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To all clients

Newsletter
No. 29/2026

Bolzano, 24 June 2026

Subject: Tax credit for the main residence in mountain municipalities

The press has reported on this at length in recent weeks: by the implementing decree of the Prime Minister of 18 February 2026 all 116 South Tyrolean municipalities have been classified as mountain areas. A relief introduced by Law 131/2025 has gone largely unnoticed: natural persons who have not yet reached the age of 41 in the year in which the loan agreement is concluded are granted, for the purchase or the building renovation of their main residence in a mountain municipality, a tax credit for the full amount of the interest on mortgage loans concluded after 20 September 2025 – in the year in which the loan is concluded and in the four following tax years (five years in total). The bonus cannot be combined with the ordinary IRPEF interest deduction.

Who is eligible for the relief?

Eligible are natural persons who take out a mortgage loan and use it for the purchase or the building renovation of their main residence in a mountain municipality and who have not yet reached the age of 41 in the year in which the loan agreement is concluded. Luxury properties are excluded, however, i.e. properties registered in the building cadastre under categories A/1, A/8 or A/9.

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What does the relief consist of?

A tax credit is granted for the full amount of the interest. The relief applies in the year in which the loan is concluded and in the four following tax years, i.e. for a total period of **five years**. In plain terms: unless expenditure caps are introduced at some point, the State will bear the interest burden for the first 5 years!

For which loans does the rule apply?

Eligible are **mortgage loans or loans secured by real estate concluded after 20 September 2025** and used for the purchase or the building renovation of a property used as a main residence in a mountain municipality.

Relationship with the ordinary interest deduction

The new tax bonus **cannot be combined with the ordinary IRPEF interest deduction for the purchase of the main residence**. Taxpayers must therefore claim whichever relief is more favourable.

Current state of implementation

Although further implementing provisions may yet be expected, the relief has already been included in the official instructions for the 2026 tax return. Claiming it therefore appears possible in principle, but should be done prudently, taking into account any further clarifications from the tax authorities as well as the expenditure caps provided for.

Our recommendation

Anyone who has purchased or carried out building renovation on an apartment or a house in a mountain municipality after 20 September 2025 and has taken out a mortgage loan for this purpose should carefully retain the documentation:

- loan agreement,
- purchase contract or documentation of the building renovation works,
- annual bank certificate of the interest payments,
- proof of use as main residence.

In particular, the mortgage loan agreement or the bank documentation should clearly show that the loan was taken out for the purchase or the building renovation of the main residence.

As regards the type of building work, Art. 27 of Law 131/2025 actually refers only to building renovations (“ristrutturazione edilizia”); under a prudent interpretation, ordinary and extraordinary maintenance works or mere restoration works would therefore be excluded.

We remain at your disposal for any questions.

Kind regards

Josef Vieider

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