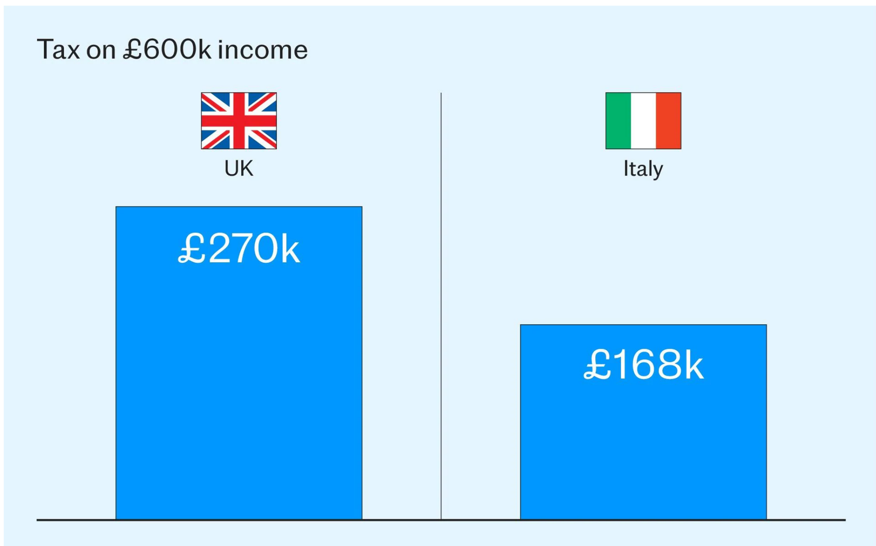
How Italy is luring Britain's fed-up millionaires

Wealthy families flee to the country's most desirable locations – and make huge tax savings

Liz Rowlinson

Related Topics
Tax rises, Tax cuts, Italy, Property abroad
05 June 2025 2:31pm BST
112
Gift this article free



Italy is experiencing a profound brain drain of its educated young people. Fabio Panetta, the governor of the Bank of Italy, warned last week that it risks impacting the country's economic growth.

Yet at the same time, it is attracting disenchanted multi-millionaires from overseas to embrace *la dolce vita*, thanks to its flat tax regime.

By paying a lump sum of €200,000 (£168,000) annually on their foreign-sourced income, they could in theory save hundreds of thousands – even millions – in tax.

For example, someone earning £600,000 in the UK would pay £270,000 in income tax and National Insurance; in Italy their flat-tax bill would be £168,000, and they can avoid Italian tax on overseas earnings.

Family members can also be added to an individual scheme at a flat tax of £21,000, and you are also exempt from any wealth and inheritance taxes. Once you are in the scheme, you keep paying the tax at that rate or you must leave it.

Italy is the top European destination for millionaires

Net inflow

Country	Net inflow
UAE	6,700
USA	3,800
Singapore	3,500
Canada	3,200
Australia	2,500
Italy	2,200
Switzerland	1,500
Greece	1,200
Portugal	800
Japan	400

Source: Henley & Partners

Even though this flat rate has doubled since the scheme began in 2017, it has become more popular than ever, according to agents and advisers.

"High net worth individuals are worried that Italy could either increase the annual amount or that they might cancel the scheme," says Danilo Orlando of Savills.

In London, the abolition of the non-dom regime and changes to inheritance tax breaks on assets held in overseas trusts have sent ultra-wealthy people fleeing. Italians describe their flat tax scheme as "svuota Londra" or "empty London" – such is the allure of its tax breaks.

'It is tailor-made for somebody like me'

The attack on non-doms is not just persuading disillusioned Britons to depart the capital, but is also dissuading other nationalities from arriving.

Jack* and his family had planned to move to London when they fell out of love with life in Australia during the pandemic. Instead, they swapped Melbourne for Florence.

"I don't think we would have moved to Italy if the flat tax regime wasn't available," he says. "The [regular] income tax levels and less generous capital gains concessions in Italy (on worldwide income and assets) are about 30pc to 50pc higher than in Australia, while in the UK they were roughly the same," says Jack, 45, who runs a private management consulting business.

Even though his wife is Italian, they hadn't considered moving there before. "The flat tax regime cut my tax bill by 60pc and is tailor-made for somebody like me – a self-employed professional with all business activities and assets in foreign jurisdictions."

Italy attracts more flat-tax movers

Year	Number of people
2017	94
2018	226
2019	363
2020	400
2021	690
2022	957

*Estimated figure | Source: Knight Frank, Ministry of Finance

He says the cost of living in Florence is 35pc to 40pc cheaper than Melbourne. "Florence worked best for logistics and education," says Jack, whose children are 12, 14 and 18. "But also the property prices are insanely reasonable vis-a-vis Melbourne and Sydney…and the food is crazy good."

The enviable lifestyle of Italy has long been a massive pull for second home buyers, but the flat tax is behind the shift to relocation, says Orlando. North Americans lead the way – mostly in tech, finance or crypto – followed by British people.

"Italy's low inheritance tax is another factor – it's among the lowest in Europe," he adds. Inheritance tax is only 4pc for a spouse and children – and 8pc for unrelated beneficiaries – way below the UK's 40pc. From 2027, pensions will be subject to inheritance tax in the UK.

'Milan is becoming a mini London'

Flat tax movers are a small cohort – according to the Ministry of Finance, there were around 4,000 between 2017 and 2023, plus an estimated 1,000 since then. The scheme is only open to those who have not been tax residents in Italy for at least nine of the previous 10 years.

Property prices are soaring in Milan, Italy's financial centre

Their impact is being felt in property markets and wealthy enclaves. "A discreet yet powerful movement is reshaping the demographic of northern Italy, particularly in Milan and around Lake Como," says Sara Zanotta, founder of Lakeside Real Estate in Como. "Many movers are bringing their families, staff and entire lifestyles with them."

Milan is the obvious choice as Italy's financial centre, although not always the final stop. Since 2015, when it hosted the Milan Expo, it has evolved into a global city, offering good schools and the Alps and lakes within easy reach.

To cater for these new arrivals, new private members clubs have popped up, such as The Wilde by Gary Landesberg, who previously owned Mayfair's the Arts Club, as well as a Soho House and Casa Cipriani. Michelin stars are multiplying and so are pupils at the British School of Milan, which is expanding.

"Milan is becoming a mini London," says Roberto Magnaghi, of Engel & Völkers.

"Since the abolition of the [UK] non-dom regime, billionaires are asking their private office, 'Where do we go?' Milan is now full of French and English-speaking people.

"Rental rates are high [for Italy], but way lower than London. The most luxurious apartments might rent for €10,000 a month," he says. In prime central London, they cost that per week.

Magnaghi adds that while this is a "very small market" of these ultra-high earners, there is still a shortage of turnkey trophy apartments to suit this new type of renter.

Many want to live in the fashionable and bohemian Brera district, yet small apartments in the former blue-collar area are challenging to renovate. They don't come with large balconies or gardens – "you don't even see a tree", says Magnaghi.

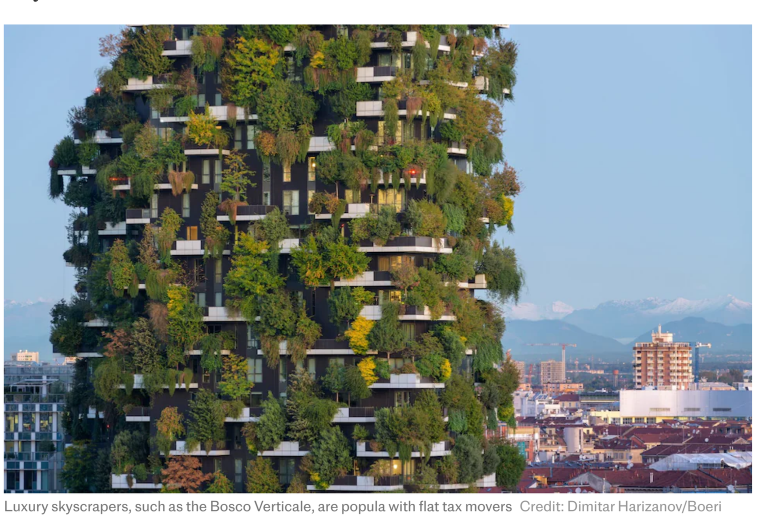
Those from the UK and France often bring large families, Magnaghi adds – lower Italian inheritance tax is also a huge attraction for the French.

'Return of the brains'

To attract their brain drain, the Italian government offers the "Rientro dei Cervelli", literally the "return of the brains" scheme, a 60pc tax exemption on income for five years for highly skilled workers and expats moving back to Italy. It was recently made less generous, and is also open to foreign nationals, including British people.

As a result, there are more highly skilled returning expats buying homes, which is helping to fuel demand for Milan's most expensive properties. In the year to December last year, the average price per square metre increased by 7pc to €16,500, according to Knight Frank. By contrast, the equivalent in central London fell by 5.6pc.

In Milan, the flat-taxpayers always rent first, say agents, and some choose to rent in modern skyscrapers such as the Bosco Verticale or those in CityLife.



Luxury skyscrapers, such as the Bosco Verticale, are popula with flat tax movers Credit: Dimitar Harizanov/Boeri Studio

With luxury blocks thin on the ground, developers are looking to profit from this new demand. A 220 square metre flat in a new block with vast terraces and amenities in the fashionable district of Tortona will cost from €4m to €5m, according to Savills.

Those seeking more green space or a smaller city are looking to nearby areas with good international schools, says Diletta Giorgolo, of Sotheby's International Realty, who deals with around 20 flat tax buyers per month.

"Monza and Varese are popular – or the lakes, with €5m-€10m being spent on a home. French and South American flat tax buyers is a new trend."

Lake Como is a popular choice for flat-taxpayer families, who pay as much as €5m for a villa Credit: Daniele Mezzadri/iStockphoto

The Italian lakes and specifically Lake Como, is the second-favourite choice for flat-taxpayers. A recent example was a British family from London, with the father working for one of the five biggest US tech companies, and a daughter at the International School of Como, which is expanding to cater for rising demand, according to Sara Zanotta. Its senior school fees start from £16,278 per year.

"We are seeing many flat tax buyers from the UK and US," adds Giorgolo. "They buy, not rent, spending €3.5m to €5m on a nicely renovated villa. These properties often sell before they go on sale – we have a waiting list. There is also growing interest from investment funds."

'The bureaucracy is real'

The flat tax regime does not exempt owners from Italian property taxes or income tax on rental income from an Italian property – or the complexities of local bureaucracy. Zanotta says the British family she worked with had a "nightmare" getting their investor visa.

How does Italy raise revenue?

Tax breakdown

Tax	Share
Social insurance taxes	31.5%
Individual taxes	26.9%
Consumption taxes	26.9%
Property taxes	5.7%
Corporate taxes	4.9%
Other	4.1%

Source: Tax Foundation

Anyone on the flat tax regime who is not a European citizen needs a visa. They usually go for the investor visa (Italy's version of the golden visa) which requires investing either €250,000 in a start-up, or €500,000 in a company, a €1m philanthropic donation or €2m on government bonds.

Because investing €500,000 in a company involves less risk than the start-up, it is usually favoured by clients, Daniel Shillito, of D&G Property Advice, who helps flat tax applicants choose where to live in Italy.

He worked with a former London non-dom moving to Rome, where there are more super-prime homes than in Milan. "Rome is a much more liveable city than Milan and has more schools," says Shillito. "Many people enquire about Milan then see the limitations. They realise they cannot transplant their Chelsea town house into Milan."

A villa on the fringes of Florence might be more similar in style, so Bill Thomson, of Knight Frank, sees people pivot to Tuscany. "The typical flat - tax buyer spends at least €5m. Young guys in tech from California or New York favour the city centre so the limited supply is impacting prices."

New high-end development projects are popping up in Florence too, including one of town houses with gardens near Via Romana from €2.6m. He's selling a three-storey town house in the centre for €15m – the American owners came for the flat tax, but are now leaving town. After five years of ownership, they can be spared the Italian capital gains tax.

Families will often live in the hills outside Florence, like Jack, who says the process of moving was "shockingly easy".

He adds: "It takes a long time, the bureaucracy is real, but it functions well. You need an accountant, a lawyer and somebody to keep them coordinated. It cost me €40,000 to €50,000 in professional services and government fees, but we did expedite the process."

Does he miss Australia at all? "I miss family, friends, cricket and Australian rules football. But we have a steady stream of guests to our new home."

**Name has been changed.*

RECOMMENDED
'I retired at 50 and accidentally founded a holiday let empire in Italy'
Read more →