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Circular No. 34/2025

Bolzano, 5 September 2025

Subject: Two-year advance tax arrangement (concordato preventivo biennale) for the 2025/2026 biennium by 30 September 2025

By 30 September 2025, businesses and self-employed professionals who are subject to the reliability indices (ISA) have the option of agreeing a so-called two-year advance tax arrangement (concordato preventivo biennale) with the tax authorities for the years 2025 and 2026. In doing so, they undertake to declare in both years a minimum profit determined by means of specific software; should the profit actually achieved be higher, the difference remains tax-free. Additional advantages apply with regard to compliance certifications and tax audits. By contrast, those who ultimately fail to reach the promised minimum income are penalised: as a rule, they must pay the taxes on the accepted minimum income. Compared with the previous year, when this taxation instrument was introduced for the first time on a trial basis for the years 2024/2025, a number of differences arise.
The benchmark income actually achieved during the term of the arrangement is also taken into account, with certain deviations, for IRAP purposes and for statutory social security contributions. The taxpayer may, however, pay the social security contributions on the basis of

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the actual income where this is higher than the benchmark income.
Incidentally: for VAT purposes, the advance arrangement is in principle of no relevance whatsoever.

The rules in the previous year

Businesses and self-employed professionals who were subject to the reliability indices (ISA), that is to say, generally speaking, those with revenues (in 2023) of up to 5.164.569 Euro, had the option in 2024 of submitting an application together with their tax return by 31 October 2024, by which they essentially undertook to declare, for the years 2024 and 2025, a profit or surplus determined in advance on the basis of the aforementioned reliability indices. If the taxpayer then generates income in the two tax periods 2024 and 2025 exceeding this agreed benchmark income, the excess difference is tax-free. The difference between the agreed benchmark income and the actual taxable income for 2023, on the other hand, was subject to a uniform substitute tax of 15% (10% for taxpayers under the flat-rate scheme).
The other side of the coin: the taxes on the benchmark income must in principle be paid even if the actual income is far below it.
At first glance, a risky lottery with the tax authorities. However, bearing in mind that the decision only had to be taken by the end of October 2024 (and, in certain cases, by 12 December 2024), income could be estimated relatively reliably at least for the year 2024. And indeed: taxpayers who exercised the option were generally able to claim considerable tax savings for 2024.
Incidentally: as regards the level of turnover, access to the ISA indices is in principle required, and a threshold of 5.164.569 Euro applies there for revenues or receipts. In the years covered by the arrangement, however, revenues may be up to 50% higher (upper limit 7.746.853 Euro) without this constituting a ground for forfeiture. In determining the revenue threshold, reference is generally made to the revenues reported under item A.1 of the annual financial statements. In the case of construction companies, however, the changes in inventories under A.2 must also be included.

The new rules for the 2025-2026 biennium:

The advance arrangement for 2024-2025 was a first trial run. In the meantime, by Legislative Decree No. 81/2025 and by Circular No. 9/2025 of the Italian Revenue Agency, the advance arrangement has evidently been established as a permanent form of assessment. And by 30 September, or by the ninth month following the end of the financial year, one may opt for the two-year advance tax arrangement (concordato preventivo biennale) for the current year and the following year in each case. Accordingly, anyone who did not opt in last year and therefore still has the year 2025 „free“ may exercise the option for the years 2025 and 2026 by the end of September. Compared with the first version for the 2024/25 biennium, opting in for the years 2025/26 gives rise above all to the following changes:

- The notional tax base for income taxes continues to be determined on the basis of the ISA indices using special software. In addition, however, a rule applies under which the estimated income in the years 2025 and 2026 may be increased only to a limited extent compared with the actual income (please note: not the estimated income), depending on the rating bands of the ISA indices:
- ISA score of 10: increase of no more than 10%,
- ISA score between 9 and 10: increase of no more than 15%,
- ISA score between 8 and 9: increase of no more than 25%, and
- ISA score below 8: no upper limit.

Example: for a business that declared income of 200.000 Euro for 2024 and ideally had an ISA score of 10, the benchmark income in the years 2025 and 2026 may amount to no more than 220.000 Euro (+10%), even if the ISA-based estimates would result in income of, say, 300.000 Euro.

- The taxation is also being changed: it remains the case that the benchmark income is to be taxed irrespective of the actual income. Thus, if the aforementioned entrepreneur has undertaken to pay tax on 220.000 Euro, he will also pay tax on that amount if, in the extreme case, he incurs a loss, or if his effective income amounts to, say, 1 million Euro. In the latter case, 780.000 Euro ideally remain tax-free. As regards the taxation of the benchmark income itself, under the 2024/25 arrangement the income is subject to ordinary taxation up to the amount of the taxable profit/surplus for the year 2023, while the excess part is subject to a substitute tax of 15% (10% under the flat-rate scheme). For the advance arrangement for the years 2025 and 2026, by contrast, there are three forms of taxation:

a) A benchmark income up to the amount of the effective taxable profit/surplus for the year 2024 is taxed, as before, under the general criteria (progressive IRPEF for individuals, IRES of 24% for corporations).

b) The excess part is subject to a substitute tax, the rate of which, however, is no longer a flat 15% but again depends on the rating band of the taxpayer's own ISA indices, namely:
- substitute tax of 10% for an ISA score of 8 or above,
- substitute tax of 12% for an ISA score of more than 6 and up to 8, and

- substitute tax of 15% for an ISA score below 6.

c) In addition, a cap on the tax base of 85.000 Euro now applies to the substitute tax, calculated on the additional income compared with 2024. The excess part is taxed in the ordinary way.

Example: if a taxable profit of 800.000 Euro was declared for the year 2024 and the benchmark income for the year 2026 amounts to 1.000.000 Euro, and the business had an ISA score above 8, then 800.000 Euro is first taxed in the ordinary way, 85.000 Euro is subject to a substitute tax of 10%, and the excess part (115.000 Euro in the example) is again taxed in the ordinary way, that is to say at 43% for individuals and at 24% for corporations. Under the advance arrangement for 2024-25, the full difference of 200.000 Euro would have been charged with the substitute tax of 15%.

- And there is one further positive change compared with the first edition of the arrangement: to the extent that the activity has to be suspended for a longer period during the year due to extraordinary events (e.g. illness of the sole proprietor), the agreed minimum income is reduced, namely:
- by 10% in the case of a suspension of between 30 and 60 days,
- by 20% in the case of a suspension of between 60 and 120 days, and
- by 30% in the case of a suspension of more than 120 days.

- And finally, one negative development: with retroactive effect for the year 2024, self-employed professionals who at the same time hold an interest in an association of professionals or in a new professional partnership are excluded from the two-year advance tax arrangement (concordato preventivo biennale), unless the partnership or association has itself likewise opted in to the arrangement.

Decisions to be taken by 30 September 2025:

According to the prevailing doctrine, anyone who already exercised the option for the years 2024/2025 last year cannot exercise a new option but remains within the „old“ system for 2025. For 2026, on the other hand, an option for the 2026-2027 biennium should be possible, provided that everything is not changed once again in the meantime.

Self-employed professionals and businesses which in 2024 did not exceed the receipts or revenue threshold of 5.164.569 Euro (in 2025 revenues may also rise to a maximum of 7.746.853 Euro) may, by contrast, opt by 30 September 2025 for taxation on the basis of benchmark values for the years 2025 and 2026, as set out above, either in the tax return for 2024

or by means of a separate notification, should the tax return only be filed within the statutory deadline at the end of October.
Those who have already opted in may also give notice of revocation within the same deadline.

Set out below are a number of general considerations regarding the two-year advance tax arrangement (concordato preventivo biennale), which were essentially already made last year:

Effects of the arrangement

- The advance tax payment for the first year of the two-year advance tax arrangement (concordato preventivo biennale) must be adjusted, or increased, in accordance with the new provisions.
- During the biennium covered by the arrangement, the income tax and IRAP returns must be filed, together with the ISA form. Notwithstanding the advance arrangement, the accounts must continue to be kept in accordance with the general provisions, not least because the arrangement has no effect on value added tax.
- The tax periods covered by the arrangement may not be the subject of the assessments referred to in Article 39 of Presidential Decree No. 600/73.
- The ISA reward system always applies for both years of application of the arrangement.
- And a curiosity: for ISA taxpayers, a limitation period extended by one year applies with regard to the deadline of 31.12.2024 (concerning tax year 2018).
- For tax deductions and the ISEE declaration, the income actually achieved applies, and not the benchmark income under the two-year advance tax arrangement (concordato preventivo biennale).

Grounds for exclusion

Excluded from the arrangement are businesses and self-employed professionals against whom a final judgment has been issued for failure to pay taxes or social security contributions, or in respect of whom irregularities have been established by tax assessment notices that can no longer be challenged, where the corresponding liabilities amount to at least 5.000 Euro. In addition, the following further grounds for exclusion apply:

- failure to file tax returns for the 3 preceding tax periods;
- conviction for one of the tax offences referred to in Legislative Decree No. 74/2000, for money laundering or for the use of money and goods of unlawful origin, relating to the 3 preceding tax periods;

- receipt of business income which is wholly or partly tax-exempt and accounts for more than 40% of total business income, relating to the preceding tax year (applies only to ISA taxpayers);
- switching from the ordinary system to the flat-rate scheme in 2025;
- restructurings: mergers, demergers, contributions in kind, transfers of businesses and changes in the shareholder structure of companies in the first year of application of the arrangement (applies only to ISA taxpayers) constitute, in principle, grounds for exclusion;
- commencement of the activity only in the preceding tax period;
- self-employed professionals who carry on their activity in the form of a partnership of professionals or a professional company and at the same time hold an individual tax position, unless both they themselves and the association/company claim the two-year advance tax arrangement (concordato preventivo biennale).
- The grounds for exclusion relating to failure to pay have, by contrast, been relaxed. Until now, the arrangement lapsed if the taxes owed under the arrangement (the ordinary income tax and the substitute tax) were not paid on time. This was subject to a voluntary correction, which, however, was only possible up until any notice of demand was served. The change now introduced provides that the notice of demand is not detrimental to the correction. The advance arrangement remains in place if the amount owed is settled within 60 days of service of the notice of demand. Payment in instalments is, however, not possible in this regard.

Forfeiture of the arrangement

The advance arrangement agreed may, in certain circumstances, also lapse during the period of application. The arrangement lapses if certain extraordinary events result in actual income being more than 30% lower than the agreed tax bases. Furthermore, there are certain defined circumstances which may lead to a reduction of the arrangement proposal. Further grounds for forfeiture of the arrangement arise if one or more of the following circumstances occur in the tax year:

- change of the activity carried on
- transition to the flat-rate scheme
- extraordinary transactions (including mergers, demergers, etc.)
- exceeding the turnover threshold of 7.746.853 Euro for ISA taxpayers

Certain specified infringements also lead to the complete withdrawal of the arrangement for both tax years, irrespective of the tax year in which the infringement occurred.

Practical notes

For all businesses and self-employed professionals who already opted in last year, no action is required, as shown above.

Conversely, where the access requirements are met, no option was exercised last year and an improvement in results is expected for the years 2025 and 2026, opting in to the advance arrangement for this biennium may be genuinely attractive. We are currently reviewing these cases and ask you to contact us in the coming days.

We remain at your disposal for any further information.

Yours sincerely
Josef Vieider