Going Self-Employed in Italy

Descrizione

FOR FREELANCERS AND SELF-EMPLOYED PROFESSIONALS

Going self-employed in Italy: 5% tax for the first five years

Italy’s flat-rate regime is genuinely one of the best deals in Europe for a small independent business. It also works in a way that surprises almost every foreigner who joins it: your costs stop mattering, and your pension contributions become the largest bill you pay.

See if it fits — free 15-minute call

Run the numbers

5%

substitute tax for the first five years of a genuinely new activity, then 15%

€85,000

the annual revenue ceiling — pro-rated if you start mid-year

26%

social security on the taxable base, and the real cost of being self-employed here

Is this page for you?

- You are moving to Italy and will invoice clients as a freelancer
- You already live here and want to leave employment for consulting
- You run a small online business, a studio or a professional practice
- You have clients abroad and want to know how that is invoiced
- You arrived on a digital nomad visa and now need a *Partita IVA*

If you hold a U.S. passport, read our page for U.S. citizens too: this regime often works better for Americans than the more famous one for relocating employees.

How it actually works

The flat-rate regime does not tax your profit. It taxes a fixed percentage of your revenue, decided by your activity code and nothing else. A consultant is treated as having a 78% margin; most other services and IT work, 67%; retail and hospitality, 40%; construction and property, 86%.

> Your actual costs are irrelevant. All of them.
>
> Rent, software, travel, equipment, the accountant — none of it is deductible, because the deemed margin is assumed to have accounted for it already. The only deduction is your compulsory social security contributions.

That single feature decides whether the regime suits you. If you are a consultant with a laptop and few expenses, being taxed on 78% of revenue at 5% is extraordinarily good. If you run something with real costs — a studio with premises, a business that buys stock — the ordinary regime, where costs are deductible and losses exist, may well be cheaper despite the higher rates.

Two more consequences follow. You charge no VAT on your invoices, and you recover none on your purchases. And no other deductions or tax credits apply to this income — no medical expenses, no renovation credits, none of the reliefs an ordinary Italian taxpayer uses.

THE NUMBERS

A consultant billing €60,000

A professional with no registered professional fund, so contributions go to the INPS *Gestione Separata* at 26.07%. The activity coefficient is 78%.

YEAR ONE TO FIVE — 5%

€13,930

total tax and contributions — 23% of revenue

Deemed income (78%)€46,800

Social security€12,200

Substitute tax at 5%€1,730

FROM YEAR SIX — 15%

€17,390

total tax and contributions — 29% of revenue

Deemed income (78%)€46,800

Social security€12,200

Substitute tax at 15%€5,190

88%

The share of the first-year bill that is social security, not tax. This is the number that surprises people arriving from countries where self-employment carries a light contribution burden — and the reason the headline “5% tax” needs the whole sentence after it.

Figures are illustrative. Contributions are deducted from the taxable base before the substitute tax is applied, which is why the tax figure is lower than 5% of the deemed income. Artisans and traders follow a different contribution system, with fixed minimum payments and a 35% discount available on application.

ELIGIBILITY

Who can use it, and who is quietly excluded

THE CEILINGS

Revenue and other income

Revenue up to €85,000 a year, pro-rated if you start mid-year. Above €100,000 you leave the regime immediately, with VAT due from the invoice that crossed the line. Staff costs must stay under €20,000.

ALSO

Employment or pension income above €35,000 in the previous year excludes you. That figure applies for 2025 and 2026; without a further extension it returns to €30,000 from 2027.

THE 5% RATE

A genuinely new activity

Three conditions together: no professional or business activity in the previous three years; the new activity is not a continuation of what you did as an employee; and if you are taking over someone else's business, its revenue was under €85,000.

WHERE PEOPLE TRIP

Starting in the ordinary regime and switching later. The five years of 5% run from the start of the activity — they are not banked and cannot be recovered afterwards.

THE RESIDENCE RULE

You have to live here

For inquiries : info@studio-commercialisti.it

Non-residents are excluded, with one narrow exception: residents of an EU or EEA state who earn at least 75% of their total income in Italy.

NOTE

Switzerland does not qualify — it is not part of the EEA. And the 75% test is checked every year, not only on entry.

THE SHAREHOLDING RULE

What you own elsewhere

Any stake in an Italian partnership or professional association excludes you, however small. A stake in a limited company excludes you only if you control it and its activity overlaps with yours.

WHERE PEOPLE TRIP

An inherited share in a family partnership, forgotten for years. The test is applied at 31 December of the previous year.

THE ONE THAT CATCHES CAREER CHANGERS

Your former employer

You cannot use the regime if you work predominantly for your current employer, or for anyone who employed you in the previous two tax years, or for businesses connected to them. The rule is aimed at converting employees into invoice-issuing contractors, and it catches a great many genuine cases along the way. The exception is for those starting out after a period of compulsory professional traineeship.

WHERE PEOPLE TRIP

Leaving a job and taking the former employer on as the anchor client. It is the most natural way to start a consultancy, and the one the rule is designed to stop.

One more point worth knowing: the flat-rate regime and the *impatriati* regime for relocating workers cannot be used in the same tax year, because flat-rate income never enters your total income and so cannot be reduced. They can, however, be used in different years — which makes the order in which you use them a planning decision rather than a fork in the road.

Social security is the real bill

Which fund you pay into is decided by what you do, not by what you choose.

Regulated professions with their own fund — lawyers, doctors, engineers, architects, accountants, psychologists, biologists, nurses and a dozen others — contribute to that fund, at its own rates and minimums. Registration on the Italian professional roll usually requires formal recognition of a foreign qualification, which takes months and should be started early.

Everyone else providing services — consultants, IT professionals, designers, translators, marketers, coaches — goes into the INPS *Gestione Separata* at 26.07% for 2026, entirely at their own expense, with the option of adding a 4% surcharge to client invoices. There is a minimum income for a full contribution year and an annual ceiling above which nothing further is due.

> Traders and artisans pay a fixed amount whether or not they earn anything.
>
> Roughly €4,500 to €4,600 a year in mandatory instalments, covering income up to a minimum threshold, with percentage contributions above it. Those in the flat-rate regime can apply for a 35% reduction — but the application has a hard deadline at the end of February, and a reduced contribution means a reduced pension.

For anyone comparing Italy with a country where self-employment carries a light social charge, this is the line in the budget that changes the answer. It is also why the regime is built the way it is: contributions come off the taxable base before the 5% or 15% is applied.

GETTING SET UP

What opening a Partita IVA involves

BEFORE YOU CAN START

- Italian tax code
  Obtained from an Italian consulate before you arrive, or from the tax office or immigration desk once you are here.
- The right to work
  EU citizens are free to proceed. Non-EU nationals need a residence permit that allows self-employment, which for a first entry runs through the annual quota system.
- A certified email address and digital signature
  Not optional. Almost everything is filed electronically.

THE REGISTRATION ITSELF

- Within 30 days of starting
  A single form to the Revenue Agency for professional activity; a combined filing through the Chamber of Commerce if it is a business.
- The activity code

Chosen from the classification introduced in 2025 — and it determines your deemed margin, so it is worth choosing carefully rather than approximately.

- No fee, and usually same-day
  The number is normally issued within a day or two. The cost is zero; the consequences of the wrong code are not.

From then on: electronic invoicing through the national exchange system, which has applied to everyone in the flat-rate regime since 2024; digital archiving; stamp duty paid electronically on invoices above a threshold; and a quarterly reporting duty on cross-border transactions. Clients do not withhold tax from your invoices, which is welcome for cash flow and dangerous for anyone who does not set the money aside.

Invoicing clients abroad

This is where the flat-rate regime stops being simple, and where most of the corrections we are asked to make originate.

Services supplied to a business in another EU country are outside the scope of Italian VAT, but they require VIES registration and a periodic listing. Services you *receive* from abroad are treated as supplied in Italy: you must account for Italian VAT on them and pay it — without being able to deduct it, because you are in a regime that recovers nothing. A €1,000 subscription to a foreign software provider costs you €1,220.

> The regime that charges no VAT can still leave you paying it.

Not on what you sell — on what you buy from outside Italy. It is the single most commonly missed obligation in the whole regime, and it accumulates quietly.

Purchases of goods from other EU countries follow their own rule, with a threshold below which nothing changes and above which VIES registration and the same self-accounting apply. Sales of goods to EU customers are treated as domestic supplies without VAT. Exports and imports outside the EU follow ordinary customs and VAT rules.

WHAT GOES WRONG

The five mistakes we see most

01

Picking the activity code by approximation

It sets your deemed margin for as long as you keep it. The difference between a 67% and a 78% coefficient on €60,000 of revenue is €6,600 of taxable income every year.

02

Invoicing the former employer

The most natural first client is the one the rules single out. Working predominantly for a business that employed you in the last two years costs you the regime altogether.

03

Budgeting for the tax and not the contributions

The 5% is the small number. Social security is three to seven times larger and falls due on its own calendar, in advance payments that catch out anyone in their second year.

04

Ignoring VAT on foreign purchases

Software, advertising, consultants abroad. Each one creates an Italian VAT liability you must self-account for and pay without deduction.

05

Choosing the regime because it is famous

With real costs, or with revenue near the ceiling, the ordinary regime can be cheaper. The flat-rate regime rewards low-cost, high-margin work and quietly penalises everything else.

WORKING TOGETHER

What we actually do

We are a Milan and Monza firm of *dottori commercialisti* and statutory auditors, working in English and Italian. For a new freelancer the work is mostly at the start — and then it is quiet, which is the point.

Choosing between the flat-rate and ordinary regimes on your actual numbers

FIXED FEE AFTER THE FREE CALL

Activity code selection and eligibility check, including the former-employer rule
FIXED FEE AFTER THE FREE CALL

Opening the Partita IVA, INPS registration and VIES where needed
FIXED FEE AFTER THE FREE CALL

Electronic invoicing set-up and cross-border reporting FIXED FEE AFTER THE FREE CALL

Annual tax return, advance payments and contribution planning
FIXED FEE AFTER THE FREE CALL

Recognition of foreign qualifications and professional roll registration
FIXED FEE AFTER THE FREE CALL

Every engagement is confirmed in a written engagement letter, with the fee agreed in advance, before any work starts.

Questions we are asked most

Can I deduct my business expenses?

No. The regime taxes a fixed percentage of revenue set by your activity code, and that percentage is assumed to account for costs. The only deduction is your compulsory social security contributions.

How long does the 5% rate last?

The year you start plus the following four, provided the activity is genuinely new: no business or professional activity in the previous three years, and not a continuation of previous employment. After that the rate is 15%.

Can I use the regime if I live abroad?

Only if you are resident in an EU or EEA country and earn at least 75% of your total income in Italy. Switzerland does not qualify. If you move your tax residence to Italy the restriction does not apply to you at all.

I am leaving my job to consult. Can my employer be my client?

Not predominantly. Working mainly for a current employer, or one from the previous two tax years, or businesses connected to them, excludes you from the regime. The proportion matters, so the position should be reviewed before the first invoice.

What do I actually pay in total?

On €60,000 of consulting revenue, roughly €14,000 in the first five years and €17,000 afterwards, combining tax and contributions. Most of it is social security rather than tax.

Do I charge VAT to foreign clients?

No, and you charge none to Italian clients either. But services you buy from abroad require you to account for Italian VAT and pay it without deduction, and supplies to EU businesses require VIES registration and periodic reporting.

NEXT STEP

Set it up right on day one

Fifteen minutes is enough to check that you qualify, choose the right activity code, and see what the year really costs once contributions are counted. In English or in Italian, at no cost.

Book your free call

Studio Lombardi Malavasi — Dottori Commercialisti e Revisori Legali
Milan, Via Corridoni 41 · Monza, Via Camperio 8
info@studio-commercialisti.it · 02 4004 4318 · 039 940 2698

GO DEEPER

The flat-rate regime explained

How to open a Partita IVA

Italy’s electronic invoicing system

The 4% social security surcharge on invoices

Forfettario vs. impatriati for U.S. citizens

→

→

→

→

Coming to work in Italy as an employee instead?

This page is general information based on Italian rules in force in August 2026, and is not advice on any specific situation. Thresholds and contribution rates are set annually and change. Last reviewed: August 2026.

Data
25/08/2026
Data di creazione
18/08/2026

→