

Dr. Marco Baldessarelli  
Dr. Luca Bertelli  
Dr. Chaowei Dai  
Dr. Spasoje Vockic  
Dr. Nina Bertolini

Merano, 22<sup>nd</sup> of January 2026

*News in the area of tax law*

Ladies and Gentlemen

With this newsletter we would like to inform you about the following news:

## Table of contents

1. Budget Law 2026: Short-Term Rentals .....	2
2. Budget Law 2026: Substitute Tax for High-Net-Worth Individuals .....	2
3. Budget Law 2026: Participation Exemption .....	2

## 1. Budget Law 2026: Short-Term Rentals

From 2026, the flat tax on short-term rentals is to remain at 21 percent. From the third property rented on a short-term basis onward, the rental activity will be classified as commercial. This results in the obligation to register for a VAT number.

## 2. Budget Law 2026: Substitute Tax for High-Net-Worth Individuals

From 2026, the flat substitute tax applicable to wealthy new residents ("res non-dom," also referred to as paperoni) on income earned abroad is to be increased from Euro 200,000.00 to Euro 300,000.00 per year. The crediting of foreign taxes will continue to be excluded.

## 3. Budget Law 2026: Participation Exemption

The participation exemption for dividends, under which distributions between corporate entities are 95% tax-exempt, will generally remain in place. However, as of 1<sup>st</sup> January 2026, it will be restricted for certain minority shareholdings.

The tax benefit will no longer apply if either the participation percentage is below five percent or, in the case of a participation below five percent, the value of the shareholding is less than Euro 500,000.00. Each threshold constitutes an alternative criterion; they are not to be applied cumulatively. This restriction applies not only to dividends but also to the tax exemption for capital gains from the disposal of such participations, provided they are acquired from 2026 onward.

Corresponding restrictions will also apply to sole proprietorships and partnerships. The partial income method (taxation of only 56.25%) will henceforth apply only if the participation amounts to at least five percent or has a value exceeding Euro 500,000.00. In addition, the reduced withholding tax rate of 1.2% on dividend distributions abroad will apply only if these thresholds are met, subject to differing provisions in double taxation treaties and the EU Parent-Subsidiary Directive.

The changes introduced as of 1 January 2026 will apply exclusively to participations acquired from that date onward. Participations held prior to that date will continue to be governed by the previous rules, including the application of the participation exemption regime, provided that its requirements are met.

Please do not hesitate to contact us for further information.

Yours sincerely

Dr. Spasoje Vockic

[spasoje.vockic@fiscalconsulent.com](mailto:spasoje.vockic@fiscalconsulent.com)