



Thinking beyond borders: Management of extended business travelers - Italy



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01

Key message

A person's liability for Italian tax is determined by residence status and source of income.

Income tax is levied at progressive rates on an individual's taxable income for the year; this is calculated by subtracting allowable deductions from the total assessable income.

Extended business travelers are likely to be taxed on employment income relating to their Italian labor contracts.

1 Key message

Extended business travelers are likely to be taxed on employment income relating to their Italian workdays. Other Italian-sourced income is also taxable. The application of relevant double tax treaties should be considered.

02

Income tax

2 Income Tax

2.1 Liability for income tax

A person's liability for Italian tax is determined by residence status. A person can be a resident or a non-resident for Italian tax purposes.

An individual will be considered an Italian resident for tax purposes, subject to tax treaty provisions, if one of the following conditions is met:

- The individual is registered in the Register of the Resident Population for the greater part of the tax year.
- The individual stays for the greater part of the tax year in the territory of the State.
- The individual's center of business or economic interests are in Italy for the greater part of the tax year.

Fulfillment of just one of the three conditions for the greater part of the tax year, even with interruptions, qualifies the individual as an Italian tax resident.

The general rule is that a resident of Italy is assessable on worldwide income. Non-residents are generally assessable on income derived directly or indirectly from sources in Italy. Extended business travelers are likely to be considered non-residents of Italy if the above three conditions are not met for 183 days or more.

Employment income is generally treated as compensation from an Italian source if the individual provides the services while physically located in Italy.

2.2 Tax trigger points

Technically, there is no threshold/number of days below which an employee is exempt from filing and paying tax in Italy. To the extent that the individual qualifies for relief under the dependent personal services article of a double tax treaty, there will be no tax liability. The treaty exemption will not apply if an Italian entity is the economic employer.

2.3 Types of taxable income

From Italian Tax Law perspective, tax residence status determines also taxable income.

In general, for extended business travelers, the types of income that are generally taxed are employment income, Italian-sourced income, and gains from taxable Italian assets (such as real estate) and fringe benefits (broadly non-cash employment income).

As non-Italian tax resident, an individual shall declare in Italy the Italian source income only.

As Italian tax resident, an individual will be taxable in Italy on the worldwide sourced income, with the right to claim a foreign tax credit - through the Italian tax return - in case of double imposition on the same income. Moreover, an Italian tax resident is also subject to financial monitoring obligation for Italian tax resident and financial activities/investments held outside of Italy shall be declared in Italy.

2.4 Tax rates

Net taxable income is taxed at progressive rates ranging from 23 to 43 percent. The tax rates do not include regional tax or municipal tax. The regional tax rate depends on the region in which the individual is domiciled. Generally, this tax will be charged at progressive rates of between 0.7 and 3.33 percent. As an additional municipal tax of up to 0.9 percent is added to these percentages, the total income tax depends on the Italian municipality in which the individual is domiciled.

03

Social Security

3 Social Security

3.1 Liability for social security

A state-run system of social security operates in Italy, covering illness, maternity, unemployment, retirement, disability, and family allowances. This system is financed by contributions from employees and employers, calculated as a percentage of gross remuneration. These contributions represent a relatively high surcharge on labor costs and are therefore of paramount importance in determining operational business costs. The employer's part of the social security contributions ranges from 26 to 32 percent of the gross salary, whereas the employees contribute approximately 10 percent. There are similar percentages for executives, although contributions can be made through different types of specialized funds. It is compulsory in Italy to pay a national insurance contribution to the National Institute for Accidents at Work (INAIL) to cover all professional risks. This insurance covers employees against accidents and occupational diseases, and its cost ranges from 0.4 to 3 percent of the gross salary.

04

Compliance obligations

4 Compliance obligations

4.1 Employee compliance obligations

Income tax is generally due by 30 June of the subsequent year, although the Italian Revenue Agency can accept late payments with interest. The Italian income tax return must be filed electronically by 30 September 2025 (for the fiscal year 2024). The above deadlines can be extended by the Italian government through a special legislative provision each year.

4.2 Employer reporting and withholding requirements

Salaries and other employment remuneration paid by Italian companies, businesses, and professionals are subject to an advance withholding tax, which may be credited against the recipient's income tax liability. The tax is withheld at the ordinary income tax rates on a pro rata basis according to the period for which the payment is being made.

As a general rule, when a company pays employment income to its employee, a monthly withholding tax obligation arises. However, foreign companies that do not have a permanent establishment (PE) in Italy are not required to act as a withholding tax agent for the salaries paid to their employees seconded to Italy.

In cases where an Italian company is asked to make benefits-in-kind available to seconded employees (e.g. local housing, company car, schools, and taxes), Italian withholding tax obligations will arise.

05

Immigration

5 Immigration

5.1 Work permit/visa requirements

A work permit firstly, and a visa then must be applied for before the individual enters Italy. The type of visa required will depend on the purpose of the individual's entry into Italy.

After the entry in Italy along with a valid visa and the original work permit, the individual will attend the appointment at Immigration Office, if needed and apply for the residence permit.

For citizens of the European Union (EU), entrance requirements, immigration procedures, and working activities are regulated by the Schengen Agreements, which have created an area in which people can move freely between the Schengen countries/jurisdictions without border controls. EU citizens possessing a standard passport can travel to Italy and do not need an entry visa. However, some local formalities may be required.

Italy's Decreto Legislativo n. 136/2016 transposes EU Directive 2014/67 into Italian law and introduces a series of requirements for foreign employers who intend to send employees to Italy to provide services. The Decreto goes beyond the EU regulations in extending the requirements also to non-EU employers. From 26 December 2016 the seconding foreign employer has the obligation to communicate the secondment of personnel intended to work in Italy through a special website of the Ministry of Labour, no later than 24 hours prior to the assignment having started.

06

Other issues

6 Other issues

6.1 Double taxation treaties

In addition to its domestic arrangements providing relief from international double taxation, Italy has entered into double taxation treaties with 90 countries/jurisdictions to prevent double taxation and allow cooperation between Italy and overseas tax authorities in enforcing their respective tax laws.

6.2 Permanent establishment implications

A PE could potentially be created as a result of extended business travel, but this would be dependent on the type of services performed and the level of authority the employee has.

6.3 Indirect taxes

There is a value-added tax (VAT) of 22 percent on taxable supplies. VAT registration may be required in some circumstances.

6.4 Property/ Stamp & Capital taxes

A tax on real estate properties, the Unified Municipal Tax (IMU), is due by all individuals and companies who own real estate properties located in Italy. Tax is calculated on the deemed value of the property as established by the Italian authorities, at a general rate of 1,06 percent. This rate can be reduced, particularly for properties used by individuals as their principal abode.

An equivalent tax on foreign real estate properties (IVIE) is due by all individuals who qualify as tax resident of Italy and own real estate properties located abroad. Tax is calculated on the purchase cost of the property, with some exceptions, at a general rate of 1,06 percent. Certain property taxes already paid in the country/jurisdiction where the property is located may in principle be deducted as tax credit.

A stamp tax on financial assets (IVAFE) is due by all individuals who qualify as tax residents of Italy and own financial products abroad. Tax is calculated on the value of the assets, at a rate of 0.2 percent (or 0.4 percent if the asset is sited in a low tax jurisdiction). Equivalent tax already paid in the country/jurisdiction where the financial assets are located may in principle be deducted as tax credit.

A 34.20 euros (EUR) stamp tax is due on bank accounts with an annual average balance higher than EUR5,000 regardless of the final balance.

The stamp duties due on financial assets deposited with Italian banks for the individual is equal to EUR34.20.

6.5 Transfer pricing

Italy has a transfer pricing regime. A transfer pricing implication could arise to the extent that an employee is being paid by an entity in one jurisdiction but is performing services for the benefit of the entity in another jurisdiction, in other words, a cross-border benefit is being provided. This would also be dependent on the nature and complexity of the services performed.

Italy's transfer pricing regulations are based on the arm's length principle, whereby the conditions applied in an intra-group transaction should be consistent with those that would be applied between unrelated entities in comparable transactions. The tax authorities may apply this rule automatically if taxable income is thereby increased; conversely, a reduction of taxable income is possible only under double tax treaties.

6.6 Local data privacy requirements

Italy has data protection laws.

6.7 Exchange control

Italy does not restrict the flow of Italian or foreign currency into or out of the country/jurisdiction, although there are certain reporting obligations to control tax evasion and money laundering.

Regardless of the obligation to file an income tax return, all Italian tax resident individuals must comply with exchange control regulations in Italy and consider whether they also have to declare their foreign investments/transfers to and from Italy.

Italian tax resident individuals are also required to report through the RW form any foreign investments (e.g., real estate, yachts) held outside Italy.

There are severe penalties for failure to complete the RW form.

6.8 Non-deductible costs for assignees

Non-deductible costs for assignees include contributions by an employer to non-EU pension funds unless a special ruling is obtained.

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