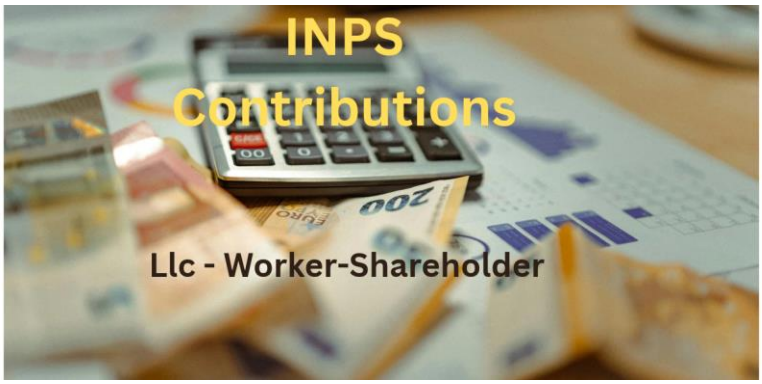


Worker-shareholder of an LLC (S.r.l.) and INPS Contributions: Undistributed Profits Excluded from the Contribution Base

With Judgment No. 25377/2026, the Italian Supreme Court (Court of Cassation) ruled that worker-shareholders of an S.r.l. (limited liability company) enrolled in the **Merchants' Management Scheme (Gestione Commercianti)** or **Artisans' Management Scheme (Gestione Artigiani)** must pay INPS contributions only on business income attributed to them and declared for IRPEF (personal income tax) purposes.

Key principle: profits that are retained as reserves and not distributed are **not included** in the contribution assessment base, unless the company has opted for the **tax transparency regime**.

Why?

The Court clarified that:

- In an S.r.l., undistributed profits belong to the company, not to the shareholder.
- Contributions are due only on income declared by the shareholder for IRPEF purposes.
- Extending contributions to profits that have not actually been received has no legal basis.

Practical Implications

For worker-shareholders of an S.r.l. with profits retained in reserves:

- Payment of INPS contributions on the statutory minimum income threshold remains mandatory.
- No additional contributions should be due on undistributed profits.
- However, INPS has not yet updated its administrative practice and continues to require the inclusion of such profits in Form RR.

Operational Choices for Taxpayers

When filing their tax return, taxpayers may:

1. **Follow INPS instructions**, paying contributions on retained profits as well, thereby avoiding immediate disputes.
2. **Follow the Supreme Court's interpretation**, excluding undistributed profits from the contribution base, while accepting the risk of receiving future assessment notices that may need to be challenged.

Documentation to Keep

It is advisable to retain:

- Annual financial statements.
- Resolutions allocating profits to reserves.
- Documentation proving that the company has **not** elected the tax transparency regime.

Summary

The Supreme Court has confirmed that, for worker-shareholders of an S.r.l., INPS contributions are payable only on income that is actually attributed to and declared by the shareholder for IRPEF purposes. Undistributed profits that are merely retained in reserves remain excluded from the contribution assessment base, even though INPS has not yet incorporated this interpretation into its operational guidelines.