



NEWSLETTER NO. 1 - 2025

January 17 2025 Page 1/7

2025 BUDGET LAW

Please find below the most important tax news introduced under the Italian law no. 207 of 30 December 2024 (2025 Italian Budget Law), as published in the Italian Official Gazette no. 43 of 31 December 2024, effective as of 1 January 2025.

INDIVIDUAL INCOME TAX BRACKETS (IRPEF)

The individual income tax brackets (IRPEF) are amended as follows:

- 23 percent up to EUR 28,000;
- 35 percent more than EUR 28,000 and up to EUR 50,000;
- 43 percent more than EUR 50,000.

TAX WEDGE REDUCTION

Holders of income from employment with a total income of no more than EUR 20,000 are recognized a sum determined by applying the following percentage rate to the taxpayer's income from employment

- 7.1 percent, if income from employment does not exceed EUR 8,500;
- 5.3 percent, if income from employment exceeds EUR 8,500 but not EUR 15,000;
- 4.8 percent, if income from employment exceeds EUR 15,000.

The sum so determined does not add to the total income. For the sole purpose of determining the percentage rate, income from employment is related to the full year.

Holders of income from employment with a total income of more than EUR 20,000 are eligible for a further deduction from the gross tax in relation to the period of employment of an amount equal to:

- EUR 1,000, if total income is between EUR 20,000 and EUR 32,000;
- between EUR 1,000 and the amount equal to the ratio of EUR 40,000 (reduced by the total income) and EUR 8,000, if total income is between EUR 32,000 and EUR 40,000.

Withholding tax agents automatically recognize the sum or the deduction at the time of payment of the salary and must verify if the same are actually due, when making the tax adjustment.

Withholding agents set off the tax credit accrued upon payment of the above sum, as provided for under article 17 of the Italian legislative decree 241/1997.

INDIVIDUAL INCOME TAX (IRPEF) DEDUCTIONS

Notwithstanding any specific regulatory limitations, holders of a total income of more than EUR 75,000 are recognized an "all-inclusive" cap of deductible expenses, as provided for under the new article 16-ter of the Italian Income Tax Code (TUIR). Such cap is determined with

NEWSLETTER NO. 1 - 2025

January 17 2025 Page 2/7

reference to a fixed value based on total income and a percentage rate determined according to the number of dependent children.

The following expenses are excluded from the cap under the new article 16-ter of the Italian Income Tax Code:

- health expenses;
- sums invested in innovative start-ups, deductible under article 29 and article 29-bis of the Italian law-decree 179/2012
- sums invested in innovative small and medium-sized enterprises, deductible under article 4 (9) and (9-ter) of the Italian law-decree 3/2015.

For expenses whose deduction is spread over several years, the expense instalments relating to each year are relevant to calculate the total amount of charges and expenses.

Interest payments deductible under article 15 (1.a) and (1.b), and (1-ter) for loans or mortgage-backed loans taken out until 31 December 2024, deductible insurance premiums under article 15 (1.f) for insurance agreements enter into until 31 December 2024, as well as the expense instalments deductible under article 16-bis or other legal provisions paid until 31 December 2024 are excluded in any case from such calculation.

For the above limitations, total income is assumed net of the income from the property unit used as main home and from its appurtenances.

FAMILY ALLOWANCES ON INDIVIDUAL INCOME TAX (IRPEF)

Family allowances on Individual income tax (Irpef) are recognized limited to:

- children aged between 21 and years, or older (in the event of children with disabilities) for children under the age of 21 deductions are replaced by the comprehensive family allowance "assegno unico";
- the not legally separated spouse;
- the cohabiting ascendants (parents or grandparents).

Family allowances on individual income tax (Irpef) are not granted to non-EU residents for family members resident abroad.

IMPAIRMENT, LOSSES, AMORTISATION AND DEPRECIATION

The share of impairment and losses on receivables of credit/financial institutions and insurance companies deductible from individual income tax (Irpef) and regional tax on productive activities (Irap), as provided for under article 16 (4) and (9) of the Italian law-decree 83/2015,

- at 11 percent for the tax period ending on 31 December 2025 is deferred on a straight-line basis to the tax period ending on 31 December 2026 and to the three subsequent tax periods;
- at 4.70 percent for the tax period ending on 31 December 2026 is deferred on a straight-line bases to the tax period ending on 31 December 2027 and to the two subsequent tax periods.

The deduction of the share of 13 percent of the amortization and depreciation relating to goodwill and other intangible fixed assets, as provided for under article 1 (1079) of the Italian law 185/2018, for the tax period ending on 31 December 2025 and the subsequent tax period is deferred on a straight-line basis respectively to the tax period ending on 31 December 2026 and to the three subsequent tax periods as well as to the tax period ending on 31 December 2027 and the two subsequent tax periods.

The deduction of the share of 10 percent of the amount of negative items from individual income tax (Ires) and regional tax on productive activities (Irap) pursuant to article 1 (1067) and (1068) of the Italian law 145/2018 for the tax period ending on 31 December 2025 and the subsequent tax period is deferred on a straight-line basis respectively to the tax period ending on 31 December 2026 and to the three subsequent tax periods as well as to the tax period ending on 31 December 2027 and to the two subsequent tax periods.

The losses pursuant to article 84 of the Italian Income Tax Code and the NID in excess to be subtracted from the income of the tax period ending on 31 December 2025 are calculated limited to the higher taxable income of the same tax period determined due to the above provisions at no more than 54 percent of the same higher taxable income. The provisions apply also for determining the income of taxpayers adhering to the national and worldwide tax consolidation scheme under article 117 et seq. of the Italian Income Tax Code.

NEWSLETTER NO. 1 - 2025

January 17 2025 Page 3/7

When determining the prepayments owed for the tax period ending on:

- 31 December 2025 the tax that would have been determined if article 16 (4) and (9) of the Italian law decree 83/2015, article 1 (1079) of the Italian law 145/2018, and article 1 (1067) and (1068) of the Italian law 145/2018 were not applied, is assumed as tax of the previous period;
- 31 December 2026, in addition to the above, the deferred instalments, as specified above, are not considered;
- 31 December 2027 and the two subsequent tax periods, the deferred instalments, as specified above, are not considered.

The provisions on offsets under article 17 of the Italian legislative decree 241/1997 do not apply on the amount corresponding to the share of the higher prepayments owed for the tax period ending on 31 December 2025 and for the subsequent tax period.

CRYPTO ASSETS

The substitute tax under article 5, article 6 and article 7 of the Italian legislative decree 461/1997 is applied with a tax rate of 33 percent on the capital gains and other revenue relating to crypto assets under article 67 (c-sexies) of the Italian Income Tax Code.

The normal value subjected to substitute tax of 18 percent on 1 January 2025 may be assumed instead of the cost or value of purchase for each crypto asset owned on such date.

REDETERMINATION OF THE TAX COST OF EQUITY INVESTMENTS FULLY IMPLEMENTED

To determine the capital gains and losses on equity investments pursuant to article 67 (c) and (c-bis) of the Italian Income Tax Code, owned on 1 January of each year, the normal value on such date may be assumed instead of the cost or value of purchase, provided that the same is subjected to substitute tax by 30 November of the same year.

The normal value for securities, shares or rights not traded on regulated markets or multilateral trade systems is determined equal to the net equity fraction determined on the basis of a sworn evaluation report.

The normal value on 1 January is determined with reference to December of the previous year for securities, shares or rights traded on regulated markets or multilateral trade systems.

Substitute tax is equal to 18 percent and must be paid by 30 November of each year. Substitute tax may be settled in no more than three annual instalments of equal amount, starting from 30 November.

In any case, the opinion must be drawn up and sworn each year by the 30 November deadline.

The above provisions do not apply to determine the capital gains and losses of non-resident companies, even if they do not have a permanent establishment.

REDETERMINATION OF TAX COST OF LAND FULLY IMPLEMENTED

To determine the capital gains and losses on properties pursuant to article 67 (a) and (b) of the Italian Income Tax Code, owned on 1 January of each year, the normal value on such date may be assumed instead of the cost or value of purchase, provided that the same is subjected to substitute tax by 30 November of the same year.

The land's value is determined based on a sworn evaluation report.

Substitute tax is equal to 18 percent of the evaluation value and must be paid by 30 November of the reference year. Substitute tax may be settled in no more than three annual instalments of equal amount, starting from 30 November.

TAX-ADVANTAGED ALLOCATION OF ASSETS TO SHAREHOLDERS

General partnerships, limited partnerships, limited liability companies, joint-stock companies, partnerships limited by shares that assign or transfer, by 30 September 2025, the following assets to shareholders

- immovable properties other than those specified under article 43 (2.1) of the Italian Income Tax Code or
- moveable assets registered with public registers not used as operating assets for the business activity

NEWSLETTER NO. 1 - 2025

January 17 2025 Page 4/7

may opt to subject the difference between

- the normal value of the allocated assets or, in the event of transformation, of the assets owned at the time of transformation, and
- the fiscally recognized cost

to a substitute tax at 8 percent (or 10.5 percent for companies deemed non-operating in at least two of the three previous tax periods).

Reserves under tax suspension cancelled due to the allocation of the assets to shareholders and those of companies that transform themselves are subject to a 13 percent substitute tax.

60 percent of the substitute tax must be paid by 30 September 2025 and 40 percent by 30 November 2025.

From 1 January 2025 until 31 May 2025 individual entrepreneurs may opt to exclude the assets specified under paragraph 121 of the Italian law 208/2015 and owned on 31 October 2024 from the company's assets by subjecting them to substitute tax. The substitute tax may be paid respectively by 30 November 2025 and by 30 June 2026.

VEHICLES GRANTED TO EMPLOYEES FOR PRIVATE AND BUSINESS USE

Fringe benefits granted to employees from 1 January 2025 for private and business use of cars, vehicles for private and business transport and newly registered motor caravans, motorbikes and mopeds are determined by applying the following percentage rate:

- battery-powered vehicles with purely electric drive: 10%,
- hybrid plug-in e-vehicles: 20%;
- other vehicles: 50%.

FRINGE BENEFITS

For the three-year period 2025-2027 the exemption threshold for employee fringe benefits is increased to EUR 1,000 or to EUR 2,000 for employees with dependent children.

Moreover, the objective scope of application of the fringe benefit exemption threshold extends not only to the value

of the sold assets and services rendered but also to the "sums paid or reimbursed by the employer to its employees for the payment of:

- water, electricity and natural gas services for domestic use;
- expenses for renting the main home or for interest payable on main home loans.

REIMBURSEMENT OF EXPENSES INCURRED BY EMPLOYEES

In order for refunds of expenses for accommodation, meals, travel, and transport by non-scheduled public transport services to be exempt, expenses must be paid by bank or postal transfer or by other traceable payment systems.

Such expenses as well as the item-by-item refund of the same expenses incurred for employee travel (or paid by self-employed people) are deductible by the employer within the limits set forth, if payments are made by bank or postal transfer or by other traceable payment systems.

REIMBURSEMENT OF ACCOMMODATION EXPENSES INCURRED BY NEWLY HIRED EMPLOYEES

For employees

- hired in 2025 with new indefinite term contracts,
- with an income up to EUR 35,000 in the year prior to their employment,
- that become resident within a range of 100 kilometres,

the sums reimbursed by the employer (or paid by the same) for rental expenses and maintenance expenses for buildings rented by employees are exempted from tax up to the limit of EUR 5,000 per year.

CONVENTIONAL SALARY

Article 51 (8-bis) of the Italian Income Tax Code is interpreted in a way as to include also income from employment earned abroad, on a stable basis and as the sole scope of the employment relationship, by employees who stay in the foreign country for more than 183 days during a twelve-months period and return to their home in Italy once a week.

NEWSLETTER NO. 1 - 2025

January 17 2025 Page 5/7

PRODUCTIVITY BONUS

The sums paid in the three-year period 2025-2027 as performance bonuses and shares in profits may be subjected to a substitute tax at 5 percent.

REPRESENTATION EXPENSES

Representation expenses under article 108 of the Italian Income Tax Code are deductible if payments are made by bank or postal transfer or by other traceable payment systems.

INCOME TAX RELIEF ON ENERGY EFFICIENCY

Expenses incurred in the years 2025, 2026 and 2027 are also eligible for the income tax relief on energy efficiency, pursuant to article 14 of the Italian law-decree 63/2013, at 36 percent of the expenses incurred in 2025 and at 30 percent of the expenses incurred in 2026 and 2027. The tax benefit does not apply to expenses relating to works aimed at replacing winter air conditioning systems by single fossil-fuel fired boilers.

The tax relief for the years 2025, 2026, and 2027 is increased to 50 percent of the expenses for the year 2025, and to 36 percent, for the years 2026 and 2027, if the expenses are incurred by owners or holders of rights in rem of enjoyment for works performed on the property unit used as main home.

INCOME TAX RELIEF FOR BUILDING RENOVATIONS AND FOR THE PURCHASE OF FURNITURE

The income tax relief for building renovations under article 16 of the Italian law-decree 63/2013 applies to expenses incurred in the years 2025, 2026 and 2027 at 36 percent in 2025 and at 30 percent in the years 2026 and 2027 up to a total amount of expenses of no more than EUR 96,000 for each property unit. Expenses for works aimed at replacing winter air conditioning systems by single fossil-fuel fired boilers are excluded from the tax benefit.

The tax relief is increased to 50 percent in 2025 and to 36 percent in 2026 and in 2027 if the expenses are incurred by the owners or holders of right in rem of enjoyment for works on the property unit used as main home.

The tax reliefs under *1-bis* to *1-septies* (tax bonus for anti-seismic adaptation works) apply also to expenses incurred

in the years 2025, 2026 and 2027 at 36 percent in 2025 and at 30 percent in 2026 and 2027. The tax relief is increased to 50 percent and to 36 percent respectively if the expenses are incurred by the owners or holders of right in rem of enjoyment for works on the property unit used as main home.

For works under article 119 (8-bis, first sentence) of the Italian law-decree 34/2020 ("*Superbonus*") the deduction at 65 percent of the expenses incurred in 2025 applies only in relation to works, for which on 15 October 2024:

- a sworn notice on the commencement of works (CILA) pursuant to paragraph 13-ter has been filed, for works other than those made by condominium owners;
- the condominium owners meeting has approved the execution of the works and filed the sworn notice on the commencement of works (CILA) pursuant to article 13-ter, if the works are made by the condominium owners;
- the request for the issuance of a permit has been filed, if the works require the demolition and reconstruction of the buildings.

The tax relief for expenses incurred from 1 January 2023 until 31 December 2023 may be divided, upon the taxpayer's option, in ten yearly instalments of equal amount starting from the 2023 tax period. The option is irrevocable and is exercised by filing a supplementary income tax return for the 2023 tax period to be filed by the deadline set forth for the filing of the income tax return for the 2024 tax period. If such supplementary income tax return shows a higher tax due, the latter is paid, with no penalties and interest being applicable, by the deadline for the payment of the settlement balance for income taxes due for the 2024 tax period.

4.0 TAX CREDIT

As of 1 January 2025

- the tax incentive for 4.0 intangible fixed assets and applications (unless the order has already been accepted by 31 December 2024 and a prepayment of 20 percent of the total cost has been made);
- an expense cap of EUR 2.2 billion is introduced for all eligible investments.

The news applies to investments made from 1 January 2025 until 31 December 2025 (or by 30 June 2026, if the order is accepted by the seller by 31 December 2025 and

NEWSLETTER NO. 1 - 2025

January 17 2025 Page 6/7

a prepayment of 20 percent was made).

For investments booked by 31 December 2024 (order accepted and prepayment of at least 20 percent paid) the former provisions continue to apply: no EUR 2 billion cap and intangible fixed assets continue to be eligible.

The 4.0 transition tax credit extended to 2025 will be subject to a new mandatory procedure of notification to the Italian Ministry of Enterprises and Made in Italy (MIMIT), as follows:

1) submission of notice to the MIMIT:

- ✓ enterprises must submit a notice to the MIMIT electronically and specify the amount of the expenses incurred and the tax credit theoretically accrued. The notice must be drawn up according to the template provided by the directorate decree of 24 April 2024 (to be amended).

2) evaluation and allocation of resources:

- ✓ based on the notices received, the MiMIT will evaluate the requests and draw up a list of the beneficiaries with the amount of the tax credit recognized.

3) submission to the Italian tax authority:

- ✓ The MiMIT will then submit the list of the beneficiaries to the Italian tax authority that will allow the offset of the tax credit until the available resources are exhausted.

4) suspension of requests:

- ✓ The MiMIT will announce that the overall limit of EUR 2.2 billion has been reached on its institutional website.

5.0 TAX CREDIT

The 5.0 Transition bonus is boosted through simplification of the procedures, reinforcement of the preferential tax rate for investments from EUR 2.5 million to EUR 10 million and cumulativeness with financial incentives financed by European funds.

CORPORATION TAX REWARD

For 2025 only, the individual income tax rate is reduced from 24 percent to 20 percent if the following requirements are met:

- allocation to reserves of a share of no less than 80 percent of the profits of the year ending on 31 December 2024;
- use of an amount of no less than 30 percent of the profits allocated (in any case no less than 24 percent of the profits of the year ending on 31 December 2023) for the purchase of new operating assets (4.0 tangible fixed assets and 5.0 assets) for productive facilities in Italy;
- investments of no less than EUR 20,000;
- no decrease in the number of annual working units (AWU) compared to the average of the previous three-year period (2022-2024);
- new employees are hired with an indefinite term contract that constitute an increase in employment of at least 1 percent of the average number of employees for an indefinite term employed in the tax period ending 31 December 2024 and, in any case, of no less than one employee for an indefinite term.

Companies and entities under ordinary liquidation, subjected to bankruptcy proceedings with liquidation, in the tax period after the one ending 31 December 2024 (2025), or that determine their taxable income, even partially, based on flat tax schemes are not eligible for this tax benefit.

"FIRST HOME" TAX BENEFITS

As to "first home" tax benefits, the deadline for the sale of an incentivized property already owned is increased to two years.

WEB TAX

The digital services tax (so-called web tax) applies to taxpayers carrying out a business activity that

- earn income from digital services in Italy and that
- individually or on group level, in the previous calendar year, earn a total amount of revenues of no less than EUR 750 million (and hence the "national" threshold of EUR 5.5 million is eliminated).

NEWSLETTER NO. 1 - 2025

January 17 2025 Page 7/7

DEDUCTIONS FOR NEWLY HIRED EMPLOYEES

the deduction of 20 percent of the labour cost relating to newly hired employees for an indefinite term (deduction increased up to 30 percent in the event of disadvantaged employees) is extended to the three-year period 2025, 2026 and 2027

REVERSE CHARGE

The provision of contracting and subcontracting services:

- with predominant use of manpower at the principal's site,
- rendered vis-à-vis enterprises that carry out transport and goods handling activities,

are subjected to the reverse charge scheme, subject to EU authorization.

Provisionally, pending EU authorization, it is permissible to opt for VAT to be paid by the principal.

Sincerely yours,

HAGER & PARTNERS