

Every time you expand your business to a new country, you face several challenges. One of them is setting up payroll according to the country's laws and regulations. In Italy, you'll need to hire employees, choose a payroll option, and onboard workers. Globalization Partners offers a better alternative. We'll act as your Employer of Record, employ workers on your behalf, and add them to our payroll, so your only concern is growing your business.

## Taxation Rules for Payroll

Italy operates under a progressive income tax where employees pay an income-based rate. Social security contributions vary based on the industry sector and management level. However, employees typically contribute 10% of their gross salary while employers contribute around 35% of the employee's salary.

One of the most challenging parts of setting up payroll in Italy is following the country's complex taxation laws. As an employer, you'll be responsible for deducting the correct taxes from every employee's paycheck and submitting them to the proper tax authorities each month. You must also account for local taxes based on where your employees live.

## Italy Payroll Options

Every company differs in size, function, and activity level in Italy. You can choose from three Italy payroll options to find the best fit for your company. These include:

- **Internal payroll:** If you operate a larger company, internal payroll at your Italy subsidiary is a viable option. You will need to hire the necessary staff and learn all the country's employment laws.
- **Italy payroll outsourcing:** You can also outsource with a local payroll processing company in Italy. Although this company can pay your employees, you'll remain liable for any mistakes.
- **Working with Globalization Partners:** We take your payroll one step further. We'll pay your employees as well as act as the Employer of Record to take on all the liability.

## How to Set up Italy Payroll

Once you choose the best Italy payroll option for your company, you or your global PEO will have to set everything up. First, your company or a legal representative will need to register with the Labor Office, Social Security Institute, and Insurance Institute. If you fail to register by the respective deadlines, you will face a variety of penalties.

You'll then need to get a company identification number and fiscal code by signing documents in front of a notary public. Your employees cannot begin work until you receive the fiscal code.

## Entitlement and Termination Terms

It's best to agree on specific entitlement and termination terms with employees in an employment contract before they start. Collective bargaining agreements (CBAs) are prevalent throughout Italy and may stipulate specific termination and entitlement terms. Probationary periods of less than six months are also common in Italy.

## Italy Payroll Processing Company

When you're ready to set up your Italy payroll, contact Globalization Partners. We will pay your employees per Italy's employment laws and make sure you always stay compliant.