



## THE ITALIAN TAX REGIME FOR PENSIONERS



As of the year 2019 the Italian Government introduced a new attractive tax regime, applicable to retired individuals who intend to move to Italy.

More specifically, Article 24-ter of the Italian Tax Code (“Testo Unico delle Imposte sui Redditi” – TUIR) states that a tax rate of 7% may be applied to foreign incomes derived by a retired individual who decides to move his/her tax residence to Italy (“**Tax Regime for Pensioners**”).

In order to benefit from the Tax Regime for Pensioners, the following conditions must be met:

1. The individual must receive a retirement income paid by a foreign entity;
2. The individual shall move his/her tax residence to a municipality with a population not exceeding 20.000 inhabitants located in one of the Regions of Southern Italy (namely, Sicily, Calabria, Sardinia, Campania, Basilicata, Abruzzo, Molise, Puglia), or to a municipality with less than 3.000 inhabitants located in one of the areas hit by the 2016 earthquake, as listed in the Annexes to the Italian Legislative Decree n. 189/2016;
3. The individual must have been tax resident abroad for at least five years preceding the one in which the same moves his/her tax residence to Italy;
4. The individual must have been tax resident in one of the States having an agreement on administrative cooperation in force with Italy.

The Tax Regime for Pensioners applies to retirement income paid by foreign entities as well as to the other foreign incomes derived by the retiree, provided that such incomes can be considered as sourced abroad pursuant to Italian income sourcing rules.

The Tax Regime for Pensioners can be applied for a maximum period of ten years, starting from the year in which the retiree moves his/her tax residence to Italy. In any case, it is possible for the retiree to revoke the application of the Tax Regime for Pensioners.

The retiree may also request that the Tax Regime for Pensioners is not applied to incomes arising from one or more foreign countries. In such a case, the excluded foreign incomes will be subject to the ordinary Italian tax rules and the retiree can claim the Italian tax credit to gain relief from taxes paid abroad on the said foreign incomes, which will instead be prevented in case of the option for the application of the Tax Regime for Pensioners.