

LEGAL UPDATE

Proposal | 2026 State Budget Law

Proposal of Law no. 37/XVII/1

I. State Budget Proposal Law for 2026

The 2026 State Budget Proposal Law ("OE 2026") introduces few structural changes: a slight tax relief in personal and corporate income tax and gradual simplification of compliance obligations. Below is a summary of the main tax measures included in the proposal:

Personal Income Tax (IRS)

- Update of IRS brackets by 3.51% and a 0.3% rate reduction in the 2nd to 5th brackets;
- New minimum subsistence threshold: EUR 12,880;
- Productivity/profit bonuses: exempt from IRS and social security (TSU) up to 6% of annual salary, provided salary increases are at least 4.6%.

Corporate Income Tax (IRC)

- Standard rate reduced to 19% in 2026 (18% in 2027 and 17% in 2028);
- SMEs and Small Mid Caps: 15% on the first EUR 50,000 of taxable income;
- Plug-in hybrid vehicles (Euro 6e-bis, <80g CO₂/km): reduced autonomous taxation rates of 2.5%, 7.5% and 15%.

Value Added Tax (VAT)

- Minor adjustments to reduced VAT rates.

Property Transfer Tax (IMT)

- Exemption up to EUR 106,346 for primary residence;
- Young buyers up to 35 years old: exemption up to EUR 330,539;
- IMT and Stamp Duty exemptions for consolidation of rural properties.

Tax Benefits

- Extension of several tax incentives under the EBF (Tax Benefits Statute) until 31 December 2026, including deductions related to social impact bonds, financial and capital markets, sports, cultural and recreational associations, and patronage schemes;
- No extension of incentives relating to: costs incurred in agricultural production; external loans linked to specific lending contracts; and electro-solar or fully electric vessels.

Other and Compliance Obligations

- End of the banking sector solidarity surcharge;
- PDF invoices accepted as electronic invoices until 31 December 2026;
- Accounting SAF-T file mandatory only as from 2027 (submission in 2028);
- Inventory valuation waived for tax periods beginning on or after 1 January 2025. Taxpayers not subject to permanent inventory control are exempt from inventory filing for tax periods beginning on or after 1 January 2026.

II. What should and it is not included in the 2026 State Budget Proposal?

Several measures are being discussed outside the scope of the OE 2026, including:

- **Housing rent deductions:** increase of the IRS deduction cap for rental expenses to EUR 900 in 2026 and EUR 1,000 in 2027, applicable to all rental contracts. In parallel, rental income from “moderate rent” contracts (up to EUR 2,300/month) will benefit from a reduction of the autonomous IRS rate from 25% to 10%;
- **Reduced VAT rate for construction:** reduction to 6% for construction or rehabilitation of housing for sale or rent at “moderate” prices (EUR 2,300/month rent or EUR 648,000 construction for lease);

- **Capital gains reinvested in moderate-rent housing:** exemption from IRS on capital gains derived from the sale of residential property when the proceeds are reinvested in properties intended for “moderate rent”;
- **IMT & IMI exemption for moderate-rent housing:** temporary exemption from IMT and IMI for properties intended for “moderate rent”;
- **End of SIFIDE via investment funds:** the Government announced that R&D investments made indirectly through investment funds may lose their eligibility for tax benefits under the SIFIDE (Tax Incentive System for Business R&D) as early as 2026.

As a side note, the **VAT Grouping Regime** has already been approved in the specialty and in final vote (Parliament’s Decree no. 13/XVII), and its publication is expected shortly. It will allow VAT balance consolidation between companies within the same group, entering into force on 1 July 2026.

III. Conclusions – What to Expect

The 2026 Budget Proposal brings few structural reforms but sends relevant signals: a phased reduction of corporate tax, incentives for salary increases, selective IMT exemptions, and technical adjustments with practical impact (vehicles, inventories, digital obligations).

It should be noted, however, that several measures with significant budgetary impact have already been announced and are being discussed outside the formal 2026 Budget framework.

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