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SWISS LUMP-SUM TAX REGIME VS. ITALIAN FLAT TAX AS FROM 2026

The Italian flat tax regime for wealthy individuals who moves to Italy was introduced in 2017, while the Swiss favourable and simplified lump-sum tax treatment has a longstanding existence as from before World War II. The Swiss regime is an "expenditure" based taxation which on one hand in principle disregards non-Swiss assets and income (provided the taxpayer does not have treaty favoured foreign income sources) and on the other hand considers Swiss assets (like shares or bonds issued by Swiss resident companies, cash deposited with Swiss banks, Swiss properties) and income therefrom.

The Italian flat tax operates as a territorial taxation: Italian source income is ordinarily taxable in accordance to internal tax legislation, while non-Italian foreign sourced income is in principle submitted to taxation with a "substitutive" flat tax with the exception that capital gains realized within five years from the start of the Italian tax residency on the disposal of qualified substantial shareholdings in foreign companies are taxable in Italy with a tax rate of 26%.

As from 1st January 2026 the Italian flat tax will suffer an increase as per decision of the Italian government (to be finally approved by Parliament within the present year-end) such increased amount applicable to foreign individuals wishing to migrate to Italy as from 2026 alone or with their family members. The new flat tax will increase from the current EUR 200'000.- to EUR 300'000.- (plus EUR 50'000.- for each family member), which translated in CHF would amount to approx. CHF 278'000.- (plus approx. CHF 46'000.- for each family member). Assuming a family composed of the spouses and one child would become tax resident in Italy enjoying the special regime, the annual flat tax would amount to CHF 370'000.- which would correspond to a Swiss taxable income (Canton Ticino, municipality of Lugano) of approx. CHF 1'000'000.

This amount is more than twice the minimal Swiss lump-sum taxable income of approx. CHF 440'000.- as fixed by the Cantonal tax authority and this would cover the taxable base for the entire three-member family as per our assumption. The annual Swiss tax burden (for all three levels of taxation – federal, cantonal and municipal), considering the minimum taxable base mentioned above, amounts to approx. CHF 150'000 including the marginal income tax which, in compliance with the tax law, the Cantons have to assess to take into account wealth tax on the deemed taxable Swiss wealth amounting to five times the taxable income as agreed with the tax authority in the binding tax ruling letter.

Both countries have many attractive features and a more in-depth analysis will allow to understand advantages and disadvantages of each country which for everyone, planning to move his tax residency, will judge differently. For a more detailed information of the Swiss tax regimes and Swiss migration law and procedures please read the articles (either in English, German or Italian) on our website www.steimle-consulting.ch under the section "Tax News - Location Ticino".

Should you have any questions or wish to receive our assistance and expertise, please do not hesitate to reach out to us.

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