

## Amendments to the Italian flat tax regime for new tax resident individuals

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### **Yearly substitute tax under the Italian flat tax regime for new resident individuals increased to 200,000 Euro**

The Italian government has recently approved the “Law Decree Omnibus” n. 113 of August 9, 2024 (the “**Law Decree**”), a comprehensive legislative measure encompassing a wide range of law provisions that has been published in the Italian official Gazette, is effective as of August 10 and will be converted into law within the next 60 days.

Among others, the Law Decree provides for the increase of the yearly flat tax due by Italian tax resident individuals subject to the Italian flat tax regime. The amount of the annual substitute tax due to apply the Italian flat tax regime will be set at 200,000 Euro, whereas it was previously set at 100,000 Euro.

According to the Law Decree, the amendment applies to individuals relocating their residence to Italy, pursuant to article 43 of the Italian Civil Code, after the Law Decree’s enforcement. In this respect, it is worth mentioning that article 43 of the Italian Civil Code defines residence as the place where the individual has his/her habitual abode.

In the light of the wording of the Law Decree, the change should not affect individuals who were already residing in Italy as at August 9 2024 under the flat tax regime, so that the annual 100,000 Euro substitute tax will continue to apply for them.

Other than the increase in the amount of the due substitute tax, no other changes have been provided. The flat tax regime remains unaltered. Applicants may therefore still decide to extend the flat tax regime to certain family members by paying an additional 25,000 Euro for each family member.

## The flat tax regime in pills

The Italian flat tax regime provides for a yearly substitute tax on foreign source income generated by individuals who have not been Italian tax resident for at least 9 out of 10 tax periods before relocating to Italy.

The only exception applies to capital gains deriving from the disposal of qualified participations in foreign companies. If realized in the first five years of the application of the regime, such gains are taxed according to the ordinary domestic rules (with a 26% substitute tax or personal income tax up to 43% plus local surcharges, depending on the State of source). After the five-years period these gains will be covered by the substitute tax.

The regime provides for several other advantages, including a full exemption from: (i) Italian inheritance and gift taxes on transfers upon death or donation of any non-Italian situs assets, and (ii) Italian tax monitoring obligations on the assets held abroad (with a minor exception, relating to the qualified participations held abroad during the first five years of the regime's application).

Individuals can benefit from the Italian res-non-dom for a maximum of 15 years.

## Steps to implementation

The Law Decree is effective as from its publication in the Italian Official Gazette and it must be converted into law by the Italian Parliament within 60 days from its publication.

During this interim period, the Italian Parliament may vote to amend or uphold the provisions included in the Law Decree, with the possibility of overriding the initial proposal by the Italian Government.

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### Contacts

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