

Short Term Rentals in Italy: New Tax Payment and Reporting Requirements for Agents and Landlords.

Stemming tax avoidance

Clarification and a new tax reporting obligation for short-term lets, and especially for rental contracts through real estate agencies and online portals (Airbnb and the like) was introduced in 2017 aimed at stemming the problem of tax evasion in the tourist property rental sector.

Definition of Short-term Rental

The new rules define a short-term rent as a residential letting contract for a term not exceeding 30 days, including those include the provision of linen and cleaning where the landlord is an individual acting otherwise than in the course of a trade or business, either directly or through a real estate agency, including online portals (such as Airbnb and Booking.com). The tax is also due on licenses for the occupation of property.

Flat Rate Tax – 21%

For this type of lease, from 1 June 2017, the flat rate tax of 21% ("cedolare secco") will apply. This tax applies in place of the personal income tax (IRPEF) and any regional/municipal income tax, normally due on the rental income. It also covers any registration tax due. Registration tax is due when long term (i.e. more than 30 days) rental contracts are presented to the tax office and is generally a percentage (2%) of the rent.

21%

Taxable base

The tax applies to the gross rent without deduction of any kind of expense, not even the agency or cleaning fees. It also applies to any amount the landlord charges to the tenant, e.g. utilities, wifi fee etc. It does not apply to any amounts paid by the tenant directly to the provider.

Withholding Tax at Source

The law introduces a requirement for intermediaries such as real estate agents, online agencies/ portals to withhold the 21% tax at source on payments to landlords on amounts due to them.

This only applies to intermediaries who are acting in the course of a business, and is intended to include intermediaries who are not resident in Italy in respect of real estate situated in Italy.

Legislation and Regulations

[Decree-Law 50/2017](#)

[Web Site Agenzia Entrate](#)

[Provvedimento of 12 July 2017](#)

[Tax Agency Circolar no. 24 of
12 October 2017](#)

[Resolution no. 88, 5 July 2017](#)

[Tax Agency Guide: "Short Term
Rentals – Tax Regime and new
rules for Agents"](#)

[Short Terms Let \(slides\)](#)

Reporting Requirements

The agent is required to send notice to the Tax Office reporting the conclusion of each rental agreement. Agents are also required to send a notice to the landlord summarising amounts earned during the year and the tax withheld.

Option for normal tax regime

The tax withheld at source is treated as a final tax and there is therefore no need to include the income in a tax return (unless the landlord has other income and/or deductible expenses). At the option of the renter, the tax withheld can be treated as a payment on account of any IRPEF due under the normal regime. The normal regime applies tax at [standard marginal rates](#) to 95% of rental income. Again no deduction is permitted for costs - rather a 5% lump-sum deduction is given. The choice of regime depends on personal circumstances – in particular the amount of other income and the presence of generic tax deductions and availability of standard tax credits. We [@Taxing.it](#) can provide you with an estimate of your tax liability under each route.

Business rentals

For taxpayers who are renovating property for rental, neither of these regimes is likely to be attractive, and it will be worth looking at setting up some form of business to conduct the letting activity, such that tax is payable on net profit rather than (almost) gross income.

Airbnb – challenge in the Administrative Court

Airbnb has taken legal action in the Italian courts to challenge the short term rental withholding requirements. From comments in the press we understand that the company awaits appeal from a judgment in the first degree tax tribunal which was not in Airbnb's favour. We also understand that the matter may have been referred to the EU Court of Justice.

One point in the dispute is that the law introducing the requirement to withhold only applies to "intermediaries" who receive payment from the tenant and pass it on to the landlord. Airbnb appear to be arguing that they are purely a payment platform and that rents are legally paid directly to renters. This is a fine legal point and we need to wait and see what the appeal judge(s) say.

This creates uncertainty for landlords who could be required to reimburse Airbnb for amounts received without application of the withholding tax, if Airbnb are not successful in their appeal.

[@Taxing.it](#) can advise you on the best approach. We also provide a service, at a fixed annual fee, to fully manage your Italian tax liabilities in respect of your property. This covers not only the income tax on your rent but also your IMU liability (local real estate tax), local refuse taxes as well any local authority occupancy/tourist taxes.