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## Italy: Benefits for investors of innovative companies

An innovative startup is a commercial company, including a cooperative, that meets the following requirements:

- established not more than 60 months ago;
- the legal address is in Italy or another country member of the EU or one member of the Agreement on the European Economic Area, subject to the presence of a production site or branch in Italy;
- annual turnover of less than 5,000,000 Euros;
- does not distribute and has not distributed profits;
- is not listed on a regulated market or a multilateral trading platform;
- its exclusive or predominant activity is the development, production and marketing of high-tech innovative products or services;
- was not created as a result of a merger, division or assignment of business or part of business.

### TOP KEYS

- Smart&Start Italia
- Tax benefits
- Resident permit
- Italia Startup Visa

An innovative startup must meet at least one of the following three criteria:

- at least 15% of turnover or annual production expenses, whichever is higher, arrive from research and development activities;
- doctoral students, Ph.D.'s, or researchers are at least 1/3 of the total number of employees or at least 2/3 of the participants or employees hold a master's degree;
- the company is the owner, depositary or licensee of a registered patent (industrial property) relating to an industrial, biotechnological invention, topography of a semiconductor product or a new plant variety or the owner of registered software, provided that such rights are directly related to the subject matter of the company.

Art. 25 of Legislative Decree 179/2012 provides the requirements of the innovative startup company.

For small and medium-sized enterprises, slightly different requirements are provided by Legislative Decree 3/2015.

Italian legislation provides several benefits for investors of innovative companies.

### ***Smart&Start Italia***

Smart&Start Italia is a program aimed at creating and developing innovative startups with high technological content in all regions of Italy.

Within the framework of this program, projects worth from 100,000 to 1,500,000 Euros are funded.

Business plans whose purpose is to produce goods and provide services that have at least one of the following characteristics are accepted:

- relevant technological and innovative content, or
- development of products, services or solutions in the field of digital economy, artificial intelligence, blockchain and internet of things, or
- economic expression of the results of the public and private research system (spin-off from research).

Business plans can be implemented in collaboration with research organizations, incubators, business accelerators, and digital innovation centres.

Under the Smart&Start Italia program, innovative companies receive an interest-free, collateral-free loan to cover 80% of eligible expenses.

Such percentage can be increased to 90% in the case of 100% start-up participation by women and/or persons under the age of 35, or participation of an expert with an Italian scientific degree (or equivalent) working abroad and planning to return to Italy.

Start-ups of innovative companies created in the regions of Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia and Sicily can benefit from a non-repayable grant amounting to 30% of the loan and thus repay only 70% of the loan received.

In addition, innovative startups that have received venture capital investments from third-party investors or individual participants can request the conversion of the 50% already received loan into non-repayable financing.

The loan is repayable over 10 years, starting from the 12th month following the last instalment received.

Applications for financing under this program can be submitted by:

- small innovative start-ups established no more than 60 months ago and registered in a special section of the Companies Register;
- a team of individuals who intend to create an innovative startup in Italy, including those living abroad, or foreign citizens with an Italia Startup visa;
- foreign companies that undertake to open at least one separate subsidiary in Italy.

The application should be submitted online. The application review period is 60 days on a first-come, first-served basis.

As of July 1, 2023, as part of the Smart&Start Italia program:

- provided funding to 1,479 innovative startups;
- investments worth 757,000,000 Euros were made;
- provided financing in the amount of 582,000,000 Euros.

### ***Tax benefits***

Italian legislation provides innovative companies with several tax benefits. Whether these benefits are granted is subject to case-by-case examination. By way of example, the following tax benefits may be of interest to foreign investors.

### Benefits of establishing and registering a company within the Company Register:

Innovative start-ups are exempt from paying:

- stamp and administrative duties;
- annual fee payable to the Chambers of Commerce and Industry.

This benefit could be applicable up to the fifth year of registration in the Company Register.

### Benefits for individuals

Subject to determinate requirements, investor-payers of personal income tax in Italy are provided with two alternative benefits, provided that the holding period will be not less than 3 years:

- tax deduction in the amount of 30% of the “regular” personal income tax rate in accordance with Art. 29 of Legislative Decree 179/2012, but not more than 1,000,000 Euros per financial year;
- tax deduction of 50% by the “de minimis” regime introduced by Legislative Decree 34/2020, art. 38, paragraph 7 and regulated by Art. 29 bis of Legislative Decree 179/2012, but not more than 100,000 euros for each financial year.

In addition, innovative startups are provided with a preferential VAT offset regime, Stock options & work for equity, Equity crowdfunding, the possibility, in some cases, of creating a company online and other benefits, including within the framework of labour legislation etc.

### *Residence permits*

With some exceptions, the issuance of residence permits in Italy to foreign workers and entrepreneurs is carried out within the limits of quotas established annually by the Decree of the Prime Minister.

However, exceptions are provided for foreign investors of innovative companies<sup>1</sup>. In particular, Art. 26bis of Legislative Decree 286/1998 provides the possibility of issuing residence permits to foreign investors outside the quotas upon making an investment of at least 250,000 Euros in a newly created innovative company that meets the requirements provided for in Law 179/2012 and is included in a special section of the Company Register.

To enter Italy, such investors will receive a special “investor visa”, which in turn will serve as the basis for the issuance of a residence permit for two years. The residence permit may be revoked if the investment is not made within three months of the date of the investor's entry into Italy or if the investment is withdrawn before the two-year period has expired.

Subsequently, the residency permit may be extended for periods of three years, subject to a positive assessment by the administrative authorities, issued on the basis of the results of the study of documents confirming that the investment is maintained in Italy.

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<sup>1</sup> Since August 2023, the issuance of investor visas to the citizens of Russia and the Republic of Belarus has been suspended

### *Italia Startup visa*

Issued to entrepreneurs resident outside the European Union who intend to create an innovative start-up in Italy, individually or as part of a team.

The visa is issued based on “lavoro autonomo” (self-employment) for one year, with the possibility of an extension. The Italia Startup visa application procedure is completely online and free.

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