

GMS Flash Alert



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Italy - Changes Coming for the Expatriate Regime

The Italian government has published the text of a Legislative Decree which brings in important changes to the expatriate regime in Italy with effect from 1 January 2024.¹

Draft legislation provides that, for individuals becoming resident from 1 January 2024, relief under the expatriate regime is reduced to 50 percent, with a limit of EUR 600,000 on the amount of income eligible for relief. To benefit from the relief, three years of previous non-residence would be required, and the employee would need to remain in Italy for five years. The relief will now be restricted to highly-qualified or specialised individuals (applying the same definition as those who would qualify for a Schengen Blue Card).

WHY THIS MATTERS

The measures introduced by the government will limit the expatriate regime, imposing more stringent conditions for expatriate taxpayers to benefit from the regime.

Employers will need to review the situation for employees who went on assignment during 2023 and those planning to take an assignment in Italy in 2024. In future, employers may need to introduce additional steps to ascertain the eligibility of an employee for the expatriate regime, and assignment policies in respect of assignments to Italy may need to be adjusted.

Background

After several legislative changes, Italy has an extremely liberal and easy-to-access expatriate regime with minimal conditions in order to benefit. The existing regime provides for a reduction of 70 percent in taxable Italian-source income (90 percent in the islands and south) for individuals who had not been resident in Italy for two preceding fiscal years and who undertook to transfer their residence for two fiscal years and in fact remained resident.² The relief lasted for five years and was then extendable by a further five years at 50 percent subject to certain conditions being met. The relief

was easy to access, not requiring any ruling, and could be based on self-certification. It was successful in attracting new workers to Italy.

Key Legislative Proposals

According to the draft legislation, from 1 January 2024, the following rules will apply.

1. The relief will apply to employment income, income assimilated with employment income, and self-employed income produced by workers who have transferred their residence to Italy in the sense of article 2 of the TUIR, (*decreto del Presidente della Repubblica 22 dicembre 1986, n. 917*); that is, they have become tax resident in Italy for the fiscal year 2024.
2. Relief of 50 percent will apply up to a limit of EUR 600,000. That is, the maximum relief available would be EUR 300,000 if income exceeds EUR 600,000, rather than being unlimited as at present.
3. Relief can be applied where:
 - the worker was not tax resident in Italy for the three years preceding the transfer;
 - the worker undertakes to stay tax resident in the state for at least five years;
 - the activity in Italy should be in respect of a new work relationship with an entity different from that with whom the activity has been undertaken abroad, including members of the same group;
 - the activity must be performed for the greater part of the year in Italy (i.e., 183 days or more);
 - relief is restricted to workers who are in possession of higher qualifications or specialisation (broadly qualifications which would entitle individuals to an EU Blue Card).

Relief applies to the period of tax in which residence in Italy occurs and for the four subsequent fiscal years. Wherever the tax residence is not maintained for at least five years following the year of transfer, the benefit is disapplied and the tax agency will take steps to recover the amount received with sanctions and interest.

Italian citizens returning to Italy are required to have been enrolled on the *Anagrafe degli italiani residenti all'estero* (AIRE) including those who may not be registered on the AIRE because they have their residence in another country under a double taxation treaty.

The facility to extend the relief for five years no longer applies, although it appears to apply still to those individuals who were resident in Italy at 31 December 2023.

KPMG INSIGHTS

From the draft legislation, it appears that the existing legislation will continue to apply to individuals who became resident in fiscal year 2023 and were already benefiting from the existing regime. It would not apply to individuals who transferred their residence to Italy after 1 July 2023 (therefore being nonresident for 2023) and who were anticipating 2024 to be the first year of the regime for them. Since the draft legislation was issued, an under-secretary in the Finance Ministry has indicated that it was not the government's intention to catch individuals who had transferred their residence to Italy after 1 July 2023, in the expectation of receiving the relief in 2024. Therefore, it is believed that a further revision of the draft of the legislation may extend the relief to individuals who established their civil/ habitual residence in Italy between 1 July 2023 and 31 December 2023.³

KPMG INSIGHTS continued:

Since the proposed change specifically brings back the requirement for higher and specific educational requirements, it may be necessary to review such qualifications before opting for and allowing the relief. This would apply particularly to EU citizens who have not needed a Blue Card. It is likely that employers will now need to exercise more due diligence over self-certifications for the relief before applying it through the payroll.

(For prior coverage of the expatriate tax regime, see [GMS Flash Alert 2017-104](#), 14 June 2017.)

Employers, their employees going on assignment to Italy, and their global-mobility program managers, as well as tax service providers, should familiarise themselves with the new policies. To better understand what's in the draft legislation and how the changes may impact you, it may be a good idea to reach out to your global-mobility tax professional or a member of the global-mobility tax team with KPMG in Italy (see the Contacts section).

FOOTNOTES:

1 *Comunicato stampa del Consiglio dei Ministri n. 54 (16 Ottobre 2023)* at: <https://www.governo.it/it/articolo/comunicato-stampa-del-consiglio-dei-ministri-n-54/23937> .

2 For more information on existing rules, see section 2.8 of [Taxation of International Executives: Italy](#), a publication of KPMG International.

3 "Regime impatriati 2024: sul regime transitorio il viceministro rassicura," Fisco e Tasse (online) (23.10.2023) at: <https://www.fiscoetasse.com/rassegna-stampa/34694-regime-impatriati-2024-sul-regime-transitorio-il-viceministro-rassicura.html> .

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Contact us

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