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New Tax Targets Individuals With Foreign Financial Assets

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COUNTRY DIGEST

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The Italian Parliament on December 22 passed Law 214, introducing an array of potential budget savings and revenue-raising measures, including a tax on the value of foreign real estate owned by Italian resident individuals (for prior coverage, see *Tax Notes Int'l*, Jan. 9, 2012, p. 115, *Doc 2012-5*, or *2012 WTD 2-1*) and a tax on Italian resident individuals with foreign financial assets.

For 2011 and 2012, the foreign assets tax will be imposed at a rate of 0.1 percent on the value of the foreign financial assets, with the rate rising to 0.15 percent in 2013. The tax is imposed on the fair market value of the foreign financial assets as of the last day of the calendar year. Law 214 provides that the rules for the individual income tax will also apply in the application, assessment, and collection of the new tax.

While the new tax is not referred to as a net worth tax, its characteristics closely resemble taxes of that nature, and the statute itself — which attempts to mitigate double taxation by allowing Italian residents to credit ''net worth'' taxes, if any, paid abroad — seems to indirectly confirm the nature of the tax. That raises the question of which foreign taxes will effectively be creditable against the new Italian tax.

Additional guidance on the application of the new foreign assets tax will be provided under regulations prescribed by the tax authorities.

As a practical matter, only a few countries (mostly European) have imposed a net-wealth-type of tax. While some countries receive substantial revenue from the tax, others have repealed it after the courts found it unconstitutional because of its inconsistent application to, and valuation of, different types of property. ◆

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