

SHORT GUIDE TO BUYING A HOUSE

What kind of house

You have decided to buy a house.

Let's look at the most important technical and legal aspects to check out.

Be sure to obtain the documentation we describe here. You are investing a lot of money and you don't want nasty surprises.

1 - Make sure the house has been built with **regular planning permission**. If it is not of recent construction and has been sold and purchased in other occasions it is certainly ok. If it has been built recently the owner will certainly have the planning permission and the certificate of habitability.

2 - If the building was built **without planning permission** make sure the owner has asked for the condonation ("condono") and is in possession of the concession of condonation issued by the Local Council ("Comune"). Without this document the notary will not stipulate the contract.

3 - If the house is **newly built** the builder himself will show you the documents that ascertain the regularity of the building. If he doesn't, ask the vendor for a copy of the building concession and ask him to show you the plans approved by the "Comune". If they are not forthcoming, beware, but above all don't buy a property if it doesn't figure in the Land Register ("Catasto") as a residential property. Sometimes premises on the top floor or ground floor are considered, in the original plans, as loft spaces or storage spaces. Unscrupulous builders convert them into apartments but in the contract they would be considered as loft or storage spaces. Thus you would pay the price of an apartment for a storage space with the following unpleasant consequences: you won't be able to get a gas or electric supply and you will end up with a valueless property on your hands and you will be unable to rectify the situation.

4 - Make sure there are no **mortgages** on the property, that is that the owner has not incurred debts using the property as a guarantee. To do this you must consult the Property Register Records Office ("Conservatoria dei Registri Immobiliari"). If there are mortgages you need to follow the instructions we in "The steps to purchase and sale" at paragraph 6.

5 - Before signing the contract of purchase ask the administrator of the building, showing him the agreement to sell, for a declaration which shows that the vendor has no debts with the condominium. If there are such debts, the condominium can hold the buyer responsible for their payment.

6 - Make sure the vendor has the sole **right** to sell the property: if he is not the sole owner make sure the other owners are in agreement to sell. This applies to companies, co-owners and where a married couple share ownership.

7 - Another aspect to consider is the **provenance of the property**, in particular if it was inherited by the present owner or was donated to him. Any **heir** who believes he has been treated unfairly has ten years, from the death of the person who has left the **inheritance** or the **donation**, in which he can contest the will and assert his rights, asking that the value of the property is considered as part of the inheritance. In this case the property may have to be sold in order to compensate the claimants. Although you will be able to claim from the person who has sold you the property you can only be guaranteed if the vendor deposits, with the notary, the price of the purchase. In this case the heirs will have the equivalent value at their disposal and you won't have any problems.

8 - If the vendor is a **company** (a builder, a cooperative society, a building society or a private individual concerned in the property business) that goes bankrupt within two years of the sale, the official receiver could declare the sale void and the purchaser's name could be inserted into the list of creditors of the bankrupted person. In a word, make sure the vendor is solvent. In 2005 **regulations** ("Pacchetto di garanzie") were brought in to guarantee buyers. The regulations oblige the builder to issue, free of charge, a warranty ("fideiussione") on the partial payments paid by the purchaser and to sign a ten year policy to guarantee against serious risks to the property. The

obligation concerns those who sell a property before its completion but many builders sell apartments after their completion and, therefore, they are not obliged to give these guarantees.

The value of the apartment

It's a good idea to check out average prices in the area, so as to be able to start negotiations with the vendor, taking into consideration the general conditions of the apartment building and of the single apartment. For average price we mean the cost per square metre for an apartment in normal conditions of maintenance. Often the vendor will enquire about the market trend, will multiply the value by the total area of the apartment and will come up with a price without considering that the value can go up or down according to the type of apartment, its outlook, the condition of its fittings, windows and doors, of the floors, walls and bathroom appliances, and the general condition of the whole building. The vendor will usually ask a price as high as possible, often above the market price. Thus the asking price is one thing, the real price is another.

The word “**area**” means, for sale purposes, the **commercial area** which is calculated as follows: the net area of the apartment, 100% of the perimetral walls and inner walls, 50% of the walls shared with other apartments. Other areas are considered as follows:

Open balconies and terraces	25% of the area
Enclosed balconies and terraces on 3 sides	35% of the area
Patios and colonnades	35% of the area
Verandas (conservatories)	60% of the area
Garden exclusive to the apartment	15% of the area
Garden in villa or detached house	10% of the area
Cellars and attics not habitable	10% of the area
Cellars and attics habitable	25% - 50% of the area

The elements which decrease or increase prices are as follows:

Lower ground floor	- 30%
Ground floor	- 20%
Ground floor with garden	- 15%
Second floor without lift	- 5%
Third floor and above without lift	- 10% each floor
Pent house	+ 20%
Property with more than one bathroom	+ 5%
Single heating system	+ 5%
Absence of heating system	- 5%
Electric wiring not in conformity	- 5%

N.B: As, on the free market, absolute rules on the value do not exist and the agreement between the parties about the value is what is important, the indications we give here, together with the following suggestions, will help you to get an idea about the elements to consider in your negotiations.

The value of an **apartment occupied** by a tenant will be 20% - 30% lower per square metre than a vacant apartment.

The conditions of an apartment building

The state of repair of an apartment building is visible to anyone but works which needs to be done or structural defects which will imply expenses for you after the purchase may not be apparent.

Get information about problems of stability, whether the electrical and heating system are in conformation and if the fire prevention system conforms too. We also suggest that you find out if the heating is centralized, that the condominium has not deliberated its disactivation in favour of single autonomous heating.

The need for important maintenance or renovation work, the adaptation to conformity of the system and the installation of individual heating represent elements to take into account during negotiations.

Other features that will affect the price are the presence of the methane gas supply, the supply of direct water and the drainage system.

The conditions of the apartment

If we consider the interior of the apartment our first impression is important and you must rely on that unless you intend spending money to have it checked out by an expert (architect, engineer, surveyor). It's not a good idea to avoid the help of the expert or trust what you are told, if you notice large and abundant cracks in the walls or ceilings. The expert will be able to decide if they are simply superficial cracks due to ground settling or if there are problems with the structural stability.

The floor tiles and the tiles on the bathroom floor and walls and in the kitchen must be integral and stable. If there are cracked or broken tiles these may be difficult to replace and they may no longer be in production.

It is easier to check out the state of parquet flooring. Old parquet tends to be worn and uneven and the floor boards may be loose.

The evaluation of the electrical wiring system must be more scrupulous. The system should conform to safety regulations but any wiring system over 20 years old will need to be replaced because its components may have lost their isolation capacity.

In new buildings the builder will supply the buyer with the plan of the electrical wiring system. In old apartments it is best to try and locate the passage of the wiring system with the help of the vendor. This will be useful if you have to intervene partially or totally. A good electrician will always be able to detect the position of the electrical wiring.

It is easier to verify the condition of the window and door frames. If they are made of wood you can judge their condition by opening and closing them. You must remember that it is not easy to mend broken window frames and that the cost of replacing a whole window frame or a shutter is high.

Regarding the sanitation, apart from the evaluation of the conditions of the individual bathroom fittings it is best to get information from the occupants of the other apartments. Frequent leaks or infiltrations demonstrate that the water system is old and rusty and will need to be replaced sooner or later.

If a lot of the features of the apartment are old and faulty make sure that this is taken into consideration in the negotiations on the price. A single broken majolica tile doesn't just mean one tile to replace but it often means that all the majolica tiles have to be replaced; a leaking pipe will have the same consequences. Therefore in your negotiations you must consider the cost of complete reconstruction and not just the cost of repairing a single fitting.

Vacant or rented?

This is quite a problem as, often, a rented apartment is purchased because of its reduced price: this can be between 20% and 30% lower depending on the expiry date of the contract and the rent paid by the tenant.

At the present there are two different types of contract: an unrestricted rent contract which lasts for 4 years and which can be renewed for a further 4 years, or a contract with rent facilitations which lasts for 3 years and can be renewed for a further 2 years.

Under the unrestricted rent contract notice to quit can be given at the end of the first 4 years only in the case of necessity and at the end of the 8 years for termination of the contract. Under the facilitated rent contract notice to quit can be given for necessity only at the end of the 3 years and for termination at the end of 5 years. The notice to quit must always be sent 6 months before the respective expiry dates. If, despite the notice to quit, the tenant does not leave the apartment you

will be obliged to sue him for eviction and this may take a long time. Therefore if you need an apartment in which to live immediately avoid purchasing a rented apartment.

If there is a tenant and before you undertake the purchase **get a copy of the lease contract** and get it examined by an expert: you may find that the contract is not legal or that the notice to quit has not been sent in time with the risk that you may have to continue the lease for many years.

Responsibilities of the vendor

The vendor must guarantee that the property is free from defects that may compromise the use to which it is destined. This guarantee does not just consist in a declaration in the notary's deed because if the vendor has, in bad faith, concealed the presence of defects the purchaser can ask that the deed be invalidated or he can ask for a reduction of the price. If, for example, the building should collapse soon after the purchase and you have proof that the vendor knew about such a risk, you can ask for the invalidation of the deed and consequently the restitution of the money you have paid. **The complaint regarding the defects must be made within 8 days from their detection and certainly no later than a year after the purchase.**

While awaiting the stipulation of the deed the parties usually establish the division in instalments of the payment, but the purchaser, while awaiting explanations and accertainments, can suspend the payment if he finds out or suspects that the apartment has been, in the meantime, offered by the vendor as security or that other parties have rights over it.

Other situations that can arise have been described previously.

In the case of a new apartment the guarantee regarding **concealed defects**, not detected at the moment of purchase, lasts for 2 years and they must be reported to the builder within 60 days from the moment of detection. The responsibility of the builder for the **carrying structure** of the building lasts instead for **10 years** and the report must be made within a year of their detection.

Stages of the purchase

In the agreement of purchase and in the deed or contract of purchase the "identity card" of the apartment must be included.

The purchase can be based on a fixed price or a price based on its area in square metres. The price agreed on in the agreement of purchase and consequently in the deed of purchase can be relative to the actual area or measurements of the property (**sale based on area**) or relative to a fixed price (**sale at fixed price**). Fixed price sales are more common.

In the case of a sale based on area either of the parties can request the reduction or the integration of the established price if, at the moment of consignment, the actual area is superior or inferior, even by 1/20, to that indicated in the deed or in the agreement.

The deed of purchase must contain the **written deed**, otherwise it is considered void. It must contain all the elements of identification of the apartment: the description and the location, as well as, the intention to sell, the intention to purchase and the established price. The notary is aware that these elements must be inserted into the deed; it is important, for you, to know the preceding stages.

Simple receipts of deposits and advanced payments might not be considered valid if the motive for the payment and the details about the apartment are not specified. Therefore it is necessary to put down in writing the **agreement of purchase** which is not a compulsory step to take before the deed of purchase but it is a guarantee for the purchaser. If the agreement of purchase is missing the verbal agreement or simple receipts of payment are considered void.

What is the difference between the **agreement of purchase** and the **proposal to purchase**? In the first case both parties are under obligation to respect the purchase and the sale; in the second case, as the proposal is only signed by the prospective purchaser, he is the only person to be under obligation and not the vendor who could have second thoughts. If this happens the prospective purchaser has the right to the restitution of the sole amounts paid.

The details set down in the agreement of purchase will be those to include in the notarial deed:

1 - name and surname of the parties, date and place of birth, address and fiscal code number;

2 - description of the apartment, category and catastral details, apartment building, staircase, floor or level, internal number, year of construction, guarantees of the vendor regarding securities, urban conformities, habitability, debts with the condominium, building restrictions and information on whether the apartment is vacant, occupied by the vendor or rented to a tenant. **Check that the apartment indicated effectively corresponds to the one you have visited, making sure that the details relative to the address are correct, the street, the number, the staircase, the floor or level and the internal number.**

3 - the established price, the method of payment, the amount of the deposit and eventual instalments, the final date within which the deed will be stipulated. **The deposit (usually between 2000 and 5000 euros in proportion to the value of the property) may be confirmatorial or penitential. With the confirmatorial deposit if the purchaser pulls out of the purchase he loses the deposit; if it is the vendor who pulls out of the sale he will have to give back twice the amount of the deposit. With the penitential deposit a penalizing sum will be agreed and this will be paid, without further amounts, by the party who pulls out of the agreement;**

4 - the details of the notary who is usually chosen by the purchaser;

5 - if the vendor is the occupant of the apartment, it is advisable to establish when and how he will vacate it, preferably before signing the deed, and to subordinate the payment of the apartment to the vacating of it;

6 - particular attention to eventual **securities**: it is advisable to insert into the agreement of purchase an explicit declaration by the vendor that confirms that the apartment is not subject to securities, servitudes, architectural and landscapes bonds. If the apartment is mortgaged or is subject to security you will have to request its release or cancellation. **Otherwise at the moment of the signing of the deed we suggest you withhold the amount to cover the security depositing it with the notary with instructions to give it to the vendor as soon as he has cancelled the same;**

7 - if there is a transfer of a mortgage from the vendor to the purchaser or if you are purchasing from a builder, the exact amount of the mortgage must be indicated, the details of the latest payment, the eventual term loan. If the instalments of the mortgage, before they are divided among the various apartments, are paid directly to the builder who, in turn, pays them into the bank, check with the bank that the paying-in is regularly effected: it has been known that the builder has not paid in the instalments and the bank has come down on the purchasers;

8 - if the **notarial deed is to be signed at a much later date than the agreement of purchase** it is advisable **to register the agreement of purchase** at the Territorial Agency (ex Property Register Records Office). In this way the purchaser is protected from "prejudicial" transfers from the vendor (for example in the case of repossession).

The real estate agency

The complexity of the numerous controls on an apartment you are thinking of purchasing and the lack of time often make you go to an estate agency.

Authorized real estate agents are listed at the Chamber of Commerce where they have had to sit an exam and they are in possession of an identity card. The law states that no money is owed to someone who practices the profession illegally. The estate agent must, by law, verify the details of the apartment, the ownership, the presence of bonds and he must, with suitable clauses, guarantee both vendor and purchaser. Very often the agent himself will help you find a mortgage.

The interested purchaser will be given a proposal to purchase/ to sign in accordance with the owner, and at the same time he will hand over a deposit. The owner must give an answer within 8/10 days and, **if in the meantime he has accepted the deposit, in cash or cheque, the proposal is considered accepted.**

An estate agent cannot purchase apartments directly. If an agency does so the vendor or the purchaser must be aware: it is, almost certainly, purchasing at an extremely low price in order to make profit on a higher sale.

Both the vendor and the purchaser have to correspond a fee to the agency. There is no law that quantifies how much an agent can ask. Indications can come from local uses and the Chamber of

Commerce. At the present time a fee inferior to 2% of the price of sale is reasonable request but many agents are happy with 1-1,5%. Remember to get a receipt as real estate expenses can be deducted from your taxes for up to a maximum of 1000 euros. The name of the real estate agent and his fee must be indicated in the notarial deed.

The expenses for the deed and taxes

The expenses for the contract of purchase (**notarial deed**) are paid by the purchaser and are, in percentage, proportional to the **value of the property**. The higher the value of the property, the lower the percentage requested by the notary, this will fluctuate between 0,7% and 2%.

When you buy a house you, the purchaser, must also pay the **registration tax** or alternatively VAT (“IVA”), **mortgage and catastral taxes** that are calculated on the price of sale and the legal status of the vendor as follows:

VENDOR	TAXES
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Purchased from:

Private individual, firm (not building), building or renovation firm that is selling 4 years after completion of work	register	7%
	mortgage	2%
	catastal	1%

Building or renovation firm that is selling 4 years after completion of work	IVA	10%
	register	168 €
	mortgage	168 €
	catastal	168 €

Tax reductions for the purchase of your first house

When you buy your “**first house**” you will be entitled to a **tax reduction**.

Purchasing from a private individual	register	3%
	mortgage	168€
	catastal	168€

Purchasing from building or renovation firm within 4 years from completion of work	IVA	4%
	register	168€
	mortgage	168€
	catastal	168€

Purchasing from firm (not building)	IVA	nil
Purchasing from building or renovation firm within 4 years from completion of work	register	3%
	mortgage	168€
	catastal	168€

To be entitled to the tax reductions “first house” the property you have purchased does not have to be lived in by yourself or family members. You are being helped to purchase a house, the use to which you put it is your business as long as the qualifications, we later describe, apply.

The entitlements will be recognized at the moment of the registration of the deed. They are valid not only in deeds of purchase but also when you acquire the bare ownership, the right of abode, use and usufruct.

Acquisition of accessories

The reductions for the “first house” are relative to the acquisition of its accessories too, even if this is covered by a separate deed, but it only applies to one single accessory in each of the following catastral categories:

- C/2 (cellar or attic space)
- C/6 (garage or covered car port)
- C/7 (closed or open sheds)

The above mentioned accessories may be situated near the main habitation but they must be destined to the continuous use of the inhabitants.

Requirements needed to benefit from “first house” reductions

The first requirement is that the apartment or house is not a “luxury” property, for example over 160 square metres, with expensive inlaid wooden fittings, brocade-covered walls, a swimming pool, etc.

Once it has been established that the house is not “luxury”, the benefits will be available, whatever the catastral category of the property, only in the presence of the following conditions:

a) the property must be situated in the “Comune” in which the purchaser or where he intends to reside within 18 months from the deed or in the “Comune” where the purchaser has his main activity;

b) the purchaser must not be the owner or co-owner of property, usufruct, or have the right to use and habitation of other houses in the “Comune” where he is buying the property;

c) the purchaser cannot have already benefited from the reductions (first house) anywhere in the country, either as sole owner or co-owner or as holder of use, usufruct, habitation, or bare ownership.

Tax payers who don't hold Italian citizenship can benefit only in the presence of the foreseen conditions and, in particular, when the purchaser is resident in the Comune in which the purchaser property is situated (or he becomes resident within 18 months).

If all the requirements above are met the “first house” benefits are available even if the property is purchased by a minor or by other incapable, unfit or unqualified persons.

The conditions b) and c) and the obligation to establish residency within 18 months undertaken by the purchaser who does not yet reside in the Comune where the property is situated, must be accompanied by a specific declaration to be included in the deed of purchase.

When “first house” benefits can be lost

The purchaser can lose the benefits if:

- the declarations at the stipulation of the deed are false
- if he does not transfer his residency to the Comune where the property is situated within 18 months
- if he sell or donates the property within 5 years from the date of the purchase, unless within 1 year he purchases another property to destine as his main abode.

The benefits are not lost if, within 1 year from the date of the sale or donation the tax payer purchases a plot of land and within that year he builds a construction not luxury on that land destined to be his principal abode.

The loss of the benefits entails the recovery of the difference between the tax paid and that due, of the interest and the application of a sanction equal to 30% of the tax.

How to calculate the taxes

Taxes are calculated on the value of the property (rateable value) declared in the notarial deed in the sale between private individuals, **the value of the property can corresponds to the catastral value** and therefore to a value inferior to that of the market, **on condition that in the deed the value indicated is effectively that of the sale.**

When the vendor is a **firm** or a private person acting in a commercial status the **value** to declare is the **effective market value**.

How to calculate the catastral value

The **catastral value** is determined by multiplying the **catastral revenue** (raised by 5%) by the following coefficients:

- 110 for the first house
- 120 for buildings in catastral groups A,B,C (except A/10 and C1)
- 60 for buildings of category A/10 (offices and private studios)
- 40,8 for buildings of category C/1 (stores and shops)

Principal catastral categories

CATEGORY	PROPERTY TYPE
A/1	Luxury habitation
A/2	Civil habitation
A/3	Economical habitation
A/4	Low cost habitation
A/5	Very low cost habitation
A/6	Rural habitation
A/7	Detached house
A/8	Villa
A/9	Castles and palaces with artistic and historical value
A/10	Offices and private studios
A/11	Typical regional habitation

B/1	Colleges, boarding schools, nursing homes, convents, barracks
B/2	Clinics and hospital
B/3	Prisons and borstals
B/4	Public offices
B/5	Schools, scientific laboratories
B/6	Libraries, art galleries, museums, academies
B/7	Chapels and oratories not for public use
B/8	Basement or underground storage spaces

C/1	Stores and shops
C/2	Warehouses and storage depots
C/3	Laboratories for arts and crafts
C/4	Buildings and premises for sport activities
C/5	Bathing establishments and spas
C/6	Cow sheds, stables, barns and garages
C/7	Closed or open sheds

Final advice on purchasing and mortgages

Before purchasing a house here are some practical considerations.

The type of purchase, from a **private individual** or from a **builder**, depends on your budget. Remember that banks will not usually finance you for more than 70-75% of the cost of the property and consequently the remaining 30-35% will have to be paid for in cash. So banks do provide mortgages for 100% of the value of the property. But if your income does not permit you to put money aside as savings you will hardly be able to afford monthly instalments of 1.600,00 € to pay off a 15 year mortgage of 200.000,00 €.

In fact you can consider a **reasonable mortgage rate one that is calculated on 33% of your income**, this means that an instalment of 1.600,00 € presumes that your net monthly income is around 5.000,00 €.

It's best to find a bank (rare) that provide mortgages of 25-30 years, considering that **the mortgage must be paid off by the age of 75.**

The most practical way of purchasing is from a builder or from a cooperative society. In these cases, usually, after an advanced payment the cost not covered by the mortgage is paid in instalments as the work progresses.

It's always best, before signing an agreement of purchase, to **go to a bank and find out if and up to how much you will be able to get a mortgage.** It will be easier, then, to find the right apartment to fit that mortgage.

Now let's take a look at the principal types of **interest rates** applied to mortgages:

Fixed rate > the interest rate remains constant for the duration of the mortgage.

This is suitable when:

- you want to pay equal instalments and know from the beginning the total amount you will be owing
- an increase in inflation is expected and rates may go up
- you are salaried with an average wage

Advantages: the fixed rate mortgage offers the possibility to plan effectively the family budget eliminating the risk from increases in rates.

Flexible rate > the rate of interest fluctuates according to one or more elements specifically indicated in the mortgage contract (inflation, rise in the cost of money).

This is suitable when:

- you want to take a risk on the fluctuation of the economy
- a fall in the economy is expected
- you have an average to high income
- the amount of the mortgage is high.

Mixed rate > the rate, agreed on initially, can be modified on the expiry dates and at the conditions established in the contract.

This is suitable when:

- a rise is expected initially followed by a fall in later years
- you don't want to make an immediate definite decision on the type of rate.

Some banks, with an aim to attract customers, propose an **entrance rate**, that is an initially very low rate applied for a limited period. At the end of that period the rate agreed upon, in the contract, is applied.

(Traduzione di **Gillian Mortimer**)