

ITALY

As per 1 January 2018

EXPATRIATE AND EMPLOYER TAX COMPLIANCE AND ADVISORY

Personal Income Tax Rates – Employment Income	<p>Progressive personal income tax rates from 23% – 43%. On top of this, an addition 1/2% of local taxes (Regional and Municipality) must be considered.</p> <p>There is a tax free personal allowance ranging from € 4.800 to € 8.000, depending on the type of income.</p>
Tax period	Calendar Year
Tax residency / Domicile according to domestic law	<p>Italian tax residency is determined pursuant to art. 2 of TUIR (Italian tax law), which establishes that an individual is considered resident in Italy for tax purposes when, for the greater part of the fiscal year (i.e. for more than 183 days in a calendar year) 1. he/she is enrolled at the Register or Population (so called “Anagrafe”) of an Italian Municipality, or 2. he/she has his/her “residence” in Italy (habitual abode), or 3. he/she has his/her “domicile” in Italy (principal centre of business, economic and social interests, e.g. the family). If one of the aforementioned conditions is met, the individual qualifies as tax resident for Italian tax purposes. Moreover, an anti-abuse rule provides that Italian citizens who transfer residence to so called “tax havens countries”, are deemed to qualify as tax resident in Italy even if they were cancelled from the Register or Population (so called “Anagrafe”), unless the individuals provide proof of their non tax residence status.</p>
Tax registration	<p>Registration with Italian Tax Office (“Agenzia delle Entrate”) is mandatory to obtain an Italian Fiscal Code, which is a 16 digit unique taxpayer reference number (for individuals).</p>
Employment income definition	<p>Employment income includes salary, bonuses and other payments which are equivalent to cash, as well as certain non-cash benefits (fringe benefits or benefits in kind) received by the employee in relation to his employment services, including cost of living, housing, tax reimbursement, car, profit sharing, bonuses, etc.</p> <p>Compensation paid in cash are fully taxed at 100% whilst there are specific law provisions for travel allowances, moving expenses reimbursements, relocation allowances, housing benefit, etc.</p> <p>Under certain conditions, special tax regimes are applicable to employment incomes (typically for inbound and outbound expats).</p>
Examples of tax exemption	<p>Payments for social welfare, accident insurance, medical insurance expenses, employee meals where available to all employees and within certain thresholds., annual the reimbursement of business expenses upon presentation of the original receipts are exempt from taxation.</p> <p>Under certain conditions, there could be exemption or partial exemption for travel allowances, moving expenses reimbursements, employer contributions to insured medical benefits, housing benefit, company car, interest on loans granted by the employer, etc.</p> <p>Furthermore, employer and employees can setup specific agreements (so called “welfare aziendale”) which allows to compensate employees with benefits free of social contributions.</p>
	<p>Outbound expats who keep tax residence in Italy can be taxed, under certain conditions, according to a specific tax regime which establishes a forfait taxable basis instead of the salary received.</p>

Specific expatriate concession	Inbound expats who move to Italy and become tax resident in our country can be taxed on 50% of employment income tax basis if they meet certain requirements. Inpatriate tax regime starts from the year in which the individuals become Italian tax residents and for the following four fiscal years.
Income of board members	In general terms, board members remuneration is assimilated to employee compensation.
Tax returns	Self-assessment tax returns are filed on an individual basis (in certain conditions, joint filing is admitted) by – 30th September following the end of the tax year if the individual submits form “Modello Redditi Persone Fisiche” – 23rd July following the end of the tax year if the individual submits form “730” Late filing and late payment penalties apply. N.B. not all individuals are required to file Italian tax returns. However, filing will apply in most expatriate cases
Tax payments	Payment is required by 30th June following the end of the tax year. Payments on account are required in certain cases by 30th June and 30th November 30th following the end of the tax year. This might apply, for example, where there has been insufficient payroll withholding in the previous year.
Tax on real estate property	Property owners, whether or not resident in Italy, are liable for property tax (IMU) on buildings and land owned in Italy as investments. This tax is not applied if the real estate is used as a primary abode by the owner. The basic tax rate is 0.76% if the taxable value of the property, but each Municipality can resolve upon an increase or reduction up to 0.3% on the standard rate.

TAX TREATIES

Employment income / income from board members	Art 15/16 Model OECD Tax treaties
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INTERNATIONAL SOCIAL SECURITY

Cross border employments	EU Regulation No 883/2004 and EU regulation No. 1408 / 71 and several social security treaties
Exception under Art 16 of Reg. 883/2004 and Art 17 of Reg. 1408/71	Generally applicable.
Social Security Cost as % from gross salary and absolute amounts	The Employee portion of social security for the state pension fund generally is equal to 9.19% of earning, capped at EUR 100 324 for employees who started to contribute to the mandatory state pension fund on or after 1.1.1996. For employees who commenced their contributions before 1.1.1996, the income is not capped and the contributions are calculated on total income. In both cases, an additional 1% contribution is payable on earnings exceeding EUR 46 123. The employer social security rate is around 28%-30% on earnings, capped at EUR 100 324.

IMMIGRATION

All the steps are in chronological order as follows :

- 1.Application of work permit
2. Collection of work permit (at the competent Italian authorities which can be different on the base of the type of Work Visa);
- 3.Application of Visa

Work permit	4.Collection of Visa (at the Italian Embassy in your home country or where you are resident (after receiving your Work Permit); 5.Meeting in order to sign the Staying and the Integration Agreement (at the Italian Authority in Italy, only in some cases of Visa) 6.Application of Residence Permit – Permit to stay (at the Post Office) 7.Interview and Fingerprinting 8.Collection of Residence permit -Permit to stay (at the competent local police station ‘Immigration Office’)
Visa	Swiss, EU and EEA nationals do not require a visa to enter Italy, nor do US nationals. Other nationals require a visa to enter the country. The applications have to be lodged like described above.
Residency permits / registration certificate	EU and EEA nationals do not need a visa to enter into Italy. Non EU nationals in general need to apply for a residency permit. Different residency permits exist. The procedure is explicated at point “working permit”.
Driving license	Driving licences issued in other EU, EEA countries are recognized in Italy.
STOCK OPTION PLAN	Article. 51, paragraph 2, lett. g) of the T.U.I.R. provides that “the value of the shares offered to employees in an amount not exceeding € 2,065.83 does not contribute to the formation of employee income” on the condition that they are not repurchased by the issuing company or by the employer or otherwise sold before at least three years have passed since the perception.

ARTICLE 15 OF THE OECD MODEL

183 days	From 2017, it is possible to propose tax breaks for productivity bonuses and to convert the bonus into SPP (Share Purchase Plane) Generally applicable
Notion of employer	Legal employer
Existence of a permanent establishment	The definition of a permanent establishment is determined in the tax treaty, however, Italian tax law provides a more strict definition of PE that could trigger a double taxation issue to be mitigated by means of tax credit



(http://publicationsdrafts.ro/expat-tax-2014/wp-content/uploads/2018/04/MOCARELLI_bn_p_profile.jpg)

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