

JANUARY 2017 NEWSLETTER

**CONTRIBUTION RELIEF AND TAX INCENTIVES FOR COMPANIES:
NEW FEATURES AND CONFIRMATION OF THE 2017 STABILITY LAW.**

SUMMARY

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| a) Variable remuneration and Company welfare | d) Tax relief to hire persons Over 50 and disadvantaged categories |
| b) Tax relief to hire personnel with an apprenticeship employment contract | e) Tax relief to hire "Naspi" (New Social Insurance for Employment) beneficiaries |
| c) Tax relief to hire personnel in South Italy | |

a) Variable remuneration and Company welfare

The Government's intention to render structural the measures to assist the dissemination of the variable salary is also confirmed by the measures recently introduced (Law No. 232 dated 11th December 2016), above all, in terms of the provisions in favour of the variable salary. In particular, the measures focus on both the recipients of the benefit, and the remuneration quantum to be considered subject of the subsidy.

- Potential recipients: the income limits are raised further increasing from Euros 50,000 to Euros 80,000, therefore, the provision also fully includes workers with middle management status and, in some cases, senior managers.
- Amount subject to subsidy: the amount subject to subsidy increases from Euros 2,000 to Euros 3,000. Whereas, the amount is increased from the current Euros 2,500 up to Euros 4,000 in the case of companies where the workers are involved equally in the organisation of work, in accordance with the provisions envisaged in the collective agreements and in accordance with inter-ministerial decree dated 12th March 2016.
- Company welfare: **the range of services considered in the exclusion from the taxable base under art. 51 of the Consolidated Law on Income Tax (TUIR) has been extended**, the range of services had already been updated last year to include all the childcare services and opening up to the healthcare services for elderly or non-self-sufficient relatives. In addition, it is important to specify that the contributions to supplementary pension funds and healthcare contributions do not concur to form the employment income, nor are they subject to the regulated substitute tax, **even if they exceed the limits previously in force**, namely, Euros 5,164.57 and Euros 3,615.20, respectively.

Observations - Incentives for variable remuneration and company welfare – Incentive and strengthening instrument for the employee's income.

Although significant changes have not been made the new provision has extended, and not insignificantly, the income limits for the purposes of being eligible to receive the incentive, increasing the limits up to Euros 80,000. The result is that companies have the possibility to render part of the

variable remuneration tax-exempt, not only in relation to white-collar and blue-collar workers, but also "middle management", and in some cases, "senior managers". In fact, unlike less qualified workers, in the vast majority of cases these persons benefit from variable economic conditions that, until now, did not benefit from the preferential discipline, due to the income limit imposed over the years.

Therefore, it is appropriate for companies covered by second level collective bargaining, to verify the variable economic conditions of their employees and exploit the facilitating legislation as much as possible that, as has been said, currently covers a wider group of persons.

In addition, the government insists on welfare as a tool to support income. Therefore, the theme governed by art. 51 and art. 100 of the Consolidated Law on Income Tax has been renewed and "modernised" by the new Law with the aim of accommodating the new emerging "social needs", and therefore, consequently to update the legislation. To this end the Law has reinforced the tax relief for companies which provide company welfare services and measures to employees (workplace childcare facilities, meal vouchers, supplementary healthcare...), allowing performance bonuses to be provided in the form of welfare services on the basis of the experience widely tested in other European countries.

b) Tax relief to hire personnel with an apprenticeship employment contract

A total contribution exemption is reintroduced for employers that hire students who have engaged in school/work alternation activities or are concluding a period of first and third level apprenticeship at the employer's facilities. However, the differences compared to the past are significant. The annual maximum envisaged amounts to Euros 3,250 compared to the previous Euros 8,060. In addition, the facilitated recruitment refers to the recruitment performed in the 2017/2018 two-year period and entitlement to the subsidy is not automatic, but dependent on submitting a specific application to INPS (National Social Security Institute).

c) Tax relief to hire personnel in South Italy

Tax relief is envisaged to hire personnel in the case of companies located in the less developed regions. This refers to the South Italy employment incentive, a fund that is managed by Inps (National Social Security Institute) and the reference legislation is Ministry of Labour decree dated 21st November 2016.

A **total contribution exemption** will be acknowledged for the first year with the 2017 South Italy recruitment Bonus, granted in favour of **companies in South Italy** (Basilicata, Calabria, Campania, Puglia and Sicily, Abruzzo, Molise and Sardinia) that hire new workers with an open-ended staff leasing employment contract starting from 1st January 2017 and up to 31st December 2017.

This represents a saving for companies that amounts to Euros 8,060 per worker, and that will be re-determined in the case of recruitment with a fixed term employment contract, based on the overall amount of the contributions to be borne by the company.

The measure is directed exclusively at new recruitments of unemployed workers who declare, via the Anpal (National Agency for Active Labour Policies) website, their immediate willingness to perform the work activity and to participate in the active labour policy measures with the Employment Centre, in compliance with the following requirements:

- young persons aged between 15 years and 24 years old;
- workers who are more than 24 years old and who have not had regular paid employment for at least 6 months or who have performed work activities for the same period in a self-employed or para-subordinate form with an income that was lower than the annual tax-exempt income.

d) Tax relief to hire persons aged Over 50 and disadvantaged categories.

The contribution exemption introduced by the Fornero reform law has been confirmed for 2017 regarding the hiring of:

- women who have been unemployed for at least 6 months, resident in disadvantaged regions or employed in work sectors characterised by a significant gender-related employment disparity;
- women who have been unemployed for at least 24 months;
- workers who are at least 50 years old, and unemployed for at least 12 months.

The exemption corresponds to 50% of the contributions due and payable to Inps (National Social Security Institute) and the premiums due to Inail (National Insurance Institute for Accidents at Work) and has a duration of:

- up to 12 months, if hired with a fixed term employment contract;
- up to 18 months, if hired with an open-ended employment contract or if the fixed term employment contract is transformed into an open-ended employment contract.

e) Tax relief to hire persons who are "Naspi" (New Social Insurance for Employment) beneficiaries.

The tax relief is confirmed in favour of employers that, without being under an obligation, hire workers on a full-time basis and with an open-ended employment contract when the workers are NASpI (New Social Insurance for Employment) (ASpI - Social Insurance for Employment) beneficiaries. These employers are granted a monthly contribution, for each monthly remuneration paid to the worker, equal to 20% of the residual monthly indemnity that would have been paid to the worker.

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