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CENTRO STUDI



## 2026 Budget Law – Main Developments in Employment Matters

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Law no. 199 of 30 December 2025, containing the State Budget for the 2026 financial year and the multiannual budget for the 2026–2028 three-year period, was published in Ordinary Supplement no. 42 to the Official Gazette no. 301 of 31 December 2025.

The provisions contained in the law entered into force – unless otherwise specified – as of 1 January 2026.

Outlined below are the main developments relating to employment.

### Revision of the IRPEF Framework (paragraphs 3 and 4)

In line with the reform implemented by the legislator in the previous year, the 2026 Budget Law confirms the general structure of IRPEF, while making targeted changes to two main areas:

- a) the reshaping of the tax rate applicable to the second income bracket;
- b) the limitation of tax deductions for taxpayers with very high incomes.

With regard to the first point, starting from 2026, the tax rate applied to the second income bracket (over €28,000 and up to €50,000) is reduced from 35% to 33%.

The tax rates for the first income bracket (23% up to €28,000) and the third income bracket (43% over €50,000) remain unchanged.

The measure aims to reduce the tax burden on middle-to-high incomes without altering the progressive nature of the tax.

IRPEF Income Brackets and Tax Rates – 2026	
Up to €28,000	23%
Over €28,000 and up to €50,000	33%
Over €50,000	43%

With regard to IRPEF deductions, the rules introduced by Article 16-ter of the Consolidated Income Tax Act (TUIR) are confirmed. These rules provide for a maximum cap on deductions for taxpayers with a total income exceeding €75,000, adjusted according to income level and the number of dependent children.

However, the 2026 Budget Law introduces a new provision for taxpayers with income exceeding €200,000. As a result of the introduction of paragraph 5-bis to Article 16-ter of the TUIR, the total amount of deductions due is reduced by €440 in relation to certain categories of expenses, including expenses deductible at 19%, donations to political parties, insurance premiums against catastrophic events.

Full deductibility remains unchanged for mortgage interest and healthcare expenses.

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### **Tax Relief on Contractual Pay Increases (paragraph 7)**

One of the most significant measures introduced by the 2026 financial package concerns the tax relief applicable to salary increases arising from renewals of collective bargaining agreements signed between 1 January 2024 and 31 December 2026.

The provision does not explicitly refer to the representativeness of the bodies signing the National Collective Labour Agreements (CCNL). Therefore, in the absence of a reference to Article 51 of Legislative Decree no. 81/2015 or a restrictive definition, the tax relief may apply to contractual renewals signed at national, territorial or company level, while increases deriving from individual agreements are excluded. The provision expressly refers only to renewals, thus excluding newly negotiated agreements.

For the year 2026 only, salary increases granted to private-sector employees with employment income not exceeding €33,000 (calculated with reference to 2025) under the above-mentioned contracts will be subject to a substitute tax of 5% in place of IRPEF and regional and municipal surtaxes.

Employees may opt out of the preferential regime by means of a written declaration and choose ordinary taxation. The purpose of the reduced substitute tax is to ensure a higher net increase in take-home pay for employees, thereby supporting purchasing power and mitigating the effects of inflation in recent years.

The tax relief applies to all types of employment relationships (open-ended or fixed-term, full-time or part-time) and to all categories of employees (blue-collar workers, clerks, middle managers and executives).

Employers must obtain a declaration from employees regarding any employment income received in 2025.

With reference to the concept of “salary increases”, further clarification is required as to whether, in addition to increases in minimum contractual pay, other additional pay elements (such as overtime allowances or shift, hardship or inconvenience allowances) are included.

Clarifications and operational guidance are expected from the Italian Revenue Agency.

### **Tax Relief on Productivity Bonuses and Profit-Sharing (paragraphs 8 and 9)**

The legislator once again intervenes in the tax regime applicable to productivity bonuses and sums paid as profit-sharing.

For 2025 only, the preferential 5% tax rate remains applicable to variable bonuses linked to measurable and verifiable improvements in productivity, profitability, quality, efficiency and innovation, up to a limit of €3,000 per year, for employees with employment income up to €80,000.

From 2026 to 2027, a further reduced tax rate of 1% is introduced, applicable up to a new overall limit of €5,000 per year.

The reform therefore operates on two fronts: an increase in the maximum amount of the tax-relieved bonus and a reduction in the substitute tax rate.

The higher limit effectively makes the previous special regime for companies involving employees in work organisation redundant.

### **Night Work, Holiday Work and Shift Work (paragraphs 10–12)**

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For 2026 only, a favourable tax regime is introduced for pay supplements and allowances related to night work, holiday work or shift work.

Such amounts, up to an annual limit of €1,500, are subject to a 15% substitute tax, unless the employee opts out.

The measure applies to private-sector employees who earned employment income not exceeding €40,000 in 2025, excluding those already benefiting from the special integration treatment for the tourism sector. Ordinary social security contribution rules remain applicable.

### **Temporary IRPEF Reduction on Dividends from Employee Share Ownership (paragraph 13)**

The Budget Law extends throughout 2026 the incentive regime introduced in 2025 for employee financial participation. Dividends arising from shares allocated in place of performance bonuses benefit from a 50% IRPEF exemption, up to a limit of €1,500 per year.

Accordingly, dividends paid to employees from shares allocated in lieu of productivity bonuses (up to €1,500) are 50% exempt from income tax.

### **Electronic Meal Vouchers (paragraph 14)**

Starting from 1 January 2026, the non-taxable daily value of electronic meal vouchers increases from €8 to €10, while the exemption threshold for paper vouchers remains at €4.

As a result, from the 2026 tax year onwards, each employee may receive up to €210 per month (10 × 21 working days), compared to the previous €168.

The provision also applies to individuals engaged under non-subordinate collaboration arrangements whose income is treated as employment income.

### **Special Integration Treatment for the Tourism Sector (paragraphs 18–21)**

The special integration treatment introduced in 2023 is confirmed for 2026. From 1 January to 30 September 2026, tourism and food and beverage service workers will continue to benefit from a credit equal to 15% of gross pay for night work and holiday overtime, which does not contribute to taxable income.

### **Substitute Tax on Foreign Income (paragraphs 25–26)**

The 2026 Budget Law amends Article 24-bis of the TUIR governing the optional substitute tax regime for individuals transferring tax residence to Italy.

The regime allows foreign-source income to be subject to a flat tax, regardless of amount, provided the individual was not tax resident in Italy for at least 9 of the previous 10 tax years.

The substitute tax is increased to €300,000 per year (from €200,000) and €50,000 per year for each family member (from €25,000).

The new rules apply to individuals transferring residence to Italy from 1 January 2026.

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### Measures Against Improper Tax Offsetting (paragraph 116)

The Budget Law confirms the reduction of the threshold for outstanding tax debts recorded in the tax roll—from €100,000 to €50,000—relating to state taxes and related charges, or arising from enforceable tax assessments entrusted to the Collection Agent, beyond which offsetting through the F24 form is prohibited, where payment deadlines have expired or are still pending and no suspension measures are in place.

During the approval process, however, the provision (in force since 2024) that would have extended, as of 1 July 2026, the prohibition on offsetting also to social security and insurance contribution debts for all taxpayers was repealed. As a result, the offsetting ban remains limited to banks and other financial intermediaries, and only with regard to tax credits arising from credit assignment options or invoice discounts related to building and energy incentive schemes, as provided for by the so-called “Save Accounts Decree”.

### Adjustment of Regional and Municipal Surtaxes (paragraphs 649–651)

The 2025 Budget Law had already provided that, by 15 April 2025, Regions, Autonomous Provinces and Municipalities were required to align the brackets and rates of the IRPEF surtax with the three brackets then in force, allowing—where such alignment was not carried out—the retention of the previous four-bracket structure for the 2025–2027 tax years.

The 2026 Budget Law revisits the matter and updates the relevant deadlines: for the 2026 municipal IRPEF surtax, the deadline is set at 15 April 2026, while for the regional IRPEF surtax, in the absence of specific provisions, the ordinary deadline of 31 December of the preceding year once again applies, with reference to the 2026–2028 tax years. The option to retain the previous income brackets is also extended through 2028.

Lastly, Regions with ordinary statute that recorded a budget deficit as of 31 December 2021 are granted the possibility of obtaining a state contribution, provided that they commit to covering the deficit also through their own resources, including, where applicable, by introducing an increase in the regional IRPEF surtax compared to the 2023 rates.

#### Other Tax Measures

The law also provides for the following measures:

- amendments to the rules governing variable remuneration of managers in the financial sector, introducing an exclusion from the 10% surtax where payments are made in favour of Third Sector entities;
- the extension of the 5% substitute tax to overtime compensation paid to nurses employed by accredited private healthcare facilities.

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### Contribution Relief for Permanent Hires and Conversions (paragraphs 153–155)

The 2026 Budget Law introduces a new social security contribution exemption for permanent hires and for the conversion of fixed-term contracts into open-ended employment relationships carried out between 1 January 2026 and 31 December 2026.

For this measure, authorized expenditure amounts to €154 million for 2026, €400 million for 2027 and €271 million for 2028.

The incentive consists of a partial exemption from employer social security contributions for a maximum duration of 24 months, excluding INAIL insurance premiums and contributions.

The incentive applies to the hiring of non-managerial personnel and to the conversion of fixed-term contracts into permanent contracts, with the aim of promoting stable employment, supporting female employment and reducing territorial disparities, with particular reference to the Southern Italy Single Special Economic Zone.

Operational procedures and eligibility requirements will be defined by an interministerial decree and subsequent INPS guidelines.

### Occasional Agricultural Work

As of 2026, the regulatory framework governing occasional work in agriculture (so-called *LOAgri*) is made permanent, replacing the previous experimental regime.

Agricultural undertakings may continue to make use of occasional subordinate employment for a maximum of 45 working days per year per worker, within a 12-month period.

The measure, aimed at specific categories of workers (pensioners, students, unemployed persons and other vulnerable individuals), is intended to combat undeclared work and facilitate the management of seasonal labour needs in the agricultural sector.

### Inclusion Allowance (paragraphs 164–174)

The 2026 Budget Law amends the Inclusion Allowance (*Assegno di Inclusione – ADI*), the anti-poverty and social inclusion measure introduced in 2024 by the Labour Decree to replace the Citizenship Income.

In particular, the renewal procedure is simplified by eliminating the mandatory one-month suspension between benefit periods and by making renewal conditional upon the submission of a new application.

In addition, the law provides that, in the event of renewal, the first monthly payment will amount to 50% of the monthly benefit.

Spending limits allocated to the financing of the ADI are progressively increased, alongside a corresponding reduction in the Poverty Support Fund.

### Social Shock Absorbers and Income Support

The Budget Law extends and refines numerous wage supplementation and income support instruments.

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These include allowances for maritime fishing workers during mandatory stoppage periods, the extension of extraordinary wage guarantee schemes (CIGS) for companies operating in areas of complex industrial crisis and for companies ceasing operations, as well as income support measures for former ILVA workers.

Funding is also renewed for measures supporting call centre workers, agreements for the use of socially useful workers are extended, and further extensions of CIGS are granted for companies of national strategic interest.

### Incentives for Corporate Aggregations and Employment Protection

On an experimental basis for 2024 and 2025, an incentive had already been introduced for companies resulting from corporate aggregation transactions with a total workforce of at least 1,000 employees.

Access to the incentive required the signing of an agreement with the most representative trade unions, including an industrial plan and active labour policy measures aimed at overcoming sector-specific challenges and at worker training or reskilling.

The 2026 Budget Law strengthens this incentive by increasing the spending limits for 2027 and 2028, with a corresponding reduction in resources allocated to the Social Fund for Employment and Training.

Specifically, the incentive consists of a full exemption from employer social security and welfare contributions, excluding INAIL premiums, granted for each hired worker for up to 24 months, up to a monthly cap of €291.66, extendable for a further 12 months with a reduced monthly cap of €166.66.

### NASpI and Activation Policies (paragraph 176)

The rules governing the advance payment of NASpI as an incentive for self-employment are amended.

Payment will no longer be made in a single lump sum but will be split into two instalments:

- a first instalment equal to 70% of the total amount;
- a second instalment equal to the remaining 30%, payable at the end of the benefit period and, in any event, within six months from the date of submission of the electronic advance payment application, provided that eligibility requirements continue to be met and no new subordinate employment relationship is established.

### Incentive for Postponing Retirement (paragraph 194)

The 2026 Budget Law extends the incentive for postponing retirement, originally introduced by the 2023 Budget Law, allowing employees to receive directly in their payslip the portion of social security contributions normally payable by the employee.

The incentive therefore consists in crediting the employee with their own pension contribution share, with the consequent exemption from payment and accrual of both the employee's and the employer's contribution shares.

The incentive is available to all public and private sector employees who:

- are enrolled in the General Mandatory Insurance scheme (AGO) or equivalent or exclusive schemes;
- have met, by 31 December 2025, the requirements for early retirement (ordinary or flexible);
- are not recipients of a direct pension (except for ordinary disability pensions);
- have not yet met the statutory age requirement for old-age pensions.

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The 2026 Budget Law introduces a significant extension of the incentive, making it applicable also to workers who, during 2026, become eligible for early retirement based solely on contributory seniority, regardless of age, thereby encouraging continued employment.

### **Provisions on severance pay (TFR) accruals and the related INPS Treasury Fund, as well as on enrolment in supplementary pension schemes for private-sector employees (paragraphs 203–205)**

One of the most significant provisions of the 2026 Budget Law concerns the amendment of the rules governing the transfer of severance pay (TFR) to the INPS Treasury Fund, as set out in Article 1, paragraph 756, of Law no. 296/2006.

As of 1 January 2026, private-sector employers who have reached, or will reach in subsequent years, an average workforce of at least 60 employees will be required to transfer to the INPS Treasury Fund the TFR accrued by employees who have not opted to allocate their TFR to supplementary pension schemes.

The 60-employee threshold applies exclusively for the 2026–2027 period. From 2028 to 2031, the ordinary threshold of 50 employees will apply again, while from 2032 onwards the obligation will definitively arise upon reaching an average annual workforce of 40 employees.

In all cases, the workforce threshold must be verified based on the average number of employees employed in the previous calendar year.

This provision introduces a system of thresholds that vary over time, determining when the obligation to transfer TFR to the Treasury Fund arises. Pending INPS operational guidelines, references to the years 2026, 2028 and 2032 should be understood as the years in which the obligation arises, given that the workforce threshold is always assessed with reference to the preceding year.

This new framework replaces the practice in force as of 31 December 2025, under which the obligation applied only to employers with an average of at least 50 employees as at 31 December 2006, or, for companies established thereafter, at the end of their year of establishment.

As a result, companies that had already reached the workforce threshold in 2025 or earlier years must, as of 2026, transfer to INPS the TFR not allocated to pension funds, ceasing internal accrual. Companies that exceed the threshold in 2026 or subsequent years will begin transferring TFR to INPS from the year following the threshold being exceeded.

### **Income Supplements for Working Mothers (paragraphs 206–207)**

The 2026 Budget Law postpones to 2027 the full implementation of the structural contribution exemption for working mothers provided for by the previous Budget Law.

That measure introduced a partial exemption from social security contributions for employed and self-employed mothers with employment income not exceeding €40,000 per year who are mothers of:

- two or more children, from 1 January 2026 until the second child reaches ten years of age;
- three or more children, from 1 January 2027 until the youngest child reaches eighteen years of age, excluding employees with open-ended contracts.

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On a transitional basis for 2026, a monthly contribution of €60, exempt from tax and social security contributions, is granted for each month or fraction of a month of employment or self-employment, to working mothers with annual employment income not exceeding €40,000 who meet the following requirements:

- mothers with two children, until the second child reaches ten years of age;
- mothers with more than two children, until the youngest child reaches eighteen years of age, excluding employees with open-ended contracts who are eligible for the contribution exemption under the 2024 Budget Law.

Amounts accrued from January to November 2026 will be paid in a single instalment with the December 2026 salary and will not be included in the calculation of the ISEE.

Income Supplements for Working Mothers with Two or More Children – 2026	
With two children	€60 monthly “motherhood bonus” for self-employed workers and employees with either fixed-term or open-ended employment contracts.
With two or more children	With two or more children €60 monthly “motherhood bonus” for self-employed workers and employees with fixed-term employment contracts.
With two or more children	Social security contribution exemption under the 2024 Budget Law for employees with open-ended employment contracts.

### Contribution Relief for Hiring Working Mothers (paragraphs 210–213)

For 2026, an employment incentive is introduced consisting of a full exemption from employer social security contributions.

The incentive applies to private-sector employers who, as of 1 January 2026, hire mothers with at least three children under the age of eighteen who have not had a regularly paid employment relationship for at least six months.

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The benefit consists of a full exemption from employer social security contributions, excluding INAIL insurance premiums, up to an annual cap of €8,000, applied proportionally on a monthly basis.

The duration of the incentive varies depending on the type of contract:

- 24 months for open-ended contracts;
- 12 months for fixed-term contracts (including agency work);
- 18 months if a fixed-term contract is converted into an open-ended contract, calculated from the start date of the fixed-term contract.

The incentive does not apply to domestic work or apprenticeship contracts and cannot be combined with other contribution exemptions or reduced contribution rates. It remains fully compatible with the increased labour cost deduction for new hires under Article 4 of Legislative Decree no. 216/2023 (the so-called “super deduction”). Access to the incentive is subject to overall spending limits and INPS implementing guidelines.

### Incentives for Contract Transformations (paragraphs 214–218)

To support work–life balance, the 2026 Budget Law introduces, with effect from 1 January 2026, a specific safeguard in favour of female and male employees. In particular, the measure applies to employees with at least three cohabiting children and remains in force until the youngest child reaches ten years of age; in the case of children with disabilities, no age limits apply, without prejudice to the minimum requirement of three cohabiting children and the age limits applicable to the other children.

Eligible employees are granted priority in the conversion of their employment relationship from full-time to part-time, or in the adjustment of working hours where the contract is already part-time. Such conversion or adjustment must, however, result in a reduction in working hours of at least 40 percentage points.

Employers who grant employees’ requests are entitled to a full exemption from the payment of social security contributions payable by the employer, excluding INAIL insurance premiums and contributions. The incentive is granted up to a maximum of €3,000 per year, calculated on a monthly basis, and for a period not exceeding 24 months from the date of the contract conversion or adjustment.

The Budget Law specifies that the operational procedures for the exemption will be defined by an interministerial decree to be issued by the end of June 2026. Pending the issuance of such decree, the legislator has clarified that the contribution rate relevant for the calculation of pension benefits remains unchanged and that the exemption cannot be combined with other contribution reliefs provided for under current legislation. The measure is, however, fully compatible with the increased deductible labour cost for new hires provided for under Article 4 of Legislative Decree no. 216/2023. INPS will issue the operational guidelines for the full implementation of the exemption.

Finally, it is specified that the measure operates within specific spending limits, set annually by the legislator starting from 2026 and intended to increase progressively in subsequent years.

### Parental Leave and Sick Leave for Children (paragraphs 219–220)

To support parenthood and work–life balance, the Budget Law increases the age limit for parental leave from 12 to 14 years. The provision also applies in cases of adoption and foster care.

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In addition, sick leave for children is strengthened by doubling the number of available days and extending the applicable age range. Each parent may now take up to ten working days per year (instead of five), applicable to children aged between 8 and 14.

### **Strengthening Fixed-Term Contracts for Parenthood (paragraph 221)**

In order to support the balance between family responsibilities and professional activity, as well as to strengthen gender equality policies, the 2026 Budget Law introduces a new provision concerning fixed-term contracts for the replacement of working mothers.

The rule allows for an extension of the duration of fixed-term employment relationships, including temporary agency work, pursuant to Legislative Decree no. 151/2001.

Specifically, the regulatory change is implemented through the introduction of paragraph 2-bis to Article 4 of the above-mentioned legislative decree, which provides for the possibility of extending a fixed-term contract entered into for the purpose of replacing a female employee absent due to maternity leave or parental leave for an additional period—aimed at facilitating a handover alongside the returning employee—within the maximum time limit corresponding to the child's first year of life.

It should be noted that, although Article 4 allows for replacement hiring also in the case of workers on paternity leave, the provision introduced by the 2026 Budget Law refers exclusively to the need to support the returning female employee and not the male employee. Moreover, for replacement hires, paragraph 3 of Article 4 provides that, in companies with fewer than 20 employees, a 50% exemption from employer social security contributions is granted.

### **Other Provisions**

Lastly, the Budget Law also addresses a number of additional areas, including: - the extension of incentives for the Urban Free Zone in the areas affected by the Central Italy earthquake - the repeal of certain social security contribution exemptions deemed no longer strategic - the strengthening of controls on leave entitlements under Law no. 104/1992 within the public sector - the introduction of requirements relating to tax and social security compliance for payments made by Public Administrations to self-employed professionals - the revision of the discontinuity allowance for workers in the entertainment sector - the retroactive extension of specific social security contribution exemptions to certain activities within the insurance sector.

**The firm's consultants are available for any clarification.**

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