

## Tax Aspects of Buying Renting and Selling Real Estate in Italy

This guide briefly sets out the main Italian tax issues arising on the purchase, use and sale of real estate in Italy. It applies to individuals buying property for their own use, and where that property will not be used in the course of any business activity (apart possibly from a private short-term letting business). **Different rules apply for transactions which fall within the scope of a business activity.**

### 1 Taxation at Purchase – Indirect Taxes

#### 1.1 Introduction

The impact of taxation at purchase varies whether the seller is a company or a private individual, whether the building is new or not, and whether the buyer elects the property as his/her Main Residence (see below for definition).

A typical transaction will see a preliminary deposit/advance payment being made at the time the offer is made, a contract for the sale and purchase, and the completion the “rogito”) of the purchase by way of notarial deed.

#### 1.2 Main Residence (*Prima Casa*) Election – Private Sales

If residential property, falling within certain, non-luxury categories, is purchased from a **private** individual (i.e. an individual who is not registered for VAT and using the property for business purposes) and the buyer elects the property as his/her Main Residence, tax is due as follows at reduced rates compared to standard rates:

- Registration Tax (*Imposta di registro*) 2% of the cadastral (land registry value)
- Mortgage Tax (*Imposta ipotecaria*) € 200
- Land Registry Tax (*Imposta catastale*) € 50

The purchase in this case is not subject to VAT. Registration Tax and VAT are, on the whole, mutually exclusive – you pay one or the other. The mortgage tax is payable even if you are not paying with a secured loan.



At Taxing.It we can obtain an extract from the Land Registry, and calculate the tax on your purchase in advance. We can advise on the best strategy to mitigate the tax and whether you qualify for “First Home” relief.

Click [here](#) to send a mail for more information.

The main residence rate reduction is only available on the principal dwelling house. So if you are buying land containing a number of buildings you will probably only be entitled to the reduced part on the part of the price attributed to the main residence.

### 1.3 Purchase of Residential Property which will not be used as a Main Residence.

If the residential property purchased cannot be elected as a Main Residence, or where the purchase includes land and a number of buildings only one of which is to be so elected the same taxes apply, but in different amounts:

- Registration Tax 9% of the cadastral value
- Mortgage Tax € 50
- Land Registry Tax € 50

This type of purchase is also not subject to VAT.

### 1.4 Cadastral Value – basis of tax

The cadastral value is an amount derived from the value of the property as shown at the Land Registry. Typically (but not always) for residential property, this value is lower than the market value of the property. If you are purchasing a farm or property with some land, that land may be registered at the Land Registry separately and a different rate of tax may apply to the land compared to buildings which are classified as residential. For agricultural land the rate of registration tax is increased to 15% where the seller is not registered as carrying on an agricultural activity on the land. The basis for registration tax may be the market value of the land rather than the land registry value.

### 1.5 Property Purchased From a VAT Registered Business

If the residential property will be elected as Main Residence, the taxes due are as follows:

- VAT 4%
- Registration Tax € 200
- Mortgage Tax € 200
- Land Registry Tax € 200

Extra VAT is due if the residential property purchased cannot be elected as a Main Residence. The same taxes apply, but in different amounts:

- VAT 10% (22% for luxury properties)
- Registration Tax € 200
- Mortgage Tax € 200
- Land Registry Tax € 50

It is possible that the business selling the property will treat the sale as VAT exempt. In this case the tax payable is the same as a purchase from an individual.

The tax base for the VAT is, unlike for registration tax, the price paid and not the land registry value.

### 1.6 Definition of Main Residence

In order to benefit from the Main Residence tax regime, each purchaser must apply or have applied to be registered as resident with the local Municipality (Comune). You have 18 months from the date of the deed of transfer to get registered, so you can pay the lower amount of tax in the deed and then “top up” later (with a surcharge) if you do not get registered within that timescale. Heavy penalties apply if you claim the lower rate in the purchase deed, do not request to be registered and do not voluntarily top-up within the eighteen month time period.

Under the current interpretation of the rules, the property just needs to be your Main Residence in Italy – it does not matter if you possess another home abroad. However the property needs to be occupied as your main residence and the Municipality will likely check that the property is habitable and that you have really transferred your residence there, before registering you in the register of resident population (*Anagrafe*).

Being registered as residence brings a number of benefits apart from the reduced tax on purchase – reduced utility costs, the ability to purchase a motor vehicle registered in Italy etc.

However note that being registered as resident with the Municipality for more than 183 days in any tax (calendar) year is one of the conditions to become resident for tax purposes. If you are tax resident in Italy, unless you benefit for a special regime (such as that applicable to non-doms), you will be liable to tax on your world-wide income and gains. You need to consider carefully if the saving of tax on the purchase is not offset by additional tax on your income.

If a house is purchased with the reduced rate of registration tax, the additional tax, to top up to further taxes and penalties apply).

All property registered at the Land Registry is assigned a category. The Main Residence relief only applies to certain non-luxury category of residential property.

### 1.7 Timing of Payments

Registration tax and stamp duty are normally payable on completion – the notary is liable to make payment of the tax to the Tax Office and has a couple of weeks to do so, but will generally ask that he or she is put in funds at completion. No tax is payable on exchange of contracts unless it is decided that the contract should be drawn up as a public deed (often advisable to avoid the risk of the seller changing their minds or renegeing on warranties made in a preliminary contract).

If VAT is due then that will be shown on a tax invoice issued by the business selling you the property. The purchaser should require the invoice before handing over any money. This means that if you are making stage payments (for example on a new build) you will pay the VAT at each stage as you make each payment.

Take extra care with off plan new builds.

Any payment you make should be against a proper tax invoice and a bank guarantee issued by a primary financial institution guaranteeing that the construction company will complete the work. Also take care where you are purchasing from a foreign registered business that is not registered for VAT in Italy.

### 1.8 Stamp Duty

Stamp duty is also payable in an amount of Euro 16 for every four pages of the sale/purchase deed (and any mortgage deed. Discuss with notary what attachments there are. Obviously there will be land registry documents such as plans and other documents relating to title. The notary will calculate the tax and add it to his or her invoice.

### 1.9 The Notary Public

In Italy a residential property can be transferred only via a deed drawn up by a notary. Thus the buyer will have to pay the notary fees that vary depending on the notary chosen, value and complexity of the purchase. You should ask for a quote in advance. The notary is responsible for checking that the property is sellable, i.e. that the seller has full legal title, that the property is habitable (where relevant) and that there are no, undisclosed third parties with rights to the property (e.g. mortgage lenders, heirs with a claim under Italy's

#### Legal support

At Taxing.It we can provide you the support of regulated UK solicitor and Italian avvocato offering independent advice. We never take introduction fees from estate agents or others. We act as your authorised attorney fighting for your rights and best interests during what can often be a confusing and stressful process. We can translate and explain in full all the documents involved in the process and ensure that you are in control of the transaction and timings. Click [here](#) for more information.

statutory succession laws). To avoid sales of urban real estate which have not been registered at the Land Registry the deed of transfer must contain a declaration whereby the seller warrants that the current position of the property complies with what is registered at the Land Registry.

Although it depends of the purchase, it is usually worth getting a full report on the property from a qualified professional such as a surveyor (*geometro*) or architect (*architetto*). The notary is unlikely to do a physical inspection of the property. Also you should never buy a property on the basis of anyone's assertion (written or otherwise that planning and building consents will be forthcoming). It is much better to make the purchase, or completion, conditional of the issuance of the relevant consents.

The notary is also likely to take a fairly prudential view of the taxes paid – i.e. If there are any grey areas, e.g. where the price is to be apportioned between parcels subject to tax at different rates (rural buildings agricultural land) or whether any appurtenances form part of the principal private residence or are separate.

At Taxing.It we can support you with an estimate of the property tax payable on purchase and discuss with the notary in advance to ensure that the notary is comfortable with the calculation. If you leave the question of registration tax until the day of signing, there will be little room for maneuver and you might pay too much. Click [here](#) for more information.

### 1.10 Tax Credit on Purchase of a new “Main Residence”

If you sell your first home (one of which the reduced rate of tax applied), at any time within a year of sale, purchase another home, you get credit for the tax you paid on the first purchase against the tax on the second purchase. This is to ensure that you don't pay tax twice on the purchase of a first home. Conditions apply.

### 1.11 Re-capture of Reduced Registration Tax

The benefit of the reduced rate of purchase tax is lost if you sell your first home within five years of purchase AND do not buy another Main Residence in the EU in the year following the sale. You will need to top-up the tax with a penalty.

## 2 Taxation On Possession

### 2.1 Local Property Taxes

The taxes due on occupancy of a property are mainly:

- IMU
- TASI
- TARI

IMU is payable on any property (residential or not) twice a year. Main residences residential property are exempt from the tax. However outbuildings and other property not covered by the Main Residence exemption will be subject to the tax.

TASI is paid on general services performed by the local Municipality (*Comune*), and Municipalities can decide to exempt it.

At Taxing.It we can support you with you annual property tax compliance. We can calculate the tax due and prepare the forms that you will need to take to the bank (or complete on your online banking). We can advise if you have unpaid taxes and help to resolve the position with your local authority. Click [here](#) for more information.

Finally, TARI is the tax due to cover trash/refuse collection costs.

IMU and TASI must be self-assessed, while TARI is calculated by the *Comune* and sent to your address via mail.

## 2.2 Income Tax

If you are the owner of real estate in Italy then you are required to include the "rendita catastale" in your Italian income tax return (section B.1 in the 730 or Section RB line RB1 in the Unico PF). The "rendita catastale" is the deemed income from the property - what the authorities consider to be a notional rent, typically much lower than a market rent. It can be obtained from the Land Registry (*Catasto*).

If you are registered resident in the property and occupy it as your main residence you are then entitled to a deduction equal to the "rendita catastale"

So again for most people who own only one property and occupy it as their main residence, there is no actual tax liability - just a requirement to show the deemed income and the corresponding deduction in the tax return.

If your only reportable income is the "rendita catastale" and the property qualifies as your Main Residence then you do not need to file a return.

## 2.3 Taxation Of Rental Income

Taxes on rental are (apart from short term lets through a registered intermediary who is resident in Italy) self-assessed in the annual return to be filed before 30 September (31 October for 2017 and 2018, 2 December for 2019) of the following tax year.

Residential property allow two taxation options:

- Normal income tax ([IRPEF](#)) regime
- Gross Rent basis (*Cedolare secca*)

For individuals who are not carrying on a letting business, the IRPEF regime taxes rent received based on the [normal brackets](#), allowing a 5% deduction (i.e. if your rental income in the tax year is € 12,000, you pay income tax (IRPEF) on Euro 11,400). No deduction is allowed for expenses, interest or depreciation of the property, regardless of whether it is let furnished or unfurnished.

The letting agreement, if for a period of more than 30 days, is subject to a registration tax of 2% of the gross rent on initial registration and each annual anniversary after that. Stamp Duty is also payable – 16 euro per each 4 pages of the agreement. No registration tax/stamp duty applies to short-term and holiday lets.

As an alternative to the normal income tax regime outlined above the landlord can opt for the Gross Rent basis. For long term lets (more than 30 days), the option needs to be exercised by indication as such in the rental agreement itself.

This regime allows a flat tax at the rate of 21% of gross rental income (reduced to 10% in some areas for certain kinds of protected tenancies (*canone concordato*) (i.e. if your rental income in 2017 was € 12,000, your substitute tax at 21% applies on Euro 12,000 i.e. Euro 2,520) Opting for this regime means that no registration tax is payable.

All short term lettings are subject to the Gross Rent basis as default. For short term lettings a 2017 law provides that the intermediary or internet platform must withhold this tax when paying you the rent received from customers, but the main non-Italian platforms are, at the time of writing not withholding tax at source.

## 2.4 Taxation Of Foreign Property

If you are tax resident in Italy for any year and own real estate outside Italy, instead of IMU you will be liable to IVIE, the tax on the value of foreign real estate. This tax must be disclosed in your annual tax return. See [this article](#) for more information.

## 3 Capital Gains

### 3.1 Exemption for Main Residence

As a general rule if you sell a house that you have occupied as your Main Residence (as defined in paragraph 1.6) no income tax or substitute tax is payable on any capital gain. This means that if you declared in the purchase deed that you were going to occupy at such and then registered as resident with your Comune at that address within the 18 month time limit) there is no **Italian** tax on the capital gain. You (or your family) also need to have actually utilized the premises for the greater part of the part of the period between

purchase and sale as your Main Residence. Registration at the Comune in itself is not sufficient to prove that the property was utilized as the Main Residence.

### 3.2 Foreign Tax on Capital Gain

If you are tax resident outside Italy you may be liable to tax under that country's rules (e.g. both U.S. and UK tax gains on foreign properties, albeit with their own systems of reliefs and exemptions).

### 3.3 Tax on disposals of Second Homes and non-exempt property

If you sell a "second" home after five years there is no Italian tax on the gains, except in some limited circumstances. You will be only liable tax on disposal of real estate if you sell it for consideration (i.e. for money or money's worth) if you:-

- Sell property within five years of purchase (or entry into possession if the property was newly constructed) that was not occupied for the greater part of the period between purchase and sale, as the Main Residence;
- Sell buildings/land that you purchased along with your Main Residence that do not qualify as Main Residence, e.g. agricultural land, or outbuildings and garages that were not considered "appurtenances" and less than five years have passed from the date of purchase;
- Sell land that has been given planning permission for development;
- Sell property was used in a VAT registered business, e.g. a hotel or bed and breakfast business
- If you are trading (or deemed to be) running a property trading business.

### 3.4 Definition of Capital Gain

Any taxable gain (sale value, less purchase cost plus any "analytically documented inherent expenditure" is taxed at normal [income tax rates](#). There is an option to pay substitute tax at the rate of 20% of the gain which will may be beneficial. If you opt for this the notary will collect the tax from you and pay it on your behalf to the authorities. In this case you do not need to disclose the gain in your annual tax return and you are exempt by law from the special tax audit and assessment rules which apply to gains included in a tax return.

Special rules apply to property acquired and disposed of by way of gift or inheritance.

Examples of expenses generally considered "inherent" are:-



- Notary and legal fees at the time of purchase (not, it seems on sale – but purchaser usually pays notary fees);
- Indirect purchase taxes paid at the time of purchase (registration tax, mortgage tax and cadastral tax, or VAT);
- Costs of capital improvements incurred after purchase construction and before sale (e.g. "extraordinary maintenance", renovation). Ordinary maintenance costs are not deductible.
- Costs of organizing bids from construction companies/builders and contractual work;
- Design, building and consultancy fees;
- Costs of planning consent.

**Legislation and Regulations**

Articles 67 and 68 of the Italian Tax Code

### 3.5 IRPEF deduction for restructuring costs

If the seller has previously carried out building renovation works and has claimed the tax deduction available for such expenses, the remaining benefit can be transferred to the purchaser. The IRPEF deduction permit you to set off the cost of qualifying expenditure generally in 10 annual installments.

In the case of a transfer of property by deed between living persons of the property, any remaining annual instalments shares of tax deduction, not yet used at the time of transfer, are automatically transferred to the purchaser.

The parties however may agree to avoid the buyer taking over the benefit by explicitly reserving the benefit in a clause in the sale deed. In the absence of any agreement between the parties, the residual deduction is automatically transferred to the purchaser.

### 3.6 Codice Fiscale

If you decide to proceed with your purchase of property in Italy, you will need a fiscal code number. You can get one direct from a Tax Office or we can arrange on your behalf.

Avv Colin Jamieson  
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## Appendix: Summary of registration tax on Purchase of Real Estate

| Purchase without "Main Residence" Relief |        |                  |                |                   |
|--|--------|------------------|----------------|-------------------|
| Seller                                   | VAT    | Registration Tax | Ipotecaria Tax | Land Registry Tax |
| Individual                               | No     | 9%               | Euro 50        | Euro 50           |
| Company – VAT exempt                     | VAT    | 9%               | Euro 50        | Euro 50           |
| Company – subject to VAT                 | 10/22% | Euro 200         | Euro 200       | Euro 200          |

| Purchase with "Main Residence" Relief |        |                  |                |                   |
|---------------------------------------|--------|------------------|----------------|-------------------|
| Seller                                | VAT    | Registration Tax | Ipotecaria Tax | Land Registry Tax |
| Individual                            | No     | 2%               | Euro 50        | Euro 50           |
| Company – VAT exempt                  | VAT    | 9%               | Euro 50        | Euro 50           |
| Company – subject to VAT              | 10/22% | Euro 200         | Euro 200       | Euro 200          |