LABOUR LEGISLATION UPDATES 01 – 2018

Labour Law:

2018 BUDGET LAW: CHANGES FROM 1 JANUARY 2018

The 2018 Budget Law's key points for labour, tax and pensions are outlined below.

1) **Tax relief for young new hires**

In an effort to boost long-term employment for young people, there is structural tax relief equal to 50% of social security (INPS) contributions, up to a limit of €3,000 annually, apportioned over 36 months.
Such relief is available for hiring people from 1 January 2018 on an open-ended employment contract or for offering permanent employment, to young contract workers up to age 30 (35 until 31 December 2018).

Requirements for using this tax relief:

- A person has been hired on an open-ended employment contract;
- An apprentice is hired on an open-ended contract;
- A worker on a fixed-term contract is hired on an open-ended contract;
- The worker, at the time of being hired or changing employment relationship, must not have turned 30 (35 up until the end of 2018);
- The employee must never have had an open-ended employment relationship with any employer;
- The employer must not have dismissed any employee on fair grounds or more than one employee as part of a redundancy plan in the preceding 6 months;
- The employer must comply with all the general principles for using incentives (e.g. a current single insurance payment certificate - *DURC*, compliance with the National Collective Labour Contract, compliance with recruitment priority etc.).

Amount and duration of this relief:

- For new hires and for converting fixed-term contracts into open-ended ones, the relief is equal to 50% of social security (INPS) contributions up to €3,000 annually, apportioned monthly across 36 months;

- For hiring apprentices as above, the relief is equal to 50% of social security (INPS) contributions for 12 months, plus the standard 12 months for taking on an apprentice at the end of his/her contract;
- For hiring young students who have worked for the employer as part of an eligible work-related learning programme for at least 30% of the total work hours in such a programme, as established by law, or who did periods of apprenticeship at the employer as part of a programme to obtain a professional qualification or diploma, an upper secondary school diploma, an upper technical specialisation certificate or an advanced apprenticeship, the relief will be equal to 100% of social security (INPS) contributions up to a limit of €3,000 annually, apportioned monthly over 36 months, provided the person is hired within 6 months of earning the educational qualification in question.

Loss of the relief

If the worker hired using the relief in question is dismissed on fair grounds in the first 6 months, then the relief is lost, and the amounts deducted are repayable.
This shall also be the case if someone in the same production unit, with the same level of educational qualifications, is dismissed during that period.
This 2018 exemption on contribution payments for young employees does not apply to domestic workers and new apprenticeship contracts.
Moreover, for the period in which it is used, it is not cumulative with other exemptions or reductions in contribution rates established by current laws.
This provision shall only become effective once INPS has published a circular explaining all the practical implications for this measure.

2) Incentives for hiring people in southern Italy

For 2018 only, where people hired in Basilicata, Calabria, Campania, Molise, Puglia, Sardinia and Sicily are not yet 35 or, if they are older than that, have not had a regular job for at least 6 months, the aforesaid relief set out in the Budget Law can be increased up to 100%, with an annual limit of €8,060.
Such people must be hired on "increasing protection" contracts.

3) Company welfare provisions and public transport

There is a tax exemption for the amounts paid or reimbursed to all employees or to specific categories of employees by an employer in accordance with contractual provisions, an agreement or company regulations to purchase local, regional or inter-city public transport passes for employees and their dependent family members, as per Art. 12 of the Consolidated Income Tax Law (*TUIR*).

There are three ways for using this flexible benefit:

1. Disbursing an amount specifically for the purchase of public transport passes;
2. Reimbursing the costs incurred to purchase public transport passes - in this case, the employee must document the cost incurred;
3. The employer purchases the public transport passes directly for employees.

4) Dismissal protection following formal complaint of harassment

In an effort to increase protection for female and male workers who file a formal complaint about harassment or sexual harassment, it is now prohibited to penalise, demote, dismiss, transfer or impose any other organisational measure that has a direct or indirect negative impact on the person's working conditions because of the formal complaint.
Moreover, for the person who files the harassment complaint, any dismissal shall be annulled where this is for discriminatory or retaliatory reasons. The same holds for any changes in role, pursuant to Section 2103 of the Civil Code, or any other retaliatory or discriminatory measure taken against the person in question.
The exception to this is when it is determined, potentially even in a first-degree sentence, that the person filing the complaint is guilty of slander or defamation, or the complaint is found to be baseless.

5) Regional business tax and seasonal work

For 2018, employers can fully deduct, from the taxable base for regional business tax (*IRAP*), labour costs for every seasonal worker who has worked for at least 4 months in a 2-year period. This deduction can be used from the second contract signed with the same employer within two years of the previous contract ending.

6) Traceability for payroll payments

The Budget Law also sets out the obligation for employers to use traceable means to pay their employees and contract staff.
From 1 July 2018, employers or equivalents must pay their workers, even for advances, using a bank or post office with one of the following options:

- Bank transfer to the IBAN number (i.e. the account) indicated by the worker;
- An electronic means of payment;
- A cash payment made at the bank or post office where the employer has opened a treasury account with an order for payment;

- A cheque given directly to the worker or, in the case of a proven impediment, someone delegated by him/her.

Remuneration cannot be paid directly by the employer or equivalent to the worker in cash and a signed payslip does not constitute proof of payment. Breaching this obligation shall result in a fine of between €1,000 and €5,000.

7) 4 days mandatory paternity leave

For 2018, mandatory paternity leave for employees has been increased from 2 to 4 days. These days do not need to be taken consecutively.
Such leave must be taken before the baby is five months old or within five months of the adoption/fostering.
Such leave is an autonomous right and, consequently, it is additional to what the mother enjoys; it is due independently of the mother's right to maternity leave. Mandatory leave is also granted to a father who takes other paternity leave.
Moreover, following confirmation from the Italian social security institute (*INPS*), such leave cannot be divided by the hour.
For mandatory paternity leave, the father has the right to a daily allowance, payable by INPS, equal to 100% of remuneration. To use mandatory paternity leave, the father must inform his employer in writing, at least fifteen days in advance, of the dates on which he plans to use this leave. If the intention is to take this leave from the time of the birth, then the presumed period of notice begins fifteen days before the due date.
Once an employer has received such a written request, it informs INPS of the planned leave using Uni-emens.

8) Optional paternity leave

For 2018, a father who is employed can have an additional day of leave with the mother's agreement as this day replaces one of the days in the enforced absence due to the mother.
Thus, the day taken by the father brings the final date for the mother's maternity leave a day earlier.
For this optional paternity leave, the father also has the right to a daily allowance, payable by INPS, equal to 100% of remuneration.