Tax Authorities Clarify Tax Treatment of Telework and Frontier Workers

23 August 2023

Report from Francesco de Lillo, Senior Associate, IBFD

The Italian tax authorities have issued clarifications on the tax treatment of telework and frontier workers.

As regards telework (or "smart working"), the clarifications cover the following aspects:

- determining the teleworkers' tax residence;
- the special regimes applicable to teleworkers carrying on their professional activities in Italy;
- the consequences of abusive arrangements such as fictitious transfers of residence abroad;
- the application of tax treaties to telework; and
- permanent establishment (PE) or fixed base aspects of teleworking.

As regards the tax treatment of frontier workers, the clarifications deal with the following aspects:

- the definition of frontier workers under the domestic law, which provides for an individual income tax allowance up to EUR 7,500 (EUR 10,000 as of fiscal year 2024); and
- the definition of frontier workers under the following tax treaties:
 - Austria Italy Income and Capital Tax Treaty (1981) (as amended through 1987);
 - France Italy Income and Capital Tax Treaty (1989);
 - Italy San Marino Income Tax Treaty (2002) (as amended through 2012); and
 - Italy Switzerland Income and Capital Tax Treaty (1976) (as amended through 2020), in light of the Italy - Switzerland Tax Agreement (Frontier Workers) (2020) and Protocol to the 1976 Treaty (2020) (see also Italy and Switzerland: Agreement on Taxation of Frontier Workers and Amending Protocol Under Tax Treaty Enter into Force (20 July 2023)).

These clarifications were provided by Circular No. 25/E of 18 August 2023.

Italy - Tax Authorities Clarify Tax Treatment of Telework and Frontier Workers (23 Aug. 2023), News IBFD.

Exported / Printed on 9 Mar. 2024 by hkermadi@deloitte.lu.