Guide to buying and selling residential property in Italy

Knight Frank

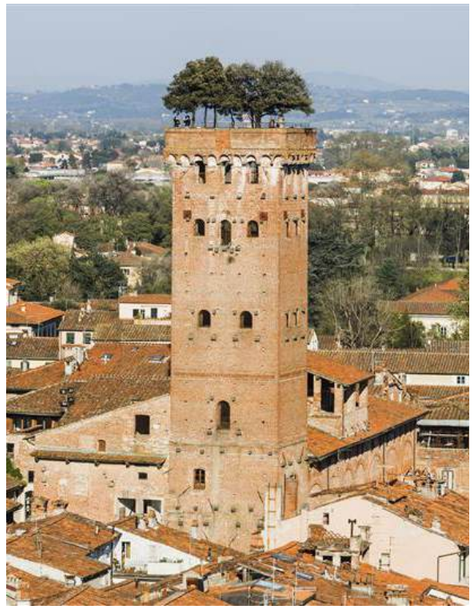
Your partners in property

Introduction

There are many reasons to consider buying residential property in Italy, whether it be for lifestyle, an additional residence, a permanent home or an investment.

Buying and selling property in Italy should be relatively straightforward, but we would always recommend that you seek the assistance of reputable professionals and advisors (e.g. lawyer, accountant, Notary, etc.).

This document has been compiled as a guide for potential buyers and sellers of residential property in Italy. It does not seek to provide or replace legal advice which you should obtain, nor is it intended to have any contractual effect.



RESIDENTIAL

Knight Frank's network in Italy

Throughout Knight Frank's Italian network, we provide all our clients with the most comprehensive level of service and care.

Working in close collaboration with our growing network of associates throughout Italy, our dedicated team can help you find your ideal property in the perfect location. All local network offices are well established and locally owned businesses trading under strict Italian real estate laws.

Local agency and other contractual agreements are governed by Italian law. We can also help with sourcing any legal, survey, planning and tax advisory firms that you might need to assist you with due diligence, general advice and completing the transaction.

None of our agents are qualified to give you legal, survey, planning or tax advice, although they are happy to share with you their years of experience. We would also be glad to put you in touch with relevant associated professionals such as mortgage brokers, currency exchange specialists, architects, interior designers and more.

Buying property in Italy

STEP 1

Defining your requirements

Using our combined decades of international experience and working alongside our local experts, we can advise you on how to fine-tune your search requirements. Elements that are important to consider are: reasons for purchasing, areas/locations of interest, property features (e.g. number of bedrooms, style, etc.), budget (to include purchase/financing position), and preferred timeframe.

Taking time to clarify these details early on in the process helps you approach viewings with a clearer picture of the market, the buying process and your position as a buyer.

When setting your budget, it is advisable to consider the purchasing costs (agency fees, notary fees, stamp duty/land registration costs, technical report costs, etc.).

Under Italian law, real estate agent fees in Italy are payable by both the buyer and by the seller (our standard fee is 4% +IVA for the seller and 4% +IVA for the buyer).

The overall cost of purchasing property in Italy depends on the purchase tax rates applicable to the particular asset and whether the seller is a corporation or a private individual. The estimated total percentage cost of a typical re-sale property to a non-resident buyer in Italy is approximately 9% of the fiscal value of the property. For new-build purchases, properties classed with an 'A' rating on the Property Register purchased from a company will have 10% VAT replace this purchase tax, with exception for properties classed with an A1, A8 & A9 rating being purchased by a company will have 22% VAT of the purchase price applied.

As a very general indication, total purchase costs can amount to c.10-12% of the purchase price. Please get in touch to learn more.

STEP 2

Viewing properties

We work hand-in-hand with our local partners to ensure that your time spent viewing properties is productive and enjoyable. By consulting with you in advance of your visits, we can ensure that we show you the most suitable properties to match your criteria.

When viewing properties, our local partners would be delighted to share with you their experience and insights into the local area. This allows you to make a fully informed decision when you do find the right home.

STEP 3

Making an offer

Once you have identified a property of interest, our team will be on-hand to share their experience in the negotiations and the purchasing process.

In certain circumstances, the buyer will be asked to confirm their intention to purchase in the form of a written offer letter (Proposta d'acquisto). To prepare the offer letter, the agency will request a proof of identity (e.g. passport) and proof of main address. This offer letter will include the offer price, details of the property and seller, details of the buyer, any associated conditions of purchase (e.g. mortgage, survey, etc.), and a proposed timeline of the transaction (e.g. proposed signature dates for exchange and completion).

Once the offer letter has been signed by the buyer, it will be sent to the seller for their agreement and counter-signature. Upon signature, the seller is contractually bound to the terms stated therein, which helps prevent the seller from entering into another sale agreement during the agreed timeframe. Importantly, this offer letter can also act to bind the buyer who may not withdraw without penalty or cause until the next stage of the transaction, depending upon the conditions outlined within the offer. Great attention and ideally legal counsel should be obtained as the offer, if accepted, might become a fully binding contract under Italian law.

STEP 4

Due diligence process

Upon the signing of the offer letter, the Notary will be chosen by the buyer. Their role is to ensure the law is applied correctly and that the interests of both parties in the sale/purchase are protected. Notary's fees are payable by the buyer.

Once a Notary is instructed, they will collate information from the parties and carry out the relevant searches, check title registration, advise on consistency with planning permission records and check for any agricultural pre-emption rights (if applicable) or state pre-emption rights (where the building is registered as a historical monument), review the surveyor's report of the property and prepare the preliminary contract (Compromesso).

During this period, the buyer should instruct a technician, such as an engineer, architect or surveyor (Geometra) who will check that the property object of the sale complies with town planning and land registry regulations.

During this period, the buyer may wish to instruct other professionals such as a surveyor (to supplement the existing diagnostics report) or a legal/tax surveyor. We are happy to provide suggestions for these as necessary.

The Notary will also provide a breakdown of the costs of purchase whilst preparing the preliminary contract so it’s clear exactly what to expect.

STEP 5

The signing/exchange of the preliminary contract

The notarised preliminary agreement of purchase (Compromesso) may, in some cases, be conditional on specific events, that once achieved, has the legal effect of fully binding all parties. The Compromesso does not transfer title but sets out all details of the sale and enables the seller to gather the required documentation and the buyer time to prepare funds for the purchase.

Usually a deposit is exchanged at Compromesso. In particular circumstances, the deposit is entrusted to the Notary and is held in escrow. The notarised Compromesso will grant full protection of the buyer as the Compromesso will be registered as a lien in the Registry of Property Titles. The drafting of the Compromesso is entrusted to a Notary.

STEP 6

Prior to completion

The buyer must have obtained an Italian tax code number (Codice Fiscale), the agent/lawyer can help in this process. Further tax advice should be sought as to the advantages/disadvantages of becoming a resident in Italy and appropriate vehicles for ownership.

If renovation work is planned, which is subject to strict regulations under local planning rules, please note that permissions can take approximately a year (sometimes less, but under certain circumstances even more), so the earliest involvement of an architect/surveyor (Geometra) is also advisable.

STEP 7

Completion

Completion of the sale (signature of Rogito Notarile) takes place at the Notary's office. The signature of the final contract can be executed by power of attorney/proxy by prior agreement.

It will be necessary to transfer the purchase balance, agency fees, Notary's fees and taxes prior to signature. After the signing of the contract, the Notary will record the transfer of title in the Title Office.

Highlights

Key parts of the timeline and when to speak to a relevant professional:

1

Speak to a property advisor/agent and a mortgage advisor

2

Speak to a tax/legal advisor

3

Instruct a Notary and consider instructing a surveyor

4

Speak to a currency broker about deposit and future transfers

Ownership and tax considerations

Given the complexities of foreign ownership and succession, we strongly recommend that you seek independent advice from a financial and legal advisor as the below should be treated as a guide.

Income tax

Income tax is payable in Italy by all property owners (private individuals) on the theoretical rental income of the property during the year; non-residents in Italy are subject to this tax only if the income exceeds a certain threshold.

Council tax / Importa Municipale Unica (IMU)

IMU is a property tax based on the theoretical rental income of the property and is collected by the local authority twice a year.

Capital Gains Tax

Capital Gains Tax is not payable in Italy for private individuals if the disposal of a property takes place more than five years after the purchase.

All foreign owners are advised to draw up an Italian will.

The standard IVA rate in Italy is currently 22%.

This note is meant to give a very basic indication of the purchasing process. No liability is assumed as each interested person should seek local professional advice.

Structure

A property in Italy may be acquired and held under a private name, in the name of a domestic or foreign corporation, or even by a trust. The choice of ownership vehicle is a sensitive decision, as it can affect both income and transfer taxes, and should be discussed with a legal or tax consultant. The decision must also take into account the intended use of the property, inheritance considerations, disposal plans and other relevant factors.

Breakdown of selling costs

We recommend that you seek independent advice from a financial and legal advisor as the below should be treated as a guide.

Surveyor's report

A surveyor's report includes relevant documentation on a property, including planning status and recordations as required by law. This is conducted at the expense of the seller.

Estate agency fees

A Mandato di Mediazone Immobiliare (sales agency contract) should clearly lay out any fees or commission that are payable upon a successful sale to a mandated estate agency. Our standard fee is 4% + IVA of the sale price.

Capital Gains Tax

Only applicable to private individuals if the property is sold within five years of purchase. Upon the sale of a property, the net capital gain is calculated and the base rate applied as determined by one's place of residence as well as the associated holding period.

Translator Fees

If the seller/buyer doesn't speak Italian fluently, an interpreter will be required by the Notary for exchange of the Compromesso and final deed.

Moving Costs

Sellers to be aware of any costs for moving furnishings/belongings not included in the sale of the property.

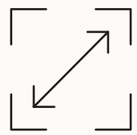
Currency Conversion

Costs associated with converting currency, especially for international transactions.

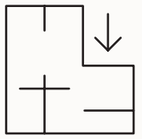
Sellers' checklist

We would recommend collating the following documents in advance of marketing your property to facilitate a smooth transaction.

Title Deeds



Cadastral plans



Floorplans

Confirmation of ownership structure & proof of ID

Surveyor's report (including APE - energy performance certificates)

Planning conformity documents

Glossary

Mandato di Mediazone Immobiliare

A sales contract with an estate agency including the terms of the sale (e.g. asking price, agency fees, term).

Proposta d'acquisto

An offer letter - this stipulates the terms of the buyer's intention to buy (amount offered). This written formal offer will outline who the buyer is, the offer price, the expiry date of the offer and any conditions of the purchase. If accepted and if unconditional, it qualifies under Italian law as a fully valid, binding contract.

Notary

An independent, impartial professional appointed by the state who acts on behalf of both parties to register the transaction.

Suspensive Clause

Between exchange and completion, there may be suspensive clauses included in the purchase that may be actioned by the Notary and/or others prior to completion. For example, securing financing or approval of planning permission etc.

Compromesso

The preliminary sales contract which is prepared by the Notary and includes all relevant details of the proposed transaction.

Deposit

A financial sum payable, normally into the seller's hands at the time of signing the preliminary contract (typically 30% of the purchase price).

Rogito Notarile

The final contract indicating the completion of the transaction.

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