

Local market standards, regulatory compliance, and other requirements are key concerns to address as you manage payroll processing for your in-country employees. If you're preparing to set up payroll in the Holy See, Globalization Partners offers solutions to simplify your processes and help you stay compliant. Work with us to manage your requirements and seamlessly administer payroll for your local employees.

Taxation Rules in the Holy See

Widely considered a tax haven in the past, Vatican City has no taxation within its borders. However, it has made a series of reforms in recent years to ensure tax compliance for nonnationals with investments within the state. Extraterritorial religious properties outside the Vatican City State are tax-exempt as well. However, commercial properties owned by the Holy See are taxable under Italian law.

To determine whether your business is subject to Italy's taxes, you'll need to evaluate your business's specific situation and cooperate with local governing agencies. If you are eligible to pay taxes in Italy, you may be responsible for paying a progressive income tax for your employees. On average, your contribution as the employer will be about 35 percent of the total income.

Italy's taxation laws can be complex, and your company may face additional regional regulations. Holy See payroll outsourcing can be invaluable for identifying your business's tax requirements.

Holy See Payroll Options for Companies

Your business has several possibilities to consider for administering payroll overseas:

- **Payroll processing company:** In many countries, you can hire a local company to manage payroll requirements for you. However, you may need to pay high service fees, and you'll be liable for any errors they may make in processing.
- **Subsidiary:** With a subsidiary, your company will have a presence in-country to manage

your local employees' payroll. While subsidiaries are highly convenient for administration, keep in mind that you'll need extensive resources to establish one.

- Internal payroll processing: Managing payroll administration internally offers the benefit of reduced transactional costs for your company. However, you will need to have dedicated resources and staffing to manage complex international payroll processing and compliance. You'll also be liable for any errors that might occur.
- Global Employer of Record (EOR): Globalization Partners offers a solution for efficient, liability-free payroll processing. As your EOR, we'll use our country-specific expertise to manage payroll and compliance while taking on your company's associated risks.

How to Set Up a Payroll in the Holy See

If you're seeking to establish payroll for your in-country employees, you will need a legal business entity in the country. To set up a subsidiary to manage payroll, you'll need to invest considerable money and time into the process. Once you have a legal presence in the country, however, you'll be able to administer internal payroll. If you're looking for a faster, easier alternative, Globalization Partners can handle payroll requirements through our already-established entities.

Entitlement/Termination Terms

Both you and your employee may terminate the employment contract at any time, but Italy's labor laws provide extensive protection for employees to prevent unfair termination. If you terminate employment for any reason, your employee is entitled to a severance payment of 7.5 percent of their yearly salary for each year they have worked for your business.

When you hire a new employee, you may need to navigate widely varying requirements depending on the employee's industry, collective bargaining agreement terms, and potential union membership. Whether you are under Italian jurisdiction or not, it's best practice to establish termination terms individually with your employees before they join your team.

Payroll Processing Company in the Holy See

When you need payroll solutions in the Holy See, you can count on Globalization Partners to

ensure compliance and seamless administration. We'll ensure your employees receive consistent payments and that your payroll system is compliant with all regulations. To learn more, [get in touch with us](#) today.