

Budget Law 2025: what's new and what changes

Budget Law 2025

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Budget Law 2025: what's new and what changes

A summary of the main tax measures for enterprises and individuals.

The present document aims to analyze the main tax measures provided by Law No. 207 of December 30, 2024 (Budget Law for financial year 2025 and multi-year budget for the three-year period 2025-2027, hereinafter "Budget Law 2025"), published in the Ordinary Supplement to the Official Gazette No. 305 of the December 31, 2024 General Series.

For convenience of use, the topics treated in this document – which refer to both enterprises and individuals, direct and indirect taxes, etc. – have been grouped in the following macro-areas:

- Business income
- Tax credits and facilities for enterprises
- VAT
- Individuals



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| Business income

- 1.1** Financial intermediaries - revision of the deduction of write-downs, loan losses and goodwill
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01 *Financial intermediaries - revision of the deduction of write-downs, loan losses and goodwill*

▶ art. 1, paragraphs from 14 to 20

The transitional regime providing for the deduction of write-downs, loan losses and goodwill by financial intermediaries, financial holding companies and insurance companies has been modified.

The possibility for such entities to fully deduct write-downs and loan losses in the financial year of recognition was introduced in fiscal year 2015, but its application has been postponed several times over past years, the last of which by the Budget Law 2025, which also provided the deferred deduction of the depreciation of goodwill and of other intangible assets that generated Deferred Tax Assets related to fiscal years 2025 and 2026 over a different timeline compared to the ordinary rules.

The higher taxable income of fiscal year 2025 resulting from the deferral of the above-mentioned deductions, may be covered by tax losses carried forward and by the Notional Interest Deduction up to 54% of the higher taxable income.

The law changes at issue imply the recalculation of the Corporate Income Tax (IRES) and the Regional Tax on Productive Activities (IRAP) down payments relating to the tax periods affected by the amendments, with the exclusion of the offsetting (either horizontal or vertical).

02 *Digital Service Tax*

▶ art. 1, paragraphs 21 - 22

The amendments provided by the Budget Law 2025 to the Digital Service Tax (“DST”) are the following:

- Changes in subjective scope
- revised payment deadlines.

Changes in subjective scope

Before the law changes, the DST was due by companies carrying out certain digital service activities which, individually or as part of a group, exceeded two revenue thresholds in the previous calendar year: an amount of global revenues of 750 million euros and an amount of local revenue of at least 5.5 million euros.

Under the new rules, **the 5.5 million euros revenue threshold for digital services realized in Italy has been abolished**. Hence, the DST will apply on revenue generated in Italy from digital services regardless of their amount.

Revised payment deadlines

Before the law changed the DST payment was due in full by May 16 of the year following the one in which the revenues were realized.



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According to the new provisions, a two-steps payment will be due: **an advance payment of 30% of the previous year's tax will be due by November 30 of the relevant year**, and the balance payment must be paid by May 16 of the following year.



03 *Assignment of assets to shareholders: tax relief*

▶ art. 1, paragraphs from 31 to 36

The tax relief applicable in case of assets assigned to shareholders has been reintroduced.

The measures is applicable to:

- commercial companies (general partnership, limited partnership, limited liability company, limited liability partnership, joint stock company) that assign or transfer non-instrumental assets (real estate or registered movable property) to shareholders by September 30, 2025. It is necessary that, as of September 30, 2024, all shareholders are registered in the register of shareholders, if applicable, or registered within 30 days of the effective date of this law, by means of a transfer title having a certain date prior to October 1, 2024;
- partnerships or corporations that have as their exclusive or main purpose the management of assets (real estate or registered movable property) that are not instrumental upon transformation into simple partnerships by the same deadline of September 30, 2025.

The tax relief consists of:

- Substitute taxation of **8%** (10.5% for shell companies) on capital gains realized (difference between market value and tax basis) on assets assigned to shareholders or to the simple partnership;
- Substitute taxation of **13%** on tax-suspension reserves cancelled as a result of the assets assignment.

04 *Exclusion of real estate assets from individual enterprises: tax relief*

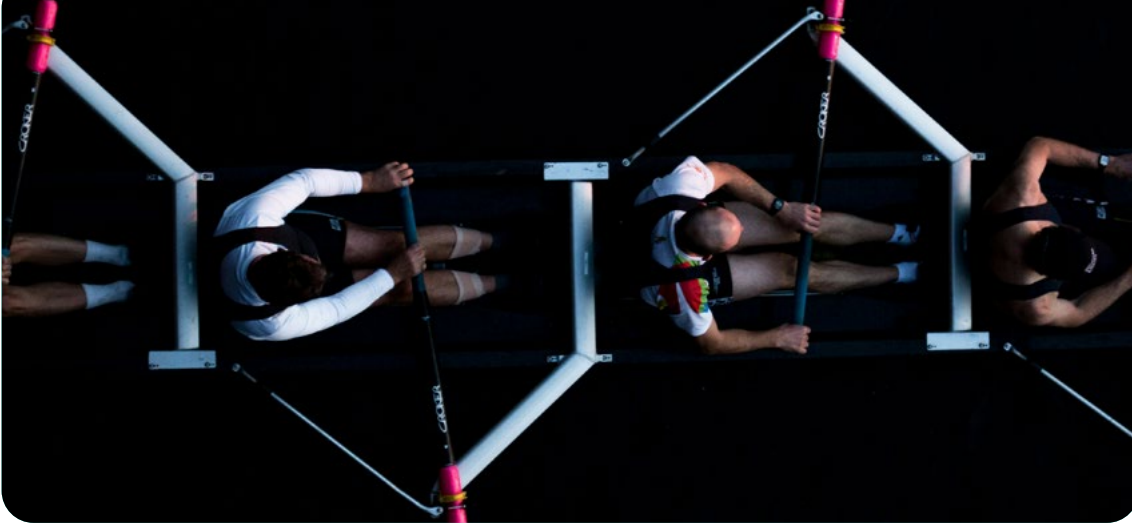
▶ art. 1, paragraph 37

The tax relief applicable in case of exclusion of real estate assets from individual enterprises has been reintroduced.

The measure provides for the payment of a substitute tax of 8 % on the difference between the market value and the tax basis of instrumental real estate assets not productive of land income, provided that: the assets are owned as of October 31, 2024, and the exclusion from the enterprise is made from January 1, 2025 to May 31, 2025.



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05 *Sport bonus extension*

The tax credit for donations made for the maintenance and renovation of public sports facilities and for the construction of new public sports facilities, known as the Sport Bonus, has been extended.

The relief is intended only for business income taxpayers within the limit of 10% of annual revenues. The financial resources budgeted for such bonus amount to 10 million euros.

The tax credit is equal to 65% of the donation made through traceable payment systems (e.g., bank transfer, debit and credit cards, etc.) and can be used for offsetting in 3 equal annual installments.

▶ art. 1,
paragraph 246

06 *New hires: extra deduction*

The Budget Law 2025 extended the extra deduction of costs related to new permanent hires for fiscal year in course as of 31 December 2024 and following two years.

The measure provides that taxpayers running a business activity or arts and professions may deduct 120% of labor costs for new hires in 2024 (increased to 130% for certain employment categories).

This extra deduction is granted if: (i) the number of full-time employees in 2024 is higher than the average of 2023, and (ii) the total number of employees (including temporary) at the end of 2024 is higher than the average of 2023.

The increased tax deduction (20% or 30%) is the lower between the cost for the new hires or the increase in the labor costs based on the profit and loss statement.

The measure impacts on the calculation of tax down payments due in the relevant tax periods.

▶ art. 1,
paragraphs
399 - 400

07 *Reduced Corporate Income Tax rate*

The Budget Law 2025 introduced a reduced Corporate Income Tax rate to 20% – instead of the ordinary 24% rate - applicable only for the tax period following the one in course as of 31 December 2024 (i.e., 2025 for solar subjects).

▶ art. 1,
paragraphs
from 436 to
444

08 *Stock option plan deductibility*

▶ art. 1,
paragraphs
862 - 863

Starting from fiscal year 2025, it will no longer be possible for IAS/IFRS adopters to deduct the costs related to employee and director stock option plans at maturity (vesting), that is when the cost is accounted in the financial statements. According to the new rule, the cost of stock option plans can be deducted when the equity instrument is granted to the employees and directors.

Therefore, if the beneficiaries of the plan do not exercise the options, the cost will not be deductible and the stock option reserve will become a profit reserve.

The change in the regime also applies to entities adopting the Italian accounting standards (OIC adopter) in their financial statements, to the extent that they account the stock option plans according to the rules set forth by IFRS 2.

Cash-settled stock options plans are not affected by this law change.



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Tax credits and facilities for enterprises

- 2.1** Tax deduction for building expenses and Superbonus
- 2.2** Bonus Transition 5.0
- 2.3** Bonus 4.0
- 2.4** Tax Credit for SME Public Listing
- 2.5** Contributions for individuals who have joined the procedure for the reversal of the R&D tax credit
- 2.6** New Sabatini
- 2.7** Single ZES tax credit 2025
- 2.8** Extension of Tax Credit for Historic Property Restoration
- 2.9** Cinema Tax Credit



01 *Tax deduction for building expenses and Superbonus*

▶ art. 1,
paragraphs
from 54 to 56
and from 107
to 111

Restructuring Bonus, Ecobonus and Sismabonus

The Budget Law 2025 introduced changes to the Personal Income Tax (IRPEF) deductions for renovation works, Ecobonus, and Sismabonus effective from 1 January 2025. The reduced 30% rate for expenses incurred will be brought forward, with an expenditure ceiling of euro48,000. However, a transitional regime for the 2025-2027 period raises the expenditure limit to euro96,000, with different rates depending on whether the property is used as a primary residence or not.

For primary residences:

- 50% rate for expenses in 2025
- 36% rate for 2026 and 2027

For non-primary residences:

- 36% rate for 2025
- 30% ordinary rate for 2026 and 2027

These same changes apply to the Ecobonus and Sismabonus interventions under Articles 14 and 16 of DL 63/2013, with rates and expenditure ceilings aligned to those for renovation works.

Additionally, starting from January 1, 2025, expenses for the replacement of boilers powered by fossil fuels will no longer be eligible for deductions.

Superbonus

Additional requirements have been introduced for benefiting from the Superbonus, which already provided for a 65% rate for expenses incurred in 2025. These **new conditions** include:

By October 15, 2024, the following must be completed:

- Submission of the CILAS (Certified Notification of Start of Activity)
- In the case of condominiums, approval of the assembly resolution authorizing the works
- Submission of the application for authorization if the project involves demolition and reconstruction of buildings

For the cases where the 110% rate remains applicable for 2025 (e.g., special rules for seismic-affected areas and ONLUS/ODV/APS), the new requirements are not relevant.

Additionally, the Budget Law 2025 allows **the option to “spread” the deduction related to 2023 expenses over 10 annual installments** (instead of the previous 4). This irrevocable option must be exercised via a supplementary declaration to the 2023 tax return, which can be submitted by the deadline for the 2024 tax return. If the supplementary declaration



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results in a higher tax liability, the excess can be paid by the deadline for the 2024 income tax balance, **without penalties or interest**.

Furniture Bonus

The measure is extended for 2025, maintaining a 50% rate with an expenditure limit of euro 5,000.

02 Bonus Transition 5.0

▶ art. 1,
paragraphs
from 427 to
429

The 5.0 Bonus Transition is a subsidy for Italian companies investing in technological innovation and energy sustainability, introduced by PNRR in 2021.

The bonus provides tax credits and contributions for businesses that invest in digital technologies and ecological solutions. Tax incentives can cover a significant portion of the expenses incurred for the purchase of technological goods and services (software, hardware and automation tools) and for the implementation of sustainability projects (renewable energy production facilities, energy efficiency...).

The main changes introduced by the Budget Law 2025, in addition to the extension of the benefit to the 2024 and 2025 years, are:

Simplification in the calculation of energy consumption

Single tax rate for investments up to 10 million euros

Increased incentives for European photovoltaic system

Cumulation with tax credit for investment in ZES and FTZs

Simplification in the calculation of energy consumption

The new provisions highlight the role of Energy Service Companies (ESCOs) and introduce a simplified procedure for recognizing the benefits of replacing obsolete assets.

For assets that have been depreciated for at least 24 months, achievement of the minimum energy savings required to qualify for the tax credit is automatically assumed.

Certified energy service companies can access incentives based on energy performance (EPCs) that specify expected levels of savings. Operating lease companies can also claim energy savings achieved by tenants as a criterion for accessing the tax credit.

Single tax rate for investments up to 10 millions euros

A single rate was introduced for the subsidy on investments up to this threshold (equal to 35%, decreasing to 5% between 10 and 50 million per annum and beneficiary company), thus reducing the brackets from three to two, whereby the increased rates increase to 40/10% (instead of 40/20/10%) or 45/15% (instead of 5/25/15%) depending on the energy savings achieved.

For example, a company that invests 14 million euros achieving a 4% reduction in consumption will be eligible for a tax credit of about 3.7 million euros, compared with 2.2 million under the old rules.



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Budget Law 2025 modifies the percentages of increase of the tax credit for each quota of investment in case the same relates to cases of energy consumption reduction by the production structure that meet special conditions:

Measure of the 5.0 tax credit post Budget Law 2025		
% reduction in energy consumption	Investment quotas up to 10 million euros	Investment tranches over 10 and up to 50 million
Production structure: 3-6% Process: 5-10%	35%	5%
Production structure: 6-10% Process: 10-15%	40%	10%
Production structure: over 10% Process: over 15%	45%	15%

This reorganization favors small and medium-sized enterprises while incentivizing higher-value investments.

In addition, increased rates are provided for a few sectors, including ecological technologies (e.g., renewable energy facilities, energy efficiency); industrial automation and Artificial Intelligence. For these investments, there is an additional 5/10% deduction, which allows for a significant increase in the tax benefit.



Increased incentives for European photovoltaic systems

Incentives for European photovoltaic panels have been increased to eliminate the cost gap with modules made outside the continent, thus promoting European production.

For photovoltaic systems, the new regulations reward the use of highly efficient technologies produced in the European Union. The basis for calculating the tax credit can be increased by up to 150% of the cost incurred: modules with certified efficiency higher than 21.5% see an increase in the basis from 120% to 130%.

Cumulation with tax credit for investments in the Single Southern ZES and FTAs

Cumulation with these credits and other national and European facilities allows for expanded opportunities for businesses. The principle of prohibition of double financing remains that cumulative incentives cannot exceed the total cost of the investment.

Openness to accumulation offers businesses a unique opportunity to maximize economic benefits and finance strategic projects. However, the provisions regarding non-accumulation, in relation to the same eligible costs, with the 4.0 investment tax credit remain in place.



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For reservation-eligible investment projects from Jan. 1, 2024, through Jan. 1, 2025, eligibility for the tax credit at the new rates for investments that achieve energy savings more than the minimum required to qualify for the tax credit is subject to the submission of a notice from the GSE.

Enterprises interested in benefiting from the 5.0 Bonus Transition must submit an online application through the appropriate platform, providing documentation of the investments made.

This incentive promotes self-generation of sustainable energy and reduces dependence on traditional sources.



03 Bonus 4.0

The Budget Law 2025 introduces significant changes for investments in intangible and tangible capital goods 4.0.

► art. 1,
paragraphs
from 445 to
448

Firstly, the tax credit for investments in **intangible assets** 4.0 is **eliminated**. Article 1, paragraph 445 of the Budget Law 2025 repeals paragraph 1058-ter of Law 178/2020, ending this benefit for 2025 and bringing forward its expiration date to December 31, 2024. However, for businesses that have made the investment commitment by December 31, 2024 (with a 20% down payment and the seller's order acceptance), they can still complete the investment in intangible assets by June 30, 2025, and benefit from a 15% tax credit. These investments may also be eligible for the IRES bonus, if the other required conditions are met.

The expenditure ceiling for the tax credit on **tangible assets** 4.0 investments is part of the incentive to encourage investments under the Transition 5.0 Plan. The tax credit rate remains unchanged: 20% for investments up to euro2.5 million, 10% for investments between euro2.5 million and euro10 million, and 5% for investments between euro10 million and euro20 million.

For investments in tangible assets 4.0 made in 2025, the tax credit is subject to a **spending limit of euro 2.2 billion**, provided that the order has been accepted by the seller and the down payment of at least 20% has been made by December 31, 2025. Investments that do not follow these criteria are not subject to this limit.

To comply with the spending limit, businesses must electronically communicate their expenses and the relevant tax credit to the MIMIT (Ministry of Business and Made in Italy). A special MIMIT director's decree will provide updates on communication methods, deadlines, and content.



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Once the communications are submitted, MIMIT will share the list of eligible companies with the Revenue Agency, which will allow the companies to use the tax credit via the F24 form. If the expenditure limit is reached, MIMIT will notify the beneficiaries by publishing the information on its website, thus halting further applications for the benefit. Once the cap is reached, no additional tax credits can be claimed.

04 *Tax Credit for SME Public Listing*

▶ art. 1,
paragraph 449

Italy provides a tax credit for Small and Medium-sized Enterprises seeking to list on regulated markets or multilateral trading systems within the EU or European Economic Area. This incentive, established by the 2018 budget law, aims to enhance SMEs' access to financial markets.

The tax credit covers **50%** of consulting costs related to the listing process, **up to euro 500,000 per company**. Recent legislation extends this benefit through December 31, 2027, with revised spending limits. The credit is exempt from both IRES and IRAP calculations.

Application procedures, governed by Ministerial Decree 23.4.2018, remain unchanged. Companies must submit electronic applications to dgpicpmi.div05@pec.mise.gov.it between October 1 of their listing year and March 31 of the following year, including documentation of all relevant expenses.

The Ministry's General Directorate for Industrial Policy reviews applications within 30 days after the submission deadline (April 30, 2025 for 2024 listings). Based on available resources and total requests, the Ministry determines credit percentages and notifies companies of approval or rejection, specifying awarded amounts. Approved credits are accessible exclusively through F24 form offsetting.

The tax credit does not count for either IRES or IRAP purposes.

05 *Contributions for individuals who have joined the procedure of the reversal of the R&D tax credit*

▶ art. 1,
paragraphs
from 458 to
460

Budget Law 2025 introduced a capital contribution for investment intended for those who have mistakenly benefited from the research and development tax credit. More specifically, a fund provided for euro60 million for the year 2025, euro50 million for the year 2026, euro80 million for the year 2027, and euro60 million for the year 2028. The authorization operates as an expenditure ceiling.

Subjects affected: all those who have benefited from the research and development tax credit and have joined the procedure to remit the amount by **October 31, 2024**.



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Prerequisite for obtaining the grant

- Having received the tax credit for research and development activities without full or partial entitlement.
- having opted for the voluntary repayment procedure of the tax credit.

Method of grant disbursement

The percentages and installment of the same shall be determined by a decree issued, within 60 days of the entry into force of this provision, by the Minister of Business and Made in Italy in consultation with the Minister of Economy and Finance. The decree, relating to tax credits for the period 2015-2019, will be published on March 2, 2025.

Scope of the procedure for spontaneous reversal of tax credits for research and development activities

The voluntary revocation procedure for the research and development tax credit was defined by the Revenue Agency's order on June 1, 2022. It applies to individuals seeking to refund tax credits accrued between December 31, 2014, and December 31, 2019, that were unduly offset as of October 22, 2021. Eligibility requires meeting at least one of the following conditions:

- Conducting activities, with related expenses, that do not fully qualify as eligible R&D.
- Misapplying Article 3, paragraph 1-bis, against the interpretative provision in Law No. 145/2018.
- Errors in quantifying or identifying eligible expenses, violating relevance and appropriate principles.
- Mistakes in determining the historical reference average.

When the reversion procedure cannot be used

The reversal of tax credits applies to cases where undue offsetting has been established by a final debt collection act or tax measure as of October 22, 2021.

Exclusion from Adjustment

The adjustment does not apply if the tax credit used in compensation results from:

- Fraudulent conduct
- Simulated facts, either objectively or subjectively
- False representations based on fake documents or invoices for nonexistent transactions
- Lack of proper documentation proving eligible expenses



06 *New Sabatini*

The Budget Law 2025 includes refinancing the “New Sabatini” to ensure continued support for micro, small, and medium-sized enterprises through subsidized financing and grants for investments in new machinery, plants, and equipment.

▶ art. 1,
paragraph 461



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The authorized appropriation is:

400 million
year 2025

100 million
year 2026

400 million
for each of the years
2027 to 2029

Interested parties: **SMEs** (from all sectors, except insurance financial activities), duly incorporated and registered in the Register of Companies on the application's submission date. Restrictions of interested parties are provided concerning the New Sabatini-recapitalization).



Subject and extent of disbursement

The New Sabatini provides for the granting of a loan, bank, or financial lease, provided by banks and financial intermediaries and must be:

- fully allocated to the implementation of investments deemed eligible
- the amount ranges from 20,000 euros to 4 million euros per beneficiary enterprise, even if divided across multiple purchases.
- maximum duration of financing shall not exceed 5 years, including any grace or pre-leasing periods, which may not exceed 12 months.

Calculation of contribution

The calculation method is entirely conventional based on a 5-year loan of the same amount as the investment, at a different annual interest rate per type of investment specifically:

- **2,75% ordinary capital investment**
- **3,575% for investment 4.0**
- **3,575% for green investments**

The "New Sabatini - Recapitalization", operational since 2024, supports SMEs in corporate form engaged in capitalization and investment planning. Eligibility requires that investments in capital goods be tied to a share capital increase. The grant covers interest on a five-year loan matching the investment amount, with rates of:

- **5%** for micro and small enterprises
- **3.575%** for medium-sized enterprises



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Methods of access for facilitation

The application must be completed using the online procedure available in the “Filling out the application for facilitation” section of the dedicated IT platform (<https://benistrumentali.dgiai.gov.it>).

Once submitted, a Unique Project Code (CUP) will be generated, which must be included in electronic invoices (both for down payment and balance) related to the subsidized goods.

After digitally signing the application, it must be sent exclusively via a certified electronic mail (CEM) address to the CEM of the selected bank or financial intermediary participating in the initiative.

07 Single ZES tax credit 2025

▶ art. 1,
paragraphs
from 485 to
491

ZES UNICA tax credit incentivizes innovation, digitalization, sustainability and infrastructure development. It is granted within the limits and conditions set by EU Regulations and can be cumulated with de minimis aid and other state aid under certain conditions.

News

Budget Law 2025 introduced several new features, as:

- **Deadline extension:** the tax credit has been extended until Dec. 31, 2025, to ensure continuity for land development initiatives
- **Expansion of eligible expenses:** some costs related to digitization and ecological transition have been included
- **More integration with the PNRR:** Tax benefits for ZES are now more closely linked to the goals of the PNRR
- Tax credit beneficiaries are enterprises of any size that are already operating or setting up in the ZES
- **Tax credit maximum limit** is set at **100 million euros** for each investment project. To be eligible, expenses must be related to new capital goods and used exclusively within the economic activities of the ZES
- The credit can be used exclusively by offsetting through F24 model, using the specific tax code indicated by the Revenue Agency. Interested companies must submit an online application through the Revenue Agency
- Beneficiary enterprises are required to keep records showing the expenses incurred and the correlation with production activities in the ZES
- Regarding accumulation with other incentives, it should be noted that the Budget Law 2025 introduced the possibility of accumulation also with the 5.0 transition credit
- The Budget Law 2025 also provided an **extension to 2025** (for investments from January 1 to November 15, 2025) for facilitation related to investments in the agricultural sector-specific

To avoid abuse and ensure the effectiveness of the incentive, companies must meet specific obligations:

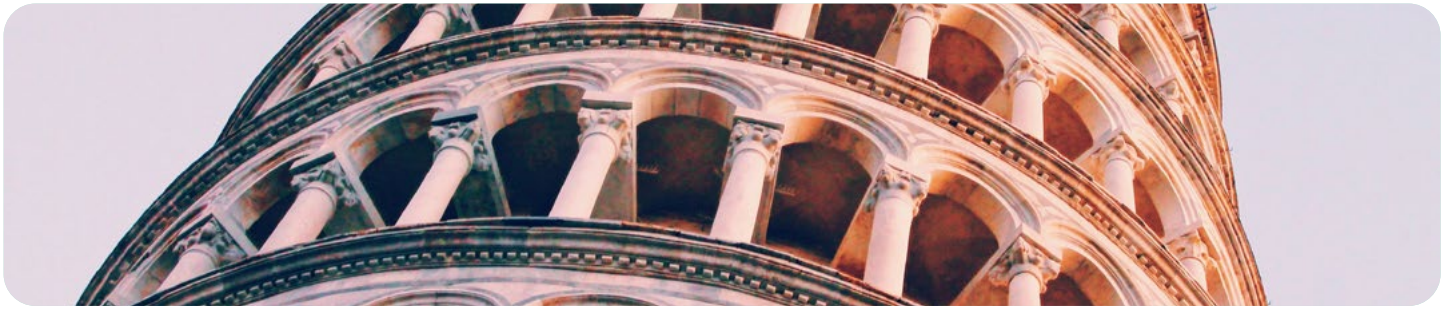
- Maintain the subsidized assets within the ZES for at least five years (three years for SMEs)
- Do not alienate or dispose of the subsidized assets before the deadline
- Submit an annual technical report on the use of assets and the economic effects



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generated.

Revenue Agency audits may include documentary checks and direct inspections at production facilities to ascertain the correct use of the benefit.



08 *Extension of Tax Credit for Historic Property Restoration*

▶ art. 1,
paragraph 593

The Budget Law 2025 modifies Article 65-bis of Decree Law No. 73/2021, extending tax benefits for historic building restoration through 2027.

The tax credit covers 50% of expenses incurred for maintenance, protection, or restoration of historic and artistic properties, with an increased maximum of euro200,000 per year (up from euro100,000 in 2021-2022). This applies to property holders who don't use these buildings for business purposes. The previous option to transfer tax credits to financial institutions has been eliminated.

Access criteria and procedures remain governed by Ministerial Decree No. 346 (October 6, 2021). The tax credit can offset income tax upon recognition but cannot be combined with other public funding or deductions for restricted property maintenance.

A new requirement (Paragraph 6-bis) mandates that restored properties must be accessible to the public, as per Article 38 of the Cultural Heritage and Landscape Code.

09 *Tax credit cinema*

▶ art. 1,
paragraph 869

The Budget Law 2025 introduces significant changes to film and audiovisual sector tax credits, aligning with the 2025-2029 Budget Structural Plan. These modifications aim to optimize Film and Audiovisual Fund resource allocation and enhance sector policy monitoring.

Key changes to Law 220/2016

- The revised Article 13 modifies the Fund allocation for cinema and audiovisual sector development. The maximum share allocated to selective contributions and film promotion increases from 15% to 30%, while maintaining the minimum threshold at 10%. Any unused resources may be reallocated to refinance the Fund through interministerial decree, subject to public finance balance requirements
- Article 15 introduces greater flexibility in production tax credits by replacing the “ordinary” 40% rate with a “maximum” 40% rate. This change allows for variable subsidy intensity based on company size, eligible costs, and project characteristics, with particular



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attention to international co-productions and domestic television distribution

- Changes to Article 21 revise the framework for professional compensation tax credits. The maximum credit for directors, screenwriters, actors, and other professionals is now determined with reference to Article 23-ter of Decree-Law No. 201/2011, considering the nature of professional services. These restrictions apply only to production companies, offering greater flexibility to other sector segments
- Article 26 eliminates previous support for small theaters in municipalities under 15,000 inhabitants. A new provision enables the state to acquire a share of project proceeds proportional to the contribution provided, but only after covering production costs. These proceeds are then redirected to the Film and Audiovisual Fund
- The Digitization Plan under Article 29 transforms from a temporary measure into a permanent program. Initially conceived as an extraordinary initiative with euro10 million annual funding from 2017 to 2019, it now receives euro3 million annually starting in 2025. Management responsibility shifts entirely to the Minister of Culture, who will establish requirements and procedures for digitized material usage, streamlining the regulatory process



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News on VAT and indirect taxes

3.1 Extension of the Reverse Charge Mechanism to Freight

Handling Contracts

3.2 Changes to Anti-Evasion Measures

3.3 Measures on Expense Traceability

3.4 Incentives for Purchasing a First Home



01 *Extension of the Reverse Charge Mechanism to Freight Handling Contracts*

▶ art. 1,
paragraphs
from 57 to 63

The 2025 Budget Law 2025 extends the reverse charge mechanism to contracts and subcontracts primarily involving labor at the client's premises in the transport, freight handling, and logistics sectors.

Application and Transitional Regime

- The reverse charge applies following an EU VAT directive exemption for Italy
- A transitional regime will allow clients to assume VAT responsibility before the exemption is granted
- Clients opting in must notify the Revenue Agency and pay VAT via the F24 form by the 16th of the following month

Exclusions

- Services already subject to VAT under reverse charge.
- Services provided to Public Administrations under the split payment system.
- Services by employment agencies

Errors in application incur penalties from euro250 to euro10,000, with joint liability for service providers.

02 *Changes to Anti-Evasion Measures*

▶ art. 1,
paragraphs
from 74 to 80

From January 1, 2026, new measures aim to challenge tax evasion in electronic payments for the retail sector.

Integration of Register and Payment Systems

- Mandatory electronic storage and transmission of sales receipts via telemetric registers
- Payment devices must remain connected to receipt storage systems

Penalties

- **euro 100** for storage and transmission violations
- **euro 1,000 – euro 4,000** for failing to connect payment devices
- **License suspensions** for repeated violations or amounts exceeding euro50,000

CIN Declaration in Tax Returns and CU

- From January 1, 2025, short-term rental property owners must include the CIN in tax returns and CU forms
- Online platforms (e.g., Airbnb) must report the CIN in issued CU documents



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The CIN, a unique code assigned to each real estate property or accommodation facility registered in Italy's Accommodation Facility Database (BDSR), has been mandatory since January 1, 2025, for owners of properties used for short-term rentals or tourism.

Customs and Monopolies Agency Access

From 2026, the Custom Agency is granted with access power to electronic invoice data, alongside the Guardia di Finanza and the Revenue Agency



03 *Measures on Expense Traceability*

Starting from the 2025 tax year, specific expenses are deductible by corporations only if paid via traceable methods for both Corporate Income Tax (IRES) and Regional Tax (IRAP).

▶ art. 1,
paragraphs
from 81 to 83

Affected expenses

- Meals, lodging, travel, and transportation (e.g., taxis, rental services)
- Reimbursed expenses for employees and freelancers
- Representation and gift-related expenses

Authorized Payment Methods:

Bank transfers, credit/debit cards, cashier's checks.

Copy of the traceable payment receipt needs to be provided to the employer by the employee, together with the expense receipt/invoice.

Advertising and sponsorship expenses remain deductible even if paid in cash.



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04 *Incentives for Purchasing a First Home*

▶ art. 1,
paragraph 116

To boost the real estate market, the timeframe to sell a previously owned property while benefiting from the reduced 2% registration tax rate extends from one to two years, starting January 1, 2025.

Key Provisions

- Buyers have two years to sell or donate their prior property to retain tax benefits
- Failing to sell within two years results in a tax increase to 9%, with penalties

Applicability

- Applies to deeds executed from January 1, 2025.
- Those with an active 365-day period on December 31, 2024, may also benefit

The law does not affect tax credits for individuals selling a home and purchasing another under primary residence conditions.



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Key Contact

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Individuals

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01 *Personal Income Tax Rates and tax wedge*

▶ art. 1,
paragraphs
from 1 to 9

The Budget Law 2025 merged the first two IRPEF rates. Therefore, starting from the current year, the applicable IRPEF rates officially reduced to three areas are:

23%

for incomes up to
euro 28.000

35%

for incomes between
euro 28.000 - 50.000

43%

for incomes over
euro 50.000

Additionally, the maximum amount for **employee deductions** has been **increased from euro 1.800 to euro 1.955**.

Finally, the measures reducing the tax wedge have been made permanent, and the threshold has been increased for incomes up to euro 40.000.

The mechanism will include the following two measures:

- a **tax-exempt bonus** for individuals with employment income up to **euro 20.000** - calculated by applying a **7.1%** rate for income up to **euro 8.500**, a **5.3%** rate for income between **euro 8.500** and **euro 15.000**, and a **4.8%** rate for income between **euro 15.000** and **euro 20.000**
- A **deduction** for income between **euro 20.000** and **euro 40.000**, applied as a fixed amount: **euro 1.000** for incomes between **euro 20.000** and **euro 32.000**, gradually decreasing to zero for incomes between **euro 32.000** and **euro 40.000**.

02 *Tax Deductions*

▶ art. 1,
paragraphs 10
- 11 - 13

The Budget Law 2025 introduced the new Article 16-ter in the Income tax Code (TUIR), titled "**Reorganization of Deductions**". This article provides maximum deduction limits for taxpayers with total income exceeding **euro 75.000**.

Specifically

- Taxpayers with total income between **euro 75.000** and **euro 100.000** will be eligible for deductions of up to **euro 14.000**
- Taxpayers with total income exceeding **euro 100.000** will be eligible for deductions up to a maximum of **euro 8.000**

Coefficients based on the individual taxpayer's family situation will have to be applied to the specified ceilings. In particular:

- **0.50**, if there are no tax dependent children in the household
- **0.70**, if there is a tax dependent child in the household



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- **0.85**, if there are two tax dependent children in the household
- **1**, if there are more than two tax dependent children in the household, or at least one tax dependent child with an established disability

Certain deductions are excluded from the above limits. These include medical expenses, expenses for investments in innovative start-ups and Innovative Small and Medium Enterprises, installments for renovation and energy upgrading expenses (such as superbond and seismic bonus) related to work carried out and paid for by December 31, 2024, mortgage interest expenses on the primary residential property for contracts entered by December 31, 2024.

Additionally, the Budget Law 2025 streamlined the provisions for house renovation bonuses. The “green bonus”, “car charging station bonus”, and “facade bonus” were abolished, while the renovation bonus, seismic bonus, and ecobonus were standardized. For a primary residential property, the deduction is 50% (reduced to 36% in 2026 and 2027), while in all other cases, the deduction is 36% (reduced to 30% in 2026 and 2027). However, no changes were made to the furniture bonus and the architectural barriers bonus.

New features introduced

Finally, other new features include the following:

- children over the **age of 30** are no longer considered tax dependent, except in cases of children with **certified disabilities**
- the deductibility limit for **educational expenses**, excluding college-related expenses, has been increased to **euro 1.000** (previously, the limit was **euro 800**)

03 *2025 updates on the Flat-rate Scheme: increases, mixed contracts and simplified invoices*

▶ art. 1, paragraph 12

The Budget Law 2025 raised the income thresholds for employees: as of January 1, 2025 the income limit for accessing the **flat-rate scheme** increases from euro 30.000 to euro 35.000.

Other changes concern so-called “**mixed contracts**”, which flat-rate taxpayers can now enter into as part of collaborations with their employers. This type of agreement, which must be established before the relationship begins, must include both a **part-time employment component** (40-50% of full-time) and a **self-employment component**. This measure applies only to enterprises with at least 250 employees.

Additionally, as of January 1, 2025, the euro 400 ceiling for **simplified invoices** is removed. As a result, flat-rate taxpayers will be able to issue such invoice without any limit on the amount.



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04 *Other income: substitute tax and taxation of cryptocurrencies*

▶ art. 1,
paragraphs
from 23 to 29

The Budget Law 2025 introduced some changes to the taxation of **capital gains** from the **cryptocurrency sales**, some of which take effect as early as January 1, 2025.

For the current fiscal year, the **26%** rate will continue to apply to such capital gains. However, starting **January 1, 2026**, this will be replaced by a **substitute tax rate of 33%**.

The euro 2.000 tax exemption threshold of other income related to cryptocurrencies has been removed. Therefore, as of January 1, 2025, the substitute tax of 26% (increasing to 33% for the 2026 fiscal year) will apply to all capital gains, regardless of the amount.

Additionally, the new legislation allows for the option to “**revalue**” cryptocurrency assets held as of January 1, 2025. Instead of considering the cost or purchase value, those assets can be revalued based on their **market value** on that date. The value will then be taxed at a **substitute rate of 18%**, up from the previously established 14% under Law 197/2022 (budget law 2023).

This substitute tax may be paid, alternatively:

- In a **lump sum** by November 30, 2025
- In **up to three equal annual installments**, starting November 30, 2025, with 3% interest applied to all the installments following the first one

It should be noted that the “**onerous**” revaluation of crypto-assets does not allow the recognition of deductible capital losses (Art. 68, para. 9-bis of the TUIR).

Finally, regarding the determination of the normal value of crypto-assets, it remains established that the normal value to be assumed is the one recorded as of January 1, 2025 on the platform where the asset was originally purchased – or on a similar one.

Step-up of land and equity investments.

05 *Revaluation of land and equity investments became permanent*

▶ art. 1,
paragraph 30

For the purpose of the revaluation, **January 1** of each year is the designated date on which the share or land must be owned. On the other hand, the deadline to opt for the revaluation of shares and land, along with the substitute tax payment, is **November 30** of each year.

The **substitute tax rate** for **revaluation** increases from 16% to **18%** and must be paid by November 30 annually. The payment may also be made in up to three annual installments,



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due from November 30, without accruing interest.

Another change relates to the deadline for the preparation of **experts appraisals**, which must be completed each year **by November 30**.



06 *Taxation of Fringe Benefits: company cars provided to employees*

▶ art. 1, paragraph 48

Effective **January 1, 2025**, the rules for determining the value of **fringe benefits** related to **newly registered motor vehicles** provided to employees **for mixed use** (both personal and business use) have been updated. The valuation will now be based on the vehicle's type of power supply.

Cars registered after January 1, 2025

For **all cars registered after January 1, 2025** and **provided for mixed use to employees**, the value of **fringe benefits** subject to **taxes and social security contributions** will be **50%** of the amount corresponding to a standard annual mileage of **15.000 km**, determined based on the mileage cost from the **ACI tables**, minus any amount paid by the employee for personal use. Said percentage will be reduced to **20% for plug-in hybrid vehicles** and **10% for fully electric** vehicles.

Cars registered until December 31, 2024

As for **cars registered until December 31, 2024**, on the other hand, the previous rules will be maintained.

07 *Cross Border Workers and notional compensation*

▶ art. 1, paragraphs 97 - 98

The Budget Law 2025 introduced a **transitional provision for cross-border workers between Italy and Switzerland**. Pending the ratification of the amended agreement between the two countries, and retroactively effective from **January 1, 2024**, the legislation allows these workers to **telework** from their place of **residence in Italy** for up to 25% of their overall work activity, thus preserving their **status as cross-border workers**. Furthermore, for the purposes of salary taxation, the activity performed via teleworking from Italy will be

considered as if it were carried out in Switzerland at the employer's headquarters.

In addition, an **interpretative** rule has been introduced regarding **notional compensation** under Art. 51, para. 8-bis of the TUIR. For workers who spend more than 183 days abroad within a 12-month period (even straddling two years), the determination of employment income for work **performed exclusively and continuously** abroad will not be affected, provided the workers return to their home in Italy once a week.



08 *Imposta sostitutiva sui premi di risultato*

▶ art. 1,
paragraph 385

For the years **2025**, **2026** and **2027**, the measure that lowers the rate for **substitute taxation** on **performance bonuses** up to **euro 3.000** has been renewed. This applies to employees who earned an **employment income** up to **euro 80.000** in the previous year. Said rate is reduced from **10%** to **5%**.

09 *Corporate Welfare*

▶ art. 1,
paragraphs
from 386 to
391

For the years **2025**, **2026** and **2027**, the Budget Law 2025 increases the maximum value of **fringe benefits** that can be provided to employees without being subject to **taxes** and **social security contributions**, raising the limit to **euro 1.000** (up from the standard **euro 258,23**). Additionally, for the same three-year period, the limit will be doubled to **euro 2.000** for employees with tax dependent children.

Newly hired individuals on a permanent basis

A facilitative measure has been introduced for **newly hired individuals on permanent contracts** between **January 1, 2025** and **December 31, 2025**, provided they relocate to a municipality more than **100 km** from their current residence. This applies to individuals who earned up to **euro 35.000** in the year prior to their hiring. These workers could be granted an allowance for the first **two years** of employment to cover rental fee and/or maintenance costs of the rented property, up to an annual limit of **euro 5.000**. Said allowance will be exempt from taxes, but it will still be included in the calculation of social security contributions.



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10 *Tips received by employees in the hotel and restaurant industry*

▶ art. 1,
paragraph 520

Under the changes introduced by the Budget Law 2025, **tips** received by employees in the **hotel and restaurant industry** are subject to a 5% substitute tax up to a limit of **30%** (increased from **25%**) of their employee annual income. The income threshold for calculating the exemption is now **euro 75.000** up from **euro 50.000**.



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