

Information on the new optional regime in favor of non-resident pensioners who transfer their tax residency to the Municipalities of Southern Italy pursuant to art. 24-ter of the Tuir introduced by Article 1, paragraph 276 of the L.145/2018 (“2019 Budget Law”)

The 2019 Budget law has established an optional tax regime in “favor” of **non-residents** that receive income from a foreign pension if they decide to **transfer their tax residence to one of the Municipalities of the Sicily Regions, Calabria, Sardinia, Campania, Basilicata, Abruzzo, Molise and Puglia, with low population density or with a population not exceeding 20,000 inhabitants.**

In particular, the aforementioned regime makes it possible to pay, for the entire period of application, a **substitute tax of 7%** on all income produced abroad, identified in article 165, comma 2 of Tuir. The payment of the tax must take place **in a single solution**, for each period of effectiveness of the regime, by the date set for the payment of the balance of income taxes.

➤ **Scope of the optional regime**

The benefit is only due to the following requirements:

1. The subject must not have been resident in Italy for at least 5 tax periods prior to the beginning of the validity of the option;
2. there must be an administrative cooperation agreement in the tax area between Italy
3. and the jurisdiction in which the subject had his last tax residence prior to the exercise of the option's validity.

➤ **Procedures for the application of the optional regime**

The optional regime:

- **it is valid for the first five years following the one in which the option is exercised;**
 - it is possible to exercise the option starting from the 2019 tax period. After five years, the effects of the option automatically cease, renewal is not possible;
- **it is concluded with the presentation of the income tax return for the tax period in which the tax payer has transferred the tax residence**, pursuant to art. 2, paragraph 2 of the Tuir, **in one of the Municipalities of Southern Italy.**

The following information must be indicated in the declaration (in addition to those relating to the existence of the subjective requirements mentioned above):

- i) foreign States or territories for which it intends to exercise the right not to avail itself of the application of the substitute tax;
- ii) the State of residence of the foreign subject paying the pension income;
- iii) the amount of foreign income to be subject to the substitute tax.

With regard to the faculty of not using the substitute tax application, in relation to income produced in one or more foreign states or territories, the subject can also exercise it in the income tax returns referred to the tax periods subsequent to that of the exercise of the optional regime.

➤ **Revocations and causes of forfeiture of the optional regime**

Revocations

The option can be revoked by the tax payer in one of the tax periods subsequent to the one in which it was exercised, by presenting the tax return relating to the last tax period of validity of the option.

Forfeiture

The option may expire in the following cases:

- 1) if the requirements set by the standard no longer exist;

2) omitted or partial payment of the substitute tax by the date set for payment of the balance of income taxes, with effect from the tax period with respect to which this payment was to be made;

3) transfer of tax residence to an Italian Municipality other than "subsidized", with effect from the tax period in which the residence varies;

4) transfer of residence abroad.

Our offices are available for any further clarification.

Best Regards

Dott. Andrea Filogari