SWBA

TaxJourney
United States

August 8, 2024

Italy doubles its "flat-tax" to €200,000

On Wednesday, August 7, 2024, Italian government approved a measure that increases the "flat-tax" imposed on individuals who elect to be part of the regime and obtain tax residency in Italy. The decree doubles the existing 100,000 euros flat-tax to 200,000 euros (approximately $218,000) per year.

The "flat-tax" regime in essence is a cap on tax on foreign sourced income for high-net-worth individuals. These flat-tax rules serve as an incentive for foreigners to transfer their residence to Italy while also coaxing Italians living abroad to repatriate.

The favorable tax regime for rich new residents was originally introduced by a center-left government in 2017, with a view to lure ultra-high spenders to boost Italy's sluggish economy.

The doubling of the flat tax will only apply on a prospective basis, the decree spells out, clarifying that those who are already part of the regime will be grandfathered in.

The increase has garnered mixed reactions amongst the wealthy expats community; where some taxpayers question the stability and predictability of the "flat-tax" regime.

Overview of the Italy's Flat-Tax Regime

The regime replaces the standard progressive income tax rate with an annual "flat tax" of €100,000 (now €200,000) on all foreign-sourced income for a period of up to 15 years.

The existing €100,000 tax incentive, while popular with wealthy individuals, has been controversial among Italian locals who blame the recent influx of the super-rich for a sharp increase in real estate prices and other rises in living costs.

Follow Us On LinkedIn
