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Circular No. 02/2026

Bolzano, 6 January 2026

Subject: Changes in the construction sector and in the taxation of real estate

By Art. 1(22) of the Budget Law for 2026 (Law 199/2025), the various tax deductions for renovation works as they applied in 2025 have been extended largely unchanged for a further year. Only the special relief for the removal of architectural barriers has lapsed. The extension is intended to create at least temporary legal certainty. Commentators agree, however, that after all these years the current reliefs have been stretched too far and that a fresh start is needed.
The limits introduced last year for income above EUR 75,000 have a restrictive effect.
Below is an initial overview of the changes in the construction sector and in the taxation of real estate, which essentially take effect on 1 January 2026:

1. Changes to tax deductions for renovation works

Tax deduction for renovation of residential buildings

The tax deduction for renovation works on residential buildings for expenditure of up to EUR 96,000 (instead of a maximum of EUR 48,000) under Art. 16-bis TUIR remains at the same level as introduced last year:
- 50% for costs borne by the owner or holder of a right in rem for renovation works

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on their main residence, and
- 36% for works in other cases.
The maximum deduction, in each case to be spread in equal parts over 10 years, therefore varies between EUR 48,000 and EUR 34,560.
Note: the main residence is the dwelling in which the owner or family members have their permanent residence. It is sufficient for only one family member to live there. If the owner has two dwellings (one as the taxpayer's main residence, the other as the family member's main residence), only the owner's dwelling can be treated as the main residence for the purposes of the increased deduction. Only the normal deduction applies to the other dwelling (Circular no. 89/2025).
The deductions were in fact due to be reduced in 2026 from 50% to 36% and from 36% to 30%, retaining the EUR 96,000 ceiling for recognised expenditure. That restriction has not materialised.
The exclusion of the relief for the replacement of heating systems remains unchanged where new systems are installed which are powered exclusively by fossil fuels.

Tax deduction on purchase of renovated dwellings

The deduction under Art. 16-bis TUIR for the purchase of dwellings in buildings fully renovated by construction companies also remains in place, where the sale takes place within 18 months of completion of the works. The deduction is therefore unchanged at 50% (main residence) or 36% (other cases of purchase), applied to 25% of the purchase price, with the base for the deduction not exceeding EUR 96,000.
The deductions are spread in equal parts over 10 years.

Tax deduction on purchase or construction of ancillary garages

The deduction for the purchase or construction of ancillary garages, with a cost ceiling of EUR 96,000, likewise remains in place. Here too the deduction is 50% for units ancillary to the main residence and 36% in other cases.

Tax bonus for energy retrofitting

In 2026 as well, the general rule applicable to renovation works on residential buildings also applies to deductions for energy retrofitting expenditure under Law 296/2006:
- 50% for costs borne by the owner or holder of a right in rem for their main residence, and
- 36% in all other cases.

The permitted cost ceilings for energy retrofitting expenditure (Art. 1(344)-(349) of Law 296/2006) remain unchanged. Please note: the cost ceilings have shifted upwards as a result of the reduction of the percentages to 50% and 36% respectively. An overview follows:

Type of works (Art. 14 Legislative Decree 63/2013)	**Maximum deduction**	**Maximum expenditure 2026 – main residence (50%)**	**Maximum expenditure 2026 – other units (36%)**
Comprehensive energy retrofit (para. 344)	100.000 €	200.000 €	277.778 €
Building envelope/windows (external walls, roofs, floors, windows incl. frames – para. 345)	60.000 €	120.000 €	166.667 €
Shading systems	60.000 €	120.000 €	166.667 €
Solar thermal systems (hot water – para. 346)	60.000 €	120.000 €	166.667 €
Replacement of the heating system (para. 347)*, heat pumps, geothermal	30.000 €	60.000 €	83.333 €
Building automation	15.000 €	30.000 €	41.667 €

* The exclusion for the installation of fossil-fuel heating systems set out above applies here as well.

The relief for energy retrofitting is also available for commercial property and may continue to be claimed by businesses irrespective of their legal form, now of course only at the reduced rate of 36%.

The deduction is in principle spread over 10 years in equal instalments.

No extension of the Superbonus

The so-called Superbonus of 110% of expenditure is now history; temporary extensions apply only in special cases.

Removal of architectural barriers

The special relief for the removal of architectural barriers (75%) has also come to an end. For such works, "only" the relief for general renovation works is now available (50% or 36% on maximum expenditure of EUR 96,000). Significantly, this change blocks access to the relief for businesses and non-residential buildings. For payments made up to 31 December 2025 the "old" relief of course still applies.

Deductions for furniture and appliances

The 50% tax bonus for the purchase of furniture and appliances (energy class A+ only, or A for ovens) in connection with renovation works has been extended to 31 December 2026; as in the previous year the ceiling is EUR 5,000.

As reported, the ENEA notification is also required for the purchase of appliances. In addition, the deduction may be claimed in 2026 only by those who started renovation works on the building unit (dwelling) concerned after 1 January 2025; it is not necessary for those works to have been paid for already (Revenue Agency ruling no. 62/2019).

The deduction is also available for furnishing dwellings purchased after renovation by construction companies, provided the purchase took place after 1 January 2025. The deduction must still be spread over 10 years.

Bonus for earthquake-resistant construction ("Sismabonus")

The Budget Law for 2025 extended the relief for earthquake-resistant construction for the years 2025 to 2027, but with a reduced deduction: 50% (main residence) or 36% (other buildings) for 2025, instead of the earlier 75% or 85% (depending on the type of work). This rule is now confirmed unchanged for 2026; in plain terms, the reduction to 36% (main residence) or 30% (other cases) originally envisaged has not materialised here either.

Purchase of earthquake-resistant renovated units

The increased tax bonus (75% or 85%, depending on the type of works) for the purchase of earthquake-proofed renovated dwellings (the "sismabonus-acquisti") was already abolished at the end of 2024. It should be recalled, however, that the credit remains available at 50% (main residence) or 36% (other cases); companies too are entitled to the reduced 36% credit, and the bonus is not limited to property used for residential purposes. In concrete terms, a renovated office may be acquired by a company and the 36% deduction is available. It should be added that this relief cannot be claimed in South Tyrol, because the province is not classified as at risk of earthquakes.

Capping of deductions for higher taxable income

As a reminder: for expenditure from 1 January 2025 onwards the following general caps apply to tax deductions, and these restrictions therefore also fully affect the deductions for the building works set out above:

- Up to a taxable income of EUR 75,000, the deductions may be used in full.
- If that income threshold is exceeded, only costs of a maximum of EUR 14,000 per year may be

claimed, and the recognised costs fall to a modest EUR 8,000 for income above EUR 100,000. Fixed amounts are provided as caps, to be multiplied by a family coefficient. In detail: the available ceiling is EUR 14,000 for annual income of more than EUR 75,000 and up to EUR 100,000, and only EUR 8,000 for income above EUR 100,000. These thresholds represent maximum amounts for families with more than two children. They must therefore be reduced by the family coefficient as follows (see the adjacent table):

- coefficient 0.5 for families with no dependent children,
- coefficient 0.7 for families with one child,
- coefficient 0.85 for families with two children,
- coefficient 1 for families with three or more children, or with a disabled child.

The above restrictions do not apply retroactively to expenditure on renovation works up to 31 December 2024.

New 2026 restrictions do not apply to construction

More good news: the additional restrictions introduced for 2026 by Art. 1(4) of Law 199/2025 for the 19% specific expenses under Art. 15 TUIR do not apply to tax deductions in the construction sector. That provision states that, for taxpayers with total annual income exceeding EUR 200,000, the deduction available for expenditure incurred in 2026 is reduced by EUR 440.

2. Changes to the taxation of land

Extension of the relief (Art. 1, para. 15)

The existing graduated IRPEF exemption for land and agricultural income is extended for 2026. The relief is available to direct farmers (coltivatori diretti – CD) and professional agricultural entrepreneurs (imprenditori agricoli professionali – IAP) under Legislative Decree 99/2004, provided they are registered with the agricultural social security scheme.

As was already the case for 2024 and 2025, the exemption is graduated by income in 2026 as well. Land and agricultural income is subject to the following rules:

- up to EUR 10,000: fully exempt from IRPEF;
- over EUR 10,000 up to EUR 15,000: 50% exempt;
- over EUR 15,000: fully taxable (fully included in the IRPEF base).

The measure represents a time-limited continuation of tax relief for agricultural entrepreneurs.

Please note: the exemption does not apply to agricultural companies organised as commercial companies.

3. Other changes

Short-term lettings and business activity (Art. 1, para. 17)

The rules on the tax classification of short-term lettings of real estate have been tightened from 2026: from the third property let onwards, the activity qualifies as a business activity (previously only from the fifth property). The income derived from it is therefore no longer subject to the flat-rate taxation of private rental income, with the possible option for the substitute tax ("cedolare secca") of 21% or 26%. In addition, registration with the commercial register is required where at least three dwellings are let short-term.

As a reminder: short-term lettings are those lasting up to 30 days, and in the extreme case it is enough to let three different dwellings for one weekend each during the year (i.e. short-term) to become a business.

In summary, the following rules apply from 1 January 2026:

- Anyone letting only one dwelling short-term during the tax period may apply the substitute tax at 21%.
- Anyone letting two dwellings short-term during the tax period may apply the substitute tax at 21% to only one dwelling (to be designated in the tax return) and the substitute tax at 26% to the other.
- Anyone letting three dwellings short-term during the tax period must register a business activity and may, where applicable, opt for the flat-rate regime ("regime forfettario").

Revaluation of land

The option to revalue shareholdings and non-business land was already introduced last year as a permanent rule. By 30 November of each year, individuals, simple partnerships and non-commercial entities may revalue land not held in a business at market value as at 1 January 2026, against payment of a substitute tax. The substitute tax remains unchanged at 18%.

Important: while the substitute tax on the revaluation of shareholdings was increased to 21% in 2026, for land it remains unchanged at 18%.

Payment may be made in a single instalment by 30 November or in three equal annual instalments falling due on 30 November each year, with interest of 3% charged.

No building amnesty

Contrary to numerous press reports and announcements by one of the governing parties, the Budget Law does not for the time being contain a building amnesty, for example in the form of a new edition of the 2003 "condono edilizio". It should be noted, however, that on 4 December 2025 the government approved a draft law reforming the consolidated building act (Law 380/2001). That draft contains indications of a building amnesty, or at least of an extended possibility of regularising building infringements. The reform is unlikely to acquire the force of law before the end of 2026 at the earliest. Until then, one may hope.

We naturally remain at your disposal for any further information.

Yours sincerely
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