

Personnel Secondment Subject to VAT for Contracts Starting January 1 2025

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With the entry into force of Article 16-ter of Legislative Decree No. 131 of September 16, 2024, known as the “Infringement Remedy Decree,” there is a significant alignment of national legislation with EU regulations on VAT applicable to personnel secondment transactions.

Previous regime and regulatory context

The regulations in effect until December 31, 2024, stipulated that the pure reimbursement of costs for seconded personnel was not subject to VAT, pursuant to Article 8, paragraph 35, of Law No. 67/1988. However, if the reimbursement exceeded the actual costs, the entire transaction became subject to VAT. This Italian approach was declared incompatible with Directive 2006/112/EC by the EU Court of Justice in the San Domenico Vetraria judgment (Case C-94/19, March 11, 2020), which recognized personnel secondment as a taxable supply of services for VAT purposes, regardless of the amount of consideration.

New regulations from January 1, 2025

The “Infringement Remedy Decree” introduces a new regime that repeals the VAT exemption for reimbursements related to personnel secondment and establishes that:

1. **VAT liability for reimbursed amounts:** Amounts paid by the seconding company as reimbursement of costs will be considered taxable services, even if they correspond only to the personnel costs.
2. **Applicable rate:** The operations will be subject to the standard 22% VAT rate.
3. **Scope of application:** The new rules **apply to contracts entered into or renewed starting January 1, 2025**. For contracts concluded by December 31, 2024, the previous regime remains applicable, in compliance with the safeguard principle established by the decree.



Your reference professional in the firm is at your disposal to provide any further clarification.

Sincerely yours
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We invite you to contact the
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explanations

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