To the clients:

Subject: IRES at 20% instead of 24%.

For the 2025 tax period, business income declared by companies and commercial entities (both resident and non-resident in Italy) can be subject to a reduced rate of 20%.

As well known, IRES is the corporate income tax and companies and entities referred to in art. 73, paragraph 1, letters a), b) and d), TUIR, can take advantage from this benefit, precisely:

- ✓ joint-stock companies and limited partnerships, limited liability companies, cooperative societies and mutual insurance companies, as well as European companies referred to in Regulation (EC) No 2157/2001 and European cooperative societies referred to in Regulation (EC) No 1435/2003 resident in the national territory;
- ✓ public and private entities other than companies, as well as trusts, resident in the national territory, which have as their exclusive or main object the exercise of commercial activities;
- ✓ companies and entities of all kinds, including trusts, with or without legal status, not resident in the national territory.

The benefit is due if the following conditions are met **jointly**:

- ✓ allocation in a **special reserve** of a share of **not less than** 80% of the profits for the current year as of 31 December 2024;
- ✓ allocation of an amount of not less than 30% of the aforementioned provisioned profits, in any case not less than 24% of the profits for the current year as of 31 December 2023, for investments relating to the purchase, also through leasing, of new 4.0 and 5.0 capital goods intended for production facilities located in Italy;

Investment features

Type of assets: these are the interconnected intelligent machines and software and other related intangible assets indicated in Annexes A and B of Law 232/2016 and in art. 38 DL 19/2024 conv. in Law 56/2024.

Investment timings

They must be made from 1 January 2025 and by the deadline for submitting the tax return relating to the tax period following the current one as of 31 December 2024.

Amount of investment

In any case, they must not be less than € 20.000.

The **following additional conditions** are also provided:

- ✓ number of work units per year has not decreased compared to the average of the previous three years;
- ✓ new hires of employees with permanent contracts are made that constitute an increase in employment based on the criteria of the so-called "super deduction" for new hires in an amount equal to at least 1% of the number of permanent employees hired on average in the current tax period as of 31 December 2024 and, in any case, to an extent not less than one employee with a permanent employment contract;
- ✓ no recourse to the redundancy fund with the exception of the ordinary wage subsidy paid in cases of company situations due to transitory events and not attributable to the company or employees, including seasonal weather (Article 11, paragraph 1, letter a) of Legislative Decree 148/2015);

Non-commercial entities can benefit from the reduction of the rate limited to the tax attributable to business income.

The **implementation provisions** will be adopted by a specific decree.

The benefit is **<u>forfeited</u>** in the event of:

- ✓ distribution of the profit portion set aside within the second financial year following the current one as of 31 December 2024;
- ✓ disposal, transfer to third parties, destination for purposes unrelated to the operation of the company or permanent destination to production facilities located abroad, even if belonging to the same entity, of the assets subject to investment within the fifth tax period following the one in which the investment was made.

Those who make use of the 20% IRES provided for by the 2025 budget law will have to keep the assets purchased for five years, under penalty of benefit forfeiture, as there are no safeguard clauses if replacement investments are made.

Companies and entities in ordinary liquidation or subject to insolvency proceedings of a liquidation nature in the tax period following the current one as of 31 December 2024, as well as individuals who determine their taxable income, even partially, based on flat-rate regimes, are **excluded** from the facilitation.

22 January 2025 *Dr. Angelo Pisciotta*

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