



# Italian taxation of capital gains on investment gold: The risk of a significant tax cost

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by **Dr Sergio Finulli**



Recently, Italian legislation led to a significant increase in taxation on the sale of investment gold by private individuals.

Under the new law, capital gains made by private individuals on the sale of investment gold are subject to a flat-rate tax of 26%.

Considering the seller often does not have documentation on the purchase price that is recognised as valid for tax

purposes and allows the capital gain to be calculated, in many cases the new tax is applied directly to the sale price, thus significantly reducing the actual profit from the sale.

It has therefore become very important to search for and keep documentation relating to the purchase of investment

gold. If the gold has been inherited, the tax value recognised for the calculation of capital gains is that indicated in the inheritance declaration, while in the case of a donation, the tax value recognised is that of the donor.

With regard to the possession of investment gold, there is no

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taxation or any form of declaration or communication required in the case of possession in Italy by a resident.

If, on the other hand, investment gold is held abroad, the possession must be reported annually in the holder's income tax return,

along with other assets held abroad. If investment gold is transferred from Italy by a resident, it must be reported to the authorities in a manner similar to that required for cash transfers. When sold, the capital gain for a resident in Italy is subject to the same 26% tax as capital gains realised in Italy.

The regulations on the taxation of capital gains on investment gold also apply to other precious metals such as silver or platinum. Private investors usually opt for gold because it is value-added tax (VAT)-exempt at the time of purchase.

Given the interest in the gold market in recent years, an alternative form of reinvestment is to use exchange traded funds (ETFs) or exchange traded

commodities (ETCs). Taxation is similar to that applied to capital gains on the sale of investment gold (26% flat rate), but it is important to carefully check that ETFs are considered harmonised under EU legislation in order to avoid progressive taxation. It is also necessary to plan how to manage any capital losses in the case of ETFs, as they cannot be directly offset against capital gains.

In the case of ETFs and ETCs held abroad by an Italian resident, there are also reporting obligations, and an annual tax similar to that on current accounts must be paid.



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