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New Italian 7% tax regime to attract pensioners to Italy

The Italian Budget Law for 2019 (Law No. 145 of December 30, 2018) introduced a new tax regime aimed at attracting individuals to Italy. Particularly, this new optional tax regime (applicable as from 1 January 2019) is meant to attract pensioners to certain areas of Italy, by granting them a 7% tax on all foreign-source income and gains (not just the pension income) as well as an exemption from wealth taxes on foreign assets.

This regime adds up to the existing Italian tax regimes meant to attract high new worth individuals (the 100K Euro substitute tax regime on foreign-source income and gains) and skilled employees and self-employed individuals to Italy (the so called impatriate tax regime, which consists of a 50% exemption for Italian-source employment and self-employment income).

The table below provides a brief description of the new 7% tax regime for pensioners.

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	Optional 7% substitute tax regime for pensioners moving to Italy (Art. 24-ter ITA)
Conditions	1. The individual must have been non-resident pursuant to Italian domestic tax purposes in the 5 tax years prior to the first year of Italian tax residence 2. The individual must have pension income paid by an entity that is non-resident of Italy 3. An agreement providing for administrative cooperation between Italy and the country of former residence must be in force 4. The individual must transfer the tax residence to a municipality with no more than 20,000 residents in one of the following Italian Regions: Sicily, Sardinia, Calabria, Campania, Basilicata, Abruzzo, Molise and Puglia
Duration	• Up to 6 tax years (from the first year of Italian tax residence)
Income tax	• 7% substitute tax on income and gains from foreign (non-Italian) sources (not limited to pension income) • Ordinary income tax on income and gains from Italian sources
Wealth taxes	• Exemption from wealth taxes on foreign assets
Inheritance and gift tax	• No exemption
Reporting obligations on foreign assets	• Exemption