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To all
clients

Circular No. 03/2026

Bolzano, 6 January 2026

Subject: Changes for businesses and self-employed professionals at the turn of the year 2026

On 30 December 2025 Parliament once again approved the Budget Law for 2026 at the last minute (Law 199/2025); it was published in the Official Gazette the same day and entered into force on 1 January 2026. Because of the confidence vote, the substantive provisions are again crammed into a single article with 973 paragraphs, making the legislation effectively unreadable. The changes of significance for businesses and self-employed professionals are scattered throughout the article. At the same time, the New Year's Eve decree "Milleproroghe" (Decree-Law 200/2025) again granted a number of deadline extensions. In addition, Legislative Decree no. 192/2025 entered into force on 20 December 2025, containing numerous corrections to the tax reforms of recent years and applying essentially retroactively for 2025.
Below is an initial overview, essentially limited to tax and commercial law changes. Your payroll adviser will no doubt inform you of the changes in employment law; here we merely draw attention to the changes concerning severance pay provisions. The Budget Law also contains a range of incentives for the "Mezzogiorno", which we likewise do not cover here. Please contact us if you need information on those.

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1. New, abolished and amended tax reliefs

As every year, we begin with the good news on various tax reliefs:

Return to hyper-depreciation for Industry 4.0 (Art. 1 paras. 427-436)

From 2026 Italy returns to accelerated depreciation in the field of investment incentives; the tax credits for Industry 4.0 and Transition 5.0 investments applicable over the last 5 years lapse in return.

Only taxpayers with business income are eligible.

Excluded are businesses in liquidation, bankruptcy, compulsory administration, insolvency proceedings without continuation of the business or comparable proceedings. In addition, compliance with occupational health and safety rules and proper payment of social security and other contributions are required.

Eligible investments: hyper-depreciation applies to investments made between 1 January 2026 and 30 September 2028 relating to goods manufactured in the EU or EEA, namely:

- new tangible and intangible assets meeting the relevant requirements for "Industry 4.0" (Annexes IV and V) and connected to the company's production management system or supply chain;
- new tangible assets for the self-production of energy from renewable sources for own consumption (including at a separate location), including energy storage systems; for photovoltaics the relief is limited to systems using certain module types defined by law.

For the purposes of the relief, acquisition costs are notionally increased, solely for the calculation of depreciation, as follows:

+180% for investments up to EUR 2.5 million,

+100% for the portion between EUR 2.5 million and EUR 10 million,

+50% for the portion between EUR 10 million and EUR 20 million.

<u>Please note: in order to claim the relief, notifications and certifications must be transmitted electronically in advance to the GSE. Transmission takes place via a GSE digital platform using standardised templates.</u>

Combination with other incentives: hyper-depreciation may be combined with other national and European measures, provided that the same cost components are not funded twice and total funding does not exceed the costs actually borne.

<u>Importantly, and unlike in the past, the base for hyper-depreciation must be reduced by any grants or aid received.</u>

The Budget Law provides that details of the new depreciation rules are to be laid down in a separate implementing measure to be issued within 30 days of the law entering into force.

Additional funds for Industry 4.0 (Art. 1 para. 770)

As a reminder: up to the end of 2025 the Industry 4.0 investment incentive took the form of a tax credit for tangible fixed assets:

- 20% for investments up to EUR 2.5 million,
- 10% for investments over EUR 2.5 million and up to EUR 10 million, and
- 5% for investments over EUR 10 million and up to a maximum of EUR 20 million.

No Industry 4.0 tax credits are available for investments made from 1 January 2026. However, anyone who placed a binding order for Industry 4.0 equipment in 2025 and also made down payments of at least 20% may still claim the previous tax credits for deliveries by 30 June 2026. As a rule, however, the tax savings under the new hyper-depreciation will be more favourable than the previous incentive.

The funds for those tax credits were already exhausted during 2025. The Budget Law makes an additional EUR 1.3 billion available for 2026 to refinance them. The funds are earmarked exclusively for investments made by 31 December 2025. The corresponding tax credit may only be used by way of offsetting under Art. 17 of Legislative Decree no. 241/1997, by submitting form F24.

Whether assets fall under the old or the new incentive system should essentially be determined according to the accruals principle under Art. 109 TUIR; it cannot be excluded, however, that more precise rules will be laid down in the implementing provisions still to be issued.

Transition Industry 5.0

No tax credits are available for so-called Transition 5.0 investments made from 1 January 2026; complaints about the end of this incentive are likely to be limited. Unfortunately, the promising incentives for investments linked to energy savings could in practice only be claimed in isolated cases because of excessive bureaucratic hurdles.

Industry 4.0 tax credit for agricultural businesses (Art. 1 paras. 454-459)

The Budget Law does, however, provide for new investment grants in the form of a tax credit exclusively for businesses in primary agricultural production, fisheries and aquaculture. Eligible are investments in new tangible and intangible 4.0 assets as listed in Annexes IV and V to Law 199/2025.

The eligible period runs from 1 January 2026 to 31 December 2026, or until 28 September 2028.

The tax credit amounts to 40% of the investment cost. The maximum eligible cost is EUR 1,000,000. The credit may be used exclusively by way of offsetting (form F24) and is not subject to the general offsetting ceilings under the relevant tax legislation.

The tax credit does not apply to investments for which the hyper-depreciation described above is claimed, nor to those still subject to the previous 4.0 tax credit (as a result of binding orders and down payments).

Combination with other aid for the same costs is permitted, provided that total funding does not exceed the investment costs actually borne.

Details are to be clarified within 60 days by a separate implementing measure.

Incidentally, the budget provides a total of EUR 2.1 million for this measure; unless that allocation is revised, any application is pointless.

Design tax bonus (Art. 1 paras. 925-926)

The tax credit for design and aesthetic conception services is extended to the financial year following the one current at 31 December 2025. The relief equals 10% of the relevant base, with an annual ceiling of EUR 2 million per business. The credit may be used in a single annual instalment and is adjusted pro rata where the financial year differs from the calendar year.

The budget provides EUR 60 million for 2026, so no great hopes of substantial support are warranted.

Transition 5.0 tax credit for energy-intensive businesses (Art. 1 paras. 962-965)

And here is some good news: the Budget Law provides for a new 5.0 tax credit for energy-intensive businesses ("imprese energivore"), apparently with retroactive effect for investments made in 2025. Eligible are businesses which in 2025 were entered in the register of electricity-intensive businesses or the register of gas-intensive businesses maintained by the CSEA.

Eligible investments are those in new tangible and intangible assets corresponding to Annexes A and B to the 2017 Budget Law (Law no. 232/2016). The investment period runs from 1 January 2025 to 31 December 2025.

The tax credit follows the rates of the Transition 5.0 regime and is graduated according to the level of energy saving achieved:

1. Low saving, reducing the production site's energy consumption by 3%-6%, or the processes concerned by 5-10%: credit of 35% up to an investment volume of EUR 10 million; 5% for the portion exceeding EUR 10 million, up to a maximum of EUR 50 million per year and business.

2. Medium saving, with a reduction of >6%-10% (production site) or >10%-15% (processes): 40% up to EUR 10 million; 10% for the portion above EUR 10 million up to EUR 50 million.

3. High saving, with a reduction of >10% (production site) or >15% (processes): 45% up to EUR 10 million; 15% for the portion above EUR 10 million up to EUR 50 million.

Conditions of use:

- use exclusively by way of offsetting under Art. 17 of Legislative Decree 241/1997;
- no combination with other incentives for the same eligible costs;
- the Transition 5.0 rules apply where compatible, with the exception of the DNSH principle ("Do No Significant Harm").

The provisions of the Ministerial Decree of 24 July 2024 apply in addition.

The specific implementing arrangements, criteria and maximum rates will be laid down by a ministerial decree still to be issued.

Note: the state budget for 2026 provides EUR 10 million for this initiative as well; if that allocation is confirmed, an application is unlikely to be worthwhile.

Sabatini incentive (Art. 1 para. 468)

The funds for the interest subsidies under the Sabatini scheme have been increased by EUR 200 million for 2026 and EUR 450 million for 2027. The incentive itself is unchanged: the annual interest contribution is in principle 2.75%, rising to 3.575% for 4.0 and environmental investments, and for SMEs which increase their equity in the course of investments the subsidy may be raised to 5%.

Allocation or sale of non-business assets to shareholders and conversion into a simple partnership (Art. 1 paras. 35-41)

Partnerships and corporations are again given the option of allocating real estate and other assets not directly used in the business to their shareholders, or transferring them for consideration, on preferential terms. The beneficiaries must have been shareholders of the company concerned on 30 September 2025.

Dwellings held as current assets of the company may also be allocated. No minimum holding period is prescribed for the allocated assets.

Capital gains are subject to a substitute tax of 8% (10.5% for shell companies). The cadastral value may be used instead of market value. The allocation must take place by 30 September 2026 at the latest. Where non-released reserves are used for the allocation, an additional substitute tax of 13% is payable. Where the allocation is subject to registration tax, that tax is halved. The substitute tax must be paid by 30 September 2026 (60%) and 30 November 2026 (40%).

On the same terms as in the past, it is also possible to convert commercial companies into simple partnerships.

Privatisation of business assets by sole traders (Art. 1 paras. 35-41)

The deadline for the privatisation of business-use real estate by sole traders has also been reopened: such property may be privatised by 31 May 2026 by reference to its cadastral value, with a substitute tax of 8% on the capital gain, as in the past. The tax is payable in 2 instalments by 30 November 2026 (60%) and 30 June 2027 (40%). As in recent years, no special VAT rule has been provided.

2. Changes to the determination of taxable income

A series of partly significant changes to the determination of business income follows:

Capital gains on disposals of fixed assets (Art. 1 paras. 42-43)

The bad news first: the long-familiar rule in Art. 86(4) TUIR on spreading the taxation of capital gains over several years is substantially amended:
Capital gains on business assets, fixed assets and non-exempt shareholdings must in future be taxed in full in the year of realisation. This essentially removes the previous option of spreading such gains over up to five tax years, even where the assets were held for more than three years.
Exceptions remain for:
- capital gains on the transfer of businesses or parts of businesses, provided the holding period was at least three years;
- for professional sports clubs, the special rules on the disposal of exclusive rights to athletes' sporting performance remain in place (with a minimum holding period of two years).

The option for instalment taxation must be exercised in the tax return; if no election is made, the gain is taxed in full in the year of realisation.
The new rules apply to capital gains realised from 2026 (for taxpayers with a calendar financial year). The old rules therefore still apply to the forthcoming 2025 financial statements.
And, as usual, a sting in the tail regarding the 2026 advance tax payments: when calculating the advance payments, the tax resulting from the new rules must already be taken into account.

Valuation of securities (Art. 1 para. 130)

The rules on the tax valuation of bonds and serial or mass-issued securities are amended, irrespective of whether they are classified as current assets or financial fixed assets (Art. 94(4), Art. 101(2) and (2-bis) and Art. 110(1-bis) TUIR).

Bonds and securities held as current assets: Art. 94(4) TUIR is adjusted. For determining the minimum value under Art. 92(5) TUIR the following now applies:

- for securities traded on regulated markets: the arithmetic average of the prices recorded in the last six months;
- for other securities: the tax-recognised value, reduced by any discount resulting from the general trend of the Italian electronic bond market over the last six months.

These rules apply to businesses reporting under national accounting standards (OIC). Art. 94(4-bis) TUIR remains unchanged: for IAS/IFRS adopters, valuation under the international accounting standards is also decisive for tax purposes.

Bonds and securities held as financial fixed assets: Art. 101(2) TUIR continues to refer to the valuation rules in Art. 94 TUIR. For bonds and mass-issued securities traded on regulated Italian or foreign markets, write-downs are deductible only up to the difference between the tax-recognised value and the average price of the last six months. These unchanged rules apply to OIC adopters.

A further paragraph is added: for businesses reporting under IAS/IFRS, valuation losses are relevant for tax purposes provided they are recognised in the profit and loss account. Art. 101(2-bis) and Art. 110(1-bis) TUIR are adjusted accordingly.

Deferred tax assets and goodwill (Art. 1, para. 131)

The next change concerns only businesses reporting under IAS/IFRS. As a reminder: the 2019 Budget Law re-regulated the amortisation of goodwill (18 years), with a complicated transitional rule for expenditure from earlier years. Under it, 13% of those residual costs could have been written off in 2025. Last year a rule was introduced providing for amortisation in equal parts over the tax periods up to 2029. This is now amended again: specifically, part of the deductible quota provided for the financial year ending 31 December 2027 is deferred and spread evenly over the financial years ending 31 December 2028 and 31 December 2029. As a result, tax deductibility (for IRES and IRAP) is as follows:

- 0% in the financial year ending 31 December 2025;
- 3.25% in the financial year ending 31 December 2026;
- 8.22% in the financial year ending 31 December 2027;
- 19.76% in the financial year ending 31 December 2028;

- 19.77% in the financial year ending 31 December 2029.

Extraordinary release of reserves (Art. 1, paras. 44-45)

This extension was not really expected: an extraordinary release of reserves in suspension of tax existing at 31 December 2024 (and still in place at 31 December 2025) is again provided for; this mainly concerns non-released revaluation reserves. The substitute tax due is unchanged at 10% and may be paid in up to four annual instalments. It is worth noting that individual types of reserves may be released, and only in part, so that a tailored solution can be sought with a view to future distributions. Reserves already distributed in the 2025 financial year cannot be regularised.
The release must be made in the 2025 tax return and takes effect on 1 January 2026.

Transitional provisions on the valuation of securities (Art. 1, paras. 131-132)

For 2026 – pending implementation of enabling Law no. 111/2023 – the following transitional rules are laid down:
a) Taxation of gains on the sale of own shares and units: by way of derogation from Art. 83 TUIR, the difference between the proceeds from the sale of own units and their acquisition cost is taxed as a capital gain. The FIFO method applies for determining the acquisition cost.
b) Expenses relating to stock option plans: the rule in Art. 95(6-bis) TUIR is extended to cash-settled share-based remuneration plans, provided those plans relate to programmes approved in the same tax period. The tax deductibility of the corresponding expenses is thus expressly recognised for cash-settled models as well.

Access to the flat-rate regime (Art. 1 para. 27)

The increase in the income limit from EUR 30,000 to EUR 35,000 already set for 2025 is extended to 2026 as well.
This limit concerns employment income (or income treated as such) and represents the threshold above which access to the flat-rate regime ("regime forfettario") is excluded for taxpayers who would otherwise be eligible.

Dividends and capital gains on shareholdings (Art. 1 paras. 51-55)

We informed you briefly about the next change in our Circular no. 49/2025 shortly before the end of the year, partly in order to advise against hasty restructuring (which as a rule would have achieved nothing).
In future, the partial exemption of dividends (in principle 95% for corporations, and to a lesser extent for partnerships) will no longer apply without restriction. For dividends to

be only partly taken into account in determining taxable profit (5% for corporations), one of the following conditions must be met from 1 January 2026:

- the dividends must derive from a shareholding representing at least 5% of the distributing company's capital, or
- the shareholding must have a tax book value of at least EUR 500,000.

<u>If neither condition is met, dividends are in principle fully taxable from 2026.</u>

The changes apply to profit distributions resolved from 1 January 2026 onwards. Conversely: distributions in 2026 resolved before 31 December 2025 continue to benefit from the extensive exemption even if neither condition is met.

In parallel, the rules on the taxation of capital gains on shareholdings have also been adjusted. Such gains are likewise only partly taxable for businesses (5% for corporations) provided the shareholding has been held for at least 12 months. Here too, for capital gains from 1 January 2026 a minimum shareholding of 5% or a tax book value of EUR 500,000 is required.

To the legislator's credit, this new rule applies only to shareholdings acquired from 1 January 2026 onwards.

Correction of accounting errors (Art. 4 Legislative Decree 192/2025)

Finally, a genuinely painful change in this chapter. As a reminder: the simplifications introduced in 2022 in Art. 83 TUIR for the correction of accounting errors allowed companies applying reinforced derivation ("derivazione rafforzata") and whose financial statements are audited by a statutory auditor or the supervisory board to obtain immediate tax recognition of corrections of accounting errors recognised in the financial statements – irrespective of whether the errors were material or not. No supplementary return had to be filed for the tax period concerned (Art. 83 TUIR). This relief mainly concerned errors in the accrual allocation of expenses and income and valuation errors in current assets.

Serious restrictions now apply:

a) Subjective restriction: the simplification applies only to companies for which a statutory audit is mandatory. The voluntary appointment of a control body is therefore not sufficient. Application of reinforced derivation is, however, not required.

b) Objective restriction: immediate tax recognition of corrections recognised in the financial statements is limited to non-material errors. Material errors are, in short, those which alone or together with others influence the decisions taken by shareholders on the basis of the financial statements.

c) Time restriction: tax recognition applies only to corrections recognised at the latest by the approval of the following year's financial statements (the original version set the following year's financial statements as the deadline).

In any event, corrections must be made before a tax audit begins. Where the now restricted simplifications cannot be applied, a supplementary return ("ravvedimento operoso", with the corresponding administrative penalties) must be filed for tax recognition of the corrections: in the year of correction they must be neutralised in the tax reconciliation and then taken into account in the supplementary return for the year in which the error was made.

These principles now also apply to IRAP, with the additional restriction that correction is not possible where a negative tax base results before or after the correction.

<u>Note: the changes apply to financial years beginning on or after 1 January 2025 and must therefore be scrupulously taken into account in the forthcoming financial statements.</u>

Relevance of the statutory accounts for the tax accounts (Art. 3 Legislative Decree 192/2025)

This rule is positive: the relevance of the statutory accounts for the tax accounts is strengthened. Specifically, from 2025 it also applies to companies preparing abridged financial statements under Art. 2435-bis of the Civil Code. Micro-entities preparing micro financial statements remain excluded. Previously the rule was limited to entities preparing ordinary financial statements; abridged financial statements are now sufficient.

In addition, Art. 3 extends the scope of the rules on differences between tax and accounting values on a change of accounting standards. Those rules now also apply to tax-neutral reorganisations between businesses applying identical accounting standards.

3. Other changes for businesses

Severance pay provision (Art. 1 para. 203)

As a reminder: with effect from 2007, Law 296/2006 removed the right to manage the severance pay fund in-house from all businesses which in 2006 employed more than 50 staff on average. For businesses established after 31 December 2006, in-house management ceased if the threshold of 50 employees was exceeded in the first year of activity. They were required by law to transfer the severance pay to an external pension fund (such as Pensplan) or to INPS where the employee so wished or made no choice.

Conversely, until the end of 2025: businesses which had fewer than 50 employees in 2006, and those which started later and did not exceed the 50-employee threshold in their first year, could choose whether to keep the severance pay (TFR) in the business or pay it into an external supplementary pension fund.

This time-dependent unequal treatment now comes to an end, albeit with a mild transitional rule:
- In 2026 and 2027, businesses previously permitted to manage the fund in-house must pay the severance pay into a pension fund or to INPS if the threshold of 60 employees was exceeded in the preceding year. Specifically: if more than 60 employees were employed in 2025, the obligation applies from 2026.
- From 2028 the general threshold of 50 employees is to apply to these businesses as well, and from 2032 a further reduction to 40 employees is envisaged.

The rules are supplemented by the introduction of automatic enrolment in occupational supplementary pension provision for all private-sector employees newly hired from 1 July 2026 (with the exception of domestic staff).

The previous principle of "tacit consent" is thereby reversed: the employee is automatically enrolled in supplementary provision but may expressly opt out within 60 days of the date of first hiring. Two alternatives are then open to the employee:
- transfer of all future severance pay to another form of supplementary provision;
- retention of the severance pay in the business under Art. 2120 of the Civil Code, with the option of joining a supplementary pension fund at a later date.

<u>Your labour law adviser will no doubt provide details of these changes. Please note the effects of the change on the company's liquidity.</u>

Ground-mounted photovoltaic systems (Art. 1, para. 16)

For agricultural businesses producing photovoltaic electricity in excess of the volume attributable to agricultural income (i.e. 260,000 kWh per year), the following applies:
- Photovoltaic systems with ground-mounted modules whose installation is completed after 31 December 2025 are excluded from the flat-rate regime for determining business income under Art. 1(423) of Law no. 266/2005. For such agricultural businesses, electricity and heat generation therefore gives rise to:
- up to 260,000 kWh per year: agricultural income determined on a cadastral basis under Art. 32 et seq. TUIR (as for photovoltaic systems generally);
- above 260,000 kWh per year: business income for the excess, to be determined under the ordinary rules, without the possibility of flat-rate determination using a profitability coefficient of 25%.

Evidence of the installation date: for compliance with the 31 December 2025 deadline, the decisive evidence is registration of the plant as a "completed power station" in the national GAUDÌ system.

Sugar and plastic tax (Art. 1 para. 125)

The two taxes introduced by the 2020 Budget Law and repeatedly postponed still do not enter into force. The plastic tax (excise duty on single-use plastic products – MACSI) now enters into force only on 1 January 2027, a postponement of six months (from 1 July 2026 to 1 January 2027).

The sugar tax (excise duty on sweetened soft drinks) is also postponed to 1 January 2027, a year later than the date originally envisaged (1 January 2026).

Offsetting ban in form F24 and tax debts (Art. 1 para. 116)

The amount of outstanding claims entered for collection (generally tax collection notices) above which the offsetting of different types of tax (so-called horizontal or external offsetting) is not permitted is reduced from EUR 100,000 to EUR 50,000 with effect from 1 January 2026.

The rule is limited to adjusting this threshold; the other provisions of the relevant legislation remain unchanged, in particular Art. 37(49-quinquies) of Decree-Law no. 223/2006 and Art. 5(7) of the new consolidated act on payments and collection.

Note: if you are affected, an application for payment by instalments should as a rule be made.

New withholding tax on commissions (Art. 1, paras. 140-142)

The obligation to withhold tax on commissions arising from commission, agency, intermediation, commercial representation and acquisition relationships is extended. In future, commissions paid to the following recipients will also be subject to withholding tax:

- travel and tourism agencies,
- sea and air freight agents, representatives and brokers,
- agents and commission agents of oil companies for services which they supply directly to those companies.

The extension of the withholding obligation applies to commissions paid from 1 March 2026. The withholding tax will be of general significance in particular for travel agencies.

New withholding tax on B2B transactions (Art. 1, paras. 112-115)

With the next provision one can only hope that it was "invented" purely for budgetary reasons and will never be implemented: under the guise of combating tax evasion, a withholding tax is introduced on all payments between businesses. A withholding of

0.5% is provided for from 2028 and 1% from 1 January 2029 as the standard rate. Unimaginable!
But 2028 leaves a long time for reflection.

4. Changes for self-employed professionals

Self-employed professionals and tax debts (Art. 1 para. 725)

This change will cause many professionals headaches: it is provided that, from 15 June 2026, for payments by public authorities to professionals – including amounts up to EUR 5,000 – the payees must provide a certificate confirming proper fulfilment of their tax and social security obligations. This certificate must be submitted together with the invoice for the services rendered.
On the wording of the law, any overdue tax collection notice could block payments by the public administration. In the extreme case: anyone who has not paid a traffic fine will no longer be able to collect an invoice from the public administration after 15 June 2026. One can only hope that relief will still be granted here.

5. Other changes

Compulsory catastrophe insurance (Decree-Law 200/2025)

We informed you in a separate circular (no. 51 of 31 December 2025) about the extension of the deadline for taking out compulsory insurance for small and micro businesses in tourism and for fisheries businesses until 31 March 2026.

Shareholders' meetings (Decree-Law 200/2025)

Corporations, cooperatives, associations and foundations may continue to hold shareholders' meetings by video conference until 30 September 2026, even where this is not provided for in their articles. The relevant Covid-era relief has been extended once again.

Reporting of cash payments to the tax office (Art. 1 para. 473)

As a reminder: retailers, travel agencies and tourism operators are permitted to accept cash payments of less than EUR 15,000 (i.e. a maximum of EUR 14,999.99) from individuals not resident in Italy. Until now they were required to report accepted cash payments above a threshold of EUR 1,000 to the Revenue Agency. That threshold is raised to EUR 5,000 with effect from 1 January 2026, so that in practice payments between EUR 5,000 and EUR 14,999.99 are reportable.

No new offsetting

More good news: Art. 26 of the draft Budget Law for 2026 had provided that, from 1

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July 2026, the offsetting of tax credits against liabilities to INPS and INAIL would no longer be permitted. The planned restriction caused considerable annoyance in the professional press in recent weeks. That provision is no longer contained in the approved final version of the Budget Law, so for the time being the all-clear can be given.

It must unfortunately also be noted at this point that the scope and effects of some of the changes described will only become fully apparent during the year and cannot be assessed at present. We therefore ask for your understanding as regards any incompleteness or imprecision.

Yours sincerely
Josef Vieider