

**STUDIO LEGALE METTA**

**ITALIAN PROPERTY PURCHASE  
2018 GUIDE**



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ITALIAN PROPERTY PURCHASE GUIDE

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## ITALIAN PROPERTY PURCHASE PROCESS

Studio Legale Metta has worked on over a thousand Italian property purchase transactions involving **foreigners investing in the Italian real estate market**. This **guide to Italian property purchases** is based on those experiences. This guide is designed to explain the basics of Italian conveyance in a **clear and concise manner** highlighting key aspects and **particularities of the purchase process**. As each purchase transaction is unique, this information should be viewed as a general indication of a typical purchase. All **potential investors** are advised to have the specifics of their situation **addressed individually**.

### Due Diligence on Property and Vendor

Once you have viewed properties of your interest with the real estate agent (“agent”) or a vendor (or “seller”), it is very important to ask for detailed information about the transaction, property features, title information, building compliance, payment terms, applicable transaction taxes, ongoing costs (e.g., maintenance, taxes) and vendor’s solvency.

It is crucial to **obtain written answers** prior to committing to a purchase. Often foreign buyers make assumptions based on how things work in their own country which can be detrimental when they differ from the way it is done in Italy.

Often vendors are so eager to sell a property that they list it for sale without checking if it complies with recent law requirements. Asking the right questions prior to committing to a property purchase has two beneficial results: (i) it motivates the seller to promptly meet missing requirements and, (ii) helps reveal aspects that might be used by the buyer as a leverage for a price reduction.

### Preliminary Offer and Deposit

Once the Italian property has been selected and the necessary information has been acquired, the next step is **making an initial offer** on the property which is usually done through the estate agent or a marketing promoter. The buyer usually gives an initial deposit (*caparra*) at this point which shows his/her **commitment to buy the property**. It is important to know that this offer, though preliminary, is usually **binding and not revocable** for a certain period of time.

The elements included in this preliminary offer can have **consequences for later negotiations**, so it is advisable to **consult an independent lawyer prior to signing** -- or paying -- anything. The manner in which this initial offer is crafted can affect the rest of the transaction. It is wise to make the offer contingent upon

the property **fulfilling certain criteria**, such as necessary planning permits being issued or the seller **clearing any outstanding debts**, prior to purchase. Establishing a time limit for the vendor to review the offer is advisable as well, so you can be **guaranteed a response** by a certain date without waiting interminably.

## Vendor Review of Offer

At this point the vendor reviews the offer and decides whether or not he/she wants to accept it. If the vendor accepts it within the established term, the **buyer is legally obliged** to go ahead with the purchase at the **established purchase price** and at this point the offer becomes binding for the vendor as well. The estate agent **commission is legally due**, if applicable, when the offer is accepted by the vendor, but most agents do not ask for their fee until the **signing of the completion deed (i.e., closing)**.

Given that the vendor's acceptance locks in both the parties, it is crucial to be satisfied with the official transaction terms and conditions at the time of the initial payment. It is not advisable to postpone negotiations to a later stage as, once the parties are locked in, they are less motivated to grant better conditions to the other party.

In certain cases an offer might not be binding, even if it is accepted by the vendor. For example, an offer is not binding if it is not made in writing or if does not include all the minimum requirements established by the law. If the purchase offer and its acceptance are not sufficient to legally bind the parties as per the mutual expectations, it is advisable that the parties sign a preliminary purchase contract.

## Preliminary Purchase Contract

As an alternative or in addition to the "offer-acceptance" step above, the parties can draft and sign a preliminary purchase contract (PPC) to **better detail the terms set out in the accepted offer**. Note: the PPC is often mistakenly called the *compromesso*; it is correctly called *contratto preliminare*. The PPC typically 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 PPC, the buyer usually pays a **deposit (10% to 30% of purchase price)**. After signing, even though the sale is not complete and the property ownership has not been transferred, **both buyer and seller are bound to the PPC terms**. Under typical 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 compensation**. If the purchase offer is properly drafted, the PPC can be avoided and the transaction can move directly to the final purchase deed.

## Final Title Transfer

The final title transfer is achieved by means of a contract called a Title Deed (*atto pubblico di compravendita*, also called *rogito*), signed **in front of a notary public** (*notaio*). The notaio can either write the deed or witness the signature of a private agreement written by the parties. In both cases the **notaio registers the title transfer** with the relevant **local public registry** (*Ufficio dei Pubblici Registri Immobiliari*).

Until the transfer is registered with 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 means of Italian banker's drafts (or bank cheque, certified check, teller's check). Should the buyer for any reason not be able to attend final deed exchange, he/she can be **represented by a power of attorney**.

## *Special Considerations*

### The Notaio – Italian Notary Public

The *notaio* is a private professional acting in property transactions as a public officer. The *notaio* is a neutral party with multiple roles in the transaction. For instance, the *notaio* certifies that the transaction is legally completed, that the parties are legally identified and have the right to sell or buy the property, identifies the property, makes sure the title deed contains all statements required under the law, checks there are no burdens or liens on the property on public records, calculates the applicable taxes, collects the same from the parties, makes the transfer tax payment on the parties' behalf and registers the title deed in the Land Registry after completion. In certain ways, the role of an Italian notary in a property purchase is similar to the one of a US title company.

The notaio's **fees depend on the specification of the transaction and the rates applied by the notary**. For a standard property purchase the fee is typically set based on a sliding scale related to the property sale price.

The role of the notaio is advantageous in Italian conveyance in that he/she is **independent and impartial**. The disadvantage of this for the buyer is that the notaio will not be working on his/her behalf. Typically the notaio meets the buyer for the first time at completion when the parties are signing the contract and transferring the title. Therefore, a foreign purchaser who has not hired a legal advisor **to represent his/her interests** could find him/herself at completion with a neutral party (the notaio) he or she has never met before and a party interested in making the sale (the agent) available for guidance. Many Italian notaries, particularly in rural areas, do not speak English or do not speak it well enough to **advise on complex issues**.

## The Real Estate Intermediary

One important aspect of the Italian real estate intermediary dynamic is that, in the largest majority of home sales, buyer and seller share the same real estate intermediary.

In particular, sellers go to one or more agents and offer the property for sale. Often multiple agents list the property for sale through their network, internet, newsletters, website etc. Interested buyers contact the listing agent appointed by the seller. Said agent shows the property, possibly negotiates the price, and acts as an intermediary between seller and buyer, representing both parties up to and including settlement.

Another relevant aspect is that each party, buyer and seller, pay a commission to the agent. The commission is typically 3% of the purchase price, in addition to VAT (currently 22%). The commission is due to the agent as soon as the purchase offer is accepted (or PPC is signed), even if the transaction gets cancelled at a later date and the parties never finalize the sale. However, each party, the buyer and the vendor, can independently negotiate with the real estate agent alternative terms, such as lower commission or payment contingent to completed sale.

There is also a different approach to the market with respect to listed property prices. Typically, buyers offer less than the listed price, even if they are really interested in the listed property. This reflects on the pricing strategies and negotiation dynamics. In particular, once the vendor tells the agent the desired price, the agent lists the property for a higher price to allow room for price reductions during negotiations without necessarily affecting the vendor's expectations. The result is that frequent, substantial price reductions are typical, so buyers expect them and vendors/agents overprice the properties to be able to grant the reductions.

## Purchase Deed Declarations

The purchase deed written by the notary will include **legal and binding declarations** made by the buyer and the seller. Most of these **serve to protect the buyer**, such as a declaration that there are not any planning permission violations and confirmation of current legal ownership. Other statements will concern the **parties' marriage statuses** which can have **significant tax and estate planning consequences for the buyers**. All the statements registered in the deed can have important **civil law and tax law implications**. It is essential for the **buyer to be fully informed** about possible purchase structure options, possible questions from the notary, the legally appropriate responses to give, the possible tax benefit to apply for etc. An unprepared buyer might miss out on substantial opportunities, for example First Home Tax reduction (see below), or can suffer unexpected legal consequences further down the road.

## Declaring the Purchase Price

Traditionally it has been the Italian custom to **under-declare the actual price paid** for real estate, as taxes and the notary fees are calculated on the basis of the **officially declared purchase price**. However, since a 2007 law change, if a private individual (of any nationality and domicile) is purchasing a property and the transaction is **subject to registration tax**, as opposed to VAT (sales by developer), the buyer can apply for “price-value” (*prezzo-valore*) taxation. According to the **price-value taxation**, the taxable amount is the property value on record instead of the purchase price actually paid. When properly applied, this option can **save buyer’s money**.

Certain vendors and Italian contractors prefer to be paid by cash and avoid issuing a formal payment receipt. Sometimes the goal is to reduce their taxable income, or to settle middleman payments for their help with the transaction. Sometimes it can even result in a lower cost for the buyer. Paying under the table or under declaring a price is not legal in Italy. Under declaring can result in criminal charges and tax fines for both the buyer and the vendor.

Any amount paid without receiving a formal receipt has virtually no guarantee under civil or tax laws. Under declaring normally causes a higher capital gain tax against the buyer in case of resale within five years after the purchase.

The tax office is entitled to collect any unpaid transfer taxes and/or VAT by executing a tax credit against the property. This can happen even after the sale has been formally completed.

## Ownership Through Limited Liability Company

There is also the option of **buying through a limited liability company**, either Italian or foreign, where allowed. Company shares in a property can be redistributed without triggering a right of first refusal, or pre-emption right (*prelazione*), which can make the **property easier to transfer in the future by sale or by succession upon death**. It would be sufficient to transfer ownership of the share in the company for a new subject to acquire control over the property.

## Right of First Refusal - Pre-emption Right

The principle of **Right of First Refusal (ROFR)**, or pre-emption right (*prelazione*), is a key element in Italian conveyance. It gives its holder the **option to enter a business transaction** with the property owner, according to specified terms, before the owner is entitled to enter into that transaction with a third party. If the owner does not offer the property for sale to the ROFR holder, **any transaction concluded with a third party can be invalidated**. Although it is the property owner’s duty to make sure to honor ROFR obligations, it is in the buyer’s interest to check this aspect prior to signing a purchase offer or a PPC. Many cases of

**ROFR are set by the law** (e.g., **inheritance** rules, **farming** regulations, **lease law**), rather than by **title** or **contract**. Owners might not even be aware that their property is subject to ROFR. Should ROFR holder not wish to use it, it is recommended that the buyer acquires an official and expressly **written waiver**. For some kinds of ROFR the waiver, in order to be effective, must be done abiding by certain specific **formalities established by the law**.

### **Certificate of Occupancy (a.k.a. Habitability Certificate)**

When buying a residential unit the vendor shall provide the habitability certificate which certifies that the property complies with building safety as well as health and hygiene regulations.

In general, if a property does not have the habitability certificate, even if it is a fully finished residential unit for habitation, it is not a particular issue, as far as all requirements to apply for and obtain said certificate are met.

The main issue with not having the habitability certificate is that there are certain activities that cannot be carried out at the property without it. For example, regional laws might require the habitability certificate in order to apply for and obtain a license to start a bed & breakfast business. Also, it is harder to get mortgage financing for a property without a habitability certificate thus limiting the field of potential buyers or , or making it difficult to get a loan using the property as collateral.

As a buyer interested in a property without a habitability certificate, this could be an opportunity for a price reduction.

### **Condominium**

If the property to be purchased is part of a condominium, e.g., apartment building or gated community, it likely has common areas and facilities shared by unit owners and tenants. The idea behind the common areas and facilities is that they are to be used in a way that everyone can potentially get the highest individual benefit without limiting the other residents' right to use them.

While the unit itself is owned exclusively, the buyer in a condominium property will also own a share of the common areas/facilities, and part of the condo association. The share is proportional to the unit's size in respect to the entire property. This means the buyer will have rights and obligations for his/her share of the common areas.

Maintenance costs depend on residents' needs and problem resolutions. In particular, residents can improve or reduce common features and services (e.g., gardening or landscaping services, surveillance, swimming pool cleaning, etc.), which affects annual condominium costs. For instance, costs might vary a lot between having very basic maintenance performed to full time employees managing the common areas (e.g., life guard, gardener and doorman).

The vendor is responsible for common maintenance costs up to the date of sale. The buyer is responsible along with the vendor for unpaid condo costs up to two years prior to the date of sale. If the condo association approved major maintenance work or other costly work and the vendor sells the unit prior to said work being done or due for payment, the buyer will be responsible for its payment.

A prudent potential buyer asks the Condo Manager for written confirmation that vendor is current with payments and that no unpaid extraordinary renovation costs or repairs have been discussed, scheduled or approved by the condo owners.

### **First Home Tax Reduction (FHTR)**

If a residential property does not qualify as a luxury property the buyer is allowed to apply for First Home Tax Reduction (FHTR), subject to certain conditions. A residential property qualifies as a “luxury property” for tax purposes when its registration category in the Building Record (“*Catasto*”) is A1, A8 or A9.

Foreign investors and people living abroad are entitled to apply for FHTR.

FHTR implies substantially reduced taxes rates, as follows:

a) VAT (Value Added Tax) transactions (e.g., by builder or developer):

- (i) with FHTR: 4% VAT, based on sale price\*;
- (ii) without FHTR: 10% VAT, based on sale price;

\*In some cases, such as when the vendor is not the builder who recently built/refurbished the property, the transaction might be subject to standard VAT rate, currently 22%, with no option for FHTR;

b) Private transactions (e.g., by a private individual): subject to registration tax:

- (i) with FHTR: 2% of reduced property value on record (*valore catastale prima casa*), which is obtained multiplying the cadastral rent\*\* (*rendita catastale*) by 115.50; however not less than EUR 1,000;
- (ii) without FHTR: 9% of full property value on record (*valore catastale*) which is obtained multiplying the cadastral rent\*\* by 126; however not less than EUR 1,000.

\*\* the cadastral rent, in Italian *rendita catastale*, is determined at the time of the first registration of the property with the local Property Tax Register (*catasto*), based on property location, size, conditions and specifications.

In order to apply for the FHTR, the buyer is required to make the following three statements on completion to be included in the title deed:

- (i) the buyer alternatively (a) is currently a registered resident in the same Municipality where the property is located or (b) is currently working in the Municipality where the property is located or (c) will become a registered resident of said Municipality within 18 months after the purchase, or (d) holds Italian citizenship and is registered in the registry of Italian citizens living abroad (*Anagrafe degli Italiani residenti all'Estero - AIRE*);
- (ii) the buyer does not hold any property right within the same Municipality where the property to be purchased is located;
- (iii) the buyer does not own or hold any ownership interest on Italian properties that were acquired under the First Home purchase tax benefits.

Should the buyer wish to apply for FHTR, these statements shall be included in the deed to qualify for FHTR rate above.

In the event of joint purchase, should only one buyer be prepared to make FHTR statements, the tax reduction shall apply exclusively to said buyer, in proportion to the respective interest value.

Bear in mind that should the buyer apply for FHTR under i.c), but then fail to become a registered resident within 18 months after completion, or if the FHTR is obtained under a condition that is not actually correct, the tax office might audit the transaction and ask for the tax difference (i.e., 6% in case of VAT transaction or 7% for a registration tax transaction) on higher taxable basis, plus 30% fine (based on the unpaid taxes) and interest. As an alternative, in the i.c) scenario only, prior to the end of the 18-month term the buyer is entitled to notify the tax office that it will not be possible to meet the requirement and therefore renounces the FHTR. The local tax office shall then notify the buyer with the amount to pay, i.e., 6% (for a VAT transaction) or 9% (for non VAT transaction) tax difference plus interest only, without any fines.

In order to apply for FHTR it is mandatory for the title deed to reflect the FHTR request. Therefore, if the buyer does not apply for FHTR on completion, it is not possible to apply for it at a later date, even if all requirements are met.

If the property is purchased under FHTR, sold within five years and was used as the permanent home for the majority of the time, there is no Italian capital gains tax on the sale. However, if the property is gifted or sold within five years after a FHTR purchase, the vendor must buy another property under FHTR within a year or pay the tax difference.

**Purchase under Marital Ties**

When a married couple or a married person purchases a property in Italy, the purchase can be completed under the matrimonial regime of community of property (“*comunione dei beni*”) or under the matrimonial regime of separation of property (“*separazione dei beni*”). The default regime is *comunione dei beni*. If married buyers do not expressly choose the *separazione dei beni*, typically the *comunione* applies.

The table below details the rules applicable to the property purchase pursuant to international and domestic Italian rules regarding foreign spouses conducting their marital life abroad (especially applicable to investors from US, UK, Ireland, Canada and Australia).

| <b>Community of Property – <i>Comunione dei Beni</i></b>   | <b>Separation of Property – <i>Separazione dei Beni</i></b>  |
|--|--|
| <p><i>Comunione dei beni</i>: (i) if only one spouse signs the final purchase deed, or (ii) if both spouses sign the final purchase deed, the Property belongs in both cases to both spouses, even in the event one spouse has not signed any document.</p> <p>As a result of the <i>comunione</i>, neither of the spouses can independently encumber (e.g., sell, gift, use as collateral for a mortgage) any portion of the property. In case of resale, both spouses’ signatures are needed to sell the property or a portion of it.</p> <p>Should the spouses choose the <i>comunione</i>, but not include one of the spouses in the final deed, the notary will likely ask for the other spouse’s personal information anyway, including tax code (<i>codice fiscale</i>), to register the property under both spouses’ names in the real estate public record.</p> | <p>If the spouses provide the notary with proper statements showing they have separation of property or wish to elect separation of property with respect to the specific property purchase, the buyers would be entitled to purchase the property under the <i>separazione</i>, either under only one of their names or both of them. Under the <i>separazione</i> only the spouse who signs the completion deed has rights on the property. In case of joint ownership, each owner can independently encumber (e.g., sell, gift,) his/her share.</p> <p>In particular, in case of <i>separazione dei beni</i>, the separation agreement might be an option to make sure the property rental income, or any other tax related matter, affects only one spouse instead of both.</p> <p>To select this option it is advisable to inform the notary in advance. Some notaries have particular policies on how to handle <i>separazione</i> option requests. It is appropriate to ensure the notary applies the most conservative approach. This is important in order to minimize the risk that, in case of resale, the future buyer’s notary might question</p> |

|  |   |
|--|---|
|  | the adopted <i>separazione</i> option and might claim that it was not properly formalized, thus making applicable the <i>comunione</i> , i.e., involving the spouse that might have been possibly excluded at time of purchase. |
|--|---|

Should a buyer's marital status change prior to completion, this aspect must be seriously considered since it could substantially affect the property purchase.

### **Furniture**

When a property for sale is not empty (e.g., furniture, debris), it is advisable for the parties to address these contents in the purchase offer or PPC. The common practice for a furnished property in Italy is for the vendor to remove everything, including kitchen cabinets, appliances and sometimes even the kitchen sink and light bulbs.

The parties can agree what works best for them, for example. they can negotiate a price for the furniture to be left in the property, or agree that the vendor shall remove only some items and leave the rest in the property, or even for the buyer to address it. It is advisable for the parties to agree on an itemized list specifying each item to be left or removed. Said list, and/or photos of concerned items, should be an exhibit to the PPC, as a mutually acknowledged essential part of the deal.

### **Contingencies and Vendor's Fulfilment Prior to Completion**

In a cases where the buyer expects the vendor to carry out certain non-ordinary activities prior to completion which would change the legal or material conditions of the property, it is advisable to list detailed terms and conditions in the purchase offer and/or in the PPC. Examples of this are when the vendor must meet a legal building compliance requirement, or simply the buyer's personal expectations (e.g., repairs, finishes upgrades, remodelling options, appliances supply).

\* \* \*

## ITALIAN PROPERTY TAXES

*Property Purchase Transfer Taxes*

|   | Property                          | Seller                             | Buyer | VAT                                  | Registration Tax                                   | Mortgage Tax Cadastral Tax | Taxable Amount               |
|---|-----------------------------------|------------------------------------|-------|--------------------------------------|--|----------------------------|------------------------------|
| 1 | House for habitation <sup>1</sup> | Construction or Renovation company | All   | 4% “first house” <sup>2</sup>        | EUR 200  | EUR 200 + EUR 200          | Purchase price <sup>4</sup>  |
| 2 | House for habitation <sup>1</sup> | Construction or Renovation company | All   | 10% non-luxury property <sup>3</sup> | EUR 200  | EUR 200 + EUR 200          | Purchase price <sup>4</sup>  |
| 3 | House for habitation <sup>1</sup> | Construction or Renovation company | All   | 20% luxury property <sup>3</sup>     | EUR 200  | EUR 200 + EUR 200          | Purchase price <sup>4</sup>  |
| 4 | House for habitation <sup>1</sup> | Private Entity (e.g., individual)  | All   | 0%                                   | 2% “first house” <sup>2</sup><br>minimum EUR 1,000 | EUR 50 + EUR 50            | Cadastral value <sup>5</sup> |
| 5 | House for habitation <sup>1</sup> | Private Entity (e.g., individual)  | All   | 0%                                   | 9%<br>Other cases<br>minimum EUR 1,000             | EUR 50 + EUR 50            | Cadastral value <sup>5</sup> |

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- 1. House for Habitation –v– Business Property:** A property is classified as either a house for habitation or a business property in the official related cadastral record of the Municipality in which it is located. This classification is formally registered regardless the actual use of the property. For instance, if a property is registered as an office, attic, or garage, but it is actually fully furnished and used as a house for habitation, when sold it will still be categorized as a business property for transfer tax purposes.
- 2. First House Tax Reduction (FHTR):** In order to apply for FHTR, the buyer must make several declarations in the purchase deed, such as that the buyer either is currently living in the same Municipality district or will transfer the main domicile to that Municipality within 18 months after the purchase. The 18-month term can be extended under certain circumstances. It is advisable to review the circumstances prior to the purchase. Also, it is not possible to apply for FHTR when the buyer already owns or holds certain rights on another property in the same Municipality district where the property to be purchased is located. Italian citizens who are not Italian residents can apply for FHTR without need to declare their intention to move to Italy.
- 3. Luxury Property:** If the sale is subject to proportional registration tax, a property qualifies as a “luxury property” if it is listed as A/1, A/8 or A/9 in the Property Tax Record (*Catasto*).
- 4. Purchase Price:** Is the purchase price declared by the parties in the purchase deed.
- 5. Cadastral Value:** The property value on record based on Cadastral Rent (*Rendita Catastale*). The Cadastral Value is normally less than 50% of market value. Therefore, when taxation is based on Cadastral Value the buyer is subject to a notably lower tax burden.

## *Ownership Taxes*

### **Local Property Tax – IMU and TASI**

Local property taxes called IMU and TASI are due to the Municipality in which the property is located and to the National Revenue Office. All Italian property owners and property occupiers shall pay local property taxes annually in two instalments: by 16 June for the first semester and by 16 December for the second semester. Unfortunately, over the past year local and national governments changed applicable rules and rates many times. Each Municipality annually determines applicable rates. The aggregate rate for holiday homes ranges approximately between 1.3% and 1.4% of the property tax value on record. Rates depend on the type of property, location, use, etc. Some situations might partially or fully exempt one from local tax payment duty (e.g., when the property is a ruin or is not habitable or is used as primary home).

### **Garbage Tax (TARI)**

Property owners have to pay garbage tax (TARI) for trash as per the property size. Rates are established by local Municipalities and generally range from € 1.50 to € 2.50 per square meter.

### **Income Tax**

Income earned on an Italian property is typically subject to Italian taxes. For example, a non resident who earns income on an Italian property by renting it is legally obligated to declare the revenue and pay the relative taxes. If the property is not being rented nor used as a primary residence, taxes can be due based on cadastral virtual rental. This is typically nominal, but still a legal obligation which implies also the need to file Italian income tax return.

Most bilateral treaties to avoid double taxation allow foreign property owners to use property income taxes paid in Italy as a tax credit in their home country.

### **Italian Personal Income Tax Rates (for 2015 income\*)**

| Income Tax Bracket   | Income Tax Rate | Regional Income Tax | Municipal Income Tax |
|----------------------|-----------------|---------------------|----------------------|
| € 0 to € 15,000      | 23%             | up to 2.5%*         | up to 0.9%*          |
| € 15,001 to € 28,000 | 27%             |                     |                      |
| € 28,001 to € 55,000 | 38%             |                     |                      |
| € 55,001 to € 75,000 | 41%             |                     |                      |
| Over € 75,000        | 43%             |                     |                      |

\* Approximate average. Check applicable regional and municipal rates based on property location.

*Resale Taxes***Capital Gains Tax**

In general, if a residential 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 be paid 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**.

*Succession (a.k.a. Inheritance) Taxes*

In the event of property **transfer due to succession**, the transfer is subject to three taxes: **inheritance (estate) tax, mortgage tax and cadastral tax**, applicable with different rates depending on the involved beneficiary.

**Succession Tax Main Categories and Standard Rates**

| <b>Beneficiary Subject</b>   | <b>Inheritance Tax</b><br><i>Imposta di successione</i>            | <b>Mortgage Tax</b><br><i>Imposta ipotecaria</i>  | <b>Cadastral Tax</b><br><i>Imposta catastale</i>  |
|--|--|---|---|
| - spouse<br>- direct line relative (e.g. parents and children)   | <b>4%</b> on the amount exceeding € 1 million for each beneficiary | a) <b>2%</b> of the property value on record;<br><br>or<br><br>b) <b>€ 200</b> if the property will be the main house (" <i>prima casa</i> ") of the beneficiary. | a) <b>1%</b> of the property value on record;<br><br>or<br><br>b) <b>€ 200</b> if the property will be the main house (" <i>prima casa</i> ") of the beneficiary. |
| - sibling  | <b>6%</b> on the amount exceeding € 100,000                        |   |   |
| - other relative up to and including the 4th level<br>- direct line in-law<br>- indirect line in-law up to and including the 3rd level | <b>6%</b>  |   |   |
| - other subject  | <b>8%</b>  |   |   |

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