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To whom it may concern

Reggio Emilia, Nov. 05, 2026

MEMORANDUM N. 40/2026

Insight

Subject: Substantial public grants – Obligations for businesses receiving grants in 2026

1. Premise

The 2025 Budget Act (Law 207/2024, Article 1, paragraphs 857–858) has introduced a new obligation for companies and entities which, during 2025 and subsequent years, have received **substantial public grants** from central government departments, state-owned companies or non-economic public bodies supervised by the State.

In such cases, the company's supervisory body (Board of Statutory Auditors or Sole Statutory Auditor) is required to carry out specific checks and to submit a dedicated report to the Ministry of Economy and Finance (MEF) **by 30 April 2027.**

The implementing regulation was issued by Prime Ministerial Decree No. 84 of 26 March 2026. The Prime Minister's Decree expressly applies to contributions received from 1 January 2025. For 2025, however, the regulation came into force after the standard deadline for submitting the report (30 April 2026). Consequently, the supervisory body did not submit the report.

2. When the obligation arises: 'significant' contributions

A public contribution is considered to be 'of a significant amount' – and therefore subject to verification requirements – where all of the following criteria are met:

Qualitative criteria (all of which are necessary):

- Donor: Ministry/Tax Authority/Prime Minister's Office, or a state-owned public company in which the state holds a majority stake (excluding listed companies), or a non-economic public body subject to central supervision;
- Purpose: a specific aim or project in the public interest;
- Form: a sum of money (excluding goods, services, guarantees and tax concessions).

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Provided the qualitative requirements are met, the contribution is considered significant if **at least one of the following quantitative criteria is met**:

- Absolute threshold: Annual amount of the contribution (or cumulative contributions) > 1,000,000 euros;
- Relative threshold: Contribution < 1,000,000 euros but >= 50 per cent of the value of production in 2026 (for companies) or of total revenue (for public bodies).

Adding up

The threshold of 1,000,000 euros is determined by adding together all relevant contributions received in 2026, including those from different funding bodies.

3. **What is excluded**

The following are excluded from the scope of these provisions:

- automatic grants paid to the general public;
- tax credits of any kind;
- grants of a compensatory, remunerative, indemnity or damages nature;
- grants paid by Regions, Provinces or Municipalities (the provision applies only to central government bodies);
- excluded entities: Third Sector organisations (Legislative Decree 117/2017), registered ONLUS organisations, and civilly recognised religious bodies.

4. **What the supervisory body must do**

If the company received public grants in 2026 that fall within the scope described, the supervisory body (Board of Statutory Auditors or Sole Statutory Auditor) must:

a) verify that the grants have been used in accordance with the purposes for which they were awarded;
b) check the traceability of cash flows and the completeness of the documentation;
c) verify compliance with the expenditure limit laid down by law (expenditure in 2026 for the same purposes must not exceed the average expenditure for 2021–2023, except in the case of extraordinary projects);
d) draft and submit a specific report to the Ministry of Economy and Finance (MEF) by 30 April 2027.

With regard to point c) a number of issues arise. Article 1, paragraph 858 of Law 207/2024 refers to Article 1, paragraphs 590 et seq. of Law 160/2019, according to which public administrations – including those organised as companies – may not purchase goods and services falling under items B6, B7 and B8 of the profit and loss account for an amount exceeding the average value incurred over the three financial years 2021–2023. **The provision applies to public administrations and not to private companies; it is therefore considered that this condition does not apply to the latter.**

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5. **What should the company do**

The company must verify whether, in 2026, it received public grants from Ministries, tax authorities, the Prime Minister's Office, state-owned companies or supervised non-economic public bodies of a 'significant amount' as defined above.

If the answer is yes, draw up a complete list of the grants received, including: name/project, granting body, amount awarded, amount actually received, date of payment and purpose funded.

For each grant, the company must:

- collect: the grant award document (decree, resolution, agreement), notification of payment, bank statement showing the credit entry, financial plan and technical project documentation;
- provide the supervisory body with the 2026 financial statement data (value of production) and the 2021–2023 financial statements for the calculation of the expenditure ceiling. In reality, we have seen that this last condition should not apply to private companies.

6. **Sanctions**

Article 2(3) of Prime Ministerial Decree No. 84 of 26 March 2026 stipulates that failure to submit the report, or notification that the project has not been carried out or that the objectives for which funding was granted have not been met, shall be taken into account when assessing eligibility for subsequent public grants, including the same grant should it be due to be paid in the following financial year.

However, there is no provision for an automatic administrative fine to be imposed on the supervisory body.

However, the supervisory body's failure to submit the report potentially constitutes a breach of a statutory obligation. Consequently, it may be relevant under Article 2407 of the Civil Code, giving rise to liability for damages. For example, if a company loses a subsequent grant due to the supervisory body's omission, the latter may be held liable.

The Firm remains available for any clarification.

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