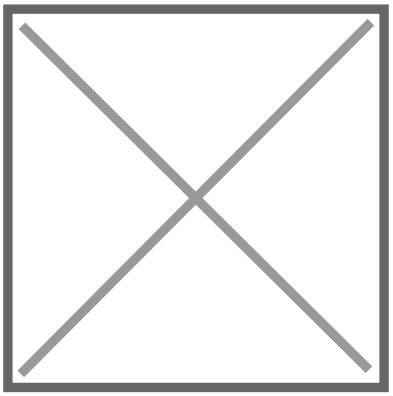

Impatriati Regime: Moving from Southern to Northern Italy Has Retroactive Tax Consequences

Descrizione

Impatriati Regime: Moving from Southern to Northern Italy Has Retroactive Tax Consequences

Italy's **inbound workers tax regime** (regime degli impatriati) offers significant income tax relief to professionals and employees who transfer their residency to Italy after a qualifying period abroad. For those who settle in one of Italy's southern regions, the benefit is even greater — but a ruling issued by the Italian Revenue Agency in March 2026 makes clear that relocating north mid-way through the relief period comes at a cost, and that cost runs backwards in time.

The Enhanced Benefit for Southern Regions

Under the rules applicable to workers who returned to Italy before 2024, the standard impatriati regime exempts **70% of qualifying income** from IRPEF — meaning only 30% is subject to ordinary income taxation. For workers who transfer their residency to one of eight specified southern regions (Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria, Sardinia, and Sicily), the exemption rises to **90%**, with only 10% of qualifying income taxed. This enhanced relief was designed not just to attract workers to Italy, but to channel them specifically into regions where the economy needs a boost.

The legislation conditions this 90% rate on one key requirement: the worker must maintain residency in the qualifying southern region for the entire five-year duration of the benefit. What happens if they don't was, until recently, less clear in practice.

What Ruling 76/2026 Decides

The case underlying the ruling involved a professional who returned to Italy in 2023 and established residency in Puglia, applying the 90% exemption from the outset. In 2024 they began a new employment with a Rome-based employer, and in 2025 they transferred their registered residency to Lazio. They asked the Revenue Agency three questions: does the move end all impatriati benefits, when exactly does the change take effect, and must prior years be corrected?

The Agency's answer, issued on 11 March 2026, addresses all three points.

On the first question, the news is positive: moving to a non-qualifying region does **not** terminate the entire impatriati regime. The worker retains the standard 70% exemption for the remaining years of their five-year window. Only the enhanced 90% tier is lost.

On the second and third questions, the answer is considerably harsher. The Agency holds that the loss of the 90% benefit does not operate only from the date of the move, nor only for future tax years. It applies **retroactively from the very first year** of Italian residency. The reasoning is that the enhanced rate was never truly earned: the legislation requires uninterrupted southern residency throughout the entire benefit period, and since that condition was not ultimately met, the taxpayer never had the right to the 90% rate in the first place.

The Practical Consequence: Amending Prior Returns

For the worker in the ruling, this means the 90% rate applied to 2023 — the year of return, when they genuinely lived in Puglia — must be unwound. An **amended tax return** (dichiarazione integrativa) is required for that year, recalculating taxable income at the 30% standard level rather than the 10% enhanced level. The resulting additional tax, plus interest and penalties under Art. 1, comma 2, D.Lgs. 471/1997, must be paid. The voluntary disclosure mechanism (**ravvedimento operoso**) is available if the conditions are met, which can reduce the penalties.

The Agency adds a further, final point: a subsequent move back to a southern region would not restore the 90% exemption. What matters is continuous and unbroken residency in a qualifying region from the moment of first return. Once that continuity is broken, it cannot be reconstructed.

A Note for U.S. Citizens

U.S. citizens who applied the 90% exemption and claimed Italian taxes paid as a **Foreign Tax Credit** on their U.S. returns will need to consider the knock-on effect. Amending an Italian return to report higher taxable income and pay more Italian tax also means revisiting the U.S. returns for the relevant year — the FTC calculation will change. Depending on the amounts involved and whether the taxpayer was in an excess credit or excess limitation position, the U.S. tax impact could go in either direction. Professional advice covering both jurisdictions is essential before filing any amended return.

Final Considerations

Ruling 76/2026 draws a strict line: the enhanced southern-region benefit is all-or-nothing over the full five years. Workers who chose their Italian location partly with the 90% exemption in mind should treat any planned internal relocation as a tax event requiring prior analysis, not just a change of address. If a move north is under consideration, calculating the retroactive adjustment and the cost of regularising prior years before committing is strongly advisable. A specialist review at the planning stage is far less costly than correcting the position after the fact.

Tag

1. Working in Italy

Data
09/10/2026
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