

## **GUIDE TO THE PURCHASE OF THE HOME IN ITALY FOR FOREIGNERS**

Italian law allows the purchase of real estate by foreigners in different ways.

Depending on who is involved in buying and selling, private individuals or real estate agencies, there are usually several stages in the sale of real estate.

If it is an agreement between private individuals, both the purchase proposal of the house and the compromise could be bypassed, with consequent increase in risks, both for the seller, because the buyer could give up at the last minute making a previously planned sale disappear. For the buyer, because the seller may not respect the verbal agreements.

### **If to buy is a foreign citizen**

Even a foreign citizen can buy a house in Italy.

If you do not stay regularly in our country you can proceed with the purchase through an international treaty or if in your country of origin there is a condition of reciprocity with Italy (ie if an Italian citizen can buy a house in that country).

If you are a foreigner with a regular residence permit, but who has obtained it for less than three years, you can proceed with the purchase, regardless of the existence of the condition of reciprocity, if your residence permit was issued for reasons of work, family, humanitarian, study or other specific reasons.

If you are a citizen of the EU, a citizen of the EFTA countries, the European Free Trade Association (Iceland, Liechtenstein, Switzerland and Norway), a stateless person or a political refugee, if you are resident in Italy for more than three years you can purchase without restrictions.

If it is a foreigner not resident in Italy, the first step is to request the Tax Agency to issue the Tax Code. It will then be necessary to open a current account at a bank or post office.

At the time of purchase, the buyer pays 9% (registration tax) if he buys from a private person, or 10% (VAT) if he buys from a company or company (except for special circumstances), plus mortgage and land tax in a fixed amount (currently totaling € 400.00).

### **The due diligence**

La Due Diligence, which in Italian would sound like "diligenza dovuta" (and therefore as an act due to scruple), is the investigation on a property or on the entire real estate assets, when this becomes the object of a transfer of ownership.

It serves to identify any risks related to the purchase. Due Diligence consists of an urban survey, building, land registry and plan.

Through it you can find out if there are any constraints, if the seller has the complete ownership of what he is selling, or if there are mortgages.

### **Negotiation**

A key step during the purchase of the house is negotiation, useful to find an agreement between those who want to sell and those who want to buy and that can affect the price, but also the amount of the deposit, any work to be done before delivery, the date of deed before the notary or the date of delivery.

## **The purchase proposal**

By submitting a purchase offer, the buyer agrees to buy the house at the conditions agreed with the seller and proposes the price he is willing to pay, which may not coincide with what was requested by the owner of the property.

Normally the purchase proposal is valid for fifteen days, as specified in the same, to allow time for the seller to accept or reject the purchase offer.

If the seller accepts the purchase offer, the buyer is obliged to keep his offer. If the answer arrives "out of time" obviously every constraint ceases. A sum may be attached to the purchase offer as an advance, but it is neither mandatory nor binding to the seller.

## **The preliminary contract**

In the event that you choose to put agreements for sale on paper, you can stipulate a "compromise" or "preliminary sale".

The standard model must include the data of who buys, who sells and the property object of the sale. The details then change according to the situation.

It is important to rely on an expert to draft the compromise because they are data that will be later reported in the deed, that is, in the final sales document.

Together with the stipulation of the compromise, the buyer normally pays a deposit equal to at least 10% of the value of the property.

When the sale is successful, the deposit is deducted from the payment of the amount due.

If the buyer does not complete the purchase due to a lack of it, the deposit will not be refunded and will constitute compensation for the seller.

The sale, however, may not be successful because of the seller, in which case the buyer will be entitled to be compensated for a figure that corresponds to double the deposit.

## **The deed**

To conclude the sale, the parties must sign a document called deed (rogito), in front of the notary, who will register the deed with the Agenzia delle Entrate and transcribe the change of ownership to the Agenzia del Territorio.

## **The "procura" (power of attorney)**

The "procura" (power of attorney) is an act by which a subject is represented by another to whom he confers the power to act on his behalf in the accomplishment of acts or activities whose effects will be directly produced by the represented person.

The power of attorney is an indispensable tool for those who live abroad and want to do business in Italy, but it is also convenient in case of unpredictable impediments because it allows the stipulation of the contract on time, even in the absence of one of the parties.

When those who want to be represented have contracted a marriage in communion of goods will also serve the signature of the spouse to make valid the power of attorney.

## **The real estate leasing**

In Italy, since 2016 there has been the possibility of entering into a leasing contract also for the purchase of the first house.

The leasing company, which is a bank or a financial company, buys the property chosen by the client, so the interested party will have to talk to them to have the availability.

Corresponding a monthly fee for a given period, at the end you will have the opportunity to redeem the property (which in the meantime you are using).

Residential real estate leasing has many similarities with the mortgage but the monthly payment is less onerous, unlike the final one that then serves to redeem the ownership of the property.

To gain access to the lease, you must have an income of less than 55,000 euros per year and be considered solvent by the bank.

Any type of tax or expense related to the property will be borne by the person who signs the leasing contract even if, until the ransom with the maxi final installment, the company remains in possession of the property.

## **Rent to buy**

From 2009 in Italy it is possible to use the Rent-to-Buy formula to acquire ownership of a property.

This is the possibility of buying a property after a period in which the lease has been paid.

Depending on the type of contract chosen, the purchase will not be mandatory. The contract duration is usually set in 3 years, without prejudice to the purchaser's right to bring forward the date of deed as desired.

Also in this case until the time of deed, the ownership of the asset remains with the seller.

If the Rent to buy is chosen, a rental document and a preliminary document that regulates the future sale will be signed at the signing of the contract.

The rent in this case, will have a fee above average because a part will be a down payment on the price of the property.

In case of non-fulfillment by the tenant, the owner has the right to get back the apartment, and to withhold the fees paid (this happens unless something different has been foreseen in the contract). If the owner does not respect the agreements, the tenant can get back the part of the rent set aside as an advance, plus legal interests.

The contract is concluded in advance in the event of non-payment of at least one twentieth of the total amount due.

## **The sale with reservation of ownership**

There is also the possibility of buying a property in installments, the so-called "vendita con riserva di proprietà" (sale with reservation of ownership).

In this case a real sales contract is stipulated and the purchaser takes full possession of the house, committing himself to pay in installments the amount agreed for sale.

In this situation the property remains of the seller until all the sum established is paid.

In the event that the buyer does not honor the contract, the seller may request the termination, but must return the sums already received, except for a part by way of compensation, and in addition will be a fair compensation for the use of the property from the buyer.

This formula can replace the loan and must be explicitly agreed between the parties, who will put it in writing in the notary deed of sale.

Since this is a deed of sale and for all purposes, the sales tax must be paid immediately. Furthermore, all expenses related to the purchased property will be transferred to the buyer.

### **Ask for a mortgage (loan)**

Who does not have the willingness to pay in full the price of the apartment he intends to buy can ask to be financed by the bank through the mortgage.

It is good to know, however, that banks grant mortgages only to those who are able to show that they can afford them. Through a series of documents the applicant will have to demonstrate that he has an economic and income situation compatible with the financing.

Notwithstanding the fact that some banks grant the subrogation (portability) of the loan, that is the possibility, even during construction, to move the loan from one bank to another, to obtain more advantageous conditions.

There is the possibility of extinguishing the loan in advance, by paying the entire amount that remains to be paid in a single payment. Or you can reduce the amount of the debt by making advance payments of mortgage installments.

The mortgage on the main house produces a tax discount of 19% of expenses and interest incurred during the year, for a maximum of 760 euros or 490 euros if they were for construction or renovation.

### **First home benefits**

In Italy it is possible to enjoy a reduced tax regime and pay less taxes when buying the "prima casa" (first home).

This even if the purchased property is not intended for housing for themselves or for a family member.

It should be specified that this is "first home" when the deed is registered.

This facilitation is also due to foreign citizens who buy a house in Italy. To access it, you must have residence in the Municipality where the property you are buying is located or settle within eighteen months.

The house in order to be considered "first home" can not fall into the "luxury" category.

The lawyers of the Studio Legale Favero-Tucci, experts in real estate, help foreign and Italian clients in the acquisition, sale, sale, valorisation of real estate and in the establishment of real estate funds through the preparation of the corporate structure, due diligence , contract consulting, assistance during the lease stage.