How to take advantage of the Italian "Non-Dom Tax Regime"

Italy has introduced a special tax regime to attract the wealthy in 2017. The advantageous regulations are especially tailored to individuals, and potentially to further family members, who are willing to become Italian non-domiciled residents.

However, moving your residency to another country is not just a matter of taxes. To make the most of this opportunity, we strongly advise you to consult with all your wealth management partners. This holistic approach will help ensure a successful relocation, from both a financial and personal point of view.

Who qualifies?

Foreigners and Italian citizens who have been tax residents abroad for at least nine of the last ten years can take advantage of this new regime.

Attractive flat tax rate

Individuals qualifying for the new regime will pay a flat tax rate of € 100,000 per year on all income generated from non-Italian sources. An additional € 25,000 flat rate applies to those family members who also move their tax residence to Italy. This regime is applicable for a maximum of 15 years. All income from Italian sources is, however, taxed under the normal Italian tax regime.

There is one important exception: for the first five years, the new resident will still be taxed on capital gains from the sale of "qualified participations" in companies.

The most important benefits

- Flat tax rate on foreign-sourced income
- No progressive income tax on foreign-sourced income
- No wealth tax on foreign assets
- Gift and inheritance tax: only on assets and rights located in Italy
- Easier access to (investor) visa

Why Italy?

- Part of the European Union, one of the safest and most stable areas in the world
- Access to the European Single Market (free movement of goods, capital, services and labor)
- Excellent choice for education
- Geographical location: quick access to other European countries, with good connections to both North America and Asia

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Things to consider in advance

- Evaluate the eligibility requirements
- Review your tax and legal planning
- Consider restructuring your assets
- After applying, be patient: it pays to wait for preliminary approval before proceeding with the next steps
- Discuss your overall situation with experts: implications under current domestic tax law (e.g. exit taxation), tax treaty law, source countries' tax laws, succession and family law

How to apply

To become a new tax resident, you need to request approval from the Italian tax authority (the "Agenzia delle Entrate"). You must specifically mention all jurisdictions where you've previously been tax-resident. This will enable the Agenzia delle Entrate to exchange information with the tax authorities of these jurisdictions. However, by choosing the flat tax rate regime, you free yourself from having to report assets held abroad.

The Agenzia delle Entrate will check your request. If you are accepted, you should ensure that the regime applies before the deadline for the submission of tax returns relating to the tax year of transfer.

Information you must provide:

- Your personal details and (if you've recently become resident in Italy) social security number and address of residence
- Last jurisdiction in which you were resident before the option came into force (before the relevant fiscal period)
- If applicable: Income from countries you chose to exclude from the substitute tax regime

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