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Taxation in case of remote work for a foreign client



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Connection criteria for the taxation of income deriving from work and having foreign sources, received by the worker working remotely from Italy (in the smart working regime).

Today, it is possible to work in a delocalized way

- ↪ There are situations in which the "**place of work**":
 - ▶ Is located in a state or continent different from that of the client;
 - ▶ Is constituted by the home of the person who lives in a country other than that of the client.



Depending on each individual situation, the tax implications may be different.

Let's look at some cases →



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Context of double taxation agreements

For both self-employment income and (private) employee income, the rule is:

“without prejudice to the taxation of the person in their State of residence, the power of taxation is also assigned to the State where the activity is carried out. This is on the condition that the presence of the person in that State is sufficiently stable.”

Stability is assumed:

- For (private) **employees**, by virtue of the physical presence of the person in a place for at least 183 days;
- For **self-employed workers**, by virtue of the presence of a permanent establishment or fixed base.



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Remote worker in Italy on behalf of a foreign employer

▶▶ Worker resident in Italy:

↳ the service is **taxed in Italy** (both for employed and self-employed workers) and there is no taxation in the other state

▶▶ Worker not resident in Italy

↳ the service is **taxed:**

▶▶ In **both states** in cases of **self-employment**

▶▶ For **employee** services:

- the taxation in both states is such only if the person's presence in Italy is longer than 183 days
- for a period not exceeding 183 days only the foreign country has the power to subject the income to taxation.



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Worker from home abroad on behalf of an Italian employer

▶▶ Worker resident in Italy

↪ the service is **taxed**:

▶▶ In **both states** in cases of **self-employment**

▶▶ For **employee services**:

- the taxation in both states is such only if the presence of the person in the other state is longer than 183 days
- the taxation occurs only in Italy for work performed for a period not exceeding 183 days under an employment relation with an Italian employer

▶▶ Worker not resident in Italy:

↪ the service is **taxed** only in the **foreign country** regardless of whether it concerns **self-employed activity or employment**