Grant Thornton

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Budget Law 2026: caution, incentives and new tax fulfilments

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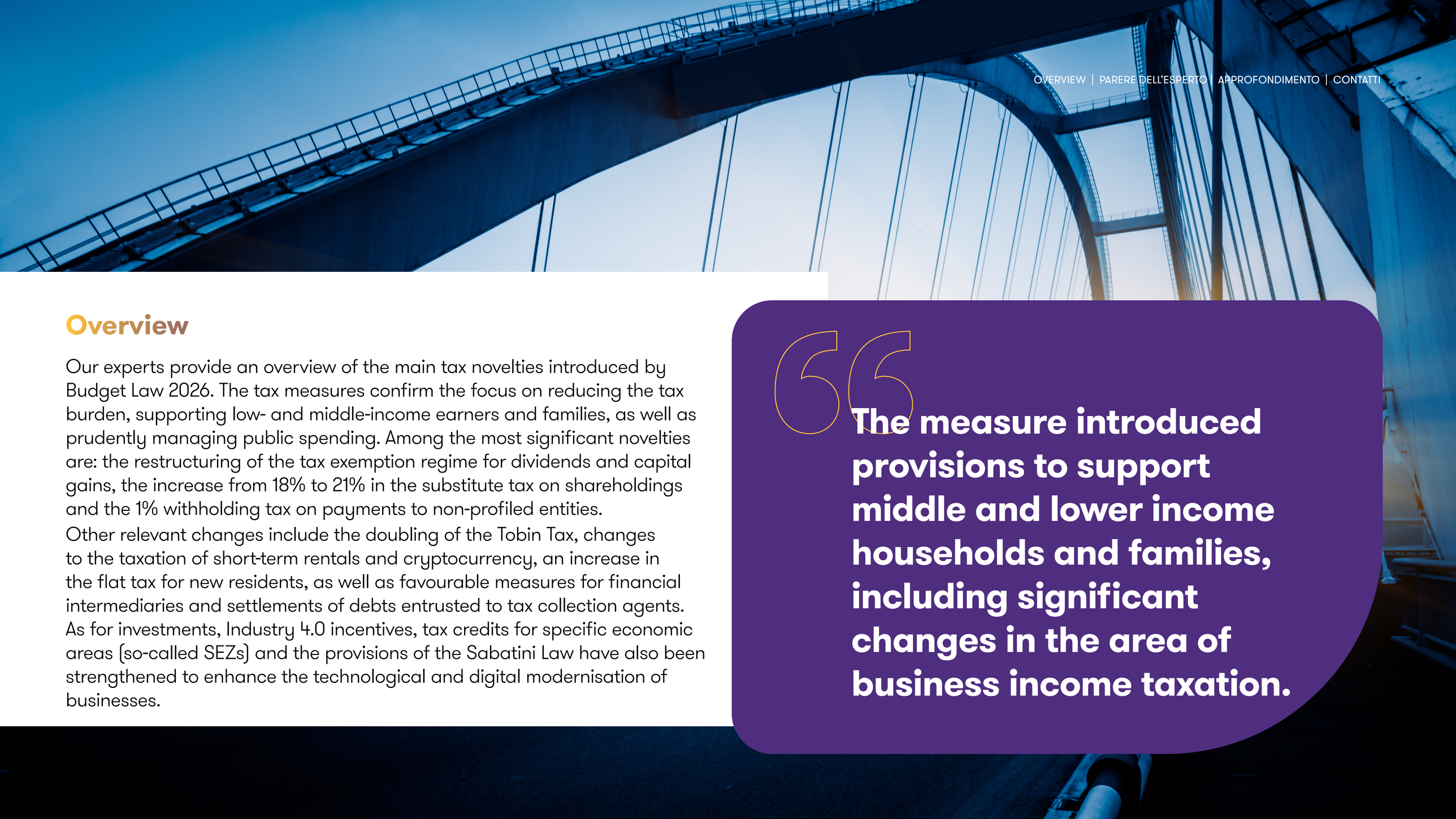

Overview

Our experts provide an overview of the main tax novelties introduced by Budget Law 2026. The tax measures confirm the focus on reducing the tax burden, supporting low- and middle-income earners and families, as well as prudently managing public spending. Among the most significant novelties are: the restructuring of the tax exemption regime for dividends and capital gains, the increase from 18% to 21% in the substitute tax on shareholdings and the 1% withholding tax on payments to non-profiled entities.

Other relevant changes include the doubling of the Tobin Tax, changes to the taxation of short-term rentals and cryptocurrency, an increase in the flat tax for new residents, as well as favourable measures for financial intermediaries and settlements of debts entrusted to tax collection agents.

As for investments, Industry 4.0 incentives, tax credits for specific economic areas (so-called SEZs) and the provisions of the Sabatini Law have also been strengthened to enhance the technological and digital modernisation of businesses.

> **The measure introduced provisions to support middle and lower income households and families, including significant changes in the area of business income taxation.**

Expert's opinion

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The 2026 budget law introduces significant limitations on the application of the exemption for dividends and capital gains, and it also negatively affects certain regimes and mechanisms with considerable impact.
However, it is worth highlighting the reintroduction and the amendments to some investment incentives.

DIVIDENDS, TOBIN TAX AND INDUSTRY 4.0: WHAT'S NEW IN 2026

AN OVERALL EVALUATION OF THE TAX NOVELTIES INTRODUCED BY BUDGET LAW 2026

The intervention on public finances, further to the approval of Budget Law 2026 at the end of December 2025, certainly appears to be inspired by prudence and stability in expenditure balances, as evidenced, among other things, by the size underlying the various measures adopted (approx. € 22 billion). Apart from the nature of the measures and their scope of application (which, as always, mainly focus on reducing the tax burden, supporting low-income earners and families, managing healthcare expenditure and labour market measures), the greatest concern has been the uncertainty surrounding some of them (for example, the restructuring of the exemption regime for dividends and capital gains), which persisted until the final text was approved and they came into force.

WHAT IS THE MOST SIGNIFICANT NEW MEASURE FROM A TAX PERSPECTIVE?

One measure that is certainly worth mentioning is the reduction in the scope of application of the exemption regime for dividends and capital gains (and more specifically the amendments referred to in art. 87 and 89 of TUIR – the Italian consolidated text on income tax). With this measure, the legislator has introduced further limits (albeit mitigated during the approval process) on the possible application of the abovementioned favourable rules, linking the exclusion on the one hand (for dividends) and the exemption on the other (for capital gains) to specific quantitative requirements, even of considerable importance in certain circumstances (i.e. a shareholding of no less than 5% or, alternatively, with a tax cost of no less than € 500,000).

The reference is obviously to cases of "small" asset management holding companies. Also worth mentioning is the measure aimed at introducing a 1% withholding tax applied by the Revenue Office on all payments made to "non-profiled" economic entities. Although (fortunately) not immediately operational, this measure certainly confirms the legislator's intention to increasingly push for preventive discussions with taxpayers in order to reduce the risk of tax evasion and further refine financial revenue planning.

A CHANGE WORTH MENTIONING FOR THE TAXATION OF PERSONAL INCOME?

In this context, in addition to providing for recalibrations on employment income (aimed essentially at reducing the tax burden), it is certainly worth mentioning the measure underlying the increase in the substitute tax, useful for redetermining the tax value of shares and holdings (held by individuals) from 18% to 21%. Over the last 25 years, the possibility to recalculate the tax cost of shareholdings has always been a stimulus for the circularisation of shareholdings and everything that derives from it. Indeed, the provision of a substitute tax rate, usually consistently much lower than the ordinary tax rate on capital gains (most recently 26%), genuinely encouraged significant financial and business planning. Today, the near equivalence of the rates (substitute vs. ordinary) certainly reduces the appeal of the measure, although in certain circumstances the savings remain (albeit - all else being equal - considerably lower than in previous editions. Suffice it to say that a 4% tax rate was initially in force). What should certainly be highlighted is that the near alignment of the tax rates makes it even more important to calculate the benefits of the two applicable regimes (redetermination of the entire "current" tax cost vs. "traditional" calculation of the possible capital gain).

WHAT OTHER CHANGES ARE WORTH MENTIONING?

As said, the new measures introduced were certainly 'conservative', given the intention to maintain stability in public spending. Nonetheless, Budget Law 2026 introduced some tax measures worth of note, in addition to those already mentioned. Among these are: the doubling of the rates provided for the Tobin Tax, changes regarding short-term house rentals, the increase in the flat tax for new residents, provisions on the taxation of cryptocurrencies, the reintroduction of the regime of facilitated assignment of assets to shareholders, the introduction of a fee on low-value shipments, a new deferral for the plastic tax and sugar tax, all measures for the financial intermediary sector (from the relief measure regarding dividends' subjection to IRAP taxation (i.e. regional production tax) to the increase of the tax burden on several fronts from an income perspective), the new edition of the settlement concessions for debts entrusted to the tax collection agent and the tightening of limits regarding undue offsetting of tax credits. As usual, specific attention should be paid to the entry into force of these measures. In fact, the Budget Law provides for a "generalised" enforcement from January 1, 2026, but for some of them specific delayed terms are in place: it is the case, for example, of the introduction of the abovementioned 1% withholding tax, which will come into full effect on January 1, 2029 (while a reduced 0.5% withholding tax is provided solely for FY 2028).

AVE ANY INVESTMENT INCENTIVES BEEN PROVIDED FOR BUSINESSES?

On this issue, it is worth mentioning first of all the increase in funds available for the so-called Sabatini Law and the changes concerning tax credits for specific economic areas (so-called SEZs).
Furthermore, it should also be noted that the norms regulating increased depreciation for IRES and IRPEF purposes have been reintroduced, with amendments, for investments in new capital goods functional to the technological and digital transformation of businesses carried out between January 1, 2026 and September 30, 2028, pursuant to the "Industry 4.0" model. Although this latter measure introduces some changes compared to previous editions, it still provides a return in terms of lower income taxes (IRES, i.e. personal income tax; IRAP, i.e. regional production tax) through the extra-depreciation calculation mechanism as an incentive to stimulate business investment. Despite not being a direct incentive measure (i.e. a financial contribution), it should still prove attractive in terms of use and application by businesses, also based on what happened in previous editions.

Focus on

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Increased depreciation for investments in capital goods

1. REGULATORY FRAMEWORK AND SUBJECTIVE SCOPE

Budget Law 2026 (Law no. 199/2025) reintroduced, with several amendments, the regulation on increased depreciation for IRES and IRPEF purposes for new capital goods functional to the businesses' technological and digital transformation carried out between January 1, 2026 and September 30, 2028, pursuant to the "Industry 4.0" model.

The rationale underlying this measure is twofold:

- to strengthen the business competitiveness through investments in cutting-edge, interconnected assets;
- to modify the incentive system, moving from a tax credit (also benefiting loss-making entities) to an increase in the depreciable base (more advantageous for entities with a positive direct tax base) through an off-the-books reduction.

This incentive was introduced for the first time by art. 1, para. 9 and 10 of Law no. 232 of 2016 for investments in new capital tangible and intangible assets functional to the businesses' technological and digital transformation, carried out by December 31, 2017 or by September 30, 2018 in case of orders accepted by the seller and advances for at least 20% of the purchase cost paid by December 31, 2017. This measure was then extended for another two years, until December 31, 2019.

Its functioning remains essentially unchanged, though with some amendments compared to previous editions. Specifically, for income tax purposes (IRES and IRPEF), business owners are granted an increase in the purchase cost of new capital goods to be considered when determining depreciation allowances and deductible finance lease payments, limited to investments that meet certain conditions, as listed below.

A further similarity with previous editions is the requirement that investments must be made in production facilities located on the Italian territory. This requirement also applies to Italian permanent establishments of foreign entities which, although eligible for the tax incentive, are required to direct their investments towards facilities located within the country.

A remarkable change regarding the subjective requirement has been introduced by the provision establishing that, in any case, in order for businesses to be eligible for the tax incentive, they must comply with the regulation on workplace safety applicable in each industry, as well as with the requirement to pay social security and welfare contributions to their employees.

On the contrary, businesses in the situations listed below, are excluded from the tax incentive:

1. voluntary liquidation;
2. bankruptcy;
3. administrative compulsory liquidation;
4. composition with creditors with discontinuation of the business activity;
5. other insolvency proceedings as under the Code or corporate crisis and insolvency or other special laws;
6. businesses with a proceeding underway to declare one of the situations above and, lastly
7. businesses subject to debarment measures under Legislative Decree no. 231/2001.

In short, the subjective scope of the increased depreciation for 2026 is highly inclusive, yet rigorous. It virtually includes all businesses operating nationwide, provided that they are fully compliant with administrative, social security contributions and safety regulations, and are not experiencing financial distress or subject to tax regimes incompatible with depreciation.

2. DURATION AND TIMEFRAME OF THE INCENTIVE

In order to benefit from the measure above, interested businesses need to make investments within a timeframe spanning from January 1, 2026 (date of entry into force of the Budget Law) to September 30, 2028.

Investments are considered as made if they comply with the requirements under art. 109 of TUIR. Unlike the previous version of the norm and other similar tax relief laws, the so-called "reservation" mechanism has not been reintroduced here, which allowed investments to be made even after the deadline imposed by law, provided that the taxpayer had paid a certain amount as an advance payment by that deadline.

In other words, the deadline of September 30, 2028 is mandatory and investments need to be completed and the relevant underlying assets installed and connected by that same date.

3. INCREASE RATES AND PROCEDURE

The law has introduced a reward mechanism that is inversely proportional to the amount of the investment. In fact, it identifies three investment brackets, assigning each one a percentage of hyper-depreciation that decreases as the investment increases, according to the table below.

Investment range	Increase
Up to € 2.5 million	+180%
From € 2.5 to 10 million	+100%
From € 10 to 20 million	+50%

A concrete calculation shows that the tax saving, expressed as a percentage on the first bracket, leads to a benefit equal to 24% on the higher tax cost of the investment (180), resulting in a percentage advantage of 43.2%, spread over the period of tax depreciation.

With regard to the investment brackets, it should be noted that the regulation does not specify whether they should be considered on the basis of the two-year investment period or per fiscal year. For reasons of consistency and analogy with the previous version, it would be reasonable to conclude that the brackets should be considered for each individual fiscal year.

The benefit is enjoyed on the basis of the tax depreciation period governed by Ministerial Decree 31/12/1988, in the case of tangible assets also considering the reduction to half the rate for the first year of operation. With regard to leases, the increase in cost is deducted over the term of the contract which, as known, cannot be shorter than half of the tax depreciation period for that type of asset.

As regards the amortisation period for intangible assets, however, reference is made to art. 103 of TUIR: according to para. 1, the amortisation and therefore the benefit can be claimed for a maximum of two years.

The mechanism for benefiting from the incentive, which is essentially based on a deduction from the taxable base, is structured in such a way that profit-making businesses will enjoy more immediate relief than businesses that, on the other hand, record tax losses. For the latter, the incentive will translate into concrete financial aid (lower taxes to pay) only when they make profits and possibly have already exhausted the deduction of tax losses accrued in the meantime.

4. OBJECTIVE SCOPE: ELIGIBLE TANGIBLE AND INTANGIBLE ASSETS

Para. 429, letters a) and b) of 2026 Budget Law specifies that the following investments are eligible for the tax incentive:

a) investments in new tangible and intangible assets included, respectively, in the lists under Annexes IV and V attached to 2026 Budget Law, interconnected with the business' production management system or supply network;

b) investments in new tangible capital assets instrumental to the business activity aimed at the self-production of energy from renewable sources for self-consumption, even remotely, as referred to in art. 30, para. 1, letter a), number 2) of Legislative Decree no. 199 of 2021, including facilities for the storage of the produced energy.

The first category includes smart machinery, advanced sensor devices, monitoring systems, production management software and interconnection platforms. As mentioned, the law requires that these assets must not only be new, but above all interconnected with the business' production management system or supply network - a requirement that certifies their actual inclusion in an advanced production ecosystem.

The second category concerns those assets related to the energy transition. The law also provides that assets intended for the production of energy from renewable sources for self-consumption, both on-site and remotely (see art. 30, para. 1, letter a), number 2) of Legislative Decree no. 199 of 2021), including energy storage systems, are also eligible for hyper-amortisation.

It should also be noted that in order to access this tax incentive, businesses must submit specific communications and certifications regarding eligible investments electronically.

Electronic transmission is carried out via a platform developed by and using standardised forms provided by Gestore dei Servizi Energetici S.p.A. (GSE).

5. ASSET REQUIREMENTS: MADE IN EUROPE AND INTERCONNECTION

Under the current legislation, one of the most significant new developments, but also one of the most critical issues, is the restriction on the origin of assets, i.e. the requirement that the assets being invested in must be produced in one of the Member States of the European Union or in countries that are signatories to the Agreement on the European Economic Area.

According to most of the legal literature that has commented on this point so far, compliance with this requirement could make the rule difficult to apply, given that the concept of "place of production" is not currently well defined. Furthermore, limiting the place of production to the European Union and the states that are members of the EEA could render the rule inapplicable for those companies whose source of supply is located outside this perimeter.

Based on the current regulation, the implementing decree will define the technical criteria for qualifying 'production in Europe' (components, assembly, predominant origin); however, it should be noted that Deputy Minister Maurizio Leo, during a meeting with the trade press, announced the forthcoming elimination of this restriction. Given that the regulation is already in force, we will see whether the amendment will have an ex tunc or ex nunc effect.

With regard to the interconnection requirement, in line with numerous other beneficial provisions, the regulation provides that tangible and intangible 4.0 assets can only be eligible for the tax incentive if they are interconnected with the business' production management system or supply network. We refer here only to a few fundamental points under the concept of interconnection, namely that the asset must exchange data (establish a communication flow) with the business' IT systems must be uniquely identifiable within the business' IT network. For assets costing more than € 300,000, the interconnection must be certified by a sworn technical report or, for those costing less, by a self-certification from the legal representative.

6. PROHIBITION OF CUMULATION AND FORFEITURE

The regulation explicitly provides for rules on the cumulation of this tax incentive with other subsidies covering the same costs.

In other words, the incentive in question can be combined with additional benefits financed by national and European resources covering the same costs, provided that the support does not cover the same cost shares of the individual investments of the innovation project and does not exceed the cost incurred. It is also specified that the basis for calculating the incentive is net of other subsidies or contributions, for any reason, received for the same eligible costs.

Furthermore, the new regime cannot be applied to investments benefiting from the tax credit for investments that have taken advantage of the 4.0 tax credits.

This is the case for investments "reserved" by December 31, 2025 and made in the first half of 2026. Such investments (without prejudice to the other conditions laid down in the regulation) would simultaneously meet the requirements to benefit from the aforementioned 4.0 tax credit, but also from increased depreciation, as they are made pursuant to art. 109 of TUIR with effect from January 1, 2026. The regulation aims to avoid this overlap by stating that only in cases where the 4.0 credit is not applicable hyper-amortisation can be used.

With regard to forfeiture, it is envisaged that if, during the period of use of the cost increase (i.e. during the depreciation period of the asset), the asset covered by the incentive is sold for consideration or is transferred to production facilities located abroad (even if belonging to the same entity), the use of the remaining portions of the incentive originally determined shall not be forfeited. However, in such circumstances, the company must replace the original asset with a tangible capital asset with similar or superior technological characteristics during the same tax period as that of the sale. It should also be noted that where the acquisition cost of the substitute investment is lower than the acquisition cost of the replaced asset, the incentive continues to be enjoyed for the remaining portions up to the cost of the new investment.

7. CONCLUSIONS

The new hyper-amortisation scheme for 2026-2028 is one of the most significant tax instruments for supporting:

- digital transformation;
- 4.0 technological innovation;
- energy efficiency through self-production.

The increase by up to +180% in the cost of assets, greater stability over time and simplification compared to tax credits make this measure strategic for Italian businesses willing to invest in automation, even if, on the other hand, it provides more immediate help to profit-making businesses rather than to companies that, on the contrary, record tax losses. For these, in fact, the incentive will translate into concrete financial aid (lower taxes to pay) only when they make profits and have, possibly, already exhausted the deduction of tax losses accumulated in the meantime.

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