Employment Briefing

Budget Law 2025

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TABLE OF CONTENTS

The 2025 Budget Law

The Budget Law for 2025, Law No. 207/2024, was published in Official Gazette No. 305 on December 31, 2024, in Supplement No. 43/L. This law consists of 21 articles and, unless expressly provided otherwise, takes effect from January 1, 2025, as specified in Article 21.

Reimbursements for Professionals and Employees

From January 1, 2025, reimbursements for travel expenses (hotels, restaurants, as well as travel and transportation via non-scheduled public services, such as taxis) incurred by employees and administrators are deductible for the company or professional only if payments are made through traceable methods (credit cards, debit cards, bank transfers, etc.). The same traceability requirements apply to reimbursements for third-party professionals tasked with travel on behalf of the client.

If these expenses, reimbursed in detail to the employee, are not paid using traceable methods, they are taxable for the employee.

Traceability requirements also apply to company representation expenses.

Mixed-Use Cars Assigned to Employees

The fiscal regulations for cars assigned for mixed use by employees have been amended. These vehicles, available for both company and personal use, provide a taxable benefit to the employee (calculated using the annual ACI tables). This benefit is reduced by any contribution paid by the employee to cover personal use.

The mixed-use arrangement allows 70% of the related costs to be deducted without a maximum cost limit for the vehicle. Additionally, if the employee is charged for private use, the VAT on these costs becomes fully deductible.

The Budget Law revises the rules for determining the benefit. Previously, the benefit varied based on the vehicle's environmental impact (with higher taxation for more polluting cars). From 2025, the benefit depends on the vehicle's type of fuel. Electric and plug-in hybrid vehicles enjoy significant tax advantages, while other vehicles face higher benefits tax.

While mixed-use remains the most fiscally advantageous option, this advantage has been reduced. Each case must be evaluated individually.

Revision of Irpef Tax Brackets

From 2025, the gross Irpef tax is calculated using three brackets:

- Up to €28,000: 23%
- From €28,001 to €50,000: 35%
- Over €50,001: 43%

Income from Employment

Article 13, paragraph 1(a) of the Consolidated Income Tax Act (Tuir) has been amended to increase the employee income deduction from €1,880 to €1,955 for incomes up to €15,000.

To counterbalance this increase, the threshold for the integrated tax treatment, previously reduced by €75 (proportional to the work period during the year), is amended.

A special sum, exempt from income formation, is granted to employees (excluding pensioners under Article 49, paragraph 3(a), Tuir) with total income not exceeding €20,000. The percentage varies as follows:

- 7.1% for incomes up to €8,500;
- 5.3% for incomes between €8,500 and €15,000;
- 4.8% for incomes between €15,000 and €20,000.

This sum decreases for total incomes exceeding €32,000 and phases out completely at €40,000. Employers automatically calculate these benefits during payroll reconciliation. Any overpayment is recovered in up to 10 installments if it exceeds €60.

Income thresholds include exemptions granted to returning researchers and employees under various provisions.

(Additional sections on "New Bonus," "Tax Deduction Adjustments," and specific tax rules omitted for brevity but follow similar details in tone and precision.)

New Bonus and New Employee Tax Deduction

A new Irpef bonus is introduced for employees (excluding pensions under Article 49, paragraph 2(a), Tuir) with varying amounts based on total income.

For total income not exceeding €20,000, the bonus is as follows:

- 7.1% for employment income up to €8,500;
- 5.3% for employment income between €8,500 and €15,000;

- 4.8% for employment income between €15,000 and €20,000.

For those with total income exceeding €20,000, an additional tax deduction applies as follows:

- €1,000 for income between €20,000 and €32,000;
- A scaled-down amount for income between €32,000 and €40,000, reducing to zero at €40,000.

Employers must automatically apply the bonus and deduction during payroll processing, verifying their validity at year-end reconciliation. If amounts are improperly awarded, recovery is made in 10 equal installments for sums over €60.

The calculation of total income considers exemptions provided under specific favorable regimes for researchers and returning workers, among other cases.

Revision of Tax Deductions

A new Article 16-ter of the Tuir redefines tax deductions. For individuals with total income exceeding €75,000, the total deductible amount for eligible expenses is limited. The maximum deductible amount is determined by multiplying a base amount (depending on total income) by a coefficient linked to the number of dependent children.

The base amount is:

- €14,000 for income over €75,000;
- €8,000 for income over €100,000.

The coefficients are as follows:

- 0.50 for no dependent children;
- 0.70 for one dependent child;
- 0.85 for two dependent children;
- 1.00 for three or more dependent children or at least one child with a certified disability.

For income between €75,000 and €100,000, maximum annual deductions are:

- €14,000 for households with three or more dependent children;
- €11,900 for two children;
- €9,800 for one child;
- €7,000 for no children.

For income over €100,000, maximum deductions decrease further:

- €8,000 for three or more children;
- €6,800 for two children;
- €5,600 for one child;
- €4,000 for no children.

Certain expenses, such as medical costs and investments in innovative start-ups or SMEs, are excluded from the overall deductible calculation.

Deductions for Dependent Family Members

Article 12, paragraph 1(c), Tuir has been amended to set the deduction for dependent children at €950 per child, including children born outside of marriage, adopted children, foster children, and children of a deceased spouse living with the surviving spouse, aged 21 to 30, or disabled children aged 30 and older.

Article 12, paragraph 1(d), now limits the €750 deduction for other dependents to only cohabiting ascendants.

Taxpayers who are not citizens of Italy, the EU, or countries in the European Economic Area are excluded from deductions for dependents residing abroad.

Mixed-Use Vehicles for Employees

For vehicles assigned to employees under mixed-use contracts signed after January 1, 2025, the taxable income is calculated as 50% of the cost based on an annualized 15,000-kilometer standard, minus any amounts withheld from the employee. Reduced rates apply for electric vehicles (10%) and plug-in hybrids (20%).

Expense Traceability for Irpef, Ires, and Irap

From 2025, traceable payment methods (bank transfers, credit cards, etc.) are required for the tax deductibility of:

- Employee expenses for meals, lodging, travel, and transportation;
- Costs of travel and accommodation billed by freelancers to clients;
- Representation expenses for businesses.

These provisions also apply to Irap tax calculations.

Exclusion from NASpI for Repatriated Workers

From January 1, 2025, NASpI (unemployment benefits) will no longer apply to Italian workers repatriated from abroad or cross-border workers who lose employment due to dismissal or non-renewal of seasonal contracts.

Parental Leave

Parental leave allowances are increased to 80% of salary for a maximum of three months, available alternately between parents until the child reaches six years old. This applies to leave taken after December 31, 2024.

Contribution Exemption for Working Mothers

From January 1, 2025, working mothers with at least two children (excluding domestic workers) are entitled to a partial exemption from their contribution share of IVS (social security contributions). The exemption:

- Applies until the youngest child turns 10;
- Extends until the youngest child turns 18 for mothers with three or more children starting in 2027;
- Is not available for certain high-benefit exemptions.

The exemption is contingent on annual taxable income not exceeding €40,000.

Reduction in Substitute Tax for Productivity Bonuses

The temporary reduction of the substitute tax on productivity bonuses and corporate profit participation from 10% to 5% is extended to payments made in 2025, 2026, and 2027.

Exclusion from Taxable Income for Certain Worker Benefits

For 2025–2027, the taxable income exclusion limit for fringe benefits is raised:

- To €2,000 for employees with dependent children;
- To €1,000 for other employees.

This includes direct payments or reimbursements for utilities, rent, and mortgage interest for the primary residence.

Supplementary Treatment for Tourism, Hospitality, and Spa Sectors

From January 1 to September 30, 2025, employees in tourism, hospitality, and spa sectors receive a special supplementary allowance (15% of gross wages for night work and holiday overtime). This does not contribute to taxable income and applies to employees with 2024 incomes not exceeding €40,000.

Alignment of Regional Irpef Surcharge Rules with the New Regulations

To ensure consistency with the new Irpef tax brackets introduced in Article 11, paragraph 1, Tuir, the deadline for adjusting regional Irpef surcharge brackets and rates for the 2025 tax year is extended to April 15, 2025.

Pending the reorganization of local government taxation, regions and autonomous provinces may, for the 2025, 2026, and 2027 tax years, apply differentiated regional surcharge rates based on the Irpef brackets effective until January 1, 2025.

If regions or autonomous provinces fail to approve the revised brackets and rates by the specified deadline, the regional surcharge will apply based on the brackets and rates in effect during the previous year.

Additionally, the deadline for transmitting relevant data for the determination of the regional Irpef surcharge for publication on the official website (Article 1, paragraph 3, D.Lgs. 360/1998) is extended to May 15, 2025.

Alignment of Municipal Irpef Surcharge Rules with the New Regulations

Municipalities are required to revise the brackets and rates for the municipal Irpef surcharge for the 2025 tax year by passing a resolution by April 15, 2025.

For the 2025, 2026, and 2027 tax years, municipalities may set differentiated municipal surcharge rates based on the Irpef brackets effective until January 1, 2025.

If municipalities fail to adopt or transmit the necessary resolutions by the deadlines specified in Article 14, paragraph 8, D.Lgs. 23/2011, the municipal surcharge will apply based on the brackets and rates in effect in the previous year.

Updates from the Milleproroghe Decree

Extension of Exceptions on Fixed-Term Employment Contracts

The Milleproroghe Decree modifies Article 19, paragraph 1, D.Lgs. 81/2015, concerning fixed-term employment contracts in the private sector. These contracts may exceed 12 months but must not exceed 24 months, provided at least one of the following conditions is met:

- As provided by collective agreements;
- In the absence of such provisions, within company-applied collective agreements and by December 31, 2025, for technical, organizational, or production-related needs identified by the parties;
- For the replacement of other employees.

HRIT remains available for any additional explanations.

Best regards,

HRIT

January 28, 2025