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To all
clients

Circular No. 46/2025

Bolzano, 9 December 2025

Subject: Notes on the 2025 year-end

Below you will find a number of notes for administration and accounting purposes at the year-end:

1. Invoicing at the year-end:

At the 2025 year-end as well, the existing provisions on electronic invoicing and on the input VAT deduction continue to apply. As in previous years, it must in particular be noted that the issue date of an electronic invoice is the date on which the invoice is transmitted to the SdI platform.

1.1 Sales invoices at the year-end:

As regards the issue of invoices, there are in principle no special provisions at the year-end as compared with the rest of the year. The following principles continue to apply unchanged:

- Invoices for services must be issued at the latest at the time of payment.
- Invoices for supplies of goods must be issued at the latest upon delivery of the goods, unless payment has been made beforehand.
- The electronic invoice may be issued and transmitted within 12 days of the transaction, but must state the date of the transaction.

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For supplies of goods documented by transport documents, a summary invoice („deferred invoice“) may be issued by the 15th of the following month. The VAT must in any event be accounted for in the period of the supply.

Examples relating to the 2025 year-end:

- Payment for a service on 16.12.2025 → invoice to be transmitted by 28.12.2025 at the latest.
- Issue of an invoice for a service not yet paid for, dated 31.12.2025 → transmission within 12 days, i.e. by 12.01.2026 at the latest. The VAT must be accounted for in the December 2025 settlement.
- Summary invoice for December supplies → issue date 31.12.2025 or the date of the last supply; transmission by 15.01.2026 at the latest.

However: as set out below, the issuer of the invoice must be aware that, as a result of the special year-end provisions, the VAT on an invoice which bears an invoice date of December 2025 but is uploaded to the SDI portal only in January 2026 may be deducted by the recipient of the invoice only in the following year.

Recommendation: in the interest of your customers as well, it is advisable to check before the year-end that all invoices issued with a December date have in fact been transmitted via the SDI portal!

1.2 Purchase invoices and input VAT deduction at the turn of the year:

Here it should be recalled that, at the year-end, the prescribed annual cut-off date of the annual VAT return must be observed, which, as a result of electronic invoicing, can be verified precisely. It follows that:

- An invoice with an invoice date in 2025 which is transmitted by the supplier via the SDI portal only in 2026, and which therefore arrives only in 2026, may be recorded in the purchase invoice register only in 2026, and the input VAT is deductible only in 2026. It is therefore not permissible, in the case of an invoice issued dated 27 December 2025 and transmitted on 2 January 2026, to deduct the input VAT in the December settlement, even if the supply of goods or services was still made in December and even if the issuer, on the basis of the invoice date, must still pay this VAT with the December settlement.

Example 1: invoice date 31.12.2025 and receipt of the invoice on 31.12.2025: deduction of the input VAT in December 2025

Example 2: invoice date 31.12.2025 and receipt of the invoice via the SDI portal on 3 January 2026: input VAT deduction in January 2026

- The next case, however, is more cumbersome: in the case of an invoice with an issue date in 2025 which also duly arrives electronically in 2025 but which, for administrative reasons (for example because it still has to be checked by the purchasing department), is recorded only in January or February 2026, the input VAT may not be deducted in the month of recording (e.g. January or February), but only in the annual VAT return for 2025.

In practice, taxpayers settling VAT on a monthly basis must therefore prepare a 13th VAT settlement. Depending on the software used, it may be necessary to set up a separate VAT register for these invoices in order to achieve a clear separation in the VAT settlement. In any event, these invoices give rise to a discrepancy between the December monthly settlement and the annual VAT return.

- If, for whatever reason, an invoice issued and transmitted in 2025 is recorded only after the annual VAT return for 2025 has been filed in April 2026, the input VAT is admittedly not lost, by virtue of the principle of VAT neutrality; it is, however, necessary to file a new annual VAT return for 2025 and to include the corresponding input VAT therein. This causes problems in particular where the VAT return is filed early, in the first days of February, because of a credit to be reclaimed, and then subsequently has to be corrected once again.

For invoices received at the year-end, the following cases therefore arise for taxpayers settling VAT on a monthly basis:

Issue date	Receipt via SDI	Recording of purchase invoice	Input VAT deduction
Dec. 2025	Dec. 2025	Dec. 2025	Settl. Dec. 2025
Dec. 2025	Dec. 2025	Jan. 2026	VAT return 2025
Dec. 2025	Dec. 2025	May 2026	*New VAT return 2025*
Dec. 2025	Jan. 2026	Jan. 2026	Settl. Jan. 2026
Jan. 2026	Jan. 2026	Jan. 2026	Settl. Jan. 2026

Important: at the year-end it should absolutely be checked that all invoices received by 31 December 2025 are also recorded in the settlement for December 2025, since otherwise the input VAT (see case 2 above) is deductible only in the annual VAT return for 2025 in April 2026! At the same time, important suppliers should be invited not to transmit their December invoices only on New Year's Eve, but perhaps a few days earlier, so as to still allow receipt in 2025 and the input VAT deduction in the month of December.

Reverse charge from abroad

In the case of invoices that must be supplemented under the reverse charge mechanism, the date of receipt of the invoice is decisive, and no special rules apply here at the turn of the year: accordingly, the general provision of Art. 47 of Law Decree 331/1993 applies, under which such invoices must be supplemented and recorded by the 15th of the month following that of receipt at the latest (but always by reference to the month of receipt). All invoices received in December 2025 must therefore be taken into account in the VAT settlement for December 2025; invoices received in January are included in the settlement for January 2026.

2. Issue of credit notes with VAT for irrecoverable receivables

As in previous years, we would remind you that the provisions on the issue of credit notes in respect of irrecoverable receivables were fundamentally amended by Law Decree No. 73/2021 with effect from 26 May 2021, and the Italian Revenue Agency explained this reform shortly before the year-end in Circular No. 20/2021 of 29 December 2021.

The reform applies only to proceedings opened as from 26 May 2021. For proceedings opened before that date, credit notes with VAT within the meaning of Art. 26 of the VAT Act may, in the case of insolvency proceedings, as a rule be issued from the date of the definitive closure of the proceedings. The final deadline for issuing such credit notes is the due date of the annual VAT return for the year in which the right to issue the credit note arose. Where, therefore, „old“ bankruptcy proceedings were closed in 2025, the corresponding credit notes may still be issued until 30 April 2026.

For proceedings opened as from 26 May 2021, by contrast, the new rules apply. Here, a credit note for the VAT may already be issued upon the opening of the bankruptcy proceedings. The adjustment of the tax need not be taken into account by the insolvency administration. The creditor must, however, pay the utmost attention to the tax period in which the right to the adjustment arises. The relevant reference dates for proceedings opened as from 26 May 2021 are accordingly as follows:

- the date of the judgment opening bankruptcy proceedings,
- the date of the order admitting the debtor to composition with creditors proceedings („concordato preventivo“),
- the date of the order concerning compulsory administrative liquidation proceedings (in the case of cooperatives),
- the date of the ratification of a debt restructuring agreement (Art. 182-bis of Royal Decree No. 267/1942),
- the date of publication in the commercial register of the certified debt restructuring plan in the

case of proceedings within the meaning of Art. 67 para. 3 letter d of Royal Decree No. 267/1942, or

- the date of the order concerning extraordinary administration proceedings for large enterprises.

It is apparent from the above list that, in the case of bankruptcy proceedings, composition with creditors proceedings and the extraordinary administration of large enterprises, as well as in the case of compulsory administrative liquidation proceedings, the point in time for the credit note has been brought forward to the opening of the respective proceedings.

Caution, however: in the case of the debt restructuring proceedings referred to above, and also in the case of individual judicial enforcement proceedings, reference continues to be made to the conclusion of the proceedings or to the unsuccessful outcome of the enforcement proceedings.

Where the point in time has been brought forward, the credit note may, for proceedings opened as from 26 May 2021, already be issued in the month of opening; for proceedings opened in 2025 there is time until 30 April 2026. If, however, the credit note with VAT is not issued by that date, the tax is irrevocably lost (this was most recently confirmed by the Agency in Reply No. 88 of 8 April 2024).

For 2025 it follows that:

For all insolvency and composition proceedings in respect of which the conditions for issuing a credit note with VAT were met in the 2025 calendar year (either because proceedings dating from before 26 May 2021 were closed, or because new insolvency or composition proceedings were opened in 2025), the credit note could be issued during 2025 with deduction of the VAT in the respective settlement period, or the credit note may also still be issued in the period between 1 January 2026 and 30 April 2026, in which case the input VAT is to be deducted either in the month or quarter of issue or else in the annual VAT return for 2026 in April 2027.

And one further important clarification is contained in the aforementioned circular: for the issue of a credit note with VAT it is no longer necessary for the creditor himself to have lodged a claim in the bankruptcy proceedings (so-called „insinuazione al passivo“); as is well known, in particular in the case of hopeless proceedings, such lodging of a claim was often omitted for cost reasons, with the result that the Italian Revenue Agency declared it inadmissible to issue credit notes for the lost VAT in such cases. This restrictive interpretation has now been declared obsolete by the Agency itself; it may be assumed that this relaxation also applies to proceedings opened before 26 May 2021.

Please note: with regard to the deadlines for such credit notes, there is an interpretation

issued by the association of Italian chartered accountants and tax advisors (AIDC) in Recommendation No. 222 of September 2023: a credit note may also be issued after the expiry of one year from the date of the transaction if the background to the credit note is not merely a subsequent agreement between the parties, but a dispute (even if only potential) that is settled by way of a settlement agreement. Where such a settlement agreement exists, it therefore constitutes the basis for a credit note with value added tax even after the expiry of the one-year period.

3. Extended cash basis principle and directors' remuneration 2025 (payment by 12 January 2026 - please note: no extension on account of a public holiday!)

Remuneration paid to employees and income treated as equivalent thereto for 2025 must be paid by 12 January 2026 at the latest in order for it still to be attributed to the 2025 tax period and to be included in the corresponding wage tax certificates (CU) and tax returns (formerly Form 770) for 2025. Remuneration for freelance collaboration, in particular that paid to members of the board of directors, is deductible as an expense for tax purposes still in 2025 if it is paid by 12 January 2026. It should be recalled that this extended cash basis principle does not apply to directors holding their own VAT number: directors who invoice their remuneration had to be paid by 31 December 2025 in order for the deduction still to be admissible in the financial year. At this point, once again as a reminder: remuneration paid to directors of companies must have been determined by a resolution of the shareholders' meeting!

4. Invoicing of the mixed use of vehicles

Where passenger cars are made available to employees and freelance collaborators for mixed use against consideration (rental agreement), benefits in kind must be calculated in this respect. In this connection, we would remind you that the corresponding invoice must be issued by 31.12.2025 at the latest. As regards payment, in the absence of official instructions it may be assumed that the extended cash basis principle applies here as well.
We have repeatedly drawn attention to the problems of correct invoicing; unfortunately, the tax authorities have not commented on this to date. One can only hope that leniency will be granted in the event of a tax audit.

5. Limitation periods

The principle is as follows: for 2019, the various tax returns had to be filed in 2020, and on 31 December 2025 any infringements relating to 2019 become time-barred. The exceptions, however, are as follows:

- If a supplementary return was subsequently filed for the financial year, irrespective of whether in favour of or to the detriment of the taxpayer, the limitation periods run from the filing date of that return.
- Despite several judgments to the contrary, the Italian Revenue Agency is moreover still of the opinion that it has an extended period of 85 days for serving notices and could therefore issue assessment notices for 2019 until 26 March 2026.
- If no return was filed for the tax period, the limitation periods are automatically extended: in this case, at the year-end only the 2017 tax period becomes time-barred, and the year 2019, in the absence of a tax return, will become time-barred only on 31.12.2027.
- Where a settlement proposal for 2019 is served on the taxpayer in the final months of the year, the limitation periods are extended by 120 days.
- Businesses and self-employed professionals who have undertaken to make all payments exceeding 500 Euro exclusively by bank transfer and credit card, to process transactions by means of electronic invoices and receipts with electronic archiving, and to report daily takings electronically to the Revenue Agency, are entitled to a reduction of the limitation periods by 2 years. It is required that the existence of the aforementioned conditions be specifically reported in the tax return in Section RS.
- Taxpayers subject to the ISA indicators who achieved at least a score of 8 there benefit from a reduction of the limitation period by 1 year; at the year-end, therefore, the 2020 tax year in principle becomes time-barred.

6. Transmission of letters of intent for purchases without value added tax

As is well known, habitual exporters may purchase supplies of goods and services with suspension of value added tax. This requires the transmission of a so-called letter of intent before the relevant transaction is carried out. Anyone wishing to retain this status must therefore send such a declaration to the respective supplier as early as possible.

7. Reduced withholding tax for agents

Agents and intermediaries wishing to benefit in 2026 from a reduced withholding tax (23% on 20% instead of on 50%) because they themselves employ staff must submit a corresponding application to their principal by the year-end. It should be recalled here, however, that applications submitted in previous years remain in force as long as the conditions continue to be met.

8. Deadline for defaulting taxpayers: 31 December 2025

Any overdue tax payments relating to the 2023 tax period may still be made good until 31 December 2025 in order to avoid criminal consequences of non-payment. As is well known, the corresponding deadlines were extended by Legislative Decree No. 87/2024. Specifically, this concerns VAT liabilities for 2023 exceeding 250.000 Euro and withholding taxes for that year exceeding 150.000 Euro, which, if not paid by the year-end, may also be punished by imprisonment of between 6 months and 2 years. Where the necessary funds are lacking, at least 1/20 of the tax liability should be paid within the aforementioned deadline in order to avert criminal consequences.

9. Miscellaneous

9.1 Shareholder financing:

In the coming days, the position regarding shareholder financing and shareholder withdrawals should in particular be reviewed. Where financing arrangements exist, these should be duly documented, including a clarification as to whether or not they bear interest.

In the case of withdrawals, it should be checked whether resolutions for dividend distributions are still required or whether resolutions on directors' remuneration are in place. Conversely, excess withdrawals should be repaid before the year-end.

9.2 Tax credits.

Here, the correct offsetting must be reviewed in particular in the case of tax credits arising from renovation works: whereas tax credits arising from investments may as a rule be carried forward without any time limit, those arising from the construction sector must be offset within the prescribed deadlines, failing which they are irretrievably lost. It is advisable to draw up in the coming days a schedule of the tax credits still outstanding, together with a review of the respective deadlines for offsetting. In this connection, attention must also be drawn to the fact that the draft Budget Law for 2026 provides for offsetting tax credits (in particular those arising from energy-efficiency refurbishments, from Industry 4.0, from Transition 5.0 and from R&D) against social security contributions in Form F24 no longer being permitted as from 1 July 2026.

9.3 Review of cash payments

It should be recalled that cash payments may not exceed a limit of 5.000 Euro. In addition to this anti-money-laundering provision, since 2025 specific restrictions have applied to the deductibility of business expenses where these have been paid in cash. As a reminder: reimbursements of travel expenses within Italy to employees, collaborators and self-employed professionals, as well as entertainment expenses, are no longer deductible as from 1 January 2025 if they have been paid in cash. It is certainly advisable to review the cash account in the accounting records once again.

We remain at your disposal for any further information.
Yours sincerely
Josef Vieider