

THE ATTRACTIVE ITALIAN TAX REGIMES FOR EXPATS, HNWIs AND PENSIONERS

June 2025 Edition

A SHORT GUIDE TO TAX INCENTIVES
FOR INDIVIDUALS RELOCATING
TO ITALY



DRAFTED BY:
Tax Private Clients
& HNWI practice

The Italian tax system provides for special tax regimes aimed at attracting foreign resident individuals.

Such regimes are very competitive compared to those in force in other European countries.

Italy can be a safe and tax-efficient destination also for employees on “smart working” arrangements who are willing to settle in the Italian territory.

The existing tax regimes for foreign resident individuals relocating to Italy are:

the “New Resident” regime (Flat tax), a special tax regime for passive income earners who are High-Net-Worth Individuals (HNWIs);

the “Impatriate” regime (Expat tax breaks), recently amended with effect from 2024.

tax relief for professors and researchers resident abroad who moves to Italy (“brain gain” regime)

the “Retirees” regime (Pensioner tax breaks), a special tax regime for pensioners and retirees.



1. ITALIAN FLAT TAX REGIME FOR HNWIs

The Italian Flat Tax regime is inspired by the Swiss “globalist” and by the UK non-dom regimes, although, unlike the Swiss regime, it does not preclude the possibility to carry out a working activity in Italy, and, unlike the “old” UK regime, remittances to Italy are not taxable. Moreover, Italy benefits from a wide range of tax treaties (e.g., compared to the Principality of Monaco, another location for HNWIs) and its beauty, climate, quality of life, strategic location, and free circulation in the European Schengen area makes it a natural destination for HNWIs.



HOW DOES THE FLAT TAX REGIME WORK?

For individuals moving to Italy starting from fiscal year 2025, the mechanism is very simple:

- ❑ new tax resident individuals who opt for the regime shall pay an annual flat tax of € 200,000, that encompasses and replaces any (income and wealth) tax on non-Italian sourced income and assets (e.g. financial, real estate and work-related income), even if remitted to Italy;
- ❑ conversely, Italian-sourced income is taxable under ordinary rules.

The regime lasts for a maximum of 15 calendar years.

Nevertheless, an anti-avoidance rule is applicable to gains deriving from sales of significant holdings in foreign companies within the last 5 years.

HNWIs that conduct foreign entrepreneurial activities (e.g. through holding companies) are not subject to CFC (look-through) and place of management rules.

HNWIs can also elect to exclude from the flat tax regime income sourced from selected Countries (“cherry picking”), that becomes fully taxable in Italy, thus benefiting from foreign tax credit rules.

WHO CAN BE ELIGIBLE?

Individuals can elect to apply the regime if they have been resident outside of Italy for tax purposes for 9 out of 10 of the previous calendar years (needless to say, the regime applies to individuals that have never been resident in Italy).

Unlike in other States (e.g. Switzerland), the regime is also applicable to Italian nationals.



WHAT ABOUT FAMILY MEMBERS?

Individuals applying for the regime can extend it, on a voluntary basis, to some or all of their family members (the definition of family member is quite broad): in this event, an additional flat tax of €25,000 is due for each additional member.



HOW CAN AN INDIVIDUAL APPLY FOR THE FLAT TAX REGIME?

To apply for the regime, individuals have to file a specific ruling request with the Italian tax authorities, which can include family members.

As an alternative to the ruling request, an election can be made in the tax return. The ruling request can be filed before becoming Italian tax resident and, although not mandatory, is strongly advisable. Tax authorities provide an answer within 90 days.



WHAT ABOUT ESTATE TAX AND GIFT TAX?

Italian Inheritance (Estate) tax and Gift tax are not applicable to non-Italian assets. Therefore, potential estate reorganizations could be more efficient.

Please, consider that the Flat Tax regime does not impact Italian forced heirship provisions.



2. “IMPATRIATE” REGIME: EXPAT TAX BREAKS

The special tax regime applies to “inbound workers” (i.e. expats transferring to Italy for work reasons) and entails a beneficial tax treatment of Italian-sourced employment or self-employment income.

Due to EU de minimis aid restrictions, the tax benefit for self-employment income is capped at a maximum amount of euro 300,000 over three tax periods.



HOW DOES THE “IMPATRIATE” REGIME WORK?

The Impatriate regime provides that, under certain conditions, employment or self-employment income derived from Italian activities by individuals who transfer their tax residence to Italy is taxable as to 50% of its amount (with the other 50% being exempt), up to a maximum annual income of euro 600,000.

WHO CAN BE ELIGIBLE?

The application of the Impatriate regime is subject to the following requirements:

- ❑ the employee must meet certain high qualification or specialization requirements as defined by the law;
- ❑ the employee must not have been tax resident in Italy in three tax periods preceding the first tax period of Italian tax residence; and
- ❑ in each tax period, the employee must perform his or her working activity on the Italian territory for more than 183 days.



However, if the employee carries out work in Italy for the same entity (employer) which employed him or her abroad before the relocation or for an entity (employer) belonging to the same group, the requirement of past foreign residency is longer and is, respectively:

- ❑ six tax periods if the employee has not previously been employed in Italy by the same company or by a company belonging to the same group; or
- ❑ seven tax periods if the employee, prior to moving abroad, was employed in Italy by the same company or by a company belonging to the same group.

WHAT IS THE DURATION OF THE “IMPATRIATE” REGIME?

The Impatriate regime applies for a maximum of five tax periods, including the first year of tax residence and the following four. The regime provides for a recapture mechanism if the beneficiary does not remain an Italian tax resident for at least four years (including the first year of tax residence). Pursuant to the recapture mechanism, the beneficiary is obliged to pay the taxes that have not been paid, with interest.

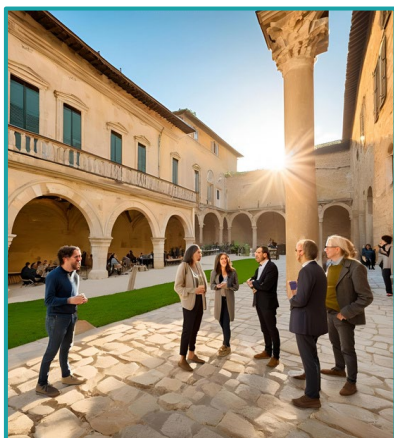
HOW CAN AN INDIVIDUAL APPLY FOR THE “IMPATRIATE” REGIME?

The tax benefit is directly applied by the employer, that upon payment of the salary shall levy the employee's withholding taxes on the reduced taxable base. An election to the employer is required. Alternatively, an election can be made in the income tax return.

FURTHER TAX BREAKS

The portion of taxable employment/self-employment income is reduced to 40% (with the other 60% being exempt) if the worker moves to Italy with a minor child or in case of birth of a child during the period of application of the regime. In this case, the higher exemption (60% in lieu of the ordinary 50%) will start applying from the tax period in which birth occurs. In any case, it is required that the minor child remains an Italian tax resident throughout the period of application of the regime.

3. TAX RELIEF FOR PROFESSORS AND RESEARCHERS (“BRAIN GAIN” REGIME)



HOW DOES THE “BRAIN GAIN” REGIME WORK?

This is a temporary tax benefit allowing eligible professors and researchers who move their tax residence to Italy to be taxed on only 10% of their employment or self-employment income.

The income is also excluded from the IRAP tax base. The benefit applies for an initial period of 5 years.

WHO CAN BE ELIGIBLE

The scheme is open to professors and researchers who:

- ☐ hold a university degree;
- ☐ have been non-occasionally tax resident abroad;
- ☐ have carried out documented teaching or research activity abroad for at least 2 consecutive years;
- ☐ transfer and maintain tax residence in Italy for the duration of the benefit.
- ☐ Italian citizens not registered with AIRE may also qualify if they were tax residents in another country under a double taxation treaty for the two years before relocating.

HOW LONG DOES THE REGIME LAST?

The standard duration is 5 years, but it can be extended to:

- ☐ 8 years with at least one dependent or minor child, or upon purchasing a residential property in Italy;
- ☐ 11 years with at least two dependent/minor children;
- ☐ 13 years with at least three dependent/minor children.
- ☐ Those who started benefiting from the scheme before 2020 may also extend the duration under certain conditions.



4. “RETIREEES” REGIME: PENSIONER TAX BREAKS

HOW DOES IT WORK?

Retired individuals who (starting from 2019) relocate to a Region of Southern Italy (i.e., Abruzzo, Molise, Campania, Apulia, Calabria, Sicily, Sardinia, Basilicata) may elect to pay a 7% flat tax on their non-Italian sourced income (e.g., foreign pension, financial income, rental income, etc.), for a maximum of 9 tax periods.



WHO CAN BE ELIGIBLE?

Eligible individuals are retirees:

- ☐ who receive a pension or an annuity from a foreign entity, including private pension plans;
- ☐ who has not been tax resident in Italy in the previous 5 years;
- ☐ who relocate to a municipality (Comune) of a Region of Southern Italy (i.e., Abruzzo, Molise, Campania, Apulia, Calabria, Sicily, Sardinia, Basilicata) with a population of less than 20,000.

HOW CAN AN INDIVIDUAL APPLY FOR THE REGIME?

The election for the regime shall be made in the individual tax return.

ADDITIONAL BENEFITS

Individuals eligible for the Regime are exempted from Italian disclosure of foreign assets and are not subject to the payment of Italian wealth taxes on foreign assets.



OUR FIRM & HNWI PRACTICE

Pirola Pennuto Zei & Associati was established as a professional association in the early 1980s at the initiative of its founders, who had already been active since the 1970s in the field of tax and legal consulting for corporations and multinational groups. Today, it stands as one of the leading independent firms in Italy.

Our organization has made service quality its hallmark, thanks to the experience and high-level expertise of over 600 professionals. By integrating technical and specialized skills, they provide a wide range of services in tax, corporate, and legal matters, both nationally and internationally, using advanced methodologies and a robust network of correspondents.

Building on a wealth of knowledge and know-how accumulated over the years, Pirola Pennuto Zei & Associati serves as a trusted partner to the business community, academia, and the professional world, fostering synergy, support, and mutual enrichment.

www.pirolapennutozei.it/expertise/tax-practices/tax-private-clients-high-net-worth-individuals/

LUCA VALDAMERI

PARTNER

M +39 348 5854441

T +39 02 66995610

E luca.valdameri@studiopirola.com



MARIO TENORE

PARTNER

M +39 344 0859985

T +39 02 66995601

E mario.tenore@studiopirola.com



FEDERICO BALBIANO

ASSOCIATE PARTNER

M +39 348 4998684

T +39 02 66995603

E federico.balbiano@studiopirola.com



Pirola
Pennuto
Zei

www.pirolapennutozei.it