



A STEP-BY-STEP GUIDE TO BUYING PROPERTY IN ITALY

Fiscal Code (*Codice fiscale*)

The codice fiscale identifies a citizen in all his or her dealings with Public Authorities and Administrations. You need to apply for a fiscal code if buying a house in Italy. Villatua will undertake to obtain your codice fiscale without charge. Foreigners must provide a valid passport or resident's permit.

Bank Account

Establishing a current account promptly is essential in order to facilitate payments and the transmission of funds from abroad. Villatua will effect an introduction to a local bank in Lucca, if required, and assist in this process without additional charge.

Forms of contract

After vendor and buyer have verbally agreed a price, a *proposta d'acquisto* (letter of intent) is normally exchanged, accompanied by a holding deposit of up to 10%. This protects the buyer, for about a month, from losing the opportunity to proceed, though the deposit may not be refunded if the buyer withdraws without good cause.

The next step is to instruct a *geometra* (surveyor) or similarly qualified person to investigate the title and carry out the usual checks of the property at the appropriate Land and/or Buildings Registry office.

Within a short time (and not necessarily awaiting the result of every enquiry) it is possible to seal the bargain by drawing up an initial contract called a *preliminario di vendita*, commonly known as a *compromesso*. This "promise to buy" (and to sell) is a private agreement between the two parties – private in the sense that it is a document which is not normally registered unless something goes wrong. Nevertheless it is a legally binding contract and, typically, declares that, by a certain date in the future, the vendor promises to sell to the buyer the described property for the stated sum, that he acknowledges receipt of the deposit which forms part of the total payable sum, that he promises not to alter the property between the present date and the handover, that he is the sole owner and will sell it unencumbered, that the legal and statutory fees arising from the sale are the responsibility of the buyer and that, if either party causes the present contract to have to be registered because of a failure to perform, then that party will be responsible for the costs incurred thereby.

Payment terms

Upon the signing of the compromesso the buyer normally pays the vendor **one third** of the price unless they have agreed on a different sum. If the agreed deposit is not readily available, it may be possible to proceed by paying a smaller sum as a mark of good faith while funds are being organised. However, it is clearly very desirable to **have the deposit available** to avoid being in a weak position. Afterwards, if the **buyer** backs out he **loses his deposit**. If the **vendor** backs out he **pays back the deposit twice over**. So the compromesso is a strong disincentive to gazump or back out of the deal.

With the signing of this document the estate agency and geometra's fees for the transaction are also payable. As a guide these usually amount to 3% and 2% respectively and are subject to IVA (the equivalent of VAT in the UK) at 20% currently (2008).

Completing the purchase

Normally it is difficult to progress to the *rogito* (final contract) in less than a month, but there is not the urgency or pressure which arises in countries which do not utilize such a binding initial contract as the Italian model. Furthermore the *latest* date for the final contract is agreed by the parties and entered in the compromesso. The draft of the final contract will be drawn up by your geometra or other qualified professional and submitted to the *notaio* (notary) chosen to complete the process.

On the date for the rogito set down in the compromesso, the notaio must be present to witness the signing by all parties to the transaction. He is required to ensure that all involved know what they are doing, for which reason those who do not understand Italian will need a translator. Alternatively the final signing can be performed under a *preventivo* (power of attorney)

The remainder of the price is paid at completion together with the notary's fee, and taxes and registration fees which the notary is responsible for assessing and collecting on behalf of the revenue authorities. The notary then registers the final contract, a process that commonly takes 6 – 8 weeks, and will provide you with a copy which acts as the title deed.

Related fees and costs

All in all costs associated with property purchase tend to vary between about 10% and 15% of the purchase price.

Taxes and statutory fees, as well as the notary's own fee, are assessed by and paid to the notary. For foreign buyers, taxes of 7% are levied on the **final contract price** (or official value) which may be substantially less than the agreed purchase price. The reason is that the official value (calculated by the notary) must reflect a figure based on **rateable value** supplemented by various statutory charges relating to the registration of the new owner etc.

Stamp duty is levied at 1% of the official value and fixed Land Registry charges amount to € 336. The notary's fees are also based on the value for tax purposes and, for medium value properties, are in the region of 2.4% unless the rogito is unduly complex.

Pulling together all the costs and expenses identified, the following table will serve as an example based on an agreed purchase price of € 200,000 and a (purely arbitrary) tax value of € 100,000:

	Net	IVA @ 20%	Gross	Comments
Agency fee @ 3%	€ 6,000	€ 1,200	€ 7,200	Based on € 200,000
Geometra @ 2%	€ 4,000	€ 800	€ 4,800	May be more for a full structural survey
Notary fees @ 2.4%	€ 2,400	€ 480	€ 2,880	Based on € 100,000
Taxes @ 7%	€ 7,000	€ nil	€ 7,000	Based on € 100,000
Taxes + Land Registry	€ 1,336	€ nil	€ 1,336	Based on € 100,000
		Total costs	€ 23,218	

Different tax rates apply if the property being bought includes agricultural land or buildings still listed as **fabbricato rurale**, when at current rates the tax is 18%. If the intention is to use the building(s) as a dwelling, it must be "deruralised" in advance of the sale in order to reduce the tax to 7% for a non-resident. Tax on the land would remain at 18% although the value is often quite low.

The Republic takes special care of first time buyers of full ownership for personal residential use by granting some tax benefits amounting to reduced rates applying to the property value declared in the rogito. The principal difference is that the registry tax is only 3% rather than 7%.

Foreigners can take advantage of the lower rate of 3% by applying for residence within the local commune, within 18 months of completion, but if the property is categorised as a luxury dwelling this benefit is not available. Note that anyone who acquires Italian residential status becomes a "fiscal subject" of Italy which could complicate their tax situation. There is, of course, a double taxation agreement between Italy and many other countries, but anyone who is in doubt ought to consult an appropriate taxation specialist beforehand.

Transfer of funds

There is no problem, in theory, about sending money into Italy, but in practice the Italian banking system is horribly hidebound by antiquated regulations and the mentality of the monopolistic institutions which they once were. This leads to poor service and high costs, so that it is important to take advice on the best way to set up a bank account and transfer funds.

Running costs of property in Italy

There are two unavoidable taxes which you will have to pay as a property owner: the first one is a straight property tax payable annually known as ICI (**Imposta Comunale sugli Immobili**); the second is a payment for the collection of rubbish (**Sistema Ambiente**) by the local authorities. Both are municipal taxes and are based on the **cadastral value** of the property in the first case and the **volume** (cubic metres) of the property in the second. Villatua can arrange for the ICI to be calculated for you each year by our accountants and paid by bank transfer; the other tax and the routine payments for your utilities can be paid by direct debit through your local bank, or you can instruct a property management agency to handle such matters for you when you are away.