

Legal interest rate -Reduction to 1.6% from 2026 -Effects for tax and social security purposes

1 REDUCTION TO 1.6% OF THE LEGAL INTEREST RATE

With the Ministerial Decree 10.12.2025, published in the *Official Gazette* no. 289 of 13.12.2025, the legal interest rate referred to in art. 1284 of the Italian Civil Code has been reduced from 2% to 1.6% per annum.

The change in the statutory rate also has effect in relation to certain tax and contribution provisions.

2 EFFECTIVE DATE

The new statutory interest rate of 1.6% applies from 1.1.2026.

3 EFFECTS FOR TAX PURPOSES

The change in the legal rate also has an effect in relation to certain tax provisions.

3.1 INDUSTRIOUS REPENTANCE

The reduction of the legal interest rate entails a reduction in the amounts due in the event of active repayment pursuant to art. 13 of Legislative Decree no. 472 of 18.12.97.

In order to regularise omitted, insufficient or late payments of taxes by means of the active amendment, in fact, it is necessary to pay, in addition to the envisaged reduced penalty, also default interest calculated at the legal rate, accruing day by day, starting from the day following that by which the obligation had to be fulfilled and until the day on which the payment is made.

The legal rate to be applied is the one in force in the individual periods, according to a *pro rata temporis* criterion, and is therefore equal to:

- 0.05%, from 1.1.2020 to 31.12.2020;
- at 0.01%, from 1.1.2021 to 31.12.2021;
- to 1.25%, from 1.1.2022 to 31.12.2022;
- 5%, from 1.1.2023 to 31.12.2023;
- 2.5%, from 1.1.2024 to 31.12.2024;
- 2%, from 1.1.2025 to 31.12.2025;
- at 1.6%, from 1.1.2026 up to and including the day of payment.

For example, the active correction of the failure to pay the second IRPEF/IRES or IRAP advance, expired on 1.12.2025, which will be made on 20.2.2026, involves the application of the legal rate:

- 2%, for the period 2.12.2025 - 31.12.2025;
- by 1.6%, for the period 1.1.2026 - 20.2.2026.

3.2 INSTALLMENT OF THE SUMS DUE FOLLOWING ADHERENCE TO DEFLATIONARY INSTITUTIONS OF THE LITIGATION UNDER THE REGIME

The reduction to 1.6% of the legal interest rate is also relevant in the event of an option to pay the sums due in instalments as a result of the following deflationary institutions of the dispute:

- assessment with adhesion, pursuant to Article 8 of Legislative Decree no. 218 of 19.6.97 (see Revenue Agency Circular No. 17 of 29.4.2016, § 2.1); on the instalments subsequent to the first, legal interest is calculated from the day following the deadline for payment of the first instalment;
- acquiescence to the assessment, pursuant to art. 15 of Legislative Decree no. 218 of 19.6.97 (which refers to art. 8 of Legislative Decree 218/97); on the instalments subsequent to the first, the statutory interest is calculated from the day following the deadline for payment of the first instalment;

- judicial conciliation, pursuant to Articles 48, 48-bis and 48-bis1 of *Legislative Decree No. 546 of 31.12.92*; *legal interest is calculated on the instalments subsequent to the first (Article 48-ter of Legislative Decree 546/92, which refers to Article 8 of Legislative Decree 218/97).*

"Crystallization" of the legal interest rate

In relation to the assessment with adhesion, circ. Agenzia delle Entrate 21.6.2011 n. 28 (§ 2.16) specified that the amount of the legal rate must be determined with reference to the year in which the deed of adhesion is completed, remaining constant even if the payment of the installments continues in subsequent years.

Therefore, for example, in the event of a deed of accession completed in 2025 whose payment is paid in instalments, the legal rate of 2% in force in 2025 continues to apply to the instalments subsequent to the first, even for the instalments that will fall due in subsequent years, regardless of subsequent changes in the legal rate.

This principle must also be considered applicable in relation to the other deflationary institutions of litigation, mentioned above.

3.3 INSTALLMENT OF THE SUMS DUE FOLLOWING ADHERENCE TO THE FACILITATED DEFINITIONS PROVIDED FOR BY THE 2023 BUDGET LAW

The calculation of interest on the basis of the legal interest rate is also provided for in the event of an option for the payment in installments of the sums due following adherence to the facilitated definitions contained in Law no. 197 of 29.12.2022 (2023 Budget Law), the so-called "tax truce", in particular:

- the facilitated definition of assessments with adhesion (art. 1 par. 179);
- the facilitated definition of notices of assessment, adjustment, liquidation and recovery of tax credits (art. 1 par. 180 - 185);
- the facilitated settlement of tax disputes (art. 1 par. 186 - 205);
- the facilitated conciliation of tax disputes (art. 1 par. 206 - 212);
- the regularization of omitted payments of installments due as a result of acquiescence, assessment with adhesion, complaint or mediation and judicial conciliation (art. 1 par. 219 - 221-bis).

With reference to the facilitated settlement of tax disputes pursuant to art. 1 par. 186 - 205 of Law 197/2022, in which art. 8 of Legislative Decree no. 218 of 19.6.97 is expressly referred to, the answer to the ruling of the Revenue Agency 5.8.2024 no. 168 clarified that *"the interest due for the payment of the instalments subsequent to the first must be calculated at the legal rate applicable on the date of completion of the definition itself"*, the subsequent variations of the same being therefore irrelevant.

This principle should also apply in relation to the installment payments of the other facilitated definitions provided for by the 2023 Budget Law.

3.4 PAYMENT IN INSTALMENTS OF THE SUMS DUE FOLLOWING THE REPAYMENT OF TAX CREDITS FOR RESEARCH AND DEVELOPMENT UNDULY OFFSET

Art. 5 par. 7 - 12 of Legislative Decree 21.10.2021 n. 146, conv. Law no. 215 of 17.12.2021, provided for an amnesty for the undue offsetting of tax credits for research and development referred to in art. 3 of Legislative Decree 145/2013 carried out until 22.10.2021, limited to expenses incurred but deemed not eligible for relief, which involves the removal of penalties and interest and non-punishability for the crime of undue compensation.

To access the regularization procedure, companies had to submit a special request electronically to the Revenue Agency, by 31.10.2024 or 3.6.2025 (as a result of the reopening provided for by Article 19 paragraph 5 of Decree-Law 25/2025).

Following the submission of the request for regularization, companies must proceed with the re-payment of tax credits for research and development:

- in a single solution, by 16.12.2024 or 3.6.2025 (following the aforementioned reopening);
- or, where possible, by instalments in 3 annual installments of the same amount, expiring on 16.12.2024 (or 3.6.2025 following the aforementioned reopening), 16.12.2025 and 16.12.2026; legal interest is due on the instalments following the first instalment from 4.6.2025, even for those who paid the first instalment by 16.12.2024 (provv. Revenue Agency 19.5.2025 no. 224105, point 8.7).

In the absence of official clarifications, from a prudential perspective, the legal interest rate of 2% in force in 2025 should remain applicable also in relation to the last installment due on 16.12.2026.

3.5 PAYMENT IN INSTALMENTS OF THE SUMS DUE FOLLOWING ADHERENCE TO THE "REPENTANCE REGIME" LINKED TO THE TWO-YEAR ARRANGEMENT WITH CREDITORS

Article 2-quarter of Legislative Decree no. 113 of 9.8.2024, converted into Law no. 143 of 7.10.2024, introduced a special "repentance regime" for the tax periods from 2018 to 2022, in favour of ISAs who have adhered to the arrangement with creditors for the two-year period 2024-2025 (also following the reopening of the terms to 12.12.2024).

In the event of adherence to the amnesty in question, the substitute taxes due for each year must be paid with the F24 form:

- by 31.3.2025, in a single solution;
- or by payment in installments in a maximum of 24 monthly installments of the same amount, starting from 31.3.2025, plus interest calculated at the legal rate starting from 31.3.2025.

Therefore, starting from the second installment due on 30.4.2025, legal interest had to be applied at the rate of 2% in force in 2025; In the absence of official clarifications, from a prudential perspective, this 2% rate should also remain applicable in relation to the installments due in 2026 and 2027, regardless of subsequent changes in the legal rate.

Similarly, art. 12-ter of Legislative Decree no. 84 of 17.6.2025, converted into Law no. 108 of 30.7.2025, re-proposed the "repentance regime" for the tax periods from 2019 to 2023, in favour of ISAs who have adhered to the arrangement with creditors for the two-year period 2025-2026 by 30.9.2025.

In this case, the substitute taxes due for each year of adherence to the amnesty must be paid:

- from 1.1.2026;
- by 15.3.2026, in a single solution;
- or by payment in installments in a maximum of 10 monthly installments of the same amount plus interest calculated at the legal rate starting from 15.3.2026.

In the event of an option for payment in instalments in relation to the "repentance regime" for the tax periods from 2019 to 2023, referred to in art. 12-ter of Decree-Law 84/2025:

- legal interest will therefore be due on the installments subsequent to the first at the rate of 1.6% in force in 2026;
- Since the installment payment ends in 2026 (the 10 monthly installments expire from March to December 2026), the problem of a subsequent change in the legal rate does not arise.

3.6 INSTALLMENT OF THE SUBSTITUTE TAX DUE FOR THE REVALUATION OF SHAREHOLDINGS AND LAND

On the other hand, the reduction of the legal rate to 1.6% is not relevant in relation to the installment of the substitute tax due for the redetermination of the cost or purchase value of shareholdings and land, owned outside the business area, pursuant to, respectively, art. 5 and 7 of Law no. 448 of 28.12.2001 (2002 Budget) and subsequent amendments and additions.

In this case, the interest due for the instalment payment remains at 3%, as this measure is not linked to the legal rate.

3.7 AMOUNT OF INTEREST NOT TAKEN INTO ACCOUNT IN WRITING

The new measure of 1.6% of the legal rate is also relevant for the calculation of interest, not determined in writing, in relation to:

- to capital loaned (art. 45 par. 2 of the TUIR);
- to the interest that contributes to the formation of business income (art. 89 par. 5 of the TUIR).

3.8 ADJUSTMENT OF THE COEFFICIENTS OF USUFRUCT AND ANNUITIES FOR THE PURPOSES OF INDIRECT TAXES

The change in the legal interest rate may also affect the coefficients for determining the value, for the purposes of registration, mortgage, cadastral, inheritance and gift tax:

- perpetual or open-ended annuities;
- fixed-term annuities or pensions;
- annuities and life pensions;
- of the rights of usufruct, use and habitation for life or for a fixed term.

3.8.1 Provision for the application of a minimum legal interest rate of 2.5% from 2025

Article 1, paragraph 1 of Legislative Decree No. 139 of 18.9.2024, in reforming inheritance and gift tax, amended Article 17 of Legislative Decree 346/90, establishing that, in terms of the valuation of annuities and pensions for inheritance and gift tax purposes, the calculation may not consider legal interest rates lower than 2.5%, in order to prevent annuities from taking on abnormal values as the legal interest rate decreases.

As a result of the reference contained in art. 14 paragraph 1 letter c) of Legislative Decree 346/90, the aforementioned changes extend to the rights of usufruct, use and habitation.

A similar intervention was made by art. 2 co. 1 of Legislative Decree 139/2024 in relation to registration tax, for the purpose of determining the value of annuities and pensions (art. 46 of Presidential Decree 131/86) and rights of usufruct, use and habitation (art. 48 of Presidential Decree 131/86). In fact, even in these cases, the application of a minimum legal interest rate of 2.5% has been envisaged.

Effective date

The new provisions, as amended by Legislative Decree 139/2024, apply to public documents formed, judicial documents published or issued, authenticated and unauthenticated private deeds submitted for registration, open successions and donations made, as of 1.1.2025.

Therefore, since the minimum legal interest rate of 2.5% was the one in force in 2024 and the new provisions of Legislative Decree 139/2024 apply from 1.1.2025, in 2025 and 2026:

- the coefficients provided for by Ministerial Decree 21.12.2023, applicable from 1.1.2024, which Legislative Decree 139/2024 itself included as an annex to Legislative Decree 346/90 and Presidential Decree 131/86, remain applicable;

- the coefficients are not adjusted to the legal rate of 2% in force in 2025 (see Ministerial Decree of 27.12.2024), nor to the new legal rate of 1.6% in force from 2026.

3.8.2 Transitional discipline

On a transitional basis, art. 9 par. 4 of Legislative Decree 139/2024 establishes that, for annuities established before 3.10.2024 (date of its entry into force), as well as for open successions and gifts made before that date, for the purposes of determining the taxable base of lifeannuities, in relation to which the related relationships are not exhausted on the aforementioned date of 3.10.2024, where the legal interest rate is equal to or less than 0.1%, the coefficients resulting from the table attached to the Ministerial Decree of 21.12.2015, established in relation to the legal interest rate of 0.2% applicable in 2016, are assumed.

4 EFFECTS FOR CONTRIBUTION PURPOSES

The change in the legal interest rate also has effect in relation to the civil penalties provided for the omitted or delayed payment of social security and welfare contributions and INAIL premiums, pursuant to art. 116 of Law no. 388 of 23.12.2000 (2001 Budget), as last amended by art. 30 of Legislative Decree 2.3.2024 no. 19 conv. Law no. 56 of 29.4.2024, effective from 1.9.2024.

In place of civil penalties, legal interest is in fact due in cases of non-payment or late payment of contributions or premiums:

- deriving from objective uncertainties related to conflicting jurisprudential or administrative orientations on the occurrence of the obligation to pay contributions, subsequently recognized in court or administrative proceedings;
- provided that the payment of contributions or premiums is made within the deadline set by the taxing authorities.

Civil penalties for failure to pay or late payment of contributions or premiums may also be reduced up to the legal interest rate, in the event of:

- intentional act of the third party, reported to the judicial authority;
- crisis, reconversion or restructuring of companies for which measures have been adopted to grant extraordinary wage subsidies and in any case in all cases of crisis that present particular social and economic importance in relation to the local employment situation and the production situation of the sector and which make insolvency likely;
- farms affected by exceptional events;
- companies subject to insolvency proceedings;
- non-economic entities and non-profit entities, foundations and associations.

Effective date

The measure of 1.6%, equal to the legal interest rate, applies to contributions with payment due from 1.1.2026.