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To whom it may concern

Reggio Emilia, Dec. 3, 2025

MEMORANDUM N. 54/2025

Insight

Subject: The tax regime for gifts – Income tax, IRAP, and VAT

The granting of gifts by companies and, more generally, by economic entities (including professional associations and practitioners of arts and professions) is common practice, especially during holidays and celebrations.

This circular summarizes the tax treatment of gifts in relation to income tax, IRAP, and VAT, highlighting in particular the changes introduced for 2025 regarding traceable payments and fringe benefits.

1. GIFTS TO CUSTOMERS

1.1 Income tax

1.1.1 Obligation to pay by traceable means for deductibility – New from 2025

Starting from the tax periods following the one in progress on December 31, 2024 (therefore, for entities with a calendar year end, from 2025), entertainment expenses and expenses for gifts to customers are deductible for income tax and IRAP purposes only if the related payment is made **using traceable means of payment.**

In particular, the new final sentence of Article 108, paragraph 2, of the TUIR (introduced by the 2025 Budget Law and coordinated with Decree Law 84/2025) provides that the deductibility of such expenses is subject to the use of:

- bank or postal payment;
- other payment instruments provided for in Article 23 of Legislative Decree 241/97 (e.g., debit cards, credit cards, prepaid cards, bank checks and circular checks, app-based payment systems—such as Satispay, Paypal, Apple Pay, Google Pay—linked to accounts or cards).

However, **the following remain excluded from the new traceability requirement** and are therefore deductible regardless of the means of payment used (without prejudice to the obligation to provide appropriate documentation):

- advertising expenses;

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- sponsorship expenses;
- expenses for gifts to employees.

1.1.2 Deductibility of gifts to customers

Taking into account the condition described above, in general, the costs incurred for gifts distributed to customers are deductible:

a. if payment is made **using traceable means of payment**, as indicated above;
b. **in full, if the unit value of the complimentary goods intended for the same person does not exceed €50.00**;
c. in the tax period in which the expense is incurred, **within the percentage limits** set out in Article 108, paragraph 2, of the TUIR (Consolidated Law on Income Tax) **for entertainment expenses, if the unit value of the gift exceeds €50.00 or if services or securities representing the same are given as gifts** (e.g., cinema tickets, wellness center passes), as these expenses fall under the category of entertainment expenses.

Entertainment expenses are deductible up to:

- 1.5% of revenues and other income up to €10 million;
- 0.6% of revenues and other income exceeding €10 million and up to €50 million;
- 0.4% of revenues and other income exceeding €50 million.

In the case of untraceable payments, the expense is not deductible for income tax purposes even if the above limits on value and relevance are met.

1.1.3 Determination of the "unit value" of the gift

In order to verify whether the limit of €50.00 has been exceeded, reference should be made to:

- the gift as a whole (e.g., the Christmas basket), and not to the individual items it contains;
- the unit value of the item as follows:
    - for goods purchased from third parties, at the purchase cost, including directly attributable ancillary costs (transport, packaging, any customization, etc.);
    - for goods self-produced by the company, at the normal/market value of the gift, determined in accordance with Article 9 of the TUIR (Consolidated Law on Income Tax.

The coordination between direct taxes and VAT means that, for gifts that constitute entertainment expenses, the limit of €50.00 is relevant both for the deductibility of the cost and for the deductibility of VAT (see also paragraph 1.3).

1.1.4 Assets falling within the scope of the company's own activities (self-produced assets)

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For goods whose design, production, and marketing fall within the scope of the company's own activities (so-called self-produced goods):

- for the purposes of classifying the expense as entertainment, the market value of the gift is relevant;
- once it has been established that the market value exceeds €50.00 (and that, therefore, the gift constitutes entertainment expense), the entire production cost actually incurred by the company is taken into account for the purposes of calculating the deductibility ceiling, regardless of whether this cost is less than or greater than €50.00 euro.

It follows that:

If the self-produced gift has a market value exceeding €50.00 (e.g., €80.00) and a lower production cost (e.g., €40.00), the gift is a business expense subject to the limits of Article 108, paragraph 2, of the TUIR, assuming the production cost (€40.00) for this purpose;

- if the normal value of the self-produced gift is equal to or less than €50.00, the production cost actually incurred is fully deductible.

In all cases, as seen, the requirement that payment be made by traceable means in order to benefit from the deduction remains unchanged.

1.2 IRAP

1.2.1 IRES taxpayers and IRPEF taxpayers who have opted for the balance sheet regime

For corporations and commercial entities, as well as for sole proprietors and partnerships that have opted to determine their IRAP tax base “from the financial statements,” entertainment expenses (including those for gifts to customers) contribute to the formation of the net production value in the amount allocated to the income statement, provided that they are correctly classified under items relevant for IRAP purposes.

Starting in 2025, however, these expenses will be deductible for IRAP purposes only if incurred using traceable means of payment, in accordance with the new final sentence of Article 108, paragraph 2, of the TUIR. In the case of cash payments, the expense remains non-deductible for both income tax and IRAP purposes.

1.2.2 IRPEF taxpayers who have not opted for the budget regime

For sole proprietors and partnerships that have not opted for the “balance sheet” regime, gifts to customers are not deductible for IRAP purposes, as Article 5-bis of Legislative Decree 446/97 strictly lists deductible costs, which do not include miscellaneous operating expenses, which, according to civil law classification, include gifts.

In the past, the instructions for tax returns suggested a less rigid interpretation for gifts not exceeding €50.00; however, in the absence of express regulatory changes,

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prudence suggests that such expenses should generally be considered non-deductible for IRAP purposes for IRPEF taxpayers who apply the “tax” method. “fiscale”.

1.3 IVA

1.3.1 Assets not falling within the scope of the company's business

The coordination between Article 2, paragraph 2, no. 4) of Presidential Decree 633/72 and Article 19-bis1, paragraph 1, letter h) of the same decree means that, for goods whose production or trade does not fall within the scope of the company's own activity, free transfer is always excluded from VAT.
In fact, Article 19-bis1, paragraph 1, letter h) of Presidential Decree 633/72 provides that VAT paid on goods and services that give rise to expenses qualifying as entertainment expenses for income tax purposes, including gifts, is not deductible, unless the goods have a unit cost not exceeding €50.00.
In summary:

- if the unit cost of the goods does not exceed €50.00, VAT is deductible and the subsequent free transfer remains outside the scope of VAT;
- if the unit cost of the goods exceeds €50.00, VAT is not deductible and the free transfer remains excluded from the scope of the tax.

1.3.2 Assets falling within the scope of the company's own activities

For goods that fall within the scope of the company's own activities (goods used in production or trade):

- Free transfers are subject to VAT, regardless of the cost or value of the goods (Article 2, paragraph 2, no. 4, Presidential Decree 633/72);
- VAT paid at the time of purchase is fully deductible;
- in the case of free transfers, the taxable base is the purchase or production cost of the goods (Art. 13, paragraph 2, letter c, Presidential Decree 633/72);
- VAT recovery is not mandatory: the tax may remain payable by the transferor, constituting a non-deductible cost for income tax purposes.

In the absence of recourse, the transaction may be documented alternatively:

- by means of an electronic self-invoice (document type code “TD27”), issued individually for each free transfer or, if possible, in summary form for transfers made during the month, indicating the purchase price of the goods, the applicable tax rate, and the related tax, also specifying that it is a “self-invoice for gifts”;
- by means of an entry in a special “gift register,” in which the total purchase price of the goods transferred free of charge each day is indicated, broken down by tax rate.

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1.3.3 Free transfers of goods in EU countries

Gifts sent to another EU Member State do not give rise to an intra-Community supply within the meaning of Article 41 of Legislative Decree No. 331/1993, as one of the essential requirements for the transaction to qualify as intra-Community - and therefore subject to VAT in the Member State of destination - is that it be for consideration. Consequently, the domestic legislation referred to in the previous paragraphs applies to such transactions.

1.3.4 Free transfers of goods to non-EU countries

Transfers of goods free of charge subject to VAT made to residents of countries outside the European Union constitute non-taxable export transfers pursuant to Article 8, letters a) and b) of Presidential Decree No. 633/72, with the obligation to issue an invoice. The chargeability of the transaction is not a qualifying factor for exports for VAT purposes, so, unlike in the EU, both transfers for consideration and transfers free of charge are covered by the non-taxable regime.
For the non-taxable regime to apply, the donating company must obviously be able to prove that the goods have left the European Union.
If the transfer free of charge does not fall within the scope of VAT (e.g., gifts of goods not produced or marketed by the company), it is possible to avoid issuing a full invoice, as a pro forma invoice (or valued list) will suffice for customs formalities.
Transfers for export made free of charge, although they constitute non-taxable exports, are excluded, due to the lack of consideration, for the purposes of calculating the *ceiling* for regular exporters.

2. EMPLOYEE BENEFITS

2.1 Income tax

2.1.1 Deductibility for the employer

When determining business income, the cost of gifts to employees is normally deductible pursuant to Article 95, paragraph 1, of the TUIR (Consolidated Law on Income Tax), as it falls within the category of expenses for work services (including cash or in-kind gifts to employees).
It is important to note that expenses for gifts to employees are not considered entertainment expenses and, therefore, **are not subject to the new requirement for payment traceability** introduced for entertainment expenses and gifts to customers. The deductibility of these costs is independent of the means of payment used, provided that the expense is adequately documented and related to the employment relationship.

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For certain specific categories of expenses (education, recreation, social assistance, and religious worship), the limit of 5 per thousand of expenses for employee services referred to in Article 100, paragraph 1, of the TUIR remains unchanged.

2.1.2 Taxation for employees

Pursuant to Article 51 of the TUIR, for the purposes of taxing employees on charitable donations received from their employer, a distinction must be made between:

a) Cash donations

The sums paid in cash normally constitute fully taxable employment income, except in cases where they are subject to specific exclusions or concessions provided for by special regulations.

b) Fringe benefits

Goods and services provided free of charge (or on particularly favorable terms) to employees do not contribute to income if, during the tax period, their total value does not exceed € 258.23.

If this threshold is exceeded, even by a small amount, the entire value of the fringe benefits received during the period becomes taxable.

Fringe benefit – higher thresholds for 2025

For the three-year period 2025, 2026, and 2027, the 2025 budget law has raised the thresholds for non-taxability, stipulating that the value of goods and services referred to in Article 51, paragraph 3, of the TUIR (fringe benefits) does not contribute to the formation of employment income, within the following limits:

- 1.000,00 euro, for employees without dependent children;
- 2.000,00 euro, for employees with dependent children.

These thresholds may also include sums paid or reimbursed to employees by their employer for the payment of:

- domestic utilities for integrated water services, electricity, and natural gas;
- rental expenses for the primary residence;
- interest on the mortgage for the primary residence.

In order to apply the higher limit (€2,000), the employee must declare to the employer that they have dependent children and provide their tax codes. In the absence of such a declaration, the ordinary limit of €1,000 applies.

The status of dependent child must be verified with reference to December 31 of the year in which the benefits are paid.

The general rule remains unchanged: if the total value of fringe benefits granted in 2025 exceeds the applicable limit (€1,000 or €2,000), the entire amount becomes taxable for both tax and social security purposes.

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2.2 IRAP

Gifts to employees are generally included in personnel costs and are therefore not deductible for IRAP purposes for all entities that determine their tax base using the "balance sheet" method, except as provided for by specific deductions for labor costs (e.g., full deduction of the cost of permanent employees).

For IRPEF taxpayers who apply the "tax" method, the costs of gifts to employees are also non-deductible, as they are not included among those listed in Article 5-bis of Legislative Decree 446/97, unless they are intended for workers for whom the analytical deductibility of the related costs is provided for (e.g., permanent employees or research and development staff), within the limits of the specific provisions.

2.3 IVA

a. Assets falling within the scope of the company's own activities

If the gift to employees consists of goods that fall within the scope of the company's business (goods produced or marketed by the company):

- VAT paid on the purchase is deductible;
- the free transfer to employees is taxable for VAT purposes, according to the rules for gifts to customers (paragraph 1.3.2), with the possibility of not exercising recourse.

b. Assets not falling within the scope of the company's business

When gifts to employees involve goods that do not fall within the scope of the company's business:

- such goods are not considered inherent to the business and, therefore, the related VAT is not deductible;
- the free transfer to employees is excluded from the scope of VAT, pursuant to Article 2, paragraph 2, no. 4) of Presidential Decree 633/72.

Similar considerations apply to services purchased to be provided free of charge to employees (e.g., wellness services, travel, etc.): VAT on the purchase is not deductible and the subsequent free provision is outside the scope of VAT.

3. GRANTING OF "PURCHASE VOUCHERS"

It is now common practice to give gifts in the form of "purchase vouchers," which allow the recipient to purchase goods or services at participating stores.

3.1 VAT treatment

The VAT rules applicable to the issue, transfer, and redemption of vouchers are contained in Articles 6-bis, 6-ter, 6-quater, and 13, paragraph 5-bis, Presidential Decree 633/72 (as amended by Legislative Decree 141/2018 implementing Directive 2016/1065/EU) and apply to vouchers issued after December 31, 2018.

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Vouchers (or 'payment vouchers') are defined as instruments that must be accepted as full or partial payment for the supply of goods or services, containing the information necessary to identify the goods/services that can be supplied or the potential suppliers/providers.

The discipline distinguishes between:

- **single-use vouchers:** when, at the time of issue, all the elements necessary to determine the VAT treatment (nature, quality, quantity of goods/services, applicable rate) are already known. In this case, the supply of goods or services to which the voucher entitles the holder is considered to have been made at the time of issue of the voucher and each transfer thereof, with VAT being applied at those times;
- **multi-purpose vouchers:** when the VAT treatment is unknown at the time of issue (e.g., vouchers that can be spent on goods with different rates). In this case, the transaction is considered to have taken place only when the voucher is used, giving rise to a supply of goods or services (the tax is therefore payable in accordance with the ordinary rules set out in Article 6 of Presidential Decree 633/72).

3.2 Treatment for direct tax purposes

For companies that grant vouchers to their customers:

- the cost incurred for the purchase of vouchers is subject to the rules governing entertainment expenses (and, therefore, from 2025, is deductible only if the payment is traceable, in compliance with the limits set out in Article 108, paragraph 2, of the TUIR);
- as with gifts in kind, a distinction must be made between vouchers with a unit value not exceeding €50.00 (fully deductible) and vouchers with a higher value, which are subject to the quantitative limits set for entertainment expenses.

When vouchers are granted to employees, their value generally constitutes a fringe benefit pursuant to Article 51, paragraphs 3 and 3-bis, of the TUIR, contributing to the formation of income in compliance with the above-mentioned non-taxable limits (€1,000/€2,000 depending on the presence of dependent children).

4. CHRISTMAS BUFFETS, LUNCHES AND DINNERS

In addition to traditional gifts (baskets, corporate gifts, vouchers), companies often organize Christmas buffets, lunches, or dinners for employees and/or customers.

a) Since these involve the provision of food and beverages, these expenses are 75% deductible under Article 109, paragraph 5, of the TUIR (Consolidated Law on Income Tax).

b) f the initiative is aimed only at employees (and, it is believed, their families), since it has no promotional purpose, it does not constitute an entertainment expense, but falls within the so-called social utility expenses (expenses incurred for the general public or categories of employees for the purposes of

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instruction, education, recreation, etc.) deductible up to a limit of 5 per thousand of labor costs.

Therefore, expenses for dinners and lunches for employees and their families are deductible at 75% up to a maximum limit of 5 per thousand of labor costs.

c) If, on the other hand, lunch or dinner is also or only intended for other parties (customers, suppliers, institutions, etc.), the related cost is considered a business entertainment expense and is therefore 75% deductible within the limit set for business entertainment expenses:
   - 1.5% of revenues and other income up to €10 million;
   - .6% of revenues and other income for the portion exceeding €10 million and up to €50 million;
   - 0.4% of revenues and other income for the portion exceeding €50 million.

d) For IRAP purposes:
   - The cost is not deductible if lunch or dinner is offered only to employees, unless it falls within the deduction for residual personnel costs (e.g., for permanent employees);
   - If lunch or dinner is offered only or also to other individuals, the cost is deductible by IRES or IRPEF taxpayers who have opted for the balance sheet method, while it is non-deductible for IRPEF taxpayers who apply the tax method.
   - VAT is always non-deductible as these expenses are considered unrelated to the business.

The Firm remains available for any clarifications.

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