



Milan, January the 11th , 2021

Object: Budget Law for 2021

We wish to inform You that at the end of December, the Italian Parliament approved the Law n° 178 of December the 30th, 2020 (the so called “Budget Law for 2021”).

The Budget Law has introduced some important tax and labor measures, becoming effective either as of January 2021 or during 2021, as described below.

Social contribution discount for employment of under 35 years old employees, never employed with a permanent contract

The Budget Law extends for the period 2021 - 2022 the social contribution discount due to Employers that hire young people with a permanent contract under 35 years old.

The condition for having the discount is that the employee has never been employed – in any Company – with a permanent contract.

The contribution exemption, above – mentioned, is also for the transformation of the fixed-term contracts into permanent contracts, carried out in the period 2021 -2022.

The contribution consists in the 100% discount from INPS social contributions paid by the Employer, for three years.

The duration of the contribution discount is extended up to 4 years for Companies that hire young people in units located in some Regions of South of Italy.

Social contribution discount for employment of women

Companies that hire, in the period 2021 – 2022, women can benefit of the exemption of 100% of social contributions paid by the Employer, for:

- 18 months, for new hire with permanent contracts, or for the transformation of the fixed-term contracts into permanent contracts, carried out in the period 2021 -2022;
- 12 months, for new hire with fixed – term contract.

The condition for having the discount is that the woman:

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- must be unemployed for at least 24 months,
- or
- must be unemployed for at least 6 months, if she is resident in some Region of South of Italy.

Paternity leave for births in 2021

As it is well-known, the Law n° 92/20192, experimentally introduced a rule requiring employees who are fathers to refrain from work for one paid day within the first five months of their child's life. The above mentioned provision had been extended during the following years, until the 2020, when the father was entitled to 7 days of paid leave.

Following the approval of the Budget Law, the paternity leave has been extended for the 2021, and each father employee is entitled to **10 compulsory days for paternity leave**, for children that have been born in 2021.

Tax breaks for employees moving to Italy and becoming tax residents in Italy

As it is well-known, the employees or self-employed, regardless of their citizenship, who transfer their tax residence to Italy and:

- have not been resident in Italy during the 2 previous tax years,
 - maintain an Italian tax residence for at least 2 tax years,
 - will work mostly in Italy (i.e. for more than 183 days in each tax period),
- can enjoy a 70% exemption from the Italian personal income tax of any income earned for 5 year (the percentage of exemption increases to 90% if the employee moves to some specific southern regions).

The Budget Law extends for an additional 5-years period the tax exemption. During this additional 5-years period the exemption threshold is set at 50%.

The extension of the duration of the tax incentive is for people:

- who have moved their tax resident in Italy before 2020,
- who have already been beneficiaries of the fiscal tax breaks before December, the 31st, 2019;
- with minors, or dependent children,
- or as a result of the purchase of a real estate home in Italy.

Fund for earnings integration ("Cassa integrazione")

In case of suspension or reduction of work activities, Companies can ask for the intervention of a special "Fund for earnings integration" (so called "Cassa Integrazione").

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Workers whose contracts of employment have been suspended, can be paid 80% of their previous earnings, within a prescribed annual maximum limit:

In 2020 the prescribed ceiling is equal to € 998,18 per month (gross salary), and € 1.199,72 (gross salary) for earnings of more than € 2159,48 per month (gross salary). This ceiling will be updated in the next months for the year 2021.

According to the Law Decree n° 137/2020 (so called “Ristori Decree”) the Companies can ask for maximum 6 weeks of Fund for earnings Integration for COVID-19, to use from November the 16th to January the 31st, 2021.

The Budget Law states **an additional period of 12 weeks** of Fund for earnings integration, to use from January the 1st, 2021, to June the 30th, 2021.

Any periods of Cassa integrazione, previously requested and authorized by the so called “Ristori Decree” (Law Decree 137/2020) placed after January the 1st, 2021, will be counted as part of the 12 additional weeks mentioned above.

Incentives for Companies that bring back employees from Fund for earnings integration (“Cassa integrazione”)

Employers that:

- are not going to ask for Cassa Integrazione, as mentioned in the box above (in the period January the 1st – June the 30th, 2021);

and

- have already taken Cassa Integrazione in May and June 2020,

are exempted from the payment of social contributions for maximum 8 weeks, usable by January the 31st, 2021 to June the 30th, 2021, within the limit of the hours of Cassa Integrazione already taken in May and June 2020.

Prohibition of dismissal

The Budget Law states that **until March the 31st, 2021**, the termination of employment for objective Justifiable reasons is precluded.

The aforesaid prohibition of dismissal does not apply in case of:

- sale or closure of the Company, resulting from the liquidation of the Company without continuation;
- bankruptcy, when the provisional business continuity of the Company is not foreseen;

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- collective agreements with Trade Unions concerning voluntary resignation incentives.

We gladly remain at Your disposal for providing any clarification You may need.

Best regards.

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