

Guide to Real Estate Taxation in Italy For Foreign Buyers

1. Introduction

Italy is a sought-after destination for real estate investments, offering stunning landscapes, rich culture, and a high quality of life.

However, understanding property-related taxes is essential for foreign buyers. This guide explains the taxes you will encounter when purchasing and owning property in Italy, tailored to non-residents.

2. Taxes on Property Purchase

When purchasing property in Italy, the following taxes apply:

- **Registration Tax (Imposta di Registro):**

Paid at the time of purchase for resale properties. The rate is:

- **2%** of the cadastral value for primary residences.
- **9%** for secondary homes.
- A minimum of €1,000 applies.
- **Value Added Tax (IVA):**

Applies to new properties purchased from developers. Rates are:

- VAT **4%** for primary residences.
- VAT **10%** for secondary homes.
- VAT **22%** for luxury properties.
- **Stamp Duty (Imposta di Bollo):** Generally €50.
- **Mortgage Tax (Imposta Ipotecaria):** Usually €50.
- **Cadastral Tax (Imposta Catastale):** Usually €50.

Important: Non-residents may purchase a primary residence under specific conditions, such as becoming a tax resident within 18 months.

3. Annual Property Taxes

Owning property in Italy entails the following annual taxes:

- **IMU (Imposta Municipale Unica):**

What is IMU?

The **IMU (Imposta Municipale Unica)** is a local property tax in Italy applied to property owners. It primarily applies to second homes, luxury properties, and certain types of land, while primary residences (with exceptions) are generally exempt.

Understanding how IMU is calculated is essential for managing your property tax obligations effectively.

1. Steps to Calculate IMU

1.1 Start with the Cadastral Income (Rendita Catastale)

The cadastral income is a value assigned to the property by the Italian Land Registry (**Catasto**). This value represents the potential income of the property and serves as the base for the calculation.

1.2 Reassess the Cadastral Income

The cadastral income must be increased by 5% to obtain the **reassessed cadastral income**:

1.3 Calculate the Taxable Value

The reassessed cadastral income is then multiplied by a **cadastral coefficient**. This coefficient is determined by the local municipality and varies depending on the type of property.

- **160:** Residential properties (categories A, except A/10).

1.4 Apply the Municipal Tax Rate

The taxable value is multiplied by the **municipal tax rate**, which varies by location and property type.

- **Luxury primary residences (categories A/1, A/8, A/9):** Base rate of **5‰**, adjustable between **0‰ and 6‰** by the municipality.
- **Second homes and other properties:** Base rate of **8.6‰**, adjustable between **0‰ and 10.6‰** by the municipality.

The formula is:

2. Example: Second Home (Residential Property)

1. **Property Details:**
 - Cadastral income: €500.
 - Cadastral coefficient: **160**.
 - Municipal tax rate: **10.6‰** (0.0106).
2. **Calculate the Reassessed Cadastral Income: $500 * 1,05 = €525$**
3. **Calculate the Taxable Value: €84.000**
4. **Calculate the IMU: €890,4**

3. Payment Deadlines

IMU payments are divided into two installments:

- **First installment (advance):** Due by **June 16th**.
- **Second installment (balance):** Due by **December 16th**.

Alternatively, you can pay the full amount by **June 16th**. Payments are made using:

1. The **F24 tax form**.
2. A **postal payment slip**.
3. Most Municipalities allow foreign owners to pay thru a bank transfer

Good News for Buyers

You don't need to worry about doing all these calculations yourself!

- The **cadastral income** and other details required for the calculation will already be present in the **deed of purchase** or in a simple **land registry extract (visura catastale)**.
- You can rely on the assistance of a **tax professional** or your real estate agent to ensure the correct IMU calculation and payment.

Owning property in Italy can be an enjoyable and rewarding experience when the administrative side is managed smoothly. 😊

- **TARI (Tassa Rifiuti):**

TARI (Tassa sui Rifiuti) is Italy's waste management tax, designed to cover the costs of municipal waste collection and disposal. It applies to property owners who own a property in Italy, regardless of how often the property is used.

How and When is TARI Paid?

- **Payment Responsibility:** As a property owner in Italy, you must register with the local municipality (Comune) to calculate and pay TARI.
- **Payment Schedule:**
 - TARI is typically billed in 2 installments throughout the year.
 - Deadlines for payment are set by the municipality, with a final balance due after the annual calculation.
- **Payment Method:**
 - Bills are sent to your registered address or available online through the municipality's portal.
 - Payments can be made at post offices, or thru a bank transfer.

How is TARI Calculated?

TARI is based on:

1. **Property Size:** The size of the property (measured in square meters).
2. **Property Use:** Residential or non-residential use.
3. **Number of Occupants:** The estimated waste production is linked to the assumed number of residents.
4. **Municipality Rates:** Each municipality sets its own rates, so costs can vary significantly across Italy. The average costs for a 2-bedroom apartment in the North of Italy goes between €200 to €400 per year.

Important Notes for Foreign Buyers

- Even if your property is rarely used, you are still liable for TARI, although at a potentially reduced rate.
- Register your property promptly with the municipality to avoid fines.
- Consult your local municipality or property manager to understand local rules and calculate costs accurately.

4. Taxes on Rental Income

If you plan to rent your property:

- **Progressive Taxation:** Rental income is added to your overall income and taxed according to income brackets.
- **Cedolare Secca (Flat Tax):** A flat tax of **21%** for long-term leases, or **10%** for controlled rent agreements (“contratti concordati”).

Non-residents must declare rental income in Italy, and tax treaties may apply to avoid double taxation.

5. Taxes on Property Sale

When selling property in Italy, certain taxes apply:

- **Capital Gains Tax (Plusvalenza):**
- Applied if the property is sold within 5 years of purchase.
- Taxed at **26% of the profit** (calculated as the difference between the selling price and the original purchase price).
- **Exemptions:**
- No capital gains tax is due if the property was your primary residence.
- **Deductible Expenses:**
- Property owners can deduct certain costs from the taxable profit to reduce the capital gains tax liability, including:
 - **Real estate agency fees** paid during the purchase.
 - **Expenses for structural improvements** that have increased the property’s value (e.g., renovations, extensions, or energy efficiency upgrades).

- All deductions require **official documentation** (e.g., invoices, contracts) as proof of the expenses.

Tip: A professional real estate agent with experience in international transactions can assist in documenting and optimizing these deductions.

Purchase by a Foreign Legal Entity: From a Company or a Private Seller

When a foreign legal entity purchases a property in Italy, the tax rules depend on the seller's status. However, the transaction is almost always subject to **VAT**, regardless of whether the seller is a company or a private individual.

1. Purchase from a Company (Subject to VAT)

If the seller is a company (e.g., a developer or business entity), the following rules apply:

- **VAT:**
- **10%** for residential properties (not classified as luxury).
- **22%** for luxury properties or non-residential use (e.g., offices, shops).
- **Fixed Taxes:**
- Registration Tax: **€200** (flat rate).
- Mortgage Tax: **€200** (flat rate).
- Cadastral Tax: **€200** (flat rate).
- **VAT Deductibility:**
- If the legal entity uses the property for VAT-related activities (e.g., short-term rentals under the VAT regime), the VAT paid on the purchase can be deducted.

2. Purchase from a Private Seller

If the seller is a private individual, the transaction is still subject to **VAT**, as the buyer is a legal entity. The applicable taxes are:

- **VAT:**
- **10%** for residential properties (not classified as luxury).

- **Fixed Taxes:**
- Registration Tax: **€200** (flat rate).
- Mortgage Tax: **€200** (flat rate).
- Cadastral Tax: **€200** (flat rate).

Note: Even though the seller is a private individual, VAT applies because the buyer is a legal entity, and the transaction is considered relevant for VAT purposes.

3. Additional Considerations

Permanent Establishment and VAT

- A foreign legal entity might be required to establish a **Permanent Establishment (PE)** in Italy if the property is used for continuous economic activities. The PE becomes the Italian tax entity responsible for managing VAT, direct taxes, and other fiscal obligations.

Deductions and Benefits

- VAT paid on the purchase can be fully deducted if the property generates taxable income (e.g., tourist or commercial rentals).
- Expenses for structural improvements and extraordinary maintenance may also be deducted from corporate taxes (IRES, IRAP).

Annual Taxes

- Legal entities are subject to the same annual property taxes (IMU, TARI) as individuals, but without exemptions for primary residences.

Summary Table

Seller	VAT	Fixed Taxes
Company	10% (residential) / 22% (non-residential)	Registration Tax: €200 Mortgage Tax: €200 Cadastral Tax: €200
Private	10% (residential) / 22% (non-residential)	Registration Tax: €200 Mortgage Tax: €200 Cadastral Tax: €200