

Budget Law 2021

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January 2021



On 30 December 2020, the Italian Parliament definitively approved Budget Law 2021 (Law no. 178/2020 published on ordinary supplement n. 46 of Official Gazette no. 322 dated 30 December 2020).

The year-end law, which became effective on 1st January 2021, was inevitably impacted by the emergency situation and, with reference to labour issues, it mainly includes provisions aimed at extending the measures for the safeguard of employment and of the economic and financial sustainability of businesses.

Below is an explanation of the main labour updates introduced starting from 2021, also in relation to the provisions under Law Decree no. 183/2020 (so-called “Milleproroghe” decree), under Law no. 176/2020 (Conversion law of the so-called “Ristori” decrees approved in succession in 2020), and under the previous law dispositions. The explanation below does not claim to be exhaustive and the necessary interpretations, to be provided by the competent authorities, are still awaited.

Focus on...

Covid-19 Redundancy fund

The budget law introduced the possibility to benefit from redundancy allowances with special Covid-19 object for further 12 weeks, which are, as of now, the longest usable period starting from 1st January 2021 (any periods already authorized under previous dispositions being usable after 1st January are attributed to this newly-introduced period and are therefore completely absorbed). With regard to ordinary redundancy fund, these further twelve weeks can be used by 31 March 2021, while the term is extended to 30 June 2021 with reference to the salary supplementary fund (FIS) allowances and extraordinary redundancy fund (which also includes small enterprises).

The use of such allowances will not be subject to any additional contribution: such exemption will be generalized, i.e. will be granted regardless of any decrease in turnover. The access to the allowances is – save for different interpretations – granted only to workers being employed at 1st January 2021, and no changes are provided with reference to both the deadline for the filing of the application (within the end of the month following that in which the suspension or reduction of the working activity started) and the payment procedure (direct payment is still excluded for companies receiving the extraordinary redundancy fund).

The Covid-19 redundancy allowance is also extended to agricultural operators: a further 90-days period is introduced, which can be used between 1st January 2021 and 30 June 2021.

Contribution exemption for Covid-19 redundancy fund

Employers who decide not to use the Covid-19 redundancy fund provided under Budget Law will be exempted from the payment of social security contributions due, for a further period of up to eight weeks. This provision follows the previous exemptions introduced by the August Decree (to be used by 31 December 2020) and by the so-called “Ristori” Decree (to be used by 31 January 2021, with reference to which the EU must still give its authorization).

The new exemption is subject to the prior authorization of the EU, too; it can be used by 31 March 2021 and will be issued within the limits of the redundancy allowance hours used in May and June 2020. Employers who will apply for the exemption can then waive it for the part that has not been requested and has not been used (so waiver can also be partial), by filing a concurring redundancy fund application.

Redundancy fund due to termination of activity and for businesses with a strategic relevance

The possibility for companies terminating their activity to be admitted to the extraordinary redundancy fund for a period of up to 12 months to manage employees redundancies – provided that the requirements under Law Decree no. 109/2018 are met – is extended to the period 2021-2022.

The possibility to apply for the extraordinary redundancy fund is also extended – for the same period – for businesses with a strategic economic relevance, which have used all their available extraordinary redundancy fund hours according to the current regulation, in case of reorganization processes/business crisis or management of redundant employees.

Suspension of dismissals

The general prohibition to dismiss employees for objective (economic, production, etc.) reasons is extended to 31 March 2021.

This prohibition applies to all employers, regardless to their utilization of the redundancy fund and its duration. The prohibition still regards both collective and individual dismissals and the exceptions introduced by the August Decree are confirmed, i.e.: dismissals are allowed in case of substitution of a contractor in a contract work providing the replacement of employees, in case of final termination of the business activity following the winding up of the company, in case of a collective agreement aimed to incentivize the termination of employment relationships, and in case of bankruptcy without any temporary operation of business.

Under-36 contribution exemption

Employers, who will hire, in 2021 and 2022, employees who are not yet 26 years old at the hiring date and have never been hired under a permanent employment contract, can be exempted from the payment of social security contributions – for a period of 36 months – for an amount equal to 100% of the contributions due, within the limit of 6000 euro per year (excluding INAIL contributions).

The allowance applies also in case of conversion of a fixed-term contract into a permanent contract and the term of the allowance is of four years in case employees are hired in Southern Italy regions.

Without prejudice to the general principles on the utilization of incentives, the exemption does not apply to employers who implemented any individual or collective dismissals for objective reasons in the six months preceding the hiring date (or will implement them in the six months following the hiring date).



The introduced exemption strengthens the already existing allowance, aimed at favouring the hiring of young people, for an amount equal to 50% of the contribution due up to a limit of 3000 Euro per year, and is subject to the prior authorization by the EU – since it is granted pursuant to the Temporary Framework for State aid measures to support the economy in the current Covid-19 outbreak.

“Women” contribution exemption

In order to further favour the inclusion of women in the world of work, the Budget Law strengthens the incentives introduced by the so-called “Fornero” Law.

The incentive, which was previously granted only for 50% of the contribution due for twelve or eighteen months (depending on the fact that employees are hired under a fixed-term or permanent agreement), now provides the exemption for the same period, but to the extent of 6000 Euro per year.

The allowance is addressed to employers hiring – in the period 2021-2022 – women meeting the following requirements:

- women of any age, who have not carried out a remunerated working activity for at least 24 months, anywhere residing
- women of any age, who have not carried out a remunerated working activity for at least 6 months and residing in the so-called disadvantaged areas (Italian municipalities indicated under Ministerial Decree dated 27 March 2008)
- women of any age, who have not carried out a remunerated working activity for at least 6 months and employed in industries characterized by a strong disparity between men and women, as identified by interdepartmental Decree dated 16 October 2020.

To be granted, the allowance must bring to a “net increase in employment”, determined by comparing each month the number of employees with the average number of employees in the previous 12 months. This incentive is subject to the prior authorization by the EU, too, as it is granted pursuant to the Temporary Framework for State aid measures to support the economy in the current Covid-19 outbreak.

Southern Italy contribution exemption

The favourable taxation for Southern Italy regions, introduced by August Decree for the last quarter of 2020 and consisting in the reduction in social security contribution due by employers operating in those regions characterized by a serious economic and social disadvantage, is extended to 2029.

The allowance, which is aimed mainly to safeguard employment levels, concerns all subordinate employees at companies operating in Southern Italy regions (Abruzzo, Basilicata, Campania, Calabria, Molise, Puglia, Sicily and Sardinia).

The benefit is granted according to the following amounts, decreasing depending on the following time periods:

- equal to 30% of monthly contributions due up to 31 December 2025
- equal to 20% of monthly contributions due for years 2026 and 2027
- equal to 10% of monthly contributions due for years 2028 and 2029.

The benefit is automatically applicable from 1st January 2021 to 30 June 2021, while the authorization by the EU is awaited for the period from 1st July 2021 to 21 December 2029.

Journalism contribution exemption

The Budget Law provides that, with reference to employees hired starting from 1st January 2021, the same law provisions granting incentives to safeguard or increase employment in favour of employers for the majority of economic industries in the form of social security contribution reliefs or exemptions shall be applicable – save for different law provisions – also to employees registered with the social security institution for Italian journalists (INPGI), with reference to the contribution due for such employees, in order to ensure them the same rights and possibilities as those granted to other employees.

First-level apprenticeship contribution exemption

Conversion law of the so-called “Ristori” Decrees extended also for 2021 the social security contribution benefit introduced by Budget Law 2020 with regard to first-level apprenticeship contracts.

The regulation provides that, in order to favour the employment of young people, employers hiring employees under a first-level apprenticeship contract (aimed at the obtainment of a professional qualification and degree, a high-school diploma, and a technical specialization certification) entered into in 2021 and having nine or less employees in the aggregate be granted a 100% social security contribution relief, with reference to the contributions due in the first three years of the contract.

Extensions and renewals of fixed-term contracts

The Budget Law extends up to 31 March the term in which fixed-term employment contracts can be extended or renewed without the need to provide the specific justifications introduced by the so-called “Decreto Dignità”.

This term was originally established up to 31 December 2020, but the persisting health emergency and the need of businesses for a more flexible management of employment relationships have led to such extension.



Therefore, contracts can be extended or renewed within the new deadline, for a period of up to 12 months and provided that the employee has not entered into fixed-term contracts or a succession of fixed-term contracts for a period exceeding 24 months, including any periods worked through employment agencies.

It is specified that a contract can be extended or renewed only one time for each employee with reference to the whole period from 15 August 2020 coming into force of August Decree) to 31 March 2021.

Subsequently, employees who already benefitted from the extension or renewal of its fixed-term contract that expired after 15 August 2020 cannot benefit from it again and, therefore, in this case contracts can be extended or renewed only providing one of the justifications established pursuant to law.

Cut of the tax wedge and further deduction

As known, in order to reduce the fiscal pressure on subordinate employment and the so-called tax wedge, Law Decree no. 3/2020 introduced the so-called “Trattamento Integrativo” (supplementary allowance) starting from 1st July 2021 – granted to employees with an annual income of up to 28.000 Euro – and the so-called “Ulteriore Detrazione” (further deduction) in favour to employees with an annual income of up to 40.000 Euro.

While the “supplementary allowance” has been introduced structurally, the “further deduction” was originally temporary, as it was applicable up to 31 December 2020. The Budget Law renders the “further deduction” benefit structural, so it can be applied also in 2021 to subordinate and similar employment relationships from 28.0001 to 40.000 Euro.

Unified allowance for dependent children

The Unified allowance for dependent children (so-called “Assegno unico universale”), introduced by the Family Act, will be effective starting from 1st July 2021.

The provision is undergoing approval by the Parliament and its objective is to structurally review the whole regulation system for the support of natality and families.

The new measure is aimed at creating a simpler, more coordinated and more agile process to guarantee an economic support to families, replacing the currently provided measures (deductions for dependent children, allowances for families, “baby” bonus, “birth” bonus, etc.).

The amount will be due for every dependent children starting from the seventh month of pregnancy and up to the child’s 21st year of age and will be diversified depending on the number of children, on their age, on the presence of any disability, etc. and its quantification will be also established based on the family ISEE economic indicator.

Paternity leave

Implementing the EU Directive on work-life balance, the mandatory leave for fathers is extended from 7 to 10 days starting from 1st January 2021, to be used (even not one after another) within the fifth month from the child’s birth, adoption or fostering.

The paternity leave is 100% covered by INPS and starting from 2021 it can also be used in case of perinatal death, i.e. in case of death of the foetus or of the newborn from the 28th week of pregnancy to the first week of life.

In 2021, a working father can still benefit, besides the mentioned 10 days, from a further maternity leave day, if agreed with the mother – and instead of the mother.

Frail and immunodepressed workers

The Budget Law restores – from 1st January 2021 to 28 February 2021 – the safeguard measures introduced by “Cura Italia” Decree for so-called “frail” workers, i.e. those workers who, in consideration of their health, are deemed as entitled to receive a further protection to reduce the risk to be affected by Covid-19 in the workplace.

This provision was in force up to 15 October 2020, but it was not extended, probably due to a regulatory deadlock. Subsequently, starting from 1st January 2021, absences of workers recognised as having a serious disability and workers having a medical certificate issued by the competent medical and legal institutions attesting the presence of a risk deriving from immunodepression or oncological diseases or relevant life-saver therapies, will be again treated like hospitalization.

Each worker is necessarily required to ask their GP to issue the certificate attesting the presence of a risk, indicating the relevant prognosis. The Budget Law also extends to 28 February 2021 the measure providing that frail workers must carry out their working activity under smart working, if their activity is compatible with smart working. Otherwise, only if the working activity is not compatible with smart working (even after considering the possibility to assign any different activity that can be carried out under smart working) concerned employees can justify their absence and such absence will be treated as hospitalization.

Exceptional health surveillance for frail workers

The special provisions on health surveillance for so-called frail workers are extended up to 31 March 2021. Therefore, employers that are not required by law to appoint a competent doctor, can appoint one or request to INAIL a medical examination for the health surveillance of frail employees through the dedicated online service.

Smart working

The simplified procedures to carry out the activity under smart working are extended to 31 March 2021, i.e. it will not be necessary to enter into individual agreements between employer and employee, as provided under Law 81/2017.

The simplified electronic procedure for the notification to the Ministry of Labour of the adoption of smart working in the emergency situation is also extended to the same date.

Besides the case of frail workers in presence of compatible activities – the right to perform activities under smart working should be confirmed in the current school year for employed parents in case of suspension of teaching activity at school.

However, given the current provision (art. 22-bis of conversion law no. 176/2020) this right could be limited to those national areas characterized by the most serious scenario (so-called “red zones”) and to middle schools. If the working activity is not compatible with smart working, the employee can request to INPS a remunerated leave equal to 50% of its salary. These benefits are also granted to subordinate employees having children with a serious disability, in any area, who are attending any school level or are hosted by assistance centres. Lastly, it is pointed out that the rights to smart working provided under Law no. 81/2017 are confirmed, i.e. the priority granted to working mothers up to the third year after the maternity leave and to parents of disabled children.

Suspension of payment of tax withholdings and social security contributions in the sports industry

National sports federations, sports promotion entities, professional and amateurish sports associations and companies, which have their tax domicile, registered office or operating office within the territory of State and deal with sports competitions being held pursuant to Decree of the President of the Council of Ministers dated 24 October 2020, can benefit from the suspension of:

1. the terms for the payment of withholding taxes (related to income from subordinate and similar employment) applied by the above subjects as withholding agents, from 1st January to 28 February 2021
2. the terms for the fulfilments and payment of social security contributions and mandatory insurance premiums from 1st January to 28 February 2021
3. the terms for VAT payment due in January and February 2021

4. the terms for the payment of income taxes due from 1st January to 28 February 2021.

Suspended payments are due, without applying any interest and penalty, in a single payment by 30 May 2021 or by a maximum of 24 equal monthly instalments, the first of which being due by 30 May 2021.

Fund for the exemption from social security contributions in the sports industry

In order to ensure the sustainability of the sports labour reform, a proper fund has been created at the Ministry of Economy and Finance, with a reserve of 50 million Euro for 2021 and 50 million Euro for 2022, aimed at financing – within the abovementioned limits, the (even partial) exemption from social security contribution payments due by national sports federation, associate sports organizations (so-called DSA), sports promotion entities, and amateurish sports associations and companies – excluding INAIL premiums – with reference to sports working relationships entered into with athletes, coaches, trainers, managers, sports directors, athletic trainers, and referees.

Active labour market policies and reinstatement allowance

The Budget Law establishes the Fund for active labour market policies, aimed at favouring the support and reinstatement of workers, through professional training and requalification plans.

Moreover, the Law restores the right for employees receiving the unemployment benefit (so-called NASPI) to receive the so-called reinstatement allowance (assegno di ricollocazione).

The right is extended also to those workers receiving the “DIS-COLL” monthly unemployment benefit. Therefore, the categories of subjects that can benefit from support measures to look for a new employment has been increased for 2021, also thanks to the support of private labour agencies.

Updates on pensions

Pending a structural reform of the access to pension, which takes into account mainly the interruption of the experimental “Quota 100” system starting from 2022, many measures have been introduced to favour the achievement of pension requirements. The main ones are:

- extension of the so-called “Opzione Donna” (early retirement programme for women) for 2021
- extension of the so-called “Ape Sociale” (early-retirement State indemnity) for 2021
- extension of the so-called “isopensione” (early retirement indemnity) up to 2023
- introduction of a new safeguard measure for income-deprived early retirees
- extension to 2021 of the measures to support the technological innovation of businesses (so-called “contratto di espansione”), which are extended to businesses having at least 500 employees, while companies with at least 250 employees can only benefit from the provisions concerning the five-year early retirement
- full utilization of part-time working relationships for the achievement of the seniority requirements to benefit from a pension.

“Inpatriate” workers and tax benefits

The Budget Law has introduced the possibility for “inpatriate” workers who came back to Italy before 30 April 2019 to extend, by exercising a specific option, the tax benefits beyond the original 5-year period.

The option implies the payment of an amount equal to 5% or 10% of the income generated in Italy and subject to the benefit in the FY preceding that in which the option is exercised. The extension of the benefits to 10 years is allowed if there are dependent children, while it is not granted to professional athletes.

Indemnity for call center workers

The indemnity for call center workers, employees of companies that cannot benefit from the extraordinary redundancy funds, with more than 50 employees in the six months preceding the application date, is extended to all 2021.

Parents bonus

In order to incentivize natality and support childhood costs, pending the introduction of the unified allowance for dependent children from 1st July 2021, the “baby” bonus, the “nursery” bonus, and the “birth” bonus are extended for 2021.

Redundancy fund for self-employed

The redundancy fund for self-employed is experimentally introduced for the period 2021-2023. The so-called ISCRO is granted to self-employed registered with the dedicated “gestione separata” INPS pension fund and meeting specific requirements. The redundancy fund for self-employed provides a monthly allowance granted by INPS, equal to an amount from 250 Euro to 800 Euro. Entitled subjects are self-employed workers who suffered a 50% loss compared to the three previous years, with an income lower than 8,145 euro (income stated in the year preceding that in which the application is filed). The indemnity is granted to self-employed workers, who:

- do not receive any pension
- are not registered with other mandatory pension funds
- do not receive the “reddito di cittadinanza” indemnity
- generated, in the year preceding the filing of the application, an income from self-employment lower than 50% compared to the average income generated in the three years preceding the filing of the application.

Exemption from social security contribution payments for self-employed

The Law provides for the creation of a fund to cover the suspension of social security contribution payments of self-employed workers. The suspension is applicable to the following subjects:

- self-employed and professionals registered with INPS pension fund
- professionals registered with private pension funds
- doctors, nurses, other professionals and workers as indicated under law dated 11 January 2018, no. 3, already retired and hired due to the COVID-19 emergency.

The exemption from the payment of social security contributions applies provided that self-employed workers did not receive an income higher than 50,000 Euro in FY 2019, and that suffered in 2020 a decrease in turnover or considerations of at least 33% compared to 2019.

Premiums due to the National Institute for Insurance against Accidents at Work (INAIL) are excluded from the exemption.

Lastly, it is specified that further measures have been introduced for 2021 aimed at favouring women’s work, such as the creation of the fund for the reintegration of working mothers, the fund for the relaunch of women entrepreneurs, and the extension of the incentives for the hiring of women who were victims of violence. Other measures, on the other hand, concern the promotion of equal pay between men and women and the safeguard of particular categories of workers, such as those exposed to asbestos.

Our Consultants remain available to provide any further explanation and to clarify possible doubts.

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