

ITALIAN PROPERTY TAX INFORMATION

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Italian Property Tax Information

Non-residents are taxed in Italy on income arising from Italian sources only are liable to a number of property related taxes outlined below.

An individual is considered resident in Italy for tax purposes if s/he spends 183 days or more during a tax year. The 183 days need not be consecutive.

Non-residents may be liable for taxes on income, capital gains and inheritance. There is no wealth tax in Italy. There are no restrictions placed upon non-residents willing to purchase a property in Italy.

Italian Tax Identification Number (*Codice Fiscale*)

In order to buy property in Italy, non-residents should be registered with the Italian tax authorities and to have a tax identification number.

The *Codice Fiscale* is an **Italian tax** identification number used in all interaction with government agencies and public administrations in Italy. It is a unique identity code devised from an individual's name, date and place of birth. It is similar to the National Insurance number (NI) in the UK or the Social Security Number (SSN) in the US. The *Codice Fiscale* is issued by the *Agenzia delle Entrate* of the Ministry of Economy and Finance of Italy. It is a plastic credit card-sized card with the unique 16 alphanumeric digit code for physical person (or 11 numeric digit code for legal entities).

Italian property definition of terms:

Under Italian Law, a property has a legal (cadastral) value also known as Valore Catastale and declared value. The Cadastral Value is a statutory value placed on the property by the Government; it is a multiple of the legal rent and generally substantially less than the actual purchase price. The declared value is reflected in the Notary deed and should be equal to the purchase price.

Italian Individual Income Tax (IRE)

IRE applies to both resident and non-resident individuals. Non-residents are subject to IRE only on income, which is considered to arise in Italy.

The income from land and buildings is one of the categories, IRE is based upon.

Unoccupied building has a imputed income on a legal (cadastral) rent - *Rendita Catastale* - which is determined by the legal value of the property.

In case property is rented out the taxable basis is the higher between the imputed cadastral income and the actual net rental income - gross rents after expenses at a flat-rate of 15% of the gross income.

The **Italian Income tax** rates vary between 23% and 43%. Personal income tax return is to be filed by 31st of July.

In addition, a regional surcharge (*Addizionale Regionale*), ranging from 0.9% to 1.4% is levied under IRE depending on the level of income and region of residence together with a municipal surcharge (*Addizionale Comunale*) of up to 0.8% depending on the municipality.

Italian Corporate Income Tax (IRES)

The standard rate of corporation tax (IRES) is 27,5%. A local profit tax (IRAP) generally applies, for business activities only, at 4.25% on an adjusted profit figure which is calculated by deducting production costs from sales value, with wages and interest expenses (for non-financial companies) not deductible. IRES and IRAP taxable bases are different, so the effective tax rate is not simply.

These taxes apply to an Italian or foreign resident company holding property in Italy and are generally reportable to the tax authorities on an accounting year basis.

Local Property Tax

Non-resident owners of real estate in Italy are obligated to pay a capital tax named *Imposta Comunale sugli Immobili*(ICI). This is a property tax, levied by the local administration and normally based on the cadastral value of the property. The tax rate depends upon the municipality in which the property is situated and is in the range of 0.4% to 0.7%.

Italian Capital Gains Tax (CGT)

Capital gain made from selling properties within five years of the purchase is subject to withholding tax at 20% (was 12.5% until October 2006).

Sale of properties, which have been owned for more than five years, are exempt from CGT. Properties bought under the *Prima Casa* (main dwelling) status are exempt from this tax as well, but note that non-resident cannot consider any house in Italy as *Prima Casa* (main dwelling).

Value Added Tax / Transfer fees

The buyers of new properties should pay VAT (IVA). It is levied at 10% (for non-luxury properties) and at 20% (on luxury homes with a rating of A1 in the property register), and is included in the price charged by the builder or developer. There's reduced rate of IVA at 4% for resident's *Prima Casa* (main dwelling).

If VAT is not applied, the all purchase registration tax (*Imposta di Registro 7% + Ipotecaria 2% + Catastale 1%*) for house buyers is 10%.

All the buying fees (notary fees, solicitor fees etc.) excluding the registration tax come about from 1% to 2.5% of the purchase price.

Estate agent fees would typically be at a rate of 3% of the actual value of the property. Additional costs such as Surveyor report or translation costs may apply.

Italian Inheritance and Donations Tax

Non-residents are subject to Inheritance and Donations Tax on assets located in Italy. The applicable tax depends on the relationship between the deceased (or donor) and the beneficiary. Tax rates vary between 4% and 8%.

Worldwide income

Rental income received in Italy will first have to be declared before the Italian tax authorities. You may be liable to declare this income within your resident tax return.

If resident in the UK or Ireland you will have to declare any income received in Italy in your annual resident tax return. There is a double taxation agreement between Italy, Ireland and the UK. Double taxation relief applies. Please contact us for further details regarding double taxation relief and/or filing your Resident Tax Return.

CONTACT: Property Tax International today to discuss your Italian tax return and what is required to become tax compliant in Italy and your home country.

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