

# Travel and Representation Expenses – New Traceability Requirements

## 1. INTRODUCTION

Articles 1, paragraphs 81 - 83 of Law No. 207 of December 30, 2024 (Budget Law 2025) introduce new requirements for the deductibility, from business and self-employment income, as well as from the IRAP tax base, of meal and lodging expenses, as well as the reimbursement of travel and transportation expenses incurred via taxi or chauffeur-driven rental services (NCC), related to employee business trips or payments to self-employed workers.

Similar conditions apply to the deductibility, from business income and IRAP, of representation expenses and expenses for gifts to clients.

### Effective Date

The new provisions apply from the tax period following the one in progress as of December 31, 2024 (i.e., from 2025 for calendar-year taxpayers).

As a result, these provisions will impact the REDDITI 2026 tax return for the first time, while they will not yet affect the REDDITI 2025 tax return.

## 2. BUSINESS TRAVEL EXPENSES SUBJECT TO TRACEABILITY REQUIREMENTS

To ensure that reimbursed amounts remain tax-exempt for employees and that employers or clients can deduct the related expenses, the following costs must be paid using traceable payment methods:

- Meal and lodging expenses
- Travel and transportation expenses via non-scheduled public transport services

It is important to note that the documentary requirements established by current regulations remain in place. In other words, the new traceability obligations do not replace existing requirements but are in addition to them.

### 2.1 DEFINITION OF NON-SCHEDULED PUBLIC TRANSPORT SERVICES

For the purposes of this regulation, non-scheduled public transport services are those that:

- Provide collective or individual passenger transport, serving as a complementary and supplementary service to scheduled public transport (rail, bus, maritime, lake, and air services).
- Operate upon request of passengers, without continuous or periodic schedules, along routes and at times determined on a case-by-case basis.

Non-scheduled public transport services include:

- Taxi services using automobiles, motorized tricycles, boats, and animal-drawn vehicles.
- Chauffeur-driven rental services (NCC) using automobiles, motorized tricycles, bicycles, boats, and animal-drawn vehicles.

## 2.2 EXAMPLES TABLE

Based on the above, the following table provides an illustrative (but not exhaustive) list of common meal, lodging, travel, and transportation expenses that, from 2025, must be traceable, along with other common expenses that can still be paid in cash.

<b>Expenses with Traceability Requirement</b>	<b>Expenses without Traceability Requirement</b>
Hotel and restaurant	Public transport tickets (e.g., train, airplane, bus, tram, etc.)
Taxi	Vehicle parking fees
Chauffeur-driven rental (NCC)	Car rental without a driver

### 3.1.1 Business Trips Within the Municipality

Allowances and expense reimbursements for trips within the municipality where the workplace is located are fully included in taxable income, except for documented and proven transportation expenses.

#### Administrators and Coordinated and Continuous Collaborators

For the purpose of income exclusion, the new traceability requirements should also apply to business trips taken by:

- Coordinated and continuous collaborators.
- Administrators receiving income treated as employment income.

### 3.1.2 Business Trips Outside the Municipality

For business trips outside the municipality where the workplace is located, there are three alternative reimbursement methods:

- **Flat-rate allowance**
- **Mixed reimbursement**
- **Itemized reimbursement (so-called "a piè di lista")**
- **Reimbursement Type | Treatment for Employee Taxable Income**

<b>Reimbursement Type</b>	<b>Treatment for Employee Taxable Income</b>
<b>Flat-rate allowance</b>	<p>Allowances, net of travel and transportation expenses, are excluded from taxable income up to:</p> <ul style="list-style-type: none"> <li>- €46.48 per day for business trips within Italy.</li> <li>- €77.47 per day for business trips abroad.</li> </ul> <p>Any amount exceeding these limits is included in taxable income.</p> <p>The above limits are reduced to:</p> <ul style="list-style-type: none"> <li>- €30.99 per day for trips within Italy and €51.65 per day for trips abroad, if meal or lodging expenses are reimbursed, or if meal or lodging is provided free of charge.</li> <li>- €15.49 per day for trips within Italy and €25.82 per day for trips abroad, if both meal and lodging expenses are reimbursed, or if both are provided free of charge.</li> </ul>
<b>Mixed reimbursement</b> <i>(when a travel allowance is paid together with an itemized reimbursement of meal and lodging expenses)</i>	
<b>Itemized reimbursement (so-called "a piè di lista")</b>	Reimbursements for meal, lodging, transportation, and travel expenses (including mileage allowances) do not contribute to

**Reimbursement Type****Treatment for Employee Taxable Income**

taxable income.

Reimbursements for other expenses (e.g., phone, laundry) are excluded from taxable income up to a daily limit of:

- €15.49 for business trips within Italy.
- €25.82 for business trips abroad.

**3.2 DEDUCTIBILITY FOR BUSINESSES AND PROFESSIONALS**

The traceability obligations of the expenses identified in the previous § 2 also apply to the deductibility of these expenses from business and self-employment income and the IRAP taxable base, under the conditions and limits outlined below.

**3.2.1 Deductibility Measure**

Regarding the measure of deductibility, it is necessary to distinguish between:

- Detailed reimbursement (so-called "itemized" reimbursement);
- Flat-rate and mixed reimbursements.

**Detailed Reimbursements**

Detailed reimbursements paid to employees or collaborators are deductible from business and self-employment income within the limit of:

- €180.76 per day for business trips in Italy;
- €258.23 per day for business trips abroad.

In the tax return, for businesses with regular accounting, it is necessary to make an increase in the amount corresponding to costs allocated to the profit and loss account that may be non-deductible.

**Flat-rate and Mixed Reimbursements**

Flat-rate and mixed reimbursements are fully deductible from business and self-employment income. The aforementioned limits of deductibility do not apply to these reimbursements.

**3.2.2 Business Trips Within the Municipal Area**

Expenses related to meals, beverages, and hotel services incurred during business trips within the municipal area should not be subject to the new traceability obligations.

However, this point should be confirmed by the tax authorities.

**3.2.3 Directors and Coordinated and Continuous Collaborators**

The legal wording raises doubts about whether the new traceability obligations apply to travel expenses reimbursed to coordinated and continuous collaborators or to individuals receiving other types of income similar to employment (e.g., directors not holding a VAT number).

A formal clarification on this point seems necessary.

**4. SELF-EMPLOYED WORKER BUSINESS TRIPS**

For the purpose of deductibility of itemized reimbursement for meals, accommodation, travel, and transportation by taxi or NCC for self-employed workers, including artists and professionals, these expenses must have been incurred through traceable means.

**4.1 CLIENT COMPANY**

While it remains necessary for the professional consultant to incur meal, accommodation, travel, and taxi or NCC transportation expenses using traceable means, the corresponding reimbursements should be deductible by the company or corporation, even for amounts exceeding €180.76 per day for trips within Italy, and €258.23 per day for trips abroad.

In fact, considering the purpose of the regulation (to prevent clients from deducting costs not actually

incurred), these limits should only apply to employees.  
This point seems to warrant explicit confirmation.

#### **4.2 CLIENT – PROFESSIONAL**

If the client of the artist or professional is also an artist or professional, the provision on the new traceability obligations must be coordinated with the reimbursement of expenses incurred by the practitioner of the art or profession for performing an assignment, which are itemized and charged to the client.

Starting from 2025, reimbursements for these costs will no longer contribute to the formation of self-employment income (Article 54, paragraph 2, letter b of the TUIR). At the same time, the costs in question will no longer be deductible from the self-employment income of the person who incurred them (Article 54-ter, paragraph 1 of the TUIR).

##### **4.2.1 Irrelevance of the Payment Method for the Professional Incurring the Expense**

Therefore, starting from 2025, expenses directly incurred by the professional and itemized to the client will still be non-deductible from the professional's self-employment income. This makes the payment method irrelevant for deductibility purposes for the professional incurring the expense.

An exception to this general rule applies if the expenses are not reimbursed and thus become deductible by the professional who incurred them, in accordance with the provisions of Article 54-ter, paragraphs 2-5 of the TUIR. In this case, a traceable payment might become relevant for the professional who directly incurred the expense. This point seems to require official clarification.

##### **4.2.2 Relevance of the Payment Method for the Client Reimbursing the Expense**

For the purpose of deductibility for the client with self-employment income, the following must be incurred with traceable means:

- Expenses directly incurred by the client on behalf of the consultant (for example, when a professional travels with a collaborator holding a VAT number and an employee, and directly covers hotel and/or restaurant costs);
- Expenses incurred by the self-employed worker providing the service and reimbursed by the professional: the deductibility of the reimbursement by the professional is subject to the traceability of the expense paid by the service provider.

##### **4.2.3 Expenses Subject to Flat-rate Charge**

If the expenses requested for reimbursement by the client are calculated using flat-rate criteria, the new traceability obligations should not apply, as the regulation requires that the charges be itemized to the client. In this case, the charge of a flat amount to the client would be considered professional compensation and would still be deductible, without the consulting professional having to provide supporting documentation.

#### **5 REPRESENTATION EXPENSES SUBJECT TO TRACEABILITY**

By explicit legal provision, the following expenses are subject to the traceability obligation under Article 108, paragraph 2 of the TUIR:

- Representation expenses;
- Expenses related to goods distributed free of charge, with a unit value not exceeding €50.00 (so-called "gift expenses").

Therefore, starting in 2025, the above expenses will be deductible:

- On the one hand, if the payment is made using the instruments identified in the following § 6;
- On the other hand, if they fall within the quantitative limits already established by Article 108, paragraph 2 of the TUIR.

For deductibility purposes, the documentation requirements established by the applicable regulations remain in effect.

### Exclusion of Advertising and Sponsorship Expenses

Since they have a different nature from representation expenses, the following are excluded from the new traceability obligations:

- Advertising expenses;
- Sponsorship expenses.

For these expenses, however, the usual documentation requirements for deductibility, as defined by current regulations, remain applicable.

## 6 IDENTIFICATION OF TRACEABLE PAYMENT INSTRUMENTS

To ensure that expenses and related reimbursements continue to be deductible for the business and professional practitioners and non-taxable for employees (under the conditions and amounts highlighted above), the payment must be "traceable" as detailed below.

### 6.1 ALLOWED PAYMENT INSTRUMENTS

The following payment methods are considered traceable:

- Bank or postal transfer;
- Payment made via an authorized electronic money institution through a smartphone app (e.g., Satispay), which allows the user to make financial transactions without using a credit or debit card or an NFC-enabled device (e.g., without the need for a contactless card);
- Toll payment linked to an IBAN (e.g., Telepass).

At present, it is not clear whether credit cards issued by foreign entities not subject to tax registry reporting meet the traceability requirement. This point seems to require clarification from the tax authorities.

### 6.2 NON-ALLOWED PAYMENT INSTRUMENTS

The following payment methods are not considered traceable:

- Commercial credit systems through which goods and services are exchanged and which do not use any of the payment systems listed in the previous § 6.1;
- Software designed to make cash payments traceable, for example, when clients do not have a bank account, even if such a system allows taxpayer identification;
- Cash.

### 6.3 SUMMARY TABLE

Below is a non-exhaustive summary of allowed and non-allowed payment instruments for compliance with the new traceability obligations:

Allowed Payment Instruments	Non-Allowed Payment Instruments
Credit or debit card (ATM)	Cash
Satispay or other smartphone app linked to an IBAN	Software that makes cash payments traceable without linking to an IBAN
Toll payment linked to an IBAN (e.g., Telepass)	Commercial credit systems not using allowed payment systems
Bank or postal transfer	
Check	

## **7 PROOF OF “TRACEABLE” PAYMENT**

In the absence of regulatory guidelines, to demonstrate to the employer or client that traceable payment instruments were used, the employee, collaborator, or consultant of the company or professional should, alternatively:

- Use a business or professional credit or debit card;
- Provide copies of receipts from POS systems issued, for example, by a taxi driver or driver when no business card is available and the payment must be made with their own traceable instruments.

If the expenses are incurred by professionals, it seems appropriate for the engagement letter to specify that payment for expenses subject to the new traceability obligations should be made using the above-mentioned traceable instruments.