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There is growing evidence that tax treatment may play a role in individual and family migration decisions. On this basis many OECD countries offer tax relief programmes for selected groups of foreign migrants and returning nationals. Tax wedges vary significantly among OECD countries, both in terms of eligibility and conditions, but the effect on migration flows and the economy remains to be quantified.

This policy brief provides an overview of tax relief programmes provided to foreign migrants and returning nationals in OECD countries. It discusses the rationale and potential impact of these programmes and highlights a few key issues regarding tax-driven migration policies.

Why do OECD countries offer tax relief programmes to attract foreign migrants and returning nationals?

Key Findings

- At least 24 OECD countries offer tax relief programmes to targeted categories of foreign migrants and returning nationals to attract talented or wealthy new tax residents.[1]
- These programmes usually target high skilled or high-income migrants but some programmes also apply to pensioners. Athletes and entertainers may also qualify for tax relief programmes, as well as investors and High Net Worth Individuals (HNWIs). Some specifically target researchers.
- Tax relief programmes are designed in multiple ways: some offer a reduced tax rate (e.g. a flat tax rate below the progressive rate generally applied), others provide full or partial exemptions, and others allow deductions for immigration-related expenses. Some programmes offer significant tax relief – as much as a 90% reduction – while others are more modest.
- These tax relief programmes apply for a limited time and expire, although their duration ranges from three to fifteen years depending on the country and programme.
- Most of these programmes were introduced in the 2000s. By 2010, 16 OECD countries offered targeted tax relief programmes for foreigners taking up employment after migrating or returning nationals.[2] Since then, additional countries have added programmes and a number of the existing ones have been modified – generally to extend or expand them, although in several cases to tighten them.
- After decades of implementation, evaluation has been limited and the concrete impact of these fiscal incentives on migration flows and their net fiscal and economic impact remains unclear.
- The total cost of benefits of some programmes is high and more information about the net effect on migration flows would be necessary to properly evaluate and calibrate these programmes.

[1] Many countries use the "183 days" rule as a tax residency test. Several of the countries that offer tax relief programmes to foreigners taking up employment after migrating and returning nationals apply a special tax residence status to beneficiaries. For instance, newly arrived foreign migrants may qualify as "transitional" residents in New Zealand or "non-habitual" residents in Portugal for several years, waiving the usual consequences of tax residence for the eligible periods. Türkiye does not apply the 183-day rule for certain categories of foreigners (e.g. journalists, scientists, businesspeople, officials) who come to the country to perform temporary and predefined work. People in these categories are considered non-residents.

[2] These programmes mainly targeted permanent immigrants, temporary foreign workers or both OECD (2011).

Who is eligible?

To qualify for tax relief programmes, applicants are usually subject to eligibility requirements, although requirements vary widely (Table 1). Some programmes are only for newly tax-resident foreigners while others focus on returning nationals (with a minimum period of absence). Some programmes target specific high skilled professionals while others require minimum income levels. Some programmes require submission of an application to the relevant tax administration while others apply automatically.

Most programmes apply only to newly arriving **foreigners.** However, a number of OECD countries extend their tax relief programmes to **returning nationals** who have not been tax resident in the country for a prescribed minimum period (up to ten years). For example, the "transitional tax resident" status in New Zealand applies not only to foreign migrants but also to returning citizens. In Italy, a tax relief programme introduced in 2015 and modified in 2019 applies to foreign migrants as well as returning citizens. In 2021, Belgium reformed its tax relief programme for executives and researchers, first introduced in 1983, and abolished the requirement of foreign nationality so that it could also apply to returning nationals. The new regime is in place from 2024.

In at least 10 countries, **income thresholds** must be satisfied for the tax relief programme to apply. The monthly thresholds vary; for example, they are set at about EUR 5 000 gross after the deduction in the Netherlands. Researchers and professors, on the other hand, are usually subject to lower or no salary condition – as is the case in the Netherlands and Belgium.

In some countries, High Net Worth Individuals (HNWI) may also be eligible to benefit for tax relief programmes under some specific conditions which can include a requirement to have a minimum income. Annual income thresholds can vary from US 150 000 in Costa Rica to EUR 500 000 in Greece.

At least 13 tax relief programmes in OECD countries only apply to **highly skilled individuals**. For example, to qualify for the tax relief programme in Korea, applicants must have at least a bachelor's degree in a specified field (natural sciences, science, medicine or engineering) and at least five years of experience in R&D and technology development.

In several countries (Belgium, Israel, and Denmark), the foreign migrant's skills must be in shortage or not readily available locally. Portugal required applicants for its "non-habitual resident" (NHR) tax relief programme to be in an occupation on a list of professionals that are deemed to have "high-added value skills" (e.g., architect, tax advisor, designer, or medical doctor). This list was first adopted in 2010 and was updated by decree in 2019 to extend the scope of listed activities. When the NHR regime was closed to new entrants at the end of 2023, this relief was maintained for new tax residents working in scientific research and innovation. "In-depth technical expertise and professional experience" are also required to benefit from the tax relief programmes of Luxembourg, Canada (Quebec) and Finland. While a contract for employment in a specific occupation is usually sufficient proof of eligibility, official recognition of qualifications or a government acknowledgement is required in Canada (Quebec) and in Denmark[3].

Most tax relief programmes require a **prior non-residence period**, which requires the taxpayer to have been resident abroad for between three to ten years. In some cases, however, there is no prior non-residence period required. In some cases, specific provisions are included to prevent cross-border workers (i.e., those who previously lived in a neighbouring country and commuted to work in the country offering the tax relief programme) from benefiting. For example, in Belgium, Luxembourg and Netherlands, new residents previously living within 150 km of the border are excluded from the tax relief programme.[4] The exclusion applies to all prior Benelux residents and prior residents of certain areas of the UK, France and Germany.

[3] The "Danish Council for Independent Research" must first acknowledge eligible scientists or researchers.

[4] On the compliance of the 150km rule with EU Law, see CJEU, C-512/13, *Sopora*, 24 February 2015.

Table 1. Overview of main eligibility requirements to benefit from tax relief programmes, 2023

Country	Nationality requirement (Foreign / National)	Income threshold (monthly gross, EUR)	Skills threshold	Prior non-residence	Applies also to temporary work assignment
AUT	F, N	No	Must promote R&D, arts & culture, or high-level sports	5 or 10 years (depending on beneficiary)	
AUS	F	No			
BEL	F, N	6 250	Executive, employee w/ difficult to find specialist skills	5 years	
CAN (QC)	F	No	Expertise and professional experience R&D, tech	X	
CRC	F				
DNK	F	9 466	Researchers and key employees recruited from abroad	10 years	
FIN	F	5 800	Expertise and professional experience	5 years	
FRA	F, N	No		5 years	X
GRC	F	No		5 years (investors: 8)	
ISL	F	No	Experts	3 years	X
IRL	F	6 250	N/A	5 years	X
ISR	F,N	3 800 (applies to experts)	Foreigners holding an “Expert” work permit; all returning Israelis.	6 or 10 years (for returning Israelis) – 10+ year absence provides greater benefits	
ITA	F,N	No	Researchers	Italians: 9/10 prior years; Foreigners: 5	
	F,N	No	“Inpatriates”; University-level education	Prior 2 tax years (3 years from 2024)	
KOR	F	No	Bachelor’s degree in specific fields	5 of previous 10 years	
LUX	F	8 333	Expertise and professional experience	5 years	X
NLD	F	4 994 (3 796 if under 30 with a Masters degree) after the deduction	Highly skilled foreign workers	16 of prior 24 months	X
NOR	F	5 150 (ceiling)			
NZL	F,N	No		10 years	
POL	F (with restrictions),N	No		3 years	
PRT	F	No	Foreign professionals with "high-added-value skills"	5 years	
SWE	F	9 620	"Expert", "researcher" or "other key person"	5 years	X
ESP	F	No		10 years	X
GBR	F,N			Non-domiciled at least 5 of prior 20 tax years	X

Administrative procedures vary according to the country and the tax relief programme. In most countries, the tax relief programmes only apply on application to the tax authority by the taxpayer or the employer. In other cases, some countries, like France or New Zealand, allow those eligible to claim the treatment when filing tax returns. Applications for the Belgian tax relief programme must be submitted within three months of arrival (previously six months) while applicants in Greece have up to one year from arrival to apply for the tax relief programme with the tax authority. Processing time varies; for example, processing can take about 70 days in the Netherlands and 120 days in Italy.

In most cases, the benefit is meant to reduce taxation over the **short-term** to encourage migrants to become resident in a country. Benefits under tax relief programmes expire after a few years. The benefits usually have no minimum duration. However, both Italy and Greece require beneficiaries to commit to stay in the country for at least two years (Italy raised this to four years from 2024). The authorities can pursue reimbursement of tax relief for earlier departure. In other cases, the benefit is aligned with the maximum duration of stay. Israel limits the concession to five years for "foreign experts", after which the residence permit can also no longer be extended.

How are the tax relief programmes designed?

The tax relief under these programmes can be provided in multiple forms such as a rate reduction (whether through a flat tax or otherwise), a tax deduction for immigration related expenses, a full tax exemption for a limited duration, non-taxation of foreign income or, in some cases, lump-sum taxation.

Flat tax rates

The tax relief programmes are most often based on a flat tax rate. A flat tax rate refers to a single rate on the taxable amount, applying to all beneficiaries, regardless of their income. To be attractive, it should represent a reduced tax rate relative to higher or progressive income tax rates. Seven OECD countries offer a flat tax rate to "key" foreign employees (Table 2).

In Finland and Denmark, eligible newly-arriving foreigners benefit from a tax rate of around 32%[5] on their local income, compared to the normal progressive tax rate applicable to other residents (i.e. up to 52.07% in Denmark and 54% in Finland). These countries have recently extended their tax relief programmes. Denmark revised its "Tax scheme for foreign researchers and highly-paid employees" in 2019 to expand eligibility beyond solely Danish employment contracts, while Finland lowered its flat tax rate from 35% to 32% in 2020.

Certain categories of temporary foreign workers ("approved specialists" in the hotel sector, journalists and athletes) are entitled to a fixed 25% tax rate in Israel. Eligible migrants also benefit from a flat income tax rate of 25% in Norway and 20% in Portugal. Korea offers a flat rate of 19%[6], and 50% exemptions from income tax for highly skilled foreign technicians/engineers. In Spain, the 24% tax rate for foreigners on assignment is limited to income up to EUR 600 000. In all countries cited, the flat tax rates apply only to employment income.

[5] In Denmark, the flat tax rate without labour market contribution is 27%.

[6] This compares to the standard progressive tax rate in Korea, which varies between 6% and 45%.

Table 2. OECD countries with a flat tax rate for migrants, 2023

Country	Year of introduction (* amended)	Characteristics	Targeted beneficiaries	Max. duration
Denmark	1992*	27% tax rate (32.84% effective)	High-skilled workers and researchers	7 years
Finland	1995*	32% tax rate (35% until 2020)	High-skilled workers and researchers	4 years
Israel	2003	25% tax rate	Approved Specialists, foreign journalists and athletes	3 years (J), 4 years (A)
Korea	2003*	19% tax rate	High-skilled foreign workers	10 years (5 years until 2024)
Norway	2019	25% tax rate	Temporary Foreign workers	1 year
Portugal	2009*	20% tax rate	High-skilled professionals and employees of certain types of firms	10 years
Spain	2003*	24% tax rate	Foreign (posted) workers	6 years

Income tax exemptions

Seven OECD countries have a tax relief programme that excludes some or all income of migrants from taxation by federal, local or state government (Table 3).

In Korea, qualified foreign technicians/engineers may benefit from a 50% tax exemption for ten years[7]. This was increased from five years in 2024, with the exemption applicable to foreigners commencing employment in Korea by the end of 2026. In Sweden, high-income and skilled foreign migrants may apply for a tax relief programme that exempts 25% of their income for the first five years, while in Greece, a 50% exemption is available from income tax and a special solidarity contribution for foreign migrants for seven years. France offers a tax exemption on any "expatriate bonus", up to 30%.[8] The Netherlands exempts from income tax an amount equivalent to 30% of gross salary (as of January 2024, this will be capped at the public sector pay cap, or EUR 223 000 in 2023 and 233 000 in 2024, and decline by 10 percentage points every 20 months until it expires after five years).

In Italy, a 70% exemption applied to newly arrived returning nationals and foreign migrants for five years, so that only 30% of income deriving from employment and self-employment was included in the tax base. This was further reduced to 10% if the worker resides in one of the eight Southern Regions[9] or if they are a teacher or a researcher. The exemption was scaled back to 50% from 2024 for all beneficiaries, and its value capped. Teachers and researchers benefit for six years of tax relief (eight if they have a minor dependent). Under the new "Polish Deal", Poland also introduced a new tax relief programme to encourage nationals to return to Poland. This includes a "repatriation relief" allowing returning nationals who lived and worked abroad for at least three years to take advantage of an exemption from income tax for four years after returning to Poland. The relief is also available to some foreign migrants who move to Poland.

Tax relief programmes that apply as an exemption also exist at regional level. Temporary foreign workers who move to Canada (Quebec) that are researchers or experts who hold an eligibility certificate and meet certain requirements, may benefit from a reduced income tax, for a maximum period of five years, based on declining tax rates.[10]

[7] A 70% exemption applied for three years if employed in the sectors of materials, components and equipment, but this is closed to foreigners who started employment after 2022. The sectors were established in the Korean Act on Special Measures for the Promotion of Specialized Enterprises for Materials, Components and Equipment, adopted in 2001 and most recently revised in 2019.

[8] The bonus of persons recruited abroad by a company established in France may be assessed on a flat-rate basis equal to 30% of total compensation rather than a specific separate bonus amount.

[9] Abruzzo, Molise, Campania, Apulia, Basilicata, Calabria, Sardinia or Sicily.

[10] The exemption is 100% for the first 2 fiscal years (FY), 75% in FY3, 50% in FY4 and 25% in FY5.

Table 3. OECD countries with tax exemption on income for migrants, 2022

Country	Year of introduction (* amended)	Characteristics	Targeted beneficiaries	Max. duration
Austria	2016	30% exemption	Researchers, Professors	5 years
France	2008*	30% "impatriate" premium	Employees seconded to or recruited in France (regardless of nationality)	8 years
Greece	2020	50% exemption	Foreign workers and freelancers	7 years
Iceland	2017	25% exemption	Foreign Experts	3 years
Ireland	2012*	30% exemption on income tax between EUR 70 000 and 1M	Employees assigned to Ireland from abroad to carry out their duties (regardless of nationality)	5 years
Italy	2016* 2010*	70% (or 90%) exemption (50% from 2024) 90% exemption	Skilled professionals (foreign or Italian) Researchers or professors (foreign or Italian)	5 years (renewable) 6 or 8 years (renewable)
Korea	2003*	50% exemption (70% for three years in some sectors until 2022)	Foreign technicians and engineers	10 years
Netherlands	1985*	30% tax free allowance; from 2024, 30/20/10% gradual reduction every 20 months	High-skilled foreign workers meeting salary and expertise requirements	5 years
Poland	2023	Up to PLN 85 528 (EUR 18 480) in a tax year regardless of age. In addition, 50% of tax deducted in first year; 50% of prior year tax in years 2-4.	Persons who lived/worked abroad for at least three years including: Nationals and EU/EEA nationals Holders of "Polish Card". Prior tax residents of EU or OECD countries. Persons who previously were tax residents in Poland for at least five years.	4 years
Sweden	2001*	25% exemption	High income, or "Key" foreign experts and researchers	5 years

Tax deductions and tax-free allowances for immigration-related expenses

In at least seven OECD countries, moving expenses (mainly for work purposes) are, to some extent, deductible under tax relief programmes (Table 4). Such deductions are available against taxable income and aim to diminish the costs associated with moving country.[11]

In Israel, for example, foreign "experts" are entitled to deduct the cost of accommodation and up to NIS 350 (EUR 90) per day in living expenses from their taxable income during their first year, while foreign expatriates in Switzerland (i.e., senior professionals or specialists temporarily assigned in the country by a foreign employer) can either deduct their expatriate expenses (travel, accommodation, school fees) from their taxable income or under certain circumstances [12] opt for a lump-sum deduction of CHF 1 500 per month (EUR 1 525) from taxable income.

When one-off and recurrent expenses of relocating are borne or reimbursed by the employer, they may be counted not as income but as employer costs. In Luxembourg, the deduction for these costs cannot exceed EUR 50 000 (80 000, if there is an accompanying spouse or partner) per year or 30% of the migrant's salary. A similar relief is available for migrants in the Netherlands. Under that tax relief programme the employer can either reimburse the costs incurred by the employee in moving to the Netherlands (called "extraterritorial costs") or the employee can receive a tax-free allowance as mentioned above. Dutch nationals transferred or recruited from abroad to the Netherlands do not benefit from this relief.

[11] OECD (2011), Taxation of mobile high-skilled workers.

[12] Lump-sum requires that the home abroad is permanently kept free for their own use.

Table 4. OECD countries allowing migrants tax-free allowances or deductions for migration expenses, 2023

Country	Year of introduction (* Amended)	Characteristics	Targeted beneficiaries	Max. duration
Austria	2016	Lump sum deduction of 20% (up to EUR 10 000)	Temporary foreign workers	5 years
Belgium	1983*	Lump sum deduction of 30% (up to EUR 90 000)	Skilled workers and experts (regardless of nationality)	8 years
Ireland	2012	Reasonable travel costs to/from Ireland for employee and family, including one home leave	Employees who are assigned to Ireland from abroad to carry out duties (regardless of nationality)	5 years
Luxembourg	2011*	Capped lump sum (or 30% "impatriate" premium) count as operating expenses for employer, not income	High- skilled workers recruited or assigned	8 years
Switzerland	2001*	Actual deduction or an annual lump sum of CHF 18 000 (EUR 18 370)	Temporary foreign high-skilled workers	5 years

In Belgium, recurrent assignment-related expenses (such as accommodation, cost of living and travel expenses to the country of origin) can be reimbursed on a tax-free basis as a lump sum not exceeding 30% of gross remuneration (capped at EUR 90 000), regardless of nationality. [13] In addition, certain non-repetitive relocation expenses, incurred during the first six months (e.g. home furnishing expenses, public school expenses) may be paid directly by the employer or reimbursed to the employee on a tax-free basis, on presentation of supporting documents. Moving expenses, home leave costs and children's school fees, may be reimbursed by the employer on a tax-free basis in Sweden.

In Ireland, the Special Assignee Relief Programme (SARP) explicitly allows the employer to pay or reimburse, on a tax-free basis, reasonable costs of travel to/from Ireland which are incurred by an employee and his/her family when taking up an assignment to Ireland, including the costs of one annual home-leave trip. Under SARP, the payment of school fees of up to EUR 5 000 annually for the child of the assignee and/or their spouse or civil partner may be paid or reimbursed by the employer on a tax-free basis. In addition, relocation expenses can be paid or reimbursed by the employer on a tax-free basis where the employee incurs expenses as a direct result of the change of residence required to take up employment in a new location.

Tax relief on foreign income

To address the potential barrier represented by concern over double taxation of foreign income, at least ten OECD countries offer tax relief on foreign income, to certain foreign migrants and returning nationals (Table 5).

[13] Programme Law of 27 December 2021, published on 31 December 2021, Belgian Official Gazette.

Table 5. OECD countries with tax relief on foreign income for foreign migrants and returning nationals, 2022

Country	Year of introduction (* amended)	Characteristics	Targeted beneficiaries	Max. duration
Australia	2006*	Full exemption	New temporary residents (foreigners only)	4 years
Austria	1993*	Flat average tax rate on foreign income	New residents or returning nationals who contribute to promotion of science, research, art or sport	10 years (then loop-in provision)
Costa Rica	2021	Full exemption	Foreign investors, pensioners and rentiers	10 years
Greece	2020	EUR 100,000 lump sum 7% flat tax rate	Foreign Investors Foreign pensioners	15 years 15 years
Italy	2017*	EUR 100,000 lump sum	Foreign investors	15 years
		7% flat tax rate	Foreign pensioners	10 years
Israel	2007*	Full exemption	New permanent immigrants and returning Israelis	10 years
Ireland	2008	Remittance basis of taxation on foreign income/gains	Non-domiciled residents	N/A
Portugal	2009*	10% flat tax on foreign-sourced pension	Foreign retirees (enrolment ended in 2023)	10 years
Poland	2022	Flat tax of PLN 200K (EUR 43 380) annually	HNWI making qualifying investments of PLN 100K (EUR 21 690) annually	10 years
New Zealand	2006	Full exemption on certain foreign income	New residents or returning nationals	4 years
Switzerland	1990*	Lump sum taxation (based on living expenses with lower limits)	Foreign residents only (nonworking residents in Switzerland)	/
United Kingdom	2008	Remittance basis of taxation on foreign income	Non-domiciled residents with prior extended non-residence periods (UK and foreign nationals)	15 years

This is relevant particularly for migrants who continue to earn income and gains in their prior country of residence while gradually settling into the labour market of their new country of residence. For example, in Israel, new permanent immigrants and returning Israeli nationals (who resided abroad for at least 10 years) enjoy a 10-year tax exemption on all foreign income. Similarly, the “transitional tax resident” status in New Zealand consists of a one-time temporary tax exemption on most types of overseas investment income for foreign migrants and returning nationals (after 10 years of residency abroad). In some countries, exemptions are only offered to investors or pensioners. In the United Kingdom, non-domiciled residents enjoy tax relief on any income and gains paid and kept abroad – neither remitted nor enjoyed in the UK; the extent of this relief depends on how long the taxpayer has been non-resident. In a similar manner to the UK, Ireland allows non-domiciled residents to enjoy non-taxation on any income or gains earned and kept abroad – i.e. income that is neither remitted nor enjoyed in Ireland throughout the duration of their residency in Ireland.

Lump sum taxation on foreign sourced income

Another tax on foreign income is relieved by setting a fixed tax rather than taxing by reference to a rate. For example, foreign investors in Greece can opt to pay a lump sum tax of EUR 100K per tax year on their foreign income, irrespective of the amount of income earned abroad. Similarly, investors moving to Italy that are HNWIs may opt to pay an annual amount of EUR 100 000 in tax on all of their non-Italian sourced income, in lieu of the ordinary taxation, for a maximum duration of 15 years. Eligible pensioners/retired people in both countries can apply for a 7% flat tax rate on their foreign sourced income. Foreign migrants taking up residence in Switzerland (with no gainful activity) may also opt for lump-sum taxation – where the

amount of tax is based on their living expenses, rather than their global income and wealth[14].

Poland also introduced a fixed lump sum tax of PLN 200 000 (EUR 43 380) for foreign migrants who are HNWIs provided they invest at least PLN 100K (EUR 21 690) in Polish projects in defined areas (such as economic growth, science and education development, protection of cultural heritage or promulgation of physical culture) set out in a separate implementing regulation.[15]

Recently, a number of countries introduced "digital nomad" visas or residence permits for international remote workers and freelancers.[16] Most of the "digital nomad" programmes, which are designed for persons with foreign-sourced income who will not usually stay long enough to become tax residents, have provisions for non-taxation of foreign-sourced income. Since this brief focuses on tax relief programmes that apply to tax residents, programmes for digital nomads are not covered here.

What is the evidence supporting tax relief programmes for foreign migrants and returning nationals?

The rationale behind these schemes is multifaceted

The rationale behind the different tax relief programmes varies. OECD (2011) identifies the following objectives stated by OECD countries in introducing concessions:

- Reduce the effect of tax on migration decisions, especially by highly talented migrants
    - Increase competitiveness of high-tax jurisdictions for high-skilled workers and for multinational enterprises (MNEs) considering attractivity in placing headquarter locations.
    - Reduce impediments to migration created by tax rules.
    - Match reliefs offered by competing countries.
- Use the tax system to attract and retain mobile talented migrants.

Favourable targeted tax regimes may improve the competitiveness of employers offering jobs to globally mobile candidates by increasing their net income. This was one of the justifications for the introduction of tax relief programmes in Finland and Denmark in the 1990s.

Tax relief programmes may also be offered in a context of a global attraction and retention strategy for employees in certain industries and sectors, with the expectation of additional fiscal gains or greater contributions to progress and innovation. Such strategies typically relate to R&D activities (such as scientists, researchers and engineers). For example, in Belgium, since January 2022 a new tax relief programme for incoming specialists and researchers has been added to bolster the policies offering R&D tax credits and deductions for Belgian companies. Italy in 2010 expanded the scope of its 90% tax relief to Italian teachers and professors returning to the country after several years abroad; the decree was nicknamed "Brain Re-entry".[17] In Korea, the 50% exemption from income tax for foreign engineers and technicians arriving to work in R&D facilities has been gradually expanded.

Addressing persistent skills shortages is another policy concern, including at local and regional level. The tax relief programme introduced in Québec, for instance, aims to assist local employers who have trouble hiring people with the required competencies in scientific research and experimental development. Similarly, in Portugal, only foreign qualified professionals with sought-after skills (in occupations deemed in shortage, set

[14] At present, at federal level and in most cantons, the expenses must exceed 400 000 CHF.

[15] Act of 9/6/2022 Amending the Personal Income Tax and Certain Other Acts (the so-called "Polish Deal 2.0").

[16] Should OECD countries develop new Digital Nomad Visas? (MPD No. 27, July 2022).

[17] Art. 44 of Legislative Decree n. 78/2010

forth in a dedicated list or Act) were eligible for the tax relief programme. In 2019, a major revision of the list took place in Portugal to better align these "value-added activities" with the needs of the domestic labour market.[18] The new programme from 2024 includes skilled occupations and extends eligibility to employees of certain firms.

Evidence on the macro efficiency of these programmes is mixed

When considering these programmes' efficiency, at least three questions arise: is the migration decision influenced by availability of tax relief programmes? Can it lead to opportunistic use? What is the available evidence on the macroeconomic effects of these programmes?

While decisions to migrate are very complex and are often influenced by various factors, evidence suggests that tax relief programmes in destination countries may affect high-skilled migrants' choices and impact the duration of their stay.

Recent studies indicate for instance that top earners' location choices are affected by top income taxation rates with varying sensitivity according to the sector of occupation.[19] Targeted tax relief programmes in Denmark and in the Netherlands notably highly effective in attracting skilled migrants.

In Denmark, the tax relief programme was estimated to have doubled the number of highly paid migrant workers relative to the number earning just below the eligibility threshold (Kleven et al., 2013). Annual entries increased from 200 to 600 annually between 1991 and 2005.[20] There were about 9 200 employees benefiting from this tax relief programme in 2021. The Danish tax relief programme appears to produce large mobility elasticities for high-income workers.[21]

Similarly, in the Netherlands a recent analysis of the effect of the 2012 reform of their tax relief programme, which introduced a more predictable income threshold for eligibility, estimated that over 8 000 *additional* high skilled migrants arrived in the seven years following than would have arrived without the changes.[22]

Not all countries report on use of the programmes, although published figures suggest that use has increased since introduction. In Portugal, the numbers of beneficiaries rose from the hundreds in the early 2010s to reach more than 11 000 in 2019. In Italy, the number of foreigners and returning Italians benefitting from the tax relief programmes rose sharply between 2017 and 2021 (from 3 758 to 21 200), probably due to the more favourable reliefs introduced by the 2019 Growth Decree. However, one analysis suggests that about half of the beneficiaries who arrived between 2011 and 2017 subsequently left Italy.[23]

In Belgium, prior to the changes effective in 2024, the total number of active beneficiaries had risen gradually to about 27 000.

In Sweden, there were about 8 800 beneficiaries of the remuneration-based tax relief programme approved between 2001 and 2022, and 3 400 beneficiaries of the tax relief programme for researchers, experts and key personnel between 2012 and 2022. Totally both categories, about 1 300 relief applications were granted in 2022, reflecting the steady increase in applicants since 2016.[24] Despite these recent empirical studies on tax-driven international migration and the indication of uptake in different countries, there is still limited evidence of the degree to which tax relief programmes influence relocation decisions relative to other factors. This might notably be explained by "the lack of information on migration patterns combined with precise measures of earnings and tax rates in different locations".[25]

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[18] Ordinance n°230/2019 of 23 July 2019

[19] The top ten percent employees working in finance appear more sensitive to top tax rates in a country relative to top earners working in the public administration. See Muñoz (2020).

[20] Kleven et al. (2014).

[21] Kleven et al. (2020).

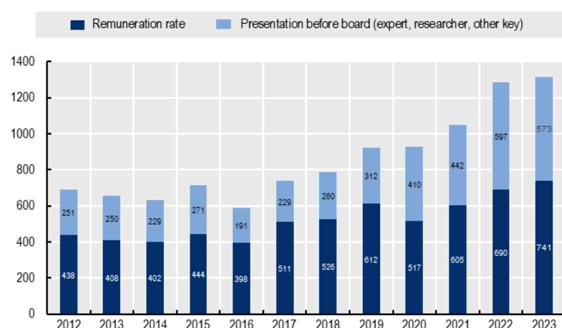
[22] Timm et al. (2022). However, it should be noted that from 2024, this "30% tax ruling" will be limited to income up to EUR 216 000. Income above this threshold will fall into the highest tax bracket (49.5% in 2022), which might affect these results on migration decisions.

[23] "Incentivi per il rientro del capitale umano: escludere chi è già rientrato rischia di creare un danno economico e una nuova fuga di cervelli", 8/8/2019.

[24] www.forskarskattenamnden.se/andrasprak/taxationofresearchworkersboard/abouttaxrelief/statistics.4.14dfc9b0163796ee3e77a9a8.html

[25] Kleven (2020).

Sweden, Grants of tax relief by category, 2012-2023

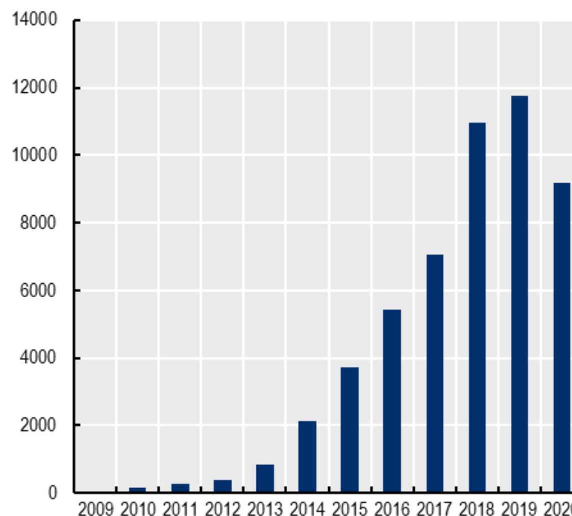


Source: Taxation of Research Workers Board

Whether these programmes provide net macro-economic benefits for host countries is another question. Tax relief programmes can indeed be seen as a short-term loss in tax revenue, especially if it has little effect on inflows, that could only be justifiable if it is expected to have longer term effects on retention, investment or productivity growth. Prior OECD analysis has suggested that take-up is strongly related to the degree of targeting of the tax relief. Unsurprisingly, highly targeted tax relief programmes have relatively low take-up, due to tight eligibility requirements, while programmes with less stringent criteria see more users both in aggregate terms and as a percentage of the labour force.[26]

In Portugal, the total value of the tax relieved in 2020 was about EUR 908 million; more than 50 000 beneficiaries had applied for the relief since 2019. The average benefit is about EUR 20 000 per person. It is not possible however to identify how many beneficiaries were retirees, HNWIs or professionals in high added-value occupations, how many were still in Portugal in 2020 nor how many additional people the programme brought to Portugal.

Portugal, Number of Beneficiaries of non-habitual resident tax relief, 2009-2020



Source: Despesa fiscal em IRS e desagravamentos estruturais em IRS

In Spain, for 2022, the tax relief programme for transferred migrant workers granted tax relief worth about EUR 98 million that year, and was used by 10 100 beneficiaries, suggesting an average tax reduction of almost EUR 10 000[27].

In some cases the effect of the programme has been estimated by simply assuming that without the benefit the migrant would never have come and zero tax revenue would have been obtained. In Switzerland, for example at the end of 2018, 4 557 individuals (with no gainful activity) benefitted from the Swiss lump sum taxation programme, which generated CHF 821 million (EUR 835 million) in tax.[28]

Italy reports that beneficiaries of relief for "inpatriates" paid EUR 175 million in income tax in 2020 and 240 million in 2021, and teachers and researchers paid EUR 5.2 million in 2020 and 6.7 million in 2021. Looking more closely at the reported tax data, the Italian tax relief programme has, since the start, attracted higher-than-average earners, and has recently seen average gross income increase sharply. In Italy, the tax authorities calculated an average monthly gross salary for beneficiaries of EUR 5 000 in 2016, rising to 10 000

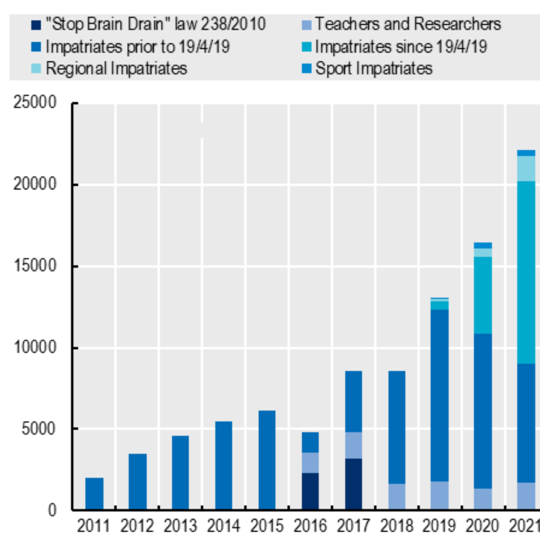
[26] OECD (2011).

[27] El Presupuesto de Beneficios Fiscales, Memoria de beneficios fiscales, various years. www.sepg.pap.hacienda.gob.es/

[28] https://www.efd.admin.ch/efd/en/home/taxes/national-taxation/lump-sum-taxation.htm l

in 2020 and 2021.[29] The cost of the tax relief can be calculated. With the 70% exemption, the unadjusted annual tax bill is reduced by more than EUR 30 000 per beneficiary on average, representing about EUR 500 million in total tax for all beneficiaries in 2021 and 700 million in 2022. The Italian Teacher and Researcher tax relief programme has not seen the same growth as in the general programme and is used by fewer than 2 000 annually. The taxable income (pre-reduction) of teachers and researchers has fallen and their annual income, while still above the Italian average, is low enough that the tax relieved was only EUR 17.5 million for 2020 and 22.5 million for 2021. Public communication around the programmes usually assumes that beneficiaries would not have returned without the programme, and counts the benefit. Until there is analysis of the effect of incentives on inflows, it is not possible to balance the cost against the benefit.

Beneficiaries of Italian "Impatriate" Tax Regime, 2011-2021



Source: Italian tax authorities, annual reports, various years.

There are only a few evaluations of hiring the targeted foreign migrants on firm productivity. Malchow-Møller et al. (2019) for example find that Danish firms that hire foreigners (eligible for the tax reduction) instead of domestic experts become more productive, paying higher wages to high-skilled co-workers.[30]

Monitoring and evaluation are key

Developing and designing tax relief programmes for foreign migrants or returning nationals is a challenging exercise, which requires careful assessment and continuous monitoring and adaptation to changing circumstances and cost benefit analysis. Introducing and designing targeted tax relief programmes for foreign migrants involves necessary trade-offs between the revenue losses from cutting taxes on immigrants and the externality gains of attracting additional migrants, including the additional tax revenue collected or productivity spillovers.[31] When opting for one tax relief over another, a country must ensure that benefits outweigh the costs of the policy reform. Tax relief programmes might also trigger equity concerns by treating foreign migrant taxpayers and national taxpayers differently, but also high-skilled or wealthy individuals and low-skilled workers differently. There may be grounds to encourage greater cross-country co-ordination when applying tax relief programmes to avoid harmful competition between jurisdictions, especially when adopting tax relief programmes for investment. With these considerations in mind, quite a few recent changes have been made in national programmes.

Many programmes went through some adjustments or, in some cases, were revoked after running for a number of years.[32] The reasons for these changes vary among countries and are not always publicised.

For example, on 20 May 2022, the Dutch government announced its intention to curtail some historical fiscal measures (including the 30% tax-

[29] Ministry of Economy and Finance, Italy, Statistiche sulle Dichiarazioni Fiscali Analisi dei Dati IRPEF, various years.

[30] Malchow-Møller et al. (2019)

[31] Kleven et al. (2020).

[32] In Norway, the 15% standard deduction from gross income for foreign employees was replaced in 2019 by a simplified tax regime for foreign workers. Only seafarers and shelf workers are not included and remain entitled to a 10% deduction.

free allowance) to increase tax revenues in the context of rising inflation rates.[33] The Dutch will also abolish from 2025 the partial non-resident taxpayer status, which allowed employees not to be taxed on their worldwide income.

In Belgium, the new tax relief programme for foreign executives and researchers (abolishing the 1983 regime) aimed to provide more legal certainty and greater transparency. The new programme introduces new salary level requirements, a more advantageous tax-free expense allowance, and ends the non-resident tax status of beneficiaries (who are now subject to additional taxes on their worldwide income). All these changes have been made to simplify the international recruitment processes of migrant experts from abroad while safeguarding Belgium's attractiveness to foreign investors. With the introduction of the new programme, however, Belgium, limited the duration of the benefits to eight years and set a minimum income threshold.[34]

Italy passed a budget law in 2021 allowing teachers and researchers who arrived prior to 2019 to pay to extend their benefit for a total of eight, eleven or 13 tax years total, by paying a fixed fee of 5-10% of income for the previous tax year. This measure aimed to address the concern that teachers and researchers would leave when their exemption expired. They are now allowed to "buy" an additional five years of exemption.

In Australia, recent changes to tax relief programmes were motivated by equity questions. The foreign-sourced income exemption was limited to four years in order to match the standard period of a temporary worker visa. Korea also reduced in 2010 the duration and the percentage of its tax exemption for high-skilled workers (from 100% during five years to 50% during two years) but in 2015 increased this duration again to five years after weighing equity considerations against the expected benefits of attracting and retaining high-skilled workers, in particular engineers and technicians. The Korean tax relief programme was initially designed to apply for two years. In 2015 this was extended to five years. In December 2022, the period of the tax relief programme was extended to 10 years, to encourage the target group to remain in Korea.[35] Korea further announced in July 2022 plans to launch a comprehensive tax reform that would extend the 50% exemption from income taxes for highly skilled foreign engineers from the current five years to ten years, and extend the five-year time limit applying to the 19% flat rate for some categories of foreign employees. The 19% rate now applies for 20 years to employees of regional offices prescribed by the Foreign Investment Promotion Act.

Other countries, like Spain, reoriented their tax relief programme towards other beneficiaries to prevent abuse. Originally, athletes and sportsmen fell under the scope of the Law Decree 687/2005 laying down a Special Tax Regime for Foreign workers ("SETR").[36] In 2010, the Government introduced a salary cap of EUR 600 000 to benefit from the relief. The last major change adopted in 2015 explicitly excluded professional athletes from the programme. This category is no longer eligible for the relief in Spain[37], now aimed at skilled workers only, offering them a fixed tax rate of 24% on the first EUR 600 000 of income, and 47% above this threshold. Italy made major changes in its tax relief in 2024, unifying the exemption at 50% regardless of location of residence and capping the income subject to relief at EUR 600 000 (i.e., the maximum amount exempt at 300 000). Prior non-residence was increased from 2 to 3 years, and the commitment to reside in Italy raised from 2 to 4 years. Business income is no longer eligible for relief.

[33] See The Spring Memorandum 2022.

[34] From 2024, the minimum gross salary requirement is EUR 75 000, with exceptions for researchers.

[35] Notice of Legislation of Partial Amendment to Restriction of Special Taxation Act, 조세특례제한법」 일부개정법률안입법예고, 22/7/22.

[36] https://www.boe.es/eli/es/rd/2005/06/10/687.

[37] The proposed changes to the Régimen Especial para Trabajadores Desplazados, or Special Expats' Tax Regime ("SETR"), popularly known as the "Beckham Law", notably extend the scope of the regime to people who were not previously covered, such as remote workers who provide their services online and directors of start-up companies.

Conclusion

Tax relief programmes for foreign migrants and returning nationals vary widely. While high skilled workers and HNWIs tend to benefit the most from these programmes, other migrants (e.g. pensioners or remote workers) are now seen as potential targets in several OECD countries.

So far, these is no indication of a "race to the bottom" to lower tax rates; most schemes remain limited in scope and duration. However, as many European countries have introduced some type of tax relief programme for foreign migrants or returning nationals, lower tax rates in one country may encourage countries in close proximity to offer similar conditions.[38] The potential negative impact on other countries has not been examined.

After decades of implementation, evaluation has been limited and the concrete impact of these fiscal incentives on migration flows and economic growth remains unclear. However, recent literature and empirical studies on specific tax relief programmes pave the way for further reflection, which might be valuable for decision-makers when adopting or reviewing tax relief programmes for migrants.

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Useful links
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[38] Kleven et al (2020).