



# **The tax treatment of business gifts – Income taxes, IRAP and VAT**



## 1 INTRODUCTION

The provision of gifts by businesses and by self-employed professionals is a common practice, especially on holidays and special occasions.

Below is a summary of the main tax aspects of such supplies for income taxes, IRAP and VAT.

## 2 INCOME TAXES AND IRAP

The costs incurred for distributing gifts may have different tax treatment depending on whether the goods are given:

- to customers;
- to employees and equivalent recipients for tax purposes (e.g. coordinated and continuous collaborators).

### **Obligation to use traceable means of payment for deductibility – New rule**

From 2025, representation expenses and costs for gifts to customers are deductible, both for income tax and IRAP purposes, only if paid by bank or postal transfer or by other traceable payment instruments.

These include, for example, payments made by:

- debit, credit and prepaid cards;
- bank and cashier's cheques;
- apps such as Satispay and PayPal.

### 2.1 GIFTS TO CUSTOMERS

As a general rule, the costs incurred for gifts distributed to customers are deductible:

- if payment is made using the above traceable payment instruments;
- in full, if the unit value of the goods given as a gift to the same recipient does not exceed €50.00;
- in the tax period in which the expense is incurred, within the percentage limits set out in Art. 108(2) of the TUIR, if the unit value of the gift exceeds €50.00, or if the gifts consist of services or vouchers representing services (e.g. cinema passes, wellness packages), as they qualify as "representation expenses".

These are deductible up to:

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

On this basis, to determine the "unit value" of the gift, reference must be made:

- to the gift as a whole (e.g. Christmas hamper), and not to the individual items contained in it;

- to the fair market value of the good.

### **Self-produced goods**

For goods self-produced by the company (goods which the company designs, produces and markets, and which are either manufactured by the company itself or by subcontractors and then purchased for resale):

- in order to identify the representation expenses subject to the limited deductibility regime, the relevant element is the market value of the gift;
- once the expense has been classified as a representation expense (i.e. if the market value exceeds €50.00), for the purpose of calculating the deductibility threshold, it is instead the full production cost actually incurred by the company that is taken into account, regardless of whether such cost is below or above €50.00.

For example, if a self-produced gift has a market value of €80.00 and a production cost of €40.00:

- the gift qualifies as a representation expense subject to the deductibility limits (market value above the €50.00 threshold);
- for the purpose of calculating the deductibility plafond, the relevant amount is €40.00, i.e. the actual production cost.

If the normal value of the self-produced gift is equal to or less than €50.00, the actual cost incurred for its production is fully deductible. Thus, for instance, if the self-produced gift has a market value of €40.00 and a production cost of €30.00, the gift is fully deductible for €30.00.

## **2.2 GIFTS TO EMPLOYEES AND EQUIVALENT RECIPIENTS**

As a general rule, the cost incurred by the employer for the purchase of goods to be given as gifts to employees and equivalent recipients (e.g. collaborators) is deductible from business income under the rules applicable to personnel costs.

This rule does not apply, however, to education, training, recreational, welfare and religious expenses, which are deductible from business income within the limit of 5 per thousand of the expense for employee services.

On the employee's side, gifts received in connection with the employment relationship form part of the employee's taxable income; gifts received which, in tax year 2025, do not exceed, together with other fringe benefits (Art. 1, paragraphs 390–391, of Law no. 207 of 30 December 2024), the following thresholds are not taxable:

- € 1,000.00, for employees without dependent children;
- € 2,000.00, for employees with dependent children.

Within the fringe-benefit threshold for tax year 2025, it is also possible to include amounts paid or reimbursed

by employers to employees for the payment of:

- household utilities for water, electricity and natural gas;
- rent or mortgage interest relating to the main dwelling.

### **2.3 “MINIMUM-TAX REGIME” TAXPAYERS**

According to Italian Revenue Agency circular no. 34 of 13 July 2009, expenses for gifts purchased under the so-called “minimum-tax regime” (contribuenti minimi) pursuant to Art. 27 of Decree-Law 98/2011 are fully deductible in the tax period in which they are incurred, where they relate to goods with a value equal to or less than €50.00.

If the value of the goods exceeds this threshold, the related expenses are deductible as representation expenses, in accordance with the criteria set out in the Ministerial Decree of 19 November 2008.

However, according to the instructions for completing the REDDITI PF 2023 return, expenses for gifts could be deducted in full if they were related to the business/professional activity, without any distinction based on value (this clarification is no longer included in the instructions to the REDDITI PF 2024 and 2025 forms).

### **2.4 FLAT-RATE REGIME**

Expenses for gifts purchased under the flat-rate regime (regime forfetario) under Law 190/2014 (2015 Stability Law) are irrelevant in determining taxable income, since in that regime taxable income is computed by applying a fixed profitability coefficient, depending on the specific activity, to the amount of revenues or fees received in the tax period. This means that expenses incurred are not analytically deductible, as their amount is implicitly taken into account in the profitability coefficient.

The considerations set out above with reference to the “minimum-tax regime” under Decree-Law 98/2011 therefore cannot be extended in any way to the flat-rate regime.

### **2.5 IRAP**

#### **2.5.1 Gifts to customers**

For the purpose of determining the IRAP tax base for corporations (Srl, Spa, Sapa) and cooperatives, expenses for gifts are deductible in the amount recognised in the income statement, subject to the new requirement on traceable payments.

For commercial partnerships (Snc, Sas and equivalent entities), gifts are not deductible for IRAP purposes.

#### **2.5.2 Gifts to employees and equivalent recipients**

For corporations (Srl, Spa, Sapa) and cooperatives, expenses for gifts to employees and equivalent



recipients (e.g. collaborators) are deductible in determining the IRAP base if they are functional to the business activity and do not have the nature of remuneration for the employee or collaborator (e.g. work overalls and/or safety footwear).

Where they fall under personnel expenses, the tax treatment will depend on the type of worker benefiting from them (note that, since 2015, expenses for permanent employees are fully deductible).

For partnerships, by contrast, gifts to employees (or collaborators) are not deductible for IRAP purposes, since they are not included among the relevant costs, unless they are granted to permanent employees or workers for whom deductibility of the related costs is expressly provided (e.g. staff engaged in research and development).

## **2.6 SELF-EMPLOYED PROFESSIONALS**

### **2.6.1 Gifts to clients**

The cost of goods given free of charge or as gifts to clients is deductible from the professional's income as a representation expense, within the limit of 1% of fees received in the tax period.

The same treatment applies for IRAP purposes in the case of professional partnerships and associations.

### **Obligation to use traceable means of payment for deductibility – New rule**

For artists and professionals as well, representation expenses and costs for gifts are deductible, for both income tax and IRAP purposes, only if paid by bank or postal transfer or by other traceable payment instruments.

This new requirement for self-employed professionals applies to expenses incurred from 18 June 2025.

### **2.6.2 Gifts to employees or collaborators**

For professionals, the cost incurred for the purchase of goods given as gifts to their employees (or collaborators) is not specifically regulated.

Such costs should in principle be fully deductible from professional self-employment income, like any other expense for employee or equivalent services incurred by the professional, since gratuities to employees do not fall within the definition of representation expenses under the Ministerial Decree of 19 November 2008 (which also applies to self-employment income).

For IRAP purposes, classifying these costs under “expenses for personnel services” should exclude their deductibility for professional partnerships and associations, unless:

- they are functional to the self-employment activity and do not have the nature of remuneration for the employee or collaborator; or



- they are granted to permanent employees or other workers for whom deductibility of the related costs is envisaged (e.g. staff engaged in research and development).

### **3 VAT**

Free supplies of goods to customers follow the general VAT rules for taxable transactions, except for goods not relating to the taxpayer's core business, for which certain exclusions apply.

#### **3.1 GOODS RELATING TO THE TAXPAYER'S CORE BUSINESS**

Free supplies of goods falling within the scope of the business activity are subject to the general rules of Art. 2(2)(no. 4) of Presidential Decree 633/72, which treats them as equivalent to "ordinary" supplies and therefore subject to VAT; as a consequence, input VAT is deductible.

For the taxable amount, pursuant to Art. 13(2)(c) of Presidential Decree 633/72, the relevant value is: "the purchase price or, failing that, the cost price of the goods or of similar goods, determined at the time the transaction is carried out".

##### **3.1.1 Documentation of the supply**

Charging VAT to the recipient (rivalsa) is not mandatory for free supplies of goods.

If VAT is not passed on, the transaction may be documented, alternatively:

- by issuing a self-invoice in a single copy, indicating the purchase price of the goods, the applicable VAT rate and the corresponding tax, and specifying that it is a "self-invoice for gifts" (autofattura per omaggi). This document, which must be recorded only in the VAT sales ledger, may be issued individually for each supply, or on a monthly basis for all free supplies made in the month;
- by recording, in a dedicated "gifts register", the aggregate amount of the purchase prices of the goods given free of charge, broken down by VAT rate, for the free supplies made each day.

However, for retail transactions subject to the electronic storage and transmission of receipts (Art. 2 of Legislative Decree 127/2015), only the issue of a single self-invoice is allowed (and not a monthly summary self-invoice), and the gifts register cannot be used.

Self-invoices for gifts must be issued in electronic format pursuant to Art. 1(3) of Legislative Decree 127/2015:

- indicating the supplier's details both in the "Supplier" and "Customer" sections;
- selecting "TD27" in the "Document type" field ("Invoice for self-consumption or free supplies without VAT charge");
- indicating, in the "Date" field of the "General data" section, the date on which the transaction is carried out; in the case of a summary invoice, this may be the date of the last transaction or any date within the month.

VAT not charged to the recipient is non-deductible for income tax purposes.

### 3.1.2 Free samples

Free supplies of samples are excluded from VAT if they are:

- of negligible value;
- specifically and indelibly marked as samples; this requirement may also be met by applying a label, even removable, on the goods or their packaging;
- supplied “for the purpose of promoting the product, in order to increase its awareness and distribution among current and potential users”.

VAT incurred on the purchase of goods or services relating to such supplies remains deductible.

### 3.2 GOODS NOT RELATING TO THE TAXPAYER’S CORE BUSINESS

Purchases of goods intended to be given free of charge, whose production or trade does not fall within the taxpayer’s core business, always qualify as representation expenses, regardless of the unit cost of the goods. For goods not relating to the taxpayer’s core business (i.e. not produced or traded by the business), free supplies are always outside the scope of VAT.

Input VAT relating to representation expenses is deductible only for the purchase of goods with a unit cost not exceeding €50.00.

Therefore, input VAT is:

- deductible if the unit value of the good does not exceed € 50.00;
- non-deductible if the unit value of the good exceeds € 50.00.

### 3.3 GIFTS TO EMPLOYEES AND EQUIVALENT RECIPIENTS

Goods purchased to be given as gifts to employees and equivalent recipients (e.g. collaborators) are not related to the business activity and cannot be classified as representation expenses; consequently, the related VAT is non-deductible, while the free supply is outside the scope of VAT.

The same applies to services purchased to be provided free of charge as gifts to employees and equivalent recipients (non-deductibility of input VAT on the service and subsequent free supply outside the scope of VAT).

However, if the gifts consist of goods that are part of the business activity’s ordinary products, input VAT is deductible and the free supply is VAT-taxable.

## 4 GRANTING OF “SHOPPING VOUCHERS” (VOUCHERS)

It is now common practice to grant gifts in the form of “shopping vouchers”, which can be used to purchase goods/services at participating retailers.

### 4.1 VAT TREATMENT

The VAT rules applicable to the issue, transfer and redemption of vouchers are laid down in Arts. 6-bis, 6-ter, 6-quater and 13(5-bis) of Presidential Decree 633/72 and apply to vouchers issued after 31 December



2018. These rules were amended by Legislative Decree 141/2018 to transpose Directive (EU) 2016/1065.

Under these provisions, vouchers (buoni corrispettivo) are instruments that must be accepted as consideration or part-consideration for a supply of goods or services and that state, on the medium itself or in related documentation, the information necessary to identify the goods or services to be supplied or the identities of potential suppliers, including the general terms and conditions of use.

In addition, a distinction is made between:

- single-purpose vouchers, where, at the time of issue, all elements necessary to determine the VAT treatment of the underlying transaction are already known (e.g. nature, quality, quantity of the goods or services supplied). In this case, the supply of goods or services to which the single-purpose voucher entitles the holder is deemed to take place upon issue of the voucher and at each transfer of the voucher prior to redemption;
- multi-purpose vouchers, where the VAT treatment of the supply of goods or services to which the voucher entitles the holder is not known at the time of issue (for example, because the voucher can be used at a retailer selling goods subject to different VAT rates). In this case, the transaction is deemed to take place only when the voucher is redeemed, giving rise to a supply of goods or a service (VAT becomes chargeable according to the ordinary rules of Art. 6 of Presidential Decree 633/72).

#### **4.2 INCOME TAX TREATMENT**

The deductibility of expenses incurred for the purchase of vouchers given by companies to their customers follows the rules applicable to representation expenses.

Where shopping vouchers are granted to employees, they constitute fringe benefits for employees under Art. 51(3-bis) of the TUIR, and the related costs are deductible for the company.

Source: Eutekne