 January 2014) and [2013-124](#) (12 September 2013).
- 3 *Ibid.*

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If you have any questions, please contact your usual KPMG professional or send an e-mail to: go-fmforum@kpmg.com.

The information contained in this newsletter was submitted by the KPMG International member firm in Italy. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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