The Italian Property Owner's Guide To Italian Income Tax (IRPEF)

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What Is IRPEF?

- IRPEF stands for *Imposta sui Redditi delle Persone Fisiche* which is the **Italian individual income tax.**
- IRPEF is pronounced *ear-peff.*
- IRPEF is a **national tax due annually** paid twice per year to the Italian State.
- IRPEF is paid on several kinds of income, *e.g.*, work, property, capital gains.
- Total income must be reported by filing a **tax return called "*Modello Unico*".**

Who Pays?

- Most **Italian residents** and certain **non Italian residents** must file the Modello Unico and pay Italian income taxes.
- **Income earned on an Italian property** is typically subject to Italian taxes.
- A non resident therefore who earns income on the Italian property, by renting it for example, must declare the revenue and pay the relative taxes.
- To confirm if income of a non Italian resident is subject to taxation in Italy it is necessary to check the relevant **treaty against double taxation** between Italy and the home country.
- If the house is not being rented and nor is it a primary residence, taxes can be due on the **cadastral virtual rental**. This is typically nominal, but still an obligation.
- Under certain circumstances, **the Italian property income is also subject to home country taxation** on the difference between the home country tax rate and the Italian tax rate. This only applies if the Italian rate is lower than the home country rate.
- If the Italian property was sold within five years of purchase, the seller could be liable for the **capital gains tax (CGT), unless the optional flat 20% CGT was already paid on completion**.
- **People subject to ICI duties** (Italian local property tax) are most times subject to income tax duties as well.
- The **ICI amount due for buildings (no land) for 2009** must be included in the 2010 Italian income tax return.
- Those who were **property owners in 2009** must list 2009 ICI details in their 2010 Italian income tax return (regarding 2009 income).

How Do I Pay?

- Each category of taxpayer such as employee, self employed, etc., uses a specific form, which can be **downloaded online** from the Italian Finance Ministry "*Ministero della Finanza*" web site at http://www.finanze.it.
- Taxpayers can complete the form on their own: the assistance of a certified accountant is not required by law.
- **Tax return forms** can be **sent by postal mail** to the relevant tax office.
- The payment is executed by **filling out a payment form** and submitting the same to an **Italian postal office or an Italian bank in person or online**.
- Taxpayers must **file the Modello Unico annually** to declare income from the year prior.

When Do I Pay?

- The simple answer is **16 June 2010**. But nothing is simple, so the complete answer is a bit more complicated. Currently, the Italian tax laws request money for the current year based on what you paid the year prior. Therefore, you must **pay a portion of the current year's taxes prior to having necessarily actually earned that amount**.

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Then, the following year when taxes are due, you declare the exact amount earned and pay any difference or get a refund. Therefore, there are different due dates for the current year's taxes and the past year's, see below.

- The **Modello Unico 2010** (declaration of actual 2009 earnings) must be sent either:
  a) **by 31 July via registered mail or filed with an Italian post office**;
  or
  b) **by 30 September if filed online**.
- But, prior to that is the **deadline of 16 June** when the **balance for 2009 income tax is due** (remember you've already paid the 2009 estimate back in 2008) **as well as the balance for 2008 income tax.**
- Instead of trying to stay on top of these differing deadlines, the easiest thing to do is to **fill out the Modello Unico by the first deadline of 16 June** so you can calculate what you owe. Then you can **pay on time and immediately mail in the Modello Unico** well in advance of its 31 July deadline.
- If you get behind, the individual income tax can also be paid by **16 July with a penalty of 0.40%.**
- By **1 November 2010** taxpayers are expected to pay the **second instalment for 2010** income tax.

IRPEF Italian Individual Income Tax Rate Table 2009

Income Tax Bracket	**Income Tax Rate**	**Regional Income Tax Rate**	**Municipal Income Tax Rate**
€ 0 to **€ 15,000**	23%	Up to 1.40%	Up to 0.80%
€ 15,001 to **€ 28,000**	27%		
€ 28,001 to **€ 55,000**	38%		
€ 55,001 to **€ 75,000**	41%		
Over € 75,000	43%		

The information above does not represent legal advice, but is provided as a general overview of IRPEF regulation. It is strongly advised to check specifics pertinent to individual circumstances.

CONTACT INFORMATION

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