

QUICK GUIDE TO BUYING PROPERTY IN ITALY

Obtain a Tax Code (*codice fiscale*)

As soon as you have made the decision to purchase property in Italy, as a foreigner, you will need to obtain an Italian tax identification number or *codice fiscale*. Typically your real estate agent will assist you with the process. A *codice fiscale* is similar to a Social Security number in the USA, or National Insurance number in the UK. You can request one in Italy, at a tax office (*Agenzia delle Entrate*), or in your home country from the Italian Consulate or Embassy. You will also need a *codice fiscale* in order to open a bank account. Again, your estate agent will usually assist you to open an account.

The Estate Agent in Italy

In Italy, estate agents are hired by each party independently, and as a result both buyer and seller are required to pay for their agent's services. There is not a set fee, although a commission of 3% (+ IVA) of the agreed purchase price is considered normal.

Making an Offer (*proposto d'acquisto*)

After deciding on the property you want to purchase, and having negotiated a mutually acceptable price, the first step is to submit a written offer. The offer document will be provided to you by your agent. When you make this *proposto d'acquisto* you will be expected to give a deposit (typically between €5,000 and €10,000 depending on the price). This initial deposit should be in the form of a cheque to be held by your estate agent. The cheque would only be released to the seller if you simply withdrew from the process without good reason. In the offer, apart from the price agreed, it is common to include any particular conditions or requests, along with designating time-frames (typically, 30 working days in order to allow you time to carry out investigations of title etc.).

The role of a surveyor or architect (*geometra or architetto*)

In order to protect your interests, and to help the Notary draw up contracts, the services of a *geometra* are normally used. Typical fees are around 1% of the value of the property unless the proof of title, boundaries or third party rights are complicated or obscure.

The Preliminary Contract (*compromesso*)

The next step, after the offer, is the *compromesso* (the preliminary contract). This occurs once your appointed *geometra* or *architetto* is satisfied that there is no insuperable obstacle to your intended purchase. The *compromesso* provides additional terms and conditions concerning the property and the obligations of both the seller and buyer. As part of the process you will need to make an additional down payment, usually between 20% and 30% of the agreed purchase price. The *compromesso* is usually registered, and you will be responsible for paying some registration taxes at this point. Taxes are continuously changing in Italy, currently they amount to a registration fee of €168 plus 0.5% of the deposit, plus a small amount of stamp duty. The actual amount of stamp duty depends on the number of pages and attachments to the *compromesso*. You are also generally required to pay the agent's fee. By law, agents are actually entitled to payment of all their fees at this stage but some will charge only 50%.

The Final Contract (*atto notarile*)

Last, but not least, there is the *atto notarile* which is completed in front of a Notary. As the buyer, you get to choose the Notary, and all costs relating to this legal document will be paid by you as well. The Notary is an impartial public official who is responsible for checking all documents regarding the property, and will draw up the *atto notarile* once they are satisfied that everything is in order. As this is the moment in which legal possession of the property changes hands, it is also the point where you will need to make the final payment to the seller, which generally is done by means of a banker's check.

Italian Government Taxes

How much is to be paid in taxes depends on whether you are purchasing the property as a first or second home. 'First' home does not merely mean that you do not own any other property in Italy, it also means that you intend taking up residency at the property, within 18 months from purchasing it. For a first home, 2% taxes on the cadastral value (i.e. land registry values) are payable at the *atto notarile*, while for second homes 9% is charged. Land registry values are often, but not always, much lower than the purchase price.

The Notary charges his fees on a scale depending on the purchase price of the property, and fees will differ slightly amongst notaries as well. If you do not speak Italian, you will need the services of an interpreter in order to sign the deed, and you will be responsible for that fee.

After you take possession

Now you are the owner of an Italian property, you will need to register for utilities and local taxes. The estate agent should be able to give you a hand with these, as they are not easy to organise if you do not speak Italian. Some estate agents offer after-sales services, but more commonly you will find yourself using a property management agency, particularly if you intend to rent out the property.

In Italy you are required to organise your taxes yourself, i.e. you are obliged by law to pay them, but you have to find out yourself what is due and when. Unfortunately the Italian government will not inform you about these beforehand. For ongoing annual property taxes it is generally advisable to turn to an accountant to have these calculated.

If you are renting out your property, you will also be required to pay taxes calculated on your net income here in Italy. There are double taxation agreements with all other major countries. However tax laws change frequently in Italy, which is another reason to employ an accountant, as they will be able to let you know what is due and when, without you needing to worry about it.
