



Manzanares
INTERNATIONAL LAWYERS

YOUR
LEGAL GUIDE
TO BUYING A
PROPERTY IN
ITALY

UNITED KINGDOM-IRELAND-SPAIN-BULGARIA-BRAZIL-MOROCCO-ITALY

Preliminary clarification

With this guide, we do not intend to replace the need for the specialised and personalised attention you must demand from one of our qualified professionals you will contact if you wish to buy a property in Italy. Our aim is to provide a general step-by-step idea of the basic questions you must keep in mind in this important and sometimes delicate process; in order to guarantee a safe transaction, with no unexpected surprises.



THE PROCESS OF BUYING A PROPERTY IN ITALY

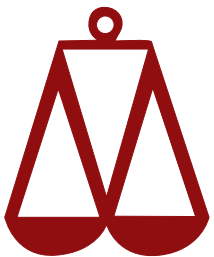
1.1. RESERVING YOUR PROPERTY (RESERVATION “OPTION” CONTRACT)

Once you have found a property you wish to buy, it is essential for you to sign a preliminary reservation agreement with the seller, and pay a reservation deposit of between 3.000 € and 5.000 €. This contract (is like the “option” contract in the U.K. and Ireland) is proof that the property is off the market, and you are in a position to buy it.

Searching process

Once the property is reserved in your name with a preliminary sales contract, we usually have between 15 and 30 days to gather information on the property regarding land register and legal issues. This is necessary in order to verify whether the title deeds for the property are satisfactory, and whether the person selling the property is authorised to transfer their ownership. We also carry out an exhaustive check in order to guarantee that the property is also free from any pending charges, mortgages or debts. If there are any pending charges on the property, we will take the appropriate measures to ensure it is completely settled before the legal ownership of the property is transferred to the buyer.

If you are buying a plot of land, a survey of the land can be carried out, in order to obtain its exact measurements and to identify its borders. This study will include details on whether the land has been classed as buildable, on its access points and on its surface. Likewise, it will provide information on the different building possibilities and on the buildable area, including a detailed plan that will form part of your final title deed.





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If we are dealing with properties in a building phase, we will ensure that the developer meets all appropriate legal requirements: building licence (with a detailed check made in the architectural department of the adequate municipality) and land survey (making sure that the work is taking place on regulated land).

Should our checks unveil any legal obstacles which affect the buying process, our firm will advise you in writing not to continue with the process, and will ensure that the initial deposit you paid is returned in full by the selling party.

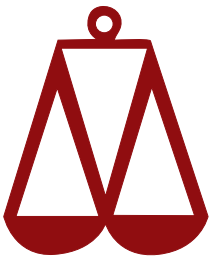
In any case, and as part of our process, we will run checks on the reputation and solvency of the builders/developers, obtaining references that the property will be built and handed over in the terms and conditions stated.

1.2. EXCHANGE OF CONTRACTS (*Compromesso*)

Once the checks on the property have been made, and after guaranteeing that the legal situation of the property allows the sale to take place, you can sign the so-called *Compromesso*.

The *Compromesso* is an important document containing information on the buyer and the seller, the description of the property, the price of the sale, the method of payment, the date the contract is formalised, the date you take possession of the property, etc.

Once both parties have signed the *Compromesso* and the deposit has been paid, the contract becomes a legally binding document. The amount payable as deposit at this stage and the structure of payments until completion varies, depending on the developer.





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The deposit paid in this stage is called “*caparra confirmatoria*”, if the developer did not conclude the transaction, he would have to pay double the amount of *caparra confirmatoria* to the client. If the client did not conclude the deal the developer would keep the *caparra confirmatoria*.

1.3. SIGNING OF TITLE DEEDS (*Rogito*)

The property sale process is finalised before a Notary, with the buyer and seller signing the Deed of Sale. The Notary is a public official. His or her duty consists in identifying the buyer and the seller, and ensuring that all legal requirements have been met, and that the amount due to be paid has been settled.

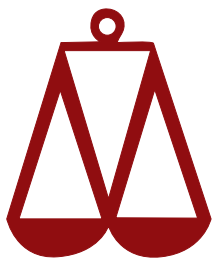
If you are unavailable during finalising of the deeds, we can take care of it by means of a power of attorney, which means we can carry out all necessary procedures in your name. In fact, and for our client’s peace of mind, it is common practice at our company to have a valid power of attorney at the beginning of all buying and/or selling operations.

a) Taking possession and handing over of keys

Immediately after the deeds have been signed, the buyer is handed the property keys, and can take possession of the property.

b) Final title deeds and property registration

The property registration procedure entails the payment of all the taxes applicable to the property and the obtention of the final register stamp for the Title Deeds, which guarantees the transfer of the property.



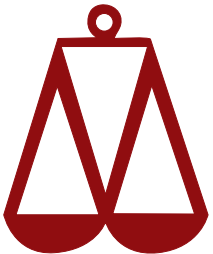


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This procedure is an important step, and takes place just after you have taken possession of your property.

c) Collecting documents

Once the Property Register has returned the Title Deeds, we will arrange the best time for you to collect it from our offices, together with the rest of the documents you must keep.





ASIC NECESSARY FORMALITIES

There are various basic formalities you must take into account when completing your property purchase process in Italy:

2.1. POWER OF ATTORNEY

To be your legal representative in Italy it is essential that you sign a Power of Attorney on our behalf. With this Power, we should be able to sign contracts, Deeds and all kind of relevant documentation related to your purchase process. We will draft the Power of Attorney that could be signed, at your convenience, either in Italy or through our London office. If you live in the U.K. or Ireland, our London/Dublin offices we will be able to make the necessary arrangements for you to obtain the Power at the closest Notary's office to your home; this would include the subsequent Apostille of The Hague with which the Power has to be stamped to be valid in Italy. We will take care of everything.

2.2. ITALIAN BANK ACCOUNT

It is essential to have an account in an Italian bank in order to contract utility services and to pay them by direct debit. We will take care of opening a bank account for you in Italy.

2.3. TAX IDENTITY NUMBER (*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.





BASIC NECESSARY FORMALITIES

This is obtained from the local tax office (*Agenzia delle Entrate*). However tempting it may be, if you do not obtain a number you will find that it will cause you great inconvenience in the future if you do not have one.

2.4. ITALIAN WILL

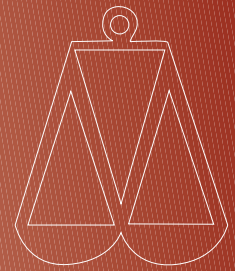
It is highly advisable that you bear in mind the Italian Inheritance Tax, which is the tax to be paid in “mortis causa” property ownership transfers, and to be aware of the ways of mitigating its effects.

In that sense, you have the chance of signing a Will over for your new property in Italy. This Will could even be signed in the UK and be valid in Italy. The Will can be dealt with in the U.K and Ireland from our London and Dublin offices. We will be able to make the necessary arrangements for you to obtain the Will at the closest British Notary’s office to your home; this would include the subsequent stamp of the “Apostille of The Hague” for it to be valid in Italy. We will take care of the whole process.





AXES IN ITALY



The purchase of a property in Italy as a non resident, and being a resident there, involves a series of fiscal obligations which must be met:

3.1. *IMPOSTA SUL VALORE AGGIUNTO (V.A.T).*

This is charged at 10% on all new properties except luxury homes, which bear 20%.

3.2. *IMPOSTA DI REGISTRO (REGISTRATION TAX)*

This is a tax payable when you purchase either agricultural land or a house, apartment or building plot.

Usually it is a fixed tax of 168 €.

3.3. *IMPOSTA IPOTECARIA (MORTGAGE TAX)*

This is a tax payable when you purchase either agricultural land or a house, apartment or building plot through a mortgage loan.

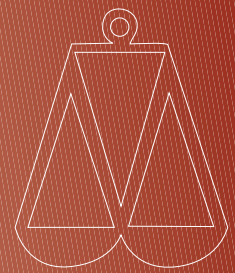
Usually it is a fixed tax of 168 €

3.4. *IMPOSTA CATASTALE (TAX FOR INVENTORY AND ASSESSMENT OF REAL PROPERTY)*

This is a tax payable when you purchase either agricultural land or a house, apartment or building plot.



AXES IN ITALY



Usually it is a fixed tax of 168 €.

3.5. WEALTH TAX

There is no wealth tax in Italy.

3.6. ICI (LOCAL TAX)

This is the main local property tax affecting owners of properties in Italy.

The amount of the tax is calculated by reference to the "rendita catastale" (official value of the property) registered in respect of all properties in Italy.

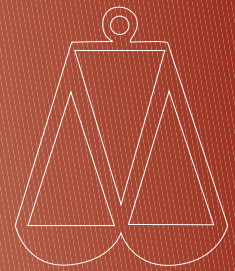
The official values were, until recently, very low.

They are now rapidly rising, pursuant to a policy of the Italian Government that will result in the official values approaching the real value of the property.

In general terms, local taxes will cost less than taxes on a similar property in the UK, and will usually be between 0.4% - 0.9% of the estimated value of the property fixed by government tables.



AXES IN ITALY



3.7. TASSE LOCALI (ADDITIONAL LOCAL 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.

3.8. CAPITAL GAIN TAX – REAL ESTATE

Since 2002 no more capital gain tax exists in Italy.

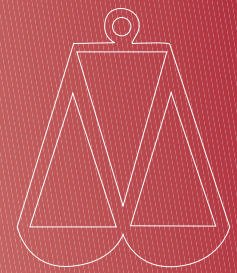
3.9. INCOME TAX - IMPOSTA SUL REDDITO DELLE PERSONE FISICHE (IRPEF)

Residents of Italy are subject to income tax on their worldwide income, whilst non residents are subject to income tax only on income arising in Italy, e.g. rental income from a property in Italy.

A person not resident in Italy for tax purposes must still make an annual declaration of any Italian income.



TAXES IN ITALY



The 2008 income tax rates are:

| TAX (%) | TAX BASE (EUR) |
|---------|-----------------|
| 23% | 0-15.000 |
| 27% | 15.001-28.000 |
| 38% | 28.001-55.000 |
| 41% | 55.001-75.000 |
| 43% | 75.001 and over |

You do not need to file a tax declaration if you have no income in Italy.

If you are resident in Italy, certain relief is available depending on the composition of the family, and the level of your income.

3.10. RENTAL INCOME

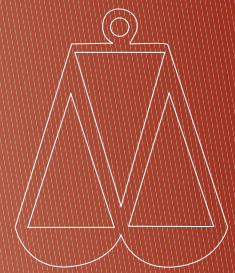
If you let a property in Italy you will be taxed on (usually) around 25% of the rental income received, depending on the area. Nevertheless you will be able to set off certain expenses against that income (repairs, management expenses, local taxes etc.).

3.11. NOTIONAL INCOME TAX

If you do not rent out your property in Italy, you will be liable to pay tax on the notional rental value of your property in Italy.



AXES IN ITALY



This is based on the official *rendita catastrale* (rateable value). It is normally small. It's about 0,08% - 0,09% of the value of the property.

This notional income does not apply where you are resident in Italy and the property is your main home.

3.12. GIFT AND INHERITANCE TAX

Spouses and next relatives are charged a 4% of the value, just over € 1.000.000. Within € 1.000.000 no gift and inheritance taxes for Spouses and next relatives

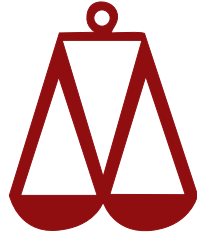
For other relatives to the limit of the fourth line of relationship the tax is 6% of value with an exemption of € 100.000. Where the beneficiary is not related to the donor, gift and inheritance tax will be 8% of value with no exemptions.

3.12.1. **IMPOSTA IPOTECARIA FOR GIFT AND INHERITANCE**

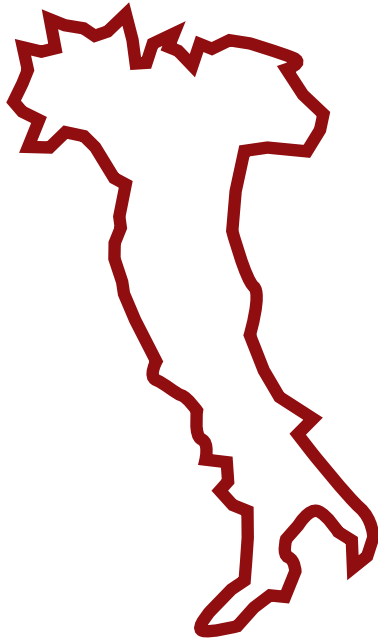
Usually it is a 2% value of property of calculated by reference to the "*rendita catastale*" (official value of the property) registered in respect of all properties in Italy.

3.12.2. **IMPOSTA CATASTALE (TAX FOR INVENTORY AND ASSESSMENT OF REAL PROPERTY) FOR GIFT AND INHERITANCE**

Usually It is a 1% value of property of calculated by reference to the *rendita catastale* (official value of the property) registered in respect of all properties in Italy.



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