



Italy: 2022 Budget Law

Tax & Legal Alert 21 January 2022



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This Tax & Legal Alert summarizes the main changes made to tax, employment and corporate law by article 1 of Law no. 234 of 30 December 2021 (the '2022 Budget Law'), published in Official Gazette no. 310 on 30 December 2021 and in force since 1 January 2022.

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1. Tax measures

1.1 Indirect taxation

1.1.1 Postponement of plastic tax and sugar tax - Article 1 (12)

The 2022 Budget Law has postponed to 1 January 2023 the introduction⁽¹⁾ of the plastic tax, which is the tax applied to single-use products (MACSI) that are used for packaging, protection or delivery of goods or foodstuffs, including preforms.

Also postponed to 1 January 2023 is the introduction of the sugar tax, which is the tax on the consumption of non-alcoholic sugary drinks⁽²⁾.

1.1.2 Annual limit on the offsetting of VAT credits - Article 1 (72)

As of financial year 2022, the amount of VAT credits that can be offset against other taxes and contributions or claimed as a refund through the 'fast-track' procedure is capped at EUR2 million (originally EUR700,000 and capped at EUR2 million and EUR1 million for FY 2021 and FY2020 respectively).

1.1.3 Reduced 5 percent VAT rate for supplies of gas - Article 1 (506)

A reduced 5 percent VAT rate, rather than the ordinary rates, will apply to supplies of natural gas used for domestic and industrial purposes and charged in invoices issued – for estimated or actual consumption – in January, February and March 2022⁽³⁾.

1.1.4 Reduced 10 percent VAT rate for supplies of feminine hygiene products - Article 1 (13)

A reduced 10 percent VAT rate will apply to supplies of feminine hygiene products that are not compostable⁽⁴⁾ (specifically, to supplies of sanitary towels and tampons).

(1) By Law no. 160/2019 (the 2020 Budget Law).

(2) Also introduced by the 2020 Budget Law.

(3) The same provision was included in Law Decree no. 130/2021, with respect to estimated or actual consumption in October, November and December 2021.

(4) Feminine hygiene products that are compostable or washable are subject to a 5 percent VAT rate.

1.2 Tax credits

1.2.1 Extension of the tax credit for investments in Industry 4.0 capital goods - Article 1 (44)

One of the main measures of benefit to businesses is the extended and adapted tax credit for investments in Industry 4.0 tangible and intangible capital goods. With a view to supporting and incentivizing investments that will promote the technical and digital transformation of Italy's production sector, article 1 (44)⁽⁵⁾ has extended the tax credit to the three-year period 2023-2025, even though the percentages have been reduced.

Investments in **tangible Industry 4.0 capital goods listed in Attachment A** to Law no. 232/2016, made by businesses between 1 January 2023 and 31 December 2025 (or by 30 June 2026 if the seller has accepted the order and a down payment of at least 20 percent of the acquisition cost has been made by 31 December 2025), will guarantee a tax credit equal to:

- 20 percent of the first EUR2.5 million of the investment;
- 10 percent of the second portion of the investment (> EUR2.5 million - EUR10 million);
- 5 percent of the last portion of the investment (> EUR10 million - EUR20 million).

The eligible expenses are therefore capped at EUR20 million.

With regard to investments made in 2022, the tax credit brackets remain:

- 40 percent (first EUR2.5 million);
- 20 percent (>EUR2.5 million - EUR10 million);
- 10 percent (>EUR10 million - EUR20 million).

The literal wording of the 2022 Budget Law indicates that the downsizing of the tax credit could also affect the eligible costs, which would be the aggregate costs for the three-year period 2023-2025 and no longer the annual costs. It will be necessary to wait for clarification from the lawmakers since, as will be seen below, for intangible Industry 4.0 capital goods the eligible annual costs are expressly capped.

(5) By amending the wording of article 1 (1051-1063) of Law no. 178 of 30 December 2020 (the 2021 Budget Law).

For investments in **intangible Industry 4.0 capital goods listed in Attachment B** to Law no. 232/2016, the following percentages will apply, according to the year:

- up to 31 December 2023 - or 30 June 2024 if the seller has accepted the order and a down payment of at least 20 percent of the acquisition cost has been made by 31 December 2023 - the tax credit will be 20 percent of the cost and the eligible annual costs will be capped at EUR1 million;
- from 1 January 2024 to 31 December 2024 - or 30 June 2025 if the seller has accepted the order and a down payment of at least 20 percent of the acquisition cost has been made by 31 December 2024 - the tax credit will be 15 percent of the cost and the eligible annual costs will be capped at EUR1 million;
- from 1 January 2025 to 31 December 2025 - or 30 June 2026 if the seller has accepted the order and a down payment of at least 20 percent of the acquisition cost has been made by 31 December 2025 - the tax credit will be 10 percent of the cost and the eligible annual costs will be capped at EUR1 million.

In this case too, the benefit will be gradually downscaled: for investments made in 2023 it remains unchanged, compared to 2022, but then decreases for investments made in the following two years.

However, in the case of these investments, unlike those in tangible Industry 4.0 capital goods, specific reference is made to a cap on the eligible annual costs (EUR1 million per year between 2023 and 2025).

Despite the adjusted percentages, the other preconditions for the Industry 4.0 tax credits remain unchanged. As in previous years, the range of beneficiaries is broad, since the tax credit is available to all resident enterprises – including permanent establishments of non-resident enterprises – irrespective of their legal status, industry sector, size or method of calculating business income.

Beneficiaries can use the tax credits only to offset tax payments made through an F24 payment form, in three equal annual instalments, starting from the year in which the capital goods become interconnected⁽⁶⁾.

Instead, there has been **no extension or revision of the tax credit for investments** by enterprises in **'ordinary' tangible and intangible capital goods**, i.e. new assets that, although they are instrumental to the business activity and are allocated to production facilities in Italy, do not have the characteristics of Industry 4.0 capital goods. The benefit available for such assets⁽⁷⁾ will therefore expire at the end of 2022. For investments made in 'ordinary' tangible and intangible capital goods from 1 January to 31 December 2022 – or by 30 June 2023 if the seller has accepted the order and a down payment of at least 20 percent of the acquisition cost has been made by 31 December 2022 – the tax credit will be 6 percent of the costs and the eligible costs will be capped at EUR2 million for intangible assets and EUR1 million for intangible ones.

1.2.2 Tax credits for R&D, technological innovation and design - Article 1 (45)

So that Italian enterprises are still incentivized to invest in R&D and technological innovation, the existing tax credit⁽⁸⁾ has been extended. The basic rules remain the same but the framework is now quite complex.

For 2022 the percentages and caps imposed by the previous rules are unchanged; however, they will differ over the period of the extension, according to the type of investment.

The R&D tax credit⁽⁹⁾ will – from the financial year in progress on 31 December 2023 (2023 for calendar-year taxpayers) to that in progress on 31 December 2031 – be 10 percent and capped at EUR5 million per year⁽¹⁰⁾.

The **technological innovation tax credit**⁽¹¹⁾ will be:

- 10 percent and capped at EUR2 million, up to the financial year in progress on 31 December 2023;
- 5 percent and capped at EUR2 million from the subsequent financial year (2024 for calendar-year taxpayers) until that in progress on 31 December 2025⁽¹²⁾.

(6) Interconnected assets (basically digitally controlled/operated equipment and machinery) exchange information with a business's computerized production management system or supply network.

(7) Originally introduced by article 1(1054-1055) of the 2021 Budget Law.

(8) Introduced by article 1(198 *et seq.*) of the 2020 Budget Law.

(9) Specifically, the tax credit for the activities indicated in article 1 (200) of the 2020 Budget Law.

(10) Under the new paragraph 203-*bis* of article 1 of the 2020 Budget Law.

(11) Specifically, the tax credit for the activities indicated in article 1 (201) of the 2020 Budget Law.

(12) Under the new paragraph 203-*ter* of article 1 of the 2020 Budget Law.

The **design tax credit**⁽¹³⁾ will be:

- 10 percent and capped at EUR2 million up to the financial year in progress on 31 December 2023;
- 5 percent and capped at EUR2 million per year from the financial year subsequent to that in progress on 31 December 2023 (2024 for calendar-year taxpayers) until that in progress on 31 December 2025⁽¹⁴⁾.

The **tax credit for technological innovation developed to produce new or substantially enhanced products or production processes in order to achieve an Industry 4.0 green transition or digital innovation objective**⁽¹⁵⁾ will be:

- 15 percent (the same as for 2021) and capped at EUR2 million for the financial year 2022;
- 10 percent and capped at EUR4 million for the financial year 2023⁽¹⁶⁾;
- 5 percent and capped at EUR4 million per year for the financial years 2024 and 2025⁽¹⁷⁾.

The above extensions reflect the intention of lawmakers to continue to reward enterprises whose business strategy is underpinned by R&D, innovation, or studies to enhance the form and style of their products (design).

Subject to the caps and the segregation of different projects and spending, it is possible to claim the tax credit for several eligible activities in the same financial year.

1.2.3 Further funding for the 'New Sabatini' subsidy - Article 1 (47-48)

The 2022 Budget Law ensures continuity of the 'New Sabatini' mechanism⁽¹⁸⁾. This subsidy – provided by the Ministry of Economic Development to help businesses access credit and make Italy's production system more competitive – is available to SMEs that take out loans to purchase, even through financial leasing arrangements, new production machinery, plant and equipment, as well as capital goods, and to invest in hardware, software and digital technologies.

The maximum loan term is five years and the loan, ranging from EUR20,000 to EUR4 million, must be used for the qualifying investments. The Ministry of Economic Development provides a subsidy equivalent to an amount of notional interest, which is calculated, on a five-year loan equal to the size of the investment, at an interest rate of 2.75 percent p.a. (3.575 percent p.a. in the case of investments in Industry 4.0 technologies).

(13) Specifically, the tax credit for the creation of aesthetic and other designs, as per article 1 (202) of the 2020 Budget Law.

(14) Under the new paragraph 203-*quater* of article 1 of the 2020 Budget Law.

(15) Specifically, the tax credit for the activities indicated in article 1 (201) of the 2020 Budget Law.

(16) Under the new paragraph 203-*quinqes* of article 1 of the 2020 Budget Law

(17) Under the new paragraph 203-*sexies* of article 1 of the 2020 Budget Law.

(18) Regulated by article 2 of Decree Law no. 69/2013 as subsequently amended.

Under the previous rules⁽¹⁹⁾, in the case of applications submitted from 1 January 2021 the subsidies had to be paid in a single instalment, whatever the amount. However, the 2022 Budget Law now establishes⁽²⁰⁾ that they must be paid in several instalments, unless the loan does not exceed EUR200,000, in which case the subsidy should be paid in full at once.

1.2.4 Tax credit for advisory expenses incurred in the listing of SMEs - Article 1 (46)

This tax credit has been extended and reshaped. In particular, the tax credit:

- is capped at 50 percent of the total advisory costs incurred between 1 January 2018 and the date on which the SME is listed, or, in any event, up to 31 December 2022;
- cannot exceed EUR200,000 (instead of EUR500,000 as previously).

1.3 Income tax

1.3.1 Changes to the Patent Box rules - Article 1 (10-11)

The 2022 Budget Law has amended⁽²¹⁾ the Patent Box regime first applied in Italy in financial year 2015.

With effect from financial year 2021, article 1(10) replaces the previous system of tax relief for business income deriving from the use of particular intangible assets, by introducing an additional 110 percent super deduction for R&D costs incurred in relation to certain intangible assets that can be legally protected. More specifically, the 2022 Budget Law redefines the scope of the Patent Box rules by establishing that only the following types of intangible assets now qualify for this relief:

- software protected by copyright
- industrial patents
- designs and models.

The new rules exclude trademarks and legally protectable processes, formulas and industrial, commercial or scientific knowledge – i.e. know-how, which was included under the previous system. The scope of application is now restricted to legally protected assets that are used directly or indirectly in a business activity.

(19) Article 1 (95) of Law no. 178/2020 (the 2021 Budget Law).

(20) By modifying article 2 (4) of Decree Law no. 69/2013.

(21) By modifying article 6 of Decree Law no. 146 of 21 October 2021, which, in turn, amended Law no. 190/2014 (the 2015 Budget Law).

(22) As per article 1(2) of Legislative Decree no. 471 of 18 December 1997.

The first five-year period for which taxpayers can elect the new regime is 2021-2025.

The 2022 Budget Law has also confirmed the possibility of compiling documentary evidence of the circumstances in which the tax relief is claimed; this will enable taxpayers to claim penalty protection.

If the Italian Revenue Agency discovers an over-deduction – and no such documentation has been compiled, or the documentation does not satisfy the necessary requirements – the administrative penalty will⁽²²⁾ range from 90 percent to 180 percent of the additional tax due or of the difference in the tax credit used.

The new Patent Box relief can be combined with the R&D tax credit governed by the 2020 Budget Law.

Moreover, the transition process has been redesigned: taxpayers that have opted for the previous Patent Box for the five-year period 2020-2024 but have not yet signed a prior agreement with the Italian Revenue Agency, may opt for the new Patent Box regime instead of the old one, after notifying the Revenue Agency in accordance with the procedures established by its Director. This possibility is not available to taxpayers that have already signed an agreement with the Italian Revenue Agency.

Under the newly revised Patent Box rules it will be possible to use an additional 110 percent super deduction from the year in which the relevant intangible asset is registered. This super deduction also encompasses R&D costs incurred in the eight financial years prior to that in which the intangible asset becomes legally protected. Therefore, there will be track and trace mechanisms, probably in line with the previous edition of the relief, so that costs can be mapped with precision.

There is not yet any precise indication of the costs that qualify for the new edition of the Patent Box, and which R&D activities can therefore be considered; however, the Revenue Agency is expected to issue an implementation decree.

Differently from the previous rules, the economic contribution made by the intangible assets is no longer calculated by identifying the portion of business income deriving from them; instead, the costs of the assets are stepped up by 110 percent – a sort of mark-up on asset development costs. In certain respects, this method could be equated to one of the residual methods used when the previous regime was in force, i.e. the 'cost plus' method. However, that method was reserved, in line with the OECD Guidelines⁽²³⁾, for the development of intangibles used for internal business operations (e.g. internal software systems), particularly where the intangibles in question were not unique and valuable intangibles, and the mark-up, determined on each occasion through special market research, was always considerably lower than 110 percent.

As in the past, multinational groups will need to strictly coordinate the new Patent Box regime with their transfer pricing policies, given the necessity to (i) coordinate identification of the intercompany revenues deriving from the intangible assets and identification of the costs of developing those same assets, and (ii) update their penalty-protection documentation, to include the Master File descriptions of the intangible asset development processes.

1.3.2 Suspended depreciation of fixed assets - Article 1 (711)

Given the continuation of the COVID-19 pandemic and the ensuing economic crisis, the rules on suspended depreciation have been extended to financial year 2021.

Only parties that in financial year 2020 “*did not expense 100 percent of the annual depreciation charge for tangible and intangible fixed assets*” can suspend depreciation in 2021.

This rule allows companies not to expense up to 100 percent of the annual depreciation charge for fixed assets. All companies that do not adopt international accounting standards can benefit from this tax relief. It is possible to suspend the depreciation of all tangible and intangible assets (including goodwill), as well as fixed assets purchased in the course of the financial year. Moreover, companies are given free rein in deciding the perimeter of this exception to the normal rules, as it can encompass: individual tangible or intangible assets; groups of tangible or intangible assets; all fixed assets recognized in the balance sheet. Companies that take advantage of this relief must set aside in an unavailable reserve an amount of profits corresponding to the amount of depreciation not expensed. In cases where the year-end profit is lower than the depreciation, the reserve must be topped up from available reserves. If there are no available reserves, the profits of subsequent years must be used.

From a tax perspective, deduction of the 'suspended' depreciation charge is allowed on the same conditions and within the same limits imposed by articles 102, 102-*bis* and 103 of the Italian Income Tax Code, irrespective of its expensing. This rule ensures that the 'suspended' depreciation charge can be deducted; otherwise, deduction would be precluded on the grounds that the depreciation charge has not, as required by the ordinary rules⁽²⁴⁾, been expensed first.

The Italian Revenue Agency, in Tax Ruling no. 607/2021, has usefully clarified that this mechanism is an optional one. Therefore, any taxpayer who has totally or partially suspended the expensing of depreciation on tangible or intangible assets can decide whether or not to deduct the depreciation charge that has not been expensed.

(22) As per article 1(2) of Legislative Decree no. 471 of 18 December 1997.

(23) OECD Guidelines – paragraph 6.143.

(24) The usual expensing requirement is imposed by article 109(4) of the Italian Income Tax Code.

1.3.3 Changes to the rules on the revaluation and realignment of business assets - Article 1 (622-624)

The 2022 Budget Law has set new limits on the deduction of amortization expenses following increases in the tax bases of intangible assets in respect of which⁽²⁵⁾ only one-eighteenth of the cost or value can be deducted each year (as in the case, for example, of goodwill and trademarks).

In particular, article 1 (622) establishes that no more than one-fiftieth of the increase in value of such assets, arising from their revaluation and/or realignment, can be deducted.

This deductibility rule will also apply when such assets are transferred against payment, allocated to shareholders, used for non-business purposes, or eliminated from production processes. Specifically, the new limits on the deductibility of amortization expenses are transferred, on the one hand, to the capital loss suffered by the transferor and, on the other hand, to the stepped-up tax basis, net of the capital loss, obtained by the transferee.

The new limit on the deduction of these amortization expenses will not apply if the taxpayer pays the difference between (a) the 3 percent substitute tax on the increase in value⁽²⁶⁾ and (b) the tax⁽²⁷⁾ to be paid in order to realign tax bases with higher book values in tax-neutral transactions (12 percent tax for increases in value of up to EUR5 million; 14 percent tax for the next portion → EUR 5 million-EUR 10 million; 16 percent tax for the remaining part → EUR10 million). This sum must be paid in no more than two equal instalments: the first by the payment deadline for the balance of income taxes for the financial year subsequent to that in relation to which the assets are revalued; the second by the payment deadline for the balance of income taxes for the next subsequent financial year.

It will be possible to revoke the elected revaluation and/or realignment in accordance with procedures and deadlines to be established by the Director of the Italian Revenue Agency.

Revocation will be grounds for a refund or offsetting⁽²⁸⁾ of substitute tax payments already made; the procedures and deadlines will be explained in the same guidance issued by the Director of the Italian Revenue Agency.

(25) As per article 103 of the Italian Income Tax Code.

(26) Imposed by article 110 of Decree Law no. 104/2020.

(27) Established by article 176(2-ter) of the Italian Income Tax Code.

(28) As per article 17 of Legislative Decree no. 241/1997.

1.4 Tax collection

1.4.1 National collection service governance and fees - Article 1 (14-23)

The 2022 Budget Law introduces several changes to the governance of the Italian Collection Agency, to facilitate a gradual integration of the Revenue Agency and the Collection Agency (the latter will come under the direction and control of the former).

Starting from 1 January 2022, the collection fee charged to taxpayers will be split into two different components: one for the service of notices and one for enforcement.

1.4.2 Power of the Revenue Agency to recapture tax relief - Article 1 (31-36)

The powers of inspection and assessment in audits of CIT, WHT and VAT will be extended to include the recapture of tax relief. The Revenue Agency must serve the recovery notice by 31 December of the fifth year following that in which the infringement is committed.

Any objection to a recovery notice must be lodged with the tax court.

2. Financial measures to support businesses

2.1 Extension of the SME Guarantee Fund - Article 1 (53-58)

Article 1 (53-58) postpones, from 31 December 2021 to 30 June 2022, the expiry of the special rules governing the SME Guarantee Fund (the 'Fund'), which were introduced to support the liquidity of companies affected by the COVID-19 emergency. At the same time, these special rules are being scaled down, with a view to gradually phasing them out and returning to the ordinary rules by the middle of this year. In particular, the 2022 Budget Law:

- i. eliminates free-of-charge guarantees issued by the Fund (from 1 April 2022, guarantees will be granted after payment of a fee directly to the Fund);
- ii. reduces from 90 percent to 80 percent, from 1 January 2022, the Fund's coverage of loans of up to EUR30,000;
- iii. sets a EUR5 million ceiling, from 1 July 2022 to 31 December 2022, on the amount guaranteed (by then under the ordinary rules) on behalf of each single enterprise (the guarantees will, in any case, be granted using a credit-worthiness rating system).

The Fund has been increased by EUR520 million for 2024, by EUR1.7 billion for 2025, by EUR650 million for 2026 and by EUR130 million for 2027.

2.2 Extension of the special SACE S.p.A. guarantee measures - Article 1 (59)

Article 1 (59) postpones, from 31 December 2021 to 30 June 2022, the expiry of the rules on the special guarantees issued by SACE S.p.A. to support the liquidity of companies affected by measures introduced to contain the COVID-19 epidemic (the so-called 'Italy Guarantee' scheme). In compliance with the European rules on state aid, SACE S.p.A. has been authorized, until 30 June 2022 instead of 31 December 2021, to guarantee loans made to Italy-based enterprises by banks, national and international financial institutions, and other credit providers authorized to operate in Italy.

Also extended from 31 December 2021 to 30 June 2022 is the date until which CDP S.p.A. may issue state-backed guarantees for portfolios of loans granted by banks and other credit institutions to Italy-based enterprises that have suffered a fall in turnover as a result of the COVID-19 epidemic.

An extension to 30 June 2022 (instead of 31 December 2021) has also been established for the special SACE guarantee for businesses with between 250 and 499 employees (so-called mid-cap businesses).

2.3 Italian Green New Deal - Article 1 (60-61)

Article 1 (60-61) alters the method of allocating the resources to be drawn from the Italian Green New Deal fund to cover guarantees granted by SACE S.p.A. for the implementation of economically sustainable projects. These resources will now be allocated, for financial years subsequent to 2020, in the Budget Law and no longer in a Ministry of Finance decree that sets up a special central treasury account.

Article 1(61) establishes that EUR565 million in resources can be drawn from the Green New Deal fund for 2022, to guarantee loans for Green New Deal projects; while the maximum commitment that can be assumed by SACE S.p.A. is EUR3,000 million.

2.4 Extension of the Gasparrini Fund - Article 1 (62)

Article 1 (62) extends certain rules concerning eligibility to access the solidarity fund for mortgages taken out to purchase a primary home (the 'Gasparrini Fund'). The rules regulating the Gasparrini Fund, originally introduced in response to the COVID-19 emergency and last extended until the end of 2021, will now apply until 31 December 2022.

2.5 Investor Compensation Fund - Article 1 (63-69)

Article 1 (63-69) establishes that the technical commission in charge of assessing applications to the Investor Compensation Fund (*Fondo indennizzo risparmiatori - FIR*) will remain in office until 31 July 2022 and, for this purpose, authorizes expenditure of EUR350,000 for 2022. To support the technical commission, the number of Ministry of Finance staff who will liaise with the commission will be increased from 2022.

2.6 Extension of the business combination incentive - Article 1 (70-71)

Article 1 (70-71) renews, until 30 June 2022, the business combination incentive introduced by the 2021 Budget Law and extends its scope. The incentive enables the entity resulting from a business combination – achieved via a merger, demerger or business contribution – to convert into a tax credit a proportion of deferred tax assets (DTAs) related to tax losses and to ACE surpluses. Moreover, the incentive, which has also been reshaped by introducing certain caps, allows the book values of goodwill and tangible and intangible assets to be stepped up for tax purposes without the payment of any tax on the first EUR5 million of the increase.

The amended rules apply to business combinations achieved through mergers, demergers or contributions of businesses that, between 1 January 2021 and 30 June 2022 (instead of the original deadline of 31 December 2021), have been approved by the relevant administrative body of the companies involved – in the case of mergers and demergers – or decided by the relevant administrative body of the transferor – in the case of contributions. The surviving or receiving entity (in a merger process) or the transferee (in a demerger or contribution process) may convert DTAs into a tax credit when they are related to (i) tax losses accrued but not yet deducted from taxable income by the financial year prior to that in progress on the date the transaction becomes legally effective; (ii) the portion of the notional yield that exceeds the total net income accrued up to the financial year prior to that in progress on the date the transaction becomes legally effective, and not yet deducted or converted into a tax credit by that date.

As a result of the renewal and reshaping of the business combination incentive, termination of the so-called business combination bonus has been brought forward from 31 December 2022 to 31 December 2021.

2.7 Microcredit - Article 1 (914)

Article 1 (914) amends the rules on microcredit by:

- raising the ceiling on microloans from EUR40,000 to EUR75,000 for self-employed workers and micro-businesses;
- allowing micro-credit intermediaries to grant loans of up to EUR100,000 to limited liability companies (Srls) without any obligation for the latter to provide collateral;
- stipulating that secondary legislation must provide for loans of up to 15 years and that the granting of microloans must exclude any limits that are based on the borrower's level of revenues, debts and assets.

2.8 Expansion of long-term saving schemes (PIRs) - Article 1 (26-27 and 912)

Certain changes have been made to the rules on long-term saving schemes (PIRs), with the aim of boosting further long-term investment in Italian SMEs.

First, article 1 (26) raises the investment limits for so-called 'ordinary' PIRs by increasing the annual limit from EUR30,000 to EUR40,000 and the overall limit from EUR150,000 to EUR200,000.

Second, article 1 (27) changes the rules on so-called 'alternative' PIRs⁽²⁹⁾, by lifting the restrictions imposed by article 1 (112) of the 2017 Budget Law⁽³⁰⁾.

(29) Alternative PIRs are those that fulfil the following investment requirements:

- For at least two-thirds of the calendar year over the duration of the scheme, at least 70 percent of the PIR's overall assets must be invested, directly or indirectly, in financial instruments, including those not traded on regulated markets or multilateral trading facilities.
- The above-mentioned financial instruments must be issued or arranged with enterprises resident for tax purposes in Italy, or with enterprises resident in EU or EEA Member States. Those in EU or EEA Member States must have a permanent establishment in Italy.
- The enterprises in which the investment is made must not be companies listed on the FTSE MIB index and FTSE Mid Cap index of the Italian Stock Exchange or on equivalent indexes of other regulated markets.
- The investments can also be represented by loans and credit issued to the aforementioned enterprises.

(30) Under article 1 (112) of the 2017 Budget Law:

- each individual could only hold one 'ordinary' PIR and one 'alternative' PIR;
- each PIR could not have more than one account holder.

Third, article 1 (912) extends to 2022 the rules⁽³¹⁾ on the tax credit for capital losses realized by 'alternative' PIRs set up since 1 January 2021. The rules will apply as follows:

- The tax credit is extended so that it also covers investments made by 31 December 2022.
- In the case of investments made from 1 January 2022, the tax credit cannot exceed 10 percent of the sums invested in qualifying financial instruments (instead of the 20 percent limit applicable to investments made in 2021). It can be used in 15 equal annual instalments (instead of the 10 annual instalments in the case of the tax credit for investments made in 2021).

3. The judiciary

3.1 Recruitment - Article 1 (614-615, 616 and 629-633)

Article 1 (614-615) increases the number of 'career' judges and authorizes the Ministry of Justice to announce, in 2022, competitive examinations to recruit 82 ordinary judges, over the course of 2023. It also authorizes the necessary funding. This increase is designed to assign an appropriate number of judges to the tasks involved in enhanced cooperation on the establishment of the European Public Prosecutor's Office.

Article (616) allows the Ministry of Justice to hire, in 2022, the ordinary magistrates who passed competitive examinations before 1 January 2022. It also authorizes the necessary funding.

(31) Introduced by article 1 (219-225) of the 2021 Budget Law.

Article 1 (629-633) gives existing honorary magistrates the status of 'workers' in order to avoid the infringement procedure already opened by the European Commission against Italy.

These provisions modify articles 29-32 of Legislative Decree no. 116/2017, which revised the rules governing honorary magistrates, by establishing that those serving on 15 August 2017 (the date on which that legislative decree came into force) can, upon request, be confirmed in office until they reach they age of 70.

For the purposes of this confirmation, three separate assessment processes will be arranged, once a year over the three-year period 2022-2024, for serving honorary magistrates who have accrued, respectively: (i) more than 16 years of service; (ii) between 12 and 16 years of service; (iii) less than 12 months of service.

The assessment processes will consist in an interview of no more than 30 minutes. The interview will focus on a case study hinging on substantive and procedural civil law or on substantive and procedural criminal law, depending on the field in which the candidate has practised, exclusively or predominantly, as an honorary magistrate.

In applying to be assessed, honorary magistrates must abandon any further claims arising from their previous duties; however, they are entitled to an indemnity if they are not confirmed in office.

Those who are confirmed may opt to work on an exclusive basis as honorary magistrates, with the terms of employment that this entails.

Serving honorary magistrates who do not seek confirmation or do not successfully complete the assessment process are nonetheless entitled (although they may turn it down) to a lump-sum indemnity, which is capped at EUR50,000 per head, before tax.

4. Legal costs - Article 1 (625)

Article 1 (625) introduces new rules on legal costs and closes a loophole, by establishing that, should an appellant fail to pay the '*contributo unificato*' court fee in a case heard by the Supreme Court, the Appeal Court of Rome will be responsible for recovering the fee.

This provision amends Presidential Decree no. 115/2002 (which regulates legal costs) by modifying article 208 (which indicates the office in charge of recovering unpaid costs). The amendment plugs the gap in legislation that used to result in unpaid Supreme Court fees being unrecoverable when the decision challenged before the Supreme Court was issued by a lower court/authority (e.g. the Court of Auditors – '*Corte dei Conti*') that does not require the payment of a court fee in its own proceedings and therefore has no office to recoup unpaid fees.

Usually, the Supreme Court takes joint action with the lower court to recover any unpaid court fee but where such cooperation is impossible because – for the reasons explained above – the lower court is unable to assist, the office responsible for recovering the Supreme Court fee will now be the Appeal Court of Rome.

Moreover, during scrutiny of the 2022 Budget Bill by the Senate, an important legislative proposal was dropped. It had been envisaged that, in the event of omitted or partial payment of the '*contributo unificato*' fee, court clerks could not list the case; however, this provision was scrapped.

5. Employment measures

5.1 Social safety net reform

5.1.1 Social safety nets during employment relationships

As of 1 January 2022, the right to benefit from furlough schemes has been extended to all non-executives (including apprentices and home workers) who have accrued at least 30 days of service. In all cases, the furlough scheme is conditional upon the workers taking training courses.

Moreover, the rules on the compatibility between furlough schemes and work have been reorganized. In particular, the general ban that prevents furloughed personnel from working has been eliminated. The rules will differ according to whether the worker's contract is shorter or longer than six months. Further details of how these rules will operate are awaited.

CIGO ('*Cassa Integrazione Guadagni Ordinaria*')

The Ordinary Furlough Scheme ('CIGO') has not been substantially modified by the social safety net reform. However, its scope of application has been extended – through the Salary Integration Fund (FIS) – to include businesses not previously covered by CIGO.

CIGS ('*Cassa Integrazione Guadagni Straordinaria*')

As of 1 January 2022, the Extraordinary Furlough Scheme ('CIGS') and the tax obligations related to furloughed workers have been extended to all businesses that, regardless of their industrial sector, have more than 15 employees and are not covered by solidarity agreements.

Eligibility for CIGS, irrespective of the number of employees, has also been confirmed for airline companies, airport operators, and political parties and movements.

The grounds for CIGS have been reorganized. In particular, company reorganizations – already a basis for CIGS – now include situations in which companies have set up programs to implement transition processes.

In order to support career transitions when CIGS measures end (following a company reorganization or business crisis), employers of more than 15 workers can claim CIGS for an additional period of 12 months maximum.

FIS ('Fondo di Integrazione Salariale') - Article 1 (207)

As of 1 January 2022, the scope of application of the Salary Integration Fund (FIS) has been extended to include companies which are not currently covered by CIGO.

Eligible companies must already employ at least one employee.

Solidarity agreements ('contratti di solidarietà') - Article 1 (199) (d)

The limits on the use of job-security agreements have been extended.

In particular, for contracts entered into from 1 January 2022, the reduction in working hours, to totally or partially prevent redundancies, has been increased as follows.

- i. The average reduction can be up to 80 percent (instead of the previous 60 percent) of the daily, weekly or monthly working hours for workers covered by the solidarity agreement.
- ii. For each worker, the overall reduction in working hours can be up to 90 percent (instead of the previous 70 percent) over the entire period of the solidarity agreement.

Solidarity funds ('fondi di solidarietà') - Article 1 (204-206) and (208-213)

The application of bilateral solidarity funds and the protection they provide have been redefined.

The funds will now: (i) cover all businesses not claiming CIGO and employing at least one employee; (ii) ensure a salary integration, for periods of suspension or reduced hours starting from 1 January 2022.

Reorganization processes and critical situations - Extraordinary salary integration - Article 1 (216)

For the two-year period 2022-2023 only, industrial and construction companies will receive additional support to manage reorganization processes and business crises.

These employers, once they have exhausted the maximum weeks of CIGO, will be able to claim an extraordinary salary integration for a maximum of fifty-two weeks, usable until 31 December 2023.

Expansion contract ('contratto di espansione') - Article 1 (215)

For 2022 and 2023, companies can use so-called 'expansion contracts'. Even smaller companies, provided they have at least 50 workers, can use this kind of contract to support reindustrialization and reorganization processes.

This measure allows companies to hire new workers and, at the same time, upskill existing employees.

Expansion contracts also allow early exit schemes for workers who are within 60 months (five years) of reaching pension age or taking early retirement. In the case of non-eligible employees, a wage supplement may be provided, together with requalification and upskilling courses, to compensate them for reductions in their working hours.

To support these processes, companies that sign expansion contracts must also hire new workers.

5.2 Unemployment allowances (NASpl and DIS-COLL)

5.2.1 NASpl - Article 1 (221)

For workers who become unemployed on or after 1 January 2022, the eligibility requirement of 30 days of work in the last 12 months has been scrapped.

There are also changes to the amount paid under the NASpl scheme: the mechanism by which the amount of the benefit is progressively reduced has been changed and those workers who, on account of their age, will have greater difficulty in finding new work will be treated more generously. The amount of the indemnity will be reduced monthly by 3 percent, starting from the fourth month after the first payment (for the over 55s, the amount will be reduced from the eighth month).

The benefit is also extended to agricultural workers employed on open-ended contracts by cooperatives and their consortia.

5.2.2 DIS-COLL - Article 1 (222-223)

The unemployment benefit for workers on coordinated and collaboration contracts has been enhanced for redundancies occurring from 1 January 2022.

In such cases the unemployment benefit: (i) will be reduced monthly by 3 percent, starting from the sixth month; (ii) will be paid monthly, for a number of months equal to the number of months of contributions paid; (iii) cannot exceed 12 months; (iv) will generate notional contributions ('contributi figurative').

5.3 Employment incentives and exemptions from contributions

The most important employment incentives and social security contribution exemptions are described below.

5.3.1 Exemption from social security contribution for workers coming from companies facing a business crisis - Article 1 (119)

A social security contribution exemption has been granted to private employers who hire, on an open-ended employment contract, workers of any age who come from companies for which a business crisis management procedure has been initiated.

The contribution exemption is equal to that provided for the stabilization of workers under 36 years old.

5.3.2 Incentives for hiring furloughed (CIGS) and career-transition workers - Article 1 (243-248)

As of 1 January 2022, companies may hire, on a professional **apprenticeship** contract leading to a professional qualification or requalification, workers (no age limits) who are covered by a CIGS scheme and by a career transition agreement with their previous employer.

Companies may also hire, on an **open-ended employment contract**, workers who have entered into a career transition agreement with their previous employer. In this case, the new employer can claim a monthly economic contribution for up to 12 months. The effectiveness of this measure is subject to authorization by the European Commission and a more detailed analysis will be needed in case of approval.

5.3.3 Exemption from social security contributions for first-level apprenticeships leading to: (i) professional qualifications and diplomas; (ii) upper secondary education diplomas; (iii) higher technical specialization certificates - Article 1 (645)

A contribution exemption has been granted to all employers who hire workers and put them on first-level apprenticeship contracts.

Throughout 2022, employers (provided they have no more than nine employees) will be granted a 100 percent contribution exemption for first-level apprenticeship contracts entered into this year. The exemption will be available for the first three years of the apprenticeship contract.

5.3.4 Support for female occupation: cut in contributions for working mothers - Article 1 (137)

For 2022, on an experimental basis, a 50 percent exemption from social security contributions will be granted to companies in the private sector when mothers return to work after mandatory maternity leave. The exemption will apply for a maximum duration of one year after their return.

5.4 Delocalization - Article 1 (224-238)

The Budget Law has introduced measures to discourage foreign relocation of production and to regulate the termination of production.

The following requirements are imposed on businesses (with an average of 250 employees – including apprentices and executives – in the last year) that intend to close

premises, establishments, branches, offices or autonomous departments located in Italy, thereby definitively winding up the activity and dismissing 50 or more employees.

Firstly, they are required, at least 90 days in advance, to give written notification of the start of the process to the trade unions, regional authorities, Ministry of Labor, Ministry of Economic Development, and ANPAL (*'Agenzia Nazionale Politiche Attive del Lavoro'*). Secondly, they must submit to the same bodies, within 60 days of the notification, a maximum 12-month plan to limit the occupational and economic fallout from the winding-up of the activities.

Failure to follow this procedure may invalidate the dismissals and result in an obligation to pay the relevant contributions to the National Social Security Institute (INPS).

The rules do not apply to employers who are facing an economic/financial imbalance that is likely to result in a business crisis or insolvency.

5.5 Internships - Article 1 (720-726)

The rules on 'extra-curricular' internships have been reorganized.

The aim of the 2022 Budget Law – which includes the definition of a 'curricular' internship (*"an educational route involving alternating periods of study and work, with a view to professional development, also in order to improve the match between supply and demand. Provided it is functional to the achievement of a legally recognized qualification ..."*) – is to prevent the excessive use of 'extra-curricular' internships and encourage 'curricular' ones. Therefore, within 180 days of 1 January 2022, strict guidelines regarding 'extra-curricular' internships are expected to be issued by the government.

The Budget Law also introduces financial sanctions for employers who use internships in a fraudulent way or who do not pay the workers a reasonable allowance (*'indennità di partecipazione'*) for the 'non-curricular' internships.

5.6 Health and safety in the workplace

Legislative Decree no. 146/2021, which is linked to the 2022 Budget Law, has strengthened regulations regarding health and safety in the workplace.

Monitoring will be increased and the inspection powers of the Italian National Labor Inspectorate have been strengthened.

To tackle serious violations of health and safety rules, the existing rule on the suspension of business activities has been confirmed and reinforced.

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Tax & Legal Alert / KPMG in Italy / 21 January 2022

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