2026 FINANCE BILL: LIMITS ON THE PEX REGIME AND IMPACTS ON *CLUB DEALS*

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The 2026 Finance Bill, with amendments to the Italian Consolidated Income Tax Act, limited the applicability of the PEX and *Dividend Exemption* regime only to the shareholding of not less than 5% or with a tax value of not less than Euro 500,000.00. The introduction of new conditions to the operation of the PEX regime also has significant impacts on some investment structures.

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New application scope of the PEX and *Dividend Exemption* regimes

Law no. 199 of 30 December 2025 (the so-called 2026 Finance Bill) introduced some amendments to the operation of the PEX (*Participation Exemption*) and *Dividend Exemption* regimes, which are tax regimes that provide for reduced taxation of dividends and capital gains realized from the sale of shareholdings. In particular, the new regulatory provision restricts the scope of tax exemption, limiting access to the PEX and *Dividend Exemption* regimes.

With structural amendements to the Italian Consolidated Income Tax Act ("TUIR") and, in particular, to Articles 87 ("*exempt capital gains*") and 89 ("*dividends and interest*"), the new provisions of the 2026 Finance Bill overcome the previous model of generalized tax relief in favor of a new system that reserves the exclusion of dividends as well as the exemption of capital gains to the extent of 95% only in the presence of two alternative conditions.

In particular, Article 1, paragraph 51 of the 2026 Finance Bill provides that such exclusions are subject to the fulfilment, alternatively, of the following conditions:

(a) a stake in the share capital of not less than 5%; or

(b) a shareholding with a tax value of not less than Euro 500,000.00.

Furthermore, only with regard to point (a), for the purposes of determining the 5% threshold, shareholdings held indirectly through subsidiaries pursuant to Article 2359, first paragraph of the Civil Code, are also relevant.

With respect to point (b), the concept of "tax value" refers to the general principles set out in Article 94 TUIR. Consequently, in verifying the threshold, not only the historical acquisition cost should be considered, but also events that modify the tax value of the shareholding, such as capital contributions, shareholder waivers of receivables, capital repayments, and other extraordinary transactions.

Expected impacts on start-up investments

These regulatory changes could have a significant impact on start-up investments. Among the categories most affected by the new provisions may be early-stage investors operating through corporate entities or holding companies. Generally, the stakes acquired by these investors are diluted over time due to subsequent investment rounds, and at the time of exit, they are unlikely to hold a stake equal to or greater than 5%. As a result, even if a capital gain is realized or dividends are received, the PEX/Dividend Exemption regime may not apply to these investors, leading to a higher effective tax burden on the investment compared to the previous framework.

Access to the tax benefit will therefore require:

(a) higher investment sizes (above Euro 500.000,00) or protections to ensure the 5% requirement is maintaned throughout the investment cycle; and
(b) monitoring the tax value of the participation under Article 94 of the TUIR, keeping track of all events affecting the calculation.

In the start-up context, where dilution is inevitable, these requirements could make access to capital significantly more complex for founders, given the potential impact on net returns and, ultimately, on the allocation of capital towards this asset class.

Impact on club deals

Furthermore, the said amendements are likely to have a significant impact on some investment structures such as, among others, those involving club deal players.

Indeed, club deal transactions would allow potential shareholders, who individually would not have the possibility, to jointly reach the 5% shareholding or the value of Euro 500,000.00 provided for the purposes of the exemption. The significance of the impacts deriving from the new legislative provision is also a matter known to the Government, which – with Chamber Act no. 2750 of 30 December 2025 – undertakes to take every initiative aimed at clarifying that club deal transactions carried out through the establishment of a special purpose vehicle do not constitute transactions aimed at circumventing obligations or prohibitions provided for by the law and, therefore, they do not constitute an abuse of right.

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