

MASSIMILIANO SILLA

MULTI FAMILY OFFICE

How Italy taxes **investments.**

The two boxes and the three regimes, the dividends that cross the border, the domicile of funds and the portfolio your heirs will receive: tax explained before the choices. An independent guide for investors.

THE RULES THE BORDER THE MOVES

EDITION · SEPTEMBER 2026

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WHY THIS GUIDE

The silent partner, **properly explained.**

In every Italian portfolio there is a partner who never appears in the statements: the taxman. He draws on the fruits and on the differences, through two boxes that do not speak to each other; he changes weight according to the regime chosen — often by inertia — and the instrument used; and when the investment crosses the border he splits in two, withholding once at source and once at home. Whoever knows his rules turns him into a reasonable partner; whoever ignores them leaves him, every year, far more than is due.

This guide walks the subject with the method of the series: the rules of the game — the two boxes, the three regimes, the true mechanics of funds and ETFs, the cost of owning; tax across the border — the cascade on foreign dividends, the domicile of funds, the foreign broker, the succession of the instruments; and deliberate use — a complete case over twenty years, the loss backpack, the legitimate moves and the misunderstandings that cost the most.

It is an independent guide: it sells neither products nor regimes, and when a tax fashion does not stand up to arithmetic, it says so. It provides the foundations — the ones every investor should have before signing anything.

HOW TO USE THIS GUIDE

- **It is navigable.** From the contents you jump to a chapter with one click; the page number at the foot always leads back to the contents.
- **"Key takeaways",** at the end of each chapter, sums up the essential points in a few lines.
- **The "In plain words" boxes** translate the most technical concepts into everyday analogies.
- **The final glossary** gathers all the technical terms: when a term does not add up, the answer is there.

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Thirteen chapters, **one path.**

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INVESTMENT TAXES AT A GLANCE

The silent partner, **in six numbers.**

2 boxes

Capital income and miscellaneous income: they never offset each other — nearly every tax surprise is born here.

12.5–26%

A fund's effective tax rate, set by its share of white-list government bonds: hardly ever the headline numbers.

37.1%

The cascade on the American dividend: 15 at source plus 26 on the net frontier — and no credit to offset them.

≈ **0.3%**

What Irish domicile is worth against Luxembourg, each year, inside the NAV, on US dividends.

$60,000

The American estate-tax allowance on the US securities of non-residents: the succession trap almost nobody knows.

4 years

The life of the loss backpack: then it expires in silence — and ETF gains can never empty it.

Sources: TUIR and current legislation, Agenzia delle Entrate, international treaties, market practice; rules as of September 2026. Indicative values. Tax legislation changes over time and must be checked before every decision.

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PART ONE · CHAPTERS 1–4

The rules **of the game.**

The two boxes that decide everything, the three regimes one chooses between — often unknowingly — the true mechanics of funds and ETFs, and the cost of owning, paid even in the idle years.

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01 Two boxes, **one system.**

The whole taxation of Italian investments rests on a distinction the investor never asked for and that decides almost everything: capital income on one side, miscellaneous income on the other. Two boxes with rules of their own, which refuse to communicate precisely when it would help. Learn them, and every statement, every tax entry and every oddity of your securities account becomes readable; ignore them, and you will pay taxes you mistake for bank errors.

1.1 The first box: the fruits

Capital income — *redditi di capitale*, article 44 of the TUIR, Italy's consolidated income-tax code — covers the fruits an investment produces by the mere fact of existing: the **dividends** of shares, the **coupons** of bonds, interest on accounts and deposits, the income distributed by funds and ETFs — and also the **gain realised on selling a fund or an ETF**, which the law treats as income from the vehicle, not as a capital gain. Its fiscal character is rigidity: it is taxed **gross**, item by item, as a rule through a withholding or substitute tax (*imposta sostitutiva*) at **26 per cent** — and it admits no offsetting: a dividend pays its tax even while the rest of the portfolio is losing money.

Inside this box lives the great Italian privilege: income from Italian **government bonds** and equivalents, and from countries that exchange information with Italy (the **white list**), is taxed at **12.5 per cent** instead of 26. It is the reason a BTP and a bank bond with identical coupons do not remotely yield the same amount net — and one of the threads that will run through this entire guide.

1.2 The second box: the differences

Miscellaneous income of a financial nature — *redditi diversi*, article 67 of the TUIR — means **price differences**: the gains and losses realised buying and selling shares, bonds, certificates, currencies, derivatives. Here the logic is reversed: what counts is the **net result**. Losses are subtracted from the gains of the same box, and whatever remains becomes a credit — the loss **"backpack"** of chapter 10 — usable until the **fourth year after** it arose. The rate is the same 26 per cent (an effective 12.5 on white-list government bonds), but applied to a balance, not to every single receipt.

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So far, a reasonable system. The trouble begins at the border between the boxes: the two worlds **do not talk to each other**. A loss — which sits in the second box — can never reduce the tax on a dividend or a coupon, which sit in the first. And since the law has placed the **gains** of funds and ETFs in the first box and their **losses** in the second, the ETF investor experiences the asymmetry in its purest form: gains are taxed in full; losses build a credit that can only ever be spent against instruments of another kind. Chapter 10 will measure the damage; here it is enough to fix the principle.

> IN PLAIN WORDS
>
> The two boxes are like two separate accounts held with the same tax authority: the fruits go into the first, the differences into the second. The taxman draws from the first without glancing at the second — even when the second is in the red. Remembering this spares you the question investors ask most often: "why did I pay taxes in a year when I lost money?".

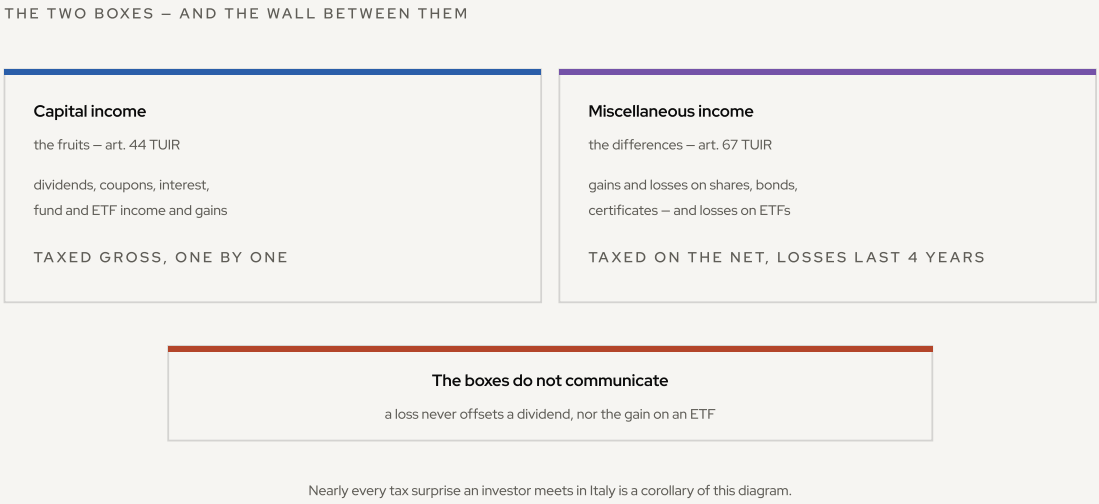

FIGURE 1 The two boxes and the wall — Arts. 44 and 67 TUIR (Presidential Decree 917/1986); illustrative diagram

1.3 Why they exist, and what may change

The distinction has historical roots — it dates from the reform of financial income of the 1990s (Legislative Decree 461/1997) — and an original logic: treating the certain fruit differently from the wager on price. Thirty years of financial engineering have made it ever less sensible: today the same portfolio produces income of both species depending on the **vehicle** it is built with, and the destination box depends more on the packaging than on the substance.

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The legislator knows it: the **enabling law for tax reform** (Law 111/2023) expressly provided for merging the two categories into a single family of "financial income", with full offsetting. But the decree never arrived: the delegation, extended to **29 August 2026**, lapsed without it, and as of September 2026 unification would be possible again only through a new enabling law. The rule of this series applies here too: this guide describes the system **in force**, points out the building site, and recommends building no strategy on rules that do not yet exist. As long as the boxes are two, it pays to learn to use them — which is precisely the programme of the chapters ahead.

KEY TAKEAWAYS

- Capital income: the fruits (dividends, coupons, fund and ETF income and gains) — taxed gross, one by one, with no offsetting.
- Miscellaneous income: price differences — taxed on the balance, with losses carried as a credit for four years.
- The two boxes do not communicate: a loss never reduces a dividend, and you pay even in losing years.
- Rates: 26% standard, 12.5% on Italian and white-list government bonds — in both boxes.
- The enabling law (L. 111/2023) meant to merge the categories, but it lapsed on 29 August 2026 without the decree: plan on the rules in force.

Invested capital is at risk: values can fall as well as rise.

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02 Who does **the sums.**

Before even choosing what to buy, every investor in Italy has already chosen — often without knowing it — who will settle accounts with the taxman on their behalf. The three regimes of Decree 461/1997 change more than the paperwork: they change when you pay, what you pay on, and even how much you pay. This is the system-level choice this chapter lays out.

2.1 Administered: the bank does everything (and it is the default)

Under the **administered regime** — *regime amministrato*, that of nearly every securities account held with Italian banks and intermediaries — the intermediary acts as **withholding agent**: it applies the withholdings on dividends and coupons, computes the gain at every sale, keeps the loss backpack and pays everything over itself, transaction by transaction. The investor receives amounts **already net** and declares nothing: no forms, no deadlines, no monitoring. Taxation happens **on realisation** — you pay only when you sell — and fiscal **anonymity** is preserved: capital income and miscellaneous income pass through neither the tax return nor progressive income tax.

The price of convenience is twofold. First: offsetting remains that of the two boxes — the administered regime works no miracles the law does not allow. Second: losses live **inside the single account**: whoever holds two accounts at two banks cannot offset the losses of one against the gains of the other, except by transferring the securities or asking the bank to certify the losses when the account is closed.

2.2 Self-declared: you do everything (and not always by choice)

Under the **self-declared regime** — *regime dichiarativo* — the investor collects income **gross** and settles the taxes personally, in the annual return: form RT for capital gains, form RW for the monitoring of foreign assets and the wealth levies, with balance and advance payments. It is the regime of anyone using **foreign brokers** — which cannot act as Italian withholding agents — and of those who expressly choose it. The real advantages exist: often lower fees, a cash **deferral** (the year's taxes are paid the following June) and the offsetting of losses across all of one's accounts, because a single person does the sums: the taxpayer.

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The costs are less advertised: the time, or the accountant's fee; the responsibility for errors; and — the point few know beforehand — in some cases a **worse taxable base**: on foreign dividends collected without an Italian intermediary, the tax is computed on the **gross**, without deducting the withholding suffered at source. Chapter 5 will put numbers on this difference, which on its own can outweigh any saving on fees.

> IN PLAIN WORDS
>
> The three regimes are three ways of laying the same table: in the administered one the bank serves and clears the dishes; in the self-declared one you cook and wash up yourself; in the discretionary one you hand the pantry to a chef — who, however, rings up the till every evening, even for dishes not yet served.

2.3 Discretionary: the only one where everything offsets (but on accruals)

The **discretionary regime** — *regime del risparmio gestito* — applies to portfolio management mandates: the investor delegates to the intermediary not just the sums but the investment decisions, and the tax changes nature. The levy does not strike individual transactions: it strikes the **management result** — the change in the portfolio's value over the year — at 26 per cent (with the usual reduction for the share in white-list government bonds). Into that result **everything flows**: dividends, coupons, gains and losses are summed algebraically. It is the only regime in which the two boxes of chapter 1 **genuinely merge**: a loss reduces even a dividend, and a negative year is carried forward against the positive results of the four that follow.

The price, here too, is precise: taxation is on **accruals**, not on realisation. You pay each year on the increase in value even if nothing was sold — giving up the deferral that in the other regimes works silently in the investor's favour, and which chapter 3 will show to be one of the most powerful engines of the long-term result. Between full offsetting and deferral there is no answer that is right in the absolute: there is an answer for each portfolio — and it is the first example of this guide's method: **the regime is not an administrative detail, it is an investment choice**.

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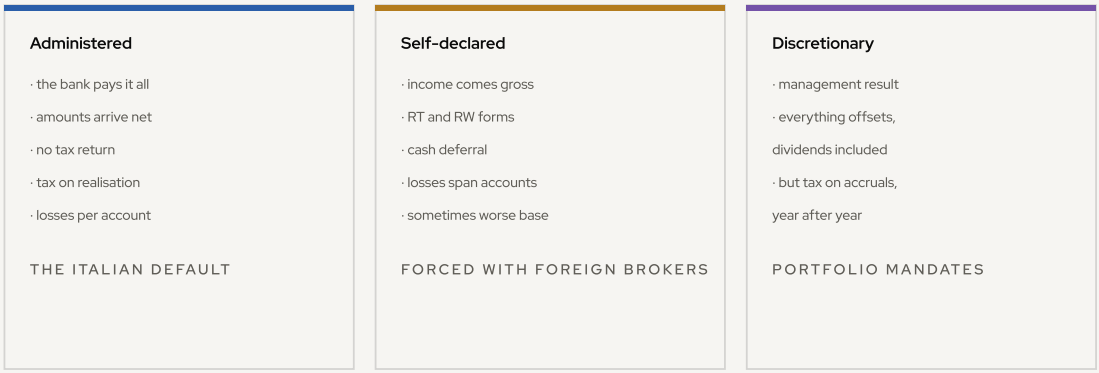
THREE REGIMES, THREE ANSWERS TO "WHO DOES THE SUMS?"



The regime decides when you pay, on what base and with what offsets: an investment choice, not an administrative detail.

FIGURE 2 The three regimes compared — Legislative Decree 461/1997; illustrative summary

KEY TAKEAWAYS

- Administered: the bank is the withholding agent — net amounts, no tax return, tax on realisation; but losses stay confined to the single account.
- Self-declared: gross income + forms RT and RW; compulsory with foreign brokers. Cash deferral and offsetting across accounts, but the responsibility is yours and the base is sometimes worse (foreign dividends on the gross).
- Discretionary: tax on the management result — the only regime where capital and miscellaneous income truly offset, at the price of paying on accruals, year by year.
- Deferring tax until realisation is a real financial advantage: paying later is worth more than paying now.
- The regime is an investment choice, not a clerical one: it changes when, on what and how much you pay.

Invested capital is at risk: values can fall as well as rise.

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03 ETFs and funds: **the mechanics.**

ETFs and mutual funds are the instruments through which most people in Italy invest — and the ones where the tax system keeps the most surprises in store: gains and losses land in different boxes, the true rate is almost never the one in the fact sheets, and the choice between accumulating and distributing moves more money than many market calls. This chapter takes the mechanics apart piece by piece.

3.1 The basic rule and the asymmetry

For **harmonised funds** — the funds and ETFs compliant with European rules, in practice almost everything bought through a bank or on Borsa Italiana — taxation looks simple from the investor's side: 26 per cent on the **income**, when it arrives. That income may be the periodic **distribution** or the **gain on selling** the shares; in both cases the law classes it as **capital income** — first box. If instead the sale closes at a loss, that loss is a **capital loss** — second box. It is the asymmetry announced in chapter 1, and here it must be said without detours: **an ETF gain can never be offset with the backpack; an ETF loss feeds a backpack that can only be spent elsewhere** (shares, bonds, certificates). Whoever builds the whole portfolio out of ETFs alone — the most rational choice financially — is, fiscally, the least equipped to use their own losses.

3.2 The effective rate: almost never 26, almost never 12.5

The second mechanism to master is the **variable effective rate**. Formally the tax is always 26 per cent; but the share of income attributable to **white-list government bonds** enters the taxable base at only **48.08 per cent** of its amount — which, for that part, amounts to a 12.5 levy. The result is that every fund has, in practice, a rate of its own, a function of its composition: an ETF of euro government bonds travels at around **12.5**; a world equity fund pays the full **26**; a half-and-half balanced fund settles around **19**. The relevant percentage is not that of the day of sale: the issuer certifies it on the basis of the **semi-annual reports**, and the intermediary applies it. It is the answer to the classic question — "why did my bond ETF pay less tax than my equity one?" — and one more criterion for choosing between apparently identical products.

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A technical caveat the specialist press has brought to prominence: the concession follows the securities the fund **actually holds**. ETFs with **synthetic replication** — which obtain the index return through swap contracts instead of buying the securities — may not have in their belly the government bonds the index represents: same index, potentially different tax. Before buying a government-bond ETF, the "replication method" line of the KID deserves a look for tax reasons too.

> IN PLAIN WORDS
>
> A fund's tax rate is like a car's fuel consumption: the showroom figure is a limiting case; the real one depends on what is inside and is discovered in the periodic documents. Two ETFs on the same index can pay different taxes purely because of how they replicate — the engine matters more than the bodywork.

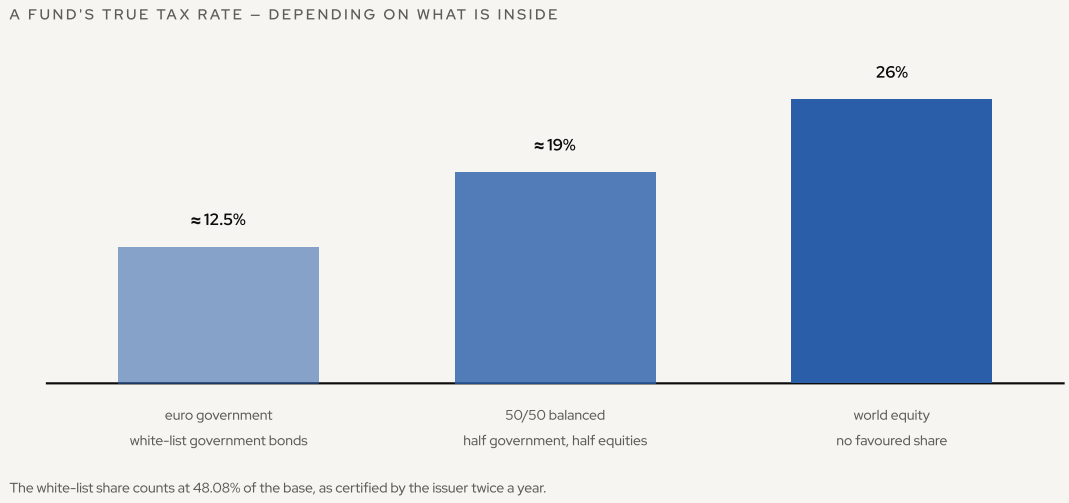

FIGURE 3 A fund's true tax rate — Indicative examples; white-list share from the semi-annual reports

3.3 Accumulating or distributing: the silent engine

The third choice is the one that moves the most money over the long run. A **distributing** ETF pays its income out: each payout is taxed at once at 26 (or at the effective rate), and what remains must be reinvested by hand. An **accumulating** ETF reinvests everything inside the fund: no receipt, no tax — the entire levy is **deferred** to the day of sale. Deferral is not an amnesty: in the end you pay on the same total gain. But in the meantime the capital works **on the part that would have gone to the taxman too**, and compound interest on that part, over twenty or thirty years, is real money: on long horizons the accumulating version of the very same index leaves noticeably more in your pocket, everything else being equal.

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This property is **Italian**, not Irish nor Luxembourgish: it depends on how the Italian tax system treats funds, and holds identically for any fund domicile. The confusion between this level — deferral, which is home-grown — and the level of **domicile** — which concerns foreign withholdings inside the fund, chapter 6 — is one of the most widespread misunderstandings in the field, and this guide keeps them deliberately in separate chapters. Whoever needs periodic income chooses distribution knowingly; whoever accumulates towards distant goals has in deferral a structural ally that asks nothing in return.

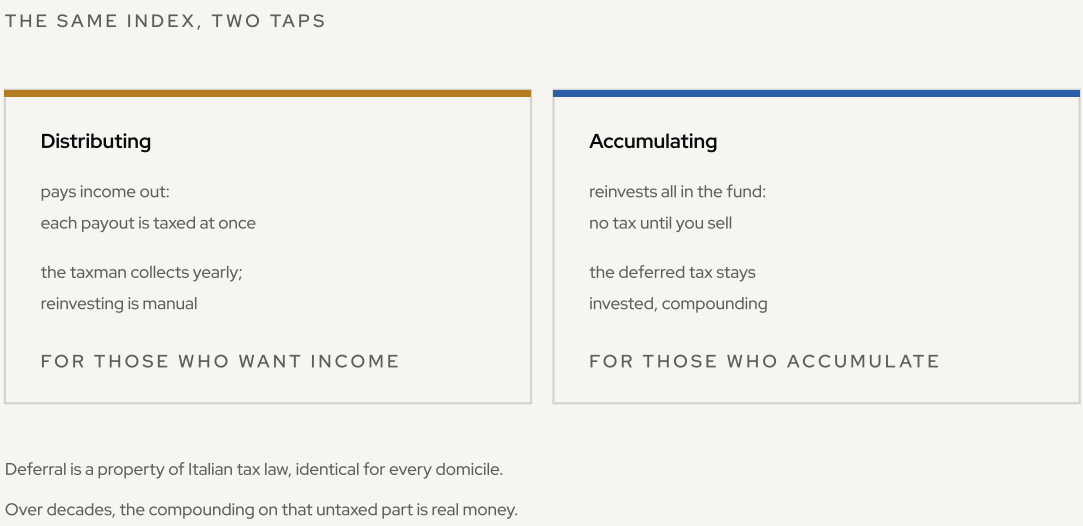

FIGURE 4 The same index, two taps — Illustrative diagram

KEY TAKEAWAYS

- Funds and ETFs: income and gains are capital income (26%), losses are miscellaneous income — the asymmetry in its purest form.
- Variable effective rate: the white-list government share counts at 48.08% of the base (→ 12.5%); government ≈ 12.5, 50/50 balanced ≈ 19, equity 26.
- The issuer certifies the percentage on the semi-annual reports; in synthetic ETFs the concession may be missing: check the replication method.
- Accumulation = tax deferred to the sale: compound interest on the part not yet taken is the silent engine of the long term.
- Deferral is a property of the Italian tax system, the same for every domicile: do not confuse it with the Irish theme of chapter 6.

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04 The cost **of owning.**

Around funds and ETFs lives the rest of the toolkit — shares, bonds, certificates, insurance policies, crypto — each with its box and its exceptions. And beneath it all runs a level that does not depend on gains: the taxes of ownership, paid even in the years when nothing happens. This chapter completes the Italian map before crossing the border.

4.1 Instrument by instrument: the box and the rate

Shares are the clean case: dividends at 26 in the first box, gains and losses at 26 in the second — losses on shares offset gains on shares, bonds and certificates. **Bonds** split the rate: coupons and gains on **white-list government bonds** at 12.5 (with the 48.08 per cent base in the second box too), everything else — corporate and bank paper — at 26. **Certificates** carry the oddity the sister guide has already recounted: their income, conditional coupons included, is **miscellaneous income** — the reason chapter 10 will enlist them among the instruments that consume the backpack. **Life policies** of class I and III add three properties: taxation **deferred** to surrender (with the government-bond share at 12.5), **exemption from inheritance tax** and proceeds **outside the estate** — at the price of product costs that must be weighed as coldly as the advantages.

Crypto-assets close the survey with the youngest and most restless tax treatment: gains taxed as miscellaneous income at a rate raised to **33 per cent** from 1 January 2026 (the €2,000 allowance was abolished as early as 2025; e-money tokens in euro are the exception, still at 26), a dedicated backpack, and full reporting duties even without an intermediary. Whoever holds them should do so knowing the rules have changed three times in five years.

4.2 The taxes of ownership: you pay even standing still

The second level is the one that ignores results. **Stamp duty** — *imposta di bollo* — on financial products runs at **0.2 per cent a year** of the account's market value — on €500,000, a thousand euros a year, in good years and bad — plus **€34.20** on current accounts above €5,000 of average balance. For assets held abroad the stamp duty is called **IVAFE**: the same 0.2 rate, which however **doubles to 0.4** for black-list countries, with the same fixed charge on foreign accounts. And since 2023 the 0.2 also strikes **crypto-assets**, wherever they are kept, even in a personal digital wallet.

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Two practical notes. First: on an Italian account the bank withdraws the stamp duty; on foreign holdings IVAFE must be **settled in the tax return** — one of the administrative costs of chapter 7. Second: 0.2 per cent looks small but is a true **wealth tax**, which on a prudent portfolio can be worth a tenth of the expected return: in any comparison between instruments and jurisdictions it must always be counted, because it never forgets us.

> IN PLAIN WORDS
>
> Stamp duty is the rent your wealth pays the taxman for existing: small in percentage, punctual as a lease, indifferent to results. Whoever computes net returns without subtracting it is measuring the house without counting the rent.

4.3 The complete map, in one table

The table sums up the Italian map built so far: for each family of instruments, the box of the fruits, the box of the differences and the rate. It is the page to keep beside your statements — and the starting point for the second part of the guide, where the same instruments will cross the border and meet the second taxman.

INSTRUMENT	FRUITS (CAPITAL INCOME)	DIFFERENCES (MISC. INCOME)	NOTES
Shares	Dividends 26%	Gains/losses 26%	losses offset within the second box
White-list government bonds	Coupons 12.5%	Gains/losses 12.5% effective	48.08% base in both boxes
Corporate bonds	Coupons 26%	Gains/losses 26%	—
Funds and ETFs	Income and gains 26% (or effective)	Losses only	the asymmetry of ch. 3
Certificates	—	All income 26%	they drain the backpack (ch. 10)
Life policies I/III	On surrender, 26% (or effective)	—	deferral; outside the estate
Crypto-assets	—	33% from 2026	dedicated backpack; 0.2% stamp duty regardless

TABLE 1 The Italian map: boxes and rates, instrument by instrument

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KEY TAKEAWAYS

- Shares: 26 and 26 in the two boxes; white-list government bonds: an effective 12.5 on coupons and gains; corporate paper at 26.
- Certificates: everything is miscellaneous income — the instrument that drains the backpack. Policies: deferral, 12.5 on the government share, outside the estate — costs to be weighed.
- Crypto: 33% from 2026 with no allowance (euro stablecoins at 26), rules changed three times in five years.
- Ownership: 0.2% stamp duty (IVAFE abroad, 0.4% in black-list countries), €34.20 on accounts, 0.2% on crypto too: you pay even in idle years.
- The 0.2% is a genuine wealth tax: always subtract it when computing net returns.

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PART TWO · CHAPTERS 5–8

Across **the border.**

Where the taxman doubles: the cascade on foreign dividends, the fund's flag worth more than its cost, the foreign broker with no discounts — and the portfolio your heirs receive, with the American trap.

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05 The dividend **that crosses.**

When a dividend comes from abroad — from Apple as from Nestlé — it crosses two tax systems in a row before reaching your account: the company's country and Italy. The two taxes stack up in a cascade, and what remains depends on three things the investor can govern: the treaty, the regime and — for some countries — the patience to claim back what was over-withheld. It is the chapter whose numbers surprise clients most.

5.1 The cascade, with the United States as textbook case

The general mechanism: the source country applies its **withholding at source** on the gross dividend; then Italy applies its **26 per cent** on what arrives. For the United States the treaty rate is **15 per cent**: out of 100 of gross dividend, 15 stay in Washington; on the **net frontier** amount — *netto frontiera*, the sum that actually crosses into Italy — of 85, the Italian bank withholds 26 per cent, that is 22.10. In your pocket: **62.90**. The total burden is **37.1 per cent** — eleven points above the dividend of an Italian share — and, the sore point, **the American 15 generates no credit whatsoever**: income subject to substitute taxation has no access to the foreign tax credit of article 165 of the TUIR. The two taxes simply add up.

The key of access to the 15 (instead of the ordinary American 30) is documenting non-resident status: the **W-8BEN** form. It should be said where it matters and where it does not: it concerns **American securities held directly**, and with Italian and European brokers it is as a rule **handled automatically** when the account is opened — the investor often never notices. It has no bearing whatsoever on ETFs: there the recipient is the fund, and its withholding depends on domicile — chapter 6. And one curiosity that upends prejudices: the same United States so voracious on dividends **withholds nothing** on the bond interest of non-residents — a Treasury pays coupons free of American withholding, and in Italy travels at 12.5 as a white-list security.

> IN PLAIN WORDS
>
> The cascade is a shower on two floors: the first taxman draws water upstairs, the second downstairs, and neither looks at how much the other has already taken. Of an American dividend, the flow reaches your pocket at 63 per cent — not through a bank error, but by construction of the system.

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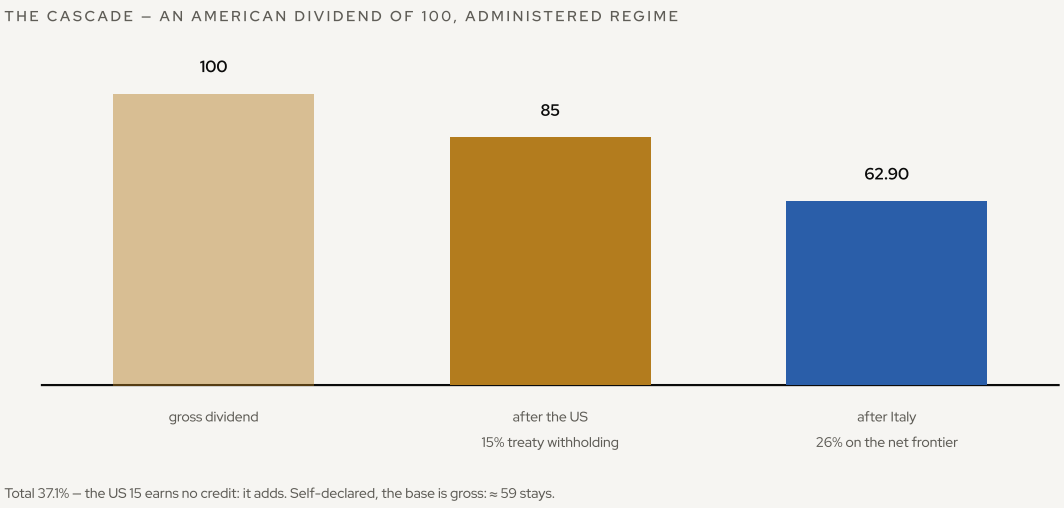

FIGURE 5 The cascade on the American dividend — Rates as of September 2026; example on a gross dividend of 100

5.2 The regime changes the base: administered versus self-declared

Here the choice of chapter 2 presents its bill. Under the **administered** regime, the law has the 26 computed on the **net frontier** amount: 26 per cent of 85, as above. Under the **self-declared** regime – compulsory for users of foreign brokers – the practice of the Revenue Agency wants the substitute tax computed on the **gross**: 26 per cent of 100, a full 26, which added to the American 15 makes **41 out of 100** – four points more, purely for where the intermediary is based. The **Court of Cassation** (ruling 25698/2022, followed by others in the same vein) has established that, where substitute taxation is compulsory rather than elective, the treaties confer the right to a credit for the foreign tax; but the administration has not yet adjusted its practice, and today that right is exercised through a **refund claim** – with the timing and the lawyers that entails. The honest summary for the decision-maker: the fee advantage of the foreign broker must be weighed against four extra points of tax on every dividend, for as long as the matter stays open.

5.3 The other countries: where the 15 is automatic and where it must be chased

Every country has its domestic withholding and its treaty with Italy, and the operational difference lies in **how** one reaches the treaty rate (as a rule, 15). The **United States** applies it **at source**, with the documentation above: no paperwork afterwards. **Switzerland** withholds its full **35 per cent**: the 20 points beyond the treaty 15 are recovered only by filing a **refund claim** with the Swiss federal administration, within three years – forms, statements and certifications included. Germany sits in between (26.4 per cent domestic, with a refund on claim to the German tax office); France, by contrast, withholds 12.8 from individuals – below the treaty rate, so there is nothing left to recover. The practical upshot: two dividends identical on paper – one Swiss, one American – end up with very different nets purely because of how the treaty is administered, and a high-dividend buy-and-hold portfolio should be designed **also** around this geography.

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The chapter's table sums up the main cases; the lesson of method is one: before falling in love with a foreign dividend, compute its **true net** — effective withholding at source, Italian base under your own regime, any refund with its costs. Chapter 9 will do it on a whole portfolio.

SOURCE	DOMESTIC RATE	TREATY RATE	HOW IT IS OBTAINED
United States	30%	15%	at source, with documentation (W-8BEN) usually automatic
Switzerland	35%	15%	refund of the 20 points on claim to the FTA, within 3 years
France	12.8% (individuals)	15%	nothing to recover: the domestic rate is already below the treaty one
Germany	~26.4%	15%	refund on claim to the German tax office
Italy (for comparison)	—	—	flat 26%, no cascade

TABLE 2 Withholding on dividends, country by country

KEY TAKEAWAYS

- US cascade: 15 at source + Italian 26 on the net frontier = 37.1% — and the 15 earns no credit: it simply adds up.
- W-8BEN: needed only for US securities held directly and usually automatic with European brokers; it has nothing to do with ETFs.
- Self-declared, the base is the gross: 41 out of 100 — the Cassation (25698/2022) opened the door to a credit, but today it is exercised only via refund claim.
- Switzerland: 35 at source, 20 points to recover on claim within 3 years; Germany with a procedure of its own; France withholds 12.8 from individuals, already below the treaty rate — administrative geography decides the net.
- The US paradox: fierce on dividends, zero on coupons — Treasuries suffer no American withholding and are white list at 12.5 in Italy.

Invested capital is at risk: values can fall as well as rise.

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06 The fund's **flag.**

There is a tax no account statement will ever show: the withholding dividends suffer on their way into the fund, before the share price even forms. Against that tax the investor can do nothing with forms and filings — but everything with one choice made before buying: the fund's domicile. It is the chapter this guide will probably be cited for most.

6.1 The first level: the tax inside the NAV

When a world equity ETF collects the dividends of the American companies in its portfolio, those dividends suffer the US withholding **at fund level**: the recipient is the fund, and what counts is the treaty between the United States and **its country of domicile**. A fund domiciled in **Ireland** — thanks to the Irish-American treaty, which covers UCITS funds as well — collects at **15 per cent**; a fund domiciled in **Luxembourg**, which as a rule has no access to that cover, suffers **30**. The difference appears nowhere: it is already inside the value of the share, the NAV, which grows each year a little more or a little less according to the container's passport. No W-8BEN of the investor's can touch it: at the first level the investor **does not exist**.

How much is it worth? On a US equity fund with dividends at 2 per cent gross, 15 points less of withholding are worth roughly **0.3 per cent a year** of extra return — silent, compounded, perpetual. It is no accident that nearly all the large global and US equity ETFs sold in Europe are domiciled in Dublin: the market has already voted, and the IE at the start of the ISIN is the mark of that vote. For indices without a US component the theme deflates; for a world index, where America weighs around two thirds, it is a first-rank selection criterion.

> IN PLAIN WORDS
>
> A fund's domicile is the ship's flag: it decides what duties the ship pays in the ports where it collects. The passenger can fill in all the forms he likes — the ship's duties remain those of her flag. Choosing the right ship before boarding is the only way to decide them.

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FIGURE 6 The tax inside the NAV — Example with US dividends at 2% gross; treaties in force

6.2 The second level stays Italian (and Ireland withholds nothing)

To complete the picture: the Irish or Luxembourg fund, when it distributes to the Italian investor or when the latter sells, **applies no withholding of its own** — Ireland and Luxembourg do not tax income flowing out to non-residents. The second level is therefore only the domestic one: the Italian 26 per cent of chapter 3, with the effective rate and the rules already seen. The two-floor cascade of chapter 5, for ETFs, thus reduces to **one visible floor** (Italy) and **one hidden floor** (the withholding in the NAV): all legitimate optimisation consists in choosing the container with the lightest hidden floor.

The comparison with the direct American share then becomes honest: the direct security suffers 15 + 26 in visible cascade (37.1); the Irish ETF suffers the 15 in the NAV and the Italian 26 on income already reduced — arithmetically similar on dividends, but with accumulation's deferral in the fund's favour and the American succession file (chapter 8) against the direct security. There is no perfect vehicle: there is the right vehicle for the use — income now, long accumulation, the heir's simplicity — and that is the comparison chapter 9 will run with numbers.

6.3 Why you can no longer buy American ETFs (and that is fine)

There remains the question many ask in front of American forums: why not buy the New York ETFs directly, with their rock-bottom costs? The answer is regulatory: since 2018 the European rules on retail investment products (**PRIIPs**) require a disclosure document (the KID) that American issuers do not produce, and without which the European intermediary **cannot** sell to a retail client. US ETFs are thus in practice inaccessible to the ordinary investor — accessible only to those with professional status or operating in ways that fall outside this guide's perimeter.

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The consolation is concrete: for the investor in Italy, the Irish UCITS equivalent is almost always **fiscally better** than the American cousin he cannot buy. The US-domiciled ETF would carry compulsory distributions taxed at once, the full cascade of the American withholding on the way out and — above all — exposure to the American estate tax chapter 8 is about to describe. The European prohibition, born for transparency, ends up protecting the portfolio as well: one of the rare cases in which bureaucracy rows in the right direction.

KEY TAKEAWAYS

- The withholding on US dividends is borne by the fund according to ITS domicile: Ireland 15%, Luxembourg as a rule 30% — invisible, inside the NAV.
- On US equity with dividends at 2%, the difference is worth ~0.3% a year, compounded: for heavily American indices the domicile is a first-rank criterion (ISIN beginning with IE).
- Ireland and Luxembourg withhold nothing on the way out: the second level is only the Italian 26%.
- US-domiciled ETFs are barred to European retail investors (PRIIPs/KID) — and for the Italian investor the Irish equivalent is fiscally better anyway.
- There is no perfect vehicle: direct dividend, distributing or accumulating ETF are chosen for the use — chapter 9 does the sums.

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07 The foreign broker, **no discounts.**

Fees of fractions of a euro, impeccable platforms, markets across half the world: the reasons for opening an account with a foreign broker are real. But the full price is not on the fee schedule: it is in the change of tax regime that fires automatically, with its forms, its deadlines and — on some income — its worse taxable bases. This chapter draws up the complete bill, cheering for nobody.

7.1 What actually fires when you open the account

A foreign broker cannot act as an Italian **withholding agent**: whoever uses one lands by law in the **self-declared regime**, with its full kit. **Form RW** for the monitoring of foreign assets — which readers of this series already know from the world of property: penalties of 3 to 15 per cent a year of the undeclared amounts, and the automatic international exchange of information (CRS) that turns forgetfulness into a compliance letter on its way. **Form RT** for gains and losses, trade by trade, with conversion into euro at the correct exchange rates. **IVAFE**, self-assessed. And income collected **gross**, with the tax due in balance and advance the following year — the cash deferral that is the regime's one genuine gift.

None of this is prohibitive: it is **work**. Whoever trades little dispatches it with an accountant for a few hundred euros a year; whoever trades a lot discovers that the broker's report does not speak the language of form RT and that the fee grows with the number of lines. The true administrative cost — one's own time or someone else's invoice — must be set in the ledger beside the saving on fees, and for buy-and-hold portfolios it often cancels it.

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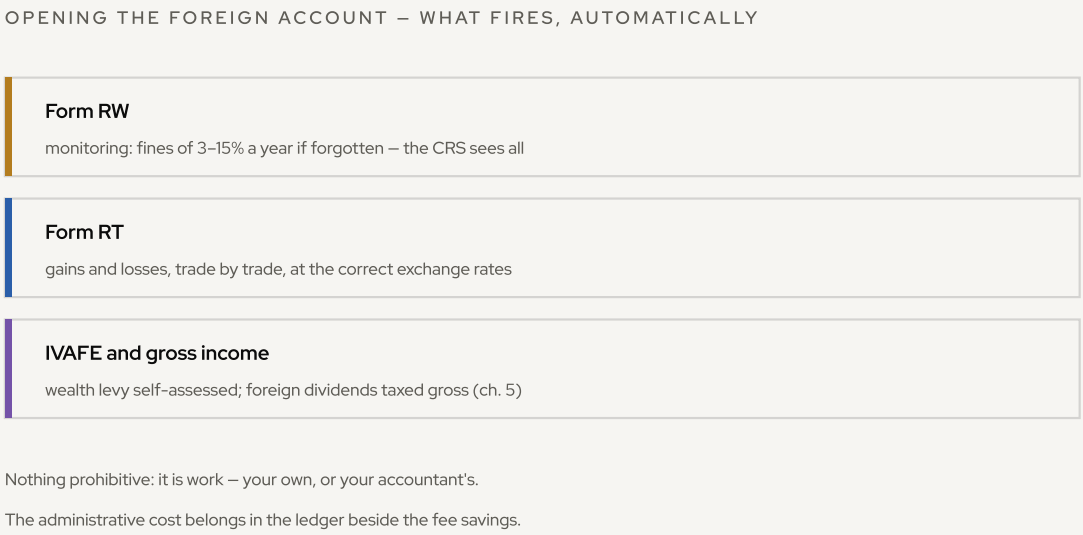

FIGURE 7 What the foreign account triggers Illustrative diagram

7.2 The two tax points the flyer does not mention

The first was shown in chapter 5, and needs only its number recalled: on **foreign dividends** collected without an Italian intermediary, tax is computed on the **gross** — 41 of tax out of 100 of American dividend, against the 37.1 of the administered regime — for as long as the refund route opened by the Cassation remains a judicial road rather than standard practice. For a portfolio built on dividends, those four annual points weigh more than any fee ever saved.

The second is the **administrative solitude** in extraordinary situations: a change of residence; a succession — where the foreign account freezes until the platform receives documents it is not organised to understand, in a language the heirs do not speak —; filing errors to be cured through voluntary correction. The Italian bank has branches and procedures for all of this; the foreign platform has an inbox. Not an argument against — it is the "assistance" line of the complete income statement, the one you appreciate only on the day you need it.

> IN PLAIN WORDS
>
> The foreign broker is a compact car with a saloon's engine: the list price is unbeatable, but insurance, servicing and spare parts are the driver's problem. For those who drive a lot and know their way around the bonnet it is a bargain; for those who just want to arrive, often not.

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7.3 The complete bill: who really comes out ahead

Putting everything in the ledger, the profile for which the foreign broker wins is precise: someone who trades with **frequency**, in instruments that generate **little foreign capital income** (accumulating ETFs, not dividend shares), is at ease — natively or by paying for it — with the tax return, and values the cash deferral and the offsetting of losses across all their accounts. The profile for which it loses is equally precise: the dividend buy-and-holder, the hater of paperwork, the person whose heirs would not know where to begin.

And there is the middle road many forget: several **foreign** brokers now offer for Italy the service of **tax-resident intermediary** or vehicles under the administered regime, while several Italian banks have cut the fees on their trading platforms. The market is converging: before choosing a regime to save on fees, it is worth checking whether the combination exists that keeps both — because the regime, as chapter 2 said, is an investment choice, and investment choices are made looking at the total net, not at a single line.

KEY TAKEAWAYS

- Foreign broker = self-declared regime by law: form RW (penalties 3–15% a year, CRS sees everything), form RT, do-it-yourself IVAFE, income received gross.
- The administrative cost — time or accountant — goes in the ledger beside the fee saving: for buy-and-holders it often cancels it.
- Foreign dividends on the gross: ~41 of tax out of 100 against 37.1 administered, while the Cassation credit remains a judicial route.
- Administrative solitude (successions, corrections, residence) is the line you appreciate only when you need it.
- The frequent trader in accumulating instruments who can file wins; the dividend buy-and-holder loses. And the middle roads now exist.

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08 The portfolio **you inherit.**

Every portfolio, sooner or later, changes owner without selling anything. In that passage the Italian tax system holds surprises in both directions — generous exemptions and providential resets — and the American one holds a trap almost no investor in US shares knows about. It is the pivot chapter of the guide: the vehicle choices made today decide the file your heirs will open tomorrow.

8.1 The Italian tax: wide allowances and targeted exemptions

The domestic picture is among the mildest in Europe: inheritance tax at **4 per cent** for spouse and children with a **€1 million allowance** each, with less generous rates and allowances for other degrees of kinship. Within this frame, financial instruments are not all equal. **Excluded from the taxable estate** — hence exempt, and not even counted towards the allowances — are Italian **government bonds** and equivalents and, by law since 2014, those issued by the States of the **European Union** and of the **European Economic Area**, together with the bonds of supranational bodies — but not those of the other **white-list countries**: an American Treasury pays 12.5 on its coupons and still enters the succession in full. The exemption extends to the **share of funds and ETFs invested in the exempt bonds**, which the intermediary breaks out in the succession filing. Also outside the estate are **life policies**, whose proceeds travel by contract and not by will, and **PIRs**, exempt by law once the conditions of chapter 11 are met. The rest — shares, corporate bonds, the equity portion of funds — enters the succession at market value on the date of death.

8.2 The step-up: the reset worth a whole plan

The chapter's most precious rule hides in article 68 of the TUIR: for the heir, the **tax cost restarts from the value declared in the succession** (for exempt securities, from normal value at the date of death). Translated: the **deceased's latent gains are wiped to zero**. The ETF bought at 50 and now worth 150 passes to the heir with a cost of 150: forty years of gains will never pay the 26 per cent. This is the **step-up** — an institution other legal systems envy — and for ageing portfolios it is a planning datum of the first magnitude: selling at ninety "to tidy things up" can be the most fiscally expensive gesture of a lifetime, because it realises taxes that succession would have extinguished.

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Gifts follow the opposite rule: the donee **steps into the donor's cost** (carryover), and the latent gain travels with the present. Gifting gain-laden securities to one's children makes nothing disappear: it merely changes the taxpayer. Whoever plans the generational handover of a portfolio must know both rules, because the choice between gifting today and bequeathing tomorrow carries — beyond the civil-law profiles of the sister guides — a tax differential that can be worth tens of thousands of euros.

IN PLAIN WORDS

Succession is the only event that wipes a portfolio's history clean: never-taxed gains become new cost, as if the heir had bought everything on the day of the passage. A gift, by contrast, photocopies the history and hands it over with the parcel. Knowing this beforehand changes the decisions of the final years — which are often the most expensive ones.

THE FATE OF THE LATENT GAIN — BOUGHT AT 50, WORTH 150 TODAY

Inheritance: step-up

the heir's cost basis becomes the succession value: 150

the 100 of latent gain will never pay the 26% — art. 68 TUIR

Gift: carryover

the donee steps into the donor's cost: 50

the gain travels with the gift: only the taxpayer changes

Selling in old age "to tidy up" pays taxes succession would have erased.

FIGURE 8 Step-up versus carryover — Art. 68 TUIR (Presidential Decree 917/1986); illustrative example

8.3 The American trap, and what the heir finds

Then there is the taxman who does not forgive: the American one. For non-residents, **US-situs assets** — the shares of US companies first among them, wherever they are held in custody — are subject to the federal **estate tax** above an allowance of just **$60,000**, with rates climbing to **40 per cent** and a dedicated procedure (form 706-NA) without which the broker may refuse to release the securities. The Italo-American succession treaty of 1955 offers mitigations, but it must be invoked by professionals, in English, on its own timetable. Whoever keeps $500,000 of American shares on a foreign platform is handing their heirs, along with the securities, a potentially six-figure US tax file.

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And here chapter 6 reveals its second dividend: the **Irish ETF is not a US-situs asset** — it is a share in a fund of Irish law, outside the estate tax's perimeter, whatever it contains. The same exposure to US equities, packaged in Dublin, passes at death with only the mild Italian tax and the step-up. The final picture for the heir, vehicle by vehicle: government bonds and PIRs, exempt and with step-up; policies, outside the estate; Irish ETFs, mild Italian tax and step-up; direct American shares, Italian tax *plus* a file and possibly an American tax. For the same portfolio, the difference between the best construction and the worst is measured in years of paperwork and double-digit percentages — and it is all written in today's choices.

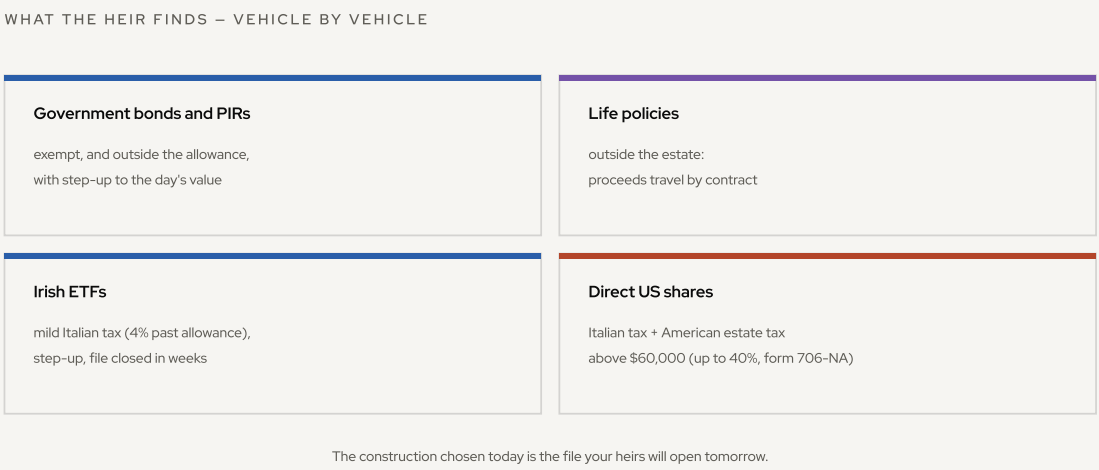

FIGURE 9 What the heir finds

Rules as of September 2026

KEY TAKEAWAYS

- Italy is mild: 4% above a €1 million allowance for spouse and children; exempt (and outside the allowance) Italian, EU and EEA government bonds (not those of the other white-list countries), the government share of funds, policies outside the estate, PIRs.
- Step-up (art. 68 TUIR): the heir's cost restarts from the succession value — the deceased's latent gains vanish. Selling "to tidy up" late in life can be the dearest mistake.
- Gifts are the opposite: the donee inherits the donor's cost and the gain travels with the present.
- Direct US shares: American estate tax above $60,000 up to 40%, with the 706-NA file — wherever they are held.
- The Irish ETF is not US situs: same exposure, no estate tax, Italian tax and step-up. Today's construction is tomorrow's file.

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III



PART THREE · CHAPTERS 9–13

Deliberate **use.**

A complete case over twenty years, the maintenance of the backpack, the moves the legislator built to be used — and the six misunderstandings that cost the most. The glossary closes.

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09 Three builds, **twenty years.**

The same investment — €500,000 in US equities, a twenty-year horizon — built in three ways: direct dividend shares, a Luxembourg accumulating ETF, an Irish accumulating ETF. Assumptions declared and deliberately simple, because what matters is not the decimals: it is seeing where the taxman bites, how hard, and what remains — while you live and, at the end, for the heirs.

9.1 The assumptions and the yardstick: the annual tax drag

Working assumptions, the same for all: prices growing **5 per cent** a year, dividends at **2 per cent**, constant rates, administered regime, no product costs (not the subject here). The yardstick of comparison is the **annual tax drag**: how much of the return departs in current taxes, before the final bill even arrives.

Construction A — direct American shares. The dividends go through the cascade of chapter 5: a 37.1 per cent levy, the gross 2 becomes 1.26 net to reinvest. Annual drag: **0.74 per cent**. **Construction B — Luxembourg accumulating ETF.** No current Italian tax (it accumulates), but inside the NAV the American dividends enter clipped by 30: the 2 becomes 1.40. Annual drag: **0.60**. **Construction C — Irish accumulating ETF.** Same mechanics with withholding at 15: the 2 becomes 1.70. Annual drag: **0.30** — half of B, less than half of A.

9.2 Twenty years on: the balances and the final bill

Compounding for twenty years: construction C grows at 6.7 per cent a year and takes the 500,000 to about **1,830,000**; B, at 6.4, stops around **1,730,000**; A, at 6.26 (its dividends already taxed along the way), reaches about **1,680,000**. At the final sale, B and C pay the 26 per cent on the entire gain; A pays it on the difference between final value and tax cost, which includes the dividends already taxed and reinvested. The **final nets**, rounded: **C ≈ 1,480,000 · A ≈ 1,440,000 · B ≈ 1,410,000**.

Three honest readings. First: between the two twin ETFs, **domicile alone is worth about €75,000** — chapter 6 translated into money, and it demands no extra skill: only the right ISIN. Second: the direct security stays ahead of the Luxembourg fund, since the deferral lost on the dividends is partly repaid by the smaller final bill, but it lands more than forty thousand euros behind the Irish one *and* carries

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what the balances do not show: no full deferral, more activity, and the succession tail of the third section. Third: none of the three constructions is "wrong" — they are three different prices for three different ways of owning the same America.

> IN PLAIN WORDS
>
> The tax drag works like friction: invisible in any single year, decisive over distance. Half a percentage point a year, on half a million for twenty years, is a luxury car left by the roadside — without any statement ever having shown it.

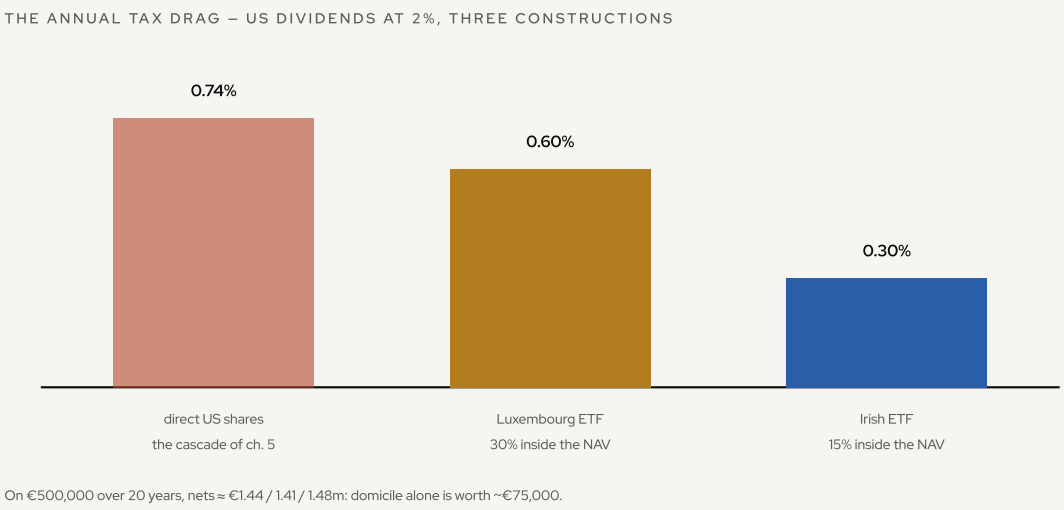

FIGURE 10 The annual tax drag — Recomposed illustrative case; assumptions stated in the text

9.3 The tail the balances do not show: succession

Now the passage chapter 8 prepared. If in year twenty-one the holder dies, the heirs of constructions B and C find a share in a fund of European law: Italian inheritance tax (4 per cent above the €1 million allowance for spouse and children), full **step-up** — the cost restarts from the value of the day — and a file the bank closes in weeks. The heirs of construction A find **also** a dossier of US-situs assets: above $60,000 of value the American estate-tax file opens, with the 1955 treaty to be invoked, form 706-NA, bilingual professionals and — in the less fortunate cases — an extra levy that can exceed the Italian one by multiples.

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The verdict of the case, in the language of this series: for the long-term investor in Italy who wants US equities, **the Irish accumulating ETF is the construction with the lightest tax in life and the cleanest file at death**; the direct security is the choice of those who want the income or the precise ownership, and they pay for it with the cascade and the succession tail; the Luxembourg domicile, all else equal, is money left on the table. Whoever redoes these sums with their own numbers — weights, horizons, heirs — has done eighty per cent of the tax planning this guide can teach.

KEY TAKEAWAYS

- Annual tax drag on US dividends: direct shares 0.74%, Luxembourg ETF 0.60%, Irish ETF 0.30%.
- After twenty years, final nets: Irish ≈ €1.48m, direct ≈ 1.44, Luxembourg ≈ 1.41 — domicile alone is worth ~€75,000.
- The direct security stays ahead of Luxembourg but behind Ireland, with no full deferral and an American succession tail.
- At death: B and C pass with Italian tax, step-up and a file closed in weeks; A adds the US estate tax above $60,000.
- No construction is "wrong": they are three prices for three ways of owning the same America — but they must be known beforehand.

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10 The backpack **and its dates.**

Every realised loss leaves behind a tax credit with an expiry date: the loss "backpack", as Italian practice calls its zainetto. Used well, it gives back up to 26 per cent of what was lost; forgotten — or filled through instruments that will never be able to empty it — it expires in silence. This chapter teaches backpack maintenance: what goes in, what drains it, and the fitting errors that cost more than the losses themselves.

10.1 The mechanics: four years, one box only

The basic rule: a realised loss offsets gains **of the same box** — miscellaneous income — realised in the same year or **within the following four years**; on 31 December of the fourth year, whatever is left expires without appeal. In the administered regime the bank keeps it, account by account (certifications allow the move when a relationship is closed); in the self-declared regime the taxpayer adds it up across all their accounts; in the discretionary regime the problem does not exist, since everything flows into the management result.

The matrix of fits is the operational heart of the chapter. **These drain the backpack**: gains on shares, bonds, certificates (all of their income, by the oddity seen in chapter 4) and derivatives. **These never touch it**: dividends, coupons, distributions and — the sting already announced — **the gains of funds and ETFs**, which sit in the other box. **These fill it**: losses on everything, ETFs included. The all-ETF portfolio thus produces backpacks it can never spend on its own: instruments of the second box are needed — bought on purpose or already present — to keep the credit from expiring.

> IN PLAIN WORDS
>
> The backpack is a discount voucher with a printed date: it is valid only at the till of miscellaneous income, and the most common products in the trolley — ETFs in profit, dividends, coupons — go through another till. Whoever fails to plan where to spend it discovers at expiry that the voucher was just paper.

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FIGURE 11 The backpack matrix

Rules as of September 2026

10.2 Maintenance: realise, spend, do not waste

Three legitimate, orderly practices. **Harvesting losses**: at year-end, selling the positions in the red you were not convinced by anyway turns a paper loss into a usable credit — and in Italy, unlike the United States, **there is no anti-repurchase rule**: buying the same instrument back after the sale is lawful (at the sole cost of fees and of market risk between the two trades). **Planned spending**: whoever holds a well-stocked backpack realises second-box gains first — the share in profit, the certificate at maturity — and lets the ETFs run, since their gains could not draw on it anyway. **The calendar**: the oldest losses expire first; the statement of losses, which every bank provides, should be read once a year the way one reads a pantry — what is expiring, what should be consumed.

And one practice to handle with judgement: buying **certificates** expressly to empty backpacks close to expiry. It works — their income is miscellaneous income — but the instrument must be chosen for its quality, not its tax: a bad certificate can lose more than the backpack returns, and the sister guide on certificates has already told of barriers and hidden costs. Tax, in this series' hierarchy, optimises the right investments: it does not justify the wrong ones.

10.3 The reform site (to watch, not to wait for)

The asymmetry that makes this whole chapter necessary is known to the legislator too: **enabling law 111/2023** provided for unifying capital income and miscellaneous income into a single category with **full offsetting** — the day it arrived, a loss would reduce even an ETF gain or a dividend, and half this chapter would become archaeology. But the decree never arrived: the delegation, extended to **29 August 2026**, lapsed without it, and as of **September 2026** the system in force is still that of the two boxes. Unification would be possible again only through a new enabling law.

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The rule of conduct is the usual one: **plan on the rules in force**, follow the building site in the specialist press, and do not postpone a choice that is right today while waiting for a rule that may arrive different, or not at all. If a new law reopened the building site, whoever holds capacious, well-ordered backpacks would in any case be best placed to use it.

KEY TAKEAWAYS

- A loss offsets only miscellaneous income, up to the fourth calendar year after: then it expires in silence.
- Draining the backpack: shares, bonds, certificates, derivatives. Never: dividends, coupons and fund or ETF gains — though these fill it when they lose.
- Italy has no anti-repurchase rule: year-end loss harvesting is legitimate and should be run with method.
- Read the statement of losses once a year like a pantry: the oldest are consumed first.
- Enabling law 111/2023 promised full offsetting, but it lapsed on 29 August 2026 without the decree: plan on the rules in force.

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11 The legitimate **moves.**

The system described so far is not just a list of levies: it contains spaces the legislator built on purpose to be used — deliberate exemptions, structural deferrals, windows that open in waves. This chapter lines them up with the series' rule stamped on top: these are instruments to describe, not schemes to sell — and the right design uses the tax advantage; it is not founded on it.

11.1 The PIR: the deliberate exemption (with its conditions)

The **Piano Individuale di Risparmio** — the PIR, Italy's individual savings plan — is the only Italian wrapper promising **total** exemption: no tax on capital or miscellaneous income, and no inheritance tax, for investments kept in the plan for at least **five years**. The limits: **€40,000 a year** of contributions up to **€200,000 in total** per person, one ordinary PIR each, natural persons resident in Italy only. The price is in the mandate: at least 70 per cent must go to instruments of Italian companies (or European ones with a permanent establishment in Italy), with quotas reserved outside the large indices — a concentration on Italy that is at once the political reason for the concession and its financial risk. The series' reading: the excellent PIR exists — low costs, serious diversification within the constraints — but the exemption does not turn a concentrated mandate into the right choice for everyone; for those who want Italy in the portfolio anyway, letting it travel inside a PIR is money the legislator is giving away.

11.2 Deferral and the order of realisation: the free moves

The two most powerful moves cost nothing and require no products. The first is the **deferral** already met twice: preferring accumulation to distribution when income is not needed (chapter 3), and not realising gains without an investment reason — because every realisation advances to the taxman money that could have stayed compounding. It has a wealth corollary chapter 8 made explicit: on ageing portfolios, deferral carried through to the end meets the succession **step-up**, and the postponed tax becomes tax never owed. The second is the **order of realisation**: for the same liquidity need, sell first what carries second-box gains if there is backpack to spend, what is at a loss if there is backpack to build, and last of all the first-box positions that can offset nothing. It is chapter 10's maintenance turned into habit: half an hour each December, every year.

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IN PLAIN WORDS

The best tax moves resemble good driving: no spectacular overtaking — just choosing the right lane, not braking without reason and not paying tolls the route does not impose. The saving never shows in a single stroke; it shows at the destination.

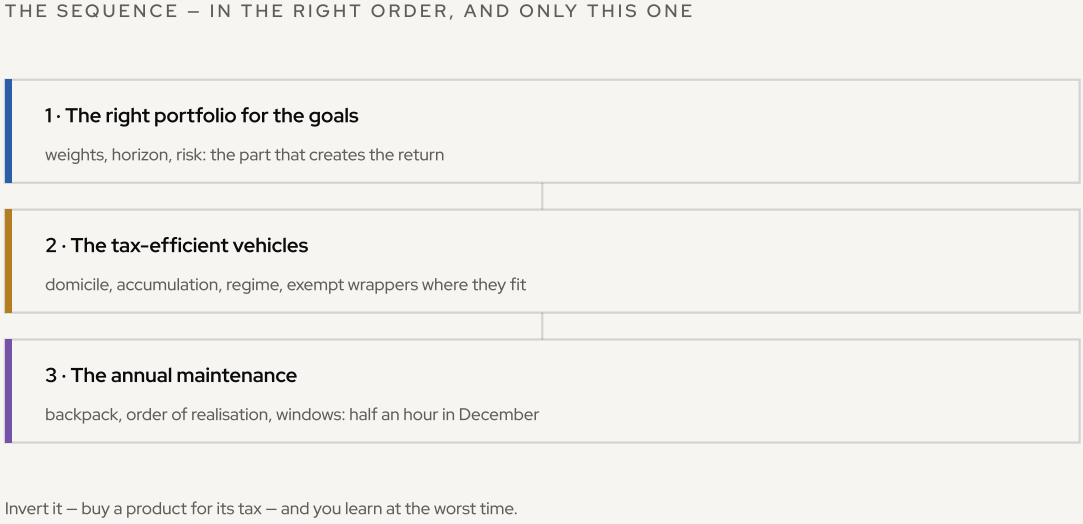

FIGURE 12 The right sequence — A scheme of method

11.3 The windows and the dedicated instruments

Then there are the opportunities that pass. The **affrancamento windows** — step-up elections: periodically the legislator allows the tax cost to be revalued by paying a reduced tax at once — it happened in 2023 for funds, ETFs and policies at 14 per cent, in 2025 for crypto at 18, and it is by now standing for shareholdings and land. They suit those with large latent gains and a near horizon of sale; they almost never suit those who can wait for the step-up at death. When they open, the appraisal must be made with one's adviser within a few weeks — windows do not wait. **Certificates** as a backpack instrument: said already in chapter 10, with the warning about quality before tax. **Policies** for estates with succession needs: deferral, exemption, protection from creditors — net of costs which in many products eat more than the tax gives back: ferocious selection is part of the move.

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The chapter's close is the methodological close of the whole guide: none of these moves creates return — **they avoid dispersion**. The right sequence remains the eternal one: first the portfolio suited to the goals, then the tax-efficient vehicles to own it, finally the maintenance moves. Whoever inverts it — whoever buys a product for its tax — has already broken the rule this chapter opened with, and usually finds out at the worst moment.

KEY TAKEAWAYS

- PIR: total exemption (succession included) after 5 years, €40,000/year up to €200,000 — at the price of a mandate concentrated on Italy: the exemption does not make it right for everyone.
- Deferral: accumulation, realisations only with a reason — and carried to the end it meets the step-up: postponed tax can become tax never owed.
- Order of realisation: half an hour each December — offsettable gains if there is backpack, losses if it needs building, first box last.
- Affrancamento windows (2023 funds/policies at 14%, 2025 crypto at 18%): worthwhile with large gains and a near sale; almost never for those who can wait.
- The sequence: right portfolio → efficient vehicles → maintenance. Tax optimises the right investments; it does not justify the wrong ones.

Invested capital is at risk: values can fall as well as rise.

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12 Six myths, **six corrections.**

Investment taxation is the kingdom of half-truths: true rules told in the wrong place, correct forms signed for the wrong instrument, credits that exist at conferences and not in tax returns. This chapter collects the six misunderstandings that cost the most — each with its correction — because recognising them on sight is worth a chapter of theory.

12.1 The first three: the credit, the form, the domicile

"Foreign taxes on dividends come back through the tax credit." False in the case that matters: for dividends subject to withholding or substitute tax — that is, for all natural persons outside a business — the credit of article 165 **is not due**: the foreign withholding and the Italian 26 simply add up. The Cassation has opened a road, but today it passes through a refund claim, not through the tax return. Whoever plans counting on that credit is counting money that will not arrive by itself.

"I signed the W-8BEN, so my ETFs are covered." The form documents the investor's status for **American securities held directly** — and with European brokers it is usually already handled. On ETFs it produces no effect whatsoever: there, the American dividend is collected by **the fund**, with the withholding of its domicile. Signing forms does not move the ship's flag.

"ETFs are all the same, only cost matters." The TER is read in the shop window; the **withholding in the NAV** is not. Between two replicas of the same American index, the Irish domicile against the Luxembourg one is worth about 0.3 points a year — often more than the TER difference that guided the choice. The ISIN is checked before the cost, not after.

12.2 The other three: dividend-chasing, the forgotten withholding, the regime by default

"I live off foreign dividends: it is safe income." Dividend-chasing ignores the cascade: the American 2 per cent reaches the pocket at 1.26 — and under the self-declared regime at barely 1.18. Whoever wants income from a global portfolio must compare the net foreign dividend with the alternatives — the white-list coupon at 12.5, the programmed sale of accumulating shares — before falling in love with the gross rate written on websites.

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"The Swiss withholding is lost, never mind." It is **20 points out of 35**, recoverable with a claim to the Swiss administration within three years: on recurring dividends it is money that repays the paperwork a hundred times over. Resignation, here, is just misinformation — and the same holds, with a procedure of its own, for Germany.

"My tax regime? Whatever the bank gave me." Chapter 2 showed that the regime decides when you pay, on what base and with what offsets — and chapter 5 that on foreign dividends it can be worth four points. It is a revocable choice, to be revisited when portfolio and intermediaries change: enduring it by inertia is the most silent mistake on the list.

> IN PLAIN WORDS
>
> Tax mistakes have a cruel property: they send no statements. Nobody receives a year-end letter saying "this year you gave away €4,000 to the wrong domicile". The only antidote is the periodic review — one hour a year with this chapter's list at hand.

12.3 The annual review: the checklist

Reduced to method, the chapter fits into six questions to ask once a year, in December, statements on the desk. Do my ETFs with an American component carry an **IE** ISIN? Are the foreign dividends I collect worth their cascade, or is the income better built another way? Do I have **Swiss or German** withholdings beyond the treaty rate to recover, and are the claims within the deadlines? Does the **backpack** have expiries next year, and do I hold second-box instruments to spend it? Is my **regime** still the right one for how I operate today? And the positions with large latent gains: is an **affrancamento window** open, or is deferral to the very end the better course?

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Six questions, one hour, once a year. It is the right density for the tax maintenance of a private portfolio — less is neglect, more is obsession. And when an answer is not obvious, that is the signal that professional advice is needed: the guide's closing note will say with whom.

KEY TAKEAWAYS

- The tax credit on foreign dividends is not due to natural persons under substitute tax: foreign withholding and the 26% add up — the Cassation route is a refund claim, not a box on the form.
- The W-8BEN works only on direct US securities (and is already automatic); on ETFs only the fund's domicile counts.
- Between twin ETFs the domicile is worth ~0.3%/year: check the ISIN before the TER.
- The Swiss withholding is recoverable (20 points, claim within 3 years); dividend-chasing is judged on the net of the cascade.
- The tax regime is a choice, not a bank default: six questions, one hour a year, and the silent mistakes surface.

Invested capital is at risk: values can fall as well as rise.

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13 The words **of the taxman.**

The words of investment taxation, in alphabetical order and in plain language — from the two boxes to the backpack, from the American forms to the legislator's windows. Once learnt, every statement, every tax entry and every newspaper article becomes readable.

13.1 A–D

Affrancamento. The faculty, granted by the legislator in windows, of revaluing the tax cost by paying a reduced tax at once: worthwhile with large gains and a near sale, almost never for those who can wait for the step-up at death.

Aliquota effettiva (effective rate). The true levy on a fund or ETF, between 12.5 and 26 per cent, according to the share of white-list government bonds certified in the semi-annual reports.

Amministrato (administered regime). The default of Italian securities accounts: the bank acts as withholding agent — net amounts, no tax return, losses confined to the account.

Cascata (cascade). The stacking of two countries' taxes on the same foreign dividend: withholding at source plus the Italian 26, with no credit — 37.1 per cent on the American dividend in the administered regime.

Dichiarativo (self-declared regime). The regime of those who collect gross and settle by themselves (forms RT and RW): compulsory with foreign brokers, with sometimes worse taxable bases.

> IN PLAIN WORDS
>
> If a single entry were to remain, it is “the two boxes”: capital income and miscellaneous income, which never offset each other. Nearly every tax surprise of an investor in Italy — the ETF taxed in a losing year, the backpack expiring full — is a corollary of this line.

13.2 E–P

Estate tax. The American inheritance tax on the US-situs assets of non-residents: a $60,000 allowance, rates up to 40 per cent, a dedicated file (form 706-NA). Direct American shares suffer it; the Irish ETF does not.

Gestito (discretionary regime). The regime of managed portfolios: tax on the management result — the only one where everything offsets — paid however on accruals, year by year.

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Netto frontiera (net frontier). The foreign dividend net of the source country's withholding: the base on which the Italian intermediary applies the 26 in the administered regime. Self-declared, the base is the gross.

OICR. Italy's collective investment undertakings — mutual funds, SICAVs, ETFs: income and gains in the first box, losses in the second.

PIR. The wrapper with total exemption (succession included) after five years: €40,000 a year up to €200,000, with a mandate bound to Italy.

PRIIPs / KID. The European rules on retail product disclosure: the reason US-domiciled ETFs cannot be bought by the ordinary investor.

13.3 Q–S

Redditi di capitale (capital income). The first box: dividends, coupons, interest, fund and ETF income and gains — taxed gross, one by one, with no offsetting.

Redditi diversi (miscellaneous income). The second box: gains and losses from trading — taxed on the balance, with losses carried forward four years.

Ritenuta alla fonte (withholding at source). The levy of the issuer's country on outbound income: a treaty 15 on documented US dividends, the Swiss 35 pending refund, zero on Treasury interest.

Sostituto d'imposta (withholding agent). The intermediary that computes and pays the taxes on the investor's behalf: what a foreign broker cannot be.

Step-up. The rule (art. 68 TUIR) by which the heir takes the succession value as cost: the deceased's latent gains are wiped out. Gifts do the opposite (the donor's cost travels with the present).

13.4 T–Z

TER. A fund's or ETF's annual cost: read in the shop window — unlike the withholding in the NAV, which is read in the ISIN of the domicile.

TUIR. Italy's consolidated income-tax code: home of the articles cited in this guide — 44 and 67 for the two boxes, 68 for the step-up. From 1 January 2027 Presidential Decree 917/1986 is replaced by the new consolidated code (Legislative Decree 117/2026), a compilation: the rules do not change, but the numbering of the articles cited here does.

Zainetto (the loss backpack). The credit from realised losses, spendable only on miscellaneous income within four years: ETF losses fill it, ETF gains never empty it.

W-8BEN. The form documenting non-resident status to the IRS for directly held American securities, activating the treaty 15: usually automatic, irrelevant for ETFs.

White list. The list of countries exchanging information with Italy: their government bonds enjoy the 12.5 on income; the succession exemption, by contrast, covers only Italian, EU and EEA government bonds.

KEY TAKEAWAYS

- A few key words — two boxes, backpack, net frontier, domicile, step-up — open every document.
- When the glossary is not enough, the law, the intermediary and professional advice decide.
- No glossary replaces chapter 9: one's own constructions, fully costed, before every choice.

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CLOSING NOTE

The net is **only the beginning.**

This guide ends here; the decisions do not. Investment taxation is not a subject to defeat: it is a partner to know — and like every important relationship it pays well only in the service of a plan: the right portfolio, owned through the right vehicles, maintained with method.

If reading has raised questions about your own situation — whether your ETFs fly the right flag, whether your regime is still the right one, whether the backpack has dates about to expire, how the portfolio will pass to those who come after — that is the signal that the most useful part of the work begins now.

A confidential conversation, without obligation, is the simplest way to find out together. The contact details are on the last page.

Massimiliano Silla

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To be read, **before deciding.**

This guide has an exclusively educational and informative purpose. It constitutes neither investment advice, nor a personalised recommendation, nor a solicitation of public savings, nor an offer of financial instruments. Investment decisions should be taken only after an assessment of one's personal situation — objectives, time horizon, capacity to bear losses — where necessary with the assistance of a professional.

Invested capital is at risk. The value of any investment can fall as well as rise; past performance is no guide to future results. The tax treatment described is that of a person resident in Italy investing outside a business activity: it changes with residence, with the regime chosen at the intermediary (amministrato, dichiarativo, gestito) and with personal circumstances, and the same instrument can be taxed differently for two different people. Before acting, professional advice (tax adviser, consultant) is appropriate.

The data and rules cited are updated to September 2026, unless otherwise indicated. Legislation — tax legislation in particular — changes over time: before any decision it is worth checking that the picture described is still current. The data come from public sources believed to be reliable (legislative texts, Agenzia delle Entrate, case law, market practice), which are however not guaranteed. From 1 January 2027 the consolidated income-tax code (Presidential Decree 917/1986) is replaced by Legislative Decree 117/2026, a compilation: the rules described do not change, but the numbering of the articles cited does.

No specific issuer or product is recommended in this guide; structures and clauses are described in generic form. The numerical examples are hypothetical and serve only to illustrate the mechanisms described. The photographs of the part pages come from Wikimedia Commons (CC0 licence; photographs by Edewaa Foster and Raul Taciu) and, for Part Three, from Adobe Stock (image used under licence).

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