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## MEMORANDUM N. 12/2024

### Insight

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#### **Subject: 'Super deduction' for new hires in 2024 - New in Legislative Decree No. 216 of Dec. 30, 2023**

#### **1 PREMISE**

Art. 4 of Legislative Decree No. 216 dated Dec. 30, 2023 (so-called "IRPEF-IRES Reform" Legislative Decree) introduced, for the tax period after the one in progress on Dec. 31, 2023 only (tax period 2024 for "solar" subjects), a surcharge, for income determination purposes, on the incremental labor cost for new permanent hires.

It is, therefore, a "super deduction" for new hires, recognized under certain conditions.

#### ***Proxy law for tax reform***

The benefit:

- implements Art. 6 co. 1 lett. b) of Law No. 111 of 9.8.2023 (enabling act for tax reform);
- is provided pending the full implementation of the so-called "mini IRES" and the revision of the agevolation in favor of economic operators.

#### ***Implementing Provisions***

An interministerial decree to be issued soon will lay down the relevant implementing provisions.

#### **2 BENEFICIARY SUBJECTS**

Eligible for the "super deduction" are:

- holders of business income (people under Article 73 of the TUIR, sole proprietorships, including family and spousal businesses, partnerships and similar under Article 5 of the TUIR);
- persons engaged in the arts and professions who are self-employed within the meaning of Article 54 of the TUIR.

To take advantage of the relief, these individuals must have exercised the activity in the current tax period as of Dec. 31, 2023 (tax period 2023 for "solar" individuals) for at least 365 days.

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### **Excluded subjects**

The following are not eligible for the tax incentive:

- companies in ordinary liquidation, as well as companies that are in judicial liquidation or have resorted to other liquidation institutions related to business crisis;
- those under the flat-rate scheme.

### **3 DETERMINATION OF RELIEF**

The cost of newly hired personnel under permanent employment contracts is increased, for income determination purposes, by an amount equal to 20% of the cost referable to the employment increase.

This is thus an extra deduction equal to 20 percent (or more in certain cases) of the cost referable to the employment increase.

#### **3.1 CONDITIONS**

In order to qualify for the facility, it is required that:

- the number of permanent employees at the end of 2024 is greater than the number of permanent employees on average employed in 2023 (net of occupational decreases occurring in subsidiaries or affiliates or belonging, including through intermediaries, to the same person);
- the total number of employees (including those on fixed-term contracts) at the end of 2024 is greater than the number of the same workers on average employed in 2023 (without taking into account intercompany decreases).

#### **3.2 RELEVANT COST**

Where there is an increase in employment, the cost to be assumed is equal to the lesser of:

- the amount actually referable to new hires;
- the total increase in the cost of employees, including those on fixed-term contracts (item B.9 in the Income Statement), compared with that for 2023.

For example, assume that an LLC hires permanent employees in 2024 incurring a cost of 100,000.00 euros and the cost of employees in the 2024 Income Statement exceeds that of 2023 by 150,000.00 euros.

In such a case, the relevant cost for the purpose of the "super deduction" is the lower amount of the two, i.e. 100,000.00 euros.

#### **Method of cost allocation**

Costs referable to employees are allocated temporally according to the rules applicable for the purpose of determining the taxpayer's income.

For example, for those engaged in the arts and professions, the cash principle is relevant.

#### **3.3 MEASURE OF THE "SUPER DEDUCTION"**

The super deduction of the cost as determined above is generally 20%.

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Therefore, assuming a cost of 100,000.00 euros, it is possible to deduct 120,000.00 euros (with a surcharge therefore of 20,000.00 euros).

### ***Workers deserving greater protection***

In the context of new hires, particular categories of employees, listed in Annex 1 to Legislative Decree 216/2023, are privileged.

These are, for example:

- highly disadvantaged workers;
- people with disabilities;
- women with at least two underage children;
- young people eligible for the employment incentive;
- individuals benefiting from the citizenship income.

Where the new hire falls into one of the categories of workers deserving greater protection, the cost referable to each new hire shall be multiplied by increment coefficients to be established by the implementing DM, provided that the total increment shall not exceed 10 percent of the labor cost incurred for such categories.

## **4 BENEFIT USE**

The relief takes the form of a downward variation to be made when determining business income (not also for IRAP purposes).

Therefore, a downward variation must be made in the REDDITI 2025 model (relating to the 2024 tax period).

## **5 DEPOSITS**

By express statutory provision, in determining the advance payment of income tax due for 2024, the provisions under consideration are not taken into account.

In addition, in determining the advance payment for 2025, the tax for the previous period is taken as the tax that would have been determined not applying these provisions.

The firm remains available for any clarifications.

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