

The 2025 Irpef Updates From A to Z.



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LAW

INCOME TAX CIRCULAR

2025 Income tax circular.

The Italian Revenue Agency has published a new circular clarifying the measures introduced by Legislative Decree no. 192 of 13 December 2024 and Law no. 207 of 30 December 2024 (the 2025 Budget Law). The circular provides operational instructions on the latest changes to tax rules and employment-related provisions.

Changes to IRPEF income tax bands for 2025:

The 2025 Budget Law (sections 21 and 32) confirms and makes permanent the changes to personal income tax (IRPEF) introduced on a temporary basis for 2024 by Legislative Decree no. 216/2023. Specifically:

- The number of income tax bands has been reduced from four to three.

The new IRPEF rates are as follows:

- 23% on income up to €28,000
- 35% on income between €28,001 and €50,000
- 43% on income above €50,000.

Increase in employee tax credit

- The basic income tax deduction for employees (excluding pensions and certain other types of income) increases from €1,880 to €1,955.
- It applies to individuals with total annual income of up to €15,000.
- As a result, the tax-free threshold (no tax area") increases to €8,500, bringing it in line with the threshold already applicable to pensioners.

Supplementary income benefit

The Budget Law confirms and makes the €1,200 supplementary income benefit for employees (called trattamento integrativo) a permanent feature of the tax system.

The mechanism by which employees earning up to €15,000 per year can qualify for the benefit has also been made permanent. Specifically, the benefit is granted if the gross income tax due (calculated on employment and equivalent income) exceeds the employee tax deduction, reduced by €75.

This €75 reduction is intended to prevent the recent increase in the employee tax allowance from unintentionally excluding eligible workers

INCOME TAX CIRCULAR

from receiving the benefit.

Non-taxable amount for employees earning up to €20,000

VAAn additional non-taxable amount is granted to employees (excluding pensioners) with total annual income not exceeding €20,000.

The amount is calculated by applying a variable percentage to the actual employment income earned:

- 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 but less than €20,000.

The calculation is based on notional annual income so as to ensure consistent treatment also for employees on contracts that are not continuous.

Tax credit for income between €20,000 and €40,000

For employees whose total annual income falls between €20,000 and €40,000, an additional tax credit against gross tax liability has been introduced.

- This credit is worth €1,000 for incomes up to €32,000
- It is progressively reduced for incomes between €32,000 and €40,000, reaching zero at €40,000.

Recovery of undue amounts and reconciliation

During the year-end reconciliation, withholding agents must verify employees' entitlement to the sums disbursed.

Any amounts paid in excess must be recovered in ten monthly instalments if they exceed €60, or in a single payment if employment has terminated.

Employees may still claim any sums not recognised by their employer when filing their annual tax return or, in the opposite situation, must repay any amounts unduly received.

Tax relief for dependent children and other relatives

LThe tax relief (i.e. the personal tax deduction) for dependent children applies only to children under the age of 30, unless the child has a certified disability. It does apply to adopted children, foster children and children of a deceased spouse living in the taxpayer's household.

The relief is shared between parents according to standard rules.

As regards other family members:

- The relief is now limited to cohabiting ascendants (e.g. parents).

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- From 1 January 2025, no tax deduction is available for other relatives listed in Section 433 of the Italian Civil Code (e.g. in-laws, sons- and daughters-in-law, brothers, sisters).
- No further deductions or relief can be claimed for these individuals unless they are cohabiting ascendants.

Extension of the reduced tax rate for productivity bonuses

For the 2025, 2026 and 2027 tax years, the substitute tax rate on productivity bonuses has been reduced from 10% to 5%.

This applies to gross bonuses of up to €3,000 per year awarded to private-sector employees under company or territorial collective agreements and linked to measurable improvements in productivity, profitability, quality, efficiency or innovation.

To qualify, an employee's income from employment in the previous year must not have exceeded €80,000.

Tax relief for tourism and hospitality workers

The 2025 Budget Law introduces a special integrative allowance – a tax bonus – for employees in the tourism, hotel, spa and foodservice sectors (to support these sectors).

This bonus amounts to 15% of the gross remuneration paid for:

- Night work
- Overtime on public holidays

This 15% is entirely excluded from taxable income (i.e. it is not taxed) and applies only to services provided between 1 January and 30 September 2025.

To qualify, employees in the private sector must:

- Work in tourist facilities, thermal spas, restaurants, bars or other food and beverage outlets;
- Have earned no more than €40,000 in employment income in 2024.

Improved tax treatment for tips in the tourism and hospitality industries

The 2025 Budget Law introduces a more favourable tax regime for tips received by employees in the accommodation sector (hotels, guesthouses, etc.) and in foodservice (bars, restaurants and similar outlets).

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There are two key changes compared with the 2023 Budget Law:

1. Higher cap for tips taxed at the lower rate:

- Employers may now apply the 5% substitute tax (in place of the standard IRPEF rate) to tips up to 30% of an employee's annual employment income (previously capped at 25%).

2. Expanded eligibility:

- The upper earnings threshold for accessing the favourable rate has been raised from €50,000 to €75,000 of employment income per year.

Important details:

- If an employee's income exceeds €75,000 during the year, they may still benefit from the 5% rate for that year but will lose access to it in the following tax year.
- Only tips paid voluntarily by customers qualify for this regime; any sums paid as fixed service charges or under contractual arrangements remain taxable under the normal rules.

COMPANY CAR

Company car safeguard clause.

The 2025 Budget Law has introduced key changes to the taxation of fringe benefits on company cars provided for mixed private and business use, revising the percentages applicable to vehicles both granted and registered from 1 January 2025.

The taxable value of the fringe benefit is calculated as follows:

- 10% for electric vehicles
- 20% for plug-in hybrids
- 50% for all other vehicle types

However, article 6, subsection 2-bis, and article 1, subsection 48-bis contain some key clarifications: cars ordered by 31 December 2024 and assigned to employees between 1 January and 30 June 2025 remain subject to the rules in force up to 31 December 2024, where the fringe-benefit percentage depends on CO₂ emissions .

**COMPANY
CAR**

Below is a summary of the regulatory changes over the years:

Assignment date	A percentage of the value based on an average annual mileage of 15,000 km, calculated according to the ACI (Automobile Club d'Italia) tables used for determining the taxable value of company cars
By 30 June 2020	30%
From 1 July 2020 to 31 December 2024, or from 1 January 2025 to 30 June 2025 if ordered by 31 December 2024	Emissions below 60 g/km: 25 %
	Emissions above 60 g/km but less than 160 g/km: 30 %
	Emissions above 160 g/km but less than 190 g/km: 50 %
	Emissions above 190 g/km: 60 %
From 1 July 2025 if ordered by 31 December 2024, or from 1 January 2025 if ordered after 31 December 2024	Electric: 10 %
	Plug-in hybrid: 20 %
	All other vehicles: 50 %

SOCIAL SECURITY UPDATES

CONTRIBUTION RELIEF FOR UNDER 35S

Contribution relief for under 35s

The Italian Social Security Institute (INPS) issued Circular no. 90 of 12 May 2025 setting out the operational guidelines for the contribution relief (sgravio contributivo) granted under the so-called Cohesion Decree for hiring young workers under 35. It also launched the website where such applications can be made.

The relief is for hires on open-ended contracts or conversions to open-ended contracts made between 1 September 2024 and 31 December 2025. To qualify, an employee must never have had an open-ended employment contract, either with the current employer or any previous one, in Italy or abroad.

The relief consists of a full exemption from social security contributions payable by the employer, up to a maximum of €500 per month per employee, for a maximum period of 24 months.

Specific rules apply to new hires at workplaces located in southern Italy (Abruzzo, Molise, Campania, Basilicata, Sicily, Apulia, Calabria, and Sardinia.) For these cases, if the hiring or conversion takes place between 31 January 2025 and 31 December 2025, the social security contribution relief can be up to €650 per month. The incentive for southern Italy is subject to State aid rules and has been approved by the European Commission. The benefit is granted only if, within 12 months of hiring, there is a net increase in employment compared to the previous period. Should no such increase occur, the relief has to be repaid.

This incentive does not apply to executives, apprentices or domestic workers.

Crucially, the exemption is forfeited if, in the six months prior to the incentivised hire, the employer has carried out individual dismissals for objective justified reason or collective redundancies within the same operational unit. Moreover, in the six months following the hire, the employer must not dismiss the newly hired employee or any other employee with the same job classification at the same workplace for objective justified reason. Exceptions apply in cases of supervening incapacity for work or where the employee has exceeded the period of protected sick leave under Italian law (periodo di comporto).

Finally, the exemption is not compatible with other contribution relief

CONTRIBUTION RELIEF FOR UNDER 35S

schemes such as the Decontribuzione Sud or incentives for disadvantaged women, disabled workers or recipients of the NASpl unemployment benefit. However, it is compatible with other forms of relief, including the “maxi-deduction” on labour costs, the exemption available to companies with gender equality certification and the contribution reduction for working mothers.

The exemption is granted within the limits of available funding. Therefore, where eligible, employers are advised to submit the relevant application to INPS as early as possible. The relief is subject to compliance with all applicable eligibility criteria.

PARENTAL LEAVE

Inps circular – 3rd month of parental leave.

The 2025 Budget Law has introduced significant changes to parental leave entitlements.

In particular, the allowance for the second month of parental leave has been increased from 60% to 80% of pay for parents whose statutory maternity or paternity leave ends after 31 December 2023.

Furthermore, for parents who complete their statutory maternity or paternity leave after 31 December 2024, the allowance for the third month of parental leave rises from 30% to 80% of pay.

These measures have been made operational by INPS Circular no. 95/2025, which also introduced the corresponding Uniemens codes required to manage social security reporting obligations.

To enable payment of backdated parental leave allowances at the new increased rates (applicable from 1 January 2025), INPS has confirmed that contribution adjustments (conguagli) may be processed starting from the July 2025 payroll period and must be completed by the end of September 2025.

If the adjustment is not made within this window, employers will be required to regularise the position manually using the appropriate procedures available on the INPS portal.

CONTRACT RENEWALS/DEADLINES

National collective agreement for the commerce sector – confcommercio.

One-Off Payment

Employees on the payroll on 22 March 2024 are entitled to a one-off gross payment of €350.00 (based on the Level 4 pay grade), paid in two instalments.

The second instalment will be included in the July 2025 payroll.

For calculation purposes only, this amount is broken down into 15 monthly shares (or fractions thereof) and is determined in proportion to the length of the employment relationship and the actual service performed between 1 January 2022 and 31 March 2023.

The amount is reduced proportionally in cases of unpaid leave, part-time work absences or suspensions/reductions in working hours agreed in a union agreement, as well as where the employment relationship began or ended during the reference period.

Livel	01.07.2024	01.07.2025
Middle Manager	€ 303,81	€ 303,81
I	€ 273,67	€ 273,67
II	€ 236,73	€ 236,73
III	€ 202,34	€ 202,34
IV	€ 175,00	€ 175,00
V	€ 158,11	€ 158,11
VI	€ 141,95	€ 141,95
VII	€ 121,53	€ 121,53
Sales agents		
Category I	€ 165,20	€ 165,20
Category II	€ 138,69	€ 138,69

**METALWORKING
INDUSTRY
CONFINDUSTRIA**

National collective agreement for the metalworking industry – confindustria.

Welfare

Employers are reminded that, by 1 June each year, they must make available to employees welfare benefits worth €200, to be used by 31 May of the following year.



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FUTURE, WITH A SMILE
ON OUR FACES.
ACTUALLY, WITH A BEER.**



As part of our commitment to HLB Communities Day on 6 June, HLB JOBCODE staff will be volunteering at BIERFEST organised by Piazza dei Mestieri -a place we value for its positive outlook on both life and work, reflecting our own approach. This nonprofit organisation helps young people who are no longer in school and haven't found employment, creating spaces for learning, training and social connection.

**Our team will be volunteering at the event, which will take place on
Friday 20 and Saturday 21 June 2025, from 6 pm to midnight,
in the streets around Piazza dei
Mestieri at Via Privata Miramare 15 in Milan.**

DRINK RESPONSIBLY. GET INVOLVED WITHOUT LIMITS.