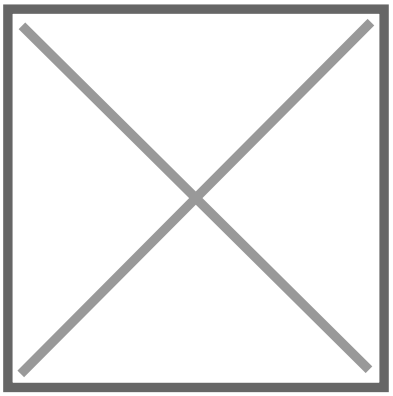

Deferred bonuses and the end of the impatriate regime: the Italian Revenue Agency clarifies timing and taxation

Descrizione

Deferred bonuses and the end of the impatriate regime: the Italian Revenue Agency clarifies timing and taxation

The Italian Revenue Agency, through Ruling No. 274/2025, examined whether the impatriate regime can apply to deferred compensation — such as long-term incentive plans, stock options, or deferred cash bonuses — that are paid after the end of the preferential period and after the worker has moved abroad.
The question concerns employees who benefited from the impatriate regime while working in Italy but later left the country, receiving at a later stage certain deferred payments linked to their previous Italian employment. The key issue is whether such income, although economically connected to work performed in Italy during the eligible period, can still enjoy the tax relief once the regime has expired and the worker is no longer an Italian tax resident.

Agency's reasoning and position
The Revenue Agency reaffirmed two guiding principles:

Cash principle: employment income is taxed when it is actually paid, not when it is earned. Therefore, if a deferred bonus or incentive is paid after the end of the five-year (or extended) impatriate period, or after the individual becomes non-resident, the preferential regime can no longer apply.

Source principle: even though the worker is no longer resident in Italy, the portion of income linked to work performed on Italian territory remains taxable in Italy as Italian-source income. In such cases, the Italian employer must operate the ordinary withholding tax, while the foreign country of residence will grant relief for any double taxation under the relevant tax treaty.

In summary
The Agency concluded that the impatriate regime is strictly temporal: it applies only to income received while the worker is both tax resident in Italy and within the benefit period. Deferred bonuses or stock plans paid later are still taxable in Italy — if connected to Italian work activity — but under ordinary taxation, without the impatriate exemption.

Tag

1. Working in Italy

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