



Italy Confirms: Early Redemption of Pension Funds Is Taxable in Italy, Even for Expats

Descrizione

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In November 2025, the Italian Revenue Agency published Ruling No. 296/2025, which clarifies a crucial point for anyone living abroad with an Italian complementary pension fund. According to the Agency, when a taxpayer requests a full early redemption of the fund â?? before reaching the pension age required to access the actual pension benefit â?? this payment cannot be treated as a â??pensionâ?• under international tax treaties.

The ruling explains that, in such cases, the payout is considered income similar to employment income, because the individual has not yet matured a true pension right. As a consequence, the payment falls under the treaty article governing employment income, not the article governing pensions. This means that even if the person now lives abroad and is registered with AIRE, the amount remains taxable in Italy, since the underlying work that generated the fund contributions was carried out in Italy.

For expatriates, the practical implication is very clear: an early redemption of an Italian complementary pension fund is not taxed exclusively in the foreign country of residence. Unless you have already reached pension age and matured the right to an actual pension benefit, Italy keeps its taxing rights. In short, an â??early cash-outâ?• does not transfer taxation abroad.

You can read the full official text of Ruling No. 296/2025 here:

https://www.agenziaentrate.gov.it/portale/documents/20143/9425539/Risposta+n.+296_2025.pdf/a2df8180e04-cc48-3757-7820dcf30b3c

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