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Measures in matter of Employment introduced by the 2018 Italian Budget Law

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The so-called 2018 Budget Law (Law no. 205/2017) as approved by the Italian Parliament on December 27, 2017 introduced significant changes of the existing legislation, effective as from January 1, 2018, some of them in matter of employment.

1. Employment Incentives

With a view to "*encouraging a stable youth employment*", employers who hire young workers with an open-ended contract will be granted a social tax exemption upon the following terms and conditions.

	Youth Employment Incentives
Amount of the exemption	50% of the social taxes and contributions payable by the employers (with the exclusion of the premium for the National Workers' Compensation and Industrial Accident Insurance)
Cap	€ 3,000 per year
Duration of the exemption	36 months
Employees Qualifications	• age limit 35 y o for recruitments during year 2018 30 y o for recruitments as from year 2019 • first hiring under an open-ended employment contract
Employers Qualifications	neither collective dismissals nor individual dismissals for redundancies in the 6 months preceding the date of hiring of the young worker
Exclusions from the Exemption	• homeworking contracts • apprenticeship contracts the exemption may not be combined with other exemptions and/or reductions of financing rates contemplated by the existing legislation.
Extensions	Subject to the age limit requirements: • conversion after December 31, 2017 of an apprenticeship contract into an open-ended employment contract (the duration of the exemption is however limited to 12 months)

	• conversion of a fixed-term employment contract into an open-ended one.

Moreover, a full exemption from social taxes and contributions for a 36-month period applies to those open-ended employment contracts concluded with: **(i)** students who took part to internship programmes with the same employer, with a cap of € 3,000.00 per annum, provided however that the employment contract is concluded within six months as from completion of their course of study; and **(ii)** workers living in the South of Italy, with a wider cap of € 8,060.00 per annum and without age limits if the workers concerned have been unemployed over the six months preceding their engagement.

2. Company Welfare System

The 2018 Budget Law modified art. 51 of the Italian Consolidated Tax Act ("*TUIR*") by excluding from the definition of '*employment income*' "*the payments or reimbursements made to the employees or directly borne by the employer, both voluntarily or in accordance with a company agreement or regulation, in order to buy public transport tickets/passes for himself or for his dependents*". As a result, on the one side these items of the remuneration of the employees are not subjected to the income tax and on the other side for the same items the employers are relieved from the impact of social taxes and contributions.

3. Collective Dismissals

The so-called '*ticket*' to be paid by the employers in order to give their employees access to the unemployment allowances contemplated by the Italian legislation for collective dismissals was doubled as from January 1, 2018.

4. Temporary Layoff Extraordinary Fund ("*Cassa Integrazione Straordinaria*" or "*CIGS*")

For years 2018 and 2019, in presence of significant investments and of a plan to ensure the continuation of the employment of employees temporarily laid off, companies of a strategic and economical importance which employ more than 100 employees may benefit from a 12-month extension of the CIGS period.

5. Taxation of Qualified Incomes

As to the calculation of the individual income tax ("*IRPeF*"), capital gains and dividends deriving from "*qualified*" equity investments will be subject to the same tax regime that applies to incomes deriving from *"non-qualified*" equity instruments: indeed, both will be subject to a 26% substitute tax as well as to the same limits and procedures. This provision applies to capital gains realised as from January 1, 2019 onwards and to dividends distributed as from January 1, 2018 onwards, except for those accrued before December 31st, 2017, the distribution of which is resolved upon by December 31, 2022.

An equity investment is considered to be "*qualified*" if representing: **(i)** more than 2% of the overall voting rights at an ordinary general meeting, or more than 5% of the issued and outstanding stock capital, for companies listed on a regulated market; <u>or</u> **(ii)** more than 20% of the overall voting rights at an ordinary general meeting, or more than 25% of the issued and outstanding stock capital, for all other companies.