

2024 Budget Law – Updates for individuals

24/01/2024

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**NEWSLETTER**

**INFORMATION LETTER N.03/2024**

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Disegno di Legge *“Capitali”*

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With the previous Information Letter (n.02/2024), real estate updates included in the **2024 Budget Law** have been deepened.

Instead, this document focuses on the discipline concerning **individuals**.

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| **Revaluation of investments and lands** | Article 1, paragraphs 52 and 53, of the 2024 Budget Law has extended, for **non-business individuals**, the deadlines for **reassessing tax costs of traded and non-traded participations in regulated markets or multilateral trading systems, as well as for buildable and agriculturally designated lands owned as of January 1st 2024**, through the payment of a **substitute tax equal to 16%**.  The option is perfected through the drafting of a **sworn appraisal** by a qualified professional and the **payment of the a/m substitute tax by June 30th 2024**.  The following individuals are eligible:   * individuals not engaged in business activities; * simple partnerships, companies and associations equated to them and non-commercial entities; * non-residents (without a permanent establishment in Italy) that as of January 1st 2024 own lands and/or participations.   Substitute tax should be calculated:   * on the **entire value of the appraisal**, for lands, securities, shares or rights not traded on regulated markets or multilateral trading systems; * on the **fair value** - determined in accordance with article 9 of the Consolidated Income Tax Act (*T.U.I.R.*) - with reference to December 2023, for shares or rights traded on regulated markets or multilateral trading systems.   The calculated substitute tax should be paid:   * in a **single instalment by June 30th 2024**; * in **three instalments** of equal amounts, due on June 30th 2024, June 30th 2025 and June 30th 2026 (interest at a rate of 3% is due on the instalments after the first)[[1]](#footnote-1). |
| **Fringe benefit** | For the **year 2024** only, there is a **temporary increase in the threshold for the non-taxability of fringe benefits** (article 51, paragraph 3, of *T.U.I.R.*); such limit is, in fact, set at a total of € 1.000 per employee, raised to € 2.000 for employees with dependent children.  The new limits may also apply to cash disbursements for the **reimbursement of domestic utility bills** for water, energy and gas, as well as for rent expenses and interests on the mortgage for the primary residence (*“prima casa”*)[[2]](#footnote-2). |
| **Facilitated taxation of productivity bonuses** | The **reduction of the substitute tax** on *Irpef* **from 10% to 5%** is confirmed for the year 2024. This reduction is provided for in article 1, paragraph 182, of Law 20814/2015 on **productivity bonuses**[[3]](#footnote-3). This benefit is applicable to individuals employed in the **private sector** who - in the year preceding the one in which bonuses are received - earned a **subordinate employment income not exceeding € 80.000** (gross of the amounts subject to the same substitute tax in that year). |
| **Redemption of contributory periods** | For the **years 2024 and 2025**, individuals enrolled in mandatory general insurances, as well as in special schemes for self-employment, with no contribution seniority as of December 31st 1995 and not already pension recipients, **have the option to redeem, in whole or in part, periods preceding the effective date of this law**, included between the year of the first and the year of the last contribution in the a/m insurance schemes, not subject to contribution obligations and not already covered by contributions to mandatory pension schemes.  These periods can be redeemed for a **maximum duration of five years, even if not continuous**.  For private sector, cost of redemption can be borne by the employer by allocating production bonuses due to the workers for this purpose.  The payment can be made to the relevant social security systems either in a lump sum or in a maximum of 120 monthly instalments, each of an amount not less than € 30, without application of interests[[4]](#footnote-4). |
| **New ratios for *Ivie* and *Ivafe*** | Starting from **January 1st 2024**, the rates for ***Ivie*** (tax on value of properties located abroad) and ***Ivafe*** (tax on value of foreign financial assets) have been increased. Specifically:   * *Ivie* increases from 0,76% to **1,06%**; * *Ivafe* increases from 2‰ to **4‰ annually**, limited to financial assets held in countries with privileged tax regimes[[5]](#footnote-5).   For the year 2024, *Ivafe* is also due:   * in a fixed amount, equal to € 34,20 for individuals and € 100 for entities other than individuals for bank accounts and saving accounts; * proportionally to shares and holding period, at a rate of 2‰ of the value of financial assets (not held in countries with privileged tax regimes, for which tax rate is 4‰).   In order to avoid double taxation, it is possible to deduct from the taxes due a credit equal to the amount of any tax paid in the country where the assets are located (real estate and financial assets). |

* **Tax residence of individuals**

Article 1 of the Legislative Decree 209/2023, amending the criteria for determining **tax residence of individuals**, as specified in article 2, paragraph 2, of *T.U.I.R.* (represented by the place of residence, domicile, physical presence and registration in the population registry), has introduced a specific definition of “**domicile**”, intending as the place where personal and family relationships mainly develop.

With this regulatory amendment, the legislator has deemed important, for the purposes of identifying tax residence, to emphasize interests of a **personal and family** nature rather than those of financial or asset-related nature[[6]](#footnote-6).

Therefore, **starting from the year 2024**, individuals shall be considered as tax resident in Italy if, for the greater part of the fiscal year, they **alternatively**:

* have domicile in Italy, being the place of personal and family relations;
* have residence in Italy, being the habitual abode;
* are physically present in Italy[[7]](#footnote-7).

It is important to stress that such criteria – according to whichi domicile is the place where personal and family relations are mainly developed – **does not result** always in line with the provisions of other countries.

Concluding, the main differences between the “old” and the “new” version are as follows:

* the term “domicile” has been defined as the place in which **personal ties** can be found and no relevance is given to the definition contained in the Italian Civil Code, nor to business relationship of the relevant individual;
* express relevance has been given to the **fraction of days** in order to assess whether or not an individual has been present in Italy for the greater part of the fiscal year;
* the **enrolment in the Italian Register of the resident population in Italy** **(*Aire*)** has become a factor that triggers a rebuttable presumption of residence and not an autonomous criteria;
* the mere **physical presence** of an individual in the Italian territory for the greater part of the fiscal year shall cause him/her to become Italian resident for tax purposes.

The following scheme shows the main differences between rules:

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| **Previous rules** | **New rules** |
| An individual is considered to be resident in Italy if, for the greater part of the tax year:   * is registered in the local registries; * has domicile in Italy (as defined in the Italian Civil Code); * has residence in Italy (as defined in the Italian Civil Code). | An individual is considered to be resident in Italy if, for the greater part of the tax year:   * is physically present in Italy; * has domicile in Italy (defined as place of personal and family relations); * has residence in Italy (as defined in the Italian Civil Code). |

* **Inbound workers regime**

Starting from 2024, the **inbound workers regime** provides for a new and more restrictive set of rules in order to benefit it.

In particular, such regime shall apply:

* if workers have not been tax residents in Italy during the **three fiscal years preceding** their transfer to Italy (previously the law provided for a two-year threshold);
* if workers commit to remain **tax resident in Italy for at least four years** (the previous version of the law provided for a two-year threshold);
* if workers carry out their activity in favor of the same person, their previous stay outside of Italy needs to be equal to **six years at least** (or seven if workers were employed in Italy by such employer) (the previous reading of the law did not have such requirement);
* if work is mostly performed in Italy;
* if workers meet certain requirements of high qualification or specialization.

With such circumstances, **income exemption is equal to 50%**, that can be raised to 60% where certain conditions are met (the previous exemption was equal to 70% and could have been raised to 90% where certain conditions were met).

The amendments to the regime provide, moreover, for quantitative limit to the benefit; indeed, the new regime should apply **only for annual income up to € 600.000** (the previous provision of law did not set any income limit)[[8]](#footnote-8).

* **Amendement to the personal income tax brackets**

With respect to **personal income taxes**, the Legislative Decree 217/2023 has modified the progressive tax rate system, starting from 2024, as follows:

* up to € 28.000: **23%**;
* from € 28.001 to € 50.000: **35%**;
* above € 50.001: **43%**.

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Our Firm remains at disposal for any further clarification.

Studio Nicolini Commercialisti Associati

Milan, 24 January 2024

The information contained in this Information letter has a mere general and informative scope and does not constitute an advice on the subjects covered.

Our Firm remains at complete disposal for any additional information.



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1. It is noted that the reassessment of the value of participations should be evaluated with the perspective of a potential tax saving upon any subsequent disposal of assets; therefore, for the facilitated regime to be advantageous, it is necessary that the 16% substitute tax applied to the value of the participation is **lower than 26%** of capital gain realized in the absence of reassessment. [↑](#footnote-ref-1)
2. Fringe benefits can be granted on a personalized basis and may also involve directors and collaborators.

   In the event of exceeding the limit, the entire amount contributes to forming the employee's taxable income.

   For employees with children, it is provided that the € 2.000 limit applies after the release of a declaration by the worker, specifying the tax codes of the children. [↑](#footnote-ref-2)
3. Employees are given the option to choose ordinary taxation, if deemed more favourable. [↑](#footnote-ref-3)
4. Instalments on redemption cannot be granted in cases where contributions are intended for the settlement of a direct or indirect pension or if they are crucial for the approval of an application for authorization of voluntary payments. [↑](#footnote-ref-4)
5. Tax is not due in connection to properties used as primary residence. [↑](#footnote-ref-5)
6. Regarding relationships with conventional provisions, it should be noted that article 4, paragraph 1, of the OECD Model Convention on double taxation establishes that, for the purpose of applying the Conventions, the expression “resident in a contracting state” refers to any person who, under the legislation of that state, is subject to tax there based on domicile, residence, place of management or any other criterion of a similar nature; in other words, for determining tax residence, Treaties initially refer to the criteria adopted by the **legislations of the contracting states**. Only in the event of **conflict** between such regulations, paragraph 2 of article 4 applies; this provision identifies rules to resolve residence conflict, such as the place of permanent home, the centre of vital interests, the habitual abode and nationality. These conditions are verified **hierarchically**, as subsequent conditions are examined only to the extent that the previous one does not identify residence in a single state. In addition, the occurrence of the first condition is sufficient to resolve the issue and it is not necessary to investigate the existence of the following conditions.

   Conventional criteria have **autonomous significance** compared to the interpretation they may have in the context of domestic legislation; in practice, to resolve the conflict, the terms provided should be given only the meaning attributed to them at the international level, not the meaning they would have in the national context. [↑](#footnote-ref-6)
7. The new rules go further by establishing a presumption of tax residence when an individual is registered in the Italian population registry for the majority of the fiscal year. [↑](#footnote-ref-7)
8. The new regime should only last for five years and it will be possible to extend it only for the inbound workers that have transferred their residence to Italy in 2024 and have acquired a real estate property in Italy during 2023. [↑](#footnote-ref-8)