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Reggio Emilia, Jan. 09, 2026

MEMORANDUM N. 1/2026

Insight

Subject: 2026 Budget Law (Law No. 199 of December 30, 2025) - Main tax changes

PREMISE

Law No. 199 of December 30, 2025 (2026 Budget Law) was published in Ordinary Supplement No. 42 to the Official Gazette No. 301 of December 30, 2025. The measure came into force on January 1, 2026. Below is a detailed and practical analysis of the main tax and subsidy changes introduced by the legislator.

IRPEF TAX RATES - REDUCTION FROM 35% TO 33% IN THE SECOND BRACKET

Starting from the 2026 tax period, the structure of personal income tax rates for individuals will be modified. The main change concerns the reduction of the rate applicable to the second income bracket, which will drop from 35% to 33%. This change is aimed at reducing the tax burden on the middle class.

The new structure of brackets and rates, applicable from January 1, 2026, is therefore as follows:

- 23% for incomes up to €28,000;
- 33% (previously 35%) for incomes above €28,000 and up to €50,000;
- 43% for incomes above €50,000.

The maximum tax savings achievable for taxpayers with an income equal to or greater than €50,000 amounts to €440 per year (calculated as 2% on €22,000 of the tax bracket). The new measure will take effect when withholding tax is deducted from employment and similar income starting from the monthly payments for January 2026.

IRPEF TAX DEDUCTIONS - REDUCTION OF €440 FOR INCOMES ABOVE €200,000

In order to ensure the progressivity of the tax system and to "neutralize" the benefit of the IRPEF rate reduction for higher incomes, a mechanism for reducing tax deductions (known as "linear cut") has been introduced.

Specifically, for taxpayers with a total income exceeding €200,000, the total amount of deductions due for certain expenses is reduced by €440. This reduction

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applies to deductions for expenses referred to in Article 15 of the TUIR (Consolidated Income Tax Law) that are 19% deductible (excluding healthcare expenses), to donations to political parties (26% deductible), and to premiums for insurance against natural disasters (90% deductible).

For the purposes of calculating the €200,000 threshold, total income is taken as net of the income from the property used as the main residence and related appurtenances. However, income subject to flat-rate tax, income deriving from the flat-rate scheme, and tax-exempt tips in the tourism sector must be included.

REGIONAL AND MUNICIPAL ADDITIONAL TAXES - TRANSITIONAL REGIME EXTENDED TO 2028

To allow local authorities to adapt their budgets to the new structure of state income tax (IRPEF), the transitional regime for regional and municipal surtaxes has been extended until the 2028 tax year.

During this period, regions and municipalities will retain the right to apply their own surcharges based on the “old” four income brackets in force prior to the reform (up to 15,000, 15,000-28,000, 28,000-50,000, over 50,000). Specifically for the year 2026, municipalities have until April 15, 2026, to decide on municipal surtax rates based on the old brackets. In the absence of new resolutions, the rates and brackets in force in the previous year will apply.

HOME BONUS - 2026 TAX RATES

The rules governing tax deductions for building renovation work (Article 16-bis of the TUIR) will undergo significant changes for expenses incurred from January 1, 2026. The tax relief will vary depending on the type of property undergoing renovation.

For most types of work (the so-called “ordinary rate”), the deduction is 36%, with a maximum eligible expenditure limit of €96,000 per property unit.

However, there is an increased rate of 50% (again with a maximum limit of €96,000) for work carried out on a property used as a main residence by the owner or holder of a real right of enjoyment. This 50% increase applies to expenses incurred in 2025 and 2026. Starting in 2027, the rate for the main residence will drop to 36%, while the ordinary rate will be reduced to 30%.

ECOBONUS AND SISMABONUS - 2026 TAX RATES

The rates for energy efficiency improvements (Ecobonus) and anti-seismic measures (Sismabonus) are structurally aligned with those provided for the Home Bonus, abandoning the previous higher percentages (such as 65% or 50% across the board).

For expenses incurred in 2026, deductions are available as follows:

- 50% for work carried out on properties used as a main residence;
- 36% for work carried out on other types of properties other than the main residence.

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This alignment simplifies the subsidy framework but reduces the intensity of the aid for work carried out on properties other than the primary residence. In this case too, a further reduction in rates is planned for 2027 (to 36% and 30% respectively).

FURNITURE BONUS - EXTENSION TO 2026

The 50% IRPEF tax deduction for the purchase of furniture and large appliances with a rating of at least class A for ovens, class E for washing machines, washer-dryers, and dishwashers, and class F for refrigerators and freezers has also been confirmed for 2026. The tax relief is conditional upon the completion of building renovation work commenced on or after January 1, 2025. The maximum eligible expenditure on which the deduction is calculated remains set at €5,000 per property, regardless of the amount of expenditure incurred for the renovation work to which it relates. The deduction is divided into ten equal annual installments.

TAX EXEMPTION ON PERFORMANCE BONUSES - 1% TAX RATE

To encourage labor productivity, tax relief on performance bonuses and sums paid in the form of profit sharing is significantly increased. For bonuses and sums paid in 2026 and 2027, the substitute tax rate for IRPEF (personal income tax) and additional taxes is reduced from 5% to 1% (under ordinary legislation, the rate is 10%).

This relief applies up to a total amount of €5,000 gross per year (previously €3,000 in the basic rules) and applies to employees with an income not exceeding €80,000 in the year prior to that in which the sums are received. The worker still has the option of opting for ordinary taxation if this is more favorable.

SUBSTITUTE TAX ON CONTRACTUAL INCREASES - 5% FOR 2026

On an experimental basis and limited to the 2026 tax year, a specific tax relief is introduced for salary increases resulting from the renewal of National Collective Labor Agreements (CCNL).

A substitute tax for IRPEF and additional taxes will be applied at a rate of 5% on salary increases paid in 2026 in implementation of contract renewals signed between January 1, 2024, and December 31, 2026. The relief is available to private sector employees who, in 2025, earned an income from employment not exceeding €33,000. Again, this is without prejudice to the employee's right to waive the relief.

BUONI PASTO ELETTRONICI - INCREMENTO ESENZIONE A 10 EURO

In order to adjust the value of company benefits to the cost of living and to encourage digitization, the tax and contribution exemption threshold for electronic meal vouchers is being raised.

Starting January 1, 2026, the tax-exempt value for electronic meal vouchers will increase from the current €8 to €10 per day. However, the exemption threshold for paper meal vouchers remains unchanged at €4. The measure confirms the

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legislator's intention to gradually discourage the use of paper vouchers in favor of digital ones, which are more traceable.

SUPPLEMENTARY PENSION SCHEME - DEDUCTIBILITY LIMIT OF €5,300

To support pension savings and encourage membership in pension funds, the tax deduction limit for contributions paid into supplementary pension schemes is being updated.

Starting from the 2026 tax period, the annual ceiling for deductibility from total IRPEF income will be raised from the historical €5,164.57 (corresponding to the old 10 million lire) to €5,300. This limit includes both contributions paid by the employee and those paid by the employer or client, while the portion of severance pay allocated to the fund is excluded from the calculation.

REVALUATION OF EQUITY INVESTMENTS - SUBSTITUTE TAX AT 21%

The rules governing the redetermination of the tax cost of unlisted and listed shareholdings held outside the scope of business activities are subject to a higher tax rate.

For revaluations carried out with reference to the values held on January 1, 2026, the substitute tax rate increases from 18% to 21%. However, the rate for the revaluation of building and agricultural land remains at 18%. The appraisal and payment of the substitute tax (in a single installment or in the first of three annual installments) must be completed by November 30, 2026.

CRYPTOCURRENCIES - STABLECOIN TAXATION

A differentiated tax regime is introduced for income derived from so-called "stablecoins." For capital gains and other income realized through redemption, transfer for consideration, exchange, or holding of electronic money tokens whose value is stably pegged to the euro ("E-Money Tokens"), a substitute tax at a reduced rate of 26% will apply, instead of the ordinary rate of 33% provided for other crypto-assets (such as Bitcoin or Ethereum) starting from the 2025 Budget Law.

It is also specified that the mere conversion between euros and electronic money tokens denominated in euros, or the redemption in euros of the relative nominal value, does not constitute a taxable event (and therefore does not generate taxable capital gains or losses).

SHORT-TERM RENTALS - PRESUMPTION OF ENTREPRENEURSHIP WITH 3 APARTMENTS

The scope of application of the preferential tax regime for short-term tourist rentals by private individuals is further restricted. Starting from the 2026 tax period, the legal presumption of entrepreneurship applies in the case of short-term rentals of more than two apartments per tax period (the previous threshold was four apartments).

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Consequently, anyone who rents out three or more apartments for short-term stays:

- Can no longer operate as a private individual and cannot apply the flat-rate tax;
- Is required to register for VAT;
- Is subject to all the accounting and tax obligations of a business.

For those who remain in the private regime (rental of 1 or 2 apartments), the flat-rate tax rates already in force apply: 21% in the case of a single rented apartment; if two apartments are rented, the rate is 21% on one of your choice and 26% on the other.

FLAT-RATE TAX REGIME - CONFIRMATION OF €35,000 LIMIT

With regard to the impediments to accessing and remaining in the flat-rate scheme (Law 190/2014), the higher threshold for income from employment and similar sources is also confirmed for 2026.

Those who intend to apply the flat-rate scheme in 2026 must not have received income from employment and similar sources exceeding €35,000 in the previous year (2025). It should be noted that this limit, originally set at €30,000, had been temporarily raised and is now stabilized at €35,000 for the new year as well.

HYPER-AMORTIZATION - INCREASES UP TO 180%

The rules on super and hyper-amortization are reintroduced to replace tax credits for investments in capital goods. The measure provides for an increase in the acquisition cost of assets for the sole purpose of deducting depreciation and leasing fees for investments made between January 1, 2026, and September 30, 2028.

For 'Industry 4.0' tangible capital goods (Annex A to Law 232/2016) and for goods intended for the self-production of energy from renewable sources, the increase in cost is equal to:

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

To qualify for the benefit, the assets must be new, intended for production facilities located in Italy, and manufactured in EU or European Economic Area member states.

DIVIDENDS AND CAPITAL GAINS - CHANGES TO PARTICIPATION EXEMPTION

The partial exemption regime (Participation Exemption - PEX) for dividends and capital gains realized by IRES taxpayers (95% exemption) and IRPEF entrepreneurs (partial exemption) has been modified. Starting in 2026, in order to benefit from the tax exemption regime, one of the following minimum participation requirements must be met:

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- Holdings of at least 5% of the capital or assets;
- Or holdings with a tax value of at least €500,000.

If these requirements are not met, dividends and capital gains will be fully taxable. The new rules apply to dividends approved from January 1, 2026, and to capital gains realized on holdings acquired from the same date.

CAPITAL GAINS SPLITTING – ELIMINATION

The rules governing the installment payment of capital gains on business assets have been significantly revised (Article 86, paragraph 4, TUIR). Starting from the 2026 tax period, the general option to spread capital gains on capital goods and assets owned for at least three years over five years has been eliminated.

Therefore, the ordinary rule becomes the full taxation of capital gains in the year of realization. The possibility of splitting into equal installments (up to a maximum of five years) remains in force exclusively for capital gains realized through the sale of a company or business units (owned for at least three years).

DEVALUATION OF BONDS AND SECURITIES – CHANGES

New rules are introduced for the tax valuation of bonds. For bonds and similar securities recorded under current assets, the tax-deductible write-down (for the purposes of valuation at the lower of cost and market value) must be determined:

- For listed securities, based on the arithmetic mean of the prices recorded in the last six months;
- For unlisted securities, by applying to the tax value the percentage decrease derived from the performance of the electronic bond market in the same period.

For entities that adopt international accounting standards (IAS/IFRS), it is established that capital losses from the valuation of securities recorded under financial fixed assets are relevant for tax purposes if they are transferred to the income statement.

FAVORABLE ALLOCATION OF ASSETS TO SHAREHOLDERS - RATES OF 8% AND 13%

The possibility of carrying out transactions involving the assignment or transfer of assets to shareholders at a reduced rate (real estate other than that used for business purposes and registered movable property not used for business purposes) has been reintroduced, as has the conversion of real estate management companies into simple partnerships. The transactions must be completed by September 30, 2026.

The preferential regime provides for the application of a substitute tax on income and IRAP (regional business tax) equal to 8% on the capital gain realized (difference between normal/cadastral value and tax cost). The rate rises to 10.5% for companies considered "shell companies" in at least two of the three previous tax

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periods. For tax-suspended reserves canceled as a result of the assignment, a substitute tax of 13% is due. Sixty percent of the substitute tax must be paid by September 30, 2026, and the remaining 40% by November 30, 2026

RESERVE RELEASE - 10% SUBSTITUTE TAX

The measure for the extraordinary release of tax-deferred reserves recorded in the financial statements is being reintroduced. Companies may opt for the total or partial release of tax-deferred reserves existing in the financial statements for the current year as of December 31, 2024 (and still present at the end of the 2025 financial year).

The transaction involves the payment of a 10% substitute tax. As a result of the release, the reserves become freely distributable to shareholders without further taxation on the company. The substitute tax must be paid in four equal annual installments, starting from the due date of the balance of income taxes for the 2025 tax period.

DESIGN TAX CREDIT - EXTENSION TO 2026

The tax credit for investments in design and aesthetic creation activities carried out by companies operating in the textile and fashion, footwear, eyewear, goldsmith, furniture and furnishings, and ceramics sectors has been extended to 2026.

The tax credit is recognized at 10% of eligible costs incurred, up to a maximum annual limit of €2 million per beneficiary. The credit can be used as compensation exclusively in a single annual installment (no longer in three installments as in the past).

TAX CREDIT 4.0 – REFINANCING

In order to guarantee financial coverage for investments already planned by companies, the Budget Law allocates an additional €1.3 billion for the year 2026. These resources are intended to increase the ceilings available for the “Transition 4.0” tax credit, limited to investments in interconnected capital goods made (or reserved with a 20% deposit) by December 31, 2025. The measure aims to avoid blocking compensation due to the exhaustion of funds for previous investments.

NUOVA SABATINI – REFINANCING

The “Nuova Sabatini” measure (Article 2 of Decree Law 69/2013) is being refinanced, supporting SMEs' access to credit for the purchase of new machinery, plant, and equipment. The spending authorization is increased by €200 million for the year 2026 and €450 million for the year 2027, ensuring the operational continuity of the facility for granting capital grants.

ROLE SCRAPPING - SCRAPPING-QUINQUIES

A new simplified definition of the charges entrusted to the Collection Agent (known as “Rottamazione-quinquies”) is introduced. The amnesty covers debts entrusted between January 1, 2000, and December 31, 2023, resulting from omitted

payments resulting from annual declarations, automatic settlements, formal checks, INPS contributions, and traffic code penalties.

The benefit consists of the full write-off of administrative penalties, interest on arrears, interest for late registration, and collection fees. The principal and notification/enforcement costs remain due. The application for participation must be submitted electronically by April 30, 2026. Payment can be made in a single installment by July 31, 2026, or in installments (up to 54 bimonthly installments) spread over 10 years (2026-2035), with interest applied at 3% per annum starting August 1, 2026.

PROHIBITION ON COMPENSATION FOR ROLES - THRESHOLD REDUCED TO €50,000

The rules prohibiting the offsetting of tax credits in the presence of overdue debts entered in the tax roll are being tightened. Starting from offsets made from January 1, 2026, the threshold for overdue debt that triggers the block is reduced from €100,000 to €50,000.

Therefore, taxpayers who have registered debts for taxes and related accessories exceeding €50,000, for which the payment deadline has expired, will not be able to use the tax credits accrued for horizontal offsetting (form F24), under penalty of heavy sanctions. The prohibition does not apply if the debts are subject to installment payments or suspension.

B2B TRANSACTIONS - 0.5% FROM 2028

A structural change is being introduced to the tax collection system, consisting of a withholding tax on commercial transactions between businesses (Business to Business). The measure, which will only come into force in 2028, provides for the application of a withholding tax on payments deriving from the provision of services and the sale of goods carried out in the course of business.

The withholding tax rate will be 0.5% for 2028 and will rise to 1% from 2029. Taxpayers who adhere to the two-year preventive agreement or who fall under the collaborative compliance regime are exempt from the withholding tax. Transactions already subject to the 11% withholding tax on bank transfers for building deductions are also excluded.

OMITTED VAT RETURN - AUTOMATIC LIQUIDATION

An automatic VAT settlement procedure is established in cases of failure to submit the annual return. The Revenue Agency may determine the tax due on the basis of the data in its possession (electronic invoices issued and received, electronic payments, LIPE communications).

The taxpayer will be notified with a request for payment of the tax, interest, and a penalty equal to 120% of the tax due. If the taxpayer makes the payment within 60 days of notification, the penalty will be reduced to one third (i.e., 40%). The

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procedure applies to tax years for which, as of January 1, 2026, the assessment deadlines have not yet expired (potentially from the 2018 tax year onwards).

EXTRA-EU PACKAGE CONTRIBUTION - 2 EUROS

In order to cover the administrative and customs costs associated with cross-border e-commerce, a fixed fee is being introduced on shipments of goods from non-EU countries. The fee is €2 for each shipment with an intrinsic value not exceeding €150 (customs duty exemption threshold). The levy will be collected upon importation and will be borne by the final purchaser.

TOBIN TAX - DOUBLING OF TAX RATES

The rates of the Financial Transaction Tax (known as the Tobin Tax) applicable to transfers of ownership of shares and participatory financial instruments are doubled. Starting from transactions concluded on or after January 1, 2026, the rates change as follows:

- From 0.10% to 0.20% for transfers taking place on regulated markets and multilateral trading facilities;
- From 0.20% to 0.40% for transactions taking place "over the counter" (outside regulated markets).

The rate for high-frequency trading will also double, rising from 0.02% to 0.04%.

PLASTIC TAX AND SUGAR TAX - POSTPONED TO 2027

The entry into force of taxes on the consumption of single-use plastic products (MACSI - known as the "Plastic Tax") and on the consumption of sweetened non-alcoholic beverages (known as the "Sugar Tax") has been postponed again. The effectiveness of these taxes has been postponed to January 1, 2027, granting an additional year of suspension to companies in the sectors concerned.

The Firm remains available for any clarifications.

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