

GMS Flash Alert



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Italy - Further Update on Changes to the Expatriate Regime

In our recent [GMS Flash Alert](#), we discussed upcoming changes to the Italian expatriate regime that were to take effect 1 January 2024. In a further update, we can now report that the *Decreto Legislativo* was published in the *Gazzetta Ufficiale* on 28 December 2023, and is in force from 29 December 2023.¹ The new law limits the expatriate regime, imposing more stringent conditions for expatriate taxpayers to benefit from the regime, although the final legislation represents a considerable relaxation of the original draft.

The draft legislation provided 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 four 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). The draft legislation apparently prevented the application of the regime to inter-company transfers and this has been reversed in the final legislation, albeit subject to onerous conditions.

WHY THIS MATTERS

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

Until the new legislation took effect, Italy had an extremely liberal and easy-to-access expatriate regime with minimal conditions in order to benefit.² It provided 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. The relief lasted for five years, and was

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 new 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 of 60 percent will apply for individuals with one minor child. If a child is born or adopted, the increased relief will apply from the fiscal year in which the child is born until the end of the five-year period. The child must be resident in Italy for the whole duration of the benefit.
4. An extension of relief applies to those who transfer their “anagrafic” (i.e., registered) residence to Italy by 31 December and who acquired a principal residence in Italy before 31 December 2023, or in the 12 months before their transfer to Italy.
5. Relief can be applied where:
 - the worker was not tax resident in Italy for the **three years** preceding the transfer;
 - he or she undertakes to stay tax resident in Italy for at least **four consecutive tax years**;
 - 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 qualify individuals for an EU Blue Card).
6. Special rules apply to employees who are working in Italy for the same employer that employed them before moving to Italy or an employer in the same group. In such case:
 - if the employee has not previously worked in Italy for the same employer or group, he or she is required to have been non-resident in Italy for the prior six fiscal years.
 - if the employee has previously worked in Italy for the same employer or group, he or she is required to have been non-resident in Italy for the prior seven fiscal years.
7. Relief applies to the period of tax in which residence in Italy occurs and for the four subsequent fiscal years (five in total). If the tax residence is not maintained for at least four years, the benefit is rescinded, and the tax agency will take steps to recover the amount received with penalties and interest.

A transitional concession has been introduced for individuals who although non-tax resident in Italy in 2023 transferred their anagrafic residence (*Anagrafe* enrolment) to Italy before 31 December 2023. This addressed concerns for individuals who moved to Italy after 1 July with the reasonable expectation of availing of the “old regime.”

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

KPMG INSIGHTS

As a result of the revised law, the existing legislation will now continue to apply to individuals who moved their residence in fiscal year 2023 and who registered on the *anagrafe* (the population register) before 31 December 2023. Individuals who are tax resident in Italy for 2023 will continue to benefit from the old regime until their original expiring period.

Although the original draft legislation appeared to prevent the relief applying to intra-group transfers (in order to prevent “fictitious” expatriations), the final legislation continues the granting of the relief to intra-group transfers, increasing the length of the period outside of Italy.

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.

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 legislation and how the changes may impact assignees and their employers, it may be a good idea to reach out to a global-mobility tax professional or a member of the global-mobility tax team with KPMG in Italy (see the Contacts section).

FOOTNOTES:

1 [Decreto Legislativo 27 dicembre 2023 n209](#) (Gazzetta Ufficiale n301 del 28.12.2023).

2 For the expatriate tax regime rules that had been in force, see section 2.8 of [Taxation of International Executives: Italy](#), a publication of KPMG International. For earlier coverage of the expatriate tax regime, see [GMS Flash Alert 2017-104](#), 14 June 2017.

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Contact us

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