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News in the area of tax law

Ladies and Gentlemen

With this newsletter we would like to inform you about the following news:

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1. VAT Refund from Other EU Countries

Companies and self-employed professionals may apply for a refund of input VAT paid in other EU member states during the previous year until 30 September 2025. Applications must be submitted exclusively online via the Pescara office portal. Please note that this is a strict deadline – late applications will not be accepted.

No refund claim is possible if a permanent establishment or branch exists in the respective country; in such cases, VAT must be recovered through the local VAT return. Since each country has its own requirements (e.g. supporting documents, codes, language), we strongly recommend coordinating with us in good time.

2. Transfer Pricing: Methods & VAT

Multinational enterprises must carefully document their choice of method in transfer pricing. While the Comparable Uncontrolled Price (CUP) method has traditionally been preferred, income-based approaches such as the Transactional Net Margin Method (TNMM) and the Profit Split Method are gaining importance, particularly when reliable comparables are limited.

Furthermore, the ECJ ruling C-726/23 confirms that intra-group adjustments aimed at achieving an agreed target margin are permissible and may be considered taxable services for VAT purposes. Such intra-group settlements are legally acceptable provided they are clearly documented and reflect services that have actually been rendered.

3. Reinvestment Incentive 2025: Requirements and Implementation

The Reinvestment Incentive 2025 grants corporations, commercial entities, and cooperatives subject to IRES a reduction of the corporate income tax rate from 24% to 20%, provided certain conditions are met.

The basis is the 2024 profit: At least 80% of the net profit must be retained (i.e. not distributed). According to the new ministerial interpretation, this can simply be the portion of profit not designated for distribution, without the need to create a specific reserve in the shareholders' resolution. Other uses, such as loss coverage or allocations to legal or statutory reserves, are permitted.

In addition, new investments equal to at least 30% of the retained profit must be made in the areas of Industry 4.0 and Transition Plan 5.0. These investments must be technically interconnected and used for at least half of the five-year monitoring period. For 5.0

investments, energy savings of 3% (production structure) or 5% (individual processes) compared to 2024 must be achieved. If investments are sold during the monitoring period, the incentive may be preserved through replacement investments. The investment volume also determines the maximum possible tax benefit.

The third condition concerns personnel development: In 2025, the number of employees under permanent contracts must increase by at least 1% compared to the 2024 average. Only the individual company is considered; intra-group changes are disregarded. Furthermore, no regular wage compensation fund may be used in 2024–2025, except in seasonal cases.

The incentive can also be applied even if tax loss carryforwards exist: The implementing decree allows for a deferral of loss offsets, ensuring that the 2025 taxable profit benefits fully from the reduced tax rate.

For practical implementation, investment costs are calculated under Article 110 TUIR, including ancillary expenses. Tax benefits such as Tax Credits 4.0/5.0 are considered when assessing eligibility. For investments made after the entry into force of forthcoming legislation, the previous obligation to reference the preferential tax rule on invoices and delivery notes will be replaced by an electronic identification code, simplifying compliance.

4. Digital Tips: Practice and Tax Treatment

In Italy, digital tipping is becoming increasingly widespread, particularly in the hospitality and restaurant sectors, with more and more guests, especially international visitors, choosing to leave their tip directly via card payment. The 2025 Budget Law has introduced a more favorable tax treatment: tips received through electronic payments and distributed via payroll are subject to a flat substitute tax of only 5 percent, and no social security contributions apply. At the same time, the thresholds have been significantly raised, from 25 percent of annual income and a maximum of €50,000 to 30 percent and €75,000 respectively, thereby extending the benefit to higher-earning employees as well. The tax authorities have further clarified that the regime also applies to workers employed through temporary work agencies, in which case the agency is responsible for withholding and paying the tax.

For employers, however, the new regime involves additional administrative effort, as cash register systems must be configured to record tip amounts separately from invoice totals, and payroll must show tips as a distinct item subject to the substitute tax. At the end of each month, the tips must then be distributed to employees, which requires clear internal rules and procedures. Only once these adjustments have been implemented can the preferential tax treatment of digital tips be applied correctly.



Please do not hesitate to contact us for further information.

Yours sincerely

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