

## **Tax Deductions for Building Renovation Work – Updates in the 2025 Budget Law – Clarifications from the Revenue Agency**

## 1 INTRODUCTION

Art. 1, paragraphs 54–56 of Law No. 207 of 30 December 2024 (2025 Budget Law) introduced several amendments to the rules governing the so-called “building bonuses.”

In particular, the aforementioned law aligned the deduction rates of the “ecobonus” and “sismabonus,” as provided under Articles 14 and 16 of Decree-Law No. 63/2013, with those for building renovation, under Article 16-bis of the Italian Income Tax Code (TUIR), known as the “home renovation bonus.”

The Italian Revenue Agency’s Circular No. 8 of 19 June 2025 provided clarifications regarding the new provisions introduced by the 2025 Budget Law.

Below are the most relevant clarifications regarding the most significant topics.

## 2 “STANDARD” RATE FOR EXPENSES FROM 2025 TO 2027 – RENOVATION, SISMA BONUS, AND ECOBONUS

For expenses incurred in the years 2025, 2026, and 2027, pursuant to Art. 1, paragraph 55 of Law No. 207/2024, the IRPEF deduction rate for building renovation works, as well as the IRPEF/IRES deductions for seismic risk reduction (“sismabonus”) and energy efficiency improvements (“ecobonus”), is set as follows:

- **36%**, for expenses incurred between 1 January 2025 and 31 December 2025;
- **30%**, for expenses incurred between 1 January 2026 and 31 December 2027.

### Standard rate for expenses 2025–2027

#### Eligible taxpayers:

- Entities other than individuals (e.g. companies)
- Occupants of the property (tenants or those with free-use agreements)
- Co-habiting family members
- Individuals who do not qualify for the “increased” rate (e.g. owners not using the property as their primary residence)

For building renovation work, the maximum deductible amount for expenses incurred in 2025, 2026, and 2027 is €96,000 per housing unit (including appurtenances).

The deduction and spending limits for the “sismabonus” and “ecobonus” remain unchanged.

## 3 “INCREASED” RATE FOR EXPENSES FROM 2025 TO 2027 – RENOVATION, SISMA BONUS, AND ECOBONUS

For expenses incurred in the years 2025, 2026, and 2027, pursuant to Art. 1, paragraph 55 of Law No. 207/2024, the IRPEF deduction rate for building renovation works, as well as the IRPEF/IRES deductions for seismic risk reduction (“sismabonus”) and energy efficiency improvements (“ecobonus”), is set as follows:

- **50%**, for expenses incurred between 1 January 2025 and 31 December 2025, by individuals holding ownership or a real right of enjoyment, provided the work is carried out on the property used as their **primary residence**;

- **36%**, for expenses incurred between 1 January 2026 and 31 December 2027, under the same conditions (ownership or real right and use as primary residence).

### 3.1 PRIMARY RESIDENCE REQUIREMENT

To qualify for the **“increased” deduction rate** (50% for expenses incurred in 2025 and 36% for expenses in 2026 and 2027), the property where the work is carried out must be used as the **primary residence**.

The increased rate applies even if the property is converted into the primary residence **after the completion of the works**, and also covers appurtenant structures.

A subsequent change in the use of the property, after the deduction has been claimed, **does not lead to a reduction in the benefit** (i.e., it will not be recalculated at the lower “standard” rate—see Italian Revenue Agency Circular No. 8 of 19 June 2025).

According to Art. 10, paragraph 3-bis of the Italian Income Tax Code (TUIR), a **primary residence** is defined as:

“the dwelling where the individual who owns it—either fully or under another real property right—or their family members habitually reside. A change in habitual residence due to permanent admission to a healthcare or care facility does not affect this status, provided the property is not rented out.”

### 3.2 PROPERTY OWNERSHIP

The **increased deduction rate** (50% for 2025 expenses and 36% for 2026–2027) is available **only to individuals who hold ownership rights**—including bare ownership and surface ownership—or a **real right of enjoyment** (usufruct, use, habitation) over the property, provided it is used as their **primary residence**.

The ownership requirement must be **met at the start of the works**.

#### Requirement to qualify for increased deduction When the requirement must be met

Eligible subjects:

- Owners
  - Bare owners
  - Surface right holders
  - Usufruct holders
  - Right of use holders
  - Right of habitation holders
- |  |                         |
|--|-------------------------|
| Use of the property as primary residence | At the end of the works |
|--|-------------------------|

### 3.3 COHABITING FAMILY MEMBERS AND OCCUPANTS

The **increased deduction rate** (50% in 2025, 36% in 2026–2027), applicable to building renovations (Art. 16-bis of TUIR), energy efficiency upgrades (Art. 14 of Decree-Law 63/2013), and seismic risk reduction (Art. 16, paragraphs 1-bis and following, of Decree-Law 63/2013), **does not apply to cohabiting family members or occupants** (e.g., tenants or individuals using the property under a free loan agreement).

These individuals may still claim the above bonuses, but only at the **standard rates** of:

- **36%** for expenses incurred in 2025;
- **30%** for expenses incurred in 2026 and 2027.

#### 4 “PURCHASE SISMA BONUS” AND “PURCHASE HOME BONUS”

Regarding the so-called “**purchase sismabonus**” (Art. 16, paragraph 1-septies of Decree-Law 63/2013) and the “**purchase home bonus**” (Art. 16-bis, paragraph 3 of the TUIR), the Italian Revenue Agency's Circular No. 8 of 19 June 2025 clarified that the deduction is available at the rate of:

- **50%** for expenses incurred in 2025, or
- **36%** for expenses incurred in 2026 or 2027,  
**provided** the property purchased is designated as the taxpayer's **primary residence by the deadline for submitting the income tax return** for the tax year in which the deduction is first claimed.

#### 5 PURCHASE OR CONSTRUCTION OF ATTACHED GARAGES

The IRPEF deduction for the **purchase or construction of garages or parking spaces** appurtenant to a residential unit, as provided by Art. 16-bis, paragraph 1, letter d) of the TUIR, may be claimed at the **increased rate** (50% or 36%) for expenses incurred from 2025 onward, **if the main residential unit to which the garage is appurtenant is designated as the taxpayer's primary residence** by the deadline for submitting the income tax return for the tax year in which the deduction is first claimed.

#### 6 WORKS ON COMMON AREAS

The **standard deduction rates** introduced by Law No. 207/2024 also apply to:

- Works carried out on the **common parts of condominium buildings**, as per Articles 14, paragraph 2-quater, and 16, paragraph 1-quinquies of Decree-Law 63/2013;
- Works on common parts of condominium buildings **jointly aimed at both seismic risk reduction and energy upgrading**, as per Article 14, paragraph 2-quater.1 of Decree-Law 63/2013;
- **Seismic upgrades** resulting in the reduction of one or two seismic risk classes, as per Article 16, paragraph 1-quater of Decree-Law 63/2013.

According to Circular No. 8 of 19 June 2025, issued by the Italian Revenue Agency, for interventions on **common areas of buildings** (whether condominiums, “small condominiums,” or buildings wholly owned by a single owner and composed of multiple units), the **increased deduction rate** applies **to the share of expenses allocated to each co-owner, provided** the co-owner holds ownership or a real right of enjoyment over the residential unit and designates it as their **primary residence**. The ownership requirement must be verified at the **start of the works**.

If a co-owner **does not** hold a qualifying ownership right, or **does** but **does not use the property as their primary residence**, they are still entitled to claim the **standard deduction rates** (36% or 30%) on their share of the expenses.

## 7 REPLACEMENT OF EMERGENCY POWER GENERATORS – 50% RATE

According to Article 16-bis, paragraph 3-bis of the TUIR, the **IRPEF deduction remains available at the rate of 50%**, including for expenses incurred from 1 January 2025, for the **replacement of existing emergency generators with next-generation gas-powered emergency generators**.

## 8 BOILERS POWERED BY FOSSIL FUELS

As of **1 January 2025**, **expenses for replacing winter heating systems with single fossil fuel-powered boilers no longer qualify for tax deductions**, in order to comply with EU Directive No. 1275 of 24 April 2024 (the so-called "Green Homes" directive).

Therefore, for expenses incurred from 1 January 2025 onward, the following deductions are **not** available for such boiler replacements:

- The **"home renovation bonus"** under Article 16-bis of the TUIR;
- The **"ecobonus"** under Article 14 of Decree-Law 63/2013.

### 8.1 EXPENSES INCURRED BY 31 DECEMBER 2024 – WORKS COMPLETED LATER

According to Circular No. 8 of 19 June 2025, **expenses incurred by 31 December 2024** for replacing winter heating systems with single fossil fuel-powered boilers **remain deductible** under the "home renovation bonus" or "ecobonus," **even if the work is completed after 1 January 2025**.

### 8.2 INTERVENTIONS ELIGIBLE FOR THE "SUPERBONUS"

Even if the replacement of fossil fuel-powered heating systems qualifies as part of a **"superbonus"** intervention under Article 119 of Decree-Law 34/2020, **no deduction is available for expenses incurred from 1 January 2025**.

However, Circular No. 8 of 19 June 2025 clarifies that **if the CILA-S (certified start of works communication) or the application for a building permit (for demolition and reconstruction) was submitted by 31 December 2024**, then **even though the boiler replacement is carried out in 2025**, the intervention **still counts for purposes of energy class improvement**—even though the actual expenses incurred from 2025 onward do not benefit from the deduction.