Dear Clients,

Subject: investment incentive 2026–2028 – increased deduction (up to 180%) of depreciation and lease payments – "Hyper-depreciation"

The 2026 Budget Law has reintroduced an incentive for investments in capital assets which allows taxable income to be reduced through an increased deduction of depreciation charges and lease payments, the so-called Hyper-depreciation. Below is an operational summary of the main rules applicable from 1 January 2026.

1) Legal basis and period of application

The incentive is provided for by Law No. 199/2025 (2026 Budget Law), paragraph 427, and concerns investments made from 1 January 2026 until 30 September 2028, through an increased deduction of depreciation/lease payments with percentages ranging between 180% and 50% of the eligible cost.

2) Eligible assets and main restrictions

Eligible investments are tangible and intangible "4.0" assets listed in Annexes IV and V to the 2026 Budget Law (which replace the previous lists in Law No. 232/2016). Also eligible are certain capital assets used for self-production of energy from renewable sources for self-consumption (including remotely), pursuant to Art. 30, paragraph 1, letter a), no. 2), of Legislative Decree No. 199/2021, including plants for storing the energy produced.

As regards self-production and self-consumption of energy from solar sources, only plants with photovoltaic modules referred to in Art. 12, paragraph 1, letters b) and c), of Decree-Law No. 181/2023 are eligible.

Investments must be made in production facilities located in Italy and must concern assets produced in the European Union or in States belonging to the European Economic Area (EU/EEA).

3) Amount of the incentive: cost brackets

The cost increase, for deduction purposes, operates by brackets. Based on the indications currently available, the percentages are as follows:

- 180% of the eligible cost up to EUR 2.5 million;
- 100% on the portion of cost exceeding EUR 2.5 million and up to EUR 10 million;
- 50% on the portion of cost exceeding EUR 10 million and up to EUR 20 million.

These brackets should be "annual" in nature (with thresholds resetting each year), in continuity with the approach already adopted for the previous 4.0 tax credit (see Circular of the Italian Revenue Agency No. 14/E/2022), but this point is still awaiting official clarification.

4) How the incentive is used: deduction in the tax return (depreciation and leasing)

The increase is applied in income tax returns by raising the deductible amount. For depreciable assets, the annual amount is equal to the depreciation rate (Ministerial Decree of 31 December 1988), halved in the first year of use, multiplied by the "increased" cost.

For assets acquired under finance leases, the increased deduction is spread over the term of the contract, which must not be shorter than half of the ordinary depreciation period.

If a tax loss arises, the higher deduction increases the negative result that can be carried forward; effective use will take place when there is sufficient taxable income.

5) Determination of cost and date of the investment

The cost on which to apply the percentages is determined pursuant to Art. 110 of the Italian Income Tax Code (TUIR), also including directly attributable ancillary charges. For accounting purposes, in identifying ancillary charges and their allocation, reference may be made to the criteria of OIC 16 (also referred to, inter alia, in Revenue Agency Ruling No. 152/E/2017).

To identify the date on which the investment is made, the accrual rules of Art. 109, paragraphs 1 and 2, of the TUIR apply (e.g. delivery/shipment for supplies of goods; completion for contracts for works), also taking into account departures arising from the "enhanced derivation" principle where applicable.

6) Compliance and monitoring: notifications to MIMIT and cumulation

Implementing provisions are expected to define the content and deadlines of the notifications to the Ministry of Enterprises and Made in Italy (MIMIT), similar to those already used for 4.0 incentives. It is advisable to prepare, from the outset of the investment, the technical and contractual documentation (orders, delivery notes, invoices, any expert reports/certifications) needed to prove the requirements and the date of the investment.

Attention must also be paid to time windows and rules on cumulation with other incentives: restrictions on cumulation with "4.0" tax credits have been reported for certain investments in the first half of 2026, pending official clarifications.

7) Disposal/relocation and replacement investments

If, during the deduction period, the eligible assets are disposed of or relocated abroad, the incentive does not lapse provided that, in the same financial year as the disposal/relocation, a "replacement" investment is made in a capital asset with similar or higher technological characteristics.

If the cost of the new asset is lower than that of the asset disposed of, the incentive continues only up to the amount of the cost of the new investment.

8) Tax advances

The provisional tax advance for the 2026 tax year may not take into account any benefit that may be enjoyed ex post (a rule to be verified in light of implementing clarifications).

Our Firm is available to: (i) verify the eligibility of assets (Annexes IV and V), (ii) correctly plan timing and documentation, and (iii) estimate the tax saving and the impact on tax advances. Please note that some operational aspects (notifications to MIMIT, final rules on cumulation and annual brackets) may be detailed in upcoming implementing provisions.

This circular is for information purposes only and does not constitute professional advice on specific cases. For further details or operational assistance, the Firm remains at your disposal.

Kind regards,

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Avv. Dott. Angelo Pisciotta

Studio Pisciotta
C.F. PSCNGL74H27G273R
P.I. 04848330827
pecstudiopisciotta@studiopisciotta.it
studiopisciotta@studiopisciotta.com

www.studiopisciotta.com
Sede di Marsala Via Sibilla, 5 - +39 0923 952388
Sede di Palermo Via Stefano Turr, 38 - +39 091 6090036
Sede di Roma Via C. Colombo, 456 - +39 06 5817225
Sede di Reggio Calabria Via Sant'Anna, 4 - +39 0965 24582