



# Common Working

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MOORE STEPHENS



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Emigration and Immigration - Italy

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# Emigration and Immigration – Italy

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## **Emigration from Italy – abandonment of residence**

- prerequisite: abandonment of residence in Italy
- residence is considered to have ceased when the centre of vital and economic interests or habitual place of abode has been transferred
- however, the tax authorities may fail to recognise removal of residence to another country if it can be shown that the individual involved continues to maintain special economic and social relations with Italy



# Emigration and Immigration – Italy

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## **Emigration from Italy – abandonment of residence**

- No habitual residence in Italy
  - presumption of emigration where the duration of stay abroad lasts more than 183 days and inscription in the AIRE (i. e. register of residents abroad)
- Possibility of unlimited tax liability in two states, where there is foreign residence and a residence or a habitual residence in Italy.
- Dual residence: DTA decides in which state the emigrant is a) tax resident and b) which state is allowed to tax his or her worldwide income



# Emigration and Immigration – Italy

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## **Emigration from Italy – abandonment of residence**

- Generally the centre of vital interests is decisive for the determination of residence → strongest personal and economic interests
- Special rules → Switzerland and in general, countries considered as tax havens: where emigration is to a “tax haven”, the individual is normally deemed to have remained resident in Italy for tax purposes. An exception is made where the individual can provide factual evidence that he or she is actually resident in that particular jurisdiction



# Emigration and Immigration – Italy

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## Emigration from Italy – tax consequences

- Expatriation taxation
  - no exit tax on individuals is charged. Therefore, the only consequence of emigration is that once the individual has become non-resident in Italy for tax purposes, Italian tax will be restricted to income received in Italy



# Emigration and Immigration – Italy

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## **Emigration from Italy – tax consequences**

- Limited tax liability in Italy
  - Income from real property situated in Italy
  - Income from capital investments
  - Business income or rather, income from businesses located in Italy
  - Other income such as capital gains
  - Income from employment or self-employment
- After emigration the remaining obligations towards the Italian tax authorities of the expatriate consist mainly in the duty to file annual tax returns in respect of Italian-source income and the payment of the corresponding income tax



# Emigration and Immigration – Italy

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## **Immigration to Italy – tax consequences**

- Residence in Italy leads to unlimited tax liability
- Taxation of worldwide income in Italy
- DTA: liability to tax is subject, however, to provisions under any applicable double tax treaties for receiving foreign tax credits for tax already paid abroad



# Emigration and Immigration – Italy

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## **Immigration to Italy – tax consequences**

- Tax rates
  - Starting tax rate: 23%
  - Top income tax rate: 43% (0 - 1% local income tax surcharge)
- The most important deductions are permitted for: the maintenance of family members, medical expenses, interest payable on loans to first-time home buyers, expenditure for the renovation of existing real property and social security contributions.
- With regard to the individual classes of income, it should be noted that there is a charge to tax for owner-occupation, i.e. a deemed rental income is attributed to individuals occupying their own property



# Emigration and Immigration – Italy

## Immigration to Italy – tax consequences

- Flat withholding tax on dividends and capital gains
  - Disposal of shares and other participations: for portfolio participations (voting rights max 20% and shareholdings max 25%, 2% and %% in the case of listed companies), there is a final withholding tax of 12.5%; for significant participations, 49.72% of the capital gain on disposal is added to total income and taxable at the applicable progressive rate of income tax
  - same taxation applies to dividends deriving from the above participations
  - Other income from capital: bank interest is subject to a final withholding tax of 27%. Interest from securities on the other hand, is taxed at 27% in certain circumstances where the securities concerned are unquoted securities; otherwise the 12.5% rate applies. Investment funds are generally also taxed at 12.5%, real property funds however at 20%



# Emigration and Immigration – Italy

## Immigration to Italy – tax consequences

- Acquisition of real property
  - The acquisition of real property in Italy will involve indirect taxes such as land registration tax, mortgage tax and cadastral tax. These can together amount to as much as 11% of the purchase price. When agricultural land is acquired, the tax rates rise to a total of 18%. Reliefs are, however, available for first-time buyers of homes and in respect of listed buildings (heritage property). The ownership of real property incurs an annual real property tax (ICI) payable to the local authority in whose territory the real property is situated. Tax rates vary between 0.4% and 0.7% of an imputed rental value.
- Tax return obligations
  - Income tax is determined on the basis of total income as declared in the individual's tax return, to be filed by the end of September of each year. Special attention must be paid to the obligation to declare foreign assets in the schedule RW of the tax return!



# Emigration and Immigration – Italy

## Consequences regarding Inheritance & Gift tax

- Where the transferor (testator or donor) is resident abroad, taxation in Italy is restricted to the property and rights located in Italy, unless, in the case of lifetime gifts, the donee is resident in Italy. In such a case, even a lifetime gift of foreign property is taxable in Italy, although a credit may be available for tax paid abroad.
- Where the transferor is resident in Italy, Italian inheritance tax is governed by the principle of ‘territoriality’, i.e. the taxable estate in the case of transfers *mortis causa* consists of all the property (real property, securities etc) and rights transferred, including those that are situated abroad. In the case of gifts *inter vivos*, however, it is the residence status of the transferee or the location of the assets that is taken into account for tax purposes (e.g. a gift of real property located in Italy to a donee resident in Germany is taxable as is a gift of real property located in Germany to a donee resident in Italy)