TAX PILL
No. 11/2025

COVID-19 TAX RELIEFS: QUALIFICATION AND IMPACT FOR THE PURPOSES OF LOSS CARRYFORWARD

Question No. 5-04589 of 29 October 2025

- ✓ The Italian Tax Authority (hereinafter, "ITA") provided clarification in relation to the qualification of tax reliefs granted to companies during the COVID-19 pandemic (Article 10-*bis* of Decree Law 137/2020). ITA confirmed the interpretation that these tax reliefs shall be considered as "*tax-exempt*" rather than excluded and, as such, relevant for the purposes of loss carryforward, pursuant to Article 84, paragraph 1, third sentence, of Presidential Decree 917/1986 (hereinafter "CIT").
- ✓ In detail, ITA clarified that:
  - the qualification of income as tax-exempt is linked to the purely "*facilitating*" nature of the tax relief granted, i.e., it responds to a purely facilitating rationale aimed at preventing the amount of relief granted from being reduced by taxation, taking into account the emergency context in which it is recognized. Therefore, the relevant amounts shall be considered as a "exempt income", and not an "excluded income", for the purposes of the corporate income tax (so-called "IRES") and for the purposes of the regional production tax (so-called "IRAP"); and
  - given both the "facilitating" nature of the tax provision and the absence of an explicit exclusion from the loss carryforward mechanism, the tax relief must be taken into account when calculating the loss carryforward regime provided for in Article 84 of the CIT. Furthermore, the provision pursuant to Article 10-*bis* does not provide for any exemption for tax purposes and, therefore, such exempt income must reduce the tax losses that can be carried forward, in accordance with the third sentence, paragraph 1 of Article 84 of the CIT. ITA pointed out that, in the past, the legislator has expressly excluded such effect by publishing an authentic interpretation rule ("*interpretazione autentica*"), such as for the tax reliefs granted to public transport companies under Article 1, paragraph 310, of Law No. 244/2007. Therefore, an interpretation that excludes COVID-19 tax relief from the scope of Article 84 of the CIT would be too extensive ("*interpretazione estensiva*") and, as such, would not be admissible in the context of "*facilitating*" nature of the tax relief.
- ✓ Therefore, COVID-19 tax reliefs shall be considered tax-exempt and relevant for the purposes of loss carryforward. Any different interpretations would require an explicit legislative provision.

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