

## Property Taxes in Italy

The information contained in this document relates only to people not resident for tax purposes in Italy. A person is resident for tax purposes if:

- He is physically present in Italy for more than 182 days in any calendar year.
- His main home is in Italy
- He is in business or employed in Italy

There are other rules that can capture you as a tax resident in Italy . It is impossible to give tax advice without detailed knowledge of your personal circumstances.

### Taxes payable on the transfer of property

#### Registration Tax (Imposta di Registro)

This is a tax payable when you purchase either agricultural land or a house, apartment or building plot. It varies from 3 - 10% of the declared value of the property as expressed in the Rogito (Deed of Conveyance. For non residents buying a holiday home it is usually 7%).

#### Imposta sul Valore Aggiunto (VAT)

This is charged at 10% on all new property except luxury homes, which bear 20%. It is usually included in the advertised price of the property.

#### Notary's Fees

These vary according to the value of the property, the number of pages in the documents prepared and various other factors. Notary fees are approximately €2000/€5000 but varies slightly between Notaries.

#### Estate Agents Commission

This is not strictly a tax but is included here for the sake of completeness. Our fees are as follows:

For properties over € 100,000 - our fees are 3% + VAT (IVA)

For properties less than € 100,000 - there is a minimum fee of € 3,000 + VAT (IVA)

Example of a house purchase breakdown of costs;

€100,000 – purchase price

€3,000 – agency fees + €600 VAT (IVA)

€4,000 - €8,000 house taxes\* and notary fees

€350 – survey fees if a survey is requested

\* Generally with an inexpensive property the house taxes are relatively high. This is because in Italy the Registered Value (Valore Catastale) is usually much lower than the purchase price. On Completion, it is normally the Registered Value which is written into the Final Act and therefore used for calculating the tax due . With inexpensive properties the difference between the purchase price and Registered Value is less significant than with higher priced properties.

### Purchasing as first or second home

Sometimes this is a real dilemma, because it means that you must decide to come and live in Italy within a year (if you are purchasing with a mortgage) or within a year and a half otherwise. First and foremost, this means changing your place of residence, residence permits are easily obtainable for citizens of EU member states (British citizens included) and they will normally be issued within six months for citizens from non-EU member states.

You should also bear in mind that if you are purchasing the property as a first home then everything will be less expensive – this includes electricity, water and gas charges for example. But above all, the taxes on the purchase of the property will be less: 3% rather than 10% on the cadastral value. The cadastral value can be obtained from the cadastral survey that you will get from the Notary public.

Let's take a look at an example.

#### First, second and annual taxes

The cadastral value of a home that we are purchasing (let's not specify the purchase price) is Euro 60,000.

If it is a first home, you must do the following calculation:

$60,000 \times 115.50 \times 0.03 = €2,079$

If it is a second home the calculation will be as follows:

$60,000 \times 126 \times 0.10 = €7,560$

Therefore if it is a first home you will pay Euro 2,079 and if you are buying it as a second home it will be Euro 7,560.

Is it clear?

#### Annual taxes (ICI)

The annual property taxes in Italy are not expensive. For a house with a cadastral value of Euro 60,000 you need to do the following calculation  $60,000 \times 0.05 = €300$

If you are purchasing a second home the sum will be almost half of this.

#### Communal taxes

Some Municipalities raise additional taxation in relation to the services that they supply to people in the area. These may include rubbish collection, cleaning of the streets and beaches etc. Municipalities also have the right to raise a charge for the use of a vehicle in their area. Not all do so. The amounts of these charges are not generally high.

#### Personal taxes

#### Wealth Tax

There is no wealth tax in Italy.

#### Income Tax (Imposta sul Reddito delle Persone Fisiche – IRPEF-)

A person not resident in Italy for tax purposes must still make an annual declaration for income tax. The Italian Authorities are only concerned with the income you derive from activities in Italy , not your world-wide income. Typical examples of this will be interest on any money you have on deposit with a Italian bank or income you derive from

letting your apartment or house. If you let your house you will have to declare the income received. You do not need to file a tax declaration if you have no income in Italy .

#### **Capital Gain Taxes**

There is no longer any capital gains tax on the sale of land and buildings in Italy.

#### **Taxes Payable on Death**

In Italy there is no automatic inheritance by a wife or other joint owner of the deceased joint owner's share in any property. If it is left by will or on intestacy to the other joint owner, the gift will be taxable. The amount of tax paid is determined partly by the size of the whole estate - as in this country - but also partly by the size of each individual inheritance. The tax is progressive - the more you inherit, the higher the rate of tax you will have to pay. Near relatives pay tax at a lower rate than more distant relatives who in turn pay less tax than total strangers. Near relatives are also entitled to receive a sum tax-free. Spouses and children about £80,000 each, brothers and sisters about £33,000. More distant relatives and strangers are not. In general terms, dividing your assets between your husband/wife and children tends to produce the lowest tax bills. Penalties are imposed if the tax due is not paid within 6 months of the date of death. In many cases where sizeable tax payments are going to be a problem it is possible to dispose of the assets during the owners lifetime much more cheaply than in his death.

#### **VAT (IVA)**

As in England , most transactions in Italy involve the payment of VAT. The normal rates are 3% and 10%. Transactions involving luxury items can carry a rate of 20%.

#### **Fiscal representatives**

We consider any person who has dealings with Italy should appoint a fiscal representative. A Fiscal Representative is a person who undertakes on behalf of the taxpayer all dealings with the Italian Tax Authorities. The Fiscal Representative can be a friend or a professional adviser and does not necessarily need to be a Italian national. The appointment of a Fiscal Representative is the only way in which you can be sure that the Italian Tax Authorities, unable to contact you because you are not in the country, do not take damaging and expensive action against you to collect any sums of taxes which they allege to be due. We can advise you concerning bodies able to act as your fiscal representative in Italy.

#### **Appeals**

As in most countries, if you disagree with the amount of tax that you are required to pay you can appeal against the decision of the Tax Authority.

#### **Tax Code (Codice Fiscale)**

This is an identification number for use in Italy . If you have dealings within Italy - even if you are not full time or tax resident - you are required to have a number. This is obtained from your local tax office. However tempting it may be not to bother obtaining this number you will find that it will cause you great inconvenience in the future if you do not have one.