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*News in the area of tax law*

Ladies and Gentlemen

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

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## 1. Residents with Foreign Income

In recent months, the activity of the Italian tax authorities has increased with respect to taxpayers resident in Italy who have carried out employed work abroad. The relevant income becomes known through the automatic exchange of information between states. If no tax return is filed in Italy indicating the foreign tax credit, the reported amounts are treated in full as taxable income, without recognition of the tax credit.

However, double taxation can be mitigated within the framework of the preliminary procedure and, in particular, through a mutual agreement assessment. In such cases, the authorities generally recognize the taxes paid abroad but require strict proof of the “finality” of the payments. For this purpose, appropriate documentation is necessary (overview of foreign income, taxes paid, foreign tax return and/or proof of payment or certificates from the foreign tax authority), which is why we recommend exercising maximum caution.

## 2. Short-Term Rentals and the Status Quo

Short-term rentals can generate returns of over 6% per year, depending on location, property type, and occupancy rate. Starting in 2026, anyone renting out three or more apartments is automatically considered an entrepreneur, which triggers VAT liability and additional administrative obligations. In smaller cities, the flat-rate taxation regime (15% or 5% on 40% of the income) may, under certain circumstances, be more advantageous than ordinary taxation. However, the Italian tax authorities are maintaining their current stance: the Council of Ministers has challenged the legislation of the Emilia-Romagna region, which sought to introduce restrictions on short-term rentals. The government views these regulations as an interference with freedom of competition, property rights, and entrepreneurship.

Without uniform national regulations, additional regions and cities - such as Apulia or Rome - may now introduce their own rules, including restrictions on the maximum number of units allowed for short-term rentals in certain zones.

As a result, the market is unlikely to continue expanding freely in the future; instead, stricter local restrictions and additional administrative requirements for properties are to be expected.

Please do not hesitate to contact us for further information.

Yours sincerely

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