

## **Buying Residential Property in Italy**

In recent years, the Italian Republic has made it easier for first-time home buyers to purchase a home. The Republic has created an advantageous tax system based on the “declared value versus the purchase price” of the property. In order to be eligible as a first-time home buyer, the purchased property must become your principal residence (you are given up to 18 months to register or transfer your residency to your new principal home). In addition, you may not own any other property in Italy.

How is property value defined? Property costs and state fees are based on a lower declared property value or Rendita Catastale, and not on the higher purchase price of the property. The Rendita Catastale is found on the City issued property certificate listing the current owner, topographical position, property category type, square footage and/or number of rooms, and the property’s declared value. The first-time home buyer pays less on property registration costs and receives a 30% reduction of the notary’s fees. Another benefit of this program is that first-time home buyers do not pay annual City property taxes (IMU) on their new principal home where they have residency.

The A/1 property category (luxury properties) does not qualify for the first-time home buyer benefits.

### **Steps to Buying a Home**

A potential buyer, after viewing several homes and deciding on one home, will make a written offer accompanied with a down payment, usually 5-10% of the offered sales price.

Once the offer is accepted by the seller, it becomes the preliminary agreement which can be formally registered with a notary. Then, the preliminary contract must be drawn up and registered within 20 days by the seller or buyer, or within 30 days if registered by a notary. At the acceptance of the offer or at the preliminary contract, the buyer and seller decide on the timeline for the final sales deed (rogito o atto di compravendita), payment deadlines and coordinate move-in dates.

## **Realtors Role**

The Real Estate sector is unique in Italy. When looking for a house to purchase, a buyer must be diligent when working with an agency. Make sure there is a clear understanding that the agent works for you, a buyer's agent, and not for the property seller's agent, listing agent. The realtor should be licensed and have the pertaining property documents readily available during visits -- floor plan, condo fees, heating system, elevator installation, other structural building concerns or renovations.

Realtor fees are normally split between the seller and buyer agents -- 3% from the seller and 3% from the buyer. Depending on the circumstances and area, rates can increase up to 4-6%.

If you have a buyer agent who is working to find you a house, before making an appointment to view a property, your agent must negotiate with the selling (listing) agent regarding the split of the realtor fees. Sometimes these negotiations are challenging, because the selling agent may not want to share the realtor fees. Or, the selling agent may insist on representing both the seller and the buyer, thus keeping all of the realtor fees.

Unfortunately, there is not always a clear buyer/seller realtor partnership between real estate agencies and not all agencies are open to working with external realtors/agents.

Nonetheless, when you have found a house you like, your buyer agent presents your offer to the selling agent and seller. Then, the selling agent comes back to the buying agent and buyer with the offer's acceptance, refusal or a renegotiation. When the offer is accepted, the selling agent's responsibility to their client is concluded, and the selling agent may issue their commission invoice to the buyer at that time. Common practice is that the buying agent accompanies and assists their client up to the final sale.

## **Notary's Role**

The notary's role is crucial in the legal transfer of property ownership. The notary works to verify the preliminary contract and the final sale deed.

The notary verifies that the registered property documents, most importantly ownership and legal land registry certificates, have identical information and complies with city and state laws regarding the status of the current property

(i.e. no housing code violations, electrical and gas certificates are up to date, home energy efficient rating, certificate of occupancy, building is structurally safe and fit for occupancy). In many cases, the buyer agent will recommend that the potential buyers hire a local contractor to verify the current status of the house to ensure it conforms to local real estate laws. This is a common conditional clause when making an offer. This may require the seller and/or buyer to contract out for repairs or renovations or to renegotiate the original offer.

### **Why register a preliminary contract?**

The preliminary contract is legally formalized when it is registered. By registering the preliminary contract, the obligation to proceed with the selling and buying of the property becomes a legal binding agreement between the two parties. The registration protects the buyer's down payment and holds the seller accountable for the preliminary contract. The seller cannot sell the property to another individual or take out a bank mortgage on the property after the preliminary contract is registered. If the seller does so, they are responsible to the buyer for double the amount of the down payment.

### **Preliminary Transcription Costs:**

1. 200 euro fixed rate for land office registration fees
2. An additional registration charge of 0,50% of the down payment declared in the preliminary agreement, or 3% advanced payment of the purchase price (this cost is then deducted from the registration tax and purchase price at the final sale deed)
3. State tax stamp 16 euro for every four pages
4. Or, if officially notarized 155 euro total

## **Tax Benefits for First Time Home Buyers**

### **Purchasing from a Private Seller:**

- Zero sales tax (IVA) on the purchase
- 2% Registration tax based on the declared property value (updated property value= Rendita Catastale X 1,05 X 110)
- Land tax fifty 50 euro
- Financial liability background check 200 euro
- Final sale deed with a State Notary, range from 3-6.000 euro, depending on the price of the price of the home, if there is a preliminary contract and the notary's fee (parcella)

### **Purchasing Directly from the Construction Company:**

- Sales tax is 4% (IVA)
- Registration tax is 200 euro
- Land tax is 200 euro
- Financial liability background check is 200 euro
- Final sale deed with a State Notary, range from 3-6.000 euro, depending on the price of the home, if there is a preliminary contract and the notary's fee (parcella)

**Second home or investment property purchase from a Private Seller or tax exempt Construction Company:**

- Zero sales tax (IVA) on the purchase
- Registration tax is 9% based on the declared property value (Rendita Catastale)
- Land tax is 50 euro
- Mortgage is 50 euro
- Construction Company with sales tax: 10% sales tax on the purchase price, registration, financial liability background check, land tax is 200 euro each

**Example:**

House A has an asking price of 550,000 euro.

It is listed as Category A/3 with a 'rendita catastale' property value of 1480.00 euro

using the 'prezzo-valore' formula:  $1480 \times (1,05 \times 110) = 170.940$  euro we come up with an updated property value for the house.

Taking the 2% rate for registration taxes from 170.940 euro = 3.419 euro in registration taxes.

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