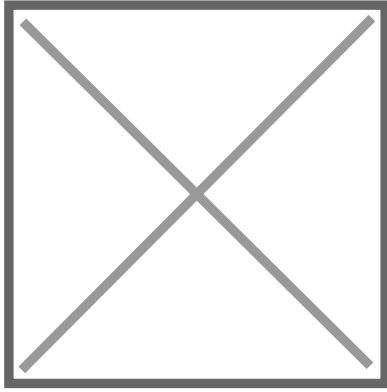
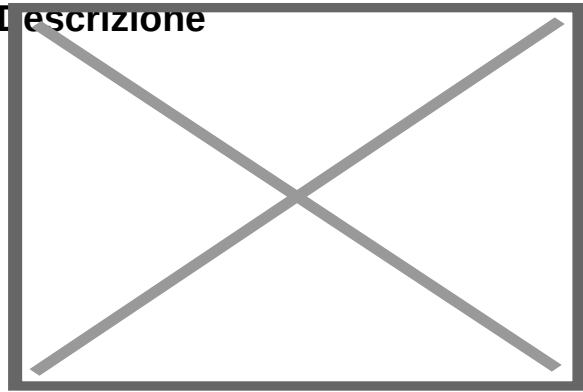




Italy's Non-Dom Flat Tax Just Got More Expensive: What the €300,000 Lump Sum Means for New Residents in 2026

Descrizione



Italy's **new-resident lump sum tax regime** — one of the

most generous non-domicile regimes in Europe — has become significantly more expensive for anyone moving to Italy from 1 January 2026. The country's 2026 Budget Law raised the annual substitute tax from €200,000 to **€300,000**, and doubled the charge for qualifying family members from €25,000 to €50,000 each. For high-net-worth individuals considering a move to Italy, this change reshapes the planning calculus — though it does not eliminate the regime's substantial advantages.

What the Regime Offers

Introduced in 2017 under Article 24-bis of the Italian Tax Code (TUIR), the regime allows individuals who have not been Italian tax residents for at least nine of the previous ten years to replace ordinary Italian taxation on all **foreign-source income** with a single annual lump-sum payment. That payment is now €300,000 per year, irrespective of how much foreign income was actually earned. A British executive receiving £1 million per year in dividends from a UK holding company and a retired American collecting \$80,000 in U.S. investment income both pay the same flat amount — provided they qualify. The regime lasts for a maximum of **15 years**. During that period, participants are also exempt from **IVIE** (the Italian wealth tax on foreign real estate) and **IVAFE** (the Italian wealth tax on foreign financial assets), and they have no obligation to disclose foreign assets in the annual Italian tax return. Foreign assets transferred by gift or inheritance are not subject to Italian inheritance or gift tax — only Italian-situated assets remain within scope. Italian-source income, however, is taxed under ordinary Italian

rules and is not covered by the regime.

Three Tiers, Three Cohorts

The evolution of the regime has produced three distinct cohorts of taxpayers, each grandfathered at the rate applicable when they opted in: Individuals who established Italian tax residence and opted into the regime **before 10 August 2024** continue to pay €100,000 per year for the remainder of their 15-year term. Those who opted in **between 10 August 2024 and 31 December 2025** pay €200,000 per year. Anyone who transfers Italian tax residence **on or after 1 January 2026** is subject to the new €300,000 rate. Italy has consistently respected the grandfathering principle across these changes: no existing participant has been required to pay more than the amount in force at the time they opted in. This is a meaningful commitment — and one potential entrants should factor into their timing decisions.

How to Qualify and Apply

Eligibility rests on one primary condition: the individual must not have been an Italian tax resident in **at least nine of the ten tax years** immediately preceding their transfer to Italy. Nationality is irrelevant — U.S. citizens, UK nationals, and third-country nationals all qualify on the same basis. The option is exercised through the Italian income tax return for the first year of Italian tax residence (or, in some cases, through a prior ruling request to the Italian Revenue Agency). Timely payment of the substitute tax by 30 June each year is an essential condition: failure to pay terminates the regime. There is no possibility of partial payment or instalment. Family members can be included under the regime, each subject to a separate €50,000 annual charge. “Family members” for this purpose generally means spouses and dependent children, though the perimeter should be confirmed on a case-by-case basis.

The U.S. Angle: A Crucial Caveat

For U.S. citizens, the regime works differently than for most other nationalities — and the difference matters. The United States taxes its citizens on worldwide income regardless of where they live. A U.S. citizen who pays €300,000 to Italy under the lump sum regime will still owe U.S. tax on all foreign-source income under IRS rules. The Italian substitute tax is not a foreign tax credit eligible for offset against U.S. income tax in the normal way, because it is a lump sum, not a tax computed on the income itself. This does not make the regime useless for Americans, but it does mean the analysis requires careful modelling. In practice, the regime is most advantageous for U.S. citizens with very large amounts of foreign income — where the €300,000 flat charge is modest relative to what Italian progressive rates (up to 43%) would otherwise produce — and who can structure their U.S. position efficiently. Any U.S. citizen considering the regime should obtain specialist U.S. tax advice alongside Italian advice. For **UK nationals**, the picture has also changed. The abolition of the UK non-domicile regime in April 2025 removed a longstanding alternative. Italy’s lump sum regime is now one of the few credible non-dom frameworks available to UK-resident HNWIs looking to relocate, alongside Malta and Portugal. The higher €300,000 cost reduces its attractiveness at the margin, but the combination of lifestyle, the 15-year horizon, and the inheritance tax shelter on foreign assets still makes Italy competitive for those with substantial non-Italian wealth.

Is the Higher Cost Still Worth It?

At €300,000 per year, the break-even point relative to ordinary Italian taxation has moved. Under standard Italian rates, €300,000 per year in tax corresponds roughly to a taxable income of approximately €800,000 to €900,000, depending on deductions. For individuals with foreign income well above that level, the regime continues to offer substantial savings. For those with foreign income in the €300,000–€600,000 range, the calculation is more delicate and depends on income type, applicable treaties, and individual circumstances. What the regime continues to offer that no standard tax position can replicate is **certainty and simplicity**: one annual payment, no ordinary IRPEF computation on foreign income, no IVIE or IVAFE filings, and no foreign asset disclosure.

Final Considerations

The €300,000 lump sum regime remains one of the most attractive non-domicile frameworks available in Europe, despite its increased cost. For high-net-worth individuals with substantial foreign income — particularly investment portfolios, passive business income, or real estate returns outside Italy — the regime can deliver significant tax savings and meaningful administrative simplicity over a 15-year horizon. The grandfathering principle also creates a window of opportunity for individuals who are already planning a move to Italy but have not yet formalised their tax residence: the €200,000 rate is definitively closed, but understanding the rules, timing the transfer correctly, and filing the option accurately in the first tax year are all critical steps that require professional guidance. U.S. citizens face additional layers of complexity due to U.S. citizenship-based taxation, and should not assume that the Italian treatment resolves their U.S. obligations. UK nationals navigating post-non-dom planning may find Italy's framework worth serious consideration, but the comparison with other jurisdictions should be made with up-to-date advice on each.

Tag

1. Retiring in Italy
2. U.S. citizens

Data

09/10/2026

Data di creazione

08/04/2026