

Buying a Home in Italy

Why Italy?

It would be easy to write a list of the wonderful properties that are available in Italy, but the reality is that without the Italian people, the country would be empty. The reason for looking for property in Italy is the combination of the houses and apartments that are on sale and the chance to live among such a vibrant, enthusiastic and energetic people.

Some 25 or 30 years ago, there was just a trickle of Britons looking for properties in Italy. Today, that trickle has turned into a torrent. Ask any of those people why they moved to Italy and they'll all tell you the same thing – the Italian lifestyle.

Maybe Italy comes down to just one word – choice. It's a 'live as you want' society, with tolerance being an important word to describe how people live. But there's no way of knowing without giving it a try.

Popular locations – an overview

Italian property prices have risen in recent years – it's no use denying an obvious fact – but, in comparison to other countries, Italy remains pretty good value, especially in rural areas. Of course, anyone looking for a property overlooking the Piazza San Marco in the heart of Venice had better have a pretty deep purse.

But for those prepared to look a bit further afield, to areas that don't have the estate agent's five-star rating, it's still possible to find a lovely home surrounded by towns redolent of history and romance.

There's a lot of Italy to explore, and it's well worth taking some time over it. Many people are still attracted to the classic regions of Tuscany and Liguria, while there are other areas such as Calabria that are more up-and-coming. The trick is to be sure of three things:

- 1) What sort of area should the property be located in? (Mountains, sea, country, in a town, in a village)
- 2) What is the property for? (Holidays, letting, retirement, skiing)
- 3) Does the available budget cover all the costs? (Remember all the hidden extras)

Financing your purchase

When working out how to finance your purchase, consider all the options. Paying cash, if you can afford to, is often recommended, but you may not want to tie up a relatively large sum in this way.

The other options are remortgaging your UK home or arranging a mortgage on your Italian property through a UK or Italian lender. Remortgaging offers the easiest solution. Releasing equity in a UK home means that the second home can be purchased for cash, without the need for another mortgage. However, this may only be feasible for those who own their first home outright.

Several UK mortgage providers will lend funds of up to 80 per cent of the purchase price for a second home purchase over, typically, a 15-year term.

Getting a mortgage in Italy

Bear in mind that a mortgage in a foreign currency can be something of a gamble. Currency markets are volatile, and there is always the possibility of getting your fingers burned if the currency moves against you.

The procedure for obtaining a mortgage from an Italian lender can be lengthy and complex. Mortgages in Italy are based on the property, and self-certification mortgages are not generally available. Borrowing limits are normally based on 30 per cent of monthly income. Projected rental income will not be taken into account.

Proof of income and outgoings will have to be shown. If total outgoings exceed 40 per cent of monthly income, Italian lenders will not be interested in doing business.

Also, chances are that the lender will set the term of the mortgage at around 10 or 15 years. It's quite possible that they will expect the loan to be repaid by the borrower's 70th birthday. It may even be that they'll make it the 65th birthday.

Taxation

Everybody who has financial transactions in Italy must have a tax ID number (codice fiscale) and complete a tax return.

Personal taxation: non-residents

A double taxation treaty exists between Britain and Italy, so tax is payable in one or other country, not both.

Non-residents may be liable for taxes on income, capital gains and inheritance. Obviously, these vary from individual to individual, and it's important to take professional advice. There is no wealth tax in Italy.

The authorities are only concerned with Italian-sourced income. This includes interest on funds deposited with an Italian bank and income from letting a property in Italy. In the case of the latter, it is possible to offset expenses (including repairs to the property,

management costs and so on) against income. The residue is taxed at between 19 and 46 per cent, depending on the amount. Most property owners will pay around 30 per cent.

Personal taxation: residents

For tax purposes, anyone staying in Italy for more than 183 days during a tax year (which coincides with the calendar year) is considered a resident. The 183 days need not be consecutive.

Residents may be liable for taxes on income, capital gains and inheritance. Like many bureaucratic areas of Italian life, the taxation system is extremely complex, and it is essential to take expert advice from a commercialista. Anyone thinking of buying a property in Italy should examine their tax status carefully. By doing so, they may well be able to save money in the future.

Local taxes

Every town council (commune) raises a tax called imposto municipale or imposta comunale sugli immobili (ICI) on property. This is based on the property's rendita catastrale (rateable value), and is usually between 0.4 and 0.7 per cent.

The other tax that is raised locally is called tassa comunali. This funds refuse disposal, cleaning of streets and beaches, and so on.

Money matters

In 2002, Italy exchanged the lira for the euro. Gone are the days when a cup of coffee cost many thousands of lira.

Travellers' cheques and foreign currency can be changed at banks, railway stations and airports, and very often at major hotels (though generally at a less favourable rate).

Remember that when a credit card is used in an ATM in Italy, the user will be paying a fee for the use of the card of anything between 2 and 4 per cent. If you're keen to save money, keep the number of transactions to a minimum.

ATMs are known as Bancomat in Italy (and, indeed, in much of continental Europe). There are many in the cities, and even in small towns. And don't forget your pin number. If you do, you won't be able to draw any cash.

The import and export of currency, whether local or foreign, is limited to approximately 10,000 euros (approximately £7,000). Larger amounts must be declared.

Passports, visas and residency

Passports and visas

Under the Schengen Convention, EU passport holders are entitled to travel freely around the member states of the EU. A visa is not required.

US, Canadian, Australian and New Zealand passport holders are also allowed into Italy for up to three months without a visa.

The law states that visitors must register with the police within three days of entering the country. If you are staying in a hotel, registration takes place automatically.

Residency

A residence permit allows entry into Italy for foreign nationals who intend to take up residence in the country and to support themselves autonomously, without having to rely on employment in Italy. There are two types, a temporary residence permit (ricevuta di segnalazione di soggiorno), which allows the holder to stay for a maximum of three months, and a residence permit (permesso di soggiorno).

The self-employed and those wishing to start a business in Italy should apply for a permesso di soggiorno in the first instance.

The Italian economy

Italy's economy has approximately the same total and per capita output as the economies of France and the UK. Predominantly, industry is located in the north, with a less industrialised and more agricultural south.

The economy experienced little or no growth in 2005, unemployment remained high, and though the government moved, albeit slowly, on implementing a lightening of the heavy tax burden, nevertheless the budget breached the EU ceiling of 3 per cent of GDP.

The structural reform of the economy, with the liberalisation of key sectors such as energy and telecommunications, and interest in the public/private partnership in the public services, is providing new investment opportunities.

Investment potential

Italy is something of an anomaly in the overseas property world. It is a developed country that has been popular with British buyers for almost as long as Spain and France, yet prices in many parts of the country are only now beginning to rise. The habit of British overseas property buyers of seeking out any region with property cheap enough to buy as a holiday home has only now started to take off, while in France Brits seem to have found almost every last corner of unrenovated property.

This means that there are some great opportunities for buyers of both investment properties and holiday home buyers who want to renovate and then sell on. Calabria is the main investment focus for new developments, and large parts of the coastline are now being used for beach properties to take advantage of the low-cost airline routes. The developments tend to be quite small and private, and should make ideal holiday rental provided they are properly marketed.

The profusion of renovation properties across the country make it feasible for amateur developers to think about buying and restoring a property to then sell on for a profit. Consider opportunities carefully for ease of access and proximity to beaches and other attractions.

And finally...

Buying a property in Italy can be a complex procedure. However, it's such a wonderful country, populated by such great people, that as long as buyers take their time, don't allow themselves to be rushed or carried away, and research every detail, there's no reason why they shouldn't end up with *una proprietà bella*, a beautiful property.