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To all clients

Circular No. 04/2025

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Subject: New developments in construction and in the taxation of real estate

The Budget Law for 2025 (Law 207/2024) has severely restricted the various tax deductions for renovation works. In particular, for income exceeding 75.000 Euro the deductions for expenses incurred as from 1 January 2025 are reduced. Legislative Decree No. 192/2024, on the other hand, has enacted a far-reaching reform of the taxation of agricultural income, which partly moves away from the strict link to the agricultural area under cultivation.
Below is a first overview of the new developments in construction and in the taxation of real estate, which essentially take effect on 1 January 2025:

1. New developments concerning tax deductions for renovation works:

Tax deduction for renovation works on residen-tial buildings (Budget Law, Art. 1 paras. 54-55)

The tax deduction for renovation works on residential buildings for expenses of up to 96.000 Euro (instead of a maximum of 48.000 Euro) pursuant to Art. 16-bis of the Income Tax Code (TUIR) remains in force - contrary to earlier announcements by the Government - although the deduction is amended as follows for 2025:

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- 50% for costs borne by the owner or the holder of a right in rem for renovation works on his main residence and
- 36% for works in other cases.

The maximum tax deduction, which in each case must be spread in equal instalments over 10 years, therefore varies between 48.000 Euro and 34.560 Euro.

Note: the main residence is deemed to be the dwelling in which the owner or the holder of a right in rem of use maintains his registered residence. Family members, tenants and bare owners are therefore excluded from the increased deduction of 50%.

For the years 2026 and 2027 the aforementioned deductions are to be reduced from 50% to 36% and from 36% to 30%, while maintaining the ceiling of 96.000 Euro for eligible expenses.

Important: as a result of an amendment made during the parliamentary procedure, the replacement of a heating system is no longer eligible if a system fired by fossil fuels is installed.

Otherwise, no changes have been made to the tax deductions provided for in Art. 16-bis TUIR (para. 1 letters a-l) as regards the eligible works.

It should be added that the tax deduction of 50% for the replacement of latest-generation gas-powered generator sets remains in force.

Tax deduction for the purchase of renovated dwellings

The tax deduction for the purchase of dwellings in buildings entirely renovated by construction companies also remains in force, where the sale takes place within 18 months of completion of the works. Until the end of 2024 a tax deduction of 50% on 25% of the purchase price could be claimed here, whereby the tax deduction could not exceed 48.000 Euro per dwelling. The deductions are deductible in equal instalments over 10 years. The wording of the law does not currently allow any precise conclusion as to whether, as from 1 January 2025, the deduction may still be calculated at 50%, or whether only 36% of 25% of the purchase price is available.

Tax deduction for the purchase or construction of appurtenant garages

The tax deduction for the purchase or construction of appurtenant garages, with a cost ceiling of 96.000 Euro, likewise remains in force. Here, too, the wording of the law does not currently permit any statement as to whether, as from 1 January 2025, the deduction is to be calculated at 50% or at 36%. As a precaution, the specialist press currently assumes 36%.

Tax bonus for energy-efficiency refurbishments

Since 1 January 2025 the general rules applicable to renovation works on residential buildings also apply to the tax deductions for expenses for energy-efficiency refurbishment pursuant to Law 296/2006:
- 50% for the costs borne by the owner or the holder of a right in rem for his main residence and
- 36% in all other cases.

Unlike in previous years, the percentages therefore no longer vary depending on the type of building work.
The exclusion for the installation of heating systems fired by fossil fuels, as set out above, applies here as well.
The admissible cost ceilings with reference to the expenses for energy-efficiency refurbishment (paras. 344-349 of Art. 1 of Law 296/2006) remain unchanged.
The benefits for energy-efficiency refurbishments are also available for commercial properties and - at least according to the wording of the legal provisions in question - may continue to be claimed by businesses, irrespective of their legal form, of course only to the reduced extent of 36%.
As a rule, the tax deduction may be offset in equal instalments over 10 years.

Extension of the Superbonus (Law 2017, Art. 1 para. 56)

The Superbonus in its original amount of 110% actually already expired on 31 December 2023. As previously advised, in certain cases it may, however, still be claimed in 2024 and 2025 in a reduced amount of initially 70% (2024) and then 65% (2025). Entitled to the extended Superbonus for 2025 are condominiums, natural persons who are owners or co-owners of residential buildings with 2 - 4 residential units, ONLUS non-profit organisations, voluntary associations and social promotion associations. Owners of single-family houses, on the other hand, are excluded in 2024 and 2025. The public housing institute and housing cooperatives with undivided ownership are also still entitled to the extended Superbonus, provided that they hold dwellings in condominiums.
The present Budget Law, however, provides for additional cutbacks for 2025:
- The deduction of 65% is only available in 2025 if the works were commenced before 15 October 2024, or if, in the case of condominiums, a

resolution of the condominium meeting was in place as at that date and if - in the case of demolition and reconstruction - the building permit was applied for as at that date.
The Budget Law also provides that, for expenses incurred in 2023 as well, the tax deduction may be requested to be spread over 10 years; this measure became necessary because many taxpayers were unable to use the full deduction in “only” four years. In this case a supplementary tax return must be filed by October 2025.
For expenses from 2024 onwards, the spreading over 10 annual instalments applies to the Superbonus as well, as is known.

Removal of architectural barriers

In previous years the tax bonus for the removal of architectural barriers, which provides for a deduction of 75%, had a very broad scope of application in substantive terms. The 2022 Budget Law increased the tax deduction and extended its period of application until 31 December 2025. As is known, the deduction must be spread over five equal annual instalments. The eligible measures, for which certain ceilings are provided, have to satisfy certain substantive requirements relating to accessibility for disabled persons (Ministerial Decree of 14.6.1989). In practice, however, the replacement of windows, sanitary installations and investments in home automation or domotics could also be taken into account up to now.
By Law Decree 212/2023 the eligible building measures were restricted, as from 30 December 2023, to the following areas: stairs, ramps, lifts, stair lifts, platform lifts and the like.
The following transitional rule is to be viewed positively: for works for which the building permit was applied for before 30 December 2023, the earlier provisions remain in force. For works which do not require a building permit, in order to benefit from the transitional rule it is necessary that the works had already commenced as at that date or that binding contracts had already been concluded as at that date.
In addition to Art. 119-ter of Law Decree No. 34/2020, it is furthermore required that a specific sworn certification (keyword “asseverazione”) also be provided for architectural barriers, and it is also required that all costs which are eligible for the tax deductions for the removal of architectural barriers be settled in accordance with the relevant bank transfer requirements (keyword

"bonifico parlante"); it is not clear whether this last requirement also concerns businesses. Following the provisions in the field of energy-efficiency refurbishments, we tend to assume that this should not be the case.

Incidentally, since 2024 these tax deductions must also be spread over 10 years.

For works for the removal of architectural barriers in 2025, no specific changes have been made in the present Budget Law.

Deductions for furniture and house-hold appliances

The tax bonus of 50% for the purchase of furniture and household appliances (only energy class A+, or A for ovens) where renovation works are carried out has been extended until 31.12.2025; the following ceilings apply:

- 2022 ceiling of 10.000 Euro
- 2023 ceiling of 8.000 Euro,
- 2024 ceiling of 5.000 Euro and
- **2025 ceiling unchanged at 5.000 Euro.**

As previously advised, the ENEA notification is also required for the purchase of household appliances. In addition, the 2024 deduction may only be claimed by persons who commenced renovation works on the relevant building unit (dwelling) after 1 January 2023; it is not necessary for those works also to have already been paid for (Italian Revenue Agency Ruling No. 62/2019). For the following years the reference year is shifted forward accordingly, so that in order to claim the deduction for purchases made in 2025, conversion works after 1 January 2024 are required. The deduction is also available for furnishing purchased dwellings renovated by construction companies, provided that the purchase took place after 1 January 2024. The deduction must still be spread over 10 years.

New household appliance bonus (Law 207/2025, Art. 1 paras. 107-111)

For high-quality household appliances manufactured in Europe (class B or higher) a new bonus amounting to 30% of the purchase price is introduced, whereby the contribution may not, however, exceed 100 Euro (200 Euro for taxpayers with an ISEE income below 25.000 Euro). The relief is available for one appliance per family. The precise requirements and the manner in which the subsidy is granted must be clarified by a specific implementing provision. It is likely to be a scrappage premium granted by the dealer upon presentation of appropriate evidence.

A modest 50 million Euro has been earmarked in the national budget for this measure, and the subsidy lapses once those funds are exhausted.

Tax deduction for green areas

The deduction introduced in 2017 for works in gardens, on terraces and on green areas definitively expired on 31.12.2024.

Bonus for earthquake-proof construction ("Sismabonus" – Art. 1 para. 56 Law 207/2025)

The so-called Sismabonus pursuant to Art. 16 para. 1-quinquies of Law Decree 63/2013, amounting to 75% or 85% of the eligible costs of a maximum of 96.000 Euro per building unit, expired in principle on 31.12.2024. The deduction is offset in equal instalments over 5 years. Note: as is known, the benefits for earthquake-proof construction apply to the areas of Italy classified in classes 1-3 (South Tyrol is less at risk and falls within class 4).

The Budget Law has, however, introduced an extension for the years 2025 to 2027, albeit with a reduced deduction: 50% or 36% for the year 2025, instead of the previous 75% or 85%, and in the following two years the deduction is to be reduced to 36% (main residence) or 30% (other cases).

Purchase of building units renovated to be earthquake-proof

For the sake of completeness it should also be pointed out that at the end of the year the tax bonus for the purchase of dwellings renovated to be earthquake-proof (the so-called "sismabonus-acquisti") was definitively abolished. Anyone concluding such purchase contracts after 31 December 2024 is no longer entitled to the benefit.

<u>It should be added that for real estate in South Tyrol the deductions for earthquake-proof construction are not available, because there is no corresponding risk exposure here.</u>

New cap on the deductions in the case of higher taxable income:

The most serious restriction, however, is the following: for expenses incurred as from 1 January 2025 the following caps generally apply to tax deductions, and the corresponding restrictions therefore also fully affect the deductions for the building measures set out above:

- Up to a taxable income of 75.000 Euro the deductions may be used in full.
- If this income threshold is exceeded, however, only costs of a maximum of 14.000 Euro per year may be claimed, and the eligible costs are reduced to a modest 8.000 Euro for income

exceeding 100.000 Euro.

Fixed amounts are provided for as a cap, which must be multiplied by a family coefficient. In detail: the available ceiling amounts to 14.000 Euro for annual income of more than 75.000 Euro and up to 100.000 Euro, and only 8.000 Euro for income of more than 100.000 Euro. These thresholds represent the maximum amounts for families with more than two children. They must therefore be adjusted downwards by the family coefficient as follows (see the table alongside):

- Coefficient 0,5 for families without children who are dependants for tax purposes,
- 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 where there is a child with a disability.

Example: with an income of 76.000 Euro and one child, the eligible costs are reduced to 9.800 Euro (=14.000*0,7), and the tax deduction may be calculated on that amount at the percentages mentioned above (e.g. 50% for works on the main residence). In concrete terms, in the case of renovation works on the main residence with costs of more than 96.000 Euro the full annual deduction of 4.800 Euro could still be used, and further tax deductions could be claimed on a paltry 200 Euro.

Incidentally: the cap described applies only to natural persons and not to tax deductions to which corporations are entitled (e.g. for energy-efficiency refurbishments and the removal of architectural barriers).

And once again by way of repetition: the income-related restrictions do not apply retroactively to expenses incurred up to 31.12.2024.

2. Changes to the taxation of land

Legislative Decree 192/2024 introduced a far-reaching reform of the taxation of agricultural activities. Among other things, it governs intensive crops and intensive greenhouse cultivation, with taxation being adjusted on the basis of the cadastral income. The new rules already apply to income generated in the 2024 tax period. Here are the first details:

Taxation of income from land (Art. 1 Legislative Decree 192)

Pursuant to Art. 32 TUIR, the criterion for the taxation of income on the basis of the cadastral income is no longer the ratio between the available area and the revenue generated, but the pursuit of an agricultural activity within the meaning of Art. 2135 of the Civil Code.

In particular, this means that the cultivation of plants off the ground and in buildings of categories C/1, C/2. C/3, C/6, C/7, D/1. D/7. D/8. D/9 and D/10 is included within agricultural activity.

The details of the reform are to be laid down by specific implementing provisions.

CO2 certificates

Trading in CO2 certificates to curb climate change is also to be attributed, within certain limits, to agricultural activity. For the excess portion a deemed profitability rate of 25% applies.

Agricultural companies

Insofar as taxation does not take place on the basis of the cadastral income, agricultural companies (partnerships, limited liability companies and cooperatives) may also opt for the flat-rate taxation pursuant to Art. 56-bis TUIR, namely for income from connected agricultural activities.

3. Other changes:

Capital gains on building land (Art. 7 Legislative Decree 192)

A (disadvantageous) change concerns the determination of the gain on the disposal of building land or building plots by natural persons, insofar as they acquired the building land by way of gift. Up to now, the value stated in the deed of gift or in the corresponding tax return had to be taken as the basis in this respect. Now, however, the costs recognised for tax purposes at the level of the donor must be referred to for the purposes of determining the capital gain. The new rule applies to capital gains as from the entry into force of the decree on 31 December 2024.

Primary residence and extended sale deadline (Art. 1 para. 116 Law 207/2024)

Anyone who purchases a dwelling with the primary residence benefits and undertakes in the purchase contract to sell his “old” dwelling, which he acquired with the same reliefs elsewhere in the national territory (please note: not in the municipality in which the new dwelling is located), now has more time: the previous deadline for the sale is extended from one year to two years.

The new rule applies to purchase contracts as from the entry into force of the decree on 31 December 2024.

Purchase of a primary residence "under 36" (Art. 1 para. 112 Law 207/2024)

The reliefs for the purchase of dwellings by taxpayers under 36 years of age, introduced by Law Decree 73/2021, are extended and amended. The relief now applies to contracts concluded up to 31 December 2027.

Anyone who purchases a primary residence and does not reach the age of 36 in the year of purchase (!) is fully relieved on the purchase of value added tax (4%) or registration tax (2%), in addition to mortgage and cadastral tax. This is, however, subject to the condition that the annual income for the purposes of the so-called "ISEE" (national indicator of the income and asset situation) does not exceed the threshold of 40.000 Euro. Whereas a full exemption is granted in the case of registration tax, in the case of VAT the purchaser receives a corresponding tax credit which may then be offset. The relief applies not only to purchase contracts for full ownership, but also to the transfer of other rights in rem. In addition to the aforementioned requirements as to age and income, all the relevant conditions required for the tax reliefs on the purchase of a primary residence must also be met.

But that is not all: in addition, loans taken out for the purchase, construction or conversion of the primary residence are also exempt from the general substitute tax, again provided that the aforementioned conditions are met.

Contracts for luxury dwellings (categories A/1, A/8 and A/9) are excluded.

Appurtenant units (e.g. cellars and garages) are not expressly mentioned in the law, but the Italian Revenue Agency clarified by Circular No. 12/2021 that the reliefs are also available for one appurtenant unit each in categories C/2, C/6 and C/7 (always within the framework of the benefits for the purchase of a primary residence).

CIN code

As advised on several occasions, following an extension of the deadline in the autumn, all accommodation businesses have been obliged since 1 January 2025 to register on the website of the Ministry of Tourism and to apply for the allocation of their own identification number, the so-called CIN ("Codice Identificativo Nazionale"). The obligation goes back to the decree accompanying the Budget Law for 2024 (Law Decree No. 145/2023), which required the introduction of a uniform identification

number intended to standardise the local identification numbers (CIR) already in use in several regions. The intention is to ensure clear identification of accommodation businesses, and thus in particular also of short-term letters; the aim is in particular to subject this last-mentioned form of letting to closer control. Tax evasion is to be curbed and compliance with general regulations is to be ensured.
For details we refer to our Circular No. 34/2024.
<u>Incidentally, the Budget Law for 2025 has laid down that the CIN will also have to be stated in tax returns and in the CU certifications.</u>

Rents for dwellings for newly hired employees (Art. 1 paras. 386-389 Law 207/2024)

Rents for dwellings, and additional expenses, borne or reimbursed by the employer where the dwellings are rented by newly hired employees on permanent employment contracts do not constitute employment income for the employee during the first 2 years, up to an amount of 5.000 Euro per year. The conditions are that in the year prior to the hiring the employee did not receive more than 35.000 Euro in employment income and that he has transferred his residence to a municipality more than 100 km away from his former municipality of residence.

Revaluation of land (Art. 1 para. 30 Law 207/2024)

As announced, the “extraordinary” revaluation of shareholdings and non-business land, which has been extended year after year over recent decades, has finally been introduced as a permanent rule. By 30 November of each year, natural persons, simple partnerships and non-commercial entities may revalue unlisted shareholdings and land not held in a business at the market value as at 1 January of the relevant year against payment of a substitute tax. The substitute tax now amounts, however, to 18%, to be calculated not on the capital gain but on the value of the shareholdings and land. Payment may be made in a single instalment by 30 November or in three equal annual instalments, each falling due on 30 November, whereby interest of 3% is, however, charged.

Mortgage tax and land register (Art. 1 paras. 68-71 Law 207/2024)

In areas with a land register system, that is to say above all in South Tyrol, the cancellation of usufruct and of rights of habitation and use in the event of death is no longer subject to mortgage tax as from 1 January 2025, namely for deaths occurring as from that date.

Since 1 January 2025 annotations and cancellations in connection with subsidised and price-regulated housing construction in the Province of Bolzano have likewise been exempt from mortgage tax.

We remain at your disposal for any further information you may require.

Yours sincerely
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