



THE KEY UPDATES INTRODUCED BY THE 2026 BUDGET LAW (LAW NO. 199/2025)

EDITED BY

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Dear Clients,

With this Circular, We wish to inform you about the main and most relevant changes introduced by Law No. 199 of 30 December 2025, known as the 2026 Budget Law.

1. Change in IRPEF rates (Art. 1, paragraph 3, Law no. 199/2025)

Paragraph 3 of Article 1 of Law No. 199/2025 amended Article 11 of the TUIR (Consolidated Income Tax Law), specifically modifying paragraph 1, letter b), reducing the tax rate from 35% to 33% for income over €28,000 and up to €50,000.

Tax rates effective as of January 1, 2026:

Income (€)	Rate (%)
Up to 28,000	23
From 28,001 to 50,000	33
From 50,001	43

The maximum tax saving resulting from the measure in question is therefore €440 (€22,000 * 2%).

For taxpayers with a total income exceeding €200,000, the amount of the deduction from gross tax due in relation to the following expenses is reduced by €440:

- expenses eligible for a 19% deduction (excluding healthcare expenses);
- donations to political parties referred to in Article 11 of Decree Law 149/2013, for which a 26% deduction is applicable;
- insurance premiums for natural disaster risk referred to in Article 119(4), fifth sentence, of Decree Law 34/2020, for which a 90% deduction is applicable.

2. Increase in the non-taxable threshold for meal vouchers in pay packets (Article 1, paragraph 14, Law no. 199/2025)

The amendment concerns paragraph 1, letter c) of Article 51 of the TUIR ("Determination of employment income"), providing for an increase in the non-taxable threshold for meal vouchers issued to employees. The daily non-taxable limit for electronic meal vouchers only is €10, an increase of €2 compared to the previous limit.

However, the extended cash principle provided for in paragraph 1 of Article 51 of the TUIR remains unchanged; therefore, employees who have accrued meal vouchers in 2025 and receive them by 12 January 2026 should be subject to the previous rules with a non-taxable limit of €8 per day.

3. Amendment to the rules on short-term rentals (Article 1, paragraph 17, Law no. 199/2025)

From 2026, income from short-term rentals is presumed to be a business activities starting from the third property, rather than the fifth.

From the third property onwards, there is therefore a presumption of entrepreneurship, with the related obligation to register for VAT, register with social security, exclude the flat-rate tax and achieve business income.

For further information on this topic, please refer to our Circular No. 4 published on January, 16 2026.

4. Deduction of building renovation and energy efficiency improvement expenses (Article 1, paragraph 22, Law no. 199/2025)

The more favourable tax rules for 2025 regarding building renovation, energy efficiency improvements and anti-seismic measures have been extended to 2026.

Specifically, for expenses incurred in 2025, 2026 and 2027, the IRPEF deduction for building renovation work is set as follows:

- 36% if the expenses are incurred in 2025 and 2026;
- 30% if the expenses are incurred in 2027.

For expenses incurred in 2025, 2026 and 2027, the maximum deductible expenditure limit is €96,000 per property unit (including appurtenances).

Furthermore, for expenses incurred in 2025, 2026 and 2027, the IRPEF deduction for building renovation work is set at:

- 50% if the expenses are incurred in 2025 and 2026 by the owners (or holders of a real right of enjoyment) of the property unit used as their main residence;
- 36% if the expenses are incurred in 2027 by the owners (or holders of a real right of enjoyment) of the property used as their main residence.

For expenses incurred in 2025, 2026 and 2027, the maximum deductible expense limit is €96,000 per property unit (including appurtenances).

The considerations made for the IRPEF deduction, for certain types of energy efficiency improvements, also apply to the IRES deduction for business income earners.

5. Increase in the *flat tax* for new residents (Art. 1, paragraph 25, Law no. 199/2025)

From January 1, 2026, the substitute tax for individuals transferring tax residence to Italy has increased from €200,000 to €300,000 on income generated abroad.

The tax payable by family members has also been raised from €25,000 to €50,000.

The amendments, as expressly provided for by law, apply to individuals who transfer their legal residence to Italy pursuant to Article 43 of the Civil Code with effect from January 1, 2026.

6. Provisions on crypto-assets and the Tobin Tax (Article 1, paragraphs 29-31, Law no. 199/2025)

Capital gains and other income deriving from the holding, transfer or use of electronic currency from euro-denominated electronic money tokens (stablecoins), as referred to in Article 3(1)(7) of Regulation (EU) 2023/1114 (MiCA Regulation), have been excluded from the increase in the tax rate to 33%, remaining at 26%.

It is specified that euro-denominated electronic money *tokens* are *tokens* whose value is permanently pegged to the euro and whose reserve funds are held entirely in euro-denominated assets with authorised entities in the European Union. Furthermore, the mere conversion between euros and euro-denominated electronic money *tokens*, or the redemption in euros of the relevant nominal value, does not constitute the realisation of a capital gain or loss.

Finally, an increase in the so-called *Tobin Tax* (financial transaction tax) is envisaged.

The change in the relevant rates, applicable from 1 January 2026, is as follows:

- for transfers of ownership of shares and participatory financial instruments that take place on unregulated markets, the rate increases from 0.2% to 0.4%;
- for transfers of ownership of shares and participatory financial instruments that take place on regulated markets, the rate increases from 0.10% to 0.20%;
- for high-frequency transactions, the rate increases from 0.02% to 0.04%.

7. Facilitated allocation of assets to shareholders and transformation into a simple partnership (Article 1, paragraphs 35-40, Law no. 199/2025)

The 2026 Budget Law, in paragraphs 35-40, has reintroduced the facilitated regulation of the following transactions:

- the allocation and transfer to shareholders of immovable property (with the exception of property used for business purposes) and registered movable property (e.g. motor vehicles) not used for business purposes;

- the conversion of companies, partnerships or corporations into simple partnerships, with the sole or main purpose of managing the aforementioned assets.

Only transactions carried out by 30 September 2026 will be eligible for this relief.

The tax benefits deriving from these transactions are as follows:

- 8% substitute tax (10.5% for companies that have been shell companies for at least two years in the three-year period 2023-2025) on capital gains realised on assets assigned to shareholders (or used for purposes unrelated to the business following the transformation);
- 13% substitute tax on tax-suspended reserves cancelled as a result of the facilitated transactions.

To determine the taxable base for the 8% substitute tax, the cadastral value of the properties may be used instead of their normal value.

The companies concerned are required to pay the substitute taxes due:

- 60% by 30 September 2026;
- the remaining 40% by 30 November 2026.

This issue will be dealt with in detail in a subsequent dedicated Circular.

8. Amendment to the rules on the instalment payment of capital gains from the sale of capital assets (Article 1, paragraph 42 of Law no. 199/2025)

For capital gains realised from the tax period following that in force on 31 December 2025, companies will no longer be able to pay in instalments the capital gains deriving from the disposal of capital goods, assets and shareholdings other than those exempt under Article 87 of the TUIR.

The amendment made to paragraph 4 of Article 86 of the TUIR limits the instalment option to capital gains arising from the sale of companies or business units.

9. Extraordinary redemption of tax-suspended reserves (Article 1, paragraphs 44-45 of Law no. 199/2025)

Tax-deferred reserves existing in the financial statements as at 31 December 2024, which remain at the end of the financial year ending on 31 December 2025, may be released, in whole or in part, by applying a substitute IRES and IRAP tax of 10%.

Upon redemption, the tax-deferred reserves become ordinary reserves of profits distributable to shareholders without incurring additional costs for the companies.

The substitute tax is settled in the tax return for the tax period ending on 31 December 2025 and must be paid in four equal instalments.

For further information on this matter, please refer to our Circular No. 3 published on January 14, 2026.

10. Changes to the rules on capital gains and dividends (Article 1, paragraphs 51-55 of Law no. 199/2025)

Starting from dividend distributions approved from 1 January 2026, the 95% exclusion from total income (or 60%, 50.28% or 41.85% for partnerships) will continue to apply only if at least one of the following requirements is met:

- shareholding of at least 5%;
- or, alternatively, a tax value of not less than €500,000.

If at least one of the two requirements is not met, the dividends will contribute in full (100%) to the income for the financial year in which they are received.

Nothing changes for non-entrepreneurial individuals, who remain subject to a definitive 26% levy. Another new feature introduced by the 2026 Budget Law concerns the extension of the same size requirements to capital gains realised on holdings under the exemption regime (known as *Pex*). The 95% exemption regime for capital gains will also be conditional on the ownership of a shareholding of not less than 5% of the share capital, or with a tax value of not less than €500,000; this requirement is in addition to the further requirements set out in Article 87(1) of the TUIR for *shareholding exemption*.

The new provisions relating to the exemption regime apply to capital gains realised in relation to the sale of shareholdings acquired from 1 January 2026.

For further information on this matter, please refer to our Circular No. 1 published on January 7, 2026.

11. Redetermination of the rate for the redetermination of the tax cost of shareholdings - (Article 1 paragraph 144 of Law no. 199/2025)

The substitute tax rate for the redetermination of the tax cost of purchasing traded and non-traded shareholdings is increased to 21%, instead of 18%.

The substitute tax on the revaluation of agricultural and building land pursuant to Article 7 of Law 448/2001 remains unchanged at 18%.

The increase in the rate will take effect from the revaluations of shareholdings referring to 1 January 2026 and completed by 30 November 2026.

For further information on this matter, please refer to our Circular No. 2 published on January 12, 2026.

12. Hyper-amortisation (Article 1, paragraphs 427-436 of Law no. 199/2025)

An increase in the purchase cost is envisaged for investments in new interconnected 4.0 capital goods or goods intended for the self-production of energy from renewable sources for self-consumption. The increase has tax implications and refers to the determination of depreciation rates and financial lease payments.

Investments must be made between 1 January 2026 and 30 September 2028.

In addition to being new, the assets must be produced in one of the Member States of the European Union or in States party to the Agreement on the European Economic Area and intended for facilities located in the territory of the State.

The acquisition cost of the subsidised assets is increased by:

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

In order to access the subsidy, specific communications must be submitted to the GSE.

This matter will be examined in detail in a subsequent dedicated Circular.

13. Extension of Special Economic Zones (Art. 1, paragraph 438-443, Law no. 199/2025)

The tax credit for investments in the Single Special Economic Zone (so called ZES) has been extended until 2028.

In addition, a further tax credit has been introduced, equal to 14.6189% of the amount of the tax credit requested for those who submitted the supplementary communication in 2025, provided that they did not obtain recognition of the 5.0 transition tax credit.

The extension until 2028 also applies to companies in Simplified Logistics Zones (so called ZLS).

14. Payment of freelancers working for public administrations (Article 1, paragraph 725, Law no. 199/2025)

The budget law introduced paragraph 1-ter to Article 48-bis of Presidential Decree 602/1973, which provides for an important change in the verification of the regular fulfilment of tax and social security obligations by public administrations for payments to professionals.

In general, companies with a majority public shareholding must verify, before making payments exceeding €5,000, whether the creditor is in arrears in relation to amounts of at least €5,000. In such circumstances, the entity must suspend payment until the arrears have been paid and a third-party attachment order must be served by the collection agent.

From 15 June 2026, for payments made by public administrations to professionals and tradespeople, the €5,000 threshold will no longer apply, both in terms of the amount of the payment to be suspended and the amount of the tax liability. The payment freeze will therefore apply to any tax liability, including non-tax liabilities (e.g. fines, traffic violations and unpaid social security contributions).

In the event of non-compliance by the service provider, public administrations are required to proceed directly by ordering payment to:

- a) the collection agent up to the amount of the debt resulting from the verification;
- b) the beneficiary, within the limits of any amounts exceeding the amount of the aforementioned debt.

15. Fund for the refinancing of 'Industry 4.0' (Article 1 paragraph 770, Law no. 199/2025)

A fund of €1,300 million is established for the year 2026 for the benefit of businesses.

The resources may be allocated, limited to investments made by 31 December 2025, to increase the spending limits provided for the Industry 4.0 tax credit, i.e. for new capital goods functional to technological and digital transformation. These resources may only be used as compensation by submitting the F24 form during 2026.

Our Firm remains available for any further information, analysis or individual assessments.

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