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## 1. Foreword

As every year, on 31 December 2024, the **Budget Law** for 2025 (Law no. 207 of 30 December 2024) has been published in the Official Gazette.

The above-mentioned budget law contains several relevant provisions, including an amendment to the personal income tax framework (e.g. the brackets of the progressive tax rates), certain tax reliefs connected to specific works or purchases, fringe benefits calculation for tax purposes etc.

A brief summary of the main relevant provisions is carried out below.

## 2. Personal income tax amendments

The amendments to the Italian personal income tax system concern, in particular:

- the reduction from four to three of the brackets composing the Italian progressive **income tax rates** for IRPEF purposes (23% for income up to 28,000 Euro; 35% for income over 28,000 Euro and up to 50,000 Euro; 43% for income over 50,000 Euro);
- the brackets needed to calculate the **regional and municipal surcharges** to IRPEF have been modified according to the IRPEF amendments mentioned in the point above;
- certain tax deductions for persons deriving employment income and certain assimilated income have been modified. In particular, an increase from 1,880 Euro to 1,955 Euro of the tax deduction for persons deriving employment income, other than pensions, and assimilated income, who have registered a total income not exceeding Euro 15,000 in a given fiscal year has been provided;
- the measures providing for tax deductions connected to certain costs suffered by the taxpayers have been amended providing a new calculation method, based on the income derived in a given fiscal year and the number of dependent children in the household. These changes apply only to individuals with a total income of more than 75,000 Euro per fiscal year. For the purpose of calculating the total income, one has to exclude from the total income derived by a given taxpayer the deemed income such taxpayer is considered to derive from its main residence under Italian tax law.

## 3. Tax deductions connected to building renovation

Tax deductions for IRPEF purposes related to expenses incurred for certain works on the main abode as of 1 January 2025 by the relevant owners (or persons having specific legal rights on the abode), have been modified and are now as follows:

- 50% for expenses incurred in 2025, calculated on an amount of expenses not higher than 96,000 Euro;
- 36% for expenses incurred in the years 2026 and 2027, calculated on an amount of expenses not higher than 96,000 Euro.

For all the costs connected to works carried out on real estate properties other than the main abode, the rate for the tax deduction is set at:

- 36% for expenses incurred in 2025;
- 30% for expenses incurred in 2026 and 2027,

both, once again, calculated on an amount of expenses not higher than 96,000 Euro.

For works needed for seismic risk reduction and energy requalification, the IRPEF/**IRES** deduction rates are aligned with those for the works on buildings mentioned above.

Several amendments have been brought up even with respect to fringe benefits taxation.

## 4. Fringe benefits and other employment income

First off, the exemption threshold for fringe benefits for fiscal years 2025, 2026, 2027 is raised from the previous 258.23 Euro to:

- 1,000 Euro for employees;
- 2,000 euros, for employees having dependent children.

Second off, for cars granted to employees for both personal and work usage in connection with contracts entered into from 1 January 2025, the fringe benefit is calculated as follows:

- 50% of the amount corresponding to an annual conventional mileage of 15,000 km, calculated on the basis of the cost per kilometer calculated by ACI (“Automobile Club Italia”);
- 20% of the above amount in the case of plug-in hybrid electric vehicles;
- 10% of the above amount for battery vehicles with exclusive electric traction.

In addition, the amounts paid or reimbursed by employers for the payment of rental fees and maintenance costs of buildings leased to employees hired on a permanent basis in 2025, for the first 2 years from the date of hiring, are not considered as taxable fringe benefits up to 5,000 Euro per year.

Finally, certain substitute taxes regime connected to bonuses or similar have been amended or introduced as follows:

- the substitute tax on bonuses is reduced from 10% to 5% for bonuses and similar amounts paid in the 2025, 2026 and 2027;
- the rules relating to the 5% substitute tax on tips received by staff employed in the hospitality and food and beverage sectors have been amended;
- a 5% substitute tax is introduced for the overtime work of nurses.

As off the early 2000s, year after year, a rule enabling certain taxpayers to step-up the value of participations and lands for tax purposes have been enacted. With the Budget Law for 2025, the voluntary step-up regime has been introduced on a permanent basis into our domestic law.

Hence, with the payment of the relevant substitute tax, individuals, non-commercial partnerships, non-commercial entities and non-resident persons without a permanent establishment in Italy may obtain the step-up, for tax purposes, of the tax value of certain shareholdings and lands owned on 1 January of each year (if those assets are not held in a business capacity).

As of fiscal year 2025, in order to obtain the above mentioned step-up of the tax value of participations (listed and unlisted) and lands an **18% rate substitute tax** must be paid. The taxable base for such tax is the value of the relevant asset(s) as determined by an expert.

## 5. Step-up of the tax value of participation and lands

2025 Budget Law provides for certain rules applying to cross-border workers.

### 6.1 Conventional wages

It is clarified that income from employment performed abroad by employees who stay in the foreign State for a period of more than 183 days “returning to Italy to their home once a week” can also benefit from the **conventional wages** regime.

The circumstance that they might return home once a week would therefore not affect the continuous nature of the employment relationship in the foreign State.

### 6.2 Frontier workers and smart working in Switzerland

Pending the entry into force of the Protocol amending the Italy-Switzerland Agreement of 23 December 2020, **frontier workers** (including those who make use of the transitional regime referred to in Article 9 of the same Agreement), may carry out, in the period between 1 January 2024 and the date of entry into force of the aforementioned Protocol, employment activities in remote working up to 25% of their activity without this entailing the loss of their status of frontier workers.

The Budget Law for 2025 also provides for other relevant rules that are briefly analyzed below.

### 7.1 Crypto-assets

On capital gains and other income realized from 1 January 2026 relating to **crypto-assets**, a 33% substitute tax is applied. Gain realized during 2025 are still subject to the substitute tax.

## 6. Provisions on cross-border workers

## 7. Miscellaneous provisions

The previous existing income exemption of 2,000 Euros has been repealed, and a transitional franking regime, that can be opted-in by paying an 18% rate substitute tax, has been provided and applicable as of 1 January 2025.

## 7.2 Transitional reduction of the IRES rate and notional deduction on costs for new hires

For fiscal year 2025, companies may benefit from a reduction of the IRES rate from 24% to 20% to the extent that they meet all the following conditions:

- 2024 profits must be allocated as a reserve for at least 80% of their amount;
- part of profits mentioned in the bullet above (in any case, no less than 20,000 Euros) must be used for purchasing, even through leasing, of certain specific assets;
- new hires of employees on a permanent basis, triggering an increase in the overall labour force of the company, is necessary.

In addition, for fiscal years 2025, 2026 and 2027 a notional deduction for new hires of permanent staff is also provided for by the Budget Law for 2025.

## 7.3 Simplified regime for the assignment of assets to shareholders or transformation of companies into non-commercial partnerships

2025 Budget Law extends the deadlines for the following transactions:

- assignment and facilitated transfer to shareholders of real estate (other than those which are only business related) and registered movable properties (e.g. cars) that are not business related;
- transformation of commercial partnerships or limited liability companies in non-commercial partnerships (having as their exclusive or main activities the management of such assets).

Certain tax benefits are available for transactions mentioned above and carried out by 30 September 2025, being:

- the application of an 8% rate substitute tax (raised to 10.5% for companies falling within the scope of the **dormant companies** regime for at least 2 years in the three-year period 2022-2024) on capital gains realized on assets assigned to shareholders, or used for non-business purposes following the transformation;
- the application of a 13% rate on tax-deferred reserves cancelled as a result of the above-mentioned transactions.

## 7.4 Stock-option plans costs deduction

For tax purposes, costs related to employees stock-option plans maybe deducted at the time when the underlying security is actually assigned to the employees.

Accordingly, as the cost is accounted for in the income statement at the date when the plan is approved, the tax tax deduction is differed in time, creating the room for deferred taxes to arise.

## 7.5 Amendments to certain tax credits

With regard the tax credit connected to the acquisition of business assets having certain specific features ("*Investments 4.0*"):

- as of 2025 the credit is not granted anymore with respect to intangible assets 2025;
- an expenditure ceiling is introduced for the tax credit relating to investments in tangible made in 2025, along with the requirement to submit specific communications.

With respect to the tax credits related to the reduction of energy consumption ("*Transition 5.0*"), the following is envisaged:

- the benefit is increased by extending the 35% rate provided for the first investment bracket up to 10 million Euro (instead of the previous rate of 15% which applied for investments from 2.5 Euro to 10 million Euro);
- the calculation basis for photovoltaic systems has been increased;
- the tax credit may be cumulated with the tax credit for the South and with other subsidies financed with EU resources.

## 7.6 Main abode tax benefits

According to the new provisions, it is now possible to sell the previously acquired first main abode within two years from the initial purchase without losing the so called “first home” benefits applied at the time of real estate purchase, which consists of the following measures:

- the **Italian register tax** is applied at a 2% rate (with a minimum amount of 1,000 Euro) and mortgage and cadastral taxes are due at a lump sum (50 Euro each);
- 4% VAT applies, if the transaction is VATable.

Where the previous house is not sold within two years, the benefit is forfeited with the consequent application of the full unpaid taxes and penalties.

## 7.7 Withholding exemption for Olympic prizes

Prizes awarded to athletes by the Italian National Olympic Committee (CONI) and the Italian Paralympic Committee (CIP) for medals obtained in the competitions held at the Olympic and Paralympic Winter Games in Milan - Cortina 2026 will not be subject to the withholding tax provided for by Art. 30 of Presidential Decree no 600/73 and are exempted from IRPEF.

## 7.8 Certified e-mail for companies directors

Companies' directors are now required to indicate their digital domicile at the Chamber of Commerce. As of 1 January 2025, therefore, all directors are required to activate a certified e-mail address (PEC) and indicate it to the Chamber of Commerce.

## 8. Glossary

### **Budget Law**

Law which needs to be enacted every year regarding the State expenditures and revenues for the following calendar year.

### **Conventional wages**

Conventional determination of certain income from employment provided abroad on a continuous basis and as the exclusive object of the relationship by employees who are present in the foreign State for a period longer than 183 days over twelve months. The conventional remuneration is defined annually with a decree of the Minister of Labour and Social Security.

### **Crypto - assets**

Crypto - assets are a digital representation that can be stored, transferred or traded only and exclusively by means of blockchain technology, including but not limited to digital coins and digital tokens.

### **Dormant companies**

Companies that, under Italian tax law, lack of substance.

### **Frontier workers**

Individuals with tax residence in Italy who work on a continuous basis as employees in border areas or in States bordering the national territory.

### **Income tax rates**

Italian Income Tax (IRPEF) has the following rates and brackets:

- 23% (0 to 28,000 EUR);
- 35% (28.001 to 50.000 EUR);
- 43% (over 50.000 EUR).

### **IRES**

Italian Corporate Tax (IRES) with a 24% flat rate, reduced to 12% for some no-profit organisations and increased to 27.5% for banks and other financial institutions.

### **Regional and municipal surcharges**

Surcharges of the Italian personal income taxes levied by the region and the municipality in which the taxpayer resides.

### **Register tax**

Indirect tax that applies with regard to the juridical effects of certain acts, deeds or transactions that are concluded or registered in the territory of the Italian State.

### **Substitute tax for stepping up shares' tax value**

According to Art. 5 of the Law no. 448/2001 individuals, limited partnership companies, non commercial entities and non residents without PE in Italy may step up the book value of not listed shares, by paying a substitute tax of 18% of the entire value of such shares.