



Tax Treatment of Expense Reimbursements for Professionals in Italy: 2025 Updates

Descrizione

As of January 1, 2025, significant changes have been introduced regarding the tax treatment of expense reimbursements for professionals in Italy. These changes stem primarily from Legislative Decree No. 192/2024 and the 2025 Budget Law.

Reimbursement of Itemized Expenses for Professionals

Expenses incurred by professionals while carrying out an assignment, when reimbursed on an itemized basis by the client, no longer contribute to taxable self-employment income. As a result, these reimbursements:

- Are no longer subject to withholding tax.
- Are not subject to pension fund contributions.
- Remain subject to VAT, as they do not qualify as expenses incurred on behalf of the client under Article 15 of Presidential Decree No. 633/1972.

To benefit from this tax treatment, expenses must be:

- Incurred in the interest of the client.
- Documented in a detailed and itemized manner.
- Paid using traceable payment methods, such as credit cards, bank transfers, or other electronic payment systems.

If the client fails to reimburse the professional, these expenses may still be deductible under specific conditions, such as in cases of client insolvency or the expiration of the credit claim.

Mandatory Use of Traceable Payments

The 2025 Budget Law has introduced a mandatory requirement to use traceable payment methods for the deductibility of travel and representation expenses. This requirement applies to professionals, employees, and businesses. Affected expenses include:

- Hotel accommodations.
- Meals and beverages.
- Travel and transportation expenses, including taxi services and car rentals with drivers.

If these expenses are not paid using traceable methods, they will not be deductible from taxable income. For employees, reimbursements for such expenses will become taxable for both income tax and social security purposes.

Impact on Professionals Under the Flat-Rate Regime

The new regulations do not appear to apply to professionals operating under the flat-rate tax regime, as the changes specifically affect Article 54 of the Italian Income Tax Code (TUIR), which governs self-employment income determination under the ordinary and simplified regimes.

Conclusion

These new provisions aim to enhance financial transparency and combat tax evasion by enforcing the use of traceable payment methods for the professional and business expenses.

Tag

1. Self-employed in Italy

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