

Management of the tax wedge cut 2020

Addendum for setting limits in additional deduction

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Introduction and scope of this document

Before reading this document please be aware of the content of the main document previously released as “Quick reference guide”. You can find it in this [link](#) available in SAP note [2927379 - CALC: Reduction of the Tax Wedge for Employees](#) or in our SAP JAM https://jam4.sapjam.com/groups/eUVNZBDo84OtWnf5BmmTt9/documents/u2c4CSeRiSICUWuNDMyDx5/slide_viewer

While every Italian company must already begin to apply the decree law 3/2020, the Italian tax agency (Agenzia delle Entrate) has not yet clarified many aspects of this very complex and entangled measure.

Among the unclear aspects, an important one is about the way the additional deduction must be considered.

Even if it is a prolongation of the 100€ bonus (that is a pure credit), its name says it's a deduction and therefore it seems reasonable to consider it as a real deduction.

Therefore, it's necessary to avoid granting this additional deduction if the corresponding tax (IRPEF) does not have enough capacity (in other words, the deduction cannot be greater than the corresponding tax).

The situation is still more entangled because other deductions for IRPEF already exist. And they are:

- deductions for employees (detrazioni per redditi di lavoro dipendente)
- deductions for dependent family members
- additional deductions for families with many (at least four) children

The order in which these deductions must be applied is the one listed above, and this new one should reasonably be the last one, for two main reasons:

- It's temporary since it should end this year (2020)
- Being an “additional” one, it should be added to the others that already exist

It's also important to remark that the cases where all the due IRPEF is consumed by the already existing three deductions should be rare since the incomes involved for this additional deduction start from EUR 28000, that means an IRPEF tax of EUR 6960.

In any case, and with all the above remarks and existing doubts, SAP has preferred to add to the current solution a new part that limits the amount of the additional deduction in case the tax does not have enough capacity.

And this limitation applies to both the monthly amount and the final balance.

This new part is encapsulated in a new sub-schema to make its activation or removal (in case of unexpected instructions from the tax agency) easier. No additional changes were necessary in the ABAP code and the main characteristics of the existing solution have remained unchanged.

In addition, some minor changes and improvements have been made in few existing payroll rules.

In the following paragraphs you can find a detailed description of this additional part of the solution.

Moreover, please consider this solution as a template and, being a template, it works according to the standard payroll schema I000. Therefore, each customer can also adjust the standard solution based on his or her own needs by using the customizing tools available (including the payroll rules).

Description of the additional part

The additional part is made of some new payroll rules together with minor changes in rules that already exist.

The schema ID80 is changed as in the following picture where changes to existing rules are in **blue** while new rules or sub-schema are in **red**

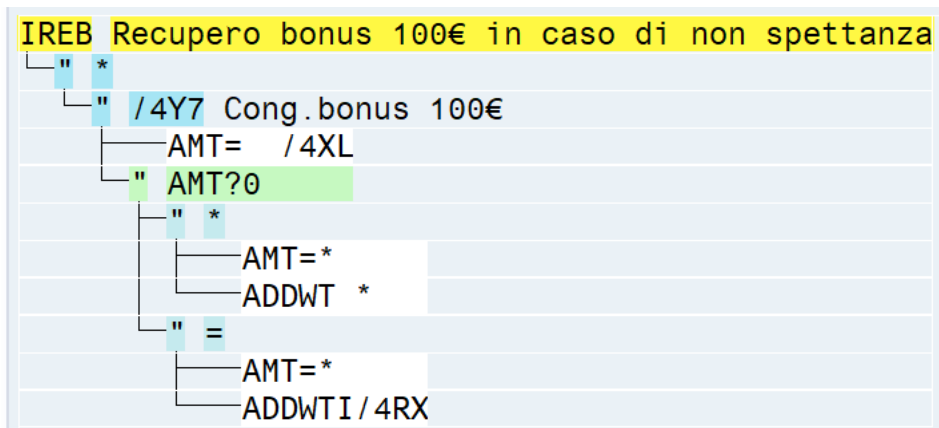
Es	Funzione	Par1	Par2	Par3	Par4	Testo
☐	BLOCK	BEG				Conguaglio per riduz. cuneo fiscale 2020
	ITR01	/D80				Legge bonus 80€ pagato da altro datore
	IF	IRE1				Verifica della rinuncia al bonus 80€
	PIT	IRE2		NOAB		Conguaglio bonus 80€
	PIT	IREA		NOAB		Recup.bonus 80€ in caso di non spettanza
	ELSE					
	ACTIO	IRE3				Recupero bonus 80€ in caso di rinuncia
	ENDIF					
	IF	IF20				Attivazione a luglio 2020
	ITR01	/D8H				Legge bonus 100€ pagato da altro datore
	IF	IRE4				Verifica della rinuncia al bonus 100€
	PIT	IRE5		NOAB		Conguaglio bonus 100€
	PIT	IREB		NOAB		Rec.bonus 100€ in caso di non spettanza
	PIT	IRED		NOAB		Elimino ult.detr mese se recupero tutto
	ELSE					
	ACTIO	IRE6				Recupero bonus 100€ in caso di rinuncia
	ENDIF					
	ITR01	/D8U				Legge ulter.detr. pagata da alt.datore
	IF	IRE7				Verifica rinuncia all'ult. detrazione
	PIT	IRE8		NOAB		Conguaglio ulteriore detrazione 2020
	PIT	IREC		NOAB		Rec.ult.detr. in caso di non spettanza
	PIT	IREE		NOAB		Elimino ult.detr mese se recupero tutto
	COPY	IDUD				Plafonamento a imposta disponibile
	ELSE					
	ACTIO	IRE9				Recupero ulter.detr in caso di rinuncia
	ENDIF					
	PIT	IREY		NOAB		Modifica imposta netta dopo ult.detr.20
	ENDIF					
	BLOCK	END				Fine cong. crediti IRPEF per riduz.cuneo

List of the changes and of the new objects

Modified payroll rules

- **(PIT) IREB:** This payroll rule simply converts the wage type **/4Y7 “Cong.bonus 100€”** into wage type **/4RX “Recupero bonus 100€”** in case the 100€ bonus is not due.

The rule has been simplified by removing the check on the date since it's useless with the introduction of rule IF20.



Clearly this is only a “cosmetic” change.

- **(PIT) IRE8:** Calculation of the final balance of additional deduction and generation of the relevant wage type /4Y8 **“Cong.ult.detraazione 2020”**.

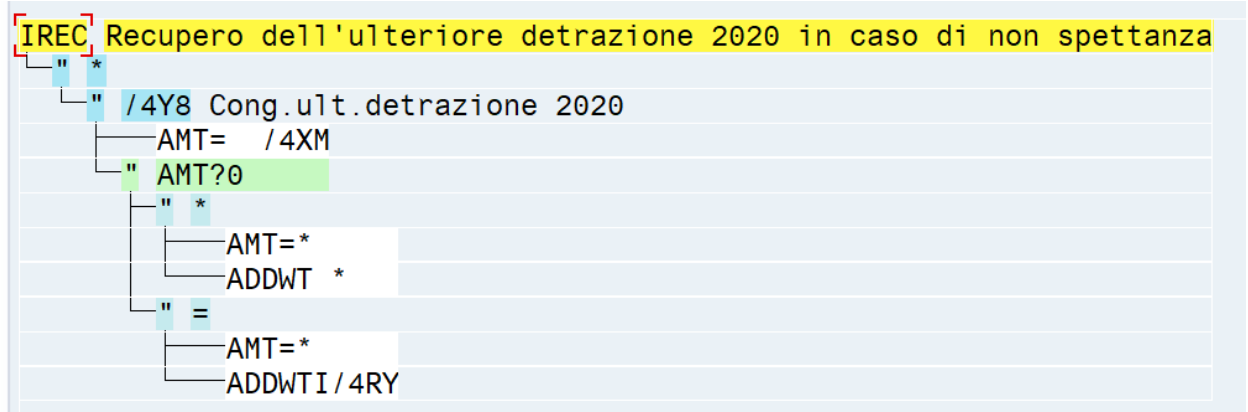
```

IRE8 Conguaglio dell'ulteriore detrazione 2020 per rid.del cuneo fiscale
  " *
  " /4XI Flag mese conguaglio detr
  " NUM?1 Confronto
    " *
    " =
      ADDWT *
      ZERO= NRA Per.Rte. num. = 0
      ZERO=&/4XM Inser. VVV zero
      AMT= /4XM
      NUM= /42B Settare
      MULTI ANA Moltp1. tot/n./imp.
      AMT/KHADYE
      ZERO= N Per.Rte. num. = 0
      ADDWT&/4XM
      AMT- /4W7
      AMT-C /4W7
      AMT-C /4Y8
      AMT-C /4RY
      AMT- /D8U
      ADDWTI /4Y8
  
```

In this rule only the variable &/4XM was introduced (changes in blue). It carries the amount of the yearly additional deduction that will be used in new sub-schema IDUD (new rule IREV) to be compared with the available IRPEF tax, after the application of the other existing deductions.

- **(PIT) IREC:** This payroll rule simply converts the wage type /4Y8 **“Cong.ult.detraazione 2020”** into wage type /4RY **“Recupero ult.detr. LD '20”** in case the additional deduction is not due.

The rule has been simplified by removing the check on the date since it's useless with the introduction of rule IF20.

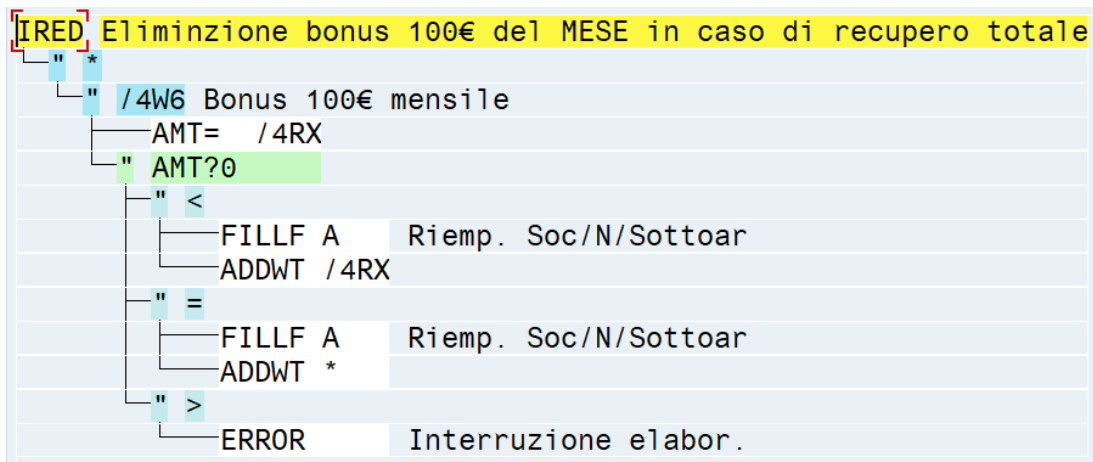


Clearly this is only a “cosmetic” change.

New payroll rules

- **(PIT) IRED:** This payroll rule, in case of final balance and in case of need of repayment of the 100€ bonus already received (for instance, because the final amount of yearly income is too high), converts the wage type of monthly payment (/4W6) into the wage type of the restitution (/4RX) .

Basically, this rule eliminates the monthly WT /4W6 in case of reimbursement, since it is not meaningful to pay it, and then to reimburse the same amount included in the WT /4RX.

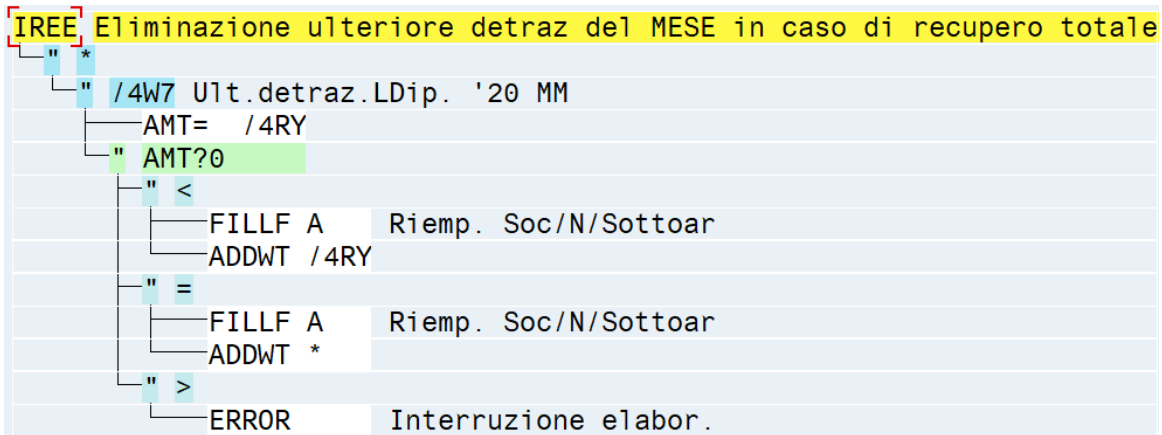


N.B: This rule and the next rule IREE can be useful in cases when employees have an annual income around the limit (EUR 28000) between the two measures (100€

bonus and additional deduction) and could have income fluctuations in the previous months. In fact, the relevant payment is based on an estimated annual income and this could activate the two measures in different months since the estimation could vary in these periods.

- **(PIT) IREE:** This payroll rule, in case of final balance and in case of need of repayment of the additional deduction already received (for instance because of the final amount of yearly income is too low), converts the wage type of monthly payment (/4W7) into the wage type of the restitution (/4RY).

Basically, this rule eliminates the monthly WT /4W7 in case of restitution, since it is not meaningful to pay it, and then to reimburse the same amount included in the WT /4RY.



- **(PIT) IREY:** This payroll rule, after the final calculation of the annual additional deduction granted to the employee, updates the wage type containing the final net IRPEF tax (/4BF).

This is important because the local additional taxes (municipal and regional) are not due if the IRPEF tax is zero. This can happen if the total of all the due deductions is greater than the gross IRPEF tax.

IREY Modifica valore annuale dell'imposta netta per Ult.detr.2020	
"	*
"	/4BF IRPEF netta annua
—	AMT+ /4W7
—	AMT+C /4W7
—	AMT+ /4Y8
—	AMT+C /4Y8
—	AMT+ /4RY
—	AMT+C /4RY
—	ADDWT *

N.B. Still on this same topic: **please consider a correction that is necessary in the existing rule ITFG**, included in the sub-schema ITFN, where the same wage type /4BF is adjusted with the final amount of the additional deduction granted for families with many children. The WT /4MW “Recup.Ult.Detr.Fam.Num.” was missing. So please add it now.

ITFG Modifica valore annuale dell'imposta netta per Detr.Fam.Num.	
"	*
"	/4BF IRPEF netta annua
—	AMT=& /4BF
—	AMT+ /4MY
—	AMT+ /4MZ
—	AMT+ /4MW
—	ADDWT *

New sub-schema IDUD

SAP prepared a new sub-schema to encapsulate all the payroll rules used to verify and calculate the additional deduction for 2020, and it is based on the remaining available net IRPEF tax after the application of all the previous existing deductions

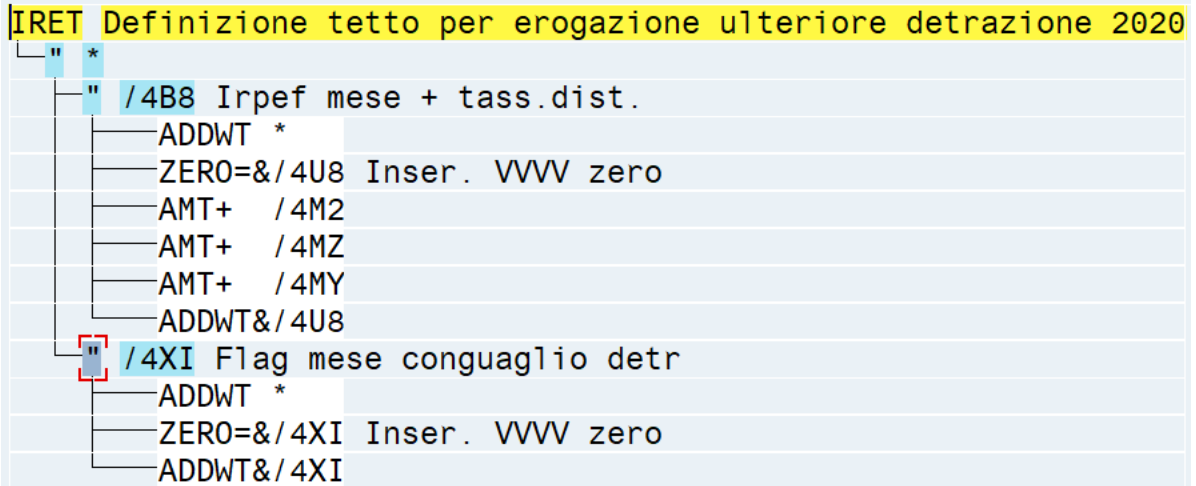
It consists of two branches, one active during the final balance (“conguaglio”) and the other one active during monthly payroll, where final balance is not required, and the amount is calculated with the estimated yearly income.

Es	Funzione	Par1	Par2	Par3	Par4	Testo
☐	BLOCK	BEG				Plafonamento ulteriore detrazione 2020
	PIT	IRET		NOAB		Inizializzazioni variabili
	IF	IFCG				Verifica attivazione conguaglio fiscale
	ACTIO	IREV				Plafonam. a imposta disponibile - ANNO
	PIT	IREW		NOAB		compatto /4W7 in /4Y8
	PIT	IREX		NOAB		gest./4Y8 e creo restituz.(se il caso)
	ELSE					
	PIT	IREU		NOAB		Plafonamento a imposta netta - MESE
	ENDIF					
	BLOCK	END				Fine plafonamento ulteriore detrazione

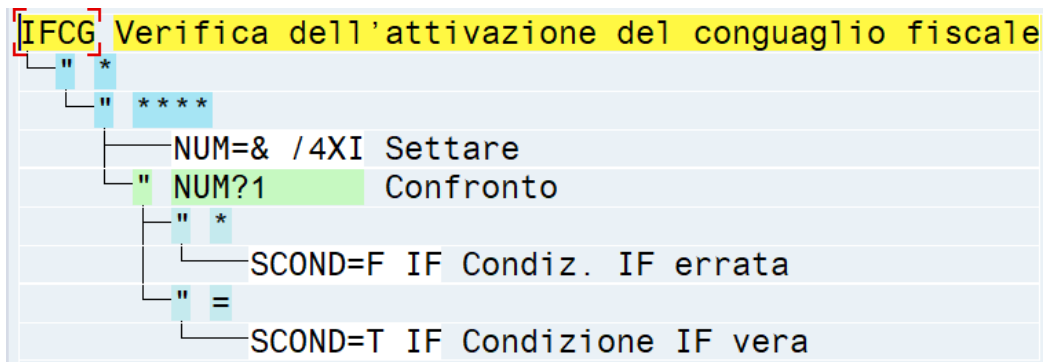
New payroll rules of sub-schema IDUD

- **(PIT) IRET:** this rule simply defines two variables that will be used in the following rules of the sub-schema IDUD.

The variable &/4U8 contains the remaining IRPEF tax available that can be consumed by the additional deduction for 2020.

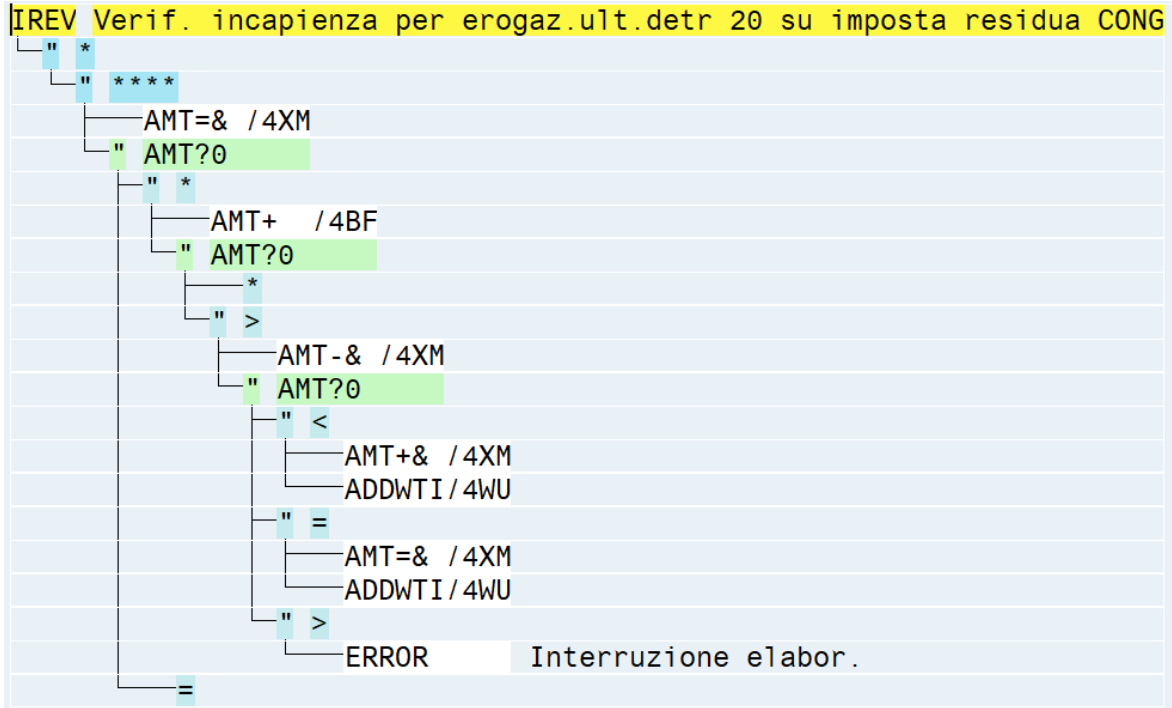


- **(IF) IFCG:** this rule verifies if the final balance is active or not and sets the relevant condition.



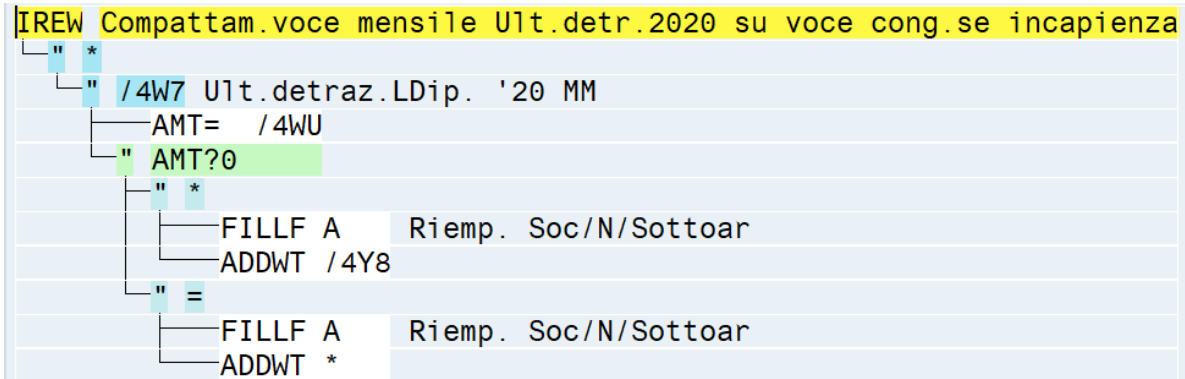
- **(ACTIO) IREV:** this rule checks if the amount of the additional deduction for 2020 can be granted completely, partially or not at all.

In case the available net IRPEF tax is not enough to consume the whole due additional deduction, the new wage type /4WU is created. This WT contains the amount of the additional deduction that cannot be granted.



- **(PIT) IREW:** this rule converts the wage type of monthly payment (/4W7) into the wage type of the final balance (/4Y8) in case there is not enough capacity to pay the whole deduction because the net IRPEF tax is not enough.

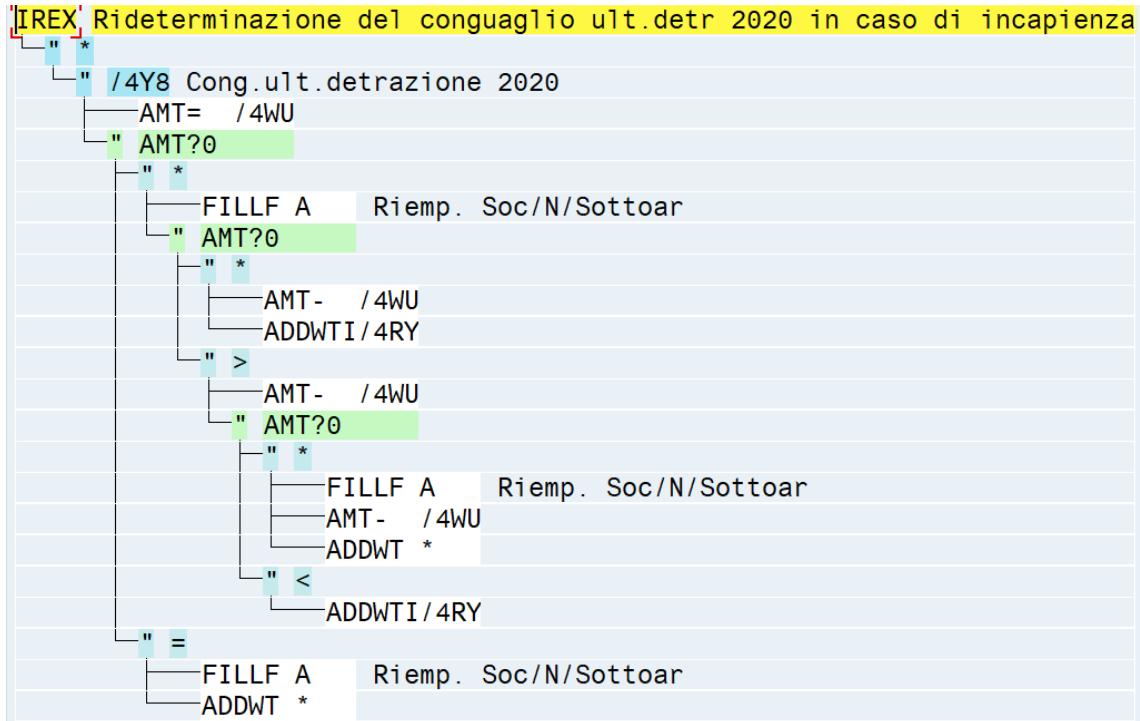
In this way it simplifies the calculation of the final balance (conguaglio) of the additional deduction that will be done in next rule IREX.



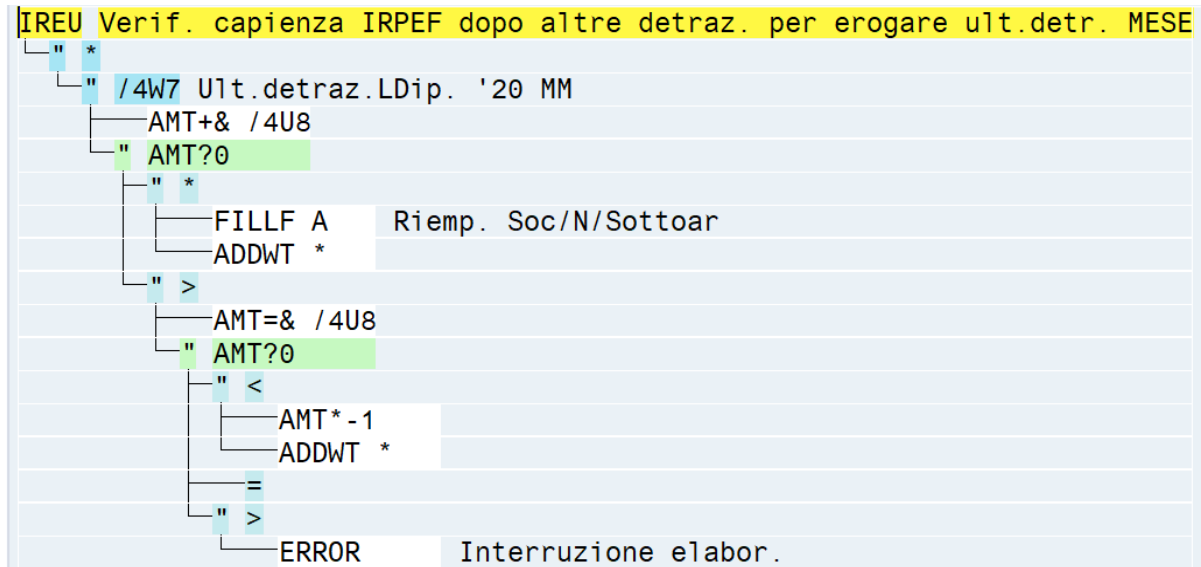
- **(PIT) IREX:** this rule determines again the wage type /4Y8 in case there is not enough capacity to pay the whole deduction because the net IRPEF tax is not enough.

In this case, the wage type /4Y8 (“Cong.ult.detrazone 2020”) is adjusted to consume all the available net IRPEF tax.

If the final WT /4Y8 is negative, it is converted into the wage type /4RY (“Recupero ult.detr. LD '20”) that is always negative, being a restitution.



- **(PIT) IREU:** this rule is activated when the final balance doesn't run. It limits the monthly wage type /4W7 ("Ult.detr. LDip. '20 MM") in case the remaining monthly net IRPEF tax is not enough to grant the whole monthly additional deduction.



New wage types

There is only one new wage type added with this new additional part of the solution:

- **/4WU** *Res Ul.det.2020 non god.*

This wage type contains the amount of the additional deduction 2020 that cannot be granted to the employee because her/his yearly net IRPEF does not have enough capacity.

Currently this wage type is not officially required but it will be probably helpful in case of reporting to the authorities, like in the next CU 2021.