

Dear Clients:

RE: starting from 2024, rent and mortgage reimbursements will enter the fringe benefits.

The employer's reimbursement of rent costs and interest on the mortgage of the worker's main residence will be exempt from taxes and social security contributions, with a new facilitated taxation on loans. These are the main topics covered by Circular 5/2024 of the Italian Revenue Agency.

This year, fringe benefits will not concur to the worker's income within the overall limit of one thousand euros: this limit has been doubled to 2 thousand euros for employees with dependent children; to benefit from this deduction, the employee must declare that he or she is entitled to it by presenting the children's social security code.

If the limit of one thousand or 2 thousand euros is exceeded, the entire amount will be subject to taxes and contributions and not only the part exceeding the aforementioned limits. The exemption thresholds include shopping vouchers, fuel vouchers and sums reimbursed to workers for household utilities such as water, electricity and natural gas.

In 2024, the sums paid by the employer as reimbursement of rental costs and interest on the mortgage of the first home will be able to fall within the exemption limits mentioned above. According to the Revenue Agency, the "first home" is the main residence in which the taxpayer or his family members habitually reside and from which it is possible to obtain deductions on the interest expense of the mortgage or on rents.

Tax-free reimbursable expenses must relate to residential property owned or held by the employee, spouse or family members, provided that they habitually reside and bear the actual expenses.

Even if the worker's spouse or another family member is part of the contract, rent costs or interest on the mortgage may be reimbursed, provided that the property is the worker's main residence. "Rental expenses" include the payment that is presented in the lease agreement and that it is duly registered and paid during the year 2024.

It goes without saying that the sums reimbursed by the employer are not deductible in the tax return; the employer must acquire and keep the necessary documentation to prove that the reimbursement is within the limits of the tax and social security exemption.

Alternatively, the employer may acquire and keep a written legal self-declaration issued by the employee certifying the requirements provided for by the law. Regardless, the employee must

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declare that he or she has not requested reimbursement, either total or partial, for the same expenses to the employer or other parties.

In regards to the taxation of loans granted by the employer to the employees, the amount contributing to the formation of income corresponds to half of the remaining difference between the interests calculated at the TUR (official reference rate) and the ones calculated at the rate that is actually charged on the loans.

In this regard, Decree-Law 145/2023 provides that:

- for variable-rate loans, the official reference rate to be taken into account has to be based off of the due date of each instalment.
- for fixed-rate loans, the official reference rate to be considered is the one on the day the loan was granted or on the signing date of the loan agreement/takeover/renegotiation/subrogation.

This new loan approach also applies to the year 2023: the withholding must be applied at the time of payment of the individual installments of the loan, according to the relative amortization schedule.

Palermo, Rome, March 22th, 2024

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