

A guide to buying a property in Italy

In Italy the purchase of an Italian property is a regulated process. The legal side for buying an Italian property falls into two stages, the Exchange of contracts (compromesso) and the Completion (il rogito).

Prior to Exchange of contracts

The buyer must have obtained an Italian fiscal code number (Codice Fiscale) and opened a bank account in Italy.

Further tax advice should be sought as to the advantages/disadvantages of becoming resident in Italy and appropriate vehicles for title vesting.

Stage 1.) Exchange of Contracts (Compromesso)

The buyer needs to provide a formal written offer for the purchase of a property.

The offer, if accepted, becomes a fully binding contract under Italian law. In most cases however, the buyer and the seller upon reaching agreement on the terms of a sale would enter into a preliminary agreement (Compromesso) which has the legal effect of fully binding all parties.

The prospective purchaser is bound to the offered amount for the duration of the validity of the offer, usually 14 or 30 days.

The Compromesso does not transfer title but is meant to set out all details of the sale and enable the seller to gather the require property documentation. It also allows the purchaser time to prepare funds for the purchase. Usually a deposit of 10% to 30% of the purchase price is exchanged between buyer and seller at Compromesso. Given the relevance of the document, the drafting is entrusted to a Notary.

Upon reaching agreement between buyer and seller the buyer's surveyor will undertake initial searches, check title recordation, check consistency with planning permission records and check for any agricultural pre-emption rights (if applicable) all of which is in view of drafting a fully exhaustive Compromesso.

Stage 2.) Completion (Rogito Notarile)

Following the Compromesso, the Notary Public (an independent professional who holds the Seal of the Republic and collects taxes on behalf of the Government, payable by the buyer, but not representing any of the parties) will undertake an appropriate update on title search, tie up any loose ends and prepare the final contract transferring title.

If the vendor is found to be in material default of warranties under the Compromesso, the purchaser may withdraw and claim back the deposit paid, and possibly more as a predetermined penalty. If the purchaser withdraws after Compromesso without just cause he/she will forfeit the deposit.

Please be aware that damages could also be requested from either side under certain circumstances and that an enforcement order could be obtained as well. Upon signature of the final contract (Rogito Notarile) in front of the Notary (the sole authority under Italian law authorised to certify the sale of real estate property), the purchaser pays the balance of the purchase price to the vendor, the notary's fees (circa 2.5%) which are mandatory, purchase taxes (or IVA), Stamp Duty and any remaining agent's fees.

The Notary, after the signing of the Rogito Notarile, will record the transfer of title in the Title Office and pay the Stamp Duty and other purchase taxes on the buyer's behalf.

Ownership/Costs

In summary, the overall costs of purchasing property in Italy depends on the stamp duty and purchase tax rates applicable to the asset. These costs consist primarily of property taxes, notary fees and agency fees. As a very general indication this can be expected to amount to circa 10% to 16% of the purchase price.

IMU: Council tax (Imposta Municipale Unica) is a property tax based on the land registry value of the property and is collected by the local authority twice a year.

There is currently no Capital Gains Tax in Italy for private individuals if the disposal of a property takes place more than five years after the purchase.

Property purchase tax

On new Italian properties Value Added Tax (VAT) is payable at 9% for non-luxury property and 19% for luxury property. If the property is not new, then a property purchase tax is paid instead. Purchase tax is levied at 10% for non-residents as per the property's land registry value and at 3% for residents, and gets paid to the Italian Government.

Stamp duti (bolli)

Stamp duty (bolli) is levied at 1% for both non-residents and residents, and gets paid to the Italian Government.

Notary (legal) fees

The notary fees usually amount to approximately 2.5% of the Declared Land Value of the Italian property.

Italian survey fees

The Surveyor's (Geometra's) fees vary depending on what work is involved in the conveyance.

Agent negotiation fee

Agent's fees under Italian law are payable both by the buyer and by the seller (3% + IVA for seller and 3% + IVA for buyer), and these may be payable upon the exchange of the Compromesso.

Differences between buying new and old Italian properties

Due to the high demand for new Italian property, most purchasers buy properties "from spec" from Italian property developers. This means that the purchaser will buy new Italian properties from the plans, and select which property they want within a particular development. Typically, purchasers who buy a new property have to make regular installments during key stages of the property development (opposed to paying for the property when it is complete), and an initial deposit of 5% to 10%. The initial deposit and regular installments vary from one Italian property developer to the other.

Note: If you have to make regular stage payments to the Italian property developer you should ensure that you receive bank guaranties for each payment. These bank guaranties protect you in the unlikely event that the Italian property developer has financial difficulties before the property is transferred to your name.

IMPORTANT - Disclaimer :

The above information is provided as guidance only, ECSM Property Ltd. does not accept any liability for the reliability of the information and statements made as this is obtained from 3rd parties.

We always recommend you take legal advice from a fully qualified local Lawyer or Notary before buying a property overseas.