

# New regime for innovative start-ups companies in Italy

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The Italian Law Decree no. 179 converted into law no. 221/2012 on “Further urgent measures for Italy’s economic growth”, commonly known as *Decreto Crescita bis*, introduced a comprehensive new framework regulating innovative start-ups (“**Start-up Regulation**”).

The Start-Up Regulation provides a new set of rules promoting the creation and development of innovative start-ups with a view to encouraging innovation and strengthening of enterprises’ competitiveness. Innovative enterprises are viewed as a crucial device for enhancing sustainable growth, technological development, and employment. New ventures can contribute to broadening business culture in Italy by creating an environment which is more open to innovation and which attracts investment and talented individuals to Italy.

## 1. Identikit of the innovative start-up

The Start-Up Regulation defines “innovative start-ups” the companies which meet all the following requirements:

- the exclusive or prevalent business scope of the company is the development and commercialization of innovative products or services with high technological value;
- the shares/quotas holders must be individuals (also foreign individuals) and hold from the majority of the quotas/shares for at least 24 months from the incorporation of the company or entry in the company’s corporate capital;
- starting from the second year of activity, the total value of yearly turnover shall not exceed Euro 5 million;
- the company shall not distribute profits;
- its registered offices is set in the Republic of Italy.

In addition the start-up shall meet one of the following requirements to be innovative:

- research and development’s costs shall at least equal to 20% of the company’s total costs and the total value of the production;
- at least one-third of the workforce shall be composed by people who either hold a PhD or are PhD candidates at an Italian or foreign university or have conducted research for at least three years;
- the start-up owns, or is the licensee of, or has filed an application for the registration of, industrial property rights related to the business activity of the company.

Start-up companies are exempt from certain duties and charges which are usually due in connection with their constitution and registration at the Chamber of Commerce and benefit of specific tax and labour incentives.

## 2. Tax incentives

The Start-Up Regulation introduces tax incentives for corporate and private investments in innovative start-ups for the years 2013, 2014 and 2015. In particular, (i) personal income taxpayers investing directly or indirectly in innovative start-ups through collective investment schemes (*organismi di investimento collettivo*) that specialize in investments into innovative start-ups, may benefit from a tax credit (*detrazione*) equal to 19% of the amount invested up to a maximum of Euro 500,000; and (ii) corporate income taxpayers investing

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directly or indirectly through collective investment schemes (*organismi di investimento collettivo*) or other companies, which specialize in investments into innovative start-ups, may benefit from a tax allowance (*deduzione*) equal to 20% of the amount invested in the innovative start-up's share capital, up to a maximum of Euro 1.8 million.

Tax incentives are granted upon condition that the investor maintains an amount at least equal to the tax incentive in the innovative start-up for at least two years. Tax incentives are greater if the investment concerns startups with a social purpose or those operating in the energy sector. Moreover, innovative start-ups and certified incubators, under certain conditions of the Start-Up Regulation, may benefit from a tax credit equal to 35% of the costs incurred for hiring highly qualified personnel with open-ended agreements, up to a maximum of Euro 200,000.

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