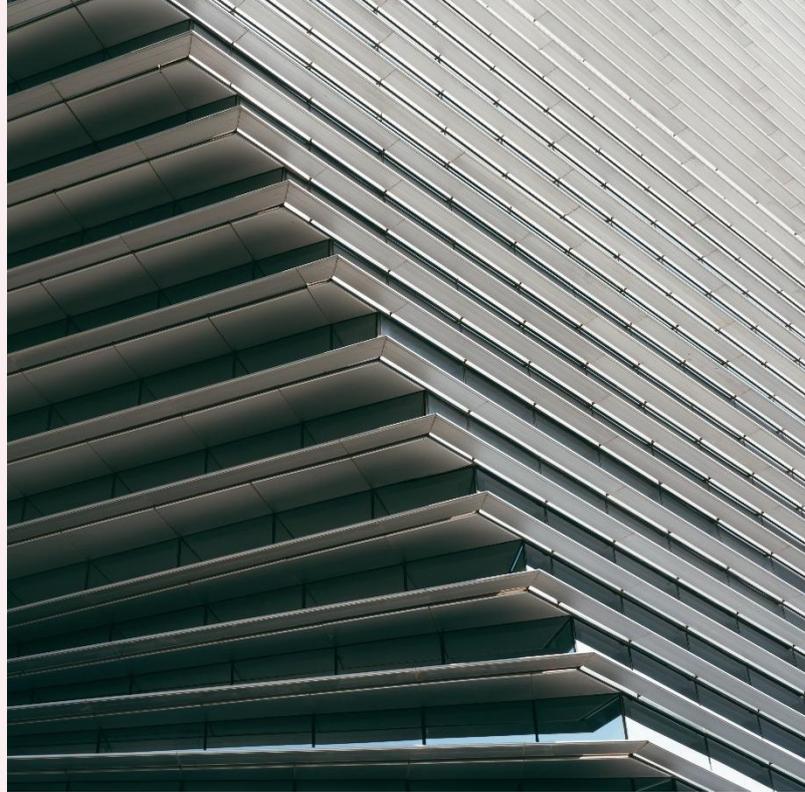


Italian Government Rollback of Capital Gains and Dividend Exemption Restrictions

31 March 2026



A significant throwback in Italian **capital gains and dividends taxation**: Italian newly issued Law Decree **eliminates the restrictions** introduced starting from 2026, limiting the 95% exemption on dividends and capital gains to shareholdings meeting specific thresholds, namely a **minimum 5% participation** or a **tax basis of at least EUR 500,000**. A very well received development for investors looking at exits, reorganisations, and distributions on Italian investments.

What does it mean in practice?

- **Dividends**: 1,2% effective tax rate is available unconditionally for distributions by Italian portfolio companies (and to these latter as well, the only exemption being for dividends deriving from black-listed countries).
- **Capital gains**: Non-resident investors continue to be largely exempt based on double tax treaty provisions or subject to 1,3% effective tax rate. 1,2% effective tax rate for Italian corporates is subject to the "ordinary" participation exemption conditions.

Even if the above treatment was intended to be reserved to EU-based investors, recent case law recently cleared the way also for **non-EU structures**, opening the door to refund procedures.

When would the new (old) regime start to apply?

The repeal applies **retroactively from 1 January 2026**, safeguarding transactions already completed earlier this year. Where custodian of listed shares already applied higher withholding taxes on distribution of dividends occurred in 2026, refund procedure may be available.

Whereas the law decree removing these limitations needs to be converted into law within 60 days, no material changes are expected during the parliamentary process.



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