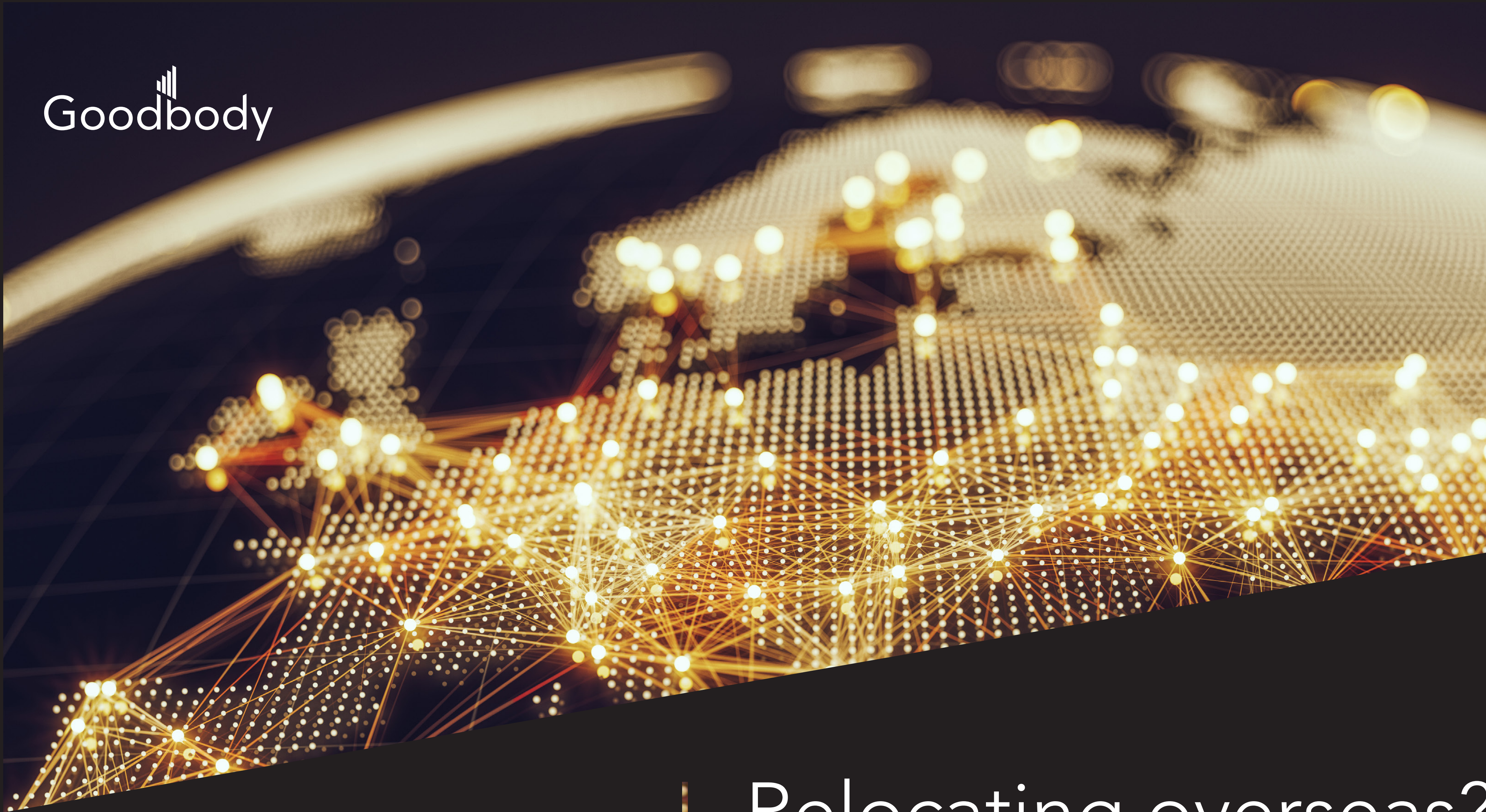

Relocating overseas?

What you need to know about international tax regimes

Marketing Communication

Introduction

A move abroad can be a great life experience. Indeed, people often consider moving overseas for a warmer climate, great cuisine, and a change in lifestyle. However, a favourable tax regime can also influence their decision.

Until 2023, Portugal was a popular choice for those relocating from Ireland overseas. However, changes to the Portuguese Non-Habitual Residence (NHR) tax regime have made many wonder if other countries offer a similar regime.

Often, our clients speak to us about retiring overseas or a post-business sale relocation. And so, this report examines eight countries that we are commonly asked about, focusing on specific rules that may apply to individuals in these situations.

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The tax information provided is based upon an investor with specific characteristics or circumstances, these details will not apply to all investors and may not be applicable to you. We recommend that you consult a tax adviser for confirmation on whether the tax information referenced is available to you.

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Is there a special tax regime in place for those relocating there?

Since 2017, a regime for high-net-worth individuals allows taxpayers who move their tax residence to Italy and have not qualified as Italian resident for at least nine of the past 10 years to opt for a flat tax of €200,000 per year on their foreign-source income. This applies regardless of the actual amount of that income and whether it is remitted (transferred) to Italy. This same favourable tax regime can be applied to family members if they also meet the required conditions and where they do the flat tax equals €25,000 for each family member. This regime can apply for up to 15 years.

Tax residence in Italy is generally obtained by spending more than 183 days in the country in a tax year (January to December).

In the absence of this regime, a resident of Italy would be taxed on their worldwide income and gains whereas the effect of this regime is that non-Italian income and most non-Italian gains are not subject to tax in Italy.

What other taxes could apply on capital in Italy?

Wealth tax

While Italy has a wealth tax of .20% per annum and 1.06% per annum on real estate owned abroad by Italian residents, taxpayers who opt for the flat tax of €200,000 are not subject to the wealth tax on financial assets and real estate held outside of Italy.

Gift and inheritance tax

In addition, for individuals who qualify for this regime, only assets located in Italy are subject to gift and inheritance tax. Therefore, Italy does not tax the worldwide assets of individuals availing of this regime to Italian gift and inheritance tax, which would apply to Italian residents.

Generally, tax rates of 4% to 8% apply on the value of the asset gifted or inherited above certain tax-exempt thresholds.

Real estate transfer tax, transfer duty and property taxes

Italy also imposes taxes on the transfer of real estate located in Italy and has an annual property tax.

What about the taxation of private pensions?

Italy has a “Regime for Retirees”, which is a special regime for individuals with non-Italian pension income, where a flat 7% rate of tax on non-Italian pension income applies. This “Regime for Retirees” is only available in the southern regions of Italy (including Sardinia and Sicily) and in a town with no more than 20,000 inhabitants. This regime can apply for up to 10 years.

> “Tax residence in Italy is generally obtained by spending more than 183 days in the country in a tax year.”

Malta

Is there a special tax regime in place for those relocating there?

Individuals who are resident but not domiciled or not ordinarily resident in Malta are subject to tax only on Maltese-source income and on foreign income that is remitted to or received in Malta (a remittance basis of taxation). Where foreign sourced income is remitted to Malta, a tax rate of 15% may apply on that income subject to conditions. An exemption from tax on capital gains may also apply regardless of whether they are received in Malta.

Individuals are generally considered resident in Malta if they spend more than 183 days in a calendar year in Malta. Individuals are considered ordinarily resident if Malta is their habitual residence.

Individuals are deemed to be domiciled in Malta if they settle in Malta with the purpose of living in Malta for good and consider Malta to be their permanent home.

In certain circumstances an individual cannot apply the remittance basis of taxation (e.g. if they are married to an individual who is domiciled in Malta) and individuals availing of the remittance basis of taxation may be liable to pay a minimum tax liability in Malta.

What other taxes could apply on capital in Malta?

Wealth tax

There are no wealth taxes in Malta.

Gift and inheritance tax

There is no gift or inheritance tax in Malta.

Real estate transfer tax, transfer duty and property taxes

While transfers of assets could come within the charge to income tax on capital gains and property located in Malta could be subject to property transfer tax (PTT), these taxes do not apply on transfers to spouses or descendants.

Malta imposes transfer duty which is effectively a transaction-based tax on the transfer of assets, and this can be due on the inheritance of real estate. However, a number of exemptions apply to this duty.

There is no annual property tax in Malta.

What about the taxation of private pensions?

Generally, Maltese resident individuals are taxed on private pension income remitted to Malta at a flat rate of 15% (subject to conditions and a minimum annual payment).

> “Where foreign sourced income is remitted to Malta, a tax rate of 15% may apply on that income subject to conditions.”

Greece

Is there a special tax regime in place for those relocating there?

Special tax regimes have recently been introduced for foreign tax resident high-net-worth individuals and for foreign tax resident individuals with foreign-source pension income who transfer their residence to Greece. Residence in Greece is generally achieved by spending more than 183 days in Greece in any 12-month period.

To be eligible for the regime for high-net-worth individuals, an individual needs to satisfy the following conditions:

- They have not been a Greek resident for the previous seven of the last eight years before the transfer of their residence to Greece.
- They prove that they or a close relative has made an investment of at least €500,000 in real estate, businesses or legal entities in Greece or securities or shares in legal entities based in Greece or have made such investment through entities in which they hold the majority of the shares.

If the conditions are satisfied for the regime, the following rules apply:

- The individual is required to pay a flat tax amount of €100,000 per tax year.
- The individual will be taxed on Greek-sourced income.
- Any assets held abroad by the individual are exempted from gift and inheritance tax.

This tax regime can be extended to the individual’s close relatives for an amount of €20,000 per tax year per relative.

This regime can be applied for 15 years.

What other taxes could apply on capital in Greece?

Wealth tax

There are no wealth taxes in Greece. A luxury tax may apply in certin circumstances.

Gift and inheritance tax

Gift tax is imposed on:

- Any asset located in Greece and owned by a resident or non-resident.
- Movable assets located abroad and owned by a Greek national.
- Movable assets located abroad owned by a Greek national or by a foreign national gifted to a Greek national or a Greek resident.

Exemptions from gift tax can be obtained in certain circumstances.

Inheritance tax is imposed on:

- Any asset located in Greece and owned by a resident or non-resident.
- Movable assets located abroad and owned by a Greek national.
- Movable assets located abroad owned by a foreign national who has been resident in Greece.

There are exemptions from Greek inheritance tax on assets located abroad where the Greek resident was residing outside Greece for at least 10 consecutive years.

The categories of rates for inheritance tax and gift tax depend on the relationship of the beneficiary to the deceased or donor. The rates are higher for more distant relatives and unrelated persons. In general, the rates range from 1% up to 40%.

Real estate transfer tax, transfer duty and property taxes

Greece has a real estate transfer tax but there are a number of exceptions to the tax such as for the purchase of a first main residence in Greece.

Greece has an annual property tax.

What about the taxation of private pensions?

Individuals who have a foreign pension and who transfer their residence to Greece may choose to be subject to a different tax regime on their foreign income in Greece.

To be eligible for this regime, an individual needs to satisfy the following conditions:

- They must not have been a Greek resident for the previous five of the last six years before the transfer of their residence to Greece.
- They relocate from a country with which Greece has a Double Tax Agreement.
- If the application for transfer of residence is successful, the following rules apply:
  - The individual must report in Greece all Greek-source income and all foreign-source income that is subject to this tax regime.
  - The individual must pay annually a 7% flat income tax on their foreign source income.

An individual can be enrolled in this regime for a maximum period of 15 years.

> “Individuals who have a foreign pension and who transfer their residence to Greece may choose to be subject to a different tax regime on their foreign income in Greece.”

Cyprus

Is there a special tax regime in place for those relocating there?

A non-Cypriot domiciled individual (briefly, that is an individual with no permanent ties or connections to Cyprus), irrespective of their tax residence status is exempt from tax on dividend and interest income. This also includes dividends from a Cypriot company. However, there is a liability for general health scheme contributions up to a maximum of €4,770 per year.

In addition, no tax arises on gains from the disposal of investments listed on a recognised stock exchange - any gains arising from the disposal of shares, bonds and other similar financial instruments (including options and rights thereon) are exempt from tax.

What other taxes could apply on capital in Cyprus?

Wealth tax

There are no wealth taxes in Cyprus.

Gift and inheritance tax

There is no gift or inheritance tax in Cyprus.

Real estate transfer tax, transfer duty and property taxes

There is a real estate tax and stamp duty on transfers of immovable property located in Cyprus.

There is no annual property tax in Cyprus, but a charge is imposed by municipalities/councils.

What about the taxation of private pensions?

Any lump sum received as a retirement gratuity is exempt from tax. In addition, a Cypriot resident individual, (one generally present for more than 183 days in any calendar year), receiving pension income from services rendered abroad may choose to be taxed at a flat rate of 5% on amounts exceeding €3,420 per annum.

"There is no gift or inheritance tax in Cyprus."

Switzerland

Is there a special tax regime in place for those relocating there?

A lump sum taxation regime is a special tax status available to foreign nationals who:

- take up residence in Switzerland for the first time or after an absence of at least 10 years; and
- do not perform any gainful activity in Switzerland. Activities outside Switzerland are not taken into consideration in applying this rule.

Individuals are generally considered resident in Switzerland if they have the intention to permanently establish their place of abode in Switzerland and are registered with the municipal authorities or if they intend to stay in Switzerland for a certain period of time (usually longer than one month).

Individuals benefitting from this special lump sum tax regime are not subject to Swiss taxation on their worldwide income and wealth but based on their worldwide expenditure (living costs). The minimum taxable income and wealth is typically agreed with the cantonal tax authorities prior to taking up Swiss tax residence.

Some cantons (e.g. Canton of Zurich, Schaffhausen, Basel-City, Basel Country and Appenzell Ausserrhoden) have abolished this special tax status and consequently do not offer lump sum taxation for individuals residing in these cantons. Some popular cantons for individuals taking up Swiss residence under a lump sum arrangement are Zug, Vaud, Valais and Geneva but there are many others.

What other taxes could apply on capital in Switzerland?

Wealth tax

Net wealth tax is levied on a cantonal/communal level, not the federal level. The tax base for wealth tax includes worldwide assets, with the exception of real estate located abroad. The tax rates depend on the canton where the taxpayer is resident.

Gift and inheritance tax

There are no federal estate, inheritance or gift taxes, but all cantons (except for the cantons of Schwyz and Obwalden) levy these taxes. In most cantons, residents are subject to gift and inheritance tax on worldwide assets except for real estate located abroad. Non-residents are subject to gift and inheritance tax on real estate located in Switzerland.

Transfers to spouses are exempted from inheritance and gift tax in all cantons while transfers to direct descendants (i.e. children, grandchildren) are exempted in most cantons. The tax rate for other transfers depends on the canton (and/or community), the relationship between the two parties and the amount or value transferred. The tax rate can be as high as 50% in some cantons.

Real estate transfer tax, transfer duty and property taxes

Transfer of real estate may be subject to real estate profit tax. In addition, real estate transfer tax and/or real estate registry costs may apply. Real estate profit tax is levied by the cantons or the municipalities, and therefore the tax rules may differ in each canton.

Generally, there are no transfer taxes on gifts or inheritances. However, certain cantons may levy a transfer tax if the transferred asset is real estate.

There is an annual property tax in Switzerland.

What about the taxation of private pensions?

For a resident, foreign pensions are generally subject to tax in Switzerland.

Monaco

Is there a special tax regime in place for those relocating there?

Generally foreign nationals residing in Monaco do not pay income tax as Monaco does not levy direct income taxes.

What other taxes could apply on capital in Monaco?

Wealth tax

There are no wealth taxes in Monaco.

Gift and inheritance tax

Inheritance and gift taxes apply only to assets located in Monaco or with a situs in Monaco, regardless of the domicile, residence or nationality of the deceased person or donor. The tax rates depend on the nature of the relationship between the deceased individual or donor and that individual's heir or donee.

The following are the rates:

- Between spouses or for children: no tax
- Between partners of a civil union agreement: 4%
- Between siblings: 8%
- Between uncles and aunts, and nephew and nieces: 10%
- Between other relatives: 13%
- Between unrelated persons (including charities and corporate entities): 16%

Real estate transfer tax, transfer duty and property taxes

Sales of real estate located in Monaco, shares in a Monegasque SCI (Société Civile Immobilière) and shares in other types of companies are subject to transfer taxes.

There is no annual property tax in Monaco.

What about the taxation of private pensions?

No income tax arises on a foreign pension in Monaco. However, home country taxes may arise while resident or ordinarily resident in Ireland.

> "Generally foreign nationals residing in Monaco do not pay income tax as Monaco does not levy direct income taxes."

France

Is there a special tax regime in place for those relocating there?

This is no specific tax regime in place for those relocating to France on retirement or following the sale of a business.

Individuals are generally residents if their home, or if no home is available, their principal place of abode, professional activity or centre of economic interest is located in France.

What other taxes could apply on capital in France?

Wealth tax

Wealth tax is payable by residents in France with worldwide real estate assets worth over €1.3 million. Non-residents are liable only if they own French real estate valued over the same threshold.

Gift and inheritance tax

If a decedent or donor was resident in France (or if the heir or beneficiary is French resident and was French resident during six years of the 10 past years), tax is generally payable on gifts and inheritances of worldwide assets.

Generally, for non-resident decedents or donors, only gifts and inheritances of French assets are taxable, provided the beneficiary is also a non-resident of France.

Surviving partners (spouses or partners in a Civil Union [Pacte Civil de Solidarité, or PACS]) are exempt from inheritance tax.

The tax-free amount on gifts and inheritances to children amounts to €100,000. The excess is taxed at rates ranging from 5% to 45%, depending on the value of the amount received.

The gift tax rates are generally the same as those for inheritance tax. Gifts between partners are taxable (spouses or partners in PACS), with an allowance of €80,724 instead of an exemption before the gift tax rates are applied.

Real estate transfer tax, transfer duty and property taxes

Transfers of real estate or real estate rights are, in general, subject to a real estate registration tax.

France also levies annual property taxes.

What about the taxation of private pensions?

For a resident, foreign pensions are generally subject to tax in France.

“This is no specific tax regime in place for those relocating to France on retirement or following the sale of a business.”

Spain

Is there a special tax regime in place for those relocating there?

There is no specific tax regime that applies on retirement to Spain or following the sale of a business. However, Spain has a special tax regime for inbound assignees, remote workers, directors and entrepreneurs such that where such an individual transfers their residence to Spain under certain circumstances they may elect to be subject to tax under the rules applicable to non-resident taxpayers. This election is subject to meeting a number of conditions.

Where the conditions are satisfied, employment income and self-employment income up to €600,000 is taxed at a rate of 24%, and employment and self-employment income exceeding this threshold is taxed at a rate of 47%. This special tax regime may be extended to close family members.

The "Mbappé Law" which has not yet entered into force is specific to Madrid and when introduced it will seek to apply tax reductions by up to 20% in the region's personal income tax rates for new residents who invest there.

Individuals are generally considered resident if they spend more than 183 days in a calendar year in Spain or if their centre of economic interests is located in Spain.

What other taxes could apply on capital in Spain?

Wealth tax

Wealth tax can apply if worldwide assets (for residents) or Spanish assets (for non-residents) are worth over €700,000. The rate applicable varies according to the region of Spain in which the individual or their assets are based, and, in most regions, there is a €700,000 tax-free allowance per person plus €300,000 for residents against the value of their main residence. These can be doubled for married couples.

A temporary solidarity tax on major wealth is a new tax that was introduced in 2022. It is levied on wealth above €3 million. However, if wealth tax is due this can be deducted from the amount of solidarity tax due.

Gift and inheritance tax

An individual resident in Spain for tax purposes is taxed on assets and rights acquired by inheritance or gift, regardless of where the assets or rights are located. If the recipient is not resident in Spain, estate and gift tax generally applies only to assets located in Spain.

Taxpayers are the legal heir, the donee or beneficiary. The taxable amount for inheritance tax purposes is determined by deducting certain amounts based on the beneficiary's age and on the relationship between the deceased and beneficiary. Tax payable is calculated by reference to factors such as the taxpayer's wealth, age, relationship with the deceased and the type of asset. Inheritance and gift tax rates vary depending on the regional governments. As a result, gift or inheritance tax may be significantly reduced.

Real estate transfer tax, transfer duty and property taxes

Spain imposes real estate transfer taxes but the transfer of real estate by inheritance or gift is exempt from Spanish real estate transfer tax. In addition, stamp duty can apply but the rate of this tax varies as regional governments can apply different tax rates and exemptions.

There is an annual property tax in Spain.

What about the taxation of private pensions?

For a resident, foreign pensions are generally subject to tax in Spain.

Country comparison

Country	Italy	Malta	Greece	Cyprus	Switzerland	Monaco	France	Spain
Is there a special tax regime for those relocating there?	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Is there gift and inheritance tax?	Yes	No	Yes	No	Yes	Yes	Yes	Yes
Is there a wealth tax?	Yes, but those availing of the flat tax regime are exempt	No	No	No	Yes	No	Yes	Yes
Are there real estate transfer taxes?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Are there annual property taxes?	Yes	No	Yes	No	Yes	No	Yes	Yes
Is there tax on foreign pensions?	Yes. A special flat rate of 7% can apply in Southern Italy subject to conditions	Yes, if remitted	Yes, but a flat rate of 7% can apply subject to conditions	Yes, but lump sum is tax free and a flat tax rate of 5% on pension income	Yes	No	Yes, no particular special regime	Yes, no particular special regime

Planning ahead is key!

From our experience, a move overseas should be driven by a person's desire to live in the other jurisdiction for reasons such as climate and lifestyle, with any tax benefits being a lesser consideration. It is important to understand that realising tax benefits from a move overseas can take several years. That's because the individual first needs to remove themselves from the Irish tax system, which involves planning in terms of the number of days a person is required to be outside Ireland and present in the other jurisdiction.

When do people typically think about a move overseas?

We find that people examine their tax residence options when a significant business event, such as a business sale may be on the horizon, or when approaching retirement.

If you're thinking of relocating, it is important to plan ahead. For example, if a business sale event may happen, a corporate restructure may be required in advance of the sale to ensure the proceeds can then be received in the right format to avail of the tax benefits provided in the overseas jurisdiction.

Similarly, for persons looking to retire overseas, as a general rule, once a person has commenced drawing their pension benefits and has chosen the ARF (Approved Retirement Fund) or Vested PRSA option, they will not be able to move their pension overseas, such that it will likely remain fully taxable in Ireland into the future, irrespective of where they are living. Planning ahead is critical to moving a pension fund overseas as to achieve the desired benefits, the pension fund would need to be moved overseas in the first instance. From there, the pension can be drawn down to the person's overseas country of residence.

Naturally, when considering a move overseas, there are many considerations. It is therefore essential to plan ahead and obtain local tax advice.

How we can help

At Goodbody, we work with our clients to achieve their desired wealth objectives. So, whether a retirement overseas or a significant life or business event, such as a business sale or liquidation event, is on the horizon, we're here to help.

Contact us

Speak to our Wealth Planning team today

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Alternatively, you can arrange a call back at a time that suits you by visiting: https://www.goodbody.ie/contact-us