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Italy’s 2026 PEX Reform: New Thresholds for Capital Gains on Minority Stakes in Italian Companies

Descrizione

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Italy’s 2026 Budget Law (Law 199/2025) has reshaped the way capital gains on shareholdings are taxed at the corporate level. Starting 1 January 2026, the Participation Exemption (PEX) — the long-standing regime that exempts 95% of qualifying capital gains from corporate taxation — applies only when new size thresholds are met. For holding companies, entrepreneurs, and cross-border investors, this is not a technical footnote: it is a structural change that affects deal economics, exit strategies, and how minority investments are held.

What the PEX Regime Does

Under Article 87 of the Italian Income Tax Code (TUIR), capital gains realised by an IRES taxpayer on the sale of a qualifying shareholding are 95% exempt, meaning only 5% of the gain is subject to Italy’s 24% corporate income tax — an effective rate of just 1.2%. The same regime applies by extension to EU and EEA companies selling Italian participations, provided they have no permanent establishment in Italy. Until the end of 2025, the core PEX requirements were qualitative: the subsidiary had to be a genuine operating business, resident in a non-blacklisted jurisdiction, with the shareholding held for at least 12 months and classified as a financial fixed asset.

What Changed in 2026

The 2026 Budget Law keeps the qualitative conditions but adds a quantitative gate. From 2026 onward, the 95% exemption on capital gains is available only if the shareholding disposed of meets at least one of the following:

A direct or indirect participation of at least 5% of the share capital or voting rights, or

A shareholding with a tax value of at least €500,000.

If neither threshold is satisfied, the capital gain is fully taxable at the ordinary 24% IRES rate — a dramatic jump from the 1.2% effective rate most groups are used to. The same thresholds mirror those now applicable to intercompany dividends under Law 199/2025, creating a unified regime for both distributions and exits.

Who Is Most Affected

The reform hits minority investments hardest. The clearest losers are holding companies and corporate investors whose stake in an Italian target sits below 5% and whose tax basis is under €500,000. This is a common profile in several situations: founders whose shareholding has been diluted across successive funding rounds; early-stage investors in startups that have since raised significant capital; family holding structures with small strategic positions; and corporate venture arms holding observer-sized stakes. On exit, these investors now face a full 24% corporate tax on the gain instead of the familiar 1.2% effective rate.

Club Deals and Joint Investments

Club deals — where several investors pool capital into a single special-purpose vehicle to acquire a target — are particularly exposed. If the pooled SPV holds 5% or more of the target, PEX applies at the SPV level; the problem arises when individual investors in the SPV hold below-threshold indirect positions through their own corporate vehicles. The Italian Parliament has signalled, through Chamber Act 2750/2025, that legitimate club-deal structures should not be treated as abusive. Detailed implementing guidance is still awaited, and investors structuring club deals in 2026 should document the business rationale of each layer carefully.

A Note for U.S.

U.S. citizens and U.S.-based investors holding Italian participations through corporate vehicles need to reassess the after-tax economics of their Italian positions. A gain that was once taxed at 1.2% in Italy and credited against U.S. federal tax under the Foreign Tax Credit rules is now potentially taxed at 24% in Italy. Depending on the structure, this may generate excess foreign tax credits, shift the residual U.S. liability, or trigger review under anti-hybrid and PFIC rules where investments sit inside non-U.S. holding companies. The Italy–U.S. tax treaty does not override these domestic Italian thresholds. Any restructuring should be modelled jointly by Italian and U.S. advisors before the next disposal event.

Final Considerations

For groups that hold Italian investments strategically through corporate entities, the 2026 PEX reform is a reason to revisit the tax basis and percentage of every participation on the books. Where minority stakes fall below both thresholds, options include consolidating holdings, stepping up the tax basis through elective revaluations when available, or timing disposals in light of the new rules. As always with Italian tax reform, the qualitative conditions of PEX still matter and must be verified alongside the new quantitative gate. Professional advice is essential before any disposal, reorganisation, or cross-border restructuring affecting Italian participations.

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