

To whom it may concern



Reggio Emilia, Feb. 21, 2025

## MEMORANDUM N. 15/2025

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### **Subject: Liberal donations to third sector entities: deduction instead of deduction**

Art. 1 tenth paragraph of Law No. 207 of Dec. 30, 2024 (Budget Law 2025) introduced in the TUIR a new Art. 16-ter that reordered as of 2025 the deductions for expenses by drastically reducing them for taxpayers with income over 75,000 euros.

In fact, for such individuals there are basically two limits:

- the one established by each facilitating rule (which may consist of a certain maximum amount of expenditure or deduction);
- the maximum expenditure limit introduced by the new Article 16-ter, which is obtained by multiplying the "base" amount of deductible expenditure by a coefficient in relation to the number of children who are tax dependent.

The "base" amount is equal to:

- 14,000.00 euros, if the taxpayer's total income is more than 75,000.00 euros, but not more than 100,000.00 euros;
- 8,000.00 euros, if the taxpayer's total income is more than 100,000.00 euros.

The coefficients to be applied to the "base" amount based on the number of dependent children are as follows:

- 0.50, if there are no tax dependent children in the household;
- 0.70, if there is one fiscally dependent child in the household;
- 0.85, if there are two tax-dependent children in the household;
- 1, if there are more than two tax-dependent children or at least one tax-dependent disabled child in the household.

Thus, for example, for a taxpayer with a total income of 80,000.00 euros, the maximum deductible expense limit will be:

- 7,000.00 euros (14,000.00 euros × 0.50), if he has no children (or has children, but they are not tax dependents);
- 9,800.00 euros (14,000.00 euros × 0.70), if he has a tax dependent child;

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- 11,900.00 euros (14,000.00 euros × 0.85), if he has two children who are tax dependents;
- 14,000.00 euros, if he or she has a disabled child or more than two children, tax dependent.

All deductions contemplated by the Italian tax system will be affected by the reduction and, in particular for what is of interest here, **all deductions due for liberal donations given to Third Sector entities.**

To avoid the impact of the aforementioned cut in deductions, taxpayers interested in making charitable donations could take advantage of the option, provided by Article 83 of the Code of the Third Sector (Law No. 117, July 3, 2017), **to opt, instead of the 30% or 35% deduction of the expenditure within the annual expenditure limit of 30,000 euros, for a deduction from total income up to the maximum limit of 10% of that income.**

The option is allowed for donations to these entities:

- Non-profit organizations (Article 10, Legislative Decree 460/1997) registered in the appropriate registers, the list of which is also available on the website of the Revenue Agency;
- Voluntary organizations (VOs) registered in the registers referred to in Law 266/1991;
- Social promotion associations (Aps), registered in the national, regional and Autonomous Provinces of Trento and Bolzano registers provided for (Article 7, Law 383/2000);
- Entities registered with the Runts, which have thus acquired the status of Third Sector Entities (Ets) introduced by Article 26, paragraph 1, letter i, of Decree 73/2022).

The Internal Revenue Service has reiterated (Circulars 14/E and 15/E of 2023) that the choice between one or the other tax benefit is at the sole discretion of the taxpayer.

**It can reasonably, be assumed that for taxpayers with high incomes it is almost always preferable to choose deduction instead of deduction, since no deduction exceeds 43 percent, or the marginal Irpef rate for taxable income exceeding 50,000 euros.** Add to this the fact that choosing the deduction does not “commit” the available ceiling that can be used for other deductible expenses.

Let's take an instance:

Childless taxpayer with income over 100,000 euros.

The maximum deduction is 4,000 euros (8,000x0.5).

In case of a donation of 5,000 euros to an Odv (35% deduction of the expenditure), the deductible amount would be 1,750 euros (5,000x35%) reduced to 1,400 euros (4,000x35%) because 4,000 euros is the maximum expenditure limit. You also lose

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the deduction on the additional 1,000 euros.

If, on the other hand, you choose the deduction, you can arrive at a benefit of 2,150 euros (5,000x43%), leaving the 4,000 euros free for other deductible expenses.

The Firm remain available for any clarification.

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