

# The Italian Startup Act

Italy's national strategy  
to support **innovative startups**  
and **innovative SMEs**



July 2019



**Ministry of Economic Development**  
Directorate-General for Industrial Policy,  
Competitiveness, and SMEs

✉ [startup@mise.gov.it](mailto:startup@mise.gov.it)

**1.**

# Innovative startups definition and incentives



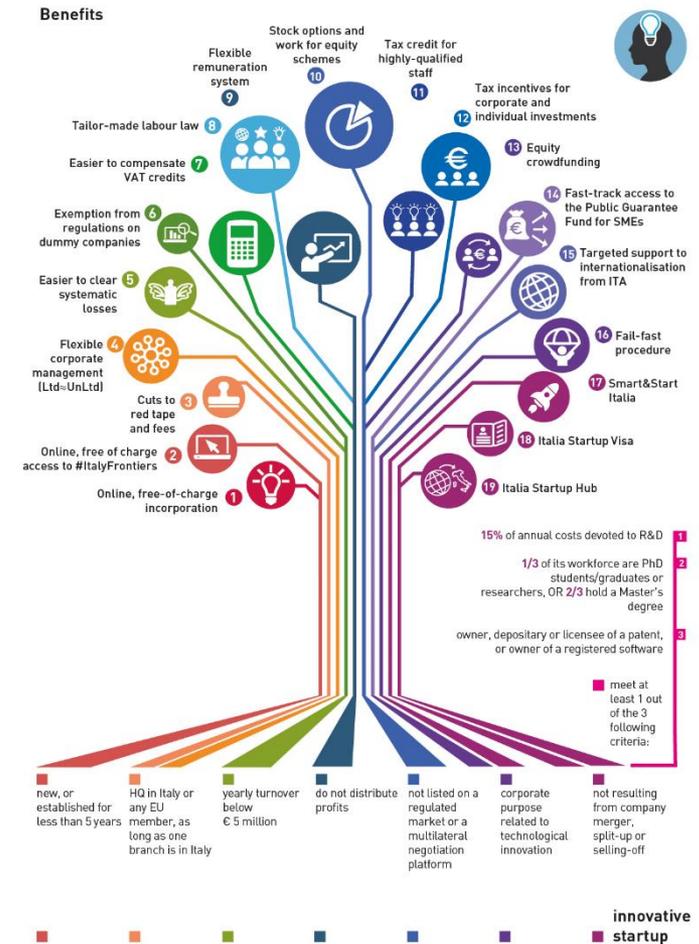
# The Italian Startup Act

## Vision and policy approach

→ Launched in 2012, the Italian Startup Act is a comprehensive legislative framework aimed at facilitating the creation and the growth of new hi-tech companies.

- I. The ISA introduces a legal definition of **innovative startup**, attributing to this category a specific set of facilitations and exemptions: a novel approach in the EU and OECD countries.
- II. Companies that fulfil the requirements can (self selection) register as innovative startups at their local Chamber of Commerce, and benefit from a vast array of policy measures.

The support measures are designed to help startups throughout their whole **life-cycle** (first steps, growth, maturity) and to affect the national **startup ecosystem** as a whole (investors, incubators, universities...)



# The Italian Startup Act:

## A legal definition of «innovative startup»



- **limited companies** (including **cooperatives**)
- **new businesses**, or operational for **less than 5 years**
- **HQ in Italy** or in another EU country, with at least a production site branch in Italy
- **annual turnover below €5 mln**
- **not listed** on a regulated market nor on a multilateral negotiation system
- **do not distribute profits**
- are not a result of company merger, split-up or selling-off
- **Develop, produce and commercialise innovative products or services with a clear technological component**

# The Italian Startup Act: A legal definition of «innovative startup»



Moreover, a startup is considered innovative if it meets at least 1 of the 3 following conditions:

1. **expenses in R&D and innovation** are at least **15%** of *either* its annual costs *or* its turnover (the largest value is considered).  
*Newly-established startups that have not filed their first accounts yet will provide a forecast of R&D expenditure.*
2. employs **highly qualified personnel** (at least **1/3 PhD holders and students, or researchers, or at least 2/3 Master's graduates**)
3. is the owner, depositary or licensee of a registered patent, or the owner of a **registered software**.

# Registration procedure: Self-certification and compliance duties

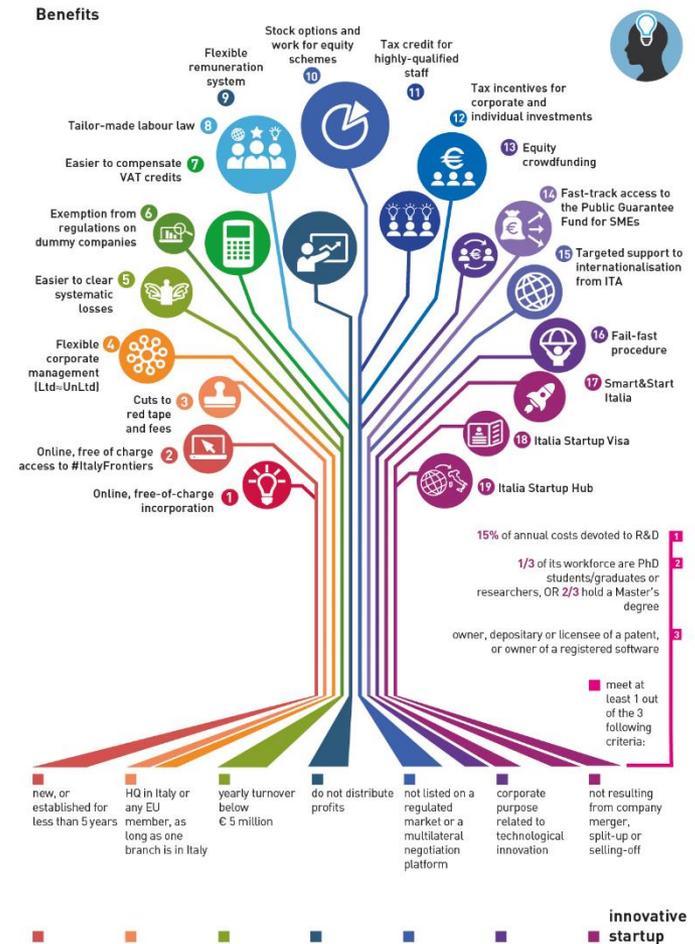
Registration as startup takes place by sending (via ComUnica, a digitized system) a self-certification of compliance with requirements to the local Chamber of Commerce.

([form](#) – [interactive guide](#)).

The Chambers of Commerce also carry out routine checks to make sure that innovative startups meet the legal requirements.

Requirements shall be confirmed once a year before June 30. Before that date, startups must also update their public profile on [startup.registroimprese.it](http://startup.registroimprese.it).

To know more about legal interpretations of the ISA, check [dedicated section](#) of MISE website.



# Overview of regulatory advantages



## Online, free of charge incorporation

Unlike other Italian companies, innovative startups can be incorporated without a notarial deed



## Exemption from certain duties and fees



## More flexible corporate management

fewer legal constraints to internal governance (e.g. non-proportional voting rights for shareholders, longer times to cover financial losses)



## Special dispositions in labour law for fixed-term contracts



## Internationalisation support by the Italian Trade Agency

lower consulting fees, free-of-charge participation to events



## Special visa policies for startups



## Conversion to innovative SME status

«mature» startups (e.g. by age and size) can keep most of the benefits previously applied by shifting to another special status



## Tax incentives for seed- and early-stage investors

One of the most generous schemes of its kind in Europe:

- **individuals** can deduct from income tax 30% of equity investments in startups up to €1m
- **limited companies** can deduct from their tax base 30% of investments up to €1.8M



## Equity crowdfunding

for startups since 2013, for any company since 2017 – and booming since 2018



## Debt finance: fast-track access to a Public Guarantee Fund for SMEs

a highly popular initiative: approx. €1bn of facilitated loans issued in 5 years



## Public subsidised finance schemes

at the national (Smart&Start Italia) and local level

# A free, customised, online incorporation procedure

- Innovative startups can write their deed of foundation and articles of associations **for free**, by using a **standard**, yet customisable model. The registration procedure can be carried out entirely **online** (**validation by digital signature**), and is also available for subsequent amendments of the founding acts.
- **Why is it important?**  
Unlike the standard procedure applicable to limited companies in Italy, **the validation of a notary public is not required**, and the procedure is **almost free of charge** (€200-€350 in registration fees).



Average savings on  
startup costs:  
**≈€2 000 per firm**

# A special regime easy to access

- Companies obtain innovative startup status by a simple **self-certification**, submitted via a digitized procedure.

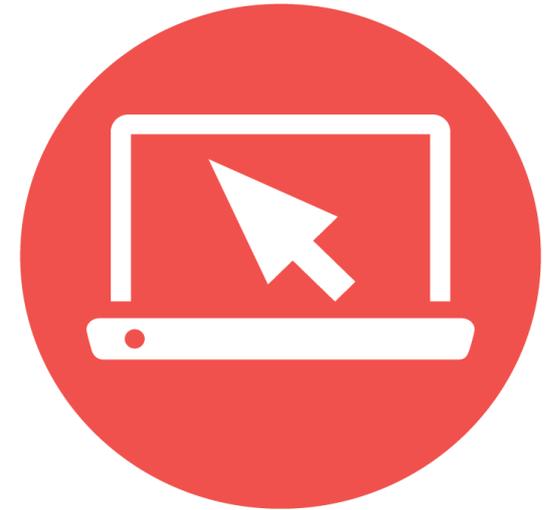
- **The showcase of Italian startups:**  
**[startup.registroimprese.it](http://startup.registroimprese.it):**

This portal automatically generates a public profile for each innovative startup.

By default, the page features reporting basic data already available in the Business Register. Entrepreneurs have then the chance to enrich the profile with information such as the stage of business development, a description of the products offered and of the entrepreneurial team, as well as capital raised and growth targets.

**The profile can be completed in both Italian and English.**

To keep innovative startup status, the profile **must** be filled out in its mandatory part at least once a year (not later than 30 June).



# Cuts to red tape and fees

Innovative startups are exempted from paying:

- **Annual fees to the Chambers of Commerce**
- **Other registration fees and duty stamps** usually owed to the Business Register when filing communications.  
(more info: [Italian Revenue Agency, circular 16/E, 11 June 2014](#))



# A flexible corporate management

**An s.r.l. (ltd) can be managed like an s.p.a. (plc).**

**That is, all innovative startups are allowed to:**

- create categories of shares with specific rights (e.g. categories of shares without voting rights, or whose voting rights are not proportional to capital share);
- carry out transactions on their own shares;
- issue financial instruments such as stock options and work-for-equity;
- offer capital shares to the public.



# Easier to cover systematic losses

## Extension of terms for covering losses:

In the event of systematic losses, the innovative startup benefits from a 1-year grace period to cover losses over  $\frac{1}{3}$  of the share capital (terms postponed by two financial years)



# No regulations on dummy companies

Innovative startups are exempted from regulations on dummy companies and on companies registering systematic losses.

As a result, startups do not need to undergo **operationality tests** to verify their inactivity status.

In case the revenues of startups are considered as «not appropriate», they are not subject to the tax penalties usually faced by dummy companies (e.g. computation of a minimum income and tax base for corporate taxation purpose).



# Easier compensation of VAT credits

The innovative startup is exempted from the duty to affix a **compliance visa** to compensate VAT credits, for a maximum of €50 000 (regular threshold: €5 000)



# Tailor-made labour law

Specific variants to the regulations on fixed-time contracts, derogating d.lgs 81/2015 («Jobs Act»):

## **No limits to durations and total number of renewals**

(max 24 months)

**No obligation to keep a fixed ratio between fixed-term and open-ended contracts** (only startups with more than 5 employees).

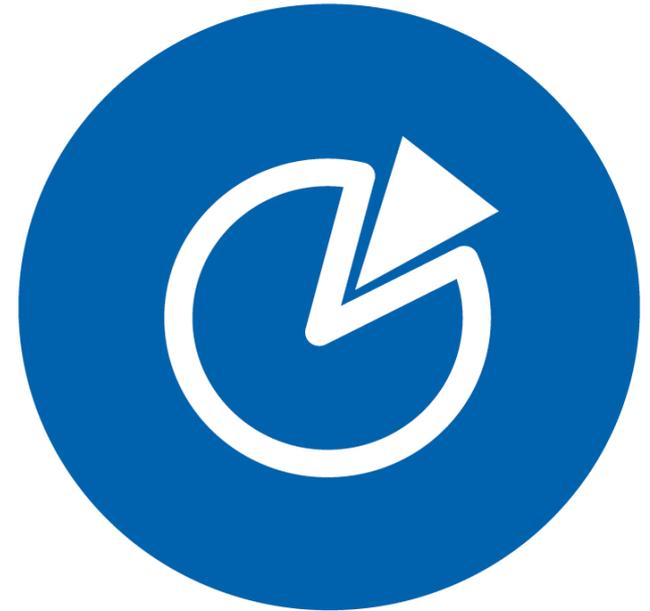
Excluding a minimum provided for by collective bargaining, parties can independently set the fixed and variable parts of the remuneration.

Collective agreements can set, also at decentralised levels, special criteria to establish different minimum wages and job-relationship management rules for innovative startups.



# Incentives to work for equity schemes

Regardless of company form,  
employees and consultants can  
be remunerated through **stock  
options and work for equity**  
that are not included in taxable  
income  
**(i.e. taxed as capital gain!)**



# Ad hoc support by the Italian Trade Agency

Access to the “**Startup Service Card**”, granting a **30% discount** on the following support services: assistance in **legal, societary, fiscal, real estate, contract and credit matters**.

The startup can also benefit from a **discounted participation in selected international fairs and showcases**, and **matching** activities with potential investors.

To request the Card, the company must send an email to the following addresses, writing in the subject “**Richiesta Carta Servizi startup**”:

**Italian Trade Agency (ICE) – [startup@ice.it](mailto:startup@ice.it) / [urp@ice.it](mailto:urp@ice.it)**



# Tax incentives for equity investors

For investments made in the 2017 tax year and onwards, the benefit is one of the most generous in the EU:

- 30% deduction from gross personal income tax (IRPEF) on the sum invested by individuals, up to a ceiling of €1m (max. benefit: €300 000)
- a 30% deduction on taxable corporate income (IRES) on the sum invested by other limited companies, up to a ceiling of €1.8 million (max. benefit: approx. €130 000)
- The incentive can be claimed also when executed via a VC fund or a CIU (indirect investments).
- Holding period: **3 years**



# Equity crowdfunding

Between 2012 and 2013, Italy became the 1<sup>st</sup> country in the world to introduce dedicated regulations.

Italian innovative startups can raise capital by offering shares to the public through equity crowdfunding web portals, provided that they meet some enabling requirements (e.g. 5% of capital is held by professional investors).

Since 2017, all Italian SMEs can launch equity crowdfunding campaigns



**POLITECNICO  
MILANO 1863**  
SCHOOL OF MANAGEMENT

**OSSERVATORIO  
CROWDINVESTING**

**CONSOB**  
COMMISSIONE NAZIONALE  
PER LE SOCIETÀ E LA BORSA

# Simplified access to Public Guarantee Fund for SMEs

Innovative startups enjoy a preferential access to the **SME Guarantee Fund**, a public facility that supports access to credit through guarantees on bank loans:

- Free intervention
- Fast-track investigation
- Guarantee **on up to 80% of the total amount**, with no evaluation of the business plan and balance sheets and with no additional guarantees from the bank
- **Maximum amount guaranteed: €2.5 mln**, which can also be spread on several operations



Launched in 2014, **Smart&Start Italia** is the main financing programme dedicated to **innovative startups** at national level, with a total budget of about €260 million.

- The programme offers **interest-free loan** to innovative startups (already active or soon to be established) to cover up to 70% of investment plans and managing costs **worth at least €100 000 and up to €1.5 million**.
- The loan coverage rate rises to 80% if company members are mostly women or under 35, or include a researcher returning from abroad.
- If the startup is based in Southern Italy, **20%** of the funding is issued as a **non-repayable grant**.
- The subsidised loan is issued in the form of **reimbursement of paid invoices**.

## If things do not work out: fail fast



- Innovative startups are exempted by standard bankruptcy procedures, composition with creditors and compulsory administrative winding-up.
- In case of failure, innovative startups can rely on **faster** and **less burdensome** procedures, compared to ordinary ones. The goal is to reduce costs associated with bankruptcy, including its stigmatisation at a cultural level.

## If the startup is successful: innovative SMEs



- «Grown-up» startups can turn into «innovative SMEs» and benefit from a very similar set of incentives, given that they maintain their innovative character.
- Innovative SMEs are SMEs as defined by EU law, **with no age limit**, that meet innovation requirements similar to those provided for startups.
- The regime is intended to support startups in their scale-up phase, and tech-intensive firms operating in sectors that entail a very long go-to-market period, hence needing extended public support.

# The Budget Law for 2019

## main new measures for innovative startups



### New public investment funds:



- **National Innovation Fund**

Presented on 4 March 2019 and not yet operational, the FNI will be managed by CDP (Italy's public investment bank) and will have an initial endowment of about €1bn. Its key goal is to bolster the growth of Italy's VC industry.

**Types of intervention:**

- Direct and indirect investment in startups
- «Fund of funds» and matching activities

- **Fund for emerging technologies**

€45 m in 3 years to support experimentations

(e.g. tenders, challenges) in:



artificial  
intelligence



blockchain



Internet  
of Things

# The Budget Law for 2019

## main new measures for innovative startups



### Tax relief for startup investors

Valid only for investments in 2019, not yet operational  
(pending approval by the EU to assess compliance with State aid law)

- **40%** in all cases (individuals and companies)
- **50%** for acquisitions (100% of shares)  
(only for companies)



### Funnel public resources to VC funds

New investment reserves and special dispositions for:

- PIR (individual saving plans)
- Profits of state-owned firms
- Pension funds



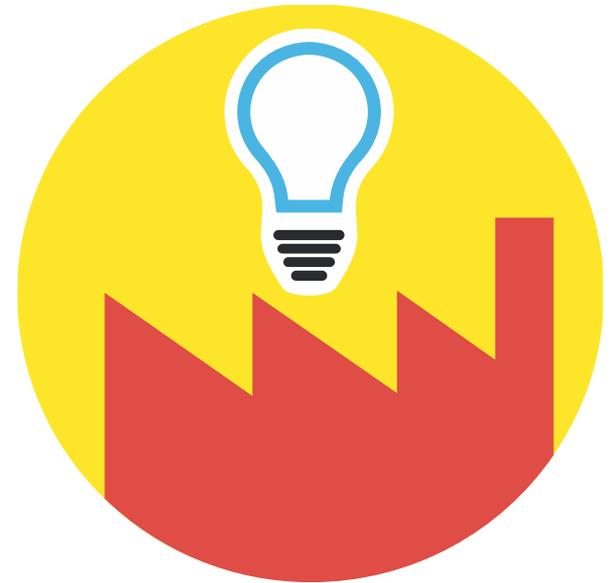
### Innovation managers

- Up to **€40 000** for SMEs that hire professionals in I4.0 technologies  
(covering max 50% of individual labour costs)

**2.**

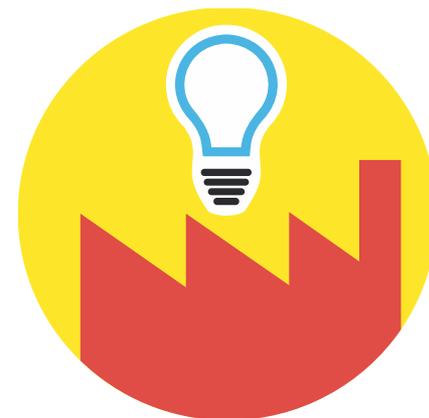
## **Innovative SMEs**

**definition and incentives**



# Definition of innovative SME

- **SME as defined by EU law** (Recommendation 2003/361/CE):  
< 250 employees, < €50 mln yearly revenues,  
< 43 mln € total turnover
- **HQ in Italy**, or in another EU country,  
with at least a production site branch in Italy
- **Certified statement of accounts**
- Not listed on a regulated market
- **Meets at least 2 of the 3 following criteria:**
  1. **expenses in R&D and innovation** are at least 3% of *either* its annual costs or its turnover (the largest value is considered)
  2. employs **highly qualified personnel** (at least 1/5 PhD holders and students, or researchers, or at least 1/3 Master's graduates)
  3. is the owner, depositary or licensee of a **registered patent**, or the owner of a **registered software**.



# Overview of support measures

Innovative SMEs are entitled to the following benefits:

*Same as startups*



Registration procedure  
([form](#) – [guide](#))



Stock options and work-  
for-equity schemes



More flexible corporate  
management



Internationalisation  
support by the Italian  
Trade Agency



Easier to cover systematic  
losses



Equity crowdfunding



No regulations on dummy  
companies

# Overview of support measures

## Innovative SMEs are entitled to the following benefits:

*With some differences compared to innovative startups*



### Exemption from the stamp duty

Innovative SMEs are exempted from stamp duties usually owed when filing documents at the Chamber of Commerce. However, unlike innovative startups, **there is no exemption from secretarial and annual chamber fees, as it happens for innovative startups.**



### Tax incentives for equity investments

Tax incentives for equity investments in innovative SMEs ***were allowed by the European Commission*** in late December 2018: the aid is compliant with EU legislation.

**However, only certain investments in innovative SMEs can benefit from tax incentives (see next slide)**



### Simplified access to the Guarantee Fund for Small and Medium Enterprises

Unlike startups, innovative SMEs are not entitled to automatic access to the public guarantee – i.e. the Fund will perform a separate credit assessment based on its own rating system.

**Companies that are classified in the lowest rating bracket are excluded by default .**

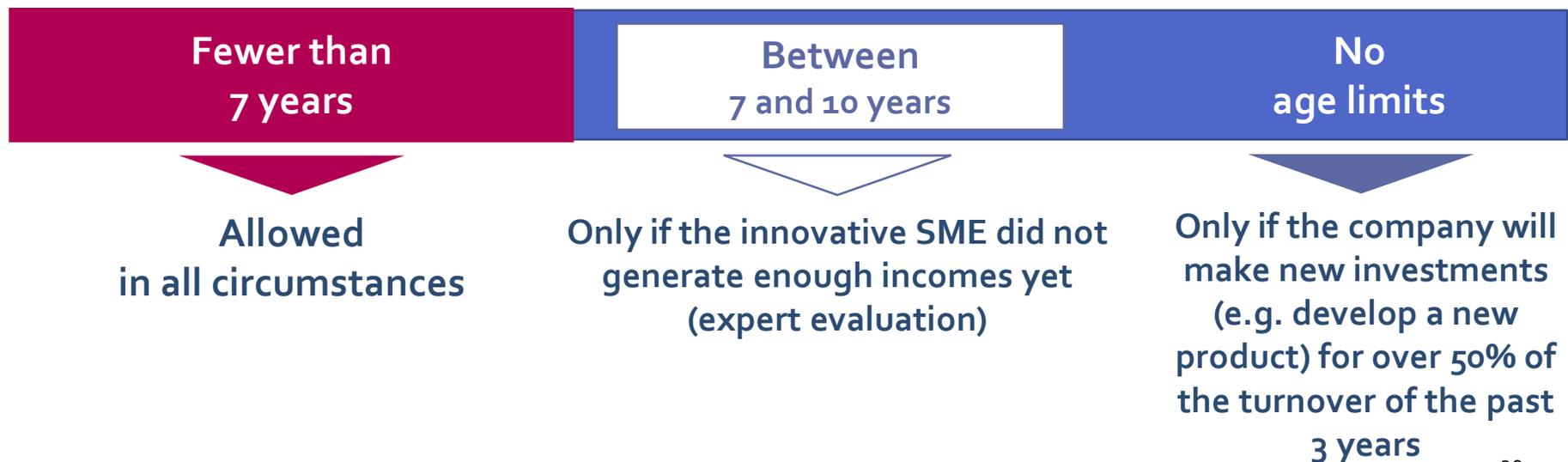
# Tax incentives for investments in innovative SMEs: implementing rules



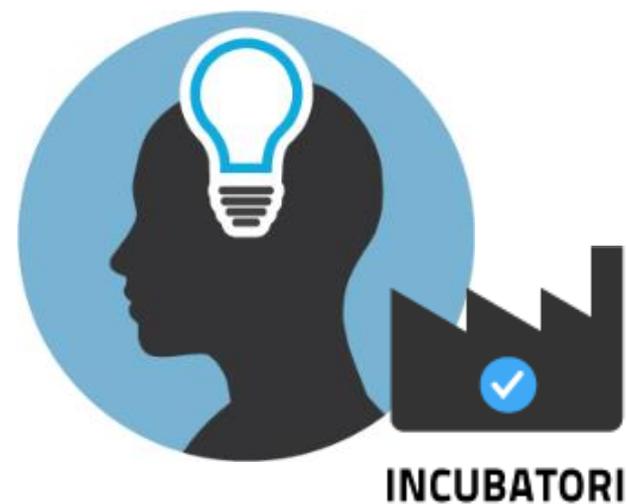
Implementing decree, 7 May 2019:

Tax incentives for equity investments extended to innovative SMEs with some differences compared to innovative startups...

Unlike startups, the incentive is subject to constraints related to the age of the innovative SME, with particular reference to the date of its **first commercial sale**:



### 3. Certified incubators: definition and benefits

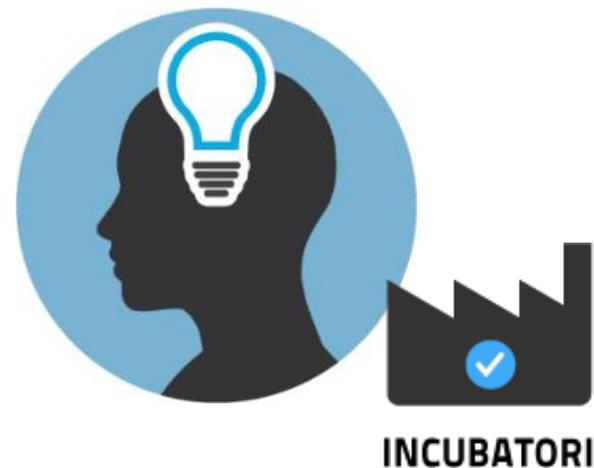


# Definition of «certified incubator»

Certified incubators of innovative startups are identified by d.l. 179/2012, art. 25, paragraph 5.

According to the definition provided by the law, a “certified incubator of innovative startups” (incubatore certificato) is a company that meets a set of requirements outlined in Ministerial Decree of 22 December 2016, encompassing **facilities, staff, technical equipment** and, most importantly, a **solid track record** in physical incubation of innovative startups.

Key goal of the “certified incubator” status is to reward excellence in business incubation, giving recognition to the best practices in the field nationwide (e.g. by success of firms they supported, and by quality of infrastructure and services)



# Certified incubators: legal requirements



- a) it provides premises, including real estate, as reserved spaces to install trial, test, verification or research equipment appropriate to host innovative startups;
- b) it provides appropriate infrastructure for the activity of the innovative startups such as broadband internet connections, meeting rooms, and test, trials or prototypes machines;
- c) it is managed by recognised experts on enterprise development and innovation, and it includes permanent technical staff for management consulting;
- d) it has collaboration relationships with universities, research centres, public institutions, and financial partners which carry out activities and projects related to innovative startups;
- e) **it has a proven track record in startup support, meeting specific indicators set out by the Italian Ministry of Economic Development.**

# Certified incubators: support measures

Certified incubators are entitled to the following benefits:



Free, online incorporation and agile registration procedure on [startup.registroimprese.it](http://startup.registroimprese.it)



Exemption from chamber fees and stamp duties



Stock options and work-for-equity schemes

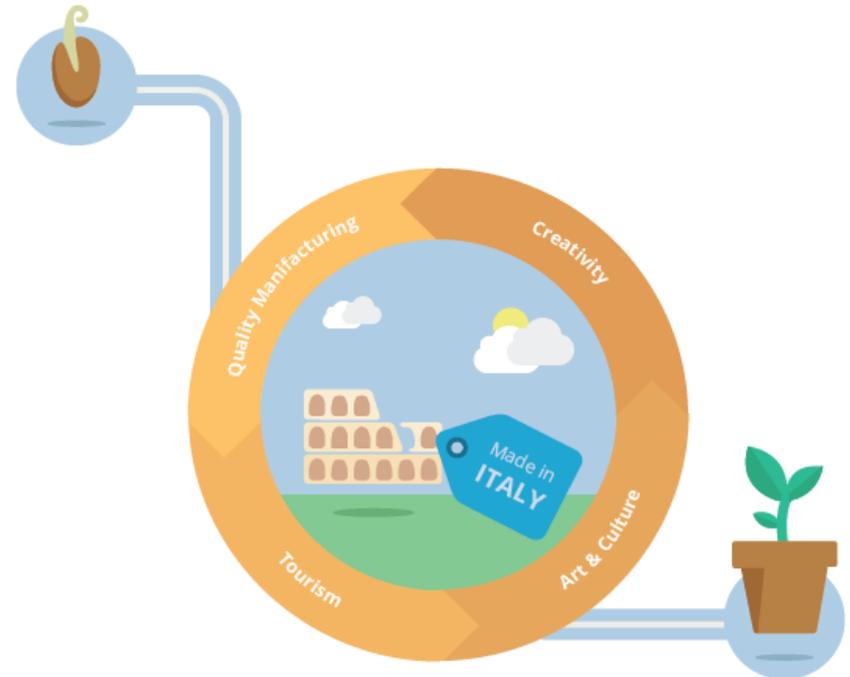


Easier access to SME Guarantee Fund



Italia Startup Visa (priority access)

# 4. Italia Startup Visa and Investor Visa for Italy



# Italia Startup Visa: a smart visa for talented entrepreneurs

Launched in June 2014, **Italia Startup Visa** is aimed at non-EU entrepreneurs who want to establish an innovative startup in Italy.

Through the ISV procedure, talents from all over the world can obtain a 1-year self-employment visa for Italy, freely renewable at expiration if the startup is up and running.

Non-EU citizens who already in Italy, e.g. with a permit for study, and want to extend their stay to set up an innovative startup, may benefit from the same procedure via the [Italia Startup Hub](https://italiastartupvisa.mise.gov.it) programme.



**More information:**  
[italiastartupvisa.mise.gov.it](https://italiastartupvisa.mise.gov.it)

# Italia Startup Visa: a smart visa for talented entrepreneurs

The procedure is:

- **fast**: it never takes more than 30 days
- **centralised**: while based on a Committee of experts, representing the Italian innovation ecosystem, the Ministry of Economic Development is the single contact point for the applicant
- **free-of-charge**
- completely **online**
- **fully bilingual**: all documentation can be submitted in Italian and English



**More information:**

[italiastartupvisa.mise.gov.it](https://italiastartupvisa.mise.gov.it)

# Investor Visa for Italy

## rationale and scope

The 2017 Budget Law introduces a new type of visa, with a duration of **2 years**, for non-EU citizens who invest considerable amounts in assets of strategic value.

The investment must be carried out within **3 months** from the issue of the permit, and it must be maintained for its entire duration.



Drawing from the Italia Startup Visa experience, the **lv4I** procedure is:

- **online-based**,
- **centralised**,
- **fast**: it takes no more than **30 days**.

*Applications are open since mid-December 2017*

# Investor Visa for Italy qualifying investments





**5.**  
**Monitoring and evaluation**

# An extensive monitoring system

The Italian Startup Act includes an **explicit commitment** for the Italian Minister of Economic Development to **M&E** the impact of the policy, in a view of ensuring **accountability** and **inform future policy interventions**.



The monitoring system also includes **ad hoc studies and reports**, such as **Startup Survey** (2018), an extensive survey on the «human side» of the startup phenomenon.

# Is the Italian Startup Act working?

## The first evaluation exercise

Up to 2017, a very large amount of data had already been collected. However, proper *evaluation* exercise had been completed yet.

Data coming from the monitoring system all points toward an organic trend of growth for the companies registered as startups. **But would this growth performance take place also without the policy?**

To bridge this gap, the Department for Science, Innovation and Entrepreneurship of the OECD carried out a **comprehensive evaluation exercise on the economic and social implications of the Italian Startup Act** ([full text](#) – [policy note](#)).

OECD *publishing*

### THE EVALUATION OF THE ITALIAN “START-UP ACT”

OECD SCIENCE, TECHNOLOGY  
AND INDUSTRY  
POLICY PAPERS  
September 2018 No. 54

# Is the Italian Startup Act working?

## Main findings of the OECD evaluation

The policy appears to positively affect the performance of participants in a number of ways:

**+10/15%**

*Input variables: Assets, book value of capital, tangibility ratio*

*Output variables: Revenues, value added, productivity and patent activity*

+

Those effects appear **stronger** for firms with access to bank credit through **public guarantee fund**

=

Conversely, differences in **eligibility criteria** appear instead to have little or no effect on performance

# 6. Other innovation policies

What's new in 2019



# National Plan on Industry 4.0

## Tax incentives available in 2019

- **R&D Tax credit:**  
Tax credit on incremental R&D expenditure:
  - 50% for in-house and R&D outsourced to universities, research centers, innovative startups & SMEs
  - 25% for other expenditure (e.g. consulting, materials...)
- **Tax credit for Industry 4.0 for “on-the-job training”**  
Any Italy-based firm can deduct from income tax 40% of costs sustained to train personnel in I4.0 fields.
- **Patent Box:**  
50% tax break on IP-related income  
(eligible IPR: patents, copyrighted software, know-how, industrial models)
- **Hyper-depreciation:**  
The ordinary depreciation deduction is significantly increased for investments in I4.0 machinery and technologies, effectively resulting in a large, multiannual tax relief.  
Since 2019, the rate of the incentive is subject to a bracket system: it is higher for investments under €2.5m and progressively decreases up to a maximum of €20m.



### Hyper-depreciation in 2019

Amount	Benefit rate
< €2.5M	170%
€2.5M < x < €10M	100%
€10M < x < €20M	50%
> €20M	0%

# The most favourable fiscal regime for innovation worldwide! (Digital Tax Index 2018)

Country	Effective tax rate 2017	Ranking
<b>Italy</b>	<b>-33.18%</b>	<b>1</b>
Ireland	-3.39%	2
Hungary	-0.52%	3
...	...	...
Portugal	5.48%	8
Spain	5.50%	9
France	6.73%	10
UK	7.45%	12
Netherlands	8.69%	15
...	...	...
USA (California)	21.97%	32 (2 <sup>nd</sup> to last)
Germany	22.19%	33 (last)



# Thank you for your attention.

## To know more:

- [mise.gov.it](http://mise.gov.it)
- [startup.registroimprese.it](http://startup.registroimprese.it)
- [italiastartupvisa.mise.gov.it](http://italiastartupvisa.mise.gov.it)

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**Ministry of Economic Development**  
Directorate-General for Industrial Policy,  
Competitiveness, and SMEs  
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