

Flat-rate scheme for the self-employed – Eligibility for social security contribution relief

1. FLAT-RATE SCHEME FOR THE SELF-EMPLOYED

Article 1, paragraphs 54 - 89, of Law no. 190 of December 23, 2014, governs the special tax regime for self-employed individuals (the so-called "flat-rate scheme"), intended for sole proprietors engaged in business, artistic, or professional activities.

1.1 CONDITIONS FOR ACCESS OR CONTINUATION IN THE SCHEME

Access to the flat-rate scheme, as well as its maintenance in subsequent years, is available to individuals who, in the previous year:

- Earned revenue and fees (annualized if necessary) not exceeding €85,000;
- Incurred expenses totaling no more than €20,000 gross for ancillary work, employees, collaborators, profits distributed to participating associates contributing only labor, and amounts paid for work performed by the entrepreneur or their family members.

Additionally, the scheme is not available to individuals who, during its application, fall under any of the following conditions:

- They use special VAT regimes or other flat-rate income determination schemes;
- They are not residents of Italy, except for those residing in an EU member state or a country adhering to the European Economic Area Agreement, provided that at least 75% of their total income is generated in Italy;
- They primarily or exclusively engage in the sale of real estate, building land, or new means of transport;
- They operate as self-employed individuals or sole proprietors while also participating in partnerships, associations, or family businesses (Article 5 of the Italian Income Tax Code - TUIR), or they directly or indirectly control limited liability companies or participation associations that conduct economic activities linked to their own individual business;
- They primarily work with employers with whom they have had employment relationships in the previous two tax years or with entities directly or indirectly connected to them. An exception applies to individuals starting a new activity after completing a mandatory internship for the exercise of a profession. This condition can be waived in cases of mixed contracts combining professional and part-time, open-ended employment with employers having more than 250 employees, as provided by Article 17 of Law no. 203 of December 13, 2024;
- They earned employment income or similar income (Articles 49 and 50 of the TUIR) exceeding €30,000 in the previous year (this threshold is increased to €35,000 for 2025 by

Article 1, paragraph 12, of Law no. 207 of December 30, 2024). However, this threshold does not apply if the employment relationship has ended.

1.2 MAIN FEATURES OF THE SCHEME

The scheme allows for a simplified method of determining taxable income using a fixed profitability coefficient based on the type of activity performed. This income is subject to a substitute tax of 15%, replacing IRPEF (personal income tax), IRAP (regional tax on productive activities), and regional and municipal surcharges.

Under certain conditions, this rate may be reduced to 5% for individuals starting a new business.

Additionally, the scheme provides exemption from VAT, IRAP, and synthetic indexes of tax reliability, as well as relief from withholding taxes (both on income received and those to be applied to payments made, except for withholding on employment income and similar payments). It also includes favorable rules for determining social security contributions.

Regarding the contribution relief, its application requires submitting a specific request according to the procedures and deadlines outlined below.

2. SOCIAL SECURITY CONTRIBUTION RELIEF

The contribution relief provided by Law no. 190/2014 can only be applied under specific conditions. In particular, its use is limited to:

- Sole proprietors only (thus excluding self-employed individuals registered for social security purposes under the INPS Separate Management scheme pursuant to Law no. 335/95, or private professional pension funds);
- Individuals who, meeting all the necessary requirements, apply the flat-rate scheme for income tax purposes.

As an alternative to the above, during the initial phase of business startup, the 50% reduction in contributions introduced by Law no. 207 of December 30, 2024 (Budget Law 2025) may be considered. This applies to individuals registering for the first time in 2025 under the Artisan and Merchant Social Security Management schemes (see section 3 below).

2.1 CONTENT OF THE RELIEF

The relief consists of determining the contributions due under these schemes by applying "a 35% reduction in the social security contributions due" on the flat-rate income (subject to the substitute tax).

This reduction applies both to the calculation of the minimum income-based contribution and to any additional contributions owed on income exceeding the minimum threshold (INPS Circular no. 35 of February 19, 2016).

Contribution Credit

For the crediting of contributions, the provision under Article 2, paragraph 29, of Law no. 335/95, which applies to the INPS Separate Management scheme, is also applicable.

Under this provision, the payment of an amount, reduced according to the relief, corresponding to the contribution calculated (using the standard rates applicable to the Artisan and Merchant Social Security Management schemes) on the minimum income threshold (€18,555 for 2025), grants the right to full accreditation of all monthly contributions for the calendar year in which the payment is made. Conversely, if the contribution paid is lower than that required for the minimum income threshold, the number of accredited months is proportionally reduced.

2.2 LOSS OF RELIEF

Since eligibility for contribution relief is conditional on the application of the flat-rate tax regime, if this regime ceases to apply (either voluntarily, due to opting for the standard tax regime, or involuntarily, due to the loss of eligibility or the occurrence of an exclusionary condition), the contribution relief is also revoked starting from the year following the event (opt-out or disqualification).

If the tax regime is revoked due to the Italian Revenue Agency determining that it was applied unlawfully, the contribution relief is retroactively revoked starting from the year in which the absence of eligibility for the flat-rate scheme was established.

2.3 EFFECTS OF LOSS OF RELIEF

The termination of the contribution relief results in:

- **For social security purposes**, the application of the standard rules for determining and paying the required contributions;
- **In any case**, the impossibility of benefiting from the contribution relief again, even if the same taxpayer, upon reacquiring the necessary requirements, re-applies the preferential tax regime.

Renouncing the Contribution Relief

According to INPS Message no. 15 of January 3, 2019, the deadline to submit a request to renounce the contribution relief is **February 28 of the year in which the taxpayer wishes to return to the standard regime**. The renunciation takes effect from **January 1 of the same year**.

If the renunciation request is submitted **after** this deadline, the standard contribution regime will be reinstated only from **January 1 of the following year**.

The procedures for submitting the renunciation are the same as those previously defined by INPS for the initial application for contribution relief.

Example

A taxpayer applying the flat-rate regime with contribution relief in 2024 exits the regime in 2025.

- If they **submit the renunciation by February 28, 2025**, the **standard social security regime** will apply from **January 1, 2025**.
- If they **submit the renunciation after February 28, 2025**, the **standard social security regime** will be reinstated only from **January 1, 2026**.

This means that in 2025, the taxpayer would continue benefiting from the contribution reduction **without actually applying the flat-rate tax regime**. However, this scenario exposes them to **INPS recovery actions** for unpaid contributions, as the relief would have been used without meeting the legally required conditions.

2.3 EXCLUSION FROM OTHER CONTRIBUTION REDUCTIONS

By opting for this contribution relief, the taxpayer **forfeits access** to other standard reductions, including:

- The **3-percentage-point reduction** in the contribution rate for **family collaborators under 21 years old** working in businesses under the preferential tax regime. This reduction has been gradually phased out due to increases introduced by Article 24, paragraph 22, of Decree-Law no. 201/2011. As of **2025**, this relief is **fully eliminated**, as the standard contribution rate of **24%** now applies to this category.
- The **50% contribution reduction** available to **business owners and family collaborators** who are **already retired** under INPS pension schemes and **over 65 years old**.

2.4 APPLICATION PROCESS

The contribution relief is **optional** and can only be accessed by **submitting a formal request** to INPS. The application must be filed according to the procedures outlined in INPS Circulars no. 29 of **February 10, 2015**, and no. 35 of **February 19, 2016**.

Ongoing Business Activities

Self-employed individuals operating under the flat-rate scheme as of **December 31, 2024**, who wish to benefit from the contribution relief for the **first time**, are required to:

- **Complete the online form** specifically provided within the "Cassetto previdenziale per Artigiani e Commercianti" on the INPS website. INPS Circular no. 29 of February 10, 2015, also included a **paper form** for individuals who do not yet have an active position in the autonomous management system. This form must be submitted to the competent INPS office.
- **Submit the form by February 28, 2025**, as a **mandatory deadline**. This deadline applies even if it falls on a **Saturday or a public holiday**, as there is **no automatic extension** to the next working day. The deadline remains **fixed on February 28**, even in a leap year.

For those who **already benefited from the contribution relief in 2024**, the relief will **automatically apply** in 2025, **as long as they continue to meet the necessary requirements and do not submit an explicit renunciation** (INPS Circular no. 38 of February 7, 2025, § 8).

If the application is **submitted after this deadline**, access to the relief will be **denied for the current year**, and a new application must be submitted **by February 28 of the following year**. In this case, the relief will be granted from **January 1 of the respective year**, provided that the applicant **continues to meet the legal requirements**.

For newly established businesses

Individuals **starting a new business activity in 2025**, intending to apply the flat-rate regime, must **notify their choice of contribution relief as soon as possible** after receiving their **registration confirmation**. This ensures that INPS can correctly process their **annual contribution schedule** (INPS Circular no. 38 of February 7, 2025, § 8).

2.5 PAYMENT OF REDUCED CONTRIBUTIONS

Contributions due under this relief scheme must be paid as follows:

- **For the portion related to the minimum contribution**, payments are made **quarterly** throughout the year, following the standard deadlines.
- **For the portion exceeding the minimum income threshold**, payments are made **in advance and as a final settlement**, following the same deadlines as those applicable to income tax payments (via the REDDITI tax return).

Additionally, during the **advance payment deadlines**, an additional **maternity contribution of €7.44** must be paid in **two equal installments of €3.72 each**.

3 CONTRIBUTION REDUCTION FOR NEW REGISTRANTS IN THE INPS ARTISANS AND MERCHANTS SCHEMES

As an **alternative** to the above-mentioned relief, new entrepreneurs may consider applying a **50% contribution reduction**, introduced by **Article 1, paragraph 186, of Law no. 207 of December 30, 2024 (Budget Law 2025)**. This reduction applies to individuals who **register for the first time** in 2025 under the **INPS Artisans and Merchants Schemes**.

3.1 ELIGIBLE BENEFICIARIES

The relief is available to:

- **Individual entrepreneurs or partners of companies**
- **Family collaborators** working with the above-mentioned entrepreneurs

Even **entrepreneurs operating under the flat-rate regime (L. 190/2014)** can benefit from this contribution reduction.

3.2 OBJECTIVE SCOPE

The contribution reduction should apply both to minimum contributions and to percentage-based contributions calculated on the total declared business income.

3.3 DURATION

The benefit is available for 36 consecutive months, starting from the date of commencement of business activity or first entry into the company in 2025.

3.4 CONTRIBUTION ACCREDITATION

For the accreditation of contributions, the provisions related to the INPS Separate Management, as indicated above, shall apply.

3.5 ALTERNATIVENESS WITH OTHER INCENTIVE MEASURES

The 50% reduction is an alternative to other existing incentives that provide for rate reductions. This provision aims to prevent the simultaneous use of multiple benefit schemes.

However, it may be possible to access additional incentives once the effectiveness of this measure has expired. If this interpretation is confirmed by INPS, taxpayers under the flat-rate scheme who choose this measure upon registration with the Artisan or Merchant Management will then, after the 36-month validity period, be able to opt for the 35% reduction provided by Law 190/2014.