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2026 ITALIAN BUDGET LAW

Please find below the most important tax news introduced under the Italian law no. 199 of 30 December 2025 (2026 Italian Budget Law), published in the Official Gazette of the Republic of Italy no. 301 of 30 December 2025, which entered into force on 1 January 2026.

INCOME TAX RATE (IRPEF) REDUCTION

As of the 2026 tax period the income tax rate (IRPEF) for the second income bracket (more than EUR 28,000 until EUR 50,000) is reduced from 35 percent to 33 percent. The other income brackets and the respective tax rates remain unchanged.

Furthermore, the amount deductible from gross tax is reduced by EUR 440 for taxpayers with a total income of more than EUR 200,000 as regards the expenses deductible at a 19 percent rate (excluding healthcare expenses); voluntary donations to political parties; disaster risk insurance premiums.

SUBSTITUTE TAX FOR INCOME TAX (IRPEF) AND INCOME SURTAXES

The following substitute taxes are payable in lieu of the income tax (IRPEF), and the municipal and regional surtaxes:

- 5 percent on increases paid to employees in 2026 due to the implementation of renewals of collective labour agreements signed between 1

January 2024 and 31 December 2026. The substitute tax is applicable only to private sector employees with an income from employment in 2025 of no more than EUR 33,000;

- 1 percent (previously 5 percent) for 2026 and 2027 on performance bonuses and sums paid as profit sharing and to increase the tax-free threshold amount to EUR 5,000;
- 15 percent on additional pay and allowances for night work, work performed on holidays and weekly rest days, and shift work. The tax applies if the employee's income does not exceed EUR 40,000 in 2025.

Finally, the special supplementary treatment for workers in food and beverage establishments, and workers in the tourism sector, including thermal baths, is re-proposed for the first 9 months of 2026.

TAX RELIEF FOR EMPLOYEE FINANCIAL PARTICIPATION PLANS

Dividends paid in 2026 to employees on shares assigned by companies in lieu of performance bonuses are included in the taxable income at 50 percent up to a maximum amount of EUR 1,500. The amount exceeding such limit continues to be fully taxable.

ELECTRONIC MEAL VOUCHERS

The non-taxable monetary value of electronic meal vouchers paid by employers to their employees increases from EUR 8 to EUR 10.

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INCOME TAX (IRPEF) RELIEF FOR FARMERS AND AGRICULTURAL ENTREPRENEURS

The income tax (IRPEF) relief scheme on land and agricultural income declared by farmers and agricultural entrepreneurs registered with the agricultural social security scheme is extended to 2026.

SHORT-TERM LEASES

As of 2026 the flat-tax scheme ("*cedolare secca*") on short-term lease agreements is restricted to no more than 2 properties (instead of currently 4 properties). Consequently, starting from the third property (instead of the fifth) the lease activity is presumed to be carried out as a business activity.

EXTENSION OF HOUSING IMPROVEMENT TAX DEDUCTIONS

The "regular" tax rates of 36 percent (and 50 percent for main homes) already set forth for 2025 for regeneration works on existing building stock pursuant to article 16-bis of the Italian income tax code (TUIR) (so-called home bonus), for energy efficiency improvement works on buildings pursuant to article 14 of the Italian law-decree 63/2013 and article 1 (344-349) of the Italian law 296/2006 (so-called eco-bonus), as well as for works for the reduction of the seismic hazard pursuant to article 16 (1-bis et seq.) of the Italian law-decree 63/2013 (so-called sisma-bonus) are extended to expenses incurred in 2026.

Furthermore, the so-called furniture bonus has been extended to 2026 at the same conditions as applicable for 2025.

NEW RESIDENTS

The amount of the substitute tax on income earned abroad by individuals who become fiscally resident in Italy pursuant to article 24-bis of the Italian income tax code (TUIR) is increased from EUR 200,000 to EUR 300,000.

The reduced amount of substitute tax applicable to income earned abroad by family members if the main taxpayer has exercised the option is also increased from EUR 25,000 to EUR 50,000.

CAPITAL GAINS ON CRYPTO ASSETS

As of 1 January 2026, the substitute tax on capital gains and on other income from the holding, the transfer or the use of electronic money tokens denominated in Euro amounts to 26 percent. Therefore, these financial instruments are excluded from the increase to 33 percent of the substitute tax rate applicable to capital gains and other income from crypto assets (article 67 (1.c-sexies) of the Italian income tax code (TUIR)).

TOBIN TAX

As of 1 January 2026, the financial transactions tax (so-called Tobin Tax) applies to:

- transfers of the ownership of shares and participatory financial instruments of issuers not operating on regulated markets and multilateral trading systems at a rate of 0.4 percent (instead of 0.2 percent applicable until 31 December 2025);
- transfers of the ownership of shares and participatory financial instruments of issuers on regulated markets and multilateral trading systems at a rate of 0.2 percent (instead of 0.1 percent applicable until 31 December 2025);
- on "high-frequency transactions" at a rate of 0.04 percent (instead of 0.02 percent applicable until 31 December 2025).

The fixed amount of the tax on derivative contracts set forth under article 1 (492) of the Italian law 228/2012 remains unchanged.

TAX-ADVANTAGED ALLOCATION OF ASSETS TO SHAREHOLDERS

General partnerships, limited partnerships, limited liability companies, joint stock companies, and partnerships limited by shares that, by 30 September 2026, assign or sell to their shareholders:

- immovable assets other than those specified under article 43 (2), first sentence, of the Italian civil code (TUIR) or
- moveable assets registered with public registries not used as operating assets within the company's business activity,

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may opt to subject the difference between:

- the fair market value of the assigned assets or in the event of transformation the value of the assets held at the time of transformation, and
- the fiscally recognized cost

to a substitute tax at 8 percent (or 10.5 percent for companies deemed non-operational in two of the previous three tax periods).

Reserves under tax suspension cancelled further to the assignment of the assets to shareholders and those of the companies to be transformed are subjected to a substitute tax at 13 percent.

The substitute tax must be paid at 60 percent by 30 September 2026 and at 40 percent by 30 November 2026.

From 1 January 2026 until 31 May 2026 the sole proprietor may opt for the tax-advantaged exclusion from the business assets of the assets pursuant to paragraph 121 of the Italian law 208/2015 owned on 30 September 2025. The substitute tax may be paid respectively by 30 November 2026 and by 30 June 2026.

PAYMENT BY INSTALLMENTS OF CAPITAL GAINS (IRES) ON OPERATING ASSETS

As of the tax period after 31 December 2025 (2026 business year for taxpayers whose tax period coincides with the calendar year) the taxation of the capital gains may be paid by 5 yearly instalments of equal amount solely for capital gains:

- from the sale of a business or a business branch if they have been owned for a period of no less than 3 years;
- realized by professional sports clubs through the transfer of rights to the exclusive use of the athletes' performance, limited to the portion corresponding to the monetary consideration, if such rights have been owned for a period of no less than 2 years.

Capital gains on tangible, and intangible operating assets, as well as on non-PEX financial assets must be taxed in full in the business year in which they are

realized.

PAYMENT OF A SPECIAL SUBSTITUTE TAX ON RESERVES UNDER TAX SUSPENSION

The deadlines for the payment of a special substitute tax at a rate of 10 percent on reserves under tax suspension recorded in the financial statements as at 31 December 2024 are re-opened.

DIVIDEND TAXATION

Access to the exclusion scheme (of 41.86 percent for income tax payers (IRPEF) and 95 percent for corporate tax payers (IRES)) is restricted to dividends derived from equity investments owned, directly or indirectly, through controlled companies at no less than 5 percent or for an amount of no less than EUR 500,000.

The same size requirement also applies with regard to:

- capital gains from equity investments held under the "participation exemption or exemption scheme" (of 41.86 percent for income tax payers (IRPEF) and 95 percent for corporate tax payers (IRES));
- dividends paid to non-resident companies or entities subject to income tax in EU or EEA member states and therefore subject to withholding tax at source (1.20 percent).

The new provisions apply to distributions of the profit for the year, of reserves, and other funds approved as of 1 January 2026.

DIVIDENDS DISTRIBUTED TO FINANCIAL INTERMEDIARIES AND INSURANCE COMPANIES

As of the tax period ending on 31 December 2025, under certain conditions 95 percent of the amount of intra-EU or EEA dividends received by Italian banks, financial intermediaries and insurance companies do not add to the IRAP tax base.

An application of IRAP refund referring to the amount exceeding 5 percent of the dividends that were added to the respective net value of production may be filed for previous tax periods, if on 1 January 2026 the 48-months deadline has not yet expired. Moreover, by filing this application it is possible to opt for the offset

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of the IRAP tax credit with the tax due for the payment of the substitute tax owed for the "windfall profit" reserve, as provided for under article 26 (5-bis) of the Italian law-decree 104/2023.

VALUATION OF SECURITIES

In the 2025 and 2026 business years non-IFRS adopters may value securities not intended to remain in their equity based on their book value, as shown in the last duly adopted financial statements, and not based on the estimated realisable value according to market trends, except for losses of a permanent nature.

Companies that avail themselves of the above option shall allocate a non-distributable profit reserve of an amount corresponding to the difference between the values recorded under the option and the market values recorded at the end of the reference period, net of the relevant tax charge.

SPECIAL CONTRIBUTION ON EXTRA-PROFITS OF BANKS

As of the business year starting after 1 January 2028, for banks operating in Italy that distribute profits - including interim dividends - or reserves, regardless of the relevant resolution adopted by the shareholders' meeting, the reserve set aside by the taxpayers in lieu of the payment of the special contribution on interest margins (so-called extra-profits) is presumed to be distributed first.

In this case, the reserve is subjected to tax at a rate of 40 percent, in addition to the payment of interest calculated as of the original payment deadline for the special contribution.

Furthermore, a special contribution commensurate with the amount of the reserve at the end of the business year ending on 31 December 2025 and at the end of the following business year is introduced. A tax rate of 27.5 percent and of 33 percent applies respectively. No interest payment is applicable on this contribution.

INCREASE OF REGIONAL TAX ON PRODUCTIVE ACTIVITIES (IRAP) FOR BANKS AND INSURANCE COMPANIES

The IRAP tax rates for the 2026, 2027 and 2028 tax period are set forth as follows:

- 4.65 percent for banks and financial intermediaries;
- 5.90 percent for insurance companies.

Excluded from the increase are:

- securities investment firms;
- investment fund management companies;
- open-ended collective investment companies (SICAV) and fixed capital investment companies;
- non-financial holding companies (so-called industrial holding companies) and entities assimilated to them.

A tax deduction of EUR 90,000 may be used in 2027 and in 2028 up to the difference between:

- the tax resulting from the application of interim tax rates;
- the tax that would have been determined if no interim tax rates were introduced.

TAX SETTLEMENT SCHEME "ROTTAMAZIONE-QUINQUIES"

An application for the tax settlement scheme ("rottamazione") to settle tax debts resulting from individual charges entrusted to collection agents between 1 January 2000 and 31 December 2023 may be filed by 30 April 2026.

This tax settlement scheme is restricted to loads relating to:

- taxes arising from automatic payments (article 36-bis of the Italian DPR 600/73 and article 54-bis of the Italian DPR 633/72) and formal controls (article 36-ter of the Italian DPR 600/73) of tax returns;
- unpaid social security contributions (INPS), except for those resulting from assessments;
- fines for traffic offences imposed by State Administrations (in this case the settlement scheme causes a waiver of interest and statutory surcharges only).

The benefit of the settlement scheme consists in a

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waiver of administrative penalties, interest included in the charges (more specifically, the interest for late registration on the enforcement roll) as well as interest on arrears pursuant to article 30 of the Italian DPR 602/1973 and collection fees, if still due.

The sums due or the first instalment (if payment by up to a maximum of 54 bimonthly instalments of equal amount was requested) must be paid in full by 31 July 2026.

WITHHOLDING TAX ON B2B TRANSACTIONS

Taxpayers engaged in business activities shall apply a withholding tax as an advance payment of income taxes on the amount payable, net of VAT, when paying electronic invoices, at the following rate:

- 0.5% in 2028;
- 1 percent as of 2029.

Excluded from the application of the withholding tax are taxpayers who:

- Have adhered to the bi-annual tax settlement proposal (article 9 of the Italian legislative decree 13 of 12 February 2024).
- are admitted to the cooperative compliance scheme pursuant to articles 3 to 7 of the Italian legislative decree 128 of 5 August 2015.

RESTRICTIONS ON SET-OFFS

The possibility of using horizontal (so-called “external”) setoffs, i.e. between taxes of different types, is restricted for taxpayers who have tax debts registered on the tax roll exceeding EUR 50,000 (previously the threshold was set at EUR 100,000).

POSTPONEMENT OF PLASTIC TAX AND SUGAR TAX

The entry into force of the tax on the consumption of single use manufactured products (MACSI), i.e. the so-called plastic tax, as well as the tax on the consumption of sweetened non-alcoholic beverages, i.e. the so-called sugar tax, has been postponed to 1 January 2027.

TAX ON PARCEL SHIPMENTS

A contribution of EUR 2 is introduced for each shipment of goods:

- originating from countries outside the European Union;
- with a declared value of no more than EUR 150.

The contribution is collected by the Customs Offices at the time of final importation of the goods shipped.

VARIABLE REMUNERATION PAID TO MANAGERS IN THE FINANCIAL SECTOR

The 10 percent additional tax for executives in the financial sector (article 33 of the Italian law-decree 78/2010) does not apply, if those who pay the remuneration provide for the payment of an amount equal to at least twice the additional tax due to Third Sector entities under the Third Sector Code (Italian legislative decree 117/2017), which are different from the entities that directly or indirectly control the remuneration payers, are controlled by them, or are controlled by the same entity.

These provisions apply if the payment refers to the total amount of the additional tax due for the period.

VAT CHANGES

In the case of barter transactions of goods and/or services in exchange for other goods and/or services, the VAT taxable base will no longer be the fair market value of the goods/services exchanged, but the costs incurred by the transferor or service provider to carry out the supply or service.

REVALUATION OF INVESTMENTS

The substitute tax rate for the restatement of the tax cost of equity investments increases from 18 percent to 21 percent.

HYPERDEPRECIATION

The provisions on the increase of depreciation for IRES and IRPEF purposes are reintroduced for investments in new capital goods that are functional to the technological and digital transformation of companies according to the “Industry 4.0” model, made by companies from 1 January 2026 to 30 September

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2028.

The base uplift to be applied to the investment cost is as follows:

- 180 percent for investments up to EUR 2.5 million;
- 100 percent for investments over EUR 2.5 million and up to EUR 10 million;
- 50 percent for investments over EUR 10 million and up to EUR 20 million.

To benefit from this tax benefit, the specific communications and certifications regarding eligible investments must be submitted electronically via the platform developed by the Italian Energy Services Manager – *Gestore dei servizi energetici* - GSE S.p.A. (GSE).

The procedures for accessing the benefit, as well as the content, the methods, and the deadlines for submitting periodic communications, certifications, and any other documentation suitable to prove entitlement to the benefit will be defined by decree by the Italian Minister of Enterprises and Made in Italy, jointly with the Italian Minister of Economy and Finance.

TAX INCENTIVES FOR INVESTMENTS AND INNOVATION

The spending authorization under the "New Sabatini investment program" is increased by EUR 200 million in 2026 and by EUR 450 million in 2027.

The tax credit for the Single Special Economic Zone (ZES *Unica*) is extended to the years from 2026 to 2028. Operators must report eligible expenses to the Italian tax authority between 31 March and 30 May of each relevant year.

A specific incentive is provided in the form of a tax credit for investments made from 1 January 2026 to 31 December 2028 for companies operating or investing in Simplified Logistics Zones (*Zone Logistiche Semplificate* - ZLS).

Yours sincerely,
HAGER & PARTNERS

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