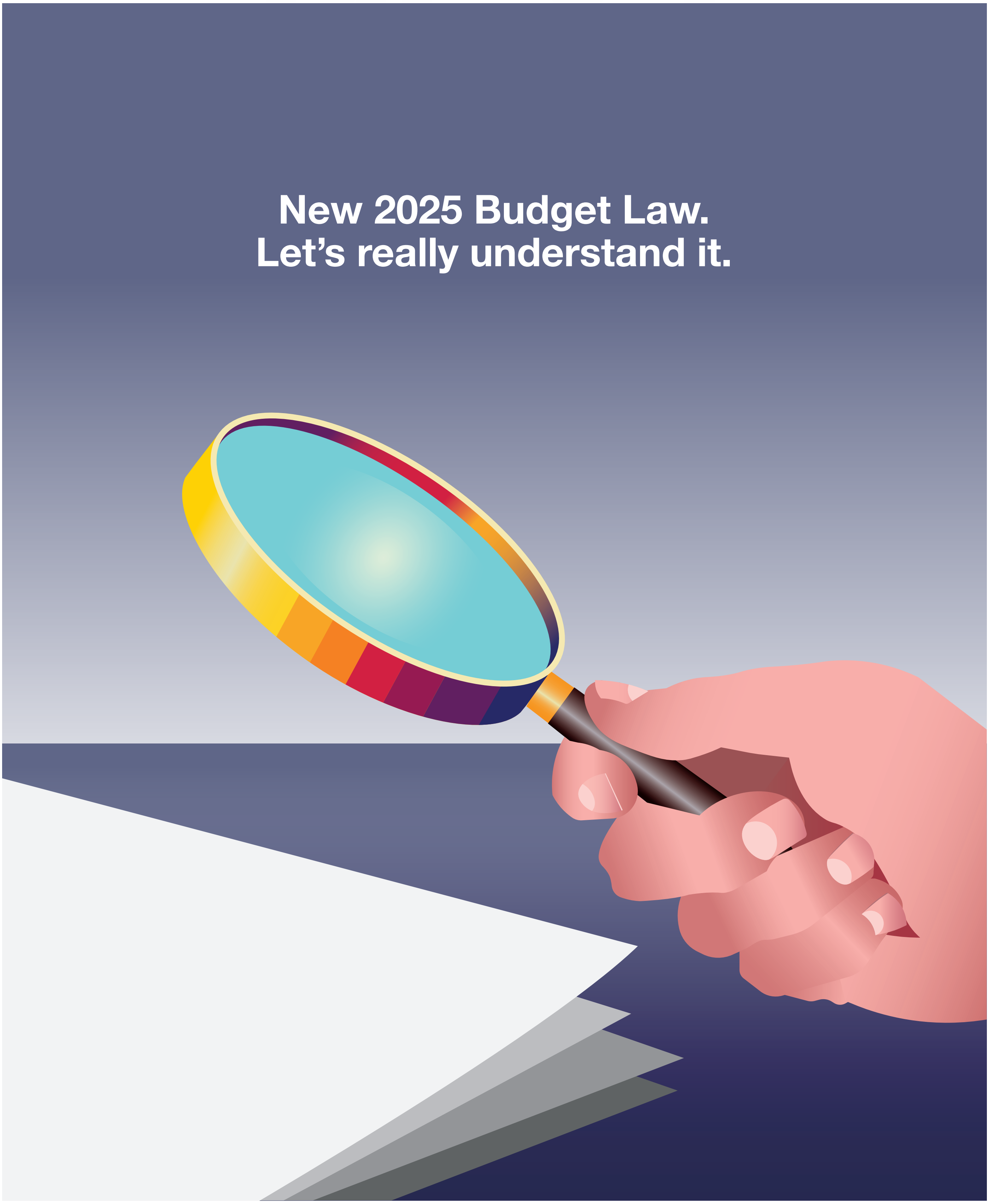
NEXT STEPS

LABOUR NEWSLETTER - 1/25



MILANO - BERGAMO - CROTONE - SESTO SAN GIOVANNI - ROMA

CF/P.IVA 10264100966 – Tel +39.02.45.47.69.50

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LAW

2025 BUDGET LAW

2025 Budget law.

The 2025 Budget Law (Law no. 207 of 30 December 2024), which was definitively approved by Parliament, introduces several crucial measures to support low and middle incomes, boost the birth rate and increase the efficiency of the tax system. Below is an overview of the main measures introduced in the areas of taxation, labour rules and social security.

CHANGES ON THE TAX FRONT

IRPEF TAX

IRPEF tax brackets and employee income.

First, the 2025 Budget Law permanently reduces the number of IRPEF tax brackets from four to three, a change initially introduced for 2024 as an exception to the Consolidated Income Tax Act (TUIR) by Legislative Decree no. 216/2023.

The updated progressive tax brackets are now as follows:

- 23% for income up to €28,000
- 35% for income between €28,000 and €50,000
- 43% for income over €50,000.

In addition, the tax deduction for employment income has been increased from €1,880 to €1,955 for incomes up to €15,000. This adjustment also increases the "no-tax area" to €8,500, extending its application also to employees, as already provided for pensioners. The comparative table below shows the IRPEF brackets from previous years alongside the permanent changes effective from 1 January 2025.

<table>
<tr><th colspan="4">INCOME BRACKETS AND IRPEF TAX RATES</th></tr>
<tr><th colspan="2">2022 to 2023</th><th colspan="2">For 2024 and permanently from 2025</th></tr>
<tr><td>Up to € 15,000</td><td>23%</td><td rowspan="2">Up to € 28,000</td><td rowspan="2">23%</td></tr>
<tr><td>€ 15,000 to € 28,000</td><td>25%</td></tr>
<tr><td>€ 28,000 to € 50,000</td><td>35%</td><td>€ 28,000 to € 50,000</td><td>35%</td></tr>
<tr><td>Over € 50,000</td><td>43%</td><td>Over € 50,000</td><td>43%</td></tr>
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TAX WEDGE REDUCTION

Tax wedge reduction.

The Budget Law has introduced a new measure to reduce the tax wedge, which, unlike the 2024 provision, does not involve lowering the employee's contribution (previously 6% or 7%). Instead, this reduction will solely have fiscal effects.

Two new measures have been introduced: the first is for employees (thus excluding assimilated income) with total income not exceeding €20,000. A sum, not included in taxable income, will be provided based on a percentage of employment income. This variable amount is calculated as a percentage of taxable income as follows:

- 7.1% for income up to €8,500
- 5.3% for income between €8,500 and €15,000
- 4.8% for income over €15,000.

The second measure introduces an additional tax deduction for employees with annual total income (TI) above €20,000 but less than €40,000. This deduction is €1,000 for incomes up to €32,000. Above this amount, the deduction decreases progressively to zero for income of €40,000.

Reddito complessivo annuo	Detrazione annua
20.000 < RC < 32.000	1.000
32.000 < RC < 40.000	1000 x (40.000-RC) /8000
RC > 40.000	0

In both cases, the amounts are proportional to the period of employment and are automatically recognised by the withholding agent in each pay period.

SUPPLEMENTARY TAX CREDIT

Supplementary tax credit.

The Budget Law has confirmed and made permanent a supplementary tax credit of up to €1,200 for individuals with a total income not exceeding €15,000.

This tax credit is granted on the condition that the gross tax calculated on employment and assimilated income exceeds the amount of the work-related tax deduction, reduced by €75, proportionate to the period of employment during the year.

TAX CREDITS FOR DEPENDENT CHILDREN

Tax credits for dependent children.

The Budget Law has introduced new rules for tax credits for dependent children. The tax credit is now only allowed for children under 30 years of age unless a disability has been certified.

The tax credit for dependent children is set at €950 for each child, including children born outside of marriage who are legally recognised, adopted children, foster children, affiliated children and children of a deceased spouse who live with the surviving spouse. This applies to children aged 21 or older but under 30, as well as to children aged 30 or older with a certified disability.

In addition, tax credits for dependents other than children are now limited to cohabiting ascendants (e.g., parents or grandparents). The tax credit amounts to €750 per cohabiting ascendant and must be shared proportionally among eligible taxpayers.

Lastly, taxpayers who are not Italian citizens, EU citizens or citizens of a country in the European Economic Area are no longer eligible for dependent tax credits for family members residing abroad.

Please also remember that the universal allowance replaces tax credits for children under 21 years of age.

FRINGE BENFIT AND EMPLOYEE WELFARE PROGRAMMES

Tax measures for fringe benefits and employee welfare programmes.

The 2025 Budget Law has confirmed that, for the 2025, 2026 and 2027 tax years, the value of goods and services provided to employees, along with amounts paid or reimbursed by employers for domestic utility bills (integrated water services, electricity and natural gas), rent for the primary residence or interest on mortgages for the primary residence, will not be included in taxable income, up to a total limit of €1,000.

This limit increases to €2,000 for employees with tax-dependent children, including children born outside of marriage who are legally recognised, adopted children, foster children and affiliated children.

In practice, this confirms the provisions already in place for 2024.

Additionally, amounts paid or reimbursed by employers for rent and maintenance costs for properties rented by employees hired on open-ended contracts between 1 January and 31 December 2025 will not be included in taxable income during the first two years of employment, up to an annual limit of €5,000.

TAX RELEIF ON PERFORMANCE BONUSES

Tax relief on performance bonuses.

The temporary reduction in the substitute tax rate for IRPEF and the associated regional and municipal tax surcharges, from 10% to 5%, is extended to bonuses and payments made in 2025, 2026 and 2027. This reduction, already applicable to similar payments in 2023 and 2024, applies to certain types of remuneration, including performance bonuses and profit-sharing schemes.

Please be aware that signing a second-level collective agreement is a prerequisite for accessing this beneficial taxation.

COMPANY CARS

Company cars assigned for mixed use by employees.

For cars first registered in 2025 and assigned for mixed use by employees from 2025 onwards, the method for calculating the value of the fringe benefit has been revised based on the fuel type:

- **Electric Vehicles:** Taxation is reduced to 10% of the value of the fringe benefit.
- **Plug-In Hybrid Vehicles:** Taxation is set at 20% of the value of the fringe benefit.
- **Traditional Vehicles (Petrol/Diesel)**: Taxation is increased to 50% of the value of the fringe benefit.

Further guidance from the Inland Revenue Agency is still expected regarding how to manage cars assigned at the turn of the year.

EXPENSE REIMBURSEMENTS

Traceability of expense reimbursements.

The 2025 Budget Law has introduced several measures to improve expense traceability and combat tax evasion.

For income tax purposes, deductions are now limited to payments made through traceable methods for expenses related to meals and accommodation, whether incurred directly or reimbursed on an itemised basis to employees, as well as travel and transport expenses for journeys made using on demand public transport services.

For the purpose of determining self-employment income, expenses for meals, accommodation, travel and transport – incurred by using taxis or chauffeur-driven car hire services – must be paid via bank transfer when

EXPENSE REIMBURSEMENTS

they are itemised and charged to clients.

The same limitation has been introduced for the same type of expenses incurred during employee business trips.

The traceability requirement also extends to client entertainment expenses, regardless of the specific deduction limits in place.

These measures are designed to reduce tax evasion and foster greater transparency in transactions.

TAXATION OF TIPS

Favourable taxation of tips for hospitality and food service staff.

The 2025 Budget Law has confirmed, while also including some updates, the special tax exemption scheme for tips received by employees in hospitality establishments and food and beverage service businesses.

Specifically, for 2025, the income threshold for applying the reduced taxation has been raised from €50,000 to €75,000 per year, and the annual cap for the applicable benefit has been increased from 25% to 30%.

SUPER-DEDUCTION FOR PERSONNEL COSTS

Super-deduction for personnel costs.

The super-deduction for personnel costs, available to employers hiring new staff on open-ended contracts that result in a net increase in employment, is extended for the three-year period 2025–2027 under the same conditions as those applied in 2024.

This measure increases the deductible personnel costs for employees hired between 1 January 2025 and 31 December 2027 by 20% in general, or by 30% for individuals in specific categories, such as people with disabilities, young people under 30 eligible for employment incentives, mothers with at least two children, women who are victims of violence and former recipients of the so-called Citizenship Income (reddito di cittadinanza)

FLAT-RATE TAX REGIME

Changes to the flat-rate tax regime.

For 2025, the income threshold for accessing the flat-rate tax regime has been raised to €35,000 for individuals who earned employment income or income assimilated to employment in the previous year.

The previous threshold was €30,000.

CHANGES ON THE CONTRIBUTION FRONT

NASPI

New requirements for NASPI allowances.

For individuals who, in the 12 months before becoming unemployed on an involuntary basis, thus qualifying for NASPI, had voluntarily ended an open-ended employment contract through resignation or mutual agreement, at least 13 weeks of contributions must have been paid after the voluntary termination of the contract.

This provision does not apply to resignations during a protected period or resignations for just cause.

PARENTAL LEAVE

Parental leave.

The parental leave allowance has been permanently increased to 80% of an individual's salary for three months, available until the child turns six.

For male and female employees who complete maternity or paternity leave from 1 January 2024 onwards, the allowance will be permanently increased to 80% of their salary for the second month of leave until the child turns six, effective from 2025 (previously 60%).

For male and female employees who complete maternity or paternity leave from 1 January 2025 onwards, the allowance will also be permanently increased to 80% of salary for an additional month before the child turns six, effective from 2025.

WORKING MOTHERS

Contribution relief for working mothers.

The contribution relief for working mothers has been confirmed and extended to include fixed-term employees and self-employed workers. From 1 January 2025, this relief will be available to working mothers with two or more children until their youngest child turns ten.

From 2027, for mothers with three or more children, the contribution relief will apply until their youngest child turns 18. The relief is only granted if the mother's salary or taxable income for social security purposes does not exceed €40,000 per year.

The regulation does not have any further details and so it is necessary to wait until the operational guidelines (i.e. the circular) are issued.

SOUTH CONTRIBUTION RELIEF

South contribution relief.

The 2025 Budget Law has introduced new contribution relief for private employers, excluding those in agriculture and domestic work, who hire workers on open-ended contracts in Abruzzo, Molise, Campania, Basilicata, Sicily, Apulia, Sardinia and Calabria.

This new relief, which replaces the scheme previously known as Decontribuzione Sud, is subject to different conditions depending on the type of beneficiary company. Specifically, it is available to micro-enterprises and small and medium-sized enterprises (SMEs), defined as those with no more than 250 employees, provided the aid complies with the "de minimis" limits.

The legislator has also set out that the relief may apply to companies not classified as "micro-enterprises and SMEs," provided the employer demonstrates, by 31 December of each year, a net increase in permanent employment (i.e. on open-ended contracts) compared to the previous year. For these larger companies (i.e. not micro-enterprises or SMEs), this relief is granted only after receiving authorisation from the European Commission, with the requirement of maintaining the increase in permanent employment.

DECONTRIBUZIONE SUD

The new relief involves an exemption from paying social security contributions, excluding premiums and contributions payable to the National Insurance Institute for Industrial Accidents (INAIL), as outlined below:

- For 2025, the exemption is set at 25% of total social security contributions, up to a maximum of €145 per month for 12 months, for each worker employed on an open-ended contract as of 31 December 2024.

- For 2025, the exemption is set at 25% of total social security contributions, up to a maximum of €145 per month for 12 months, for each worker employed on an open-ended contract as of 31 December 2024.

- For 2027, the exemption remains at 20% of total social security contributions, up to a maximum of €125 per month for 12 months, for each worker employed on an open-ended contract as of 31 December 2026.

- For 2028, the exemption remains at 20% of total social security contributions, but the maximum amount is reduced to €100 per month for 12 months, for each worker employed on an open-ended contract as of 31 December 2027.

- For 2029, the exemption is reduced to 15% of total social security contributions, with a maximum of €75 per month for 12 months, for each worker employed on an open-ended contract as of 31 December 2028.

The exemption in question cannot be combined with incentives provided by current legislation for self-employment, the hiring of individuals under the age of 35, employment in the Southern Italy Special Economic Zone or hiring disadvantaged women.

The benefit is granted subject to having a valid Insurance Contribution Payment Certificate (DURC) and compliance with labour and social legislation, as well as obligations on employing disabled individuals.

PROBATION PERIOD

Probation period for fixed-term contracts.

Unless more favourable provisions are established by collective agreements, the probation period for fixed-term agreements is calculated as one day of actual work for every 15 calendar days from the start of employment.
In any case, the probation period must not be less than 2 days or exceed 15 days for contracts of up to 6 months or exceed 30 days for contracts lasting more than 6 months but less than 12 months.

RESIGNATION

Resignation through implied conduct.

If an employee's unjustified absence extends beyond the period specified in the applicable National Collective Labour Agreement (CCNL) or, in the absence of a contractual provision, exceeds fifteen days, the employer must notify the local office of the National Labour Inspectorate. The Inspectorate may verify the accuracy of this notification.

In such cases, the employment relationship is considered terminated by the employee's intent. Consequently, the employee will not be entitled to the NASPI allowance, the employer will not be required to pay the dismissal contribution to the Italian Social Security Institute (INPS) and there will be no scope for disputes challenging the dismissal.

The new regulations govern cases of "de facto resignations" or "resignation through implied conduct" (also called fatti concludenti, literally "concluding facts") to which the rules on so-called "telematic resignations" do not apply. However, these provisions do not apply if the employee demonstrates that their absence could not be communicated to the employer due to force majeure or reasons attributable to the employer.

The National Labour Inspectorate reserves the right to issue detailed instructions, particularly regarding the duties of local labour inspectorates, which can check the accuracy of notifications made by employers about an employee's unjustified absence.

ONLINE CONCILIATIONS

Online conciliations.

Labour conciliation proceedings may be conducted remotely using audiovisual connections.
For this purpose, an interministerial decree should be issued to define the technical rules for adopting appropriate “information and communication technologies” (ICT) for such conciliations.

FIXED-TERM CONTRACTS

Reasons for fixed-term contracts.

The possibility for the parties to an employment contract to identify needs of a technical, organisational or production-related nature, in the absence of specific provisions of collective bargaining, to justify the imposition of an end date for the term of over 12 months is extended until 31 December 2025.

CHANGES ON THE PENSION FRONT

APE

APE social scheme.

The Budget Law has extended the APE Social scheme to include 2025 as well. This support scheme is available to specific categories of taxpayers, including long-term unemployed individuals, caregivers who are workers, disabled workers and employees engaged in strenuous occupations. Eligibility requires a minimum age of 63 years and 5 months and at least 30 years of contributions, increasing to 36 years for those in strenuous jobs.

As in previous years, the benefit cannot be combined with income from self-employment or employment, except for occasional work up to a maximum of €5,000 per year.

The allowance is calculated using the so-called “mixed system” and is capped at €1,500 gross per month. It does not include a thirteenth payment or inflation adjustments until the recipient reaches the statutory retirement age.

EARLY RETIREMENT FOR WOMEN

Early retirement for women.

The so-called "Opzione Donna" early retirement scheme has been renewed. To qualify, female workers must have accrued 35 years of actual contributions and reached the age of 61 by 31 December 2024. The one-year reduction in the age requirement per child, up to a maximum of two years, has been confirmed, along with the waiting periods of 12 months for employees and 18 months for self-employed workers.

Eligible applicants must fall into one of the following categories: caregivers, individuals with a work capacity reduction of at least 74% or workers made redundant from companies under a formal crisis procedure. The allowance is calculated entirely on a contribution-based system.

QUOTA 103 RETIRMENT SCHEME

Quota 103 retirment scheme.

The Quota 103 scheme has been extended until 31 December 2025. The pension benefit is calculated using the contribution-based method and is capped at an amount equivalent to four times the minimum. The scheme also prohibits combining the benefit with employment income until statutory retirement age is reached.

The eligibility criteria remain unchanged: 62 years of age and 41 years of contributions, with a waiting period of 7 months for private-sector employees and 9 months for public-sector employees.

OTHER CHANGES FOR PENSIONS

Other changes for pensions.

The incentive to postpone early-retirement, which allows workers to receive their share of IVS contributions tax-free in their payslip, has been extended to those who meet the early-retirement requirements, regardless of age, by 31 December 2025.

The key new feature is the option for workers under the contribution-only system – those who started working on or after 1 January 1996 – to include the theoretical value of one or more annuities from supplementary pension schemes towards the required thresholds for early retirement (three times the social allowance, reduced to 2.8 times for working

OTHER CHANGES FOR PENSIONS

mothers with one child and 2.6 times for those with two or more children) or for old-age retirement (one time the social allowance).

Young workers entering the labour market from 1 January 2025 will have the opportunity to pay an additional voluntary contribution to INPS, thus over and above the mandatory contributions, equal to a maximum of 2% of their share, deducted from their payslip. The amount paid will be 50% deductible from total income.

Finally, mothers whose pensions are calculated entirely using the contribution-based system – or who choose the contribution-based scheme or the separate management computation – are granted an additional 4-month reduction in the statutory retirement age, on top of the 12-month reduction already provided, if they have four or more children.

The alternative of mothers opting to have their pension calculated using the transformation coefficient linked to their retirement age remains unchanged. In this case, the coefficient is increased by one year for those with one or two children, and by two years for those with three or more children.

CONTRACT RENEWALS/DEADLINES

INDUSTRIAL EXECUTIVES

Industrial Executives - Insurance Coverage.

From 1 January 2025, the amount for the policy that the company provides to cover the executive in the event of death or permanent disability shall be €300,000.00 (three hundred thousand euros) if the executive has no dependent children or a spouse. The aforementioned amount must be €400,000.00 (four hundred thousand euros) if the household of the executive in question has one or more dependent children and/or a spouse.

The executive has to pay €300.00 (three hundred euros) per year towards the relevant premium. The company will take this amount out of the executive's salary.

INDUSTRIAL EXECUTIVES

Industrial Executives - Salary Increase.

On the economic side, the renewal of the Collective Labour Agreement (CCNL) provides for an increase in the minimum guaranteed pay amount (TMCG) to €80,000 in 2025.

There is also a one-off payment equal to 6% of annual remuneration in 2024 to cover contractual leave, payable to executives who meet the following requirements:

- Have been in an executive position since at least 1 January 2019

- Have not received any salary increases or other compensation, excluding seniority increases and increases due to TMCG adjustments, up to 13 November 2024

- Received an annual income up to €100,000.00 in 2024.

The amount should be paid by the end of March 2025.

INDUSTRIAL EXECUTIVES

Industrial Executives - Previndai - Supplementary Pension Scheme.

Dal 2025, sono previste le seguenti modifiche per la contribuzione relativa al Previndai.

Alla percentuale a carico impresa del 4%, viene aggiunta un'ulteriore contribuzione del 2% della retribuzione globale lorda nel limite di 200.000 euro (precedentemente era 180.000 euro).

La quota a carico del dirigente è il 2% e non più il 4%, sempre che il datore di lavoro possa farsi carico di un ulteriore 1%.

EXECUTIVES COMMERCIAL COMPANIES

EXECUTIVES - Commercial Companies.

Mario Negri - Supplementary Pension Scheme.

The additional contribution, including the contractual membership contribution, payable by the employer, will amount to 2.47% of the agreed annual salary starting from 1 January 2025.

Welfare

As per last year, a mandatory welfare contribution of €1,000.00 per year has been confirmed for 2025. This amount can be spent using the Cfmt Welfare Platform, within the scope of services and coverage defined periodically by the Parties.

Employers may also pay additional amounts into the Platform by signing a regulation or company agreement, provided these amounts are equal and apply uniformly to all employed executives—or specific categories of executives.

QUAS

QUAS: Increase in the mandatory contribution for collective agreements for HOTELS, TRAVEL AGENCIES, COMMERCE, FOOD AND BEVERAGE ESTABLISHMENTS AND TOURISM.

Healthcare Assistance Fund for Middle Managers

From 1 January 2025, for those enrolled in the Healthcare Assistance Fund established for Middle Managers in the Tertiary Sector (Qu.A.S.) the annual contribution is set at €360, payable by the employer, and €50, payable by the Middle Manager.

From 1 January 2026, this annual contribution will increase to €380, payable by the employer, while the Middle Manager's contribution will remain at €50.

COLLECTIVE AGREEMENT FOR THE TOURISM INDUSTRY

Renewal of the collective agreement for the tourism industry.

On 21 December 2024, the National Collective Labour Agreement (CCNL) for the Tourism Industry was renewed, with effect from 1 January 2025 and expiring on 31 December 2027.

The key economic and regulatory updates are indicated below.

1. BASE PAY

An increase of €200 in consolidated base pay, applicable to the average C2 level, is scheduled to be paid in four instalments:

- January 2025: €85
- June 2025: €30
- May 2026: €35
- April 2027: €50.

For the travel, tourism and congress sector only, the increase outlined above will be divided into five instalments.

- January 2025: €70
- September 2025: €30
- September 2026: €30
- June 2027: €40
- December 2027: €30.

The increases can be absorbed if more favourable terms have been granted, either individually or collectively, and paid as additional salary components subject to absorption (i.e. superminimo assorbibile) and/or as advances on future contractual increases.

2. ONE-OFF PAYMENT

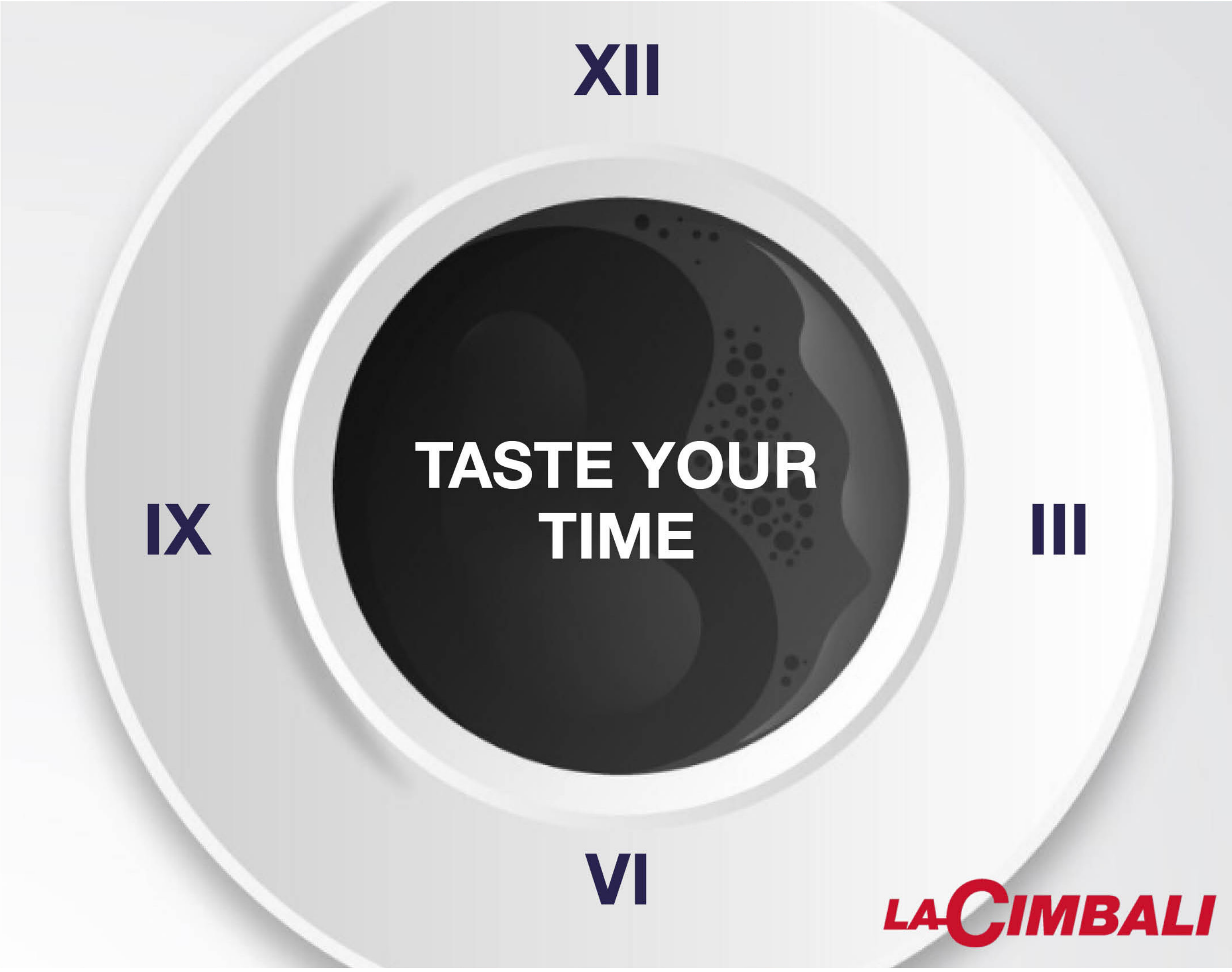
Employees in employment as of the date of the renewal of the collective agreement, specifically 21 December 2024, will receive a one-off payment, adjusted for the period from July to December 2024 and proportionally reduced for part-time workers.

The amount of €450 gross will be paid in two equal instalments, in January and June 2025.

For the travel, tourism and congress sector, the one-off payment is set at €320 and will be paid in three instalments:

- February 2025: €100
- June 2025: €110
- November 2025: €110.

The one-off payment cannot be absorbed and will have no impact on direct or indirect benefits.



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