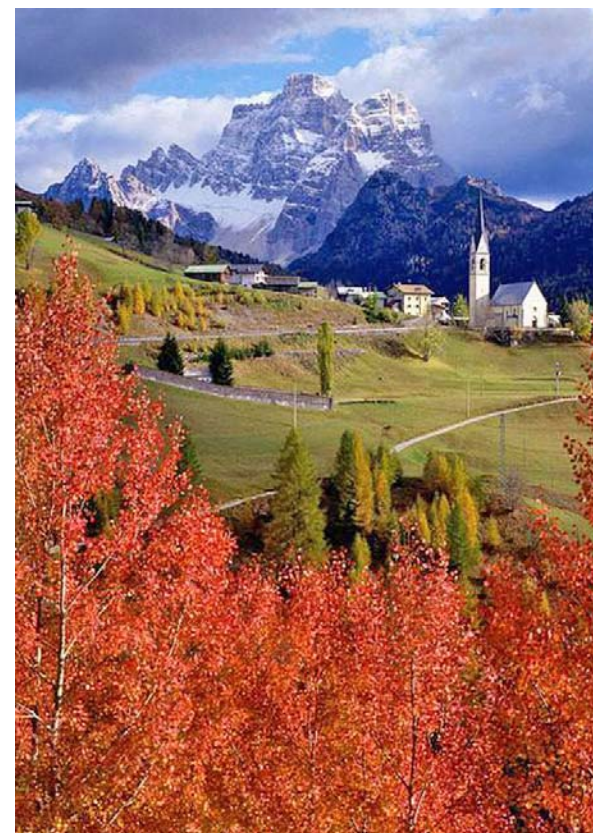


# PURCHASING PROPERTY IN ITALY

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## A – Where can I buy

The Italian Dolomites are located north and North East of Verona leading towards Austria. IIP have sourced Italian ski properties in the up and coming resorts of the ski network Dolomiti Superski which includes the Sella Ronda slopes.

## B - Who can buy

All EU and non EU citizens can buy a property in Italy. There are no restrictions. A property can be also be bought in the name of a company. All buyers need is to apply for a codice fiscale, an Italian tax number, easily obtained through the Italian tax offices.

## C - What can I buy

There exist on the Italian property market properties which fall in to the category of “holiday homes” locally known as a RTA which have residential restrictions and rental obligations. IIP does not sell this category of Italian properties. All IIP Italian properties are Italian freehold properties with NO restrictions.

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## D - Building Construction Guarantees

All new build Italian property built by a construction firm is covered by a 10-year building guarantee against all building defects. For resale properties, there are no guarantees. According to the Italian law, when the construction/renovation of a unit for habitation (apartment) is completed, the building company has the duty to obtain all the final construction and renovation statements and certificates from the relevant Authorities to certify that the construction/renovation work has been properly executed.

## E - Tailor made finishes to your chalet

Most of our chalets and apartments are built either to-order or 'unfitted' enabling you to personalise your property with a tailor-made finish to your own specification which is included in the price. You can choose from an extensive range of kitchens, bathroom fittings, flooring, wall tiles, and lighting. Etc

## F - Optional furniture packages

Optional furniture packages are also available to enable buyers to move into their chalet with everything complete and in place. We work closely with developers and interior designers to provide every comfort for owners and have choices to suit every taste ranging from uber-cool modern furniture to romantic traditional designs; it is also possible to combine the two styles to create something modern with a traditional twist.

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These packages are extremely flexible and affordable and include everything you will need including sofas, wardrobes, beds, cutlery, crockery, and linen etc. Some chalets and apartments already include the cost of furniture packages in the price and some are sold separately (please see individual development brochures for full details) - Please note that although the cost of the furniture packages are included in many of the properties we sell, for mortgage purposes part of this cost must be deducted as banks will not lend on furniture. The cost of the furniture packages for apartments and chalets is usually between 12,000 euros and 20,000 euros.

## G - Purchase procedure of a new Italian property

When the buyer has identified a property the buyer should appoint an independent bilingual Italian lawyer to oversee the buying process. The Italian lawyer will prepare in both English and Italian all the documents and contracts associated with the purchase. By appointing the Power of Attorney to the lawyer, the purchaser entrusts the appointed lawyer with the duty of ensuring that all the legal formalities are respected, particularly the registration of the deed in the Land Register and releasing the acquired property from any previous mortgage. The buyer will need to take the Power of Attorney to a Notary Public (not a solicitor) in their country of residence to have their signature witnessed and (in the UK) the Notary Public will send the document off to the foreign office to have it 'legalised'. This process usually takes several weeks, but can be fast-tracked for a small fee.



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The next step is to sign the Preliminary Purchase contract (PPC) and pay a deposit. This PPC stipulates that both parties agree to buy and sell the property, and concur on the terms and conditions of the sale. At the signing of the preliminary contract, the buyer will make the first stage payment of the total purchase price. After signing, even though the sale is not complete and the property has not been transferred, both buyer and seller are bound to the terms of the preliminary deed. Under conditions laid out in the contract, an attempt by either side to back out gives the other party the legal right to force the sale through, or to seek damages. If it is the buyer who backs out they will lose their deposit. If it is the developer who backs out usually the buyer will receive double the deposit paid.

Registering the preliminary agreement within 20 days after the signatures is not only a legal duty but also gives the buyer more guarantees and rights under several aspects including financial and civil rights with respect to the transaction details, including completion timing, compensation claims or rights in case of vendors' fault. Registration costs approximately 500 euros and is payable by the buyer upon registration.

All stage payments will be paid to the lawyers client/escrow account and only be transferred to the developer/seller upon receipt of a bond, issued by the developer/seller, guaranteeing such stage payments.

Upon completion by the developer of your property a final purchase deed will have to be signed by both parties to legalise the exchange of title deed. In Italy the final purchase deed is overseen and legalised by a Notary, who is a semi-public official and will act on behalf of both the purchaser and the vendor. The notary will finalise the purchase deed and all the documents required to transfer the legal ownership and he has a duty to protect the interests of both parties. (Unless the buyer has appointed a Power of Attorney he will have to be present at the Notary and accompanied by an official translator unless he speaks and understands Italian.) The notary will register the sale at the relevant local public registry. Until the sale is registered at the registry, the contract, though binding upon seller and buyer, does not exclude the possibility of third party claims. After the final deed is signed, the balance of the purchase price is then paid to the seller, normally by bank drafts and the notary fees must be paid.

## H - Italian bilingual lawyer

As the notary is an independent state advisor it is strongly recommended that the buyer appoints his own legal advisor. An Italian bilingual lawyer will represent your interests and oversee the full purchase procedures. Normally a lawyer would charge a minimum fee of 2000 euros or 1% of the purchase price. The costs of the Italian bilingual lawyer are payable by the buyer and are NOT included in the purchase costs of the property discussed below.



## I - Purchase costs

The purchase of an apartment becomes valid once the owner is registered in the Land Registry. All the following purchase costs are payable by the purchaser. When you come to sell, no Notary fees are payable. Purchase costs for buying a property in Italy are high compared to other European countries. Buying a property from a construction company purchase costs will be on average 12% of the purchase price and they must be paid to the notary immediately after the final purchase deed has been signed.

Purchase costs are calculated as follows:

10% VAT on purchase price

168 euro registration tax

168 euro mortgage tax (even if a mortgage is not used !!)

168 euro cadastral tax

2000 euro or 1.5-2.0% of purchase price for Notary fee, whichever is higher.

500 euro Notary taxes

NB Purchase costs can vary depending whether it is an individual or company selling the property and on the residential status of the buyer. Some luxury properties can be subject to a 20% VAT rate. See individual development factsheets for exact purchase costs.

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## J - Mortgages

Italian banks will fund up to 70% of the purchase price and usually the loan period will be between 10 and 25 years. Some banks charge a set up fee and this is usually around 1.5% - 2% of the value of the loan. They will also charge an appraisal fee of 0.5% and you will need to pay the notary a fee of 1.5%-2% of the amount of the mortgage to register the mortgage in the land registry. If required, it is possible to add all these mortgage related costs into your mortgage. Variable interest rates are currently at around 3%, and brokers can also offer a 1-year fixed rate or 5-years fixed mortgages at very competitive rates. We have several mortgage brokers we can recommend, please contact us for further details.

## K - Stage Payments / Terms of payment

Buying property in Italy is extremely secure. New build chalets and apartments are paid for in stages and all payments are made through the lawyer. The payments are made into a client/escrow account and the payments for each stage are only released to the developer from the client upon receipt of the developer's bank guarantee bond. This gives everyone security as the developer knows not to start building until the clients monies are in the lawyer's client account and likewise the buyer knows that no monies will leave the account until the previous work stage has been completed. When the buyer has made their decision to go ahead with their purchase, the stage payments will typically be :

- 10% upon signature of preliminary purchase contract
- 25% upon start of building works
- 25% on completion of shell and roof and 1st fix plumbing and electrical installations
- 15% on completion of façade & windows and the 2nd fix plumbing and electrical
- 25% on completion of the property and upon signing final purchase deed.

NB Payments plan vary for each development. See the development factsheet for exact payment plan.



## L - Do you want to rent

The owner is free to rent their property (or not) as they wish as the properties are freehold.

Italian property has great rental potential for owners who are interested in making their apartment available to holiday-makers. The Italian Alps offers two rental high-seasons in a year: Winter for skiing and summer for hiking, cycling and other mountain summer sports.

Rental can easily be arranged through a local agent, or a larger agency such as Interhome (which has 500 agencies throughout Europe) or through a tour operator in the UK, Germany, or Holland. Renting the property out when you are not using it, can provide sufficient income to cover the annual running costs. Generally, tour operators will only give a guaranteed rental income if you are buying in a resort which is relatively high and snow sure and has a long season. They prefer to rent chalets which are part of a larger development (rather than a one off property) and also favour developments which have additional facilities. Should you decide to let your apartment, then any rental income would be liable for taxation in Italy.

If the house is not being rented and nor is it a primary residence, taxes can be due on the cadastral virtual rental. This is typically nominal, but still a legal obligation (see below income tax).

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## M - Property management service

Local agents can handle the administration and management of your property including checking, cleaning and maintaining the property, stocking refrigerators with necessary basics before arrival, restaurant and ticket bookings, payment of bills, insurance for household contents, baby-sitting and even car delivery to the airport.

## N - Financial considerations

If you will declare in the final purchase deed that you will move your main domicile to Italy within in 18 months, to the same Municipality where the property is, you will be entitled to apply for tax benefits and be subject to a lower VAT rate. The tax benefit related to such statement would imply a reduced VAT rate, currently 4%, instead of the standard rate, currently 10%.

## O - Income tax

Income tax is currently known in Italy as IRPEF. To purchase a property in Italy you must register for an Italian tax code codice fiscale and thus you become part of the Italian tax system. Italian rental income must be declared in your Italian tax return. Most Italians use an accountant commercialista to manage their tax affairs as there are frequent changes to the fiscal laws. We can advise bilingual accountants. The Italian tax year is the same as the calendar year finishing on the 31st December and tax returns must be completed by April of the following year. There are certain allowable expenses which can reduce your taxable income. Any profit after deduction of the allowable expenses and tax exemption will be taxed at the following rates:

First 15,000 euros taxed at 23%

Further income from 15000 – 28000 taxed at 27%

Further income from 28000 – 55,000 taxed at 38%

Further income from 55000 – 75000 taxed at 41%

All income above 75000 taxed at 43%

Depending on your owner status you may need to register for VAT, if so, you will also need to charge VAT of 20% on your rentals. VAT quarterly returns are due. We always recommend a choice of local tax advisors to help with your tax returns. The tax advisor will charge a one off fee to set up your registration (please contact advisors directly for prices) and annual tax returns will cost in the region of 300 – 500 euros per year.

If the house is not being rented and nor is it a primary residence, taxes can be due on the cadastral virtual rental. This is typically nominal, but still a legal obligation.

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## P - Capital gains tax

As a general rule, if a property is sold within 5 years of purchase, 20% capital gains tax is due. If the property is sold more than 5 years after purchase, there is no tax to pay in Italy. Some exceptions can apply. For instance, if the property is sold before 5 years, but has been used as the owner's main home for the majority of the time, no capital gains tax is due.

## Q - Inheritance tax and succession

In case of property transfer due to succession, the transfer is subject to three taxes: inheritance tax, mortgage tax and cadastral tax, applicable with different rates to different subjects. Generally if the subject is your spouse or children then inheritance tax at 4% is due for values over 1 million euros. A mortgage tax of 2% and a cadastral tax of 1% are calculated on the property value on record.

## R - Dual taxation

As is always the case (in whatever country you may own property) where there is a dual taxation treaty, you would be liable to pay tax in the country in which you reside and be given credit for any tax paid to the foreign (Italian) government.

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## S - Legal restrictions / aspects

None

## T - Service charges

The total expenses of a development of chalets or an apartment building are divided up proportionately between the owners, according to the size of their property. These expenses include, structural insurance, various taxes, gardening, maintenance of roads (inc. Snow clearing), refuse collection, and administration fees. It also includes the cost of water, electricity and heating for the communal areas.

These are payable quarterly, half yearly, or yearly. As a rule of thumb annual expenses for an apartment in a typical ski resort, including all local property taxes and service charges, are somewhere in the region of 1500 euros per annum.

Each apartment is 'freehold' and the owner of that apartment has a share of the whole building and its integral and communal parts and an exclusive right to use their own apartment.

According to the Italian law, when multiple exclusive properties share some private common facilities for a better use of the single private units, the owners must use the common facilities in a way that everyone can potentially get the highest individual benefit without limiting the other owners' right of use and potential utility of the same common areas. All this concept is called "condominio".

According to the Italian law, the condominio can be either (i) regulated by a formal contract between the single owners and can be managed by a person appointed for this purpose, or (ii) can be managed informally by the owners according to the default Italian laws applicable when there is no private agreement to regulate the condominio.

Also, according to the Italian law, it is mandatory to set up a formal condominio agreement if the owners are more than 10. Also, it is mandatory to appoint a formal condominio manager if the owners are more than four. However, sometimes the owners prefer to have a silent informal agreement, to avoid additional costs, especially when the management and entity of the condominio assets are not relevant.



## U - Annual property taxes

### Local Property Tax - ICI

A local property tax called ICI is paid to the Municipality in which the property is located. All Italian property owners whether residents or not must pay this tax which is due annually and is divided into two payments: the first in June and the second in December. The ICI annual rate is generally between 0.2% and 0.9% of the property value as listed on record. The typical rate for properties not registered as permanent home is 0.7%. Rates depend on the type of property, location, use, etc. Only a few situations exempt one from ICI such as when the property is in ruins and cannot be used or when the property is registered as permanent home.

### Garbage Tax

Property owners have to pay garbage tax as per the property size and the local rates, generally from € 1.50 to 2.50 per square meter.

## V - Residency

You are not required to register for Italian residency if you own a property in Italy. If you decide that your property becomes your main residency there are certain tax advantages as previously discussed.

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#### Company Profile

Investors in Property specialise in the sale of ski chalets and apartments in Switzerland, Austria, France & Italy. We have over 20 years experience and an unrivalled knowledge of well established and up and coming ski resorts. We will provide expert advice and professional guidance through every step of your purchase. If you have any questions or need general advice please do not hesitate to contact us.

[Italy Fact Sheet](#) • [Ski chalets for sale in Italy](#) • [Ski property for sale in the Italian Alps](#)

#### Disclaimer

Whilst Investors in Property make every attempt to ensure the accuracy and reliability of the information contained in all brochures and the company website, Investors in Property, its employees and agents will not be responsible for any loss, however arising, from the use of, or reliance on this information. The sales deed prepared by the local Notary will contain all the terms of the sale and no warranty or representation made by an other person which is not specifically included in that deed of sale is legally enforceable.

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