

ITALIAN TAX COMPLIANCE WHEN IN ITALY

What you need to know about your 2021 Italian Taxes

rev 2022-01-06

1. **RESIDENTS** are taxed on their worldwide income. Non-residents are taxed only on their Italian source income. Income is taxed in year received, not in year earned. In simpler words: **Any monies DEPOSITED to a CHECKING or SAVINGS account DURING the tax year** (i.e. monies that have NOT been previously or separately taxed by Italy) **is INCOME taxed by Italy.**
2. For tax purposes, individuals are deemed residents if they are registered at the Civil Registry and/or are domiciled in Italy for more than 183 days in a calendar year **or they have their center of interests in Italy.**
3. Italian taxes on Italian source income are generally withheld at source, either by Italian employer or Italian payer.
4. An Italian tax return must be filed if the taxpayer has an unpaid tax liability. If no taxes are due, filing is optional (*A) **but should be filed to claim claim tax credits and/or reimbursements, if any.** Prepayment of next year's taxes is required and generally is paid prepaid twice a year.
5. **DISCLAIMER:** We do not prepare Italian Tax Returns. The information provided is for general informational purposes only. All information is provided in good faith without representation or warranty of any kind, express or implied.

| Income Type | Italian Tax Rates | Italian Certification March / November | Italian Tax Return June / November | Exclusion from U.S. Taxation | Notes |
|--------------------------------|--|--|---|--|---|
| Wages & Salaries | Variable 23%-43% | CU Certificazione Unica = W-2 issued by employer | Form 730, Filing deadline Sept 30 . Form Redditi for non Italian income sources. | Form 2555 &/or Form 1116 | Tips are not recorded nor taxes |
| Interest | Flat 26% | Auto-certification (*B) | RW section of Form Redditi | Form 1116 | Government bond interest 12.5% |
| Dividends | Flat 26% | Auto-certification (*B) | RW section of Form Redditi | Form 1116 | |
| IRA | Flat 15%-26% | Auto-certification (*B) | RW section of Form Redditi | Taxed only by Italy. Article 18 of Tax Treaty | |
| Pensions (Italian) | Variable 23%-43% | CU Certificazione Unica = SSA-1099 issued by payer | Form 730 | | |
| Annuities | Flat 15%-26% | Auto-certification (*B) | RW section of Form Redditi | | |
| Social Security | Flat 7% (in the South only) | Auto-certification (*B) | Form Redditi | | 26% after 5 th year in Italy |
| US Government Service Pensions | Generally not taxable (or flat 7% in the South only) | Auto-certification (*B) | Form Redditi | Taxes by USA. Not taxes by Italy unless Taxpayer is Dual National, in which case not taxed by USA, but taxed by Italy. Article 19 of Treaty. | |
| Capital Gains | Flat 26% | Auto-certification (*B) | RW section of Form Redditi | Form 1116 | |

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| Tax Refunds | Not taxed | None | None | Art 22 of Treaty | |
|-------------------------------------|---|--|----------------------------|--|--|
| Alimony | Variable 23%-43% | Certified by payer. | Form Redditi | Taxes only by Italy Art 18 of Treaty | |
| Self-Employed with VAT | Variable 23%-43% (may be eligible for 70/90% reduction) | Auto-certification (*C) | Form Redditi | F2555 &/or Form 1116 | If only U.S. Citizens, Taxpayer must pay U.S. self-employment tax. |
| Self-Employed with Flat Rate Scheme | Flat 5-15% | Auto-certification (*C) | Form Redditi | F2555 &/or Form 1116 | If Dual-nationals, may choose where to pay (Italy or USA). |
| Self-Employed (occasional) | Variable 23%-43% (withholding 20%) | CU Certificazione Unica = F1099-NEC issued by client | Form 730 or Redditi | F2555 &/or Form 1116 | Article 7 of Totalization Agreement |
| Rental Income | Variable 23%-43% or flat 10%-21% | Rental Agreement registered with tax office | Form 730 or Redditi | Form 1116 | Ask Taxpayer which rate applies. |
| Unemployment | Variable 23%-43% | CU Certificazione Unica = F1099 Issued by payer | Form 730 or Redditi | Taxes only by Italy Article 22 of Tax Treaty | |
| Net Wealth Tax | 0.2% | Auto-certification (*B) | RW section of Form Redditi | N/A | Non Italian assets only |
| Real Property Tax | 0.76% | Auto-certification (*B) | RW section of Form Redditi | N/A | On Purchase Price |
| Other | Flat 26% | Auto-certification (*B) | RW section of Form Redditi | Form 1116 | |

(*A) In some cases a declaration is mandatory (ex RW section)

(*B) Documentation is required in case of tax audit.

(*C) Invoices and bills are needed in case of tax audit. Note: To be valid, all Italian invoices and all Italian bills must show taxpayer and payer's Italian tax number (codice fiscale).

U.S. FORMS THAT RESIDENTS SHOULD PROVIDE TO THE ITALIAN TAX CONSULTANT (for income deposited to your checking or savings account during the tax year)

| | |
|---|---|
| W-2s, 1099-Rs, SSA-1099/1042Ss | Taxed by Italy at a variable rate |
| Schedule B, Schedule D | Taxed by Italy at a flat 26% tax rate |
| Schedule Cs, Schedule Es | Taxed by Italy at a variable rate |
| Income received from a Partnerships, LLCs, Chapter Ss, or Trusts, are considered Dividends. | Taxed by Italy at a flat 26% tax rate. |
| Year end bank/broker/fund statements | Ending balance taxed by Italy at a 0.2% tax rate. A €32+/- annual per account tax also may apply. |

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GLOSSARY

| English | Italian |
|---|---|
| Wages & Salaries | Salario e stipendio dei dipendenti |
| Interest | Interesi |
| Dividends | Dividendi |
| Pensions | Pensioni |
| Annuities | Rendita integrativa |
| Capital Gains | Utile del capitale |
| Tax Refunds | Rimborsi fiscali |
| Alimony | Alimenti |
| Self-Employed with VAT | Lavoratore autonomo con partita IVA |
| Self-Employed with Flat Rate Scheme | Lavoratore autonomo con regime forfettario |
| Self-Employed (occasional) | Lavoratore autonomo (occasionale) |
| Rental Income | Entrata da affitto |
| Unemployment | Disoccupazione |
| Other | Altri proventi |
| Income from employment and similar with permanent contract | Redditi di lavoro dipendente e assimilati con contratto a tempo indeterminato |
| Income from employment and similar with fixed-term contract | Redditi di lavoro dipendente e assimilati con contratto a tempo determinato |
| Retirement income | Redditi di pensione |
| Other similar income | Altri redditi assimilati |
| Income tax withholding's | Ritenute Irpef |
| Regional additional income tax | Addizionale regionale all'Irpef |
| Gross tax | Imposta lorda |
| Deductions for employees, pensions and similar income | Detrazioni per lavoro dipendente, pensioni e redditi assimilati |
| Total deductions | Totale detrazioni |

QUESTIONS?

Contact ustaxitaly@gmail.com | www.ustaxitaly.com
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