

# Overview of the main tax measures contained in the Draft Budget Law for 2026

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## Introduction

In recent days, a first draft of the 2026 Budget Law has been made available, followed, on 22 October 2025, by the stamped version and transmitted to the Senate for parliamentary examination (the "**Draft Budget Law**"). The approval of the Budget Law for 2026 is expected by the end of the year with effect from 1 January 2026.

This newsalert provides an overview of the main changes in the area of taxation, such as:

- i. the introduction of new tax incentives provisions;
- ii. the amendments to the flat tax regime under Article 24-*bis*;
- iii. the taxation of contract renewals, performance bonuses, and ancillary benefits;
- iv. new provisions relating to the electronic meal vouchers for the purpose of determining employment income;
- v. taxation of short-term rentals;
- vi. taxation of cryptocurrencies;
- vii. taxation of gains on capital assets;
- viii. new rules on the taxation of dividends;
- ix. tax measures applicable to the banking, financial, and insurance sectors;
- x. the deduction of negative components associated with the deferred tax assets ("DTA");
- xi. new measures concerning the facilitated settlement of tax arrears;
- xii. VAT settlements in cases of failure to file the annual return;
- xiii. the Plastic Tax and the Sugar Tax.

## I New tax incentives provisions

The Draft Budget Law introduces, on the one hand, a new framework for incentives aimed at promoting investments in digital and ecological transition as well as accelerating productive investments. It marks a return to the pre-2020 tax system, by replacing the tax credit mechanism with an increase in depreciation linked to qualifying investments.

On the other hand, the Draft Budget Law also provides for the extension, over the 2026-2028 period, of the tax credit scheme for investments in the Special Economic Zone for Southern Italy and in the Simplified Logistics Zones.

For more information on tax incentives, see the [dedicated newsalert](#).

## II **Amendments to the flat tax regime under Article 24-*bis***

**Article 11** of the Draft Budget Law provides for an increase of the amount of the tax due by Italian tax resident individuals who benefit from the Italian flat tax regime (the “Flat Tax Regime”). In particular, the amount of the yearly flat tax is increased to (i) Euro 300,000 for the Flat Tax Regime main applicants (the amount is currently set at Euro 200,000), and (ii) Euro 50,000 for each family members of the main applicants (the amount is currently set at Euro 25,000 each).

According to the wording of the Budget Law Draft, the increase of the yearly flat tax would apply only to individuals who relocate their residence for civil law purposes to Italy after 31 December 2025, whereas individuals who are already subject to the Flat Tax Regime will continue to apply the regime at the same conditions. This wording implies that if an individual relocates his/her residence (*i.e.*, the habitual abode) to Italy prior to the entry into force of the 2026 Budget Law (*i.e.*, within 31 December 2025), the current flat tax rate of Euro 200,000 should continue to apply, even if said individuals will become Italian resident for tax purposes as of 1 January 2026.

## III **The taxation of contract renewals, performance bonuses, and ancillary benefits**

**Article 4** of the Draft Budget Law introduces a substitute tax for Income Tax on Natural Persons (“IRPEF”) and regional and municipal supplements, set at a rate of 5%. This substitute tax applies – unless expressly waived in writing by the employee – to salary increases paid in 2026 to private-sector employees pursuant to contract renewals signed in 2025 and 2026, provided that the employee's income does not exceed Euro 28,000.

Furthermore, the provision revises the tax exemption regime applicable to performance bonuses. Specifically, the application of the 5% tax rate on performance bonuses, as set forth in Article 1, paragraph 182, of Law No. 208/2015, is limited to bonuses paid in 2025, pursuant to the amendment of Article 1, paragraph 385, of Law No. 207/2024. For bonuses paid in 2026 and 2027, a substitute tax of 1% is introduced, applicable up to an overall limit of Euro 5,000, thereby reducing the applicable tax rate while maintaining a quantitative cap.

The third area of intervention concerns additional remuneration for night work, holiday work, and shift work. For the 2026 tax period, unless the employee expressly waives this right in writing, the following are subject to a substitute tax of 15% in lieu of IRPEF and regional and municipal supplements, up to an annual limit of Euro 1,500, paid to employees as:

- i. surcharges and allowances for night work;
- ii. surcharges and allowances for work performed on public holidays and weekly rest days, as identified under the National Collective Labour Agreements (“CCNL”);
- iii. shift allowances and additional emoluments related to shift work provided for under the CCNL.

These provisions are applied by private sector withholding agents to employees whose income does not exceed Euro 40,000 in 2025.

Performance bonuses and profit-sharing payments governed by Article 1, paragraphs 182 et seq. of Law No. 208/2015 shall not be counted toward the annual limit of Euro 1,500.

## IV **New provisions relating to the electronic meal vouchers provided in electronic form**

**Article 5** of the Draft Budget Law amends Article 51, paragraph 2, letter c) of the Italian Tax Consolidated Act ("ITCA"), providing that the electronic meal vouchers shall not be included in the taxable employment income up to a total daily amount of Euro 4. This threshold is increased to Euro 10 (previously Euro 8) where such benefits are provided in electronic form.

## V **Taxation of short-term rentals**

**Article 7** of the Draft Budget Law introduces an amendment to Article 4 of Decree-Law No. 50 of 24 April 2017 (converted with amendments by Law No. 96 of 21 June 2017), maintaining the flat rate tax regime (known as "cedolare secca") at the reduced rate of 21% for income deriving from the short-term rental of a real estate unit identified by the taxpayer in the tax return, provided that this real estate unit has not been subject during the same tax period of a lease concluded through real estate intermediaries and online platform operators

Compared to the first draft of the Budget Law, the generalized increase in the rate to 26% has therefore been eliminated.

## VI **Taxation of cryptocurrencies**

**Article 13** of the Draft Budget Law introduces amendments to the tax regime applicable to income derived from crypto-assets, modifying Article 1, paragraph 24, of Law No. 207 of December 30, 2024 (Budget Law 2025). The provision reduces the substitute tax rate from 33% to 26% on other income and other proceeds referred to in Article 67, paragraph 1, letter c-sexies, of the ITCA arising from electronic money tokens denominated in euros ("euro tokens"), as defined under EU Regulation 2023/1114. Pursuant to this provision, euro-denominated electronic money tokens are defined as tokens whose value is permanently pegged to the euro and whose reserve funds are held entirely in euro-denominated assets with entities authorized in the European Union. Furthermore, the mere conversion between euros and euro tokens, or the refund in euros of the nominal value, will not be considered as a capital gain or loss.

A "permanent committee" for the control and supervision of crypto-assets and innovative finance has also been introduced, established within the Ministry of Economic and Finance ("MEF"), with the functions of risk monitoring, institutional coordination, and promotion of financial education, in line with the entry into force of the MiCA Regulation.

## VII Taxation of gains on capital assets

**Article 15** of the Draft Budget Law amends Article 86, paragraph 4, of the ITCA concerning the installment payment of capital gains other than those falling within the participation exemption (“PEX”) regime under Article 87 of the ITCA. In particular, the minimum ownership period and recognition in the financial statements of financial fixed assets required to elect for installment taxation is increased from three to five years, while the installment period is reduced from five to three fiscal years (*i.e.*, the year in which the gain is realized and the two subsequent years).

In addition, specific provisions are introduced for capital gains arising from the transfer of a business or business branch, which may be spread over a maximum of five fiscal years (*i.e.*, the year of realization and the following four years), provided that the business or branch has been owned for at least three years.

Finally, the existing rule applicable to professional sports clubs is confirmed, allowing capital gains realized on the transfer of athletes’ performance rights – held for at least two years – to be deferred over up to four subsequent fiscal years, within the limit of the portion corresponding to the cash consideration received.

## VIII New rules on the taxation of dividends

Unexpectedly, **Article 18** of the Draft Budget Law introduces, as a prerequisite for accessing the dividend tax exemption regime under Articles 59 and 89 of the ITCA, a minimum shareholding threshold of 10%.

For the purpose of determining compliance with this threshold, indirect holdings held through subsidiaries pursuant to Article 2359, paragraph 1, no. 1 of the Italian Civil Code shall be taken into account, taking into consideration any dilution resulting from the chain of control. The new conditions should apply to distributions approved on or after January 1, 2026.

## IX Tax measures applicable to the banking, financial, and insurance sectors

There are several new developments for financial operators, such as the taxation regime for intra-EU dividends for Regional Tax on Productive Activities (“IRAP”) purposes, amendments to the IRAP rates, deductibility of write-downs on customer receivables for expected losses, the provisions on the extraordinary contribution payable by banks, and the deductibility of interest expense.

For more information on the new provisions for the banking, financial, and insurance sectors, see the [dedicated newsalert](#).

## X New developments regarding the deduction of negative components related to DTAs

Article 22 of the Draft Budget Law provides, for the 2027 tax period, for a targeted suspension of the deductibility of certain negative components relating to DTAs, with the deferred amounts to be deducted in equal instalments in 2028 and 2029.

In particular:

- i. the deduction of an amount equal to 3.80% of the negative components provided, for Italian Tax on Corporate Income ("IRES") and IRAP purposes, by Article 16, paragraphs 4 and 9, of Decree Law No. 83 of June 27, 2015;
- ii. the deduction of 12.36% of the negative components referred to in Article 1, paragraph 1079, of Law No. 145 of December 30, 2018, and
- iii. the deduction of 9.50% of the negative components provided for, for IRES and IRAP purposes, by paragraphs 1067 and 1068 of the same Article 1, Law No. 145/2018, provided for the 2027 tax period, shall be deferred and deducted in equal instalments in the 2028 and 2029 tax periods.

Furthermore, this provision establishes that the losses carried forward pursuant to Article 84 of the ITCA and the "ACE surplus" pursuant to Article 5 of Legislative Decree No. 216 of December 30, 2023, are deductible from income:

- i. for the 2026 tax period, up to 45% of the higher taxable income determined on the basis of Article 1, paragraphs 14-17, of Law No. 207 of December 30, 2024;
- ii. for the 2027 tax period, up to 54% of the higher taxable income determined by the new suspension provided for in paragraphs 1-3 of the same Article 22.

The same provisions also apply in the context of national and global tax consolidation.

## XI New measures regarding the facilitated settlement of tax arrears

Article 23 of the Draft Budget Law introduces a new time frame for the facilitated settlement of charges entrusted to the tax collection agent, limiting its application to liabilities arising from the failure to pay taxes resulting from annual returns and automated assessments (Articles 36-*bis* and 36-*ter* of Presidential Decree No. 600/1973; Articles 54-*bis* and 54-*ter* of Presidential Decree No. 633/1972), as well as the failure to pay social security contributions due to National Institute for Social Security ("INPS").

In comparison with the previous regulations, which applied to charges entrusted between January 1, 2000, and June 30, 2022, the new settlement scheme has a longer duration, extending to charges entrusted up to December 31, 2023. The financial terms have also been significantly revised: payment in a single installment is due by July 31, 2026. Alternatively, taxpayers may opt for deferral in up to 54 equal bi-monthly installments, with interest at an annual rate of 4% accruing from August 1, 2026. This contrasts with the prior regime, which allowed for 18 installments with interest at 2% per annum, accruing from November 1, 2023.

From a procedural standpoint, the declaration of consent must be submitted electronically by the taxpayer no longer than April 30, 2026 (with the possibility of modifying it within the same deadline). By June 30, 2026, the tax collection agent shall notify taxpayers who have submitted the declaration of the total amount due under the settlement, as well as the amount of the

individual installments, which cannot be less than Euro 100, and the due date of each installment.

In the event of litigation, participation in the facilitated settlement requires the taxpayer to undertake to waive any pending legal proceedings relating to the charges covered by the settlement, with such waiver producing extinguishing effects upon payment of the first installment or the single installment. With respect to the provisions of the previous Article 1, paragraph 236, Law No. 197/2022, it is expressly provided that the extinction of the proceedings shall render non-final judgments without effect. From an operational perspective, participation results in the automatic discharge of the remaining balance, with a reporting deadline to creditors extended to December 31, 2036, which is longer than the December 31, 2028 deadline already provided for in Article 1, paragraph 250, Law No. 197/2022.

## XII VAT settlements in cases of failure to file the annual return

**Article 25** of the Draft Budget Law introduces a new mechanism for VAT settlement in cases of failure to file an annual VAT return, through the insertion of Article 54-*bis*.1 into Presidential Decree No. 633 of October 26, 1972, in implementation of Reform 1.12 of the PNRR (Tax Administration Reform).

In the event of failure to file the annual VAT return, or where the return omits the sections necessary for settlement, the Italian Revenue Agency may, by December 31 of the seventh year following the year in which the return should have been filed, determine the tax due – also through automated procedures – on the basis of data derived from electronic invoices issued and received, electronic payments, and periodic VAT settlement (“LIPE”) filings.

This provision establishes a fast-track procedure for determining the tax in cases of failure to file a VAT return, with significant substantive implications:

- i. any credit resulting from the previous year’s return shall not be taken into account for settlement purposes, and only payments actually made shall be deducted from the tax due;
- ii. the outcome of the settlement shall be communicated to the taxpayer, who shall have 60 days to submit any data or information that were not considered or were incorrectly assessed, to provide clarifications, or to pay the tax together with the applicable interest and penalties;
- iii. if the 60-day period expires without any action by the taxpayer, or if the information provided is insufficient to modify the tax assessed, the amounts shall be entered in the tax roll on a definitive basis pursuant to Article 14 of Presidential Decree No. 602 of September 29, 1973;
- iv. by contrast, if the information provided by the taxpayer results in a recalculation of the tax due, the outcome of the reassessment shall be communicated to the taxpayer, who shall have a further 60-day period commencing from the date of such communication;
- v. the possibility of offsetting the amounts due is expressly excluded, both at the settlement stage (under Article 17 of Legislative Decree No. 241/1997) and after registration (under Article 31 of Decree Law No. 78/2010).

In terms of penalties, when a tax liability arises, the penalty referred to in Article 5, paragraph 1, of Legislative Decree No. 471/1997 shall apply, calculated on the basis of the higher tax

settled and reduced to one third in the event of payment within 60 days. The communication of the results of the settlement precludes the application of Article 5, paragraph 1-bis, of Legislative Decree No. 471/1997.

To avoid punitive duplication in the event of a subsequent assessment, it is specified that the "tax due" corresponds to the difference between the amount assessed and the amount already settled pursuant to Article 54-bis.1, with coordination in both Article 5, paragraph 1, of Legislative Decree No. 471/1997 and Article 30, paragraph 1, of Legislative Decree No. 173/2024).

## XIII Plastic Tax and Sugar Tax

**Article 29** of the Draft Budget Law once again amends the provisions governing the tax on the consumption of single-use plastic products (the so-called "plastic tax") and the tax on sweetened beverages (the so-called "sugar tax"), established respectively under paragraphs 634 to 650 and 661 to 676 of Law No. 160 of December 27, 2019, but never entered into force.

The provision further postpones the effective date of both taxes, stipulating that they shall take effect on July 1, 2027—postponed from the previously scheduled dates of July 1, 2026, for the plastic tax and January 1, 2026, for the sugar tax.

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