

“BUDGET LAW 2025 – WHAT’S NEW”

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The Budget Law 2025 (No. 207 of 30.12.2024) was published in the Official Journal (General Series No. 305 dated 31.12.2024 – Ordinary Supplement No. 43) and came into effect on 1 January 2025.

The following paragraph describes major new changes.

Mandatory traceability of travel expenses for businesses, entertainment expenses and professionals (paragraphs 81-83)	<u>Traceability obligation for employees' travel expenses</u> As from the tax period following the one in progress on 31 December 2024 (and therefore from 2025 for entities with a financial year coinciding with the calendar year), employees' travel expenses (including board, lodging, travel and transport) must be made through traceable payment instruments, such as credit cards, debit cards, digital payment apps, bank cheques or bank drafts. This obligation applies to travel outside the municipality as well as to travel within the municipality and also includes reimbursements for non-scheduled public transport services (such as taxis and NCCs). In the case of payments made without the use of the above-mentioned means of traceable payment: - For employees, the reimbursement of expenses incurred by non-traceable means will become taxable for tax and social security purposes, increasing the IRPEF and employee contributions. - for employers and companies, expenses reimbursed without traceability cannot be deducted from the company's taxable income, either for IRES or IRAP purposes. <u>Traceability obligation for entertainment expenses and business gifts</u> As from the tax period following the one in progress on 31 December 2024 (and thus from 2025 for entities with a financial
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	year coinciding with the calendar year), only if entertainment expenses and those for gifts are made by means of traceable payment instruments (such as credit cards, debit cards, digital payment apps, bank cheques or bank drafts) are deductible from business income for IRES and IRAP purposes. <u>Traceability obligation for travel expenses for professionals</u> Also for those engaged in the arts and professions, it is provided that expenses relating to hotel services and the provision of food and beverages, as well as those relating to travel and transport, carried out by means of taxis or chauffeur-driven hire, charged analytically to the principal, as well as analytical reimbursements relating to the same expenses incurred for employee travel or paid to self-employed workers, are deductible from business income for IRES and IRAP purposes only if they are carried out by means of the mentioned traceable instruments. In addition, the aforementioned expenses will only be deductible from self-employment income if they are made via the aforementioned traceable instruments.
IRPEF reform (paragraphs 2-3)	The IRPEF reform provisions set forth in Article 1 of Legislative Decree No. 216 of 30.12.2023 have been implemented. In particular, the income brackets and related IRPEF rates are reduced from four to three: • up to € 28,000 => 23%; • over € 28,000 and up to € 50,000 => 35%; • over € 50,000 => 43%. For recipients of employment income and certain assimilated income (excluding pensions) with a total income not EUR 15,000, the tax deduction is increased from €1,880 to €1,955, with adjustments to avoid exclusions from the supplementary allowance. For recipients of employment income and certain assimilated income (excluding pensions) with a total income not € 15,000, the sums recognised as a 'salary supplement' of €1,200 are paid provided that the gross tax is greater than the amount of the employment deduction due pursuant to Article 13, paragraph 1(a) of the Consolidated Income Tax Act, less the amount of € 75 in relation to the period of work in the year.
Reorganisation of tax deductions (para. 10)	As of 1 January 2025, limits are introduced on tax deductions for incomes above €75,000, based on income and the number of dependent children. For incomes above €100,000 the maximum



	annual deductions are further reduced. The new maximum expenditure limit is determined by multiplying the 'basic' amount of deductible expenditure by a coefficient that varies in relation to the number of children in the taxpayer's household who are tax dependent (recognised, adopted, fostered or affiliated children who are tax dependent are also relevant). Certain expenses, such as health care, start-up investments, energy rehabilitation, mortgages, etc., are excluded from the income limit. Total income is calculated net of income from the main residence. The application of the limits varies depending on the type of deduction and the specific expenses. Excluded from the new system of calculating deductions are all expenses incurred up to 31.12.2024 that qualify for some form of relief spread over several annual instalments, such as those for 'building' interventions.
Amendment of the limits for the use of the flat-rate scheme (Paragraph 12)	The flat-rate scheme for sole proprietors and self-employed persons is not applicable if income from employment and similar, as referred to in Articles 49 and 50 of the Consolidated Income Tax Act, exceeding the amount of €35,000 for the year 2025 alone is received. Therefore, in order to use the flat-rate scheme in 2025, income received in 2024 must be taken into account; if the limit of €35,000 of employment income exceeded, the person cannot apply the scheme for 2025.
BANKING AND INSURANCE Changes to the Deductibility of Write-downs, Bad Debts, Goodwill and Other Intangible Assets	The deductions loan write-downs and losses have been postponed. Specifically, the deduction of the 11% portion scheduled for the tax period ending 31 December 2025 is deferred to 2026 and the following three periods; while the deduction of the 4.7% portion scheduled for the tax period ending 31 December 2026 is deferred to 2027 and the following two periods. The same deferral is provided for the amortisation of goodwill and other intangible assets that gave rise to the recognition of DTAs not yet deducted up to the year ended 31 December 2017. Also in this case, the deferral is made, on a straight-line basis, over the following three-year period; in particular: - the 2025 tranche will be recovered in four equal instalments starting in 2026; - the 2026 tranche will be recovered in three equal instalments starting in 2027.



Amendments to the deductibility of expected credit losses at the of first application of IFRS 9 Limit on the utilisation of prior tax losses and ACE surpluses (paragraphs 14-20)	A similar intervention is envisaged by deferring the deductible portions, referable to tax years 2025 and 2026 respectively, of the negative components arising upon first-time adoption IFRS9. Again, the deferral is made in constant instalments over the following three years; in particular, the 2025 tranche will be recovered in four constant instalments starting in 2026, while the 2026 tranche will be recovered in three constant instalments starting in 2027. Tax losses and ACE surpluses are deducted from the greater taxable income of the taxable year in progress as of 31 December 2025, determined as a result of the aforementioned deferral, to an extent not exceeding 54% of the greater taxable income. The limitations also apply for the purpose of determining the income of entities participating in domestic and worldwide consolidation. The criteria for the recalculation of advance payments for the 2025-2029 tax periods are also defined, which do not have to take into account the aforementioned deferrals. For the higher advance payments due for 2025 and 2026, no horizontal or vertical offsets will be possible.
Provisions on digital services tax (WEB TAX); substitute tax on certain capital and other income; and capital gains from CRIPTO-assets (paras. 21-29)	The digital service tax (Digital Service Tax or Web Tax) only applies to entities with global revenues of at least EUR 750 million. The substitute tax rate on capital gains and other miscellaneous income is 26%. As of 1 January 2026, the substitute tax rate on capital gains from cryptocurrency transactions is raised to 33 per cent and the EUR 2,000 exemption threshold is eliminated.
Reassessment of land and participations (para. 30)	The possibility of revaluing the purchase cost of participations (listed and unlisted) and land (agricultural and building) through the application of the substitute tax at a single rate of 18%, with the possibility of paying the substitute tax in instalments up to a maximum of three annual instalments of equal amount, is introduced on a permanent basis.
Facilitated assignment of assets to shareholders and	The deadlines for the following operations are reopened: • assignment and subsidised assignment to shareholders of



transformation into a simple company (paragraphs 31-36)	immovable property (with the exception of immovable property used for business purposes) and registered movable property (e.g. cars) not used for business purposes; • conversion into a simple company of companies, whether partnerships or corporations, whose exclusive or principal object is the management of the aforementioned assets. To this end, by 30 September 2025, commercial companies shall assign or transfer non-instrumental assets (real estate or registered movable property) to shareholders by paying a substitute tax of 8 per cent (or 10.5 per cent if the company is not operational) on the difference between the normal value and the fiscally recognised cost of the assets. The same regime applies to companies that transform into simple partnerships by the same date.
Removal of assets of sole proprietorships (paragraph 37)	It allows sole proprietorships to remove from their assets capital real estate that is not producing land income, including real estate owned on 31 October 2024, provided the transaction takes place between 1 January 2025 and 31 May 2025. For this purpose, a substitute tax of 8 per cent is levied on the capital gain resulting from the divestiture.
VAT on training services rendered to persons authorised to supply labour (paragraphs 38-44)	VAT is established for training services rendered to persons authorised to supply labour. The behaviour adopted by taxpayers prior to the entry into force of the provision is unaffected, provided that no definitive acts have been issued, but in any event no tax refunds are made. Moreover, for pending litigations on the matter, it is possible to settle the dispute by paying the higher VAT assessed, without interest and penalties.
Fringe benefits for vehicles granted for use by employees (para. 48)	For the mixed use to employees of newly registered motor vehicles, motorbikes and mopeds with contracts entered into on or after 1.1.2025, the fringe benefit is calculated as follows: • 50% of the amount corresponding to a conventional annual mileage of 15,000 km, calculated on the basis of the kilometric cost of operation inferable from the national tables drawn up by ACI; • 20% of the above amount in the case of <i>plug-in hybrid electric</i> vehicles; • 10% of the above amount for <i>battery-powered vehicles with purely electric drive</i>.



Deductions of expenses for building renovation and energy requalification of buildings (paragraphs 54-56)	Amendments have been introduced to the tax benefits relating to building renovation, energy efficiency, earthquake-proof interventions and the purchase of furniture and large household appliances to furnish buildings undergoing building renovation. The changes concern the reshaping of the terms and rates of deductions, with more favourable regimes for main homes. In addition, the requirements for the superbonus are updated, specifying the conditions for expenses incurred in 2025 and the possibility of spreading the 2023 expenses over ten years.
Reverse charge for contracts in the logistics sector (paragraphs 57-63)	The reverse charge mechanism is extended to the provision of services through contracts, subcontracts, outsourcing to consortia or the like, rendered to undertakings engaged in the transport and handling of goods. The effectiveness of the rule is subject to specific authorisation by the Council of the European Union. Pending such authorisation, the supplier and the principal may opt, for a period of three years, for VAT to be paid by the principal on behalf of the supplier, who remains jointly and severally liable for the tax due. If the VAT is not due to the principal, the latter is entitled to a refund, provided he can prove actual payment. In the event of errors in the application of the reverse charge to the principal, the applicable penalty varies between € 250 and € 10,000 and the supplier remains jointly and severally liable. A measure of the Revenue Agency will define the implementation details.
Tax credit for donations for public sports facilities (Paragraph 246)	The tax credit for liberal donations for maintenance and renovation work on public sports facilities and for the construction of new public sports facilities is also extended for 2025 for persons with business income only, up to an overall limit of 10 million.
Reduction of the substitute tax for private employees applicable to productivity bonuses and profit-sharing schemes (Paragraph 385)	The substitute tax on IRPEF and regional and municipal surcharges on performance bonuses, provided for by Article 1 co. 182 of Law no. 208 of 28.12.2015, is also reduced from 10% to 5% for bonuses and amounts paid in the years 2025, 2026 and 2027. This reduction only concerns private employees whose income does not exceed EUR 80,000 per year and applies to performance bonuses and forms of profit-sharing linked to increases in



	productivity, profitability and innovation. The maximum permissible amount for the scheme is EUR 3,000 (EUR 4,000 for companies that involve workers equally in the organisation). The tax treatment is linked to collective agreements concluded by representative trade unions.
Income Tax Exemption for Lease Fees incurred by Newly Hired Employees Transferred (paragraphs 386 - 389)	The sums paid or reimbursed by employers for the payment of rents and maintenance costs of buildings rented by employees hired on an indefinite-term basis in 2025 do not contribute, for the first two years from the date of hiring, to forming income for tax purposes within the overall limit of EUR 5,000 per year. This provision applies to persons: • holders of employment income not exceeding 35,000 euro in the year preceding the date of recruitment; • who have transferred their residence to a municipality located more than 100 km away from their previous municipality of residence.
Fringe benefits 2025, 2026 and 2027 - Increase threshold exemption threshold (para. 390 -391)	The threshold of non-taxable fringe benefits for the years 2025, 2026 and 2027 is raised from EUR 258.23 to: • € 1,000, for all employees; • € 2,000, for employees with dependent children for tax purposes only. The above limit also includes, for all employees (with or without tax dependent children), amounts paid or reimbursed by the employer for payment: • of domestic users of the integrated water, electricity and natural gas services; • expenses for renting the first house or for interest on the mortgage for the main house. The aforementioned exemptions also concern the tax base of social security contributions.
Extension of the super-deduction for new hires (para. 399)	Provision has been made for the extension, for the three tax periods following the current one to 31 December 2024, of the increase in the cost allowable as a deduction in the case of new hires. Therefore, holders of business income and self-employment income are granted, within the limits and under the conditions already provided for the tax period in progress as of 31 December 2024, an increase in the deductible personnel cost in respect of the employment increases resulting at the end of each of the



	aforementioned tax periods with respect to the corresponding previous tax period.
Changes to the Transition 5.0 tax credit (paragraphs 427-429)	The Transition 5.0 Tax Credit is amended as follows: • Increased rate for investments: the rate for investments between EUR 2.5 million and EUR 10 million is raised to 35 per cent (previously it was 15 per cent). • Credit increase for photovoltaic systems: the increase in the basis for calculating the tax credit is modified for photovoltaic modules, with further increases based on the efficiency and type of modules. • Extension to ESCo: the tax credit may also be granted to certified energy service companies (ESCo), in addition to companies. • Operational leasing: for operational leasing companies, energy savings can also be checked against the consumption of the lessee or lessor. • Cumulability: the tax credit can be cumulated with other concessions, including investments in the Special Economic Zone (SEZ) and the Simplified Logistics Zone (SLZ), as well as with European Union concessions, provided they do not cover the same cost items. • Conditions for use: rate increases are subject to a communication from the GSE, within the limits of available resources.
Reduced IRES rate for companies investing in technologically advanced tangible capital goods (paragraphs 436-444)	For 2025 only, there is a reduction of the IRES rate from 24% to 20% applicable to companies and entities if both of the following conditions are met: 1. allocation to a special reserve of a minimum of 80% of the profits of the financial year in progress as of 31 December 2024; 2. allocation of a portion equal to at least 30% of such earmarked profits and, in any event, not less than 24% of the profits of the financial year in progress as at 31 December 2023 (in any event, not less than € 20,000), to investments in the purchase, including through leasing contracts, of new capital goods (Transition 4.0" or "5.0) for Italian production facilities to be made between 1 January 2025 and the deadline for filing the tax return relating to the tax period following the one in progress on 31 December



	2024. In addition, the following further conditions must be fulfilled - number of labour units per year (AWU) must not have decreased compared to the average of the previous three years; and - indefinite-term hires must be made, to the that they ensure an increase in employment of at least 1% of the average number of permanent employees employed in the previous tax period (i.e., the one in progress as at 31 December 2024) and, in any event, not less than one new hire; and - the company must not have made use of the Wage Guarantee Fund in the financial year current on 31 December 2024 or in the following financial year. The benefit is withdrawn if the earmarked profits are distributed or the assets are disposed of, sold to third parties, etc. within the fifth tax period following the one in which the investment was made Consolidated companies apply 20% on income losses; under the tax transparency regime, the benefit is proportional to the shareholders' share.
Changes to the Transition 4.0 tax credit (paragraphs 445-448)	A number of changes are envisaged to the discipline of the tax credit for investments in capital goods 4.0 referred to in Article 1, paragraphs 1051 - 1063 of Law 178/2020. In particular: • the tax credit for intangible assets 4.0 is repealed for 2025; the credit is only recognised for investments made by 31 December 2024 or by 30 June 2025 if the order is accepted by the seller by the end of 2024 and the advance payments cover at least 20% of the cost; • an expenditure ceiling is introduced for the tax credit relating to investments in tangible 4.0 assets made in 2025, or by 30 June 2026, provided that by 31 December 2025 the relevant order has been accepted by the seller and the down payment has been made in an amount of at least 20% of the acquisition cost. For the purposes of the utilisation of the relief, the chronological order in which the applications are submitted is therefore relevant. In order to comply with the expenditure limit, the company will have to telematically transmit to the Ministry Enterprise and Made in Italy a communication concerning the amount of



	the expenses incurred and the relevant tax credit accrued.
Tax credit for the listing of small and medium-sized enterprises (para. 449)	The tax credit for consultancy expenses incurred by small and medium-sized enterprises (SMEs) for stock market listing is recognised until 31 December 2027. The limits for using the tax credit have been updated, setting them at EUR 3 million for each of the years 2026 and 2027. The tax credit covers 50 per cent of the expenses incurred by SMEs for admission to trading on European regulated markets or multilateral trading systems, with a maximum limit of EUR 500,000.
New (paragraph 461)	The 'New Sabatini' is to be refinanced with EUR 400 million for 2025, EUR 100 million for 2026, and EUR 400 million annually from 2027 to 2029, to support SMEs in the purchase of capital goods. The measure includes subsidised financing with state contributions and increased incentives for green and digital technologies.
Provisions for expenses related to stock option plans (paras. 862-863)	Negative components recognised in the income statement relating to stock option plans are deductible by parties adopting IAS/IFRS only at the time of their assignment to the plan beneficiaries.

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

Kind regards.
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