

2026 Budget Law. A guide through the maze.



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LAW

TAX RELIEF MEASURES

Italian Revenue Agency clarifies new tax relief measures.

The Italian Revenue Agency (Agenzia delle Entrate) issued Circular no. 2/E of 24 February 2026 to clarify several aspects of the tax relief measures introduced by the 2026 Budget Law, including their scope of application, limits, exclusions and related operational requirements.

1. Pay Increases Resulting from Collective Agreement Renewals

As noted in our previous newsletter, one of the most significant measures introduced by the latest Budget Law concerns pay increases resulting from the renewal of collective agreements. Throughout 2026, these increases may be subject to a reduced substitute tax rate of 5%, provided that the employee works in the private sector and received employment income of no more than €33,000 in 2025.

The Revenue Agency has clarified that the preferential rate applies only to pay increases provided for in national collective agreements agreed between 2024 and 2026. Territorial or company-level agreements are therefore excluded.

The Agency further clarified that the 5% tax rate applies to all instalments of increases paid in 2026, even where they derive from collective agreement renewals agreed in earlier years and already partly implemented. The relief applies to pay increases that form part of regular pay, including the 13th- and 14th-month salary payments, as well as to other pay components directly linked to contractual increases. It does not apply to seniority increments, overtime pay, specific allowances (such as those for night or holiday work), lump-sum payments linked to delayed contract renewals or statutory severance pay (TFR).

Employers are responsible for verifying compliance with the 2025 income threshold. Only where an employee has changed employer does the new employer have to obtain the employee's annual income certificate (Certificazione Unica) or a substitute self-declaration (dichiarazione sostitutiva). To avoid unintended adverse effects, the Revenue Agency has clarified that amounts subject to the substitute tax must still be taken into account when assessing eligibility for the additional employment income tax credit (trattamento integrativo).

Employees may still choose to have the increases taxed under the ordinary tax rules by notifying their employer in writing.

TAX RELIEF MEASURES

Where a superminimo (an individual salary supplement above the collective agreement minimum) previously paid to the employee is absorbed by pay increases introduced by a renewed collective agreement, the Revenue Agency considers that the amount absorbed may also benefit from the preferential tax treatment applicable to those increases.

Where an employee benefits from a favourable tax regime, such as the special tax regime for workers relocating to Italy or the regime for workers returning to Italy (“rientro dei cervelli”), the Revenue Agency has indicated the 5% substitute tax applies only to the taxable part of the contractual pay increase.

Employees who receive employment income not subject to withholding tax because there is no withholding agent (for example, domestic workers) may claim the tax relief on contractual pay increases when filing their income tax return for the 2026 tax year.

2. Night, Holiday and Shift Work: 15% Substitute Tax

A second measure, also limited to 2026, introduces a 15% substitute tax on certain pay supplements and allowances, up to an annual limit of €1,500. The measure applies to private-sector employees who received employment income of no more than €40,000 in 2025, although employees may choose to have these amounts taxed under the ordinary rules instead. The Circular clarifies that the relief applies only to additional payments above regular pay provided for under national collective agreements (CCNL). Payments arising from company-level or territorial agreements are therefore excluded.

The Circular also sets out an updated list of the payments eligible for the relief, including:

1. Night-work supplements and allowances, including overtime worked at night.
2. Pay supplements for work performed on public holidays and on the employee’s weekly rest day (as defined in the applicable collective agreement, which may not necessarily fall on Sunday).
3. Shift allowances and other payments linked to shift work provided for under the collective agreement.
4. On-call allowances provided for under the collective agreement and linked to these types of work.

TAX RELIEF MEASURES

The following are excluded:

1. Payments replacing ordinary pay.
2. Indirect pay items, such as sick pay, maternity pay and workplace injury benefits.
3. Statutory severance pay (TFR)
4. Ordinary overtime, unless performed during night hours or on public holidays.

The Circular also clarifies that the €1,500 limit acts as a threshold: any amounts above this limit will be taxed under the ordinary rules.

As with the previous measure, employees may choose ordinary taxation by notifying their employer in writing.

MILLEPROROGHE 2026: Contribution Relief for New Hires Extended.

Following Parliament's approval of Decree-Law no. 200 of 31 December 2025 (the so-called "Milleproroghe 2026" decree), the law extends the system of social security contribution exemptions introduced by Decree-Law no. 60/2024 (the "Cohesion Decree").

In particular:

YOUTH BONUS

The deadline for private-sector employers to hire, on permanent contracts, workers under 35 who have never previously held a permanent job — or to convert their fixed-term contracts into permanent ones — has been extended from 31 December 2025 to 30 April 2026, allowing employers to benefit from the social security contribution exemption provided for under Article 22 of the so-called Cohesion Decree (Decree-Law 60/2024) for up to 24 months.

Domestic workers and apprenticeship contracts are excluded. However, the exemption may still apply where a previous apprenticeship contract did not lead to a permanent job.

CONTRIBUTION RELIEF NEW HIRES

CONTRIBUTION RELIEF NEW HIRES

The relief applies to all social security contributions payable by private employers (excluding INAIL premiums and contributions), at a rate of: 100% for hires or contract conversions carried out up to 31 December 2025; 70% for hires or conversions after that date. The 70% rate may be increased to 100% where the hires result in a net increase in employment, calculated as the difference between the number of employees recorded in each month and the average number employed during the previous twelve months (see INPS Circular no. 90/2025).

For this purpose, the increase in employment is calculated net of any reductions in the workforce occurring in companies controlled by or affiliated with the same entity under Section 2359 of the Italian Civil Code, or otherwise attributable — even indirectly — to the same entity.

For part-time employees, the calculation is proportionally adjusted based on the ratio between the agreed working hours and the normal working hours of full-time employees.

The exemption remains subject to a maximum amount of €500 per month per employee. This amount increases to €650 where the hires take place at a site or business unit located in the regions included in the Single Special Economic Zone for Southern Italy — which now also includes the Marche and Umbria regions — for hires or conversions effective after 31 December 2025. To benefit from this higher amount, the hire must result in a net increase in employment.

TFR and Treasury Fund: new INPS guidance following the 2026 Budget Law.

NEW INPS GUIDANCE

The Italian Social Security Institute (INPS) has issued Circular no. 12 of 5 February 2026, setting out initial guidance on contributions to the INPS Treasury Fund (Fondo di Tesoreria) following the amendments introduced by the 2026 Budget Law.

The main changes are outlined below.

Employers Covered

The obligation to pay contributions to the Treasury Fund applies to:

- All private-sector employers, excluding domestic workers.
- Privatised public bodies and public economic entities, limited to employment relationships governed by ordinary labour law and therefore subject to Section 2120 of the Italian Civil Code.

NEW INPS GUIDANCE

- Employers who, for employees working abroad — regardless of the existence of social security agreements or the applicable social security regime — continue to accrue severance fund payments (TFR) under Section 2120 of the Italian Civil Code.

Employees of public administrations remain excluded.

Workforce Threshold

The obligation to contribute to the Treasury Fund applies where the average number of employees on the payroll during the previous calendar year meets the following thresholds:

- 60 employees for 2026–2027
- 50 employees for 2028–2031
- 40 employees from payroll periods starting 1 January 2032 (or when this threshold is reached in subsequent years after the start of the business).

In practice, the obligation arises if the relevant workforce threshold is reached by the end of the previous calendar year (1 January–31 December).

For example:

- If an employer does not reach the threshold for 2025 (i.e. the average workforce is below 60 employees), there is no obligation to transfer TFR accruals for 2026.
- If the workforce reaches 60 employees during 2026, the obligation will apply from the January 2027 payroll period, since the calculation will be based on the average workforce in 2026.

For the purposes of the calculation, all employees on employment contracts must be included, including part-time workers.

Part-time workers — regardless of whether the arrangement is horizontal, vertical or mixed — are counted proportionally based on working hours, with fractions exceeding half of normal working hours rounded up to the next unit.

Rules in Practice

Companies established before 2025 (for example in 2024) that reach the workforce threshold of at least 60 employees during that year must begin paying TFR contributions to the Treasury Fund from 1 January 2026.

NEW INPS GUIDANCE

The previous rules also remain in force though. Under those rules, where a company reaches an average workforce of 50 employees in its year of establishment, contributions to the Treasury Fund become due from the month in which the business began, including for earlier months. For example, an employer that started operations in 2025 and reached that average workforce during the same year must pay the Treasury Fund contribution from the month in which the activity began, including for the preceding months.

Employers that meet the workforce threshold must submit a declaration to INPS — including electronically — using the SC34 form.

They must also request authorisation code “1R”, which identifies employers required to pay contributions to the Treasury Fund.

Calculation and Payment of the Monthly Contribution

The amount payable to the Treasury Fund is calculated based on the salary used to calculate the TFR for the relevant payroll period.

The TFR accrued during the period is calculated by applying the 7.41% rate (1/13.5) to the relevant salary, after deducting the 0.50% contribution (where applicable), which must be paid to INPS together with other mandatory social security contributions.

Employers are required to pay the Treasury Fund contribution monthly, using the same procedures as for mandatory social security contributions, by the 16th day of the month following the payroll period in which the TFR accrues.

Companies required to begin paying TFR contributions from 1 January 2026 — namely those established before 2025 that reached the 60-employee threshold in that year — may fulfil the obligation by 16 May 2026.

To facilitate this payment, a new Uniemens code “CF05” has been introduced, identifying payments of arrears relating to TFR accruals under Law no. 199 of 30 December 2025.

Compensatory measures – The existing compensatory measures remain unchanged. Employers therefore continue to benefit from the exemption from the Guarantee Fund contribution (0.20%, or 0.40% for industrial managers), as well as the exemption from certain social security contributions payable to the relevant scheme, equal to 0.28 percentage points.

ENASARCO – New Contribution Thresholds and Commission Ceilings for 2026.

The Enasarco Foundation has updated the minimum contribution amounts and maximum commission ceilings for commercial agents and representatives, effective from 1 January 2026.

Contributions to the ENASARCO social security scheme are subject to an annual minimum contribution and a maximum level of commissionable earnings, referred to respectively as the minimum contribution threshold (minimale contributivo) and the maximum commission ceiling (massimale provvigionale).

From 1 January 2026	Multi-mandate agent	Single-mandate agent
Minimum annual contribution	515,00 euro	1.026,00 euro
Maximum annual commissionable earnings	30.478,00 euro	45.717,00 euro

The contribution rates remain unchanged:

Contributions for 2026	% a carico Agente	Agent's share
Pension Fund – 17%	8,5%	8,5%
Assistance Fund – 4%	1%	3%

INPS

INPS – new thresholds and contribution ceilings for 2026.

INPS Circular no. 6 of 30 January 2026 sets out the reference values for 2026 for: minimum salary thresholds for contribution purposes; the income threshold triggering the additional 1% IVS contribution; the maximum contributory and pensionable earnings ceiling.

Minimum daily salary for contribution purposes (FPLD)	€58.13 per day
Minimum hourly threshold for contribution purposes – part-time work	€8.72 per hour (based on a 40-hour week)
Income threshold triggering the additional 1% IVS contribution	€56,224 per year (€4,685 per month)
Maximum annual contributory and pensionable earnings	€ 122.295,00

GENDER EQUALITY REPORTING

GENDER EQUALITY REPORTING: deadline of 30 April 2026 for submission of the 2024–2025 biennial report.

The Ministry of Labour and Social Policies has announced that, from 1 March 2026, the online form for completing the biennial gender equality report on the workforce for the period 2024–2025 will be available on the “Servizi Lavoro” portal.

Submission of the report is mandatory for public and private companies with more than 50 employees, while companies with fewer employees may submit it on a voluntary basis. The deadline for submission is 30 April 2026, and the report must be prepared in accordance with the general reporting procedures set out in the interministerial decree of 3 June 2024.

Companies that fail to submit the report may be subject to administrative penalties. In cases of prolonged non-compliance, contribution reliefs may also be suspended for up to one year. Where the report contains inaccurate or incomplete information, an administrative fine ranging from €1,000 to €5,000 may be imposed following verification by the National Labour Inspectorate.

Companies must also provide a copy of the report to the RSA/RSU (company-level trade union representatives).



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