Italy Tax Knowledgebase

Employee personal income tax: Annual PIT

In Italy, the Personal Income Tax (IRPEF) applies to all individuals earning income in the country, regardless of whether they are residents or non-residents. The tax applies to residents on all their worldwide income, including both domestic and foreign earnings. Non-residents are only taxed on income generated within Italy.

IRPEF applies to various types of income, including:

- Income from real estate (e.g., rental income)
- Capital income (e.g., interest from savings, dividends)
- Employment income (wages, pensions)
- Self-employment income (freelancers or business owners)
- Commercial income
- Other income specified in Italian tax legislation (Article 67 of the Consolidated Income Tax Law)

Exemption from filing requirement: Certain individuals may be exempt from filing a tax return (either Model 730 or Redditi PF). For example, those with wage or equivalent income under €8,176 per year, excluding income from the primary residence, may not be required to file a return.

For more specific guidance or to confirm if you qualify for any exemptions, it is recommended to consult the official Agenzia delle Entrate (Revenue Agency) resources or a tax expert.

Tax report in question

Natural persons file a tax return using form REDDITI PF or form 730, depending on the type of income.

Employees and retirees who have income from employment, a pension and some other sources may submit Form 730. Spouses may submit Form 730 jointly.

It is not mandatory to submit a 730 form if you have income just from one employer. All other persons and taxpayers who are not resident in Italy for tax purposes during the tax year and/or during the year of filing of the tax return submit form REDDITI PF.

Due date

A tax return must be submitted every year by the following deadlines:

- For form 730, by 30 September of the year following the tax year, directly online or with the aid of a Fiscal Support Centre (CAF) or a qualified professional, or with tax deducted at source (i.e. by the employer).
- For the Redditi PF form, submit it online or with the aid of a Fiscal Support Centre (CAF) or a qualified professional by 31 October of the year following the tax year.
- Non-residents who are abroad at the time of filing of the tax return and are unable to send the tax return electronically may submit the REDDITI PF form by registered post or equivalent by no later than 30 November of the year following the tax year.

If the tax return is sent by post, a standard mail envelope must be used, of sufficient size to contain the tax return without it being folded. The envelope must be addressed to the Agenzia delle Entrate – Centro Operativo di Venezia, Via Giuseppe De Marchi n. 16, 30175 Marghera (VE) – Italy, and must be clearly marked with the taxpayer's first name, surname and tax code, as well as the words 'Contiene dichiarazione Modello REDDITI 2023 Persone Fisiche' [Contains tax return form REDDITI 2023 for natural persons].

Persons who are not resident in Italy in the tax year and/or in the year during which the tax return is due to be filed may use the REDDITI PF form only.

How to pay the personal income tax

In Italy, taxpayers pay personal income tax (IRPEF) via a payment on account and a balancing payment for the previous year. The payment on account is due if the tax for the previous year (after deductions, credits, and withholdings) exceeds EUR 51.65. The payment can be:

- Single payment by 30 November if the amount is under EUR 257.52.
- Two instalments if the amount is greater than or equal to EUR 257.52:
- 40% by 30 June (with the balance for the previous year),
- 60% by 30 November.

For those using Form 730, if tax is withheld at source (by the employer or pension provider), the taxpayer does not directly pay the tax. Any balance owed or refunded is handled by the employer starting in July.

For further details, refer to the official tax guidelines from the Agenzia delle Entrate.

Tax rates

The main income tax levied on individuals is the personal income tax (PIT), also known as the Imposta sui redditi delle persone fisiche (IRPEF).

In Italy, the individual is subject to the following income taxes:

- National income tax;
- Regional income tax;
- Municipal income tax.

The tax liability shall be computed on a progressive rate.
For the fiscal year 2024, national income tax is applied at progressive rates based on taxable income, as follows:

- From €0 to €28,000: 23% tax rate;
- From €28,001 to €50,000: 35% tax rate on the portion exceeding €28,000;
- Over €50,000: 43% tax rate on the portion exceeding €50,000.

Regional income tax
The regional income tax rate varies depending on the taxpayer's region of residence. Rates range from 1.23% to 3.33%.

Municipal income tax
The municipal income tax rate depends on the municipality of residence, ranging from 0% to 1.9%. Some municipalities may apply progressive tax rates aligned with the national income brackets.

Are there personal deductions for the taxpayer?

Unlike other countries that permit personal exemptions and allowances in determining taxable income, Italy has adopted a system of tax credits.

Employment tax credits vary depending on the income:

- Employment income;
- Pension income;
- Self-employment income.

Employment income tax credit
In general, the employment income tax credit is calculated as follows:

- For income up to €15,000, the tax credit is €1,955. However, it cannot be lower than €690 or €1,380 for fixed-term contracts.
- For income between €15,001 and €28,000, the tax credit is €1,910 plus €1,190 multiplied by (€28,000 minus gross income) divided by €13,000.
- For income between €28,001 and €50,000, the tax credit is €1,910 multiplied by (€50,000 minus gross income) divided by (€50,000 minus €28,000).
- For income above €50,000, the tax credit is €0.
- Additionally, if gross income is between €25,000 and €35,000, the tax credit increases by €65.

Additional treatment
Under Law no. 21/2020 and the Italian Budget Law for FY 2021, an additional treatment was introduced. This amount does not contribute to taxable income and is therefore considered net.

For income up to €15,000, an additional amount of €1,200 per year is granted (FY 2024).

Pension income tax credit
The pension income tax credit is calculated as follows:

- For pensions up to €8,500, the credit is calculated as (€1,880 x days) / 365, with a minimum credit of €713.
- For pensions between €8,501 and €28,000, the credit is €700 plus (€1,255 x ratio), where the ratio is calculated as (€28,000 - gross income) / (€28,000 - €8,500).
- For pensions between €28,001 and €50,000, the credit is €700 multiplied by the ratio, where the ratio is (€50,000 - gross income) / (€50,000 - €28,000).
- For pensions above €50,000, the credit is €0.
- For income between €15,001 and €28,000, this additional amount is prorated based on the Italian net income tax.

Deductions for each dependent family member

Tax deductions for dependent children, governed by the Consolidated Income Tax Code (TUIR) and updated by Legislative Decree No. 216 of December 30, 2023, reduce tax burdens for parents with dependent children. These deductions apply to gross income tax (IRPEF) based on family income. Dependent children must meet age and financial dependence criteria, with income limits of €4,000 (ages 21–24) or €2,840.51 (over 24).

Deductions remain for children over 21 years old, as the Universal Child Allowance (AUU) now covers those under 21. Additional deductible expenses include education (up to €800), childcare (19% up to €632), healthcare (19% exceeding €129.11), and sports (19% up to €210 for minors). The 2025 Budget Law introduces changes to tax deductions for dependent children.

These deductions are available only for children aged 21–30. For children under 21, deductions are replaced by the Universal Child Allowance (AUU), and no deductions are available for those over 30, except for disabled children, where benefits remain regardless of age. Disabled children over 21 also qualify for both the AUU and tax deductions.

Non-EU foreign workers residing outside the EEA will no longer qualify for deductions, even if tax-compliant. The deduction amount per child is €950, adjusted by the parent's income using the formula:

- Deduction = €950 × [(95,000 – total income)/95,000].

If multiple children are present, the threshold rises by €15,000 for each additional child (e.g., €110,000 for two children).

For parents, deductions are generally split 50/50; however, agreements may allocate 100% of the deductions to the higher-earning parent. In cases of divorce, the type of custody dictates the split: sole custody awards 100% to the custodial parent, unless they are unable to claim it, in which case it transfers to the other parent.

Additional tax reliefs

Mortgage interest credit
A tax credit is available for interest paid on real estate mortgage loans from banks, financial institutions, or other EU entities, as long as the mortgage is related to the taxpayer's habitual abode in Italy. Specific conditions, such as the year the contract was signed, must be met.

The credit is calculated as 19% of the mortgage interest paid, with a maximum amount eligible for the credit of €4,000.

Medical expenses credit
A tax credit of 19% applies to medical expenses exceeding €129.11, provided the expenses are supported by receipts.

Education expenses credit

- **University:** Education expenses for university courses are deductible up to the cost charged by public institutions, which is set annually by the education authority. Deductions could be changed depending on the studies, public/ private University and region.
- **Nursery, elementary, secondary, and high school:** The maximum deductible expense for educational costs is €800 per child per year, on which the 19% credit is applied.
- **School fees for children under three years:** Fees for school registration are deductible at the 19% rate, up to a maximum of €632.

- **Life and accident insurance credit:** Premiums for life and accident insurance are deductible, but only if the insurance is related to cases of death, disability, or long-term care. The maximum deductible amount is €530.
- **Sporting association fees credit:** Fees paid to sports associations for children aged 5 to 18 years are deductible at the 19% rate, with a maximum expense of €210.
- **Rental fees credit:** A fixed tax credit is available for rental fees paid for the principal residence, depending on the taxpayer's total income. This credit is available to individuals with an income of €30,987.41 or less and is subject to specific conditions.

How to submit the tax return?

The Italian Revenue Agency provides taxpayers with the forms and instructions for completing Form Redditi PF and Form 730. Redditi PF may also be filed online using the software RedditiOnlinePF (IT), with which the form can be completed. This creates a file that is sent electronically through the Revenue Agency's online services and generates the payment form F24.

Pre-completed tax return

To facilitate filing of the annual tax return, taxpayers may also use form 730 and the pre-completed Personal Tax Return form provided by the Revenue Agency, which both contain information pre-entered automatically, including deductions for health care expenses, university fees, insurance premiums, social security contributions, and building renovation and energy efficiency subsidies.

The pre-completed tax return(IT) is a free online service accessed by means of

- Public Digital Identity System (Spid) login
- Electronic Identity Card (CIE)
- National Services Card (CNS).

Citizens residing abroad who do not hold an Italian identification document may also use the login credentials issued by the INPS (INPS Circular 127 of 12/08/2021).

Once logged on to the service, you can view, change and/or add to your tax return before submitting it to the Agency. Once sent, the tax return, along with the submission protocol, is saved in the login area and can be viewed and downloaded.

All the steps necessary for accessing and using the pre-completed tax return can be found on the 'Infoprecompilata' information and support (IT) website.

Is it possible to authorise others to submit the tax return on behalf of the taxpayer?

Yes, in Italy, it is possible to file a tax return on behalf of a third party if the taxpayer has given authorisation. Tax intermediaries, such as accountants or advisors, can utilise the Entratel service provided by the Tax Agency to submit returns electronically.

If the taxpayer needs to make a payment, it is also necessary to complete and submit the F24 form, which is used for tax payments, through the Telematic Desk platform.

Other taxes/reporting

Real estate income (rentals)
The taxation of property income in Italy is quite attractive. Generally, net profits from rentals are subject to progressive income tax rates, which peak at 43%.

However, for residential rentals, excluding offices, hotels, restaurants, or warehouses, it is possible to benefit from a more attractive tax treatment, known as Cedolare Secca.

In this case, real estate income is only taxed at 21%, even if it comes from short-term residential rentals.

Furthermore, if the property is located in a municipality experiencing a housing shortage, the property income will be taxed at a rate of only 10%. Most of the country's major cities are treated in this way, including Rome, Milan, Turin, Naples, Venice and Florence.

Employee tax - Special regimes to apply

How to apply and deadlines for employees

Starting from the 2024 tax year, Italy introduces a temporary preferential tax regime for workers who move their tax residence to the country, according to Article 5 of Legislative Decree No. 209/2023.

In general, this regime allows beneficiaries to pay taxes only on 50% of their income, both from employment (including similar activities) and self-employment, as long as their annual income does not exceed €600,000. This means that only half of the income within this limit will be subject to taxation, significantly reducing the tax burden for impatriated workers, provided they meet the required conditions. This special regime would not apply to companies within the same group.

Requirements:
The tax regime for impatriate workers applies when certain conditions are met. In general, workers must commit to residing fiscally in Italy for at least four years, not have been tax residents in Italy in the three years prior to their move, and carry out most of their work in Italy. They must also meet the high qualification or specialisation requirements set by Italian legislation.

The regime also has additional conditions: if the worker continues working for the same company or group they were employed with abroad, they must have worked a certain number of years abroad before moving to Italy. If a worker does not maintain tax residency in Italy for at least four years, they will lose the tax benefits and will need to repay the taxes already paid, along with interest.

For Italian citizens, they are considered residents abroad if they are registered in the Register of Italians Resident Abroad (AIRE) or have residency in another country under a double taxation agreement.

Additionally, if the worker buys a residential property in Italy before December 31, 2023, and uses it as their primary home, they can benefit from the regime for three more years.
If you want to extend this special regime, it could also be possible by meeting certain conditions.

How to apply

To benefit from the preferential tax regime, employees must send a written request to their employer with their personal information (name, surname, date of birth, tax code, date of return to Italy, and the start date of work in Italy). They also need to confirm they meet the requirements and are not receiving other tax incentives. The employer will apply the benefit starting from the next payment. If the employer cannot apply it, the worker can do it in their tax return.

Self-employed workers can access the regime directly through their tax return. They can also benefit if the client applies a 20% withholding on the fees received, after sending a written request with the same details and confirming they meet the requirements.
If you want to extend this special regime, it could also be possible by meeting certain conditions.

Special tax regime for new residents

Article 24-bis of the Italian Tax Code (TUIR) provides an optional tax regime that allows new residents to replace regular taxation on all their income generated outside of Italy by paying a flat annual fee. Originally set at €100,000, this amount will now increase to €200,000, regardless of the actual income amount.

This regime allows individuals who move to Italy and meet certain conditions to opt for a fixed tax instead of being taxed on their worldwide income in the usual way. Instead of paying taxes on each individual income source, they would pay a flat €200,000 (now 100.000).

This system can be particularly beneficial for people with significant income from outside Italy, as it provides a more predictable tax amount, which could be lower than the regular tax system. Moreover, this flat fee is separate from other taxes or contributions and cannot be offset against them.

Main requirement:

The new rules apply to individuals who become tax residents in Italy for the first time within the last three to seven years, starting from the Italian tax year ending on December 31, 2024 (FY 2024), and who register as residents in Italy on or after January 1, 2024. Individuals who were already benefiting from the previous regime as of December 31, 2023, or who registered as residents in Italy with effect until December 31, 2023, will remain in the current regime for the remainder of their natural period of 5 or 10 years and will not be affected by the new rules.

Key features:

- **Annual fixed tax:** New residents can opt to pay a fixed tax of €200,000 (now 100.000), regardless of the amount of foreign income and the value of assets and properties held abroad.
- **Exemption from additional taxation:** There is no tax on remittances of foreign income to Italy, and there is no need to declare foreign assets and properties in the Italian tax return.
- **Expansion to family members:** The possibility of extending the regime to family members with an additional cost per member, per year.

The regime can be applied for a maximum of 15 tax years, starting from the first year in which the taxpayer and their family members transfer their residency to Italy.

How to apply

In order to access this favourable tax regime, it is mandatory to request its application through a tax ruling (so-called interpello) to the Italian Tax Authorities. This is a specific request to provide an overview of the background/conditions met and the relevant supporting documentation. Once the tax ruling is submitted, Italian Tax Authorities must provide feedback on the application of the regime within 120 days.

However, before the expiry of the 120 days, the Italian Tax Authorities may issue a request for supplementary information. In this case, the formal reply to the application of the regime will be issued within 60 days from the day on which the supplementary information was provided.

This regime allows beneficiaries to pay a fixed annual tax of €200,000 covering all income generated outside Italy, regardless of the type or amount. If family members are included, each pays an additional €25,000 for their foreign income. The payment must be made in one instalment using the F24 form within the income tax deadline. With this payment, the tax obligation in Italy for foreign income is considered fulfilled.

Double taxation agreements

https://www.finanze.gov.it/it/Fiscalita-dellUnione-europea-e-internazionale/convenzioni-e-accordi/convenzioni-per-evitare-le-doppie-imposizioni/
Italy has bilateral agreements with many foreign Countries to avoid double taxation on income and capital. These agreements establish the range of the power to set taxes of the two States.
https://www.agenziaentrate.gov.it/portale/web/english/nse/individuals/double-taxation-relief/conventions-for-the-avoidance-of-double-taxation

Employee - Tax reporting for individuals

This article provides an overview of essential income and tax reports relevant for taxpayers. It summarises the annual income report, detailing total earnings and tax withholdings. Additionally, it covers reports on tax allowances and general deductions, which can help reduce taxable income.

Annual income report
This report summarises all income earned during the year. It is the Certificazione Unica CU and is given by the employer in the March tax withholding summary.

This shows the amount of taxes that have been withheld from income. It's not mandatory, but it can help to check if the right amount of taxes has been paid during the year, avoiding surprises during tax season.

Report on applicable tax allowances in that country

This report details the tax allowances that can be applied in the country. It’s not required, but it can help ensure all available deductions are used, which can lower the taxable income and the amount of tax to be paid.

Report on applicable general deductions in the PIT in that country.

It provides information about general deductions in the personal income tax system. It is not mandatory, but knowing what deductions are available (e.g., for medical or educational expenses) can help reduce the taxes owed

Investment interest income report
It informs about income from investment interest. It's not mandatory, but it helps to track passive income that needs to be reported, ensuring that interest income is properly included in the tax return.

Tax credits report in general in that country

Investment interest income report

Report on applicable general deductions in the PIT in that country

It provides information about general deductions in the personal income tax system. It is not mandatory, but knowing what deductions are available (e.g., for medical or educational expenses) can help reduce the taxes owed.

Investment interest income report

It informs about income from investment interest. It's not mandatory, but it helps to track passive income that needs to be reported, ensuring that interest income is properly included in the tax return.

Freelancer's personal income tax

This section provides an overview of self-employed taxpayers in Italy, detailing their responsibilities and tax obligations. It explains the different structures available, including sole proprietorships and freelance professionals, and outlines the tax filing requirements and deadlines.

Taxpayer

In Italy, a "self-employed taxpayer" (known as "lavoratore autonomo" or "libero professionista") refers to a person who works independently, without being tied to an employer. This type of taxpayer is responsible for managing their own business or professional activity, and their income comes from providing services or selling goods, depending on the nature of their activity.

A self-employed taxpayer must comply with tax obligations, such as filing tax returns and paying social security contributions (INPS) and VAT (if applicable).
In Italy, there are different structures for self-employed workers.

- **Sole proprietorship (ditta individuale):** Designed for self-employed traders, such as plumbers, electricians, and merchants, allowing them to hire employees.
- **Self-employed worker (libero professionista):** This status is available exclusively for self-employed residents who engage in intellectual activities such as consulting, legal work, or journalism.

Whichever option you choose, you will need to file an Italian tax return and pay income tax.

Tax report in question
In Italy, there are different structures for self-employed workers.

- **Sole proprietorship (ditta individuale):** Designed for self-employed traders, such as plumbers, electricians, and merchants, allowing them to hire employees.
- **Self-employed worker (libero professionista):** This status is available exclusively for self-employed residents who engage in intellectual activities such as consulting, legal work, or journalism.

Due date

Self-employed workers in Italy need to make two advance payments (payments on account) for the current tax year. These are calculated based on the liability from the previous tax year. On the other hand, if the company is new, you can provide an estimate of its profits. There are two advanced payments:

- 40% payment due in June
- 60% payment due in November

Tax rates
In Italy, in general, there are two main ways to pay taxes:

Standard system:
It is a progressive system, meaning you pay a higher percentage as your income increases. The tax rates for 2024 are:

- Up to €28,000: 23%
- From €28,001 to €55,000: 35%

- Over €55,000: 43%

Special system (forfettario):
A flat tax rate applies:
- 5% for the first 5 years, then it increases to 15%.
- No expense deductions are allowed.
- There is an income limit: €85,000 per year from self-employment, and €30,000 from salaried work.

In general, the special system is simpler and more direct, but it has income and deduction limits. The standard system is more flexible, allowing deductions, but it is more complex.

Personal deductions

In Italy, self-employed workers can benefit from certain standard tax deductions. For example, tax credits are available for those with minor children or dependents. Additionally, some expenses, such as medical, educational, or mortgage and rent payments (subject to certain conditions), are eligible for a fixed rate of 19%. Furthermore, self-employed individuals earning less than €50,000 annually can take advantage of the tax credits listed in the relevant table.

Self-employment income tax credit
Deductible expenses

In Italy, under the standard tax system, self-employed workers can deduct some business-related expenses, such as office space or materials. They can also benefit from a tax credit program for workers who move to the country (lavoratori impatriati), which offers a 5-year grace period where taxes are calculated on only 50% of their income. In certain regions, like Molise, Calabria, or Sicily, only 10% of income is taxed.

On the other hand, the special flat-rate system (forfettario) does not allow any business expense deductions and has an income limit of €85,000 per year for self-employed activities. Additionally, no more than €30,000 can be earned from salaried work.

Additional tax reliefs

The self-employment income tax credit is calculated as follows:

- For income up to €5,500, the credit is €1,265.
- For income between €5,501 and €28,000, the credit is €500 plus €765 multiplied by (€28,000 - gross income) divided by (€28,000 - €5,500).
- For income between €28,001 and €50,000, the credit is €500 multiplied by (€50,000 - gross income) divided by (€50,000 - €28,000).

- For income above €50,000, the credit is €0.

Deductions or reductions
A series of other deductions are available. These include the following:

- **Family tax credit:** Maximum of €1,220 for each child below three years, €950 for each child above three years, €800 for a dependent spouse, and €750 for other dependents
- **Medical expenses credit:** 19% of the expenses incurred above €129
- **Education expenses credit:** 19% of nursery, elementary, secondary, or high school education expenses up to €800 per annum per child. University fees are fully deductible.
- **Mortgage interest credit:** 19% of mortgage interest paid, up to €4,000 Payment

Self-employed workers in Italy need to make two advance payments (payments on account) for the current tax year. These are calculated based on the liability from the previous tax year. On the other hand, if the company is new, you can provide an estimate of its profits. There are two advanced payments:

- 40% payment due in June
- 60% payment due in November

Minimum in June and in November (only in November if your income is very low). For a flat tax, in June you pay all the tax for the previous year, and in November you pay an estimate of the tax for this year. Then, the following June, you pay the balance of this year. In November, the provisional payment is made, and the cycle continues.

Freelancer VAT

This section provides an overview of the Value Added Tax (VAT) system in Italy, detailing its application to individuals and entities engaged in commercial activities. It explains the ordinary VAT regime for businesses with higher annual turnovers and the simplified flat-rate VAT regime for smaller enterprises.

VAT (if applicable)

In Italy, VAT taxpayers are individuals or entities who regularly carry out commercial or professional activities.

The ordinary VAT regime applies to freelancers, sole traders, and companies with an annual turnover above €400,000 for services or €700,000 for other activities, such as trade or manufacturing. This regime requires detailed bookkeeping, invoice registration, and tax reporting, with a standard VAT rate of 22%

For those with an annual turnover of less than €85,000 who also meet the necessary requirements, the flat-rate VAT regime offers a simplified approach, designed for freelancers, small businesses, and self-employed individuals. This regime eliminates the requirement to register invoices or provide detailed reports, while offering lower tax rates and reduced administrative responsibilities. In summary, VAT applies to anyone habitually performing commercial or professional activities, and the applicable regime depends on the type of activity and annual turnover.

VAT rates

Italian VAT (Value Added Tax) is known as Imposta sul Valore Aggiunto (IVA). The standard Italian VAT rate is 22%, but there are also two reduced rates of 10% and 5%, as well as a super-reduced rate of 4%.

VAT filing frequency

In Italy, VAT returns must be filed online on a quarterly basis using the Italian Target System via the Comunicazione Liquidazioni Periodiche IVA. Annual returns are compulsory for all companies registered for Italian VAT.

In Italy, VAT-registered taxpayers must submit VAT returns monthly or quarterly, depending on their annual turnover.

- **Quarterly VAT settlement:** Taxpayers with a turnover of less than €400,000 for services or €700,000 for other activities can file their VAT returns quarterly. The payment must be made before the 16th of the second month following each quarter.

- **Monthly VAT settlement:** If the turnover exceeds €400,000 for services or €700,000 for other activities, VAT returns must be filed monthly, with the declaration due before the 16th of the following month.

- **Annual VAT return:** The deadline to submit the annual VAT return is April 30th of the year following the settlement period.

How to submit VAT

In Italy, VAT returns must be filed online on a quarterly basis using the Italian Target System via the Comunicazione Liquidazioni Periodiche IV.

VAT returns must be filed online on a quarterly basis using the Italian Target System via the Comunicazione Liquidazioni Periodiche IVA. Annual returns are compulsory for all companies registered for Italian VAT.

VAT registration threshold

In Italy, there is no minimum threshold for registering for VAT, but freelancers under the flat-rate VAT regime do not have complex tax obligations until their annual turnover exceeds €85,000. Once they exceed this threshold, they must switch to the ordinary VAT regime, which requires more detailed accounting and compliance with higher tax obligations.

Other VAT details (if applicable)

In Italy, VAT taxpayers are individuals or entities who regularly carry out commercial or professional activities.

The ordinary VAT regime applies to freelancers, sole traders, and companies with an annual turnover above €400,000 for services or €700,000 for other activities, such as trade or manufacturing. This regime requires detailed bookkeeping, invoice registration, and tax reporting, with a standard VAT rate of 22%.

For those with an annual turnover of less than €85,000 who also meet the necessary requirements, the flat-rate VAT regime offers a simplified approach, designed for freelancers, small businesses, and self-employed individuals. This regime eliminates the requirement to register invoices or provide detailed reports, while offering lower tax rates and reduced administrative responsibilities. In summary, VAT applies to anyone habitually performing commercial or professional activities, and the applicable regime depends on the type of activity and annual turnover.

Freelancer withholding taxes

This section summarises the withholding tax rates applicable in Italy for various types of income. It highlights that dividends and interest are subject to a standard withholding tax rate, while royalties incur a higher rate.

Withholding tax on dividends: Rates

26%

Withholding tax on interest: Rates

26%

Withholding tax on royalties: Rates

30%

Other mandatory taxes for freelancers

Self-employed individuals in Italy may be subject to local taxes such as the Municipal Property Tax (IMU) and the Tax on Economic Activities (TASI). The IMU applies to property owners, while TASI is levied on property occupants and is meant to cover local services. Depending on the activity, self-employed individuals may be subject to local taxes such as the Municipal Property Tax (IMU) or the Tax on Economic Activities (TASI). Depending on the activity, self-employed individuals may be subject to local taxes such as the Municipal Property Tax (IMU) or the Tax on Economic Activities (TASI).

Tax report for freelancers

This section highlights key financial reports beneficial for self-employed individuals in Italy. While not mandatory, reports like the income report, deductible expenses report, and cash flow report help track earnings, manage expenses, and assess financial health, ultimately aiding in tax compliance and business decision-making.

Income report
This report shows all the income earned during a specific period. While it is not mandatory, it is very useful for self-employed people to track how much they have earned, assess their financial health, and prepare for tax filing.

Deductible expenses report
This report lists all the expenses that can be deducted from income for tax purposes. It is not mandatory, but it is very useful for identifying what costs can reduce taxable income, ensuring that all possible deductions are claimed, and ultimately lowering the tax burden.

Asset depreciation report
This report tracks the depreciation of assets, like equipment or vehicles used in the business. It is not mandatory, but it is important for self-employed individuals because depreciation can be used to lower taxable income, which can reduce taxes owed.

Balance sheet
A balance sheet shows the financial position of the business, listing assets, liabilities, and equity. It is not mandatory, but it is very beneficial for self-employed individuals as it helps

them understand their financial stability and overall health, which is also useful when applying for loans or investments.

Client or project income report
This report breaks down income earned from specific clients or projects. It is not required by law, but it is helpful for self-employed people to see which clients or projects are more profitable, helping with business decisions and making billing easier.

Applicable tax credits report
This report lists all the tax credits that the self-employed person is eligible for, such as credits for children or certain types of investments. It is not mandatory, but it can be very helpful in reducing the tax burden by ensuring all available tax credits are applied.

Cash flow report
This report tracks the inflow and outflow of cash. While it is not mandatory, it is crucial for managing daily business operations, ensuring there is enough cash to cover expenses, and preventing liquidity issues.

Sales by product or service report or activity
This report breaks down sales by product or service category. It is not required by law, but it helps self-employed individuals understand which products or services are generating the most income, making it easier to decide where to focus efforts or investment.

Client profitability report
This report helps assess how profitable each client is by comparing income with costs. It is not mandatory, but it is extremely useful for identifying which clients are more profitable and whether pricing or client management needs to be adjusted.

Inventory report
This report shows the stock of goods or materials a self-employed person may have. It is not mandatory, but it helps track inventory levels, avoid shortages or excess stock, and make informed decisions about supply and demand.

Payments to suppliers report
This report details payments made to suppliers. It is not mandatory, but it helps self-employed people track expenses, manage relationships with suppliers, and control cash flow by ensuring payments are up to date.

Withholding tax report
This report shows taxes withheld from income. It is not mandatory, but it is useful for self-employed individuals to confirm the correct amount of tax has been withheld by clients or third parties, helping to avoid underpayment and potential penalties.
Payment in advance

This report tracks advance payments received. It is not mandatory, but it helps self-employed people track prepaid income, ensure services are delivered, and manage cash flow.