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**By email**

23 February 2026

Gent.mo dott. Cristallo,

**2026 Budget law (Law No. 199/2025)**

The Association for Financial Markets in Europe ('AFME'), the International Swaps and Derivatives Association ('ISDA') and the International Securities Lending Association ('ISLA') are writing to you in connection with the changes to withholding tax on dividends made in the 2026 Budget law (Law No. 199/2025).

Our members deal with Italian equities in a number of different contexts, for example as investors, traders, brokers, and custodians. Members may also borrow or lend Italian equities under repo and stock loan transactions over Italian equities or provide them as collateral.

Our members are specifically concerned with the change in Article 1 paragraph 52 of the 2026 Budget Law which limits the application of the reduced 1.2% withholding tax rate on outbound dividends declared after 1 January 2026 to EU/EEA investors who hold at least 5% of the share capital of the company or hold shares with a 'fiscal value' of at least €500,000. We note that the legislation does not provide any definition of 'fiscal value,' and that no interpretive circular on the new rules has been published to date. The lack of guidance on how to compute the 'fiscal value' makes it difficult to accurately determine the scope and application of the new legislation, creating considerable uncertainty and potential risk to financial institutions dealing in Italian equities globally.

Where Italian equities are held as hedges to derivatives, changes to the way withholding tax is determined or administered on such hedges can lead to different contractual outcomes under widely used standard market documentation for existing transactions which directly or indirectly reference Italian equities. These could range from requiring transaction adjustments or even early termination. Uncertainty over how such changes should be interpreted and applied in practice mean market participants may not be sure whether and which of these contractual outcomes could apply, resulting in widespread confusion and increased potential for disputes. This same lack of clarity could also negatively impact the pricing and flow of new trades.

Similarly, the lack of clarity may have an adverse impact on market liquidity. Our expectation is that temporary transfers of securities (such as a loan of shares and its subsequent return to the lender or the provision or return of collateral) would not impact the fiscal value of the shares for lenders or borrowers. However, an explicit confirmation of this will be extremely helpful.

Furthermore, some members have been informed that their local custodians will not apply the reduced rate at source until guidance has been provided; the absence of guidance would therefore result in reclaim applications which would create additional work for market participants and tax authorities.

We therefore respectfully request that an interpretative circular is issued on these changes as soon as possible, and in any event by 31 March in order to minimise disruption before the next dividend declaration cycle.

We would be happy to provide additional information on the above points as needed and would also welcome the opportunity to discuss these issues in a meeting or a call.

Yours sincerely,

**On behalf of AFME:**

Ian Sandles, Director, Tax and Accounting  
Carolina Cazzaroli, Manager, Advocacy  
Renate Chocr, Industry chair of the AFME Tax Committee

**On behalf of ISDA:**

Antonio Corbi, Head of Accounting and Tax services  
Sinthubiravi Sivakumaran, Industry chair of the ISDA European Tax Working Group

**On behalf of ISLA:**

Farrah Mahmood, Director of Regulatory Affairs  
Vladislav Urumov, Industry co-chair of the ISLA Tax Committee  
George Rapalje, Industry co-chair of the ISLA Tax Committee

## **Appendix**

### **AFME**

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors, and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society. AFME is the European member of the Global Financial Markets Association (GFMA), a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia.

### **ISDA**

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 76 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms, and other service providers.

### **ISLA**

The International Securities Lending Association (ISLA) is a leading non-profit industry association, representing the common interests of securities financing market participants across Europe, Middle East, and Africa (focusing primarily on securities lending and borrowing (SLB) activity). Its geographically diverse membership of over 200 firms includes institutional investors, asset managers, custodial banks, prime brokers, and service providers. Working closely with the industry, as well as national, regional, and global regulators and policy makers, ISLA advocates for, amongst other things, the importance of securities lending to the broader financial services industry. It supports, maintains, and obtains legal opinions for the Global Master Securities Lending Agreement (GMSLA), covering both the Title Transfer and Securities Interest over Collateral variants.