

# Why Italy is attracting investment and HNWI relocation

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*Italy is well known for its culture, areas of natural beauty, lifestyle, and pleasant year-round climate. News is spreading fast about another attraction Italy has to offer, and that is the favorable tax regimes for foreign investment and for nonresident individuals wishing to relocate to the 'Bel Paese'. These regimes offer a tempting combination of a better quality of life and favorable fiscal and investment opportunities*



To highlight the legal and fiscal regimes that make Italy highly competitive in meeting the needs of foreigners who decide to relocate or invest there, we interviewed Luigi Belluzzo and

Alessandro Belluzzo, founding partners of **Belluzzo International Partners**, an international boutique law firm with offices in Italy, the United Kingdom, Singapore, and Switzerland. Belluzzo International Partners recently hosted a very well-received workshop in London which counted the Vice Minister for Economy and Finance responsible for fiscal policy among the speakers.

***Dr. Luigi Belluzzo, in your opinion, what legal and tax instruments are specifically aimed at meeting the needs of foreigners and in particular to individuals who wish to relocate to Italy?***

“Italy has a full set of rules which are giving specific regimes to people who relocate. These alternative regimes are focused on the following:

- **Attracting UHNWI.** The New Tax Res (“NTR”) regime is a flat tax covering the whole of foreign income and indirect taxation for individuals who relocate to Italy for the first time considering the last 9 out of ten calendar years. The NTR is applicable to all family members and the first applicant will pay €100k per year (the other 25k each, as an option) for a maximum of 15 years. Foreign income can be remitted to Italy without any further tax consequences.
- **Attracting talents.** In this case, the fiscal regime is applicable to employees, self-employed, and entrepreneurs moving to Italy after being nontax resident in Italy for at least 2 years. The new tax regime is essentially carving out a percentage of the tax base for personal tax purposes (with capped social contributions). In particular moving to the south of Italy gives a 90% discount (with an effective rate of less than 5%) and in the other parts of Italy of 70% with an effective rate of 14% circa). Specific requirements are set out and particular rules are applicable to sportsmen.
- **Attracting pensioners.** Foreign pensioners, from countries with a full exchange of information, will pay only 7% taxation on any income as long as they move to small villages in the South of Italy.”

To understand the legal and immigration requirements, we turn to **Alessandro Belluzzo**, who explains: “In order to enter Italy, you will need an EU passport. **For those without an EU passport, it is possible to start an investor visa program.** With this Investor Visa, a foreigner can achieve the Schengen Visa requirements following a procedure which is to commit to and then execute an investment in Italian Treasury Bonds (€2M), Public Equity companies (€0,5M), or innovative companies (€0,250M) or to make an investment of at least €1M in philanthropic projects associated with the Italian Art Bonus. This is a relatively smooth procedure that takes around 3 months. It is an essential step in order to gain a legal status that will allow the benefit of the Italian tax residence to take effect.

In a nutshell, in order to enter Italy from a fiscal aspect, you must bypass the ordinary tourism visa and gain a legal immigration status which enables the individual to become an Italian taxpayer with all the associated benefits, including the application to the DTA treaty network signed by Italy.

***Dr. Luigi Belluzzo, what advantages does the Italian legislation offer (including to foreigners) around wealth protection to those who wish to transfer their residence to Italy?***

“As previously mentioned the “NTR” (**New Tax Res) Italian Flat Tax Regime** is particularly interesting also in comparison with other EU countries’ regimes or that in the UK. One advantage is that there are strict privacy rules around the foreign wealth of the New Tax Resident, who has no obligation to disclose details about their estate planning to the authorities. A second important advantage is linked to the possibility of using trusts, both tax resident in Italy and not. Italy has a strong tradition in the area of estate planning and following the tax newsletter released by the Italian Tax Administration in October 2022, many opportunities have arisen both for beneficiaries and settlors. Finally, Italian favorable Inheritance and Gift tax regimes can be well modeled through International Private Law best practices in order to maintain a certain

flexibility on inheritance laws (e.g., forced heirship).

The combination of trusts and NTR is an interesting area as it is possible to **shape wealth architecture in full tax and legal compliance.**”

***It is also interesting to compare the Italian NTR regime with the main “competitors”. Dr Alessandro Belluzzo can you please comment on the UK RND (Resident Not Domiciled) regime and the Portugal NHR (Non-Habitual Residents)?***

“The plus point of the Italian NTR is that it allows the individual the possibility to **spend the money earned abroad locally without any remittance issue.** The NTR covers both **income and gift taxation** and looks at the location of the income generating assets. This means that if the NTR individual is a beneficiary of a foreign trust or the shareholder of a foreign holding, can receive a distribution in Italy without any further taxation. If you compare Portuguese jurisdiction, which certainly has other advantages, the taxation of capital or income derived from the foreign trust may range from 10% to 28%/35%. It must be remembered that in Italy, there is no fiscal monitoring or disclosure of information on the foreign estate of the NTR as long as they pay €100k (or €25k). If you compare the UK RND regime, the advantage is that there is no cost for the first 7 years, but the remittance issues are complex.

“Another important point to highlight” - adds Luigi Belluzzo – “is that the EU recognized the Italian NTR regime as a **fair tax competition** with the Union and this gives stability to the rules, notwithstanding since the start of the regime in 2017 there have been 5 different governments in power in Italy.”

***Crucial changes are on the horizon regarding the Italian tax system. In your opinion, what elements of the tax reform will encourage investment and the transfer of capital to Italy to promote economic activities across the country?***

**Alessandro Belluzzo** highlights the new legal reform in Italy, introduced in 2022, and **Luigi Belluzzo** touches on the **tax reform guidelines**, which were announced on the 23rd of March, which, according to the Government, are going to reduce the tax rate both for individuals and corporate, as far as innovative investment are executed resulting also an increase on occupation. The aim is to give innovative corporations a tax rate close to 15%.

A particular rule is highlighted for international investors. **IMEX Investment Management Exemption** will give tax certainty to foreign groups opening offices in Italy or allowing top managers to move to Italy and from there manage foreign international funds.

The NTR regime in Italy is attracting celebs and sportsmen too, making it one of the most attractive destinations for UHNWI

“We are assisting a growing number of sports men and women who are relocating to Italy because of the favorable tax regime” adds **Alessandro**. Italy is a G7/G20 economy, with a high profile globally. “Financial intermediaries, entrepreneurs and other HNWIs are increasingly turning their attention to Italy. The fact that we can have an administrative ruling from the Italian Tax Authorities to verify the feasibility of the move is really appreciated by foreigners given the complexity of the Italian legal and administrative environment” adds **Luigi**.

***Can you give an example of the process to be followed to relocate with the NTR regime?***

According to **Luigi Belluzzo** “The first and more important phase is the assessment, usually performed in synergy with other professionals and/or bankers. This phase is relevant not only to verify the conditions to be met in order to enter Italy, but in particular if it is useful to **reorganize the estate before or after having acquired the new tax status in Italy.**” Once this phase is finalized and the client wishes to proceed, the timing for the Investor Visa procedure is around 3 months and for the NTR is around 4 months. The process however runs in parallel, starting from legal immigration. If the client has an EU passport there is no need to apply for the Investor Visa.

Thereafter, it is recommended to request a **ruling from the Italian Tax Authority** and once received, the individual can enter Italy legally and in fiscal compliance. “We recently assisted clients where we had to reshape the international trust structure in order to benefit from all the opportunities related to the combination of Italian rules on trust and relocation” says Alessandro Belluzzo. “In another case a family entered Italy in a combined manner: Husband as main applicant and wife as a second applicant. Their issue was that they were living in various jurisdictions, but they decided to move to Milan and could take advantage of the so-called “Talent regime” with significant savings. In full compliance: the son’s taxation passed from around 40% to about 14,5% personal tax. Further, as a beneficiary of the family trust he can receive capital without a significant tax burden. Everything is well designed for inheritance purposes too”.

Luigi Belluzzo concludes “Italy is not an easy jurisdiction to navigate, and you must have the consolidated experience of a specialist firm to oversee every step, who work in synergy with the lawyers and bankers who look after the family wealth. But the reality is that we are assisting a **relevant interest and consequent inbound investment and relocation to Italy!**”



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