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To all
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Circular No. 50/2024

Bolzano, 28 December 2024

Subject: As from 1 January 2025, no more cash payments to restaurants, taxis and car-hire operators with driver – applies to entrepreneurs and self-employed professionals and their employees!

The new rule is contained in Art. 1 para. 81 of the Budget Law for 2025, which was given final approval today, and will be published in the Official Gazette in the coming days. As it will have serious consequences for the structuring of expenses for accommodation, meals and travel costs as well as for entertainment expenses as from the beginning of the year, we provide the following advance information: as from 1 January 2025 (more precisely: as from the tax period beginning after 31 December 2024), meal costs, accommodation costs and transport costs (taxis as well as car-hire operators with driver) and entertainment expenses will be recognised for tax purposes only if they have been settled by bank or postal transfer or by other traceable means of payment (e.g. credit card or debit card). Conversely: hotel and restaurant bills paid in cash and receipts from passenger transport operators will no longer be recognised for tax purposes. Here are the details:

Within the scope of business income, the insertion of para. 3-bis in Art. 95 of the Income Tax Code (TUIR) clarifies that expenses for accommodation and meals as well as travel expenses,

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above all for taxis and car-hire with driver (excluding, however, scheduled public transport services), as well as the analytical reimbursement of such expenses to employees, but also to self-employed professionals, are deductible for tax purposes only if they have been paid by the above-mentioned traceable means of payment. Conversely: a restaurant bill paid in cash is no longer deductible, and this is also the case where it is submitted for reimbursement by an employee or a self-employed professional as part of an analytical expense report. The restriction undoubtedly also applies to expenses advanced by members of the board of directors and other so-called freelance collaborators.

The same rule is also laid down for self-employed professionals by the new para. 6-ter in Art. 54 of the Income Tax Code (TUIR), although the wording there refers to restaurant expenses, expenses for the supply of food and beverages as well as travel expenses (here too with the exception of scheduled transport services), namely, on the one hand, for the said expenses where they are recharged analytically to the principal and, on the other hand, where they are reimbursed to employees or to other self-employed professionals; in every case, payment by traceable means of payment is required.

And finally, the rules on the taxation of employment income in Art. 51 para. 5 of the Income Tax Code (TUIR) are amended. It is provided there that analytical reimbursements of expenses for meals, accommodation and travel costs outside the municipality (again with the exception of scheduled transport services) are exempt from wage tax and social security contributions only if they have been settled by the above-mentioned means of payment.

The conclusion: as from 1 January 2025, accommodation, meal and travel costs may only be paid by the means of payment listed above; otherwise they are not deductible in determining profit or surplus income and constitute taxable income for the employees who have advanced the expenses.
The previous maximum amount for the deductibility of expenses for accommodation and meals remains unchanged, namely 180,76 Euro per day in Italy and 258,23 Euro abroad. This applies both to employees and to relationships treated as employment (e.g. directors).

Finally, the obligation to make cashless payments also applies to all entertainment expenses of companies. Art. 108 of the Income Tax Code (TUIR) is supplemented in such a way that entertainment expenses, irrespective of the other requirements, are deductible for tax purposes only if they are settled by means of the above-mentioned traceable means of payment.

Conversely, it may be assumed that advertising and sponsorship contracts are, for the time being, not affected by the restrictions.

The restrictions apply to reimbursements made as from 1 January 2025. Unfortunately, the present text of the law does not contain any transitional rules. One can only hope that concessionary arrangements will subsequently be provided for by way of administrative practice, in particular as regards, for example, the reimbursement in the month of January of expenses incurred in the last weeks of 2024. In our understanding, such expenses must still fall under the previous rules. In cases of doubt, the only recommendation that can be made is to effect the reimbursement by 12 January 2025 (extended cash principle). A transitional rule should also apply at least for the first days of the new year, since it will hardly be possible to provide all employees with credit or debit cards as early as 2 January.
In practice, it must be ensured that employees hold a debit or credit card issued in their own name or that they obtain a prepaid card where necessary. In addition to the individual expense receipts, the respective electronic payment receipts must therefore also be attached to the expense reports. In concrete terms, the following steps will be necessary:

- coordination of the new rules with employees and collaborators,
- implementation of the new payment procedures,
- appropriate archiving, in order to be able to evidence and verify the correct payment of the respective expenses.

It remains to be added that the new rules do not apply to expense reimbursements where the employee uses his or her own vehicle, since only flat-rate mileage reimbursements are permitted in that case. Incidentally: these too will be completely changed at the beginning of the year. We will, however, inform you separately about this next year.

We remain at your disposal for any further information.

Yours sincerely
Josef Vieider