



Ministero dello Sviluppo Economico

Executive summary of the new Italian legislation on start-ups

November 2012

The steps Italy has taken in order to become the next “start-up nation”

On 4th October 2012, the Italian Government approved a Law Decree on “Further urgent measures for Italy’s economic growth”. Section IX of the Law Decree (articles 25 to 32) provides for specific measures which are aimed at promoting the creation and development of start-ups. This is the first time the Italian legislation deals with such companies.

The regulations on start-ups draw on the Report “*Restart, Italia!*”, which was elaborated by the Task Force set up by the Italian Minister of Economic Development Corrado Passera in April 2012. The Task Force was made up of 12 members, including entrepreneurs, venture capitalists, academics, journalists and civil servants, and was coordinated by Alessandro Fusacchia, the Minister's Advisor for European Affairs, innovation, and youth. The Report was publicly released on 13th September 2012.

After being approved by the Italian Government, the Law Decree was signed by the President of the Republic Giorgio Napolitano and published in the Official Journal (Decree Law no. 179, 18th October 2012). The Italian Parliament now has 60 days to convert the decree into law. Consequently, the legislative procedure will be completed by the end of 2012.

The new Italian legislative framework for start-ups

The Decree Law no. 179 from 18th October 2012 recognises that start-ups are important for the promotion of sustainable growth, technological development and employment – in particular youth employment. Furthermore, start-ups contribute to developing a new business culture, creating an environment which is more favourable to innovation, increasing social mobility, as well as attracting to Italy investments and talented people from abroad. The legislation does not refer just to the digital sector, but also to start-ups established across all sectors.

The main content of the Decree Law no. 179 from 18th October 2012 can be summed up as follows:

1. **DEFINITION OF A START-UP.** The Law Decree refers to “innovative start-ups” to make it clear that it is not dealing with any new company but only with companies whose business is clearly linked to innovation and technology.

In order to benefit from support measures, a start-up must fulfill a number of requirements, including: (a) it must reside or be subject to taxation in Italy; (b) it must have been established for no longer than 48 months; (c) it has no turnover or has a turnover that does not exceed 5 million € (around 6.4 million \$); (d) is owned directly and for at least a 51% share by individuals, also in terms of voting rights; (e) it does not distribute profits; (f) its core business consists of innovative goods or services of high technological value. A start-up fulfills the latter requirement if: either 30% of its costs are related to R&D; or at least one third of the team is made up of 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; or it is the owner or the licensee of a patent.

2. **DEFINITION OF A “START-UP WITH A SOCIAL GOAL”:** it fulfills all the requirements that apply to ordinary start-ups. However, a social start-up operates in some

specific domains, which according to the Italian legislation have a considerable social value; for example social inclusion, fight to marginalization of disabled persons, environmental protection etc.

3. **DEFINITION OF A “CERTIFIED INCUBATOR”**: the start-up incubator or accelerator must verify if specific requirements concerning the start-up’s physical structures, management, facilities and, above all, its track record, are fulfilled. In this way, the law aims to identify the structures that are able to offer efficient incubation services in Italy. Certified incubators can benefit from some instruments provided for by the law (e.g. they can use stock options, as if they were start-ups themselves → see below *point 7*)
4. Start-ups and certified incubators must register at an **ONLINE DIRECTORY** created for this purpose at the Chambers of Commerce, which is where usually companies must register. This public registration procedure allows the company to gain visibility and to be controlled by the competent authorities; moreover, such registration makes it possible to monitor and evaluate the impact of the new legislation in terms of economic growth and employment.
5. Unlike most companies, start-ups do not have to pay anything for their own creation and registration at the Chambers of Commerce.
6. **LABOUR LAW APPLICABLE TO STARTUPS**: start-ups can hire personnel through fix-time contracts which last for at least 6 months and no longer than 36 months. Within this time frame, contracts can also last for a short time and can be renewed more than once. After 36 months, the contract can be further renewed for just one more time, for no longer than 12 months, i.e. the total duration of the contract must not exceed 48 months. After such length of time, the employee can keep on working for the start-up exclusively with an open-ended contract.
7. Start-ups can remunerate their team members and the providers of external services, including lawyers and accountants, with **STOCK OPTIONS** and **WORK FOR EQUITY** respectively. The tax system applicable to these instruments is advantageous and is tailored on the most common needs of a start-up. Certified incubators can also make use of these instruments.
8. Introducing **TAX INCENTIVES FOR CORPORATE AND PRIVATE INVESTMENTS IN STARTUPS** for the years 2013, 2014 and 2015. These incentives apply both in case of direct investments in start-ups and in case of indirect investments by the means of other companies investing predominantly in start-ups. Tax concessions are greater if the investment concerns start-ups with a social goal or those operating in the energy sector.
9. Introducing of **CROWDFUNDING**. Details regarding the functioning of this system will be decided with a specific regulation which will be passed by CONSOB – the equivalent of the American SEC¹.
10. Fast-track, **simplified and free-of-charge access for start-ups to the *Fondo Centrale di Garanzia***, a Government Fund that supports access to credit through guarantees on bank loans. Certified incubators can benefit from the same special treatment given to start-ups.

1 Commissione nazionale per le società e la borsa (CONSOB) is the Italian Securities and Exchange Commission (SEC).

11. More targeted and tailored **support to the process of internationalisation of start-ups** provided by the Italian Trade Promotion Agency (“ICE”). Support includes assistance in the legal, corporate and fiscal activities, real estate and credit matters. Support measures include free-of-charge participation to international fairs and events, as well as to international activities the aim of which is to favour the matching between innovative start-ups and potential investors for the phases of early stage capital and expansion capital.
12. Introducing a **“fail fast” procedure**. The aim of this measure is to avoid that the entrepreneur is “stuck” for ages because of the liquidation procedure and to allow him to start a new business project as soon as possible.
13. Making a general call to design a **national campaign**, which aims to promote a better understanding and awareness – amongst the general public and especially young people – on the role of innovation and the opportunities provided for by the new legislation on start-ups.
14. Introducing a regular evaluation and **policy monitoring** by means of collection of data and by assessment of the impact of the new legislation, with the support of the Italian National Statistical Institute (ISTAT).

In addition to the Decree Law, the Italian Government is committed to increasing the resources available for **venture capital**. To this aim, additional resources will be made available by the *Cassa Depositi e Prestiti*² to the *Fondo Italiano di Investimento* (Italian Investment Fund), based on a “matching fund” scheme.

2 Cassa Depositi e Prestiti (CDP) is a joint-stock company under public control, with the Italian Government holding 70% and a broad group of bank foundations holding the remaining 30%.