2025 Budget Law

Tax & Legal Alert
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This Tax & Legal Alert summarises the main measures introduced by Law no. 207 of 30 December 2024 (the "2025 Budget Law"), published in Official Gazette no. 305 of 31 December 2024 (Ordinary Supplement no. 43) and in force since 1 January 2025.

Unless indicated otherwise, a fiscal year means that in progress on 31 December.

1. Direct and indirect taxation

1.1 Article 1(14-20) – Direct taxation – Deduction of DTA-related instalments of write-downs, loan losses and goodwill

Under the new rules governing the calculation of the IRES and IRAP bases of financial intermediaries, instalments of certain costs deductible in FYs 2025 and 2026 must be deferred, in equal instalments, to FY 2026 and the next three fiscal years and to FY 2027 and the next two fiscal years, respectively.

For FY 2025 only, a restriction has been placed on the deduction of tax loss carryforwards and of residual surplus ACE by tax group members and, in determining the aggregate taxable income of the tax group, their parent. The deductible amount cannot exceed 54 percent of the additional taxable income generated, in the same tax period, by the deferrals described above (this is lower than the 65 percent originally envisaged in the bill).

The 2025 Budget Law also lays down the criteria for calculating the advance tax payments for FY 2025 and the next four fiscal years: essentially, these advance payments must disregard the aforementioned instalments (for FY 2025) and deferrals (for subsequent fiscal years). Moreover, the amount corresponding to the additional advance payments due – for FYs 2025 and 2026 – as a result of the new rules cannot be used to offset payments of the same or other taxes.

1.2 Article 1(21-29) – Digital services tax; substitute tax on certain categories of capital and other income; tax on crypto gains and other proceeds

Digital services tax (DST)

The **definition of a taxable person** subject to DST has been amended. Under the new rules, a taxable person is any business that, individually or group-wide, has generated worldwide revenues of EUR750 million in the previous calendar year. Therefore, the 2025 Budget Law has removed the second threshold: under the previous rules, DST was triggered only when the business also earned at least EUR5.5 million in revenues in Italy from digital services.

An **advance payment** obligation has been introduced: it will be obligatory to make, by 30 November, an advance payment equal to 30 percent of the tax due for the previous calendar year.

No changes have been made to the payment of **tax balances**, which must be made by 16 May of the calendar year subsequent to that of the advance payment.

To coordinate the changes, similar amendments have been made to the Consolidation Act of 2024[1], in which the DST rules are incorporated.

Substitute tax on certain categories of capital and other income

The 2025 Budget Law clarifies that the rate of substitute tax on capital gains and on the other types of income indicated in article 5 of Legislative Decree no. 461/1997 is 26 percent.

Crypto gains and other crypto proceeds

The rules governing the substitute tax on crypto gains and other crypto proceeds have been revised.

- The substitute tax on crypto gains and other crypto proceeds earned from 1 January 2026 will increase from 26 to 33 percent.
- The EUR2,000 threshold for the taxation of crypto gains and other crypto proceeds has been abolished (previously the first EUR2,000 were exempt).
- The EUR2,000 threshold has also been abolished for deductible surplus crypto losses (those left after crypto losses have been offset against crypto gains). In the absence of further details, it would seem that this rule applies to crypto gains realised from 1 January 2025.
- The optional regime for stepping up the tax basis of cryptos held on 1 January 2025, by paying an 18 percent substitute tax, has been reintroduced. Taxpayers who opt for the step-up will be able to use the fair market value as at 1 January 2025, instead of the purchase cost or value, as the tax basis for any crypto transaction. The step-up in the tax basis precludes the realisation of capital losses that can be used to carry forward surpluses. The substitute tax must be paid by 30 November 2025 or, starting from that date, in up to three equal annual instalments.

1.3 Article 1(30) – Revaluation of shares and land

The rules on the revaluation of shares and agricultural and building land have, after numerous annual renewals, become fixed law and will apply to assets held from 1 January 2025.

For shares and land held on 1 January of any given year, the revaluation deadline will be the following 30 November, by which date:

- a qualified professional (chartered accountant or registered auditor) must have prepared a certified valuation of the unlisted shares or land;
- the taxpayer must have paid the 18 percent substitute tax (or the first of a maximum of three equal instalments).

In the case of unlisted shares, the payment deadline is the same; however, it will be possible to use, instead of the purchase cost or value, the fair market value, i.e. the average price of the shares in December of the previous year.

1.4 Article 1(31-36) – Direct taxation – Tax relief for assets assigned to shareholders

The temporary tax relief for assets assigned to shareholders has been renewed. Therefore, commercial enterprises that assign or transfer immovable assets or registered movable assets (other than capital goods) to shareholders by 30 September 2025 must pay, in two instalments, a substitute tax of 8 percent (or 10.5 percent if the company is inactive) on the difference between the fair market value and the tax basis of the assets.

The same rules will apply to companies whose exclusive or core business is the management of immovable assets or registered movable assets (other than capital goods), if they are converted into a partnership ("*società semplice*") by 30 September 2025.

The tax basis of the shares held by the shareholders who have been assigned assets must be increased by the difference subject to the substitute tax.

In the case of these shareholders, it will not be presumed that profits and profit reserves have been distributed before capital reserves.

1.5 Article 1(38-44) – VAT on training services provided to authorised suppliers of staff

The 2025 Budget Law confirms that training services provided to authorised suppliers of staff by bodies and companies financed through a bilateral fund are VATable.

Given the previous uncertainty about how to interpret the rule (exemption or chargeability), taxpayers will not be challenged about their approach prior to the 2025 Budget Law, unless there have been any proceedings resulting in a final decision. In any case, there will be no refunds of VAT.

It will be possible to settle pending litigation about the VAT treatment of the services in question, whatever the stage and level of the proceedings: to do so, the taxpayer must file an application and pay the additional VAT (without any interest or penalties).

[1] Legislative Decree no. 174/2024 – the "*Testo Unico sui tributi erariali minori*" – regulates minor taxes not covered by other consolidation acts.

1.6 Article 1(57-63) – Introduction of the reverse charge mechanism in contracting agreements in the logistics sector

With a few exceptions[2], the reverse charge mechanism has been extended to services provided to transport, goods handling and logistics companies through contracting and sub-contracting agreements, assignments to consortium members, or contractual arrangements characterised by the use of labour predominantly at the customer's places of business and by the use of business assets owned by the customer.

The enforceability of the new rule is subject to authorisation from the Council of the European Union.

Pending this authorisation – on which the full operability of the reverse charge mechanism depends – the supplier and the customer may opt, for a three-year period, for the VAT on these services to be paid by the customer in the name and on behalf of the supplier, who will be jointly and severally liable for the VAT[3]. In such cases, the invoice will be issued by the supplier but the VAT will be paid by the customer, using an F24 payment form, by the 16th of the month subsequent to that in which the invoice is issued, without the possibility of offsetting payments.

Should it emerge that the VAT was not due, the customer will be entitled to a refund, provided it can show that the tax was actually paid.

The customer will incur an administrative penalty ranging from EUR250 to EUR10,000 for any mistakes in applying the reverse charge mechanism. The supplier will be jointly and severally liable for the payment of the penalty.

1.7 Article 1(427-429) – Amendments to the Transition 5.0 tax credit

The Transition 5.0 tax credit was introduced in 2024 to support the transition of production processes to an efficient, sustainable and renewable energy model. This tax relief is linked to a reduction in final energy consumption (at least 3 percent) or energy savings in processes (at least 5 percent). The 2025 Budget Law has amended the rules as follows.

— The tax credit will be granted to energy service companies (ESCOs) instead of all enterprises. The ESCO must be certified by an accredited body and will receive the tax credit for innovations developed for its customers.

— The tax credit calculation basis for investments in plants that include certain types of solar modules has been increased to 130, 140 and 150 percent of the cost, depending on the type of module.

— The investment bands have been reduced from three to two and the tax credit percentages have been consolidated accordingly, depending on the size of the investment and extent of the reduction in energy consumption.

% Reduction in energy consumption	Tax credit for investments of up to EUR10 million	Tax credit for investments of over EUR10 million and up to EUR50 million
Production plant: 3-6% Process: 5-10%	35%	5%
Production plant: 6-10% Process: 10-15%	40%	10%
Production plant: >10% Process: >15%	45%	15%

— The reduction in energy consumption will be automatically calculated in relation to purchases of certain capital goods replacing[4] similar tangible assets fully depreciated at least 24 months previously. For these goods it will be presumed that the minimum 3 percent reduction in the plant's energy consumption or the minimum 5 percent energy saving in the process has been reached.

— The reduction in energy consumption is deemed to have been achieved in the case of innovations developed through an ESCO under an Energy Performance Contracting (EPC) arrangement, involving an express undertaking to achieve minimum savings.

— This tax credit can be combined with that for investments in the Special Economic Zone (ZES) and the Simplified Logistics Zone (ZLS). It can also be combined with further support provided under EU programmes and instruments, in compliance with article 9 of Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021.

The above measures apply to investments made from 1 January 2024.

1.8 Article 1(436 – 444) – Lower IRES rate for enterprises that invest in the new tangible assets indicated in Annexes A and B of Law no. 232/2016

A lower IRES (corporate income tax) rate is available, on certain conditions.

For FY 2025, enterprises can benefit from a 4 percent reduction in the ordinary IRES rate, provided that:

a) at least 80 percent of the 2024 profits are set aside to a special reserve;

b) at least 30 percent of the above reserve is invested in the purchase of new capital goods, used in production plants located in Italy;

c) the investments are made by the filing date for the FY 2025 income tax return and are not lower than EUR20,000.

[2] Excluded services are (a) those provided to public administrations and other bodies or companies to which split-payment rules apply, and (b) employment agencies. Also excluded are supplies of services already subject to VAT under the reverse charge mechanism indicated in paragraphs a) to a-*quater* of article 17(6) of Presidential Decree no. 633/72, e.g. supplies of services rendered by sub-contractors in the construction sector, cleaning services, demolition services, plant installation services and building completion services.

[3] The purchaser must notify the Italian Revenue Agency that it has exercised this option, for three years, through a special form (to be approved by a forthcoming measure).

[4] Those indicated in Annex A to Law no. 232/2016.

Other conditions are also attached to the benefit. For example, the enterprise must maintain the average headcount of the last three fiscal years and hire new employees on permanent contracts (a number equal to at least 1 percent of the average headcount or, in the case of smaller corporations, at least one new employee). Moreover, the enterprise must not have resorted to the "CIG" temporary layoff scheme in FY 2024 or do so in FY 2025 (ordinary payroll subsidies are permitted).

The right to the lower IRES rate is lost if the special reserve is distributed within two fiscal years of FY 2024 or if the capital goods are decommissioned, sold or moved abroad within the fifth fiscal year subsequent to that of the investment.

The reduction is unavailable to companies that have gone into liquidation or entered insolvency proceedings and those that calculate their taxable income on a lump-sum basis.

Companies in a domestic tax group must pass on the amount qualifying for the reduced IRES rate to the tax group parent, which will use it to calculate the group's tax liability.

If a company has opted for taxation on a look-through basis, the amount qualifying for the reduced rate of tax is allocated to each shareholder proportionally to their share in the profits. Non-commercial bodies and suchlike are eligible to claim the lower rate of tax only in relation to their business income.

The above measures will be implemented through a Ministry of Economy and Finance Decree so that they can be coordinated with the rest of the tax system. The ministerial decree will also regulate the process by which the tax relief will be clawed back if the taxpayer no longer qualifies for the lower rate of tax.

1.9 Article 1(445-448) – Amendments to the Transition 4.0 tax credit

Investments in intangible assets will no longer be eligible for the Transition 4.0 tax credit.

The public resources set aside to fund investments in Transition 4.0 tangible assets have been capped at EUR EUR2.2 billion. This cap applies to investments made from 1 January 2025 and not to investments for which, by 31 December 2024, an order had been placed with a supplier and a downpayment of at least 20 percent of the purchase cost had been made. To ensure that the funding limit is not exceeded, enterprises will have to submit online filings. Further details of the filing process are expected to be published shortly.

1.10 Article 1(449) – Tax credit for the listing of an SME

The possibility of claiming a tax credit for the listing of an SME has been extended to 31 December 2027. This tax credit was first introduced by the 2018 Budget Law and has been renewed every year since.

The rule enables SMEs that obtain a listing on a regulated market or MTF in an EU or EEA Member State, following an application process beginning on or after 1 January 2018, to claim a tax credit equal to 50 percent of the consultancy costs they incur up to 31 December 2027. The eligible costs are capped at EUR500,000.

To claim the tax credit, the SME must file an application with the Ministry of Enterprises and Made in Italy between 1 October of the year in which they obtain the listing and 31 March of the following year.

1.11 Article 1(458) – Contributions for taxpayers that have used the R&D tax credit repayment procedure

Taxpayers that claimed an R&D tax credit and, by 31 October 2024, voluntarily applied to repay it are entitled to a government contribution. This contribution will be a percentage of the voluntary repayment, to be indicated in a forthcoming decree.

1.12 Article 1(862-863) – Deduction of the costs of stock option plans by IAS/IFRS adopters

IAS/IFRS adopters can now deduct expensed costs of share-based payment transactions – settled in their own equity instruments or those of related companies – upon the granting of these instruments. At the time of grant, there is also a step-up in the equity interests recognised by the group companies whose equity instruments are granted.

Before the introduction of this rule, the IFRS 2 classification of stock options (and stock grants) as share-based payment transactions resulted in the deduction of expensed costs as employment costs, whether or not they were actually incurred within the meaning of Italian law. This deduction was matched by a corresponding increase in equity (equal to the fair market value of the options/shares granted). This rule applied not only to stock options issued to employees but also to those issued to "equivalent" workers, including directors. In the case of intragroup stock option plans, upon the issue and granting of equity instruments by a parent company to the employees of a subsidiary, the cost of the parent company's equity interest in its subsidiary was stepped up by an amount equal to the cost of the stock option plan deducted by the subsidiary.

Differently, the new rule means that the costs of stock option plans are deducted when the equity instruments are granted to the employees/directors.
The new rule applies to share-based payment transactions expensed for the first time in financial statements for FY 2025 onwards. Therefore, IAS/IFRS adopters will have to separate the costs of plans commencing before FY 2025 (deductible on an accruals basis) from those commencing later. In the case of the latter, it will be necessary to add back the amount in the income tax return when the cost is expensed and deduct it when the equity instruments are granted to the beneficiaries.

2. Customs and excise measures

2.1 Article 1(45) – Extension of the e-DAS obligation

The 2025 Budget Law includes various measures on the movement of energy products subject to excise duty.

As a general rule, the Consolidated Excise Act ("Excise Act"[5]) requires energy products subject to excise duty to be accompanied by a simplified document (e-DAS or equivalent) when they are moved. Exempt from this rule are transfers of (i) energy products in amounts of not more than 1,000kg to non-reportable warehouses and (ii) liquified petroleum gas used for combustion and transferred by retailers.

The 2025 Budget Law has eliminated exemption (i); therefore, an e-DAS will now be necessary for this category of transfer.

2.2 Article 1(46-47) – Customs Authority procedures

Any manufacturer, importer or representative that intends to register manufactured tobacco and similar products with the Customs Agency must submit an application accompanied by specific technical documentation and product samples.

The 2025 Budget Law amends article 39-*quater* of the Excise Act, which governs two procedures connected with this process:

(i) the inclusion of these products in the official tables providing full price breakdowns (the retail price charged by the importer/producer, VAT, excise duty, etc.)[6];

(ii) the confirmation and adjustment of retail prices by the Customs Authority, based on the price indicated by the producer/importer.

There is no change to the 45-day time limit within which the Customs Authority must complete procedure (i). As before, this limit starts to run from the date the Customs Authority receives the application from the producer or importer.

However, the 2025 Budget Law establishes that the Customs Authority must now complete procedure (ii) within 20 working days instead of the previous 45. The implementation of this change must be compatible with the resources available and not result in new or incremental charges for the national budget.

2.3 Article 1(72-73) – Excise duty on beer

The rules that simplified and cut excise duty in 2022 and 2023 have been reintroduced permanently from 2025.

Breweries with an annual production threshold of 10,000 hl or below (so-called "microbreweries") will therefore benefit from:

— simplified procedures for the assessment of excise duty on beer;

— a 50 percent cut in the rate of excise duty.

Excise duty on beer in 2025 has also been cut by:

— 30 percent for breweries with an annual production of between 10,000 and 30,000 hl;

— 20 percent for breweries with an annual production of between 30,000 and 60,000 hl.

2.4 Article 1(89-93) – Online gambling, bingo and horse betting

Some of the main changes are listed below.

— The 2025 Budget Law clarifies a rule introduced by the 2019 Budget Law, by establishing that – in online games of skill offering cash prizes and in online bingo – a fixed tax of 25 percent must be applied on the amounts that, under the rules of play, are not returned to the players.

— A change has been made to the rule forbidding the relocation of bingo halls during a concession renewal period. This relocation ban will not apply to those concession holders that are driven to relocate because of force majeure or factors beyond their control or because it is no longer cost-effective for them to do so.

— From 2025, the total bingo prize jackpot will be between 70 and 71 percent of the sale price of the bingo cards.

— From 2025 the betting and gambling tax will be:

- 25.5 percent of the sums that, under the rules of play, are not returned to players in:
  - ✓ online games of skill offering cash prizes, including card games in tournament mode, card games in non-tournament mode and fixed-odds lotteries;
  - ✓ online bingo;
- 20.5 percent for fixed-odds sports bets wagered in a betting shop or 24.5 percent for those wagered online (these percentages are levied on the difference between the bets placed and the winnings paid out);
- 24.5 percent of the takings, net of the sums that, under the rules of play, are returned as winnings to a player in fixed-odds bets on computer-simulated events.

— From 1 January 2025 the tax on fixed-odds horse racing bets will be:

- 20.5 percent on bets placed in betting shops (instead of the previous 43 percent);
- 24.5 percent on online bets (instead of the previous 47 percent).

[5] Legislative Decree no. 504 of 26 October 1995.

[6] Article 39-*quinquies* of the Excise Act: "*1. [b]y order of the Director of the Autonomous Administration of the State Monopolies, to be published in the Official Gazette of the Italian Republic, tables providing breakdowns of the prices of manufactured tobaccos shall be established. The retail prices of the products referred to in article 39-*bis *(1)(a) and (b) shall be per notional kilogram, equal, respectively, to (a) 200 cigars, (b) 400 cigarillos, (c) 1000 cigarettes*".

2.5 Article 1(434-435) – Waiver of guarantees for the domestic transfer of tobacco products subject to taxation under excise duty legislation

The Customs Authority has been given the power to waive guarantees for domestic transfers of (i) manufactured tobacco, (ii) products containing nicotine, and (iii) inhalable non-combusted products consisting of solid substances other than tobacco. It may also waive the guarantees required when these three types of products are stored in warehouses. Guarantees can also be waived for substitute products for smoking (meaning inhalable non-combusted liquids, whether or not they contain nicotine, excluding those authorised to be sold as medicines).

Before exercising this power, the Customs Authority must:

— acquire appropriate bank references;

— assess the risk of insolvency by examining the applicant's past and forecast performance and carrying out a comparative analysis.

3. Tax credits

3.1 Article 1(485-491) – Tax credit for investments in the Special Economic Zone ("SEZ") for Southern Italy

A tax credit is available for investments made between 1 January and 15 November 2025 in the SEZ for Southern Italy. For 2025 this tax credit has been capped at EUR2.2 billion.

This tax credit, in compliance with European regulations on state aid, is available to businesses that purchase capital goods intended for production facilities located in certain areas of the regions of Campania, Puglia, Basilicata, Calabria, Sicilia, Sardinia, Molise and Abruzzo.

Specific obligations have been placed on businesses with regard to the notification of eligible expenses to the Revenue Agency. More specifically, in an additional notification to the Revenue Agency, accompanied by the necessary documentation, applicants must certify – or else their application will be rejected – that previously declared investments have been made. The exact notification procedures will be issued at a later date by the Director of the Revenue Agency.

To ensure that the spending budget of EUR2.2 billion is not overrun, each beneficiary must multiply its tax credit by a percentage that will be published by the Director of the Revenue Agency within 10 days of the deadline for the submission of the additional notifications. Along with the percentage, the Director of the Revenue Agency will give a breakdown of the number of applications, investments, total amount of relief requested, etc.

The 2025 Budget Law also establishes the process to be followed if the tax credit indicated by the Director of the Revenue Agency is less than the permitted maximum amount.

3.2 Article 1(544-546) – SEZ tax credit for the primary production sector of agricultural products, forestry, fisheries and aquaculture.

This tax credit has been extended to 2025 and capped at EUR50 million for this fiscal year.

The rules set the deadlines for claiming the tax credit for 2025 and explain how to calculate the maximum amount.

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