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RELEVANT
BUSINESS MATTERS

RESTORATION OF THE DIVIDEND EXCLUSION REGIME AND THE PEX REGIME – JUST KIDDING!

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Dear Client,

We are writing to inform you of the recent regulatory changes introduced by Decree Law No. 38 of 27 March 2026 (the so-called “tax decree”), which came into force on 28 March 2026, concerning the treatment of dividends and capital gains.

Article 11 of the aforementioned tax decree reinstates the tax regimes for dividend exemptions and the so-called Participation Exemption that were in force prior to the amendments introduced by the 2026 Budget Law (Law No. 199 of 30 December 2025).

The provisions of the tax decree apply from 1 January 2026, meaning that the legislation introduced by the 2026 Budget Law is, in effect, NEVER applicable. The ordinary legislation in force prior to the 2026 Budget Law therefore continues to apply **without interruption**.

Without commenting on the merits of the proposed changes set out in the 2026 Budget Law, the effect is essentially a complete reversal.

As regards **dividends**, the applicable regime can be summarised as follows:

- **IRES taxpayers: exclusion** from taxable income **of 95%** of dividends received, pursuant to Article 89 of the TUIR;
- **Sole traders** and commercial partnerships: **exclusion** from taxable income **of 41.86%** (or 50.28% or 60%, depending on the tax periods¹) pursuant to Article 59 of the TUIR;
- **Resident individuals who** are not entrepreneurs: application of **a 26% withholding tax** on dividends received.

The feared 100% taxation of dividends received by IRES taxpayers, entrepreneurs or partnerships in the case of shareholdings of less than 5% and/or shareholdings with a tax value of less than €500,000 is therefore abolished. With regard to the feared changes, please refer to our circulars No. 1/2026 of 7

¹ More specifically, dividends received by sole traders or commercial partnerships, paid by companies resident in Italy, are included in taxable income as follows:

- 58.14% of their amount if the dividends derive from profits generated from the financial year following that in progress on 31 December 2016;
- 49.72% of their amount if the dividends derive from profits generated from the financial year following that in progress on 31 December 2007 up to the financial year in progress on 31 December 2016;
- 40% of their amount if the dividends derive from profits generated prior to the financial year following that in progress on 31 December 2007.

January 2026 and No. 5/2026 of 21 January 2026, which, in light of the above, are now entirely obsolete and irrelevant.

As regards the so-called PEX or 'Participation Exemption' regime, the previous situation is also restored (Article 87 of the TUIR and Article of the TUIR), which provides, in relation to capital gains arising from the disposal of shares or equity interests, for the following tax regime:

- **IRES taxpayers:** capital gains **do not** form part of taxable income to the extent of **95%**, pursuant to **Article 87 of the TUIR**, provided that the relevant requirements (**the** so-called '**PEX** requirements') are met, namely:

1. uninterrupted ownership of the holding for at least twelve months;
2. classification of the holding as a financial fixed asset;
3. tax residence of the investee in countries or territories not subject to preferential tax treatment;
4. the investee company must carry on a commercial business;

- **Sole traders and commercial partnerships:** capital gains **are excluded** from taxable income at a rate of **41.86% and 50.28%**, pursuant to **Article 58 of the TUIR**, provided that the **PEX Requirements** are met (insofar as they are compatible, as outlined above);

- **Resident individuals who** are not entrepreneurs: capital gains remain subject to **a 26% substitute tax**, in accordance with the applicable ordinary regime.

In this case too, the feared 100% taxation – which never came into force – of capital gains received by IRES taxpayers, entrepreneurs or partnerships in the case of shareholdings of less than 5% and/or shareholdings with a tax value of less than €500,000 has been abolished.

It should be noted that, with regard to taxation and withholding tax on dividends paid to companies and entities not resident in Italy, the ordinary tax regimes applicable prior to the amendments provided for in the 2026 Budget Law are reinstated.

The Firm remains at your disposal for any further information.