



Italy - Social Security Tax Alert

January 2023

Italy

Social security exemption up to €50.000 per year available for 'Pink Labelled' employers - Applications to be filed by 15 February 2023

Executive summary

Law 162/2021 introduced a Gender Diversity Certification (so called 'Pink Label'), which has been available since 2022. Based on art. 4 of the same law, employers who hold such certification are entitled to a social security exemption with an annual cap of €50.000. On 27 December, the Italian social security authority published a Circular Letter (n. 137/2022), to set out the process to be followed in order to obtain the exemption. The deadline for the application is 15 February 2023.

Details - the Pink Label

The certification has been introduced for the purpose of reducing the gender pay gap as well as the gender gap in career opportunities. It also aims at encouraging flexible working and parental support.

Only private institutions that receive permission from Italy's sole national accreditation body (Accredia) will be able to assess Pink Label certification. In this regard, applicants must satisfy certain criteria under these headings:

- Strategy and culture
- Governance
- HR processes
- Career opportunities
- Gender pay gap
- Parental support and work-life balance.

Once obtained, the certification lasts for 3 years. During that time the issuing entity will monitor that the Pink Label criteria has been maintained appropriately.

Pink Label employers not only benefit from the social security exemption, but also obtain other benefits in relation to public tenders and applications for European and State/Region funding. Additionally, it is considered that Pink Label employers will improve their reputation and ESG commitment credentials.

Details - Social security exemption

Pink Label private employers receive a 1% social security contribution exemption, with a cap of €50.000 per year. The exemption is available for 3 years (i.e., the same validity period as the certification so a maximum of up to €150.000 may be offset against their monthly social security employer remittance).

However, the exemption is not automatic. Employers who obtain the certification will have to submit a further application to the Italian Tax Authority in order to ensure the deduction from their monthly payments. It has been confirmed that those who obtained the certification in 2022, must submit their application electronically by 15 February 2023. For those who will obtain the certification in 2023, the deadline has still to be confirmed.

Additionally, in order to obtain the social security exemption it is necessary to:

- ▶ Hold a so called DURC (Documento Unico di Regolarità Contributiva) attesting compliance with statutory obligations as regards payment of all social security contributions due
- ▶ Have complied with fundamental laws protecting employee working conditions or breaches of bargaining agreements
- ▶ Submit the two-yearly report on female/male staffing (mandatory for companies employing more than 50 individuals), with no assessment issued by the Labour Authority

The application form must include information such as the estimated average compensation, social security rates and workforce for the period of the certification.

The Italian Social Security Authority will evaluate all applications received and confirm the exemption, that will be applied retroactively starting from the date of issuance of the Certification earlier in 2022.

It should be noted that the exemption is subject to the availability of State Funds for which the budget is currently set at €50m per year. The exemption will be reduced proportionately for applications received after the budgetary cap has been exceeded.

Next steps

Employers who received their certification in 2022 must file an application by 15 February 2023 and be ready to apply for the exemption retrospectively upon receipt of confirmation from the Italian Social Security Authority.

Employers that have not yet applied for Pink Label certification should start their applications now in order to obtain the benefits and other advantages described above. However, before doing so, a preliminary assessment should be made to evaluate whether the relevant criteria has been satisfied and to formulate a proper action plan, in order to ensure the issuance of the certification and ongoing compliance.

EY can support employers with all Pink Label certification matters and provide further information as required.

Claudia Giambanco
Tel: +39 06 85567111
Email: claudia.giambanco@it.ey.com

Paolo Santarelli
Tel: +39 02 85143271
Email: paolo.santarelli@it.ey.com

Fabrizio Cimino
Tel: +39 02 85143241
Email: fabrizio.cimino@it.ey.com

Barbara Damin
Tel: +39 06 85567240
Email: barbara.damin@it.ey.com

Silvia Menaguale
Tel: +39 02 85143235
Email: silvia.menaguale@it.ey.com

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EYG no. 000348-23Gbl

2101-3682263
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