

## Italy: a new place to be for the taxation of workers and sport stars

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Italy is endeavouring to reach a leading international position for attracting new residents by strengthening tax incentives for the relocation of workers and professionals (the “**Regime**”).

Further to the tax incentives dedicated to high net worth individuals (from fiscal year 2017) and pensioners (from fiscal year 2019) relocating for tax purposes to Italy, the new tax rules were introduced via a decree issued on 30 April 2019.

These new measures make current incentives more appealing (in terms of tax savings) and, most importantly, open the door for a real boost to the relocation sport stars within the Bel Paese (already targeted by the tax incentive for high net worth individuals).

The Regime in a nutshell

**From 2020**, an employee, a self-employed professional, or an entrepreneur who:

- becomes Italian **tax resident** (regardless of his/her foreign State residence);
- commits to remain an Italian tax resident for the **following two years**;
- has not been Italian tax resident in Italy for the **last two years** (the Regime also applies to Italian returnees); and
- mainly works within the **Italian territory** for either an Italian or a non-Italian enterprise, **regardless of his/her role or qualification**.

Individuals who meet these criteria are subject to Italian individual income tax only on 30% of their employment / self-employment / business income (individual income tax can be reduced to **13% approximately**).

Said taxable income is further **reduced to only 10%** for those who transfer their residence to the southern regions of Italy (individual income tax can be reduced to **4.3% approximately**).

The Regime applies for 5 years and can be **extended for another 5 years** (in total 10 years) subject to some additional conditions (e.g. a residential property is purchased or there is an underage child, etc.).

Relocations in 2019

Those who become Italian tax resident in 2019 (e.g. those who relocated to Italy in the first half of 2019), would only be allowed to benefit from the “former version” of the Regime, which has more stringent requirements and less incentives (e.g. taxable income reduced to 50% and no extensions allowed).

Opportunities for sportsmen

One of the greatest advantages of the Regime is that it embraces employees and self-employed professionals regardless of their qualifications (i.e. no degrees, masters, or similar are required) or role.

Thus the Regime could apply to sport stars (both players and coaches) relocating to Italy as employees of Italian clubs (as well as self-employed professionals). This would make Italian clubs (that typically negotiate salaries of sport stars net of Italian income taxation – such as soccer teams) more competitive at an international level to engage sport stars.

Although the Regime is an alternative to the tax incentive system aimed at high net worth individuals relocating to Italy, sport stars now have another wealth planning reason to seriously consider Italy as their next destination since:

- the Regime could allow a substantial saving on their annual salary; while
- the new residents tax incentive could allow a substantial saving on foreign source income (e.g. dividends, royalties, etc).

In practical terms, while the new residents tax incentive targets an elite of sport stars with international connections and investments, the Regime constitute a standard set of rules potentially applicable to all sportsmen moving to Italian clubs.

How we can help

Withers, with offices located in many key international jurisdictions, regularly advises clients on the above mentioned regimes and can provide individuals and enterprises on multi-jurisdictional analysis of the key issues for the best application of the Regime, such as:

- review of foreign residency status and screening of Italian ties and links (if any)
- assistance on the immigration procedures for relocating to Italy ( VISAs, etc.)
- assistance on the drafting of employment agreements in accordance with the rules mentioned above.

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