LABOUR NEWSLETTER 08 – 2020

AUGUST DECREE

In the evening of 14 August 2020, Decree Law no. 104 of 14 August 2020 (colloquially known as the August Decree) was published, introducing some key changes (announced the previous week by the government) to the wage guarantee schemes for COVID, the ban on dismissals, contribution relief and the payment in instalments of "suspended" taxes. This newsletter covers the main changes introduced by this decree.

Labour Law:

1. **NEW EXTENSION FOR THE VARIOUS WAGE GUARANTEE SCHEMES**
2. **SOCIAL SECURITY CONTRIBUTION EXEMPTION FOR COMPANIES NOT MAKING FURTHER USE OF A WAGE GUARANTEE SCHEME**
3. **SOCIAL SECURITY CONTRIBUTION EXEMPTION FOR NEW HIRES**
4. **EXTENSION FOR FIXED-TERM EMPLOYMENT CONTRACTS**
5. **DISMISSALS FOR JUSTIFIED OBJECTIVE REASONS**

Tax Measures

1. **DOUBLING OF THE 2020 GOODS IN KIND EXEMPTION LIMIT**
2. **ADDITIONAL INSTALMENT OPTIONS FOR "SUSPENDED" TAX AND CONTRIBUTION PAYMENTS**

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Labour Law

1. NEW EXTENSION FOR THE VARIOUS WAGE GUARANTEE SCHEMES

The Decree allows an additional 18 weeks - divided into two segments of 9 weeks - for the various applicable wage guarantee schemes (*FIS* salary integration, *CIGO* and *CIGD*) for employers who suspend or reduce business activities due to events linked to the COVID-19 emergency in the country. This refers to the period between 13 July and 31 December 2020.

TERMS:

- **a)** The first 9 weeks include, even partially, the periods already applied for under previous decrees, if after 12 July 2020.
- **b)** The subsequent 9-week segment becomes available once the authorisation for the first segment has expired.

To use the second 9-week segment, for those companies that are not in a crisis situation, there is the renewed obligation to pay an additional contribution to the Italian Social Security Institute (*INPS*) based on the gross annual salary (*RAL*) that would have been payable to the worker for the hours not worked following the salary integration application. This contribution is only payable by those companies that have not suffered a 20% reduction when comparing turnover from the first semesters of 2019 and 2020.
More specifically, the contribution payable is as follows:

- i) if the drop in turnover is equal or greater than 20%, no contribution is payable;
- ii) 9%, if the drop in turnover is less than 20%;
- iii) 18%, if there is no drop in turnover.

2. SOCIAL SECURITY CONTRIBUTION EXEMPTION FOR COMPANIES NOT MAKING FURTHER USE OF A WAGE GUARANTEE SCHEME

Social security contribution relief is available for companies that do not apply to use the new 18 weeks available for salary integration, but that did use the wage schemes in May and June 2020, or at least partially by 12 July 2020.
The relief is equal to 100% of the contribution payable for up to a maximum of **4 months before 31 December 2020**, with the limit set at double the wage guarantee scheme (*cassa integrazione*) hours used in May and June 2020, recalculated on a monthly basis.
Right to this relief is forfeited in the case of dismissals for justified objective reasons.

3. SOCIAL SECURITY CONTRIBUTION EXEMPTION FOR NEW HIRES

Companies that hire people on new open-ended contracts (excluding apprenticeship contracts) or transform fixed-term contracts into open-ended ones as of the date the August Decree takes effect are exempt from the relevant contributions for up to 6 months from the date of hiring, up to a maximum of €4,030.00, calculated on a semester basis.
This relief can be cumulative with other relief/allowances offered by current legislation.
However, the relief does not extend to workers who had an open-ended contract at the same company in the six-months prior to being hired.

4. EXTENSION FOR FIXED-TERM EMPLOYMENT CONTRACTS

The Decree also grants the option, available up to 31 December 2020, to renew or extend a fixed-term contract for up to 12 months (once only) even without one of the justifying reasons.
This does not change the maximum limit (including for multiple fixed-term contracts) of 24 months.
Additionally, the automatic extension of fixed-term contracts, including through employment agencies, for the period of suspension of work (as introduced when the "Re-launch Italy" Decree was amended and ratified) has been removed.
Nonetheless, extensions adopted in accordance with that legislation up to 14 August have to remain valid.

5. INDIVIDUAL AND COLLECTIVE DISMISSALS FOR JUSTIFIED OBJECTIVE REASONS

The ban on individual or collective dismissals for justified objective reasons has been confirmed in the following cases (and thus indirectly indicates the expiry dates for the ban for each employer):

a) employers that have not fully benefited from the salary integration schemes linked to the COVID-19 healthcare crisis (including the extensions established by the decree in question);
b) employers who have not fully benefited from the alternative exemption on paying the required social security contributions for companies that have not used the salary integration extensions.

The ban is not applicable in the following cases:

a) dismissals justified by the company definitively ceasing to operate;
b) dismissals in the event of bankruptcy, where the company will not continue operating on a provisional basis.
c) entering into, with the agreement of the comparatively most representative national trade unions, an agreement on incentives for employees terminating the employment relationship, but only for those employees who accept the agreement.
d) dismissals of tender contract staff where those staff are rehired by the new contractor because of the law or a provision in the tender agreement.

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LABOUR AND TAX ADVISORS

Tax Measures

1. DOUBLING OF THE 2020 GOODS IN KIND EXEMPTION LIMIT

For 2020 only, the value of goods and services in kind provided by a company for its employees is set at €516.46, and not €258.23.

2. ADDITIONAL INSTALMENT OPTIONS FOR "SUSPENDED" TAX AND CONTRIBUTION PAYMENTS

The companies that met the requirements set out in the "Cure Italy" Decree and that suspended the payment of taxes and contributions for March through June 2020, up to the date of 16 September 2020, can pay the "suspended" amounts as follows:

- 50% of the suspended amounts:
  - a single payment by 16 September 2020 or
  - up to four instalments of equal amounts, with the first payment by 16 September 2020;

- the remaining 50% must be paid, without any interest or sanctions, in up to 24 monthly instalments of equal amounts, with the payment of the first instalment by 16 January 2021.

There is no provision for reimbursement of amounts already paid.