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1 Budget Law 2025 – New developments in tax, labor and social security

TO ALL CUSTOMERS

The 2025 Budget Law (Law no. 207 of 30/12/2024, published in the *Official Gazette* on 31/12/2024), effective from 1/01/2025, introduces several provisions regarding employment, pensions, social safety nets, and social security. The key updates are reported below.

1. Tax news for employees

1.1 Irpef 2025 and related measures

The Budget Law has permanently implemented the reduction in Irpef brackets and corresponding tax rates that was initially planned for 2024, decreasing them from four to three. Starting from the 2025 tax period, the revised brackets and rates will be as follows:

Bracket	Rate
up to Euro 28.000	23%
higher than Euro 28.000 and up to Euro 50.000	35%
over Euro 50.000	43%

Furthermore, for individuals earning employment income up to Euro 15.000, the increase in the employment income deduction from Euro 1.880 to Euro 1.955 has been confirmed. As a result, the so-called "no tax area" has been raised from Euro 8.173,91 to Euro 8.500.

1.2 New exempt allowance and further deduction

Employees with earned income (excluding pension income) and a total annual income not exceeding Euro 20.000 are entitled to a non-taxable sum, calculated by applying the following percentages to their employment income:

Income brackets	**Exemption percentage**	**Maximum exemption amount**
Employment income up to Euro 8.500	7.1%	Euro 603,50
Employment income higher than Euro 8.500 but lower than Euro 15.000	5.3%	Euro 795,00
Employment income exceeding Euro 15.000	4.8%	Euro 960,00

In the event that the total employment income is between Euro 20,000 and Euro 40,000, the beneficiary shall be granted a further deduction, in a fixed amount or as a percentage, calculated as follows:

Income brackets	**Annual amount for additional IRPEF deduction**
From Euro 20.000,01 to Euro 32.000,00	Euro 1,000
From Euro 32.000,01 to Euro 40.000,00	Euro 1.000X [(Euro 40,000- Total Income)] / Euro 8.000

1.3 Fringe benefits and corporate welfare

For the 2025, 2026, and 2027 tax periods, the value of goods and services provided to employees, as well as amounts paid or reimbursed by the employer for household utilities, primary residence rent, and mortgage interest on the primary residence, will not be considered taxable income for personal income tax (IRPEF) purposes, up to a total limit of Euro 1.000. This provision is an exception to Article 51, paragraph 3 of the Consolidated Law on Income Tax (TUIR), as approved by Presidential Decree no. 917 of 22/12/1986. The aforementioned limit is increased to Euro 2.000 for employees with dependent children, including those born within or outside of marriage, as well as adopted or foster children, provided they meet the conditions set out in Article 12, paragraph 2 of the TUIR. Regarding the exclusion from taxable income for IRPEF purposes, employers may refer to the guidelines issued by the Revenue Agency in Circular no. 35 of 4/11/2022. This regulation applies to employees and individuals earning income equivalent to employment income, as determined by Article 51 of the TUIR. The fringe benefits covered under this provision may also be granted by employers on an individual (*ad personam*) basis. To implement this measure, employers must inform the single trade union representation (RSU) - where present - in advance. Additionally, employees with dependent children must declare their eligibility for the Euro 2.000 limit to their employer and provide the tax identification number of their children.

1.4 Rental costs for newly transferred employees

A transitional income tax exemption regime is introduced for employees with permanent contracts during 2025. Specifically, the sums paid directly or reimbursed by employers for the payment of rent and maintenance costs of buildings rented by employees hired on a permanent basis from 1/01/2025 to 31/12/2025 are exempt from IRPEF for the first two years from the date of hiring and up to an overall limit of Euro 5.000 per year. The benefit is available to employees with an annual income not exceeding Euro 35.000 in the year preceding their date of hiring, provided they have relocated their residence to their work municipality, which must be at least 100 kilometers away from their previous municipality of residence. To access the benefits, the interested worker must provide the employer with a specific statutory declaration (so-called *dichiarazione sostitutiva di atto notorio*) in which he/she certifies the place of residence in the six months preceding the date of hiring. The benefit is of an exclusively fiscal nature and is not relevant for contribution purposes.

1.5 Tax exemption for performance bonuses

It is confirmed that for the years 2025, 2026, and 2027, the reduced substitute tax rate of 5% (instead of 10%) will continue to apply to performance bonuses and profit-sharing schemes for private sector employees, in place of standard IRPEF and related regional and municipal surcharges. In practice, over the next three years, such reduction shall apply to:

- bonuses tied to improvements in productivity, profitability, quality, efficiency, and innovation, provided they are measurable and verifiable;
- sums paid as participation in corporate profits.

The previous limits are confirmed: Euro 3.000 (Euro 4.000 for companies that involve employees equally in the organization of work) for the amounts eligible for the benefit, provided that the employment income in the year preceding the year of receipt of the benefits does not exceed Euro 80.000.

2. New Developments in Employment

2.1 Mixed-use vehicles

Starting from contracts signed on **1/01/2025**, the taxation of **fringe benefits** related to the mixed-use of company vehicles will undergo changes. For newly registered cars, mixed-use vehicles, camper vans, motorcycles, and mopeds provided for mixed use under contracts signed from 1/01/2025, the taxable amount will be based on 50% of the value corresponding to a conventional mileage of 15.000 kilometers, calculated using the conventional cost per kilometer as determined by the ACI's (*Automobile Club d'Italia*) annual tables, minus any amounts withheld from the employee. The percentage is reduced to 10% for battery-electric vehicles and to 20% for plug-in hybrid electric vehicles.

2.2 Traceability of travel expenses

Starting 1/01/2025, expenses incurred and reimbursed for food, accommodation, travel, and transport provided by non-scheduled public transport services will not be taxable for the recipient and can be deducted by the employer, provided the payments are made using traceable means (such as bank or postal transfers, debit cards, credit and prepaid cards, or bank and cashier's checks). If these expenses are not paid through traceable methods, the reimbursement to the employee will be subject to ordinary taxation and contributions. Similarly, the employer will only be able to deduct the related costs if proof of payment is provided using a traceable payment method.

2.3 Supplementary treatment for night work and overtime on holidays

For the period from 1/01/2025 to 30/09/2025, workers in food and beverage establishments and workers in the tourism sector are entitled to a special supplementary treatment, which does not contribute to the formation of income, equal to 15% of the gross wages paid in relation to night work and overtime work performed on public holidays. The provision applies to employees of public establishments in the private sector engaged in the following activities:

- Catering services for the provision of meals and drinks (including restaurants, trattorias, diners, pizzerias, pubs, and similar establishments);
- Supply of drinks, sweets, pastries, ice cream, and delicatessen products (including bars, cafés, ice cream parlors, pastry shops, and similar establishments);
- Establishments where food and drinks are provided alongside entertainment and leisure activities, such as in dance halls, gaming rooms, night clubs, beach resorts, and similar establishments.

The special supplementary treatment mentioned above is granted by tax substitutes upon the worker's request. The worker must confirm in writing that, in the year 2024, they did not receive employment income exceeding Euro 40.000.

2.4 Contribution exemption for working mothers

A partial exemption from IVS contributions (Invalidity, old age, survivors) is granted to employed workers -excluding domestic workers – as well as certain categories of self-employed individuals. To qualify, self-employed workers must earn income from at least one of the following sources: self-employment, business income (either under ordinary or simplified accounting), or income from participation in a business partnership. Those who have opted for the flat-rate tax regime are not eligible. Importantly, this exemption does not affect the rate used to calculate pension benefits. For this measure to take effect, an Interministerial Decree must be issued within 30 days of the 2025 Budget Law’s enactment.

2.5 Parental leave

An amendment has been introduced to Article 34 of Legislative Decree no. 151 of 26/03/2001, allowing both working mothers and fathers to benefit from an additional month of parental leave, compensated at 80%. Currently, the aforementioned Legislative Decree 151/2001 grants each parent three months of non-transferable paid parental leave. Additionally, parents can share a further three months, either alternately or divided between them. With this new measure, the total duration of parental leave compensated at 80% increases to three months. It must be used alternately between parents until the child turns six. However, this increase does not apply if maternity or paternity leave has already ended by 31/12/2024.

2.6 Increased deduction of labor costs for employers

The Budget Law extends the increased tax deduction for hiring costs for the tax period following 31/12/2024, and the two subsequent years. Employers will benefit from a 20% increase in deductible costs when hiring new employees. Such increase rises to 30% when hiring individuals from categories considered to be in greater need of protection, including:

- disadvantaged or disabled workers;
- women of any age with at least 2 children under the age of 18 or who have been unemployed for at least six months and reside in regions eligible for funding under the European Union structural funds;
- women victims of violence, included in certified protection programs with anti-violence centers, resulting in permanent facial disfigurement as verified by competent medical commissions;
- young people eligible for youth employment incentives;
- workers employed in regions which in 2018 had a *per capita* gross domestic product lower than 75% of the EU27 average or, in any case, between 75% and 90%, with employment rates below national average;
- subjects already receiving citizen's income.

3. Social security update

3.1 New requirements for NASpI use

Starting 1/01/2025, new contribution requirements will apply for workers seeking NASpI (Italy's Social Insurance for Employees who have been made redundant) following involuntary unemployment. These changes specifically impact workers who, in the 12 months before becoming unemployed, had resigned voluntarily or ended a permanent job through consensual termination.

As a result of this change, NASPI will be available to those who, "*with reference to unemployment events that occurred from 1/01/2025, can claim at least 13 weeks of contributions from the last event of termination of the permanent employment relationship interrupted by voluntary resignation, including following consensual termination. This requirement applies on condition that the termination event due to resignation occurred in the twelve months preceding the involuntary termination event for which the benefit is requested*." In summary, in order to prevent any abuse in the use of unemployment benefits, from 1/01/2025, if a worker resigns or consensually terminates the employment relationship and, in the following 12 months, is hired by another employer and fired by them, the right to Naspi will not accrue if the new employment relationship has not lasted at least 13 weeks. In this case, the requirement of 13 weeks of contributions must have been accrued in the period between the two events. Finally, the rule does not affect the cases in which unemployment benefits have been granted for resignation during the maternity period, for just cause or for consensual termination within the dismissal procedures for objective justified reasons.

3.2 Quota 103 Pension

This early retirement benefit is available to workers who, by 31/12/2025, have accrued at least 41 years of contributions and are 62 years of age or older. The pension amount is calculated based on the contributory system rules.

The early-retirement benefit is granted with a maximum gross monthly amount not exceeding four times the current minimum pension. Additionally, from the start of the pension until the worker meets the requirements for the standard old-age pension, it cannot be combined with income from employment or self-employment, except for occasional self-employment income, which is allowed up to a gross annual limit of Euro 5.000.

3.3 Incentive for continuing work after meeting the requirements for early retirement

Public and private sector employees who, by 31/12/2025, meet the minimum requirements set out in Article 14.1 of Legislative Decree no. 4/2019 and Article 24, Paragraph 10, of Legislative Decree no. 201/2011 (42 years and 10 months of contributions for men and 41 years and 10 months for women) may request that their employer pay them the portion of IVS pension contributions they are responsible for, instead of forwarding it to the Social Security Institution. This would be done with the waiver of the related credit.

Our Firm remains available for any further clarification or needs.