thetimes.com

‘I’m better off than in the UK’: the taxes luring non-doms to Italy

Jim Armitage, James Imam

12-15 minuti

With its grand, columned bar, saltwater swimming pool and restaurant terrace overlooking one of the city’s few green parks, Casa Cipriani Milano is the latest symbol of Milan’s rise as an international hub for business.

The private members’ club, where annual subscriptions start at €3,000 (£2,500), was opened in 2022 in an elegant 19th-century palazzo by two great-granddaughters of Giuseppe Cipriani, founder of the legendary Harry’s Bar in Venice.

But for all its Italian heritage, you could easily be in Mayfair. Bankers, lawyers and insurance types sit in huddles at coffee tables in a sumptuous hall decked in walnut and marble, chatting — many in English — over morning croissants and international newspapers.

Top stories

1. 1
2. 2
3. 3

As co-founder Anna Pittini Cipriani put it, her inspiration was entirely the English club look. “That was the model,” she said.

Casa Cipriani’s launch could not have been better timed. In its London clubland equivalents, the wealthy haunts such as 5 Hertford Street and Annabel’s, the chat among the international set is all about whether it’s time to quit the UK in search of lower taxes elsewhere.

Casa Cipriani Milano is a private members’ club where annual subscriptions start at €3,000
Casa Cipriani

Milan, with its sizeable financial centre and proximity to the Alps, the lakes and the rolling hills of Tuscany, is seen as an attractive option — not just because it is near some of the most beautiful scenery in Europe, but also thanks to a new set of tax laws in Italy aggressively aimed at getting rich people to relocate and invest there.

Top stories

1. 1
2. 2
3. 3
4. 4
5. 5

The city is enjoying what can only be described as a renaissance. Thousands of Italian exiles have returned, and wealthy people have moved in from areas as far afield as the Middle East, Scandinavia and Britain.

Now, with Sir Keir Starmer’s government set to accelerate the end of the “non-dom” tax status for rich foreign people in Britain, Milan has high hopes of attracting more.

Arriving in the city last week on a glorious, sunny day from cold, rainy England, you can see why.

Dawn breaks over Milan's Piazza Del Duomo
Getty

Ben, a former UK non-dom in his fifties, left London in 2020 for a job in Milan's new CityLife district, a tract of land just outside the old town that hosts office skyscrapers, new apartments and shops. The vast project is still partly under construction. In a coffee bar sheltered from the 35C sunshine, Ben explained that, having had a career across Asia, Europe and London, he had been offered a role setting up a new financial business in Milan.

"It's been great," he said. "The city feels international, the job is fun and at weekends, the city empties out as everyone goes skiing or hits the beach."

Thanks to Italy's generous incentives for new arrivals, he pays an effective tax rate of just 15 per cent on his earnings there. On his foreign assets, which were tax-free when he was a UK-based non-dom, he pays a 0.5 per cent "wealth tax".

Italy has another big tax perk that is tempting UK-based non-doms to up sticks and move there. For a flat fee of €100,000 a year, all their non-Italian income — rents from foreign properties, interest from overseas investments and so on — is tax-free. Even inheritance tax is included.

As the British government has pledged to abolish non-dom status altogether, that looks particularly attractive.

For those masters of the universe working in private equity, the Italian system also offers big benefits. Private equity executives are largely paid in the form of "carried interest" — effectively the profits on stakes they hold in the funds they manage.

The stylish Galleria Vittorio Emanuele II is Italy's oldest active shopping gallery and is nicknamed "Milan's drawing room"
Getty

In the UK, carried interest has been taxed at the capital gains tax rate of 28 per cent rather than the 45 per cent most of them would pay in income tax. But the Labour government is looking to end that "loophole", too.

Not so Italy, where "carry" is taxed at a similar lower rate under its attractive regime.

The head of one of Europe's biggest private equity funds said the ending of carried interest benefits was making his executives think twice about moving to Britain. "London is a great place to live, but since it became clear that Labour were going to win the election, people have been saying they're not necessarily keen on moving to the UK. They'd rather try somewhere like Milan instead."

Introduced in 2017, the new rules were devised by Italy's former prime minister, Matteo Renzi. One of his advisers at the time was Milan tax lawyer Antonio Tomassini. Tall and bronzed in a sharp, pinstriped suit, he is straight out of Giorgio Armani central casting. In his office at the law firm DLA Piper near Milan's stock exchange, a district of formal Mussolini-era architecture, he explained the motivation. "We were wanting to attract human capital," he said. "We wanted to attract back some of the one million Italians under-35 who left Italy since 2011, and stimulate investment from rich foreigners."

In the past two days he had, he said, been advising London non-doms from Egypt and Norway on their Italian options.

"For the wealthy, the €100,000 is very, very convenient, and, frankly, not very much money."

Official figures showed that 3,635 people had moved to Italy to use this “flat tax” scheme by 2022, and he estimated that the number was likely to be 5,000 by now. An additional 19,400 Italians with an average salary of €131,920 had returned to their home country by 2021, many of them benefiting from a further measure enabling new residents not to pay tax on 70 per cent of their incomes.

In the nearby offices of law firm Withers Studio Legale, Giulia Cipollini, Italy head of tax and wealth planning, said: “When the Covid restrictions ended, a lot of people came on holiday from Britain to Italy and were reminded of how beautiful it was. It gave them the idea: why not move here next?”

That said, uprooting family from London is not a simple decision. Friends, family and networks are hard to leave. And Britain’s schools are extremely popular among the global wealthy.

Schools in Milan are getting better, though, parents here say. Nicholas Lasagna, a partner at Simmons & Simmons law firm in Milan, moved his family back home from London in 2003. He said: “We put our children into international schools here, and they were good. But it has been getting harder to get in as more people move here from around the world.”

The British School Of Milan, known as the Sir James Henderson, teaches GCSEs and the Baccalaureate
The British School Of Milan

Investors have spotted the moneymaking potential of decent schooling here. Two, the International School of Milan and St Louis School, are run by London-based Inspired Education Group, backed by private equity cash.

At the prestigious British School of Milan, which was founded in

1969 and is better known as the Sir James Henderson, students sit versions of GCSEs in year 11 and study for the international baccalaureate in the sixth form. Fees start at €15,000 a year.

Headmaster Chris Greenhalgh, casually turned out in a linen shirt in his office during the summer break, said that, of the school’s 770 students, roughly 60 per cent are Italian, 20 per cent British and 20 per cent from other countries. “We get quite a few tax exiles coming out now,” he said. “The sorts of people for whom paying €100,000 is attractive.”

British School headmaster Chris Greenhalgh says that 20 per cent of his students have a British background
Marco Cattaneo

When financier Silvia Pace returned to Milan in 2022, she found the school situation a struggle at first. After two decades working in the City of London, she was sent to set up a new Milan office for the S14 Capital asset management firm. When she tried to get her children into Sir James Henderson, she found waiting lists of up to 15 students in each year group and sent them to ICS Milan, another international school, instead.

It is not only schooling that can be tricky for expats wanting to move to the country. Since Brexit killed off British people’s freedom to work anywhere in the EU on an equal footing to the locals, paperwork can be a struggle. Foreign professionals with an Italian job offer providing a salary of at least €25,000 must apply for a “Blue Card”, a lengthy bureaucratic process that involves obtaining university certificates and getting official translations approved by an Italian embassy.

Pace handled the paperwork for Ian, her London colleague who now works with her in Milan: “It took us nearly a year — it was long, complicated and stressful. Never again.”

Silvia Pace returned to Milan to set up an Italian division of asset manager S14 Capital after two decades in the City of London
S14 Capital

There are further unpleasant surprises for newcomers. The air quality is poor and, according to some expats, and even some Milanese, locals can be insular and many don’t speak English. Lasagna said that is becoming less of a problem for newcomers as a more international crowd moves in.

Annual tweaks to some of the tax breaks have provided further headaches. Giorgia Meloni’s government has reduced the tax discount for new or returning residents from 70 per cent to 50 per cent, effective from the start of this year. “I know a group of people who shelved their planned moves after that change,” said one British expat.

Perhaps the biggest challenge is finding a home in Milan’s overheated property market, fuelled by a surge in demand and a chronic lack of housing. Wealthy expats generally seek spacious penthouse suites in central districts, says Massimo Zanchettin, the director of the Coldwell Banker Italy luxury estate agency.

He admits that while expats often have handsome budgets — typically €7,000 to €8,000 a month for rentals, or €2 million to buy — such properties are still hard to find.

“People who arrive from London usually have a taste for turn-of-the-century properties, with a terrace and large lounges,” Zanchettin explains during a visit to one third-floor apartment near Milan’s Arco della Pace. The place is far from luxurious; the lounge is filled with worn-looking period furniture and the smell of stale smoke hangs in the air. A pokey terrace overlooks a railway track directly below and there is no parking. Measuring 235 square metres, the flat is on the market for €2.2 million.

Pace once imagined her Milan move would allow her to buy the home of her dreams, but the city’s “crazy” property market gave her a reality check, and she settled for a €3,000-a-month rental near her office. “I had to rent something I didn’t particularly like and two years later I’m still there,” Pace says. “In London I had a beautiful 110 sq m flat with a communal garden square. I pay roughly the same here, and now my flat is a little bigger, but it’s not as nice.”

Long written off by would-be newcomers as a grey and austere city, Milan received an infrastructure update and an injection of continental vibrancy when it hosted the Milan Expo in 2015. A trickle of newcomers arrived following Brexit, with banks including UniCredit and Mediobanca moving staff from London to Milan.

It is now a bustling financial centre, as lawyer Lasagna testified over grilled octopus in the fancy Isola rooftop restaurant — a place that would hold its own against any upmarket City eatery but at half the price. For the past two nights, he had been working late on a takeover deal. “I hear it is quiet in London,” he said. “But in Milan, there are quite a lot of private equity deals about. Plenty of medium-sized, family firms in this region are seeking new investors. We’re busy.”

Back in rain-drenched London, Withers European head of wealth planning and tax, Chris Groves, warned that Britain underestimates at its peril the attractions of places like Milan to London’s wealthy, big-spending residents. “Driving them into the sea is not the way to grow the UK.”