

GUIDE TO BUYING PROPERTY IN

ITALY
2021





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The Residential property purchase procedure in Italy

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

Buying property in Italy should be relatively straightforward, but we would always recommend that you instruct the services of a reputable agent, lawyer, surveyor and notary.



ESTATE AGENCY IN ITALY – THE LEGAL POSITION

Italy, like most other countries in Europe has a code of practice and legal obligations for estate agents, buyers and sellers of property. All estate agents operating in Italy must be properly qualified, officially registered with the local chamber of commerce and have proper professional indemnity insurance. The estate agent normally acts as an independent professional, whose role is to match up a willing purchaser and a willing seller (unlike the UK or US system) and is remunerated by both sides.

The estate agent is not under any obligation to carry out any due diligence on the property that he/she is promoting. Estate agents' obligation under Italian law is solely to inform the parties of relevant issues/problems known to them. It is therefore up to the purchasers to satisfy themselves through their professional legal and technical advisors of good title, planning consistency, liens etc. The agents should inform a buyer whether they are instructed to market a property on an exclusive basis, or whether there is a multiple agency agreement in place. In any event the buyer should only have to pay a fee to one agent.

The agent is entitled to ask the buyer for their fee, even if their work was limited to introducing the client to one property that they go on to buy. No additional work is required although as a common practice professional estate agents will advise and help in bringing the transaction to a successful outcome.

The estate agent is not responsible for the fulfilment or solvency of the seller/purchaser. If the deal, after contracts are exchanged, is rescinded or terminated for default, commission to the estate agent remains due.

EXCHANGE OF CONTRACTS (COMPROMESSO)

In some cases the buyer may be requested to provide a formal written offer for the purchase of a property.

The buyer may also be requested to put down a bank cheque to be held in escrow by a real estate agent in order to secure the offer (Proposta d'acquisto).

Great attention and ideally legal counselling should be obtained as the offer, if accepted, might become a fully binding contract under Italian law.

Upon reaching agreement between buyer and seller the buyer's solicitor and/or surveyor will undertake initial searches, check property titles, check title registration, check 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): all of which is in view of drafting a fully exhaustive Preliminary Contract or Compromesso.

In most cases however, following the exchange of the offer, the buyer and the seller upon reaching agreement on the terms of a sale would enter into a notarized preliminary agreement of purchase (Compromesso) which in certain circumstances may be conditional by operation of law and which has the legal effect of fully binding all parties. The Compromesso does not transfer title but is meant to set out all details of the sale and enable the seller to gather the required property documentation and sometimes to vacate the property by closing date. It also allows the purchaser time to prepare funds for the purchase. Usually a deposit of 20% to 30% of the purchase price is exchanged between buyer and seller at Compromesso: but this happens with full protection of the Purchaser as the compromesso will be registered in the registry of property titles. Given the relevance of the document the drafting is entrusted to a Notary.

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 non-conditional Compromesso.

PRIOR TO COMPLETION

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

COMPLETION (ROGITO NOTARILE)

Following Compromesso, the Notary Public (an independent professional who holds the Seal of the Republic and collects purchase 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 twice 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 1%) which are mandatory, the solicitor's fees (if applicable), purchase taxes (or IVA), Stamp Duty and any remaining agent's fees. Please note that the purchase tax/IVA payable may vary.

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 12% of the purchase price.

Income tax is payable in Italy by all property owners 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.

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.

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.



Knight Frank Italian Network

KNIGHT FRANK'S NETWORK OF AGENTS IN ITALY

Within our Italian Network we try to offer our clients the most comprehensive service that we can. Through our Network of offices throughout Italy, working alongside Knight Frank in London, we will endeavour to find you the right property.

All of our Network offices are locally owned and are themselves the licence holders in their respective areas. Therefore, contractually you will be working with the local agent as the Knight Frank network representative for that area and as such the agency agreement will be governed by Italian law.

PROPERTY SERVICES PROVIDED WITHIN THE KNIGHT FRANK ITALIAN NETWORK:

- Property sales
- Residential development
- Luxury long term rentals
- Estate management
- Restoration
- Valuations
- Estate planning

Please enquire to see which services are available in the individual areas.

Once a suitable property has been identified and terms have been agreed with the local agent, thereby fulfilling the obligations of the agent according to Italian law, we will also offer to help with the following at no extra charge:

- Put you in touch with possible legal, survey, planning and tax advisory firms that can 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.
- Prepare a memorandum of sale to pass to the legal teams outlining the terms of the deal and the professionals involved.
- At all times during the purchase process, we are available to assist with effective communication between the parties involved.



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