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Circular No. 40/2024

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Subject: Expected changes to the tax reliefs in the construction sector at year-end

The abolition or reduction of the tax reliefs for renovation in the construction sector granted in recent years – perhaps somewhat too generously – has been announced for a long time; if the drafts of the Budget Law for 2025 available so far are to be believed, they will nevertheless turn out to be more moderate than many had feared. From 1 January 2025, however, taxpayers with income of more than 75.000 euro are likely to have hardly any entitlement to further reliefs. Here is a first overview:

50% tax deduction for renovation works

As is known, the tax deduction for renovation works on residential buildings in the increased form of 50% on expenses of up to 96.000 euro (instead of 36% on a maximum of 48.000 euro) within the meaning of Art. 16-bis of the Income Tax Code (TUIR) still applies to expenses incurred up to 31 December 2024. As a reminder: this relief is essentially available only for dwellings and appurtenances (including the construction and purchase of garages) and may be claimed only for IRPEF purposes by individuals. The deductions are deductible in equal instalments over 10 years.

According to the draft Budget Law for 2025, the tax deduction described

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is to be maintained at the current level (50% of 96.000 euro) for the primary residence, whereas for second homes it is to be granted only at a reduced level of 36% on eligible costs of a maximum of 96.000 euro. Until now it had actually always been assumed that the eligible costs would also be reduced to 48.000 euro; on the basis of the present draft law, however, it may be hoped that the previous cost ceiling of 96.000 euro will be retained.

Please note: the primary residence is the dwelling in which the owner or the holder of a right in rem of enjoyment has his or her registered residence. Family members, tenants and bare owners are therefore excluded.

Tax deduction on the purchase of renovated dwellings

The extension to 31.12.2024 described above currently also applies to the purchase of dwellings in buildings completely renovated by construction companies, where the sale takes place within 18 months of completion of the works. Up to the end of 2024, a tax deduction of 50% on 25% of the purchase price may therefore be claimed for the purchase of such dwellings, whereby the tax deduction may not exceed 48.000 euro per dwelling. The deductions are deductible in equal instalments over 10 years.

In the case of purchases from 1 January 2025, the relief is expected to be reduced to 36% of a maximum of 96.000 euro.

65% tax bonus for energy-efficiency refurbishments

The increased tax deduction on expenses for energy-efficiency refurbishment (Art. 1 paras. 344-349 of Law 296/2006) likewise applies only until 31 December 2024. As a rule the tax deduction amounts to 65%, with the exception of windows (50%), solar shading (50%), heating systems (50%) and air conditioning (50%). For works on common parts, on the other hand, the increased deductions of 75% and 70% respectively apply until the end of 2024, provided that the relevant requirements are met.

The reliefs for energy-efficiency refurbishments are also available for commercial properties and may therefore also be claimed by businesses, irrespective of their legal form. In principle, the tax deduction may be offset in equal instalments over 10 years.

Important: pursuant to a decree of 6 August 2020, since October 2020 construction works for energy-efficiency refurbishment require, in addition to the other well-known technical certifications (keyword ENEA notification), that expert appraisals also be obtained certifying the reasonableness of the costs incurred (in South Tyrol by reference to the provincial schedule of standard prices); a so-called price check is therefore required, unless the works are minor works with amounts of up to 10.000 euro or works for which no building permit is required.

The reliefs were originally supposed to expire at the end of 2024. This is evidently no longer the case, but the percentages will be reduced, namely to 50% for the primary residence and to 36% for energy-saving measures in all other cases. The cost ceilings are evidently not to be touched.

Important: as is known, the tax deductions for energy-saving measures apply not only to dwellings but also to other heated buildings and are also available to self-employed professionals and businesses; in the case of businesses in particular it should be noted that the so-called cash principle does not apply to them, but rather the accrual principle. For works completed by businesses by the end of 2024, the tax deduction may therefore still be claimed according to the previous criteria, even if payment is possibly made only in the following year.

Extension of the Superbonus

The Superbonus in its original amount of 110% actually already expired on 31 December 2023. As communicated, in certain cases it may however still be claimed in 2024 and 2025 at a reduced level of initially 70% (2024) and then 65% (2025). Entitled to the extended Superbonus are condominiums, individuals who are owners or co-owners of residential buildings with 2 – 4 residential units, ONLUS associations, voluntary organisations 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.

However, the Budget Law already provides for several cutbacks as from 2025:

- the deduction is to be reduced from 70% to 65%,
- and in 2025 the Superbonus is to be available only 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.

Removal of architectural barriers

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 in previous years. With the 2022 Budget Law, the tax deduction was increased and its period of application extended to 31 December 2025. As is known, the deduction has to be spread over five equal annual instalments. The eligible measures, for which certain ceilings are provided, have to meet certain substantive accessibility requirements (Ministerial Decree 14.6.1989). In practice, however, the replacement of windows and sanitary installations and investments in home automation or domotics could also be taken into account so far.

By Law Decree 212/2023, the eligible construction measures were restricted, with effect from 30 December 2023, to the following areas: stairs, ramps, lifts, stairlifts, platform lifts and the like.
The following transitional rule is to be noted 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 by that date.
In addition to Art. 119-ter of Law Decree No. 34/2020, it is further required that a specific certification (keyword "asseverazione") also be provided for architectural barriers, and it is further required that all costs eligible for the tax deductions for the removal of architectural barriers be settled in accordance with the relevant bank transfer rules (keyword "bonifico parlante"); it has not been clarified whether this last requirement also concerns businesses. By analogy with the provisions in the field of energy-efficiency refurbishments, we rather assume that this should not be the case.
Incidentally, since 2024 these tax deductions also have to be spread over 10 years.
<u>For works for the removal of architectural barriers, no changes should occur</u>

in 2025.

Deductions for furniture and appliances

The 50% tax bonus for the purchase of furniture and household appliances (only energy class A+, or A for ovens) where renovation works are carried out was extended last year to 31.12.2024; the following ceilings apply:

- 2022 ceiling of 10.000 euro
- 2023 ceiling 8.000 euro and
- **2024 ceiling 5.000 euro.**

As communicated, the ENEA notification is also required for the purchase of household appliances. In addition, the deduction for 2023 may be claimed only by those who commenced renovation works on the respective building unit (dwelling) after 1 January 2023; it is not necessary that these works have already been paid for as well (Italian Revenue Agency ruling No. 62/2019). For the following years the reference year will shift back accordingly. The deduction is moreover also available for the furnishing of purchased dwellings renovated by construction companies, provided that the purchase took place after 1 January 2023. The deduction must still be spread over 10 years.

According to the present draft of the Budget Law for 2025, an extension to 2025 on the 2024 terms may be expected.

Tax deduction for green areas

The deduction for works in gardens, on terraces and on green areas, newly introduced in 2017, has likewise been extended to 31.12.2024. As a reminder: individuals are granted a tax deduction of 36% with a ceiling on eligible expenses of 5.000 euro (tax credit therefore of a maximum of 1.800 euro) per residential unit for such expenses. The credit likewise has to be offset in equal instalments over 10 years. It is a condition that payment be made by traceable means.

This measure is expected to expire definitively at the end of 2024.

Bonus for earthquake-resistant construction (“Sismabonus”)

The so-called Sismabonus within the meaning of 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, is available under the current legal framework until the end of 2024. The deduction is offset in equal instalments over 5 years. Please note: as is known, the reliefs for earthquake-resistant

construction apply to the areas of Italy classified in zones 1-3 (South Tyrol is less at risk and is in zone 4).
Here too the draft Budget Law provides for an extension, but with a reduced deduction: 50% instead of the previous 75% and 85% respectively.

New cap on the deductions in the case of higher taxable income:
Taxpayers with higher income, however, are unlikely to be pleased about the extensions described, because the following caps apply to expenses incurred from 1 January 2025:
- Up to a taxable income of 75.000 euro, the general expenditure ceilings set out above apply.
- If this income threshold is exceeded, however, only costs of a maximum of 14.000 euro may be claimed, and the eligible costs are reduced to a modest 8.000 euro for income of more than 100.000 euro.

Fixed amounts are provided for as a cap, which have to 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 to only 8.000 euro for income of more than 100.000 euro. These thresholds represent maximum amounts for families with more than two children. They must therefore be adjusted downwards by the family coefficient as follows (see the adjacent table):

- Coefficient 0,5 for families without 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 where there is a child with a disability.

Please note: to the extent that this rule enters into force, the tax deductions are of absolutely no interest to taxpayers with higher income. The only hope: things are never quite as bad as they first appear!
Incidentally: according to the draft available, the cap described evidently applies only to individuals and not to tax deductions available to corporations (e.g. in the case of energy-efficiency refurbishments and the removal of architectural barriers).
And one further clarification: at least according to the current wording, the restrictions do not apply retroactively to expenses incurred up to 31.12.2024.

General note:
It will have to be examined on a case-by-case basis whether, by bringing payments forward (in the case of individuals) or by a documented handover of completed works (in the case of businesses), the current tax reliefs can still be secured by 31 December 2024.

We remain at your disposal for any further information.

Yours sincerely
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