

IVIE and IVAFE

Italian Wealth Taxes on foreign property

Italian resident taxpayers who own real estate and certain kinds of financial assets outside Italy are required to deal with IVIE and IVAFE which are both asset taxes due on the capital value of assets held outside Italy. The intention of the legislator in introducing these taxes a few years ago is to avoid any discrimination against the ownership of assets situation in Italy (which is subject to stamp duties and other indirect taxes) in favour of investment in assets abroad.

These taxes apply even where assets are beneficially owned via an agent, through a trust or other entity (for example, a foundation) acting as nominee.

Deadlines

The two taxes are closely linked to the Form RW in the Italian tax return. This is the section of the tax return in which a resident taxpayer (who does not have the benefit of a statutory exemption) needs to disclose the ownership of real estate and certain financial investments such as government securities, bonds, and shares in public companies.

The payment of IVIE and IVAFE must be made at the same time as personal income tax. Therefore, in general, on or before the 16 of June each year the taxpayer needs to pay the balance of the tax due for the previous year plus a payment on account of the current year liability (approximately 40% of the prior year liability). The second instalment equal to approximately 60% of the prior liability must be paid on or before 30 November 2015. Note that the deadlines for payment and the actual amounts can be subject to last minute change. IVIE is not due if the tax payable is less than Euro 200.

Relevant Legislation

IVIE & IVAFE were introduced into Italian law by Art. 19, paragraphs 13-21, D.L. no. 201/2011 ("Monti Decree") converted into law by L. 214/2011.

See also:

[Tax Agency Circular 28/E of 2 July 2012](#)

[Tax Agency Circular 48/E of 21 December 2012](#)

Resolution 27/E 19 April 2013

Rates of Tax

IVIE – real estate

IVIE is payable at the rate of **0.76%** of the value as defined below. The rate is reduced to **0.4%** for buildings used as a main residence. There is also a deduction of a maximum of Euro 200 per annum.

The tax is payable pro rata according to the share of ownership and the number of months that the property has been held during the year.

IVAFE – financial assets

The tax is calculated on the value of “financial products” in proportion to the taxpayer’s share of ownership and the length of time the assets are held over the year. The rate is Euro 2 per thousand **(0.2%)**.

This means that from 2014 onward IVAFE will not be due on all assets shown in the form RW. That form requires disclosure of all financial assets, not just financial products. By financial products the legislator intends an investment that would be subject to Italian stamp duty were it sold by an Italian financial intermediary.

The following investments are liable to the tax:-

- ◆ equity investments in foreign companies (but only publicly traded shares, not shares in private companies);
- ◆ investments in government and corporate bonds;
- ◆ unit trusts, funds and certain types of with-profit insurance contracts;
- ◆ foreign currency contracts;
- ◆ precious metals;
- ◆ derivative contracts.

For current accounts and savings accounts held abroad the rate is a fixed Euro 34.20 per foreign account. No tax is due if the average liquidity over the year shown in the bank statements is lower than Euro 5,000 taking into consideration

Article 9 of Law 161/2014 amended articles 18, 20 and 21 of article 19 of Decree 201/2011 (“Monti Decree”), so that IVAFE no longer applies to financial assets in general but only to “financial products”, current accounts and savings accounts held abroad by resident individuals. If those assets have been purchased or are managed through an Italian resident financial institution (or a financial institution with a fully registered branch office in Italy, the IVAFE will not be due.

This is a summary in English of the original document released in the Italian language. It is not intended to be legal advice and should not be used as the basis for any course of action without verification and professional advice.

all accounts held abroad with the same financial institution. Note that the requirement to declare the existence of the bank account in the RW only applies if the maximum value during the year on the account exceeds 15,000. However if there is a liability to IVAFE (due to exceeding the Euro 5,000 threshold described above, then the bank account will need to be reported in the RW.

Tax value of real estate abroad - IVIE

The taxable amount varies according to the State in which the property is situated.

Properties located in the EEA

For properties located in countries inside the European Economic Area (EEA) the value to be used is the land registry value, as determined under the rules of the country in which the land is situated. In the UK the value to be taken was, up to Brexit, the Council tax band applicable to the property. As a result of Brexit the Tax Agency have confirmed that since the UK is outside the EEA standard rules apply.

Properties situated in other states

For real estate situated outside the EEA the value to be used the cost as shown in the original deed of purchase. If the taxpayer cannot produce evidence of the original purchase cost then, then market value must be used.

Lesser Rights Over Land

If the resident taxpayer has a right over property other than full legal title (e.g. a long lease, or the beneficial ownership), the value should be based on the value shown in any purchase contract or the relevant regulations or criteria established by the legislation of the country where the property is located.

Real estate acquired by gift or donation

For property acquired by inheritance or donation, the value to be used is the value shown in the declaration of inheritance or in a deed of gift in the manner provided for under foreign rules. In the absence of evidence of the acquisition value the market value must be used.

Tax value for financial products – IVIE

The value for purposes of IVIE will generally be the market value. As the tax applies to

At Taxing.It we can calculate your IVIE and IVAFE. We can also either prepare your RW or provide support to your local accountant who may not have the specialist skills or understanding of overseas assets.

This is a summary in English of the original document released in the Italian language. It is not intended to be legal advice and should not be used as the basis for any course of action without verification and professional advice.

financial products this will generally be a relatively easy matter for single assets. However where the investment consists of an actively managed portfolio of shares with acquisitions and disposals during the course of the year then the administrative task become difficult as values might need to be pro-rated during the year (although it is possible to pool, losing the benefit of the time apportionment).

The value to be used for non quoted shares and equity holdings is the nominal value of the relevant share.

Excluded assets

From 1 January 2016, IVIE will not apply to the possession of the main and appurtenances thereto and the marital home assigned to a spouse, as a result of legal separation, annulment, dissolution or termination of the civil effects of marriage.

There are a number of investments which are not subject to the tax, such as qualifying occupational pension funds.

Credit for foreign taxes

If a similar capital/wealth tax is paid in the foreign country, it is possible to claim credit for the tax. The credit cannot in any case exceed the tax payable in Italy.

By similar the legislator intends a wealth tax but not a tax payable in consideration of the provision of services by any governmental or local authority.

No credit is available if the country in which the financial asset is held has an agreement with Italy for the avoidance of double taxation (which also covers wealth taxes) and which provides that this kind of tax is due only in the country in which the taxpayer is resident. In such cases the Italian resident taxpayer should have a right of refund from the country where the asset is located.

Colin Jamieson

January 2022