



**Reduction of the IRES rate from 24% to 20% for the
2025 tax year (“Rewarded IRES”) – Implementing
Provisions (Ministerial Decree 8.8.2025)**

1. INTRODUCTION

Art. 1, paragraphs 436–444 of Law no. 207 of 30.12.2024 (2025 Budget Law) introduced the so-called “Rewarded IRES,” consisting of a reduction of the corporate income tax (IRES) rate from 24% to 20%, for the 2025 tax year only, subject to specific conditions. Ministerial Decree of 8.8.2025 (published in the Official Gazette no. 190 of 18.8.2025) defined the implementing provisions of this relief.

2. ELIGIBLE SUBJECTS

The relief applies to IRES taxpayers, subject to certain exclusions.

Specifically, the following entities may benefit from the Rewarded IRES:

- joint-stock companies (S.p.A.), partnerships limited by shares (S.a.p.A.), and limited liability companies (S.r.l.);
- cooperative and mutual insurance companies;
- European companies under Regulation 2157/2001 and European cooperatives under Regulation 1435/2003 resident in Italy;
- public and private entities, other than companies, whose exclusive or main purpose is the conduct of commercial activities, as well as equivalent entities and trusts resident in Italy that have as their exclusive or main purpose the conduct of commercial activities;
- companies and entities of any kind, including trusts, with or without legal personality, not resident in Italy but with a permanent establishment in Italy.

Non-commercial entities

For non-commercial entities, the reduced IRES rate applies only to income deriving from any commercial activity carried out.

Exclusions

The reduced rate does not apply to companies and entities that in 2025 (calendar-year taxpayers):

- are in ordinary liquidation;
- are subject to liquidation insolvency proceedings;
- determine their taxable income, even partially, under special regimes (e.g., tonnage tax, agricultural companies opting for cadastral income determination, etc.).

Entities that applied the simplified accounting regime in 2024 are also excluded.

Entities adhering to the two-year advance agreement

Entities adhering to the two-year advance agreement (Articles 6–37 of Legislative Decree 13/2024) are entitled to apply the reduced IRES rate to the agreed income, since this method is not equivalent to a lump-sum regime. For entities that, when adhering to the two-year advance agreement, opt for the substitute tax under Art. 20-bis of Legislative Decree 13/2024, the reduced IRES rate applies only to the portion of taxable income subject to the standard IRES rate under Art. 77 of the Italian Tax Code (TUIR).

3. CONDITIONS TO BENEFIT FROM THE RELIEF

To benefit from the relief, without the need for specific communications, the following conditions must be met:

- at least 80% of profits for the financial year ending 31.12.2024 must be allocated to a specific reserve;
- an amount not less than 30% of such allocated profits, and in any case not less than 24% of profits for the financial year ending 31.12.2023, must be allocated to “qualified” investments; in any case, such investments must amount to no less than €20,000;
- an increase in employment and no use of ordinary wage supplementation (CIGO).

3.1 Allocation of 2024 profits

The first condition requires the allocation to a “specific reserve” of at least 80% of profits for the year ending 31.12.2024 (2024 for calendar-year taxpayers). By broad interpretation, Art. 4(2) of the Ministerial Decree 8.8.2025 provides that any 2024 profits allocated to purposes other than shareholder distribution (e.g., legal or statutory reserves, coverage of losses, etc.) are deemed allocated to a “specific reserve.” For this purpose, interim dividends under Art. 2433-bis of the Civil Code relating to the same year are also considered as distributed.

2023 profits

The existence of 2023 profits is not required to access the relief. It only serves as a parameter for calculating the minimum investment amount.

3.2 Investments in 4.0 and 5.0 assets

Allocated profits must be reinvested, at a minimum amount, in fixed assets listed in Annexes A and B to Law 232/2016 and in Art. 38 of Decree-Law 19/2024.

Eligible assets

Investments must concern the purchase, including through leasing, of:

- tangible and intangible 4.0 assets listed in Annexes A and B to Law 232/2016;
- assets qualifying for the 5.0 transition investment bonus under Art. 38 of Decree-Law 19/2024, with energy consumption reduction.

Such assets are eligible if they are:

- instrumental;
- new;
- intended for production facilities located in Italy;
- interconnected.

Interconnection must last for more than half of the “monitoring period” (from the investment date until the end of the fifth subsequent tax year).

Investment period

Relevant investments must be made between 1.1.2025 and the filing deadline of the tax return for the year following 2024 (i.e., by 31.10.2026 for calendar-year taxpayers). Relevant investments are considered made according to the general rules of tax accrual under Art. 109(1)–(2) of the TUIR, regardless of accounting standards.

Minimum investment amount

The minimum amount of relevant investments is equal to the greatest of:

- 30% of allocated profits;
- 24% of 2023 profits;
- €20,000.

Example: A joint-stock company (calendar-year) has:

- 2024 profits of €100,000, 80% (€80,000) not distributed;
- 2023 profits of €90,000.

Minimum investment = the highest of:

- 2024: 30% of €80,000 = €24,000;
- 2023: 24% of €90,000 = €21,600;
- €20,000.

Thus, the minimum investment required to access the reduced IRES rate is €24,000.

3.2 Employment increase

The reduced IRES rate applies if in 2025 (year following 2024 for calendar-year taxpayers):

- the number of annual work units (AWU, "ULA") is not lower than the average of the previous three years;
- new permanent employees are hired, constituting an employment increase under Art. 4 of Legislative Decree 216/2023 (super-deduction for new hires), amounting to at least 1% of the average number of permanent employees in 2024, and in any case not fewer than one new permanent employee.

For the first condition, the check is made by comparing full-time equivalent employees in the last month of 2025 with the average of the 36 preceding months, excluding employees who left due to voluntary resignation, disability, retirement, voluntary reduction of working hours, or dismissal for just cause.

Therefore, for calendar-year taxpayers, AWUs in December 2025 must be compared with the simple arithmetic average of AWUs from December 2022 through November 2025.

No use of ordinary CIGO

The company must not have used ordinary wage supplementation (CIGO) under Legislative Decree 148/2015 during 2024 or 2025, except for cases under Art. 11(1)(a) of that decree (temporary, uncontrollable events).

4 CALCULATION OF THE RELIEF

If the above conditions are met, the business income declared by the companies and entities indicated above may be subject to the IRES rate under Art. 77 of the TUIR (24%) reduced by 4 percentage points, i.e., to 20%.

The Rewarded IRES applies to the business income declared for the tax period following the one in progress on 31.12.2024 (the 2025 tax year for calendar-year taxpayers, to be reported in the 2026 income tax return).

The amount to which the reduced IRES rate applies is annualized if the duration of the financial year following the one in progress on 31.12.2024 exceeds 12 months.

Tax codes

The Italian Revenue Agency will establish specific tax codes for payments of the reduced IRES.

4.1 Optional carryforward of losses



By way of derogation from the loss carryforward rules under Art. 84 of the TUIR, the beneficiaries of the relief may offset tax losses relating to prior tax periods against the total income to be taxed at the reduced IRES rate.

4.2 Audit activity and amended returns

A redetermination, during audit activity, of the profit—and consequently of the income—relating to the tax period following the one in progress on 31.12.2023 (i.e., 2024 for calendar-year taxpayers) has no effect on the profit allocated to reserves or on the thresholds for relevant investments.

Moreover, the reduced IRES rate does not apply to any additional taxable income determined, for the tax period following the one in progress on 31.12.2024 (i.e., 2025 for calendar-year taxpayers), in amended returns or as a result of audit activity.

4.3 Advance payments

For purposes of calculating the IRES advance due for the tax period following the one in progress on 31.12.2025 (i.e., 2026 for calendar-year taxpayers), the prior-year tax is assumed as the amount that would have been due **without** applying the relief provisions at issue.

5 CAUSES OF FORFEITURE AND RECOVERY OF THE RELIEF

Beneficiaries forfeit the relief, with consequent claw-back, in the following cases:

- if the portion of profit allocated to reserves—net of any amount used to cover losses—is distributed within the second financial year following the one in progress on 31.12.2024;
- if the eligible assets are decommissioned, transferred to third parties, allocated to purposes unrelated to the business, or permanently allocated to production facilities located abroad (even if belonging to the same entity) within the fifth tax period following that in which the investment was made (the so-called “monitoring period”).

5.1 Distribution of the allocated 2024 profit

The first cause of forfeiture occurs where the portion of profit allocated to reserves—net of any amount used to cover losses—is distributed within the second financial year following the one in progress on 31.12.2024; thus, by 31.12.2026 for companies with a financial year coinciding with the calendar year.



Any profit distributions that reduce the allocated profit only down to the minimum threshold of 80% do **not** trigger forfeiture.

Completion of a specific schedule in the tax return

To monitor the total amount of reserves created or increased with profits allocated and subject to the fiscal constraint, as well as amounts used to cover losses, the constrained amounts and any changes must be separately reported, for each equity line item, in a specific schedule of the income tax return.

Presumption of reserve utilization

Reserves (or portions thereof) other than those created or increased with the allocated profit identified above are presumed to be used first to cover losses.

5.2 Disposal or delocalization of assets

The second cause of forfeiture occurs if the invested assets are, alternatively:

- decommissioned;
- transferred to third parties;
- allocated to purposes unrelated to the business;
- permanently allocated to production facilities located abroad, even if belonging to the same entity (assets are deemed permanently allocated abroad if they are located abroad for the majority of each tax period starting from the period of acquisition; this period must be prorated in the years of acquisition and de-recognition).

The assets must **not** be transferred or decommissioned within the fifth tax period following that in which the investment was made, namely:

- by 2030 for investments made in 2025;
- by 2031 for investments made in 2026 (by 31.10.2026).

Replacement investments

Pursuant to statute (Art. 7(3)(a) of the Ministerial Decree 8.8.2025), Art. 1(35) of Law 205/2017 on replacement investments applies, where compatible. Accordingly, the relief is not lost if, in the same tax period as the disposal, the company:

- replaces the original asset with a new tangible fixed asset having technological features that are analogous or superior to those in Annex A to Law 232/2016;



- certifies the performance of the replacement investment, the characteristics of the new asset and its interconnection, as well as the reduction in energy consumption where required.

5.3 Recovery of the relief

The beneficiary must pay the difference in tax due following redetermination at the rate under Art. 77 of the TUIR (i.e., 24% instead of 20%), by the deadline for the year-end balance payment of income tax for the tax period in which the cause of forfeiture occurs. The occurrence of a cause of forfeiture results in the complete loss of the benefit (see the explanatory report to the Ministerial Decree 8.8.2025).

6 TAX CONSOLIDATION AND TRANSPARENCY

For companies participating in domestic tax consolidation (Arts. 117–129 of the TUIR), the amount eligible for the reduced IRES rate:

- is determined by each entity participating in the consolidation;
- is utilized by the parent company for computing the tax due, up to the amount of income exceeding the losses offset.

If the consolidated global income is, in whole or in part, subject to the reduced IRES rate, the parent company may offset prior-period tax losses—subject to Art. 84(1), first sentence of the TUIR—up to the portion of income eligible for the reduced IRES rate. These provisions also apply to the amount determined by companies and entities opting for worldwide consolidation (Arts. 130–142 of the TUIR).

Where the transparent taxation regime under Art. 115 of the TUIR is elected, the amount eligible for the reduced rate, as determined by the subsidiary, is attributed to each shareholder in proportion to their share of profits. In this case, the eligibility requirements must be met by the subsidiary; as a result, the income produced by the subsidiary is attributed to the shareholders “qualified” as income subject to the reduced IRES rate, proportionally to their profit share.

7 REORGANIZATION TRANSACTIONS

With regard to the effects of extraordinary transactions on the Rewarded IRES, specific rules are laid down so as to safeguard transactions governed by the principle of tax neutrality, avoiding either penalizing or favoring, in the application of the reduced IRES rate, the parties involved. In this spirit—and while respecting the principle of succession inherent in such transactions—the rules underlying enjoyment of the benefit are framed so as to determine the amount of the benefit, broadly, as if the transactions had not taken place (see Art. 11 of the Ministerial Decree 8.8.2025 and the explanatory report). On this basis, in general:

- the period income is eligible—where the transferor meets the access conditions—both for the transferor and for the transferee that succeeds by virtue of the succession principle;
- the transferee may continue to make further relevant investments to “complete” those the transferor is required to make;
- where not all parties to the transaction can benefit from the reduced IRES rate, a proportionality criterion must be adopted to identify the portion of income produced by the transferee that is eligible for the relief;
- monitoring of the causes of forfeiture is transferred to the transferee as well.

8 CUMULABILITY WITH OTHER INCENTIVES

Subject to cumulation with other incentives concerning the same eligible costs, the tax saving resulting from application of the reduced IRES rate is allowed only up to the amount of cost actually borne by the company for the relevant investments. Accordingly, the Rewarded IRES may be cumulated, subject to the applicable conditions, with:

- the tax credit for 4.0 investments under Law 178/2020;
- the 5.0 transition tax credit under Art. 38 of Decree-Law 19/2024.