# ITALIAN TAXATION 2019

**Basis** – Residents are taxed on worldwide income; nonresidents are taxed only on Italian-source income.
**Residence** – For income tax purposes, an individual is deemed to be resident if he/she is registered at the civil registry or is domiciled in Italy for more than 183 days in a year.

**Filing status** – Joint filing is possible under specific circumstances.

**Taxable income** – Individual income tax is imposed on employment income, income from independent activities, income from capital, business income, income from immovable property and other miscellaneous income.

A special regime is applicable for inbound employees under certain circumstances—if all relevant requirements are met, 50% of their Italian-source income from employment is tax exempt for five years. Another special regime is applicable specifically for inbound researchers and highly skilled employees—if all the relevant requirements are met, 90% of their Italian-source income from employment may be tax exempt.
**Capital gains** – Capital gains derived by an individual on the disposal of Italian immovable property normally are taxed as miscellaneous income, but are exempt from tax if the individual held the property for more than five years. Gains derived from the sale of a principal residence are not subject to tax. For capital gains on the disposal of shares, see "Rates," below.
**Deductions and allowances** – Deductions for dependents, employment income, social security contributions and other specific expenses (e.g. family charges, medical expenses) are available in calculating taxable income.

**Rates** – The personal income tax is progressive, rising to a top rate of 43% for income exceeding EUR 75,000. The other rates are: 23% on income up to EUR 15,000; 27% on EUR 15,001-EUR 28,000; 38% on EUR 28,001-EUR 55,000; and 41% on EUR 55,001-EUR 75,000.

Additional regional tax applies at rates ranging from 0.7% to 3.33%, depending on the region in which the individual is domiciled. An additional municipal tax ranging from 0% to 0.9% also may apply, depending on the taxpayer's municipality.

Under certain circumstances, private employees may apply a flat tax of 10% on bonuses earned up to EUR 4,000. Bonuses in kind are exempt from tax and social charges in certain instances.

Under certain circumstances, self-employed individuals may apply a flat tax of 15% on up to EUR 65,000 of business and professional gross income, without being subject to additional regional and municipal tax. From 2020, a 20% flat tax on gross income over EUR 65,000 and up to EUR 100,000 will be able to be applied.
Resident individuals are taxed on interest at a flat 26% rate (12.5% for interest on Italian treasury bonds or similar bonds). The 26% flat rate also ordinarily applies to dividends related to nonqualified participations and to capital gains related to qualified and nonqualified participations.

For listed companies, a participation representing more than 2% of the voting rights or more than 5% of the share capital is treated as a qualified participation; for other companies, a qualified participation is one representing more than 20% of the voting rights or more than 25% of the share capital.
As from 1 January 2018, the 26% flat rate also generally applies to dividends related to qualified participations. In relation to profits generated up to the end of 2017 and distributed from 2018 to 2022, the regime described below will apply.

Resident individuals holding qualified participations generally are taxed at the ordinary income tax rate on 58.14% of the dividends received that were generated before 2018 (40% for profits generated before 2007 and 49.72% for profits generated after 2007 but before 2017).

Nonresident individuals ordinarily are taxed at the 26% flat rate on dividends (with a potential refund up to 11/26ths, see above), capital gains related to participations (in some cases an exemption may apply based on a relevant tax treaty) and interest. Nonresident individuals resident in a "white list" country (as identified by a specific decree), however, are not taxed on capital gains related to nonqualified participations, and the same capital gains realized by nonresidents on the disposal of shares listed on a stock market are exempt.
Under certain conditions, nonresident individuals moving their tax residence to Italy may apply an EUR 100,000 lump-sum tax on their income earned abroad.

## Other taxes:

**Capital duty** – A negligible fixed registration tax is levied on contributions of cash in exchange for shares.
Contributions of other assets may trigger registration tax at various rates.

**Stamp duty** – Stamp duty is levied on legal and banking transactions at varying rates.

The Tobin tax applies in the form of a stamp duty on transfers of shares and other financial instruments issued by Italian joint stock companies (including derivative instruments, if one of the parties to the transaction is an Italian tax resident). The tax rate is 0.2% of the transaction value, reduced to 0.1% where the sale takes place on a listed market. A flat tax applies on the value of derivative instruments.

**Capital acquisitions tax** – No

**Real property tax** – Property owners, whether or not resident in Italy, are liable for a property tax on buildings and land owned in Italy for their own use or as investments. The tax comprises three different elements: IMU (wealth tax), TASI (tax for services) and TARI (tax on refuse). The basic rate of IMU is 0.76% of the taxable value of the property, but the competent municipality can increase or reduce the basic rate by up to 0.3%. IMU normally does not apply to an individual's main residence. TASI rates range from 0% to 3.3% depending on the municipality in which the property is situated. The TARI rates also vary depending on the municipality.
**Inheritance/estate tax** – The taxable amount generally is represented by the value of the assets and rights inherited. Rates are 4%, 6% or 8%, depending on the relationship between the deceased and the beneficiaries. Exemptions up to EUR 1 million may apply for bequests to close relatives.

**Net wealth/net worth tax** – Financial assets held abroad by a resident individual (i.e. bank accounts, participations, etc.) are taxed at 0.2% of the market value. Immovable property outside Italy owned by a resident individual is subject to tax at a rate of 0.76% of the original cost or market value of the property (cadastral value of the property owned in an EU or EEA country). A lower 0.4% rate may apply to principal residences.

**Social security** – Individuals working in Italy normally are subject to social security contributions, with rates depending on the sector and the employee's job title. Social security in respect of the state pension fund borne by the employee generally is equal to 9.19%, plus 1% over EUR 47,143 (up to a cap of EUR 102,543) for employees who started contributing to an obligatory social security scheme after 1 January 1996. For those who started contributing before that date, contributions are calculated on the total amount of employment income received.

**Other** – An additional 10% tax is levied on bonuses, stock options and variable payments paid to directors operating in the financial sector. The tax is payable only on the portion of variable compensation exceeding the fixed remuneration.

## Compliance:

**Tax year** – Calendar year

**Filing and payment** – All resident and nonresident taxpayers who derive income subject to individual income tax must file an annual tax return, except for individuals deriving only exempt income or income subject to a final withholding tax and other specific categories of income.

The "Modello 730" tax return must be filed by 23 July of the calendar year following the relevant fiscal year; while the "Modello UNICO" tax return must be filed by 30 September of the year following the relevant fiscal year (deadlines not falling on working days are postponed to the next working day).

Salaries and professional fees generally are subject to deduction of tax at source.

**Penalties** – Penalties and interest apply for late filing, failure to file and tax avoidance and evasion.

## Value added tax:

**Taxable transactions** – VAT is levied on the supply of goods and services, and on imports.

Where deductible input VAT is charged on purchases of goods and/or services, the deduction must be taken in the VAT return for the year in which the related right arises or, at the latest, in the VAT return for the year in which the relevant invoice is received.

**Rates** – The standard VAT rate is 22%, with reduced rates of 4%, 5% and 10%. VAT exemptions apply to financial services, medical services, gaming and gambling, export sales and the contribution of assets to a company (e.g. purchases of capital goods).

**Registration** – A taxpayer carrying out taxable supplies in Italy is required to register for VAT purposes.

As from 1 January 2019, electronic invoicing (e-invoicing) is mandatory in relation to transactions carried out by VAT taxable persons established in Italy that make supplies to VAT taxable persons (B2B) established in Italy and private subjects (B2C) resident in Italy.

**Filing and payment** – Taxpayers are required to submit a VAT return electronically by the end of April of the following calendar year.

Taxpayers also are required to submit quarterly reports on their VAT calculations, by the end of the second month following the relevant quarter. As from 1 January 2019, a new monthly report on cross-border transactions (covering transactions with nonresidents that are not subject to e-invoicing) must be filed by the end of the month following the relevant period.

From 1 July 2019, retailers must electronically store and transmit, on a monthly basis, data on their daily B2C transactions that are not required to be documented by e-invoices (e.g. sales of products in shops). The new obligation will apply from 2020 for retailers having an annual turnover lower than EUR 400,000, with certain limited exclusions.

**Source of tax law:** Corporate Income Tax Law, Regional Tax on Productive Activities Law, Individual Income Tax Law and VAT Law, and decrees and instructions issued by the Ministry of Finance

**Tax treaties:** Italy has concluded more than 100 tax treaties. Italy signed the OECD MLI on 7 June 2017.

**Tax authorities:** Ministry of Finance, Tax Income Agency (*Agenzia delle entrate*)

**Source: Deloitte Touche Tohmatsu Limited**