

STUDIO PANAMA ITALIA OBSERVATORY

Working Paper No. 5. May 2026

# Italian Tax Residency Reform 2024-2026

Compliance Manual for Italian Expatriates Worldwide under Legislative Decree 209/2023.

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## Abstract

Italian Legislative Decree no. 209 of 27 December 2023, effective from 1 January 2024, has rewritten art. 2 of the Italian Income Tax Code (TUIR) and introduced four alternative criteria for the tax residency of individuals: civil residence (habitual abode under art. 43 Civil Code); domicile (now redefined as the place where personal and family ties are mainly developed); physical presence in the territory of the State for the majority of the tax period, computing partial days; and anagraphic registration, now degraded to a rebuttable presumption. This working paper turns the reform into an operational protocol for Italian citizens residing in, or planning to relocate to, Panama, Paraguay, Uruguay, El Salvador, Mexico and Ecuador, integrates the guidance of Italian Revenue Agency Circular no. 20/E of 4 November 2024, and provides a jurisdiction-specific risk matrix, a compliance checklist and a five-step defensive procedure.

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## Suggested citation

Studio Panama Italia (2026), *Italian Tax Residency Reform 2024-2026: Compliance Manual for Italian Expatriates Worldwide*, Working Paper Osservatorio Studio Panama Italia, No. 5, May 2026, Panama City.

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# 1. Executive summary (600-character lead)

From 1 January 2024 an individual is treated as an Italian tax resident when, for the majority of the tax period (a threshold of 183 days in a standard calendar year, 184 days in a leap year, computing also partial days), at least one of four alternative criteria set out in the new art. 2, paragraph 2, TUIR is met: civil residence (habitual abode under art. 43 Civil Code), domicile (the place where personal and family ties are mainly developed, as redefined by Legislative Decree 209/2023), physical presence in the territory of the State (a new criterion), and anagraphic registration (now a rebuttable presumption). The reform directly affects all Italian citizens resident in Panama, Paraguay, Uruguay, El Salvador, Mexico and Ecuador, as well as in other relevant jurisdictions worldwide.

Primary source. Italian Legislative Decree no. 209 of 27 December 2023, published in Official Gazette no. 301 of 28.12.2023. Reference norm: art. 1 of the decree, which reformulates art. 2, paragraph 2, of Presidential Decree no. 917 of 22 December 1986 (TUIR). Operational guidance: Italian Revenue Agency Circular no. 20/E of 4 November 2024.

## 1.1 Intended audience

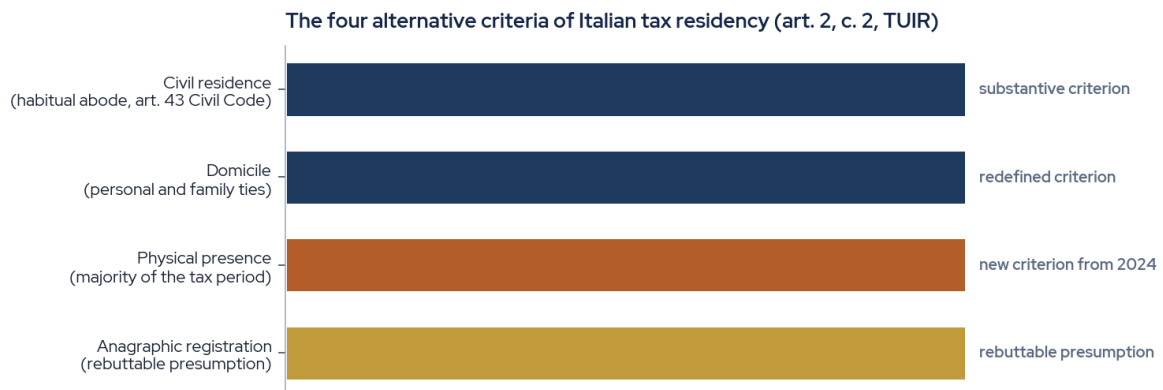
This manual addresses three profiles: the Italian citizen already resident abroad, AIRE-registered, who wishes to verify his or her tax status in light of the reform; the Italian professional or entrepreneur planning the relocation of tax residency abroad; and the adviser assisting clients with post-relocation compliance. For each of the six countries of the so-called 3+1 Model (Panama, Paraguay and Uruguay as consolidated primary residencies, and El Salvador, Mexico and Ecuador as secondary or backup options) the manual offers a differentiated assessment of the residual Italian residency risk after the entry into force of the new criteria. The framework is equally usable by Italians resident in other relevant jurisdictions such as the United Kingdom, the United States, the United Arab Emirates and Singapore.

## 1.2 Why the reform changes international tax planning

Three elements make the reform a structural change rather than a mere technical update. **First**, the introduction of the physical presence test closes the interpretive room for frequent travellers who calculated their Italian days on the basis of full weeks; today, partial days are relevant. **Second**, the new definition of domicile, anchored to personal and family ties, shifts the centre of gravity of the analysis from the wealth and business sphere to the affective and family sphere, with direct impact on those who have left a spouse or children in Italy. **Third**, the degradation of anagraphic registration to a rebuttable presumption removes the automatic defensive advantage of AIRE registration: mere cancellation from the registry is no longer sufficient.

## 2. The new art. 2 TUIR: text, structure, criteria

Art. 1 of Legislative Decree 209/2023 reformulated art. 2, paragraph 2, of the TUIR. The text in force from 1 January 2024 establishes that, for income tax purposes, individuals are considered resident in Italy when, for the majority of the tax period (computing also partial days), they have their residence under the Civil Code or their domicile in the territory of the State, or are physically present therein. For the purposes of the preceding sentence, domicile is the place where the personal and family ties of the person mainly develop. Unless proven otherwise, persons registered in the population registers for the majority of the tax period are also presumed to be resident.



Source: art. 2, paragraph 2, TUIR as reformed by art. 1 of Legislative Decree of 27 December 2023, no. 209.

Figure 1. The four alternative criteria are concurrent: the recurrence of any one of them, for the majority of the tax period, is sufficient to establish Italian tax residency.

### 2.1 Structure of the rule: alternative and concurrent criteria

The reform preserves the alternative structure: any single criterion, if met for the majority of the tax period, suffices to establish Italian tax residency. The four criteria are **civil residence**, **domicile**, **physical presence** and **anagraphic registration** (the last as a rebuttable presumption). No simultaneous coexistence is required; each criterion is autonomous and independently capable of triggering residency. Verification is case by case, by factual assessment, on the basis of the elements collected.

### 2.2 Time element: majority of the period and partial days

For individuals, the tax period coincides with the calendar year. Majority of the period equals 183 days in a standard year and 184 days in a leap year. The novelty introduced by Legislative Decree 209/2023 lies in the computation of partial days: any physical presence in the territory of the State, even for a few hours, counts as a full day for the purposes of the calculation. The Italian Revenue Agency, in Circular no. 20/E of 4 November 2024, has confirmed that non-consecutive periods must be added together.

Numerical example. Mario, an Italian citizen resident in Panama City, returns to Italy for four stays during 2025: 30 days in March, 45 in July, 60 from August to September, 55 in December. Total: 190 days. Even though no single stay exceeds 90 days, the annual sum exceeds the 183-day threshold. Mario is presumptively an Italian tax resident for 2025, regardless of his AIRE registration and his Panamanian residency.

## 3. The four criteria analysed one by one

### 3.1 Civil residence (art. 43, c. 2, Civil Code)

Residence under art. 43, paragraph 2, of the Italian Civil Code is the place where the person has his or her habitual abode. The reformed rule expressly confirms the reference to the civil definition. Habituality requires an objective element (stable permanence) and a subjective element (the intention to remain). The criterion lends itself to factual assessment: active utilities, lease agreements, family presence, medical and banking patterns concur in providing evidence.

### 3.2 Domicile: new definition, affective focus

Legislative Decree 209/2023 redefines domicile for tax purposes only. While art. 43, paragraph 1, of the Civil Code identifies domicile as the place where the person has established the principal seat of his or her business and interests, the new art. 2 TUIR anchors it to **personal and family ties**. This is a substantive change: previously, patrimonial and economic elements were predominantly relevant, today the affective and family sphere is principally relevant.

The operational reflection is significant for those who live abroad but maintain spouse or minor children in Italy for school, health or assistance reasons. Under the new reading, the preservation of family in Italian territory constitutes a primary indicator of Italian domicile. Circular 20/E has clarified that the assessment remains case by case, but has assigned the family dimension a prevalent weight.

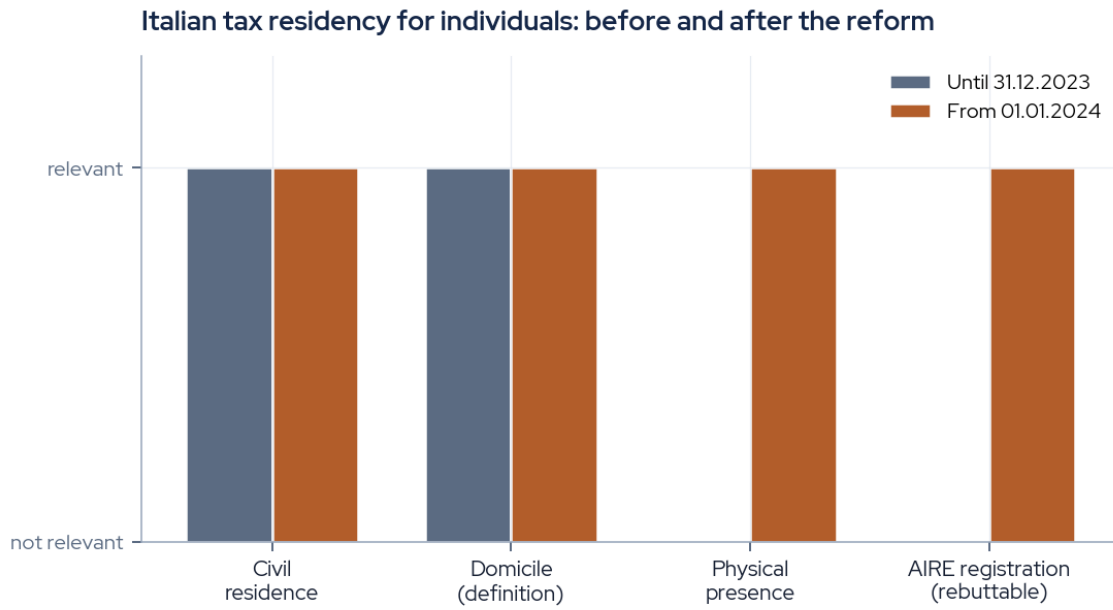
### 3.3 Physical presence: the new 2024 criterion

The physical presence test is the main novelty of the reform. Before 2024 it did not figure among the conditions for the rooting of residency, save indirectly through the assessment of habitual abode or domicile. From 1 January 2024, physical presence in the territory of the State for the majority of the tax period is autonomously sufficient to establish residency. The criterion applies to anyone, even in the absence of domicile or civil residence. Its introduction aligns the Italian system with international practice: the United States (substantial presence test), the United Kingdom (statutory residence test) and several European jurisdictions have long adopted similar criteria.

### 3.4 Anagraphic registration: rebuttable presumption

The anagraphic registration criterion does not disappear but changes its legal nature. Until 31.12.2023 it operated as an **irrebuttable presumption**: registration itself determined tax residency, with no possibility of contrary evidence. From 1 January 2024 it operates as a **rebuttable presumption**: registration presumes residency, but the taxpayer may overcome the presumption by demonstrating effective rooting abroad.

The change is defensively valuable for those who are formally registered in Italy but live stably abroad, and generally resolves the critical issues of the previous framework. For Italian citizens regularly registered with AIRE the practical effect is the opposite: anagraphic cancellation no longer constitutes sufficient evidence of non-residency, because the other three criteria remain operative.

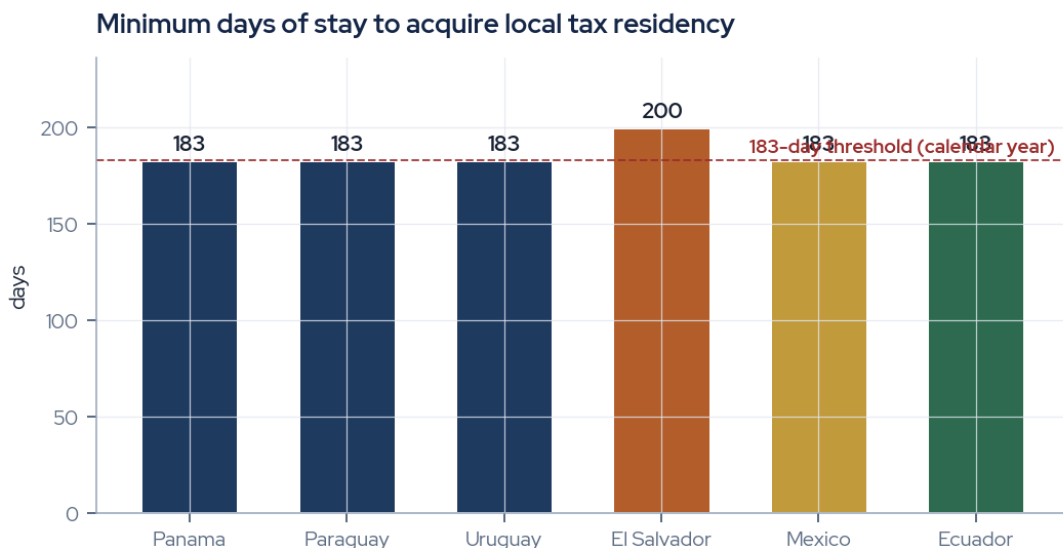


*Pre: art. 2 TUIR in force until 31.12.2023. Post: art. 2 TUIR as amended by Legislative Decree 209/2023, effective from 1 January 2024.*

*Figure 2. The framework of Italian tax residency criteria before and after the reform under Legislative Decree 209/2023.*

## 4. 3+1 Model and residual Italian residency: country matrix

The 3+1 Model, set out in Working Paper No. 4, articulates planning across a stable primary residency and one or more secondary or backup residencies. The reform under Legislative Decree 209/2023 requires a country-by-country reassessment of the residual risk of Italian tax residency, taking account of bilateral double taxation treaties and local rooting criteria.



*Indicative thresholds of the main tax residency criteria. Additional substantive criteria coexist (vital centre of interests, permanent home).*

*Figure 3. Minimum stay thresholds to acquire local tax residency in the six countries of the 3+1 Model. Above the threshold the risk of dual residency is reduced, but not eliminated absent a bilateral treaty.*

### 4.1 Panama

Panama applies the territoriality principle: foreign-source income does not contribute to the taxable base. Tax residency requires, as a rule, presence for more than 183 days in the year. The Italy-Panama treaty against double taxation, signed in 2010 and in force since 2017, contains a tie-breaker rule based on permanent home, vital centre of interests, habitual abode and nationality (art. 4 OECD Model). Combined with thorough documentation (utilities, lease or purchase deed, local bank account, consular registration), Panama offers a robust defensive position even after the reform.

### 4.2 Paraguay

Paraguay has not entered into a bilateral treaty with Italy. The absence of a treaty removes the tie-breaker rule and renders the two residencies potentially overlapping. For Italian residents in Paraguay, the 2024 reform and Resolución DNM no. 081/2026 (which requires physical presence for the conversion of temporary into permanent residency) constitute two concurrent constraints: compliance with the first requires effective stay; compliance with the second provides useful evidence for defending Italian non-residency.

### 4.3 Uruguay

Uruguay has a treaty with Italy. The Uruguayan tax residency regime provides alternative thresholds (183 days of presence, vital centre of interests, base of economic activities or investments). The five-year tax holiday on foreign income makes Uruguay attractive, but the combination with the Italian reform imposes particular

attention to documentation of effective stay.

### 4.4 El Salvador

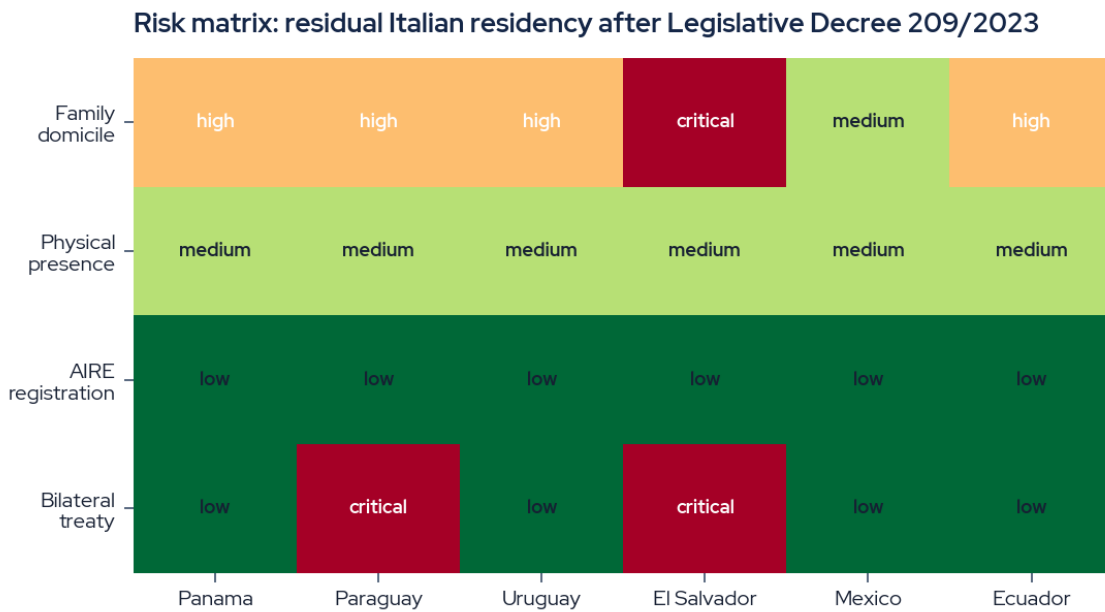
El Salvador has no treaty with Italy. It applies the territoriality principle. Tax residency normally requires stay exceeding 200 days. The absence of a treaty and the higher stay threshold make the country suitable primarily as a full-time primary residency, rather than as a backup.

### 4.5 Mexico

Mexico has a treaty with Italy. It applies residency criteria based on permanent home and vital centre of interests. The Mexican tax system applies worldwide taxation; for Italian residents the 2024 reform requires a specific assessment of the vital centre, given that family presence in Italy becomes a decisive indicator.

### 4.6 Ecuador

Ecuador has a treaty with Italy. Ecuadorian tax residency normally requires presence for more than 183 consecutive or non-consecutive days within a twelve-month period. The bilateral treaty offers a tie-breaker rule analogous to the Panamanian one. The country lends itself both as a primary residency and as a component of a diversified strategy.



Qualitative assessment by Studio Panama Italia, 2026. Paraguay and El Salvador have no double taxation treaty with Italy.

Figure 4. Qualitative risk matrix: for each country of the 3+1 Model, the incidence of the four post-reform critical factors is assessed. Studio Panama Italia assessment, 2026.

## 5. Guidance and case law: clarifications from 2024–2026

The primary post-reform interpretive source is Italian Revenue Agency Circular no. 20/E of 4 November 2024, which provided operational guidance on the application of the new criteria. The circular confirmed the alternative structure of the criteria, specified the computation of partial days, and exemplified the new notion of domicile.

### Timeline of the reform and interpretive practice



*Summary timeline. Source: Official Gazette, Italian Revenue Agency, Studio Panama Italia monitoring.*

*Figure 5. Timeline of the reform and of interpretive practice, from publication of the decree to the stabilisation of operational guidance.*

### 5.1 Main clarifications of Circular 20/E

The circular clarified four operationally relevant points. **First**, the assessment remains case by case, by factual verification: no criterion operates automatically, save the anagraphic presumption. **Second**, the computation of days includes partial days and sums non-consecutive periods. **Third**, the notion of domicile in its new formulation requires a comprehensive assessment of personal and family ties, without any single element being decisive in itself. **Fourth**, the manner of work performance (including remote work) does not in itself affect the residency criteria, which remain anchored to the conditions of art. 2 TUIR.

### 5.2 Emerging case law

The case law of the Italian Supreme Court (Corte di Cassazione), already consolidated on the criterion of the vital centre of interests in the previous system, has continued to evolve while gradually receiving the new wording. The principles on the need for a factual and comprehensive assessment, on the relevance of family ties, and on the effectiveness of the bilateral treaty as a resolution tool for dual-residency conflicts remain fully current.

## 6. Five-step defensive protocol

Post-reform compliance requires a sequential operational protocol in five steps. Each step produces preserved and dated documentation, suitable to constitute contrary evidence to presumptions and to support the defensive position in case of audit.

### 6.1 Step 1. Mapping of the tax period

Maintain an analytical register of the days of physical presence in Italy and in the country of residency for each calendar year. Preserve airline tickets, passport stamps, hotel bookings, territorial credit card receipts. The objective is to be able to reconstruct, on an objective basis, the day count including partial days. A simple monthly table with progressive totals suffices.

### 6.2 Step 2. Documentation of foreign domicile

Build a documentary file attesting the rooting of personal and family ties in the country of residency: lease or purchase deed of the dwelling, utilities in personal name, active local bank account, local health insurance, registration of the family nucleus (spouse and children if cohabiting), school enrolment of minors, local residency certificate. The file is updated annually.

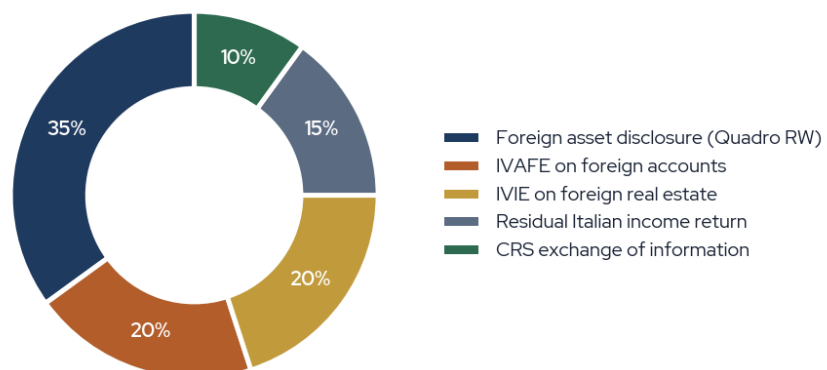
### 6.3 Step 3. AIRE and consular registration

Keep the AIRE registration updated, promptly reporting any change of address. Register with the relevant consulate. Remember that, after the reform, AIRE registration is no longer sufficient proof, but remains a supporting element of the defensive position and a procedural prerequisite for benefiting from bilateral treaties.

### 6.4 Step 4. Residual Italian tax compliance

Italian obligations may persist even for non-residents: tax on Italian-source income (rental income, dividends, capital gains on qualified shareholdings), completion of the Quadro RW for monitoring of foreign investments when required, payment of IVAFE and IVIE. Timely management of these residual obligations reinforces the overall coherence of the tax position.

Typical annual obligations for an Italian individual resident abroad



*Estimated percentage breakdown of the ordinary administrative burden; varies by wealth and structure.*

*Figure 6. Estimated percentage composition of the annual administrative burden typical for an Italian tax resident abroad.*

## 6.5 Step 5. Activation of the bilateral treaty

In case of potential dual residency, activation of the bilateral double taxation treaty constitutes the resolving remedy. The OECD Model, adopted by most treaties signed by Italy, provides a tie-breaker rule in levels: permanent home, vital centre of interests, habitual abode, nationality. The production of the tax residency certificate issued by the tax authority of the foreign country is the key document to activate the treaty.

## 7. Most common operational errors

The operational experience of Studio Panama Italia over sixteen years of assistance to Italians in Latin America identifies seven recurring errors that, after the 2024 reform, have acquired even greater relevance.

### Error 1. Relying on AIRE registration alone

AIRE registration is no longer, by itself, proof of non-residency. It must always be accompanied by substantive documentation attesting the habitual abode, family domicile and effective physical presence in the foreign country.

### Error 2. Underestimating the computation of partial days

A stay of a few hours in Italy counts as a full day. Frequent short visits can easily accumulate beyond the threshold. The computation must be performed precisely and documented.

### Error 3. Leaving family in Italy without planning

The new definition of domicile makes family presence in Italy a primary indicator of Italian residency. When relocation is not synchronised for the entire nucleus, the residual risk must be carefully assessed and compensatory documentation adopted.

### Error 4. Neglecting Quadro RW and residual obligations

Inconsistent behaviour (declaring oneself non-resident while failing to comply with residual obligations on Italian income) weakens the defensive position in case of assessment.

### Error 5. Choosing jurisdictions without treaty

Paraguay and El Salvador, in the absence of a treaty with Italy, do not offer the resolving tie-breaker rule. They are valid jurisdictions but require effective stay and impeccable documentation, because the treaty remedy is not available.

### Error 6. Not requesting the foreign tax residency certificate

The tax residency certificate issued by the authority of the foreign country is the key document to activate bilateral treaties. Annual request is recommended.

### Error 7. Relying on paper-only solutions

The mere formal holding of a utility account or opening of a bank account without effective movement does not constitute rooting. The new reading of domicile requires substance, not form.

## 8. Frequently asked questions

### When does the new Italian tax residency apply?

The amendments introduced by Legislative Decree no. 209 of 27 December 2023 apply for individuals from tax period 2024 (calendar year). For companies and entities, from the first tax period beginning after 29 December 2023.

### How many days can I spend in Italy without becoming resident?

The threshold is 182 days in the standard calendar year (183 in a leap year). Above the threshold, the physical presence criterion is triggered. Partial days are computed: even one hour of presence counts as a full day.

### Is AIRE registration still useful after the reform?

Yes, but with a different value. It remains a procedural prerequisite for accessing bilateral treaties and an indicator of non-residency intent, but is no longer sufficient proof on its own. It must be integrated with substantive documentation.

### What does the new definition of domicile mean?

From 2024 the tax domicile is the place where personal and family ties of the person mainly develop. The affective and family sphere becomes prevalent over the patrimonial and economic one.

### What if my spouse remains in Italy?

The presence of the spouse in Italy constitutes a primary indicator of Italian domicile. It must be managed with in-depth analysis and compensatory documentation, or by evaluating a synchronised relocation.

### If I am resident in Panama, do I have to file in Italy?

As a non-resident, obligations persist only for Italian-source income: rental income, dividends from Italian companies, capital gains on qualified shareholdings, and similar. Foreign-source income does not contribute.

### Must I file Quadro RW if I live abroad?

Quadro RW is mandatory for Italian tax residents who hold foreign investments and financial assets. As a non-resident, the obligation in principle does not arise; correct qualification of one's status thus becomes essential.

### Does the Italy–Panama treaty protect me from dual residency?

Yes, the treaty contains a tie-breaker rule articulated on permanent home, vital centre of interests, habitual abode and nationality. In case of potential dual residency, this rule assigns the tax residency to only one of the two States.

### Paraguay without a treaty: is it still a good choice?

It remains a valid choice for those with effective stay who do not maintain family or patrimonial centres of gravity in Italy. The absence of a treaty makes substantive compliance with all non-residency criteria necessary.

### What changes for companies?

Art. 2 of Legislative Decree 209/2023 reformed art. 73, paragraph 3, TUIR: for companies, residency is now determined on the basis of legal seat, place of effective management or ordinary management mainly carried out in Italy. The criterion of principal object has been abandoned. The amendment applies from the first tax period beginning after 29 December 2023.

## 9. Official sources

The legislative, administrative and judicial sources cited in this working paper are listed below for direct verification.

### Primary legislation

Italian Legislative Decree of 27 December 2023, no. 209, implementing the tax reform on international taxation, published in Official Gazette no. 301 of 28 December 2023, General Series (text available at [normattiva.it](http://normattiva.it)).

Presidential Decree of 22 December 1986, no. 917, Italian Income Tax Code (TUIR), art. 2 and art. 73, in the formulation in force from 1 January 2024.

Law of 9 August 2023, no. 111, containing the delegation to the Government for the revision of the tax system.

Italian Civil Code, art. 43, paragraphs 1 and 2, on the definitions of domicile and residence.

### Administrative practice

Italian Revenue Agency Circular no. 20/E of 4 November 2024, operational guidance on the new tax residency rules for income tax purposes for individuals, companies and entities (available at [agenziaentrate.gov.it](http://agenziaentrate.gov.it)).

Italian Revenue Agency Circular no. 25/E of 18 August 2023, on tax residency and remote work.

### International sources

OECD, Model Tax Convention on Income and on Capital, article 4, tie-breaker rule for dual residency of individuals.

Treaty between the Italian Republic and the Republic of Panama for the avoidance of double taxation on income and the prevention of tax evasion, signed 30 December 2010, in force from 1 June 2017.

Treaties between Italy and the other Members of the 3+1 Model with bilateral agreements (Uruguay, Mexico, Ecuador) for the avoidance of double taxation.

### Studio Panama Italia sources

Studio Panama Italia (2026), Working Paper Osservatorio No. 4, *Multi-jurisdictional Architecture 2026: the 3+1 Model*, May 2026.

Studio Panama Italia (2026), Working Paper Osservatorio No. 1-2-3, series on residency in Latin America, 2026.

Proprietary operational data, sixteen years of activity (2010–2026) on migration procedures in Panama, Paraguay, Uruguay, El Salvador, Mexico and Ecuador.

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