
**STRATEGIC
WEALTH PRESERVATION:**
THE ITALIAN FLAT TAX REGIME
AND THE LIECHTENSTEIN
FAMILY FOUNDATION



In a globalized world where individuals and families increasingly live and conduct business across borders, strategies for long-term wealth optimization and protection are gaining unprecedented importance. Many seek solutions that minimize tax burdens, preserve discretion, and provide long-term stability without compromising quality of life.

Italy, with its rich culture and attractive lifestyle, attracts numerous new residents who wish to benefit from special tax regimes. Simultaneously, Liechtenstein, as a reputable financial center, offers proven and internationally recognized structures for asset protection.

The combination of the Italian flat tax system with a Liechtenstein family foundation creates a unique synergy: it unites predictable taxation with efficient access to foundation advantages, ensuring asset protection and international mobility.

1. THE ITALIAN FLAT TAX SYSTEM: PREDICTABLE TAX RELIEF FOR NEW RESIDENTS

The Italian special regime, also known as the Flat Tax Regime, is specifically designed for individuals who transfer their tax residence to Italy and have not been Italian tax residents for at least nine of the last ten years. Since the change in law in August 2024, the annual flat tax for new applications amounts to EUR 200 000 per year, representing a doubling of the previous amount. Despite the increase, the regime continues to be highly attractive for high-net-worth individuals due to its predictability and unique advantages. Close family members can be included for an additional EUR 25 000 per person, making the structure family-oriented. The maximum duration of the regime encompasses 15 years, beginning with the year of taking up tax residence, thus providing long-term planning certainty.

The Italian Flat Tax Regime offers substantial tax advantages: it replaces the personal income tax on foreign sourced income – such as interest, dividends, or rental income – with the payment of an annual flat tax. Applicants can also request an advance ruling from the Italian Revenue Agency to confirm they qualify for the regime.

One exclusion is that capital gains from the sale of qualifying shareholdings are taxed at 26 percent during the first five years of the regime. A qualifying shareholding is defined as a shareholding in a company's capital or assets that exceeds 5 percent or 25 percent – depending on whether the company is listed or unlisted, or as possessing voting rights that can be exercised at an ordinary shareholders' meeting and that exceed 2 percent or 20 percent – again, depending on whether the company is listed or unlisted. This tax can be waived if the applicant obtains a special ruling by demonstrating that the share sale was not driven by tax avoidance.

Notably, foreign income can be brought into Italy and spent there without incurring any additional tax under this regime. Moreover, individuals using the regime may earn income from Italian sources during the years of its application. This creates considerable financial freedom for planning one's lifestyle.

Additionally, the Italian Revenue Agency treats individuals under the flat tax as Italian tax residents for treaty purposes, meaning they can claim benefits from Italy's double tax treaties. Under the Flat Tax Regime, one cannot claim foreign tax credits for taxes paid abroad – unless one opts to exclude that foreign income from the flat tax and have it taxed under the normal regime.

A decisive advantage lies in the tax treatment of asset transfers: the Italian Flat Tax Regime grants a complete exemption from gift and inheritance taxes on all foreign assets for the duration of the regime.

This means that individuals under the Flat Tax Regime can transfer foreign assets – such as stock portfolios or foreign real estate – tax-free. Moreover, such assets are exempt from the usual foreign asset reporting requirements during the regime.

2. ADVANTAGES OF THE LIECHTENSTEIN FAMILY FOUNDATION

The Liechtenstein family foundation ranks among the world's most recognized instruments for intergenerational wealth planning and protection. It combines flexibility, discretion, and freedom of design with a modern legal and tax framework characterized by a high degree of legal certainty.

The assets of the foundation are completely separate in law from the founder's personal assets, so they remain protected even during family changes like divorces or inheritance disputes. This legal independence also provides effective protection against creditor claims and prevents the fragmentation of family wealth through unplanned successions. In this way, founders can ensure that their wealth is preserved and passed on in an orderly manner according to their individual instructions over generations, without the need for lengthy estate settlements or complex inheritance disputes.

Liechtenstein legislation allows tailored and flexible arrangements ranging from purely private benefits to business succession and even philanthropic purposes. The high level of discretion – due to the absence of public registration and the strong protection of privacy – also makes the foundation particularly attractive for internationally mobile asset holders.

3. TAX ADVANTAGES OF A LIECHTENSTEIN FOUNDATION

From a tax perspective, foundations benefit from an attractive corporate tax rate of 12.5 percent, while purely private asset structures are generally only subject to the minimum corporate income tax of CHF 1 800. Dividends and capital gains are usually tax-exempt, as is rental income from abroad. Interest income is often only moderately taxed thanks to the notional interest deduction on equity.

It is also advantageous that Liechtenstein imposes no asset-based capital taxes or withholding taxes on distributions, nor any inheritance or gift taxes. The moderate taxation of ongoing capital income significantly favours wealth accumulation within the foundation.

Because the foundation's assets are separated from personal assets, an exit tax can often be avoided even when moving one's residence internationally. In most cases, inheritance taxes can effectively be avoided as well. In this way, the Liechtenstein foundation provides considerable certainty for tax planning.

4. INTERNATIONAL RECOGNITION

As a member of the European Economic Area (EEA), Liechtenstein foundations benefit from freedom of capital and establishment throughout the EEA and also enjoy broad international recognition.

5. THE OPTIMAL COMBINATION: TAX-FREE ASSET TRANSFER AND LONG-TERM SECURITY

The true strength lies in the intelligent combination of both structures: The Italian flat tax regime caps personal tax liability on foreign income for up to 15 years, while the Liechtenstein family foundation consolidates precisely these assets in a professionally managed, tax-optimized structure.

6. TAX-FREE FOUNDATION FUNDING

A key advantage is that individuals under the Flat Tax Regime can fund a Liechtenstein foundation with foreign assets without incurring any tax. This is possible because the Italian regime generally exempts foreign assets from gift and inheritance taxes. The foundation itself, as a Liechtenstein legal form, is considered foreign and thus triggers no Italian tax obligations.

Mechanically speaking, the contribution occurs through a gift or transfer that is not considered taxable in Italy, as long as it involves foreign assets and the individual has not opted to have them taxed under the ordinary regime. This creates efficient, early asset consolidation: Instead of dealing with groups of heirs with potential disputes, assets are seamlessly transferred into a stable structure.

7. SYNERGY EFFECTS AND INTERNATIONAL MOBILITY

Further synergy effects include governance and international mobility: Liechtenstein's discreet handling pairs with institutional quality, creating trust among banks and authorities. Should residences change, the foundation remains a constant entity; distributions flow into the respective regime without disturbing the overall architecture.

The benefits of the Italian Flat Tax Regime can thus be largely maintained over the 15-year period through the integration of a Liechtenstein foundation. After the flat tax period ends, assets contributed to the foundation that have not been distributed typically remain untouched by ongoing Italian income or inheritance taxes. The foundation's assets stay ring-fenced and only become taxable upon actual distributions to Italian beneficiaries. Even if a later change of residence occurs, international mobility is preserved without an immediate Italian exit tax.

In practice, this creates a sustainable, tax-optimized, multi-generational wealth structure whose benefits extend far beyond the initial 15-year phase of the Italian regime and enable lasting wealth protection and strategic flexibility across generations.

Overall, this creates a resilient, forward-looking solution that enables global families not only to preserve wealth but also to actively increase it while benefiting from the Italian lifestyle.



FS+P: THE PARTNER FOR CUSTOMIZED SOLUTIONS

FS+P AG is a leading provider of cross-border wealth structuring solutions in Liechtenstein. The company offers comprehensive services from preliminary analysis through foundation design to operational implementation and ongoing administration. This expertise ensures that structures seamlessly align with the Italian regime and provide long-term stability and bankability.

Dr. Marco Felder, founder and leading expert at FS+P, possesses decades of experience in international tax and foundation law. His work makes complex concepts accessible and enables individual strategies tailored to specific needs. FS+P exclusively establishes and manages Liechtenstein foundations – both private-benefit and public-benefit. The scope of services ranges from analysis of objectives through design of by-laws to appointment of governing bodies and ongoing administration.

The combination of legal flexibility, political stability, international connections and treaty network makes Liechtenstein a premier location for establishing and managing foundations in Europe and beyond.



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