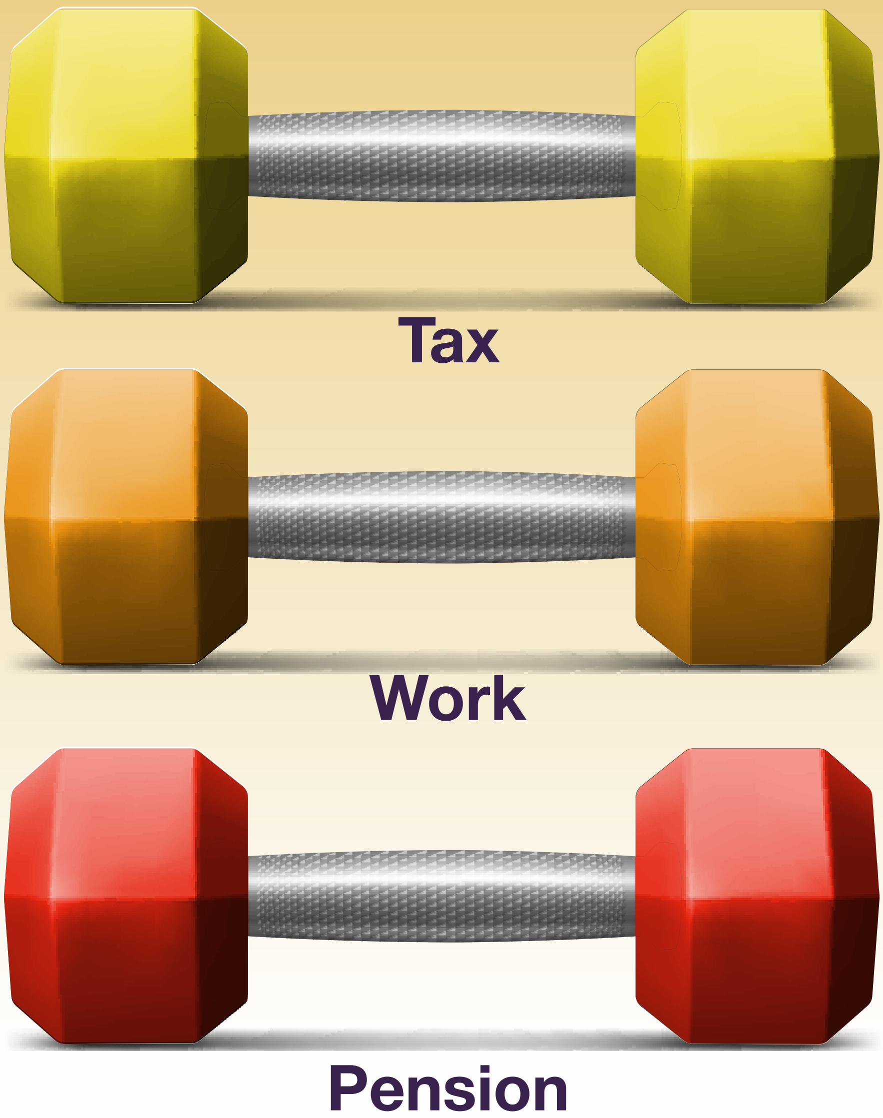
# NEXT STEPS

**LABOUR NEWSLETTER - 1/26**

## 2026 Finance Act.
## All heavy topics.

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LAW

2026 FINANCE ACT

## 2026 Finance Act: main developments in tax, employment and social security.

The 2026 Finance Act (Law no. 199/2025, published in Official Journal no. 301 on 30 December 2025) introduces various measures affecting employment law in order to balance income and employment support with fiscal discipline and the sustainability of the welfare and pension systems.
Below is a brief overview of the main changes that will affect employers and employees in 2026.

## CHANGES TO PERSONAL INCOME TAX (IRPEF)

One of the key areas addressed by the Finance Act is personal income tax (IRPEF). The main changes primarily focus on employment income and income treated as equivalent to employment income for tax purposes.

IRPEF RATES

### New IRPEF Rates.

The Finance Act has confirmed the current structure of the ordinary income tax system and, in order to bolster purchasing power, has added measures to support middle-income earners. Through an amendment to Article 11 of the Consolidated Income Tax Act (Presidential Decree no. 917/1986), the legislation provides, from the 2026 tax year, for a two-percentage-point reduction in the second IRPEF rate applicable to income between €28,001 and €50,000.

Accordingly, the three-bracket income tax structure introduced in the 2024 tax year has been confirmed, **while the rate applicable to the second bracket has been reduced to 33%,** replacing the 35% rate in force until last year.
The tax brackets currently in force are as follows:

| ANNUAL INCOME BRACKETS | RATE |
|---|---|
| Up to €28,000 | 23% |
| From €28,001 to €50,000 | 33% |
| Over €50,000 | 43% |

**IRPEF RATES**

| MONTHLY INCOME BRACKETS | ALIQUOTA |
|---|---|
| Up to €2,333.33 | 23% |
| From €2,333.34 to €4,166.67 | 33% |
| Over €4,166.67 | 43% |

The aim is to generate a **net tax saving exclusively for taxpayers whose income exceeds €28,000 per year** (i.e. from the second bracket). The benefit is incremental as income rises, reaching a maximum annual saving of €440 for those earning more than €50,000.

**TAX EXEMPTION FOR MEAL VOUCHERS**

## Increased Tax Exemption for Meal Vouchers.

The Finance Act has **raised the daily tax-exempt limit for electronic meal vouchers from €8 to €10.** However, it does not make any changes for paper meal vouchers, so the daily exemption limit remains €4. Likewise unchanged is the maximum tax-exempt amount of €5.29 for meal allowances paid in lieu of catering services to employees working on building sites, other temporary workplaces or production units located in areas without catering facilities.

The dual aim is to sustain employee purchasing power and to encourage the use of digital welfare solutions.

NEW TAX RESIDENTS

## Flat Tax Regime for New Tax Residents.

The preferential tax regime under Article 24-bis of the Italian Consolidated Income Tax Act continues to be an interesting option for individuals with substantial foreign-source income who are considering moving their tax residence to Italy.

Under this regime, new residents may opt to pay a flat substitute tax that fully meets their Italian tax obligations for their foreign-source income.

The Finance Act has increased the amount of this substitute tax from €200,000 (applicable up to the end of 2025) **to €300,000 as from 2026.** In addition, the annual substitute tax payable to extend the regime to family members has been increased from €25,000 to €50,000.

FRINGE BENEFIT

## Fringe Benefits in 2026.

No changes have been introduced to the fringe benefit exemption thresholds for 2026. The rules set out in paragraph 390 of Law no. 207/2024 therefore have remained in force for the three-year period 2025–2027. These provide for **fringe benefits of up to €1,000 per year for employees generally, increased to €2,000 per year for employees with dependent children for tax purposes.** More specifically, the fringe benefit applies to *"the value of goods and services provided to employees, and any amounts paid or reimbursed by employers to those employees for domestic utility bills (integrated water, electricity and natural gas), rent on the principal residence or interest on the mortgage for the principal residence."*

By contrast, the fringe benefit of up to €5,000 for reimbursements of rental costs or building maintenance expenses has not been extended. The measure applied to newly hired employees on open-ended employment contracts who transferred their residence by more than 100 kilometres and whose employment income in the previous year did not exceed €35,000.

PAY INCREASES

## Pay Increases: New Tax Relief for Contractual Renewals.

The 2026 Finance Act has introduced a new measure aimed at reducing the tax burden on pay increases resulting from the renewal of collective bargaining agreements.

For the 2026 tax year, pay increases granted during the year as a result of collective agreement renewals will be subject to a substitute tax of 5%, replacing ordinary IRPEF taxation and regional and municipal additional taxes.

The relief applies:

- to private-sector employees
- whose employment income in 2025 did not exceed €33,000.

To qualify, the pay increases must be directly attributable to collective agreements renewed between 1 January 2024 and 31 December 2026.

The substitute tax is applied directly by the employer, acting as withholding agent, through a 5% withholding on the pay increases at the time of payment, unless the employee expressly opts out of the relief by submitting a written notice.

NIGHT WORK

# Night Work, Holiday Work and Shift Work: 15% Substitute Tax.

For the 2026 tax year, a preferential tax regime has been introduced for **allowances and pay supplements relating to night work, work on public holidays and shift work.**

In practice, this means a **substitute tax of 15%** is applied, replacing ordinary IRPEF taxation and regional and municipal additional taxes.

The relief applies:

- to private-sector employees
- whose employment income in 2025 did not exceed €40,000.

Where the employer applying the relief in 2026 is not the same employer who paid the employee in 2025, the employee must provide a written declaration certifying the income earned in the previous year.

The measure covers:

- Allowances and pay supplements for night work, as provided for by law or by the applicable national collective bargaining agreement;

- Allowances and pay supplements for work performed on public holidays or weekly rest days, as provided for by the applicable national collective bargaining agreement;

- Allowances and pay supplements connected with shift work, as provided for by the applicable national collective bargaining agreement.

**The relief applies up to a maximum overall limit of €1,500 per year.**

Importantly, amounts that are described as allowances or pay supplements but in practice replace ordinary remuneration are expressly excluded.

The employer, acting as withholding agent, applies the 15% withholding automatically at the time of payment. The employee may expressly waive the relief and opt for ordinary taxation by submitting a written statement valid for the entire tax year.

The measure applies for tax purposes only; ordinary social security and welfare contribution rules remain unchanged.

**TOURISM AND HOSPITALITY SECTOR**

# Special Supplementary Payment for the Tourism and Hospitality Sector.

The 2026 Finance Act has introduced a targeted support measure for employees in the tourism and hospitality sector, with the aim of promoting employment stability and addressing labour shortages in the industry.

From 1 January to 30 September 2026, **a special supplementary payment will be paid to private-sector employees** working:

- In **establishments serving food and drink** (e.g. bars, restaurants, cafés, etc.);
- in the **tourism, accommodation and spa sector, including related facilities.**

The benefit does not form part of the employee's taxable employment income. It is calculated as 15% of the gross pay for night work and overtime on public holidays, as defined by Legislative Decree no. 66/2003.

The supplementary payment is available to employees whose employment income in the 2025 tax year did not exceed €40,000.

The amounts are paid by the employer, acting as withholding agent, following a request from the employee, who must certify in writing the employment income earned in 2025. The supplementary payment must be reported in the Single Employment Certification (Certificazione Unica – CU) and is recovered by the withholding agent by offsetting it using an F24 form.

## EXTENSION OF THE CHILD'S AGE LIMIT FOR PARENTAL LEAVE

Under the 2026 Finance Act, **parental leave is now available until the child reaches their 14th birthday** (previously the 12th). For adoptive or foster parents, parental leave may be taken within 14 years of the child joining the family but no later than when the child becomes an adult (currently age 18). Each parent remains entitled to three non-transferable months of parental leave, in addition to any further periods available under the rules currently in force.

**CHILD'S ILLNESS**

## Leave for a Child's Illness.

The entitlement to leave for a child's illness has been extended. For children aged between 3 and 14 (previously this applied only up to age 8), **parents are now entitled to a total of 10 working days per year,** to be taken by one parent at a time. For children under the age of 3, the right to take leave without time limits remains unchanged.

This leave is unpaid. However, the days of absence are credited for social security purposes, so that they count towards the parent's contribution record and do not affect future pension entitlements (so-called notional social security contributions).

**FIXED-TERM CONTRACTS**

## Continuation of Fixed-Term Contracts in Cases of Maternity Replacement.

Where a fixed-term contract (including agency work arrangements) is used to replace an employee on maternity or parental leave, the 2026 Finance Act has allowed the replacement worker's contract to be extended so that it can overlap with the returning employee until the child reaches one year of age.

As a result, t**he replacement contract may continue even after the employee being replaced has returned to work, up to the child's first birthday.** The measure is designed to make it easier to find the right work–life balance while ensuring a smooth handover between employees.

WORKING HOURS

## Changes to Working Hours.

From 1 January 2026, employees with a**t least three cohabiting children** are given priority when requesting changes to their working hours, up to the point when the youngest child turns 10. This priority applies to requests to: convert a full-time contract to part-time (horizontal or vertical) or **further reduce working hours under an existing part-time contract, provided that the overall reduction in working time is at least 40%.** Where an employee has a child with a disability, this priority applies without age limits.

In these cases, private-sector employers are granted **a 100% exemption from social security contributions** (excluding INAIL insurance premiums and contributions), up to €3,000 per year, for the **24 months following** the conversion or adjustment.

The exemption applies on condition that the employer maintains the overall total number of working hours across the organisation. Pension calculation rates remain unchanged.

## SUPPLEMENTARY PENSION SCHEMES



The 2026 Finance Act has introduced significant measures affecting supplementary pension schemes, covering a number of distinct areas.

First, the Act has increased **the maximum value of contributions** to supplementary pension schemes that may be **deducted from taxable income.** As from the 2026 tax year, the **annual deductibility limit rises from €5,164.17 to €5,300.00.**

The new limit must also be taken into account for employees in their first employment starting after 31 December 2006, again with effect from the 2026 tax year. Under the new rules applicable to these workers, contributions to supplementary pension schemes may be deducted at a higher level during the 20 years following the fifth year of participation (i.e. from the sixth year onwards). This increased deductibility is calculated as the difference between:

- The contributions paid during the first five years of participation; and

- The corresponding annual deductibility limits.

In any event, the additional deductible amount may not exceed, for each of the 20 years concerned, half of the applicable annual deductibility limit.

The second area addressed by the 2026 Finance Act is the introduction, **from 1 July 2026,** of **automatic enrolment for newly hired employees in the supplementary pension schemes provided for under applicable collective agreements.** Where more than one contractual scheme exists, automatic enrolment applies to the scheme with the highest number of participating employees at the company, unless otherwise agreed at company level.

Where no collective agreements or other collectively agreed arrangements apply, automatic enrolment will take place in the default supplementary pension scheme identified by Ministerial Decree no. 85/2020, namely the COMETA fund, to which the entire amount of the TFR (severance pay) is paid.

Within 60 days of being hired, an employee may opt out of automatic enrolment and choose either to have the TFR paid into a different supplementary pension fund or to leave it with the employer.

## PAYMENT OF TFR INTO THE INPS TREASURY FUND

**TFR**

The 2026 Finance Act has introduced significant changes to the company-size thresholds that trigger the obligation to pay TFR (severance pay) into the Italian Social Security Institute (INPS) Treasury Fund.

Until 2025, this obligation applied to: companies employing at least 50 employees as at 1 January 2007; and companies established after that date which reached the same threshold in their first year of activity.

The 2026 Finance Act has **extended this obligation to employers who reach the relevant employee threshold (50) in years following the start of their business, rather than only in the year of establishment.**

More specifically:

- For the 2026–2027 period, the threshold triggering the obligation to pay TFR into the INPS Treasury Fund is set at 60 employees;
- From 2028 to 2031, the obligation arises upon reaching 50 employees;
- From 1 January 2032 onwards, the obligation applies to employers who employ, or subsequently reach, a workforce of 40 employees or more.

The relevant size threshold is assessed by reference to the average number of employees employed in the calendar year preceding the year of the relevant pay period. Further guidance from the competent authorities will be needed to identify the employers affected with certainty.

ADDITIONAL NON-FINANCIAL UPDATE

GENDER EQUALITY CERTIFICATION

# Contribution Relief Linked To Gender Equality Certification.

With Message no. 3804 of 16 December 2025, the Italian Social Security Institute (INPS) announced that an online application form ("SGRAVIO_PAR_GEN") has been made available on the Incentives Portal (i.e. Portale delle Agevolazioni formerly DiResCo). This form must be used by private-sector employers applying for social security contribution relief after obtaining gender equality certification by 31 December 2025.

Private-sector employers that obtained gender equality certification by 31 December 2025 may submit applications for the contribution relief up to 30 April 2026.

Authorisation of the relief will take place after 30 April 2026. Where available funding is insufficient, the resources will be allocated proportionally among all eligible applications received.