

"SUPER DEDUCTION" FOR NEW HIRES 2024

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Legislative Decree No. 216 of Dec. 30, 2023, "Implementation of the First Form of Reform of Personal Income Taxes and Other Measures on Income Taxes" (hereinafter also the "Decree"), which came into force on Dec. 31, 2023, introduced a "super deduction" for new hires, recognized under certain conditions. Specifically, Article 4 of the Decree provides, for the 2024 tax period only, an incremental labor cost surcharge for the purpose of determining income for new permanent hires.

The main aspects of the facility are summarized below based on the recent implementing provisions established by Ministerial Decree June 25, 2024.

Beneficiaries	<p>Eligible for relief:</p> <ul style="list-style-type: none">- Individuals with business income;- Individuals engaged in the arts and professions who are self-employed. <p>Beneficiaries must have been in business for at least 365 days in the current tax period as of Dec. 31, 2023. Therefore, enterprises established since Jan. 2, 2023 are excluded.</p> <p>Enterprises in ordinary liquidation, as well as enterprises that are in judicial liquidation or have resorted to other liquidation institutions related to the business crisis, those under the flat-rate scheme and agricultural entrepreneurs who determine income under Article 32 of the TUIR, are not eligible for the relief, as they do not have business income.</p> <p>For noncommercial entities, the relief operates only for new hires of workers employed in the course of business.</p>
Determination of facilitation	<p>The relief consists of an extra deduction in the 2024 tax period equal to 20 percent of the cost referable to the increase in newly hired employees with permanent employment contracts.</p> <p>In the presence of increased employment, the relevant cost to be assumed is equal to the lower of:</p> <ul style="list-style-type: none">- the amount actually referable to new hires (item B.9 of the



	<p>Income Statement, as defined by OIC 12);</p> <ul style="list-style-type: none">- The overall increase in the cost of employees, including fixed-term employees (item B.9 in the Income Statement), compared with that for 2023. <p>It should be noted that costs referable to employees are allocated temporally according to the rules applicable for the purpose of determining the taxpayer's income.</p> <p>In addition, it is stipulated that if the new employee falls into one of the categories of workers deserving greater protection (listed in Annex 1 to the Decree), the cost, also for the purpose of determining the overall increase in the cost of personnel resulting from the income statement is increased by an additional 10%; thus, in this case, the increase will be 30%. It is specified that in the event that the increase in total personnel cost is less than the cost actually referable to new hires, in the presence of both categories of workers (thus with a surcharge of 20% and 30%), the cost to be assumed for the purposes of the surcharge is to be allocated between the two categories in proportion to the cost of newly hired permanent staff in each.</p>
Conditions	<p>To be eligible for the facility, it is required that:</p> <ul style="list-style-type: none">- the number of permanent employees at the end of 2023 is greater than the average number of permanent employees employed in 2023 (net of employment decreases occurring in subsidiaries or affiliates or owned, including through intermediaries, by the same person);- the total number of employees (including those on fixed-term contracts) at the end of 2024 is greater than the number of the same average workers employed in 2023 (without taking into account intragroup decreases). <p>To this end, DM 25.6.2024 specified that:</p> <ul style="list-style-type: none">- notes the transformation of fixed-term contracts into permanent contracts carried out in 2024;- part-time workers count in proportion to the hours worked compared to those stipulated in the national contract;- employees with a staffing contract are relevant for the user enterprise, in proportion to the duration of the employment relationship;- Working members of cooperatives are considered to be assimilated to employees;- employees previously employed by another group company and whose employment relationship with the latter is terminated as of Dec. 30, 2023 do not count;- personnel hired on a permanent basis destined for a permanent establishment located abroad of a resident entity does not count.



	<p>In addition, employees whose contracts are transferred as a result of the transfer of companies or business units as a result of extraordinary transactions (e.g., mergers, demergers, transfers, leases) or the transfer of employment contracts pursuant to Article 1406 of the Civil Code do not count, provided that the contract is in place at the end of 2024.</p> <p>In such cases, employees are not relevant for either the predecessor or the successor. This sterilization is waived for the successor if the employment contract is not in place at the end of 2024. It is also provided that, in the aforementioned cases, employees hired for an indefinite term in 2024 are relevant for both the giver and the successor in proportion to the duration of the employment relationship.</p>
Use	<p>The relief takes the form of a downward variation to be made when determining business income (not also for IRAP purposes). Therefore, a downward variation must be made on the INCOME 2025 form (relating to tax year 2024).</p>
Advances	<p>The standard stipulates that:</p> <ul style="list-style-type: none">- in determining the advance payment of income tax due for the tax period following the one in progress on December 31, 2023, the introduced provisions shall not be taken into account;- in determining the advance payment for 2025, the tax for the previous period is taken as the tax that would have been determined if the provisions under consideration had not been applied.

