Comploj Vieider Lorenzon
Lechner Zanellato

PDC Partner
Wirtschaftsprüfer und Steuerberater
Dottori Commercialisti

Senior partner
Dott. Lodovico Comploj
Dott. Emilio Lorenzon
Dott. Josef Vieider
Dott. Alessandro Zanellat
Dott. Martin Lechner

Wirtschaftsprüfer und Steuerberater / Dottori
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Dott.ssa Serena Giacomo
Dott. Lorenz Bonadio
Dott.ssa Giulia Fortin

Bilanzbuchhalter / Esper
Dott. Antonio Gocev

To all
clients

Circular No. 42/2023

Bolzano, 23 October 2023

Subject: Tax reform and inbound taxation – still securing the current reliefs by transferring residence before the end of the year?

The major tax reform announced by the Meloni government is slowly taking shape. We will inform you by separate circulars as soon as the fog has lifted somewhat. In this connection, the draft of the forthcoming reforms in international tax law has become known in recent days. Among other things, the connecting factors for residence are to be amended, with the emphasis in future being placed on the centre of vital interests with reference to family ties.
In this context, however, the news that the reliefs currently available for so-called inbound taxation are also to be cut back has caused considerable disquiet. At least according to the information available, the reliefs for taxpayers who have already benefited from them are to remain untouched in future as well. Below are the expected changes:

First, the subjective scope of application is being restricted: The reliefs are to apply only to inbound employees who have previously spent at least three years abroad (currently two). They must undertake to remain in Italy for at least five years (currently two). At present the relief applies to employees in general; in future it will apply only to highly qualified persons; in essence this means a return to the legal position which already applied up to 2019. In principle it must involve a new employment relationship with a new employer which is not part of the same

GGi A GLOBAL ALLIANCE OF INDEPENDENT PROFESSIONAL FIRMS

39100 Bozen, via F.Crispi / F.-Crispi-Straße 9
tel +39 0471 288333, fax +39 0471 272521
e-mail info@pdc-partner.it

20121 Milano / Mailand
Foro Buonaparte 70
tel +39 02 36687469

39036 Stern / La Villa di Badia
Str. Ninz 63
tel +39 0471 847360

group of undertakings. It also appears that only income from employment and income treated as equivalent thereto, as well as income from self-employed professional activity, would be eligible, while sole proprietorships would be excluded.
The extent of the relief is then also reduced: For persons transferring their residence from 2024 onwards, the tax relief is to be reduced from the current 70% (only 30% of the taxable income is subject to tax) to 50%, and an income ceiling of 600.000 Euro is also to be provided for. The de-minimis restrictions already in place for members of the professions will remain unchanged, especially since for them the tax saving is treated as State aid.

The forthcoming changes have in recent days unsettled above all those who moved to Italy in the second half of 2023, or who intend to move in these very days, in the conviction that they would still be able to make use of the inbound reliefs under the old rules; they can, however, no longer claim the reliefs for 2023, because, as is known, residence for at least 183 days in the 2023 tax period is required for this purpose, and for 2024 only the reduced reliefs would be available under the proposal now on the table.

And here Deputy Prime Minister Maurizio Leo is now offering reassurance. In a message on Facebook last Saturday he declared that for all those who transfer their residence to Italy by 31 December 2023, the current reliefs are to remain in place unchanged under the conditions applicable to date.

The only recommendation that can be made here is therefore: Anyone who still wishes to claim the currently favourable rules should transfer their residence to Italy by 31 December 2023, and in doing so it must be borne in mind that the municipalities have 45 days in which to carry out the necessary checks and to change the residence.

We remain at your disposal for any further information.

Yours sincerely
Josef Vieider