

RESTART, ITALIA!

WHY
WE HAVE TO RESTART FROM
THE YOUTH, INNOVATION,
AND STARTUPS

**EXECUTIVE
SUMMARY**

— OF —

*The Report by the Task Force on startups
established by the Ministry of Economic Development*



Ministero dello Sviluppo Economico

Italy must become a friendlier place for new innovative enterprises. Experiences in other countries show that innovation and startups can boost economic growth and employment, especially among the youth.

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The Report *Restart, Italia!*, drawn up by the Task Force established by the Minister of Economic Development Corrado Passera, says that startups do not pertain to one specific sector but can add across-the-board innovation and development to the real

economy as a whole. Startups contribute to the revival of Italy's productive sectors and are a constant stimulus for traditional businesses, in particular SMEs.

Furthermore, the Report argues that a strong support for startups would

have a widespread impact on the Italian society. It would, in fact, allow for a greater focus on key objectives: the development of a culture of innovation and entrepreneurship, social mobility, transparency and meritocracy as well as attracting talented people and capital from abroad.

The Report *Restart, Italia!* is divided into four main parts: the **first part** defines the concept of innovative startup, the aim of which is to create a simple and coherent normative reference framework.

The **second part** consists of three main chapters. Each chapter is dedicated to one of the three stages of the startup's life-cycle (launching, growth and maturity) and to the measures that aim to solve the problems and limitations of the current system.

These concern the following areas: the simplification process, the creation of a qualified team that can embark on a new entrepreneurial adventure, the funds and places available for the establishment of startups, exit strategies and bankruptcy. Many of the proposals put forward in the report aim to strengthen the startup environment and support all those actors who can, in turn, favour the starting up and growth of new innovative enterprises. The policy measures mentioned

in this part of the Report include some recommendations aimed at instilling - in all citizens, but especially in young people - a greater awareness about the potential of innovative business.

The **third part** of the Report focuses on the role of territories, while the **fourth part** consists of a proposal to introduce a mechanism to evaluate the impact that the new package of measures promoting startups will have on the Italian economy and society.

Listed below are the main points and proposals included in the Report.

DEFINING A STARTUP

___By **startup** we mean companies that are not listed on the stock exchange, companies that are owned and controlled (51% at least) by individuals, have been running for no longer than 48 months and have a turnover that does not exceed 5 million euros. Moreover, startups do not distribute profits, they do not use cash and their social goal is to develop innovative products and services of a high technological value (this last criterion is measured by taking into account either of the following: R&D expenses, payroll qualifications, a possible link to a university).

___All startups must register at an online public directory created at the Chambers of Commerce. The registration involves sharing data concerning the enterprise, its founders and the type of business.

___The startups that operate in social sectors (as defined by the regulations in force), and are defined as “startups with social goals”, receive additional support and benefits. This is due to the less profitable business model they have adopted in order to pursue their social objectives.

LAUNCHING

___**The iSRL¹ and the “zero” statute (“statuto zero”) for startups.** Establishing a startup as a simplified limited company implies a further reduction of administrative burdens and is done by a direct notice to the Chambers of Commerce. Moreover, startups can issue *stock options* (for co-workers) and offer *work for equity deals* (for external suppliers).

___**Making things easier for organisations investing in startups.** There are two proposals: (1) enabling the establishment of an SGR² following a simplified procedure with reduced starting capital and lower operating costs; (2) making it easier for companies to raise funds, offering incentives in terms of time-frame and costs for those willing to invest in startups using this medium.

___**From fixed taxation rates to real cash-flow.** All startups must pay tax (VAT and corporate tax) depending on their real cash-flow rather than fixed taxation rates. Calculating taxes on the basis of real cash-flows enables startups to keep as much liquidity as possible in the first few years of their life.

___**A Job Contract for startups.** Introducing a specific contract for jobs in startups that can be used for the whole of the company’s payroll. It is a very flexible short-term contract that

has to be changed into an open-ended contract within 48 months at the latest. If this is not done, it will not be possible to continue the working relationship or collaboration in any other form. The contract is exempt from as many taxes as possible (IRAP³, payroll income tax). Startups can issue *stock options* with a tax advantage regime in order to attract talented people from Italy and abroad into startups.

___**Work for equity.** Similarly to what happens with stock options for employees, startups can remunerate external suppliers, first and foremost those offering services, by means of the startup’s capital shares.

GROWTH

___**Support for venture capital.** Creating two funds: (1) a **Fund of Funds** administered by a team of experts with an obligatory track record for the capitalisation of funds and holding companies investing in venture capital that allocate venture capital in startups. Public capital is not non-repayable but benefits from a fraction of target funds’ remuneration. Part of the capital is reserved for special investment funds for social startups. (2) Creating a **Fund for seed investments** to enable the matching of individual seed capital investment operations from venture capital funds, business angels and certified

incubators and accelerators.

___ ***Incentives to stimulate companies to invest in startups.*** Extension of tax-concessions - that already apply to indirect investment by means of venture capital funds - to direct investments in startups from companies. Moreover, taxes are deducted from the whole investment and not just from the capital gain.

___ ***Tax reductions for private investments in startups.*** Incentives for private individuals with large savings to invest in startups. This is achieved with a partial tax reduction on their investments.

___ ***Crowdfunding.*** Opportunities to create online platforms to raise capital, starting from individual 20 euro contributions up to a maximum of 2.5 million euros. This instrument is to be promoted by deducting taxes from some of the investments made.

___ ***Social lending.*** Facilitating the use of crowdfunding to finance social startups by enabling a third party to guarantee for the investments.

___ ***Guarantees for the credit banks give to startups.*** Intervening in the system of guarantees by allocating resources from the Fondo Centrale di Garanzia (Central Guarantee Fund) in order to make it easier for innovative startups to obtain credit.

___ ***Supporting startup incubators and accelerators.*** Administrative and bureaucratic simplifications, possibility of accessing the Central Guarantee Fund, tax-concessions, *host for equity* and matching of investments in hosted startups for the incubators and accelerators certified according to parameters that aim to measure their actual capacity to support startups, the most important parameter being the track record.

MATURITY

___ ***Re-purchasing of shares.*** Making the *Management Leverage Buy Out* more attractive with a tax-concession and making it easier to trace the capitals to be used to repurchase shares.

___ ***Promoting the industrial acquisition of startups.*** Exclude from corporate taxation part of the investments made acquiring a startup's whole capital, provided that the stake is kept for a period of at least two years.

___ ***Promoting the listing of startups on the Stock exchange.*** Reduce listing costs by deducting them, strengthen the international promotion of listed startups and those about to be listed, maintain the liquidity of listed bonds.

___ ***Creating a Social Stock Exchange.*** Creating a "Social Stock Exchange" together with the Italian Stock Exchange. The Social Stock Exchange is aimed

at startups with social goals that do not have high profits but can be interesting for a large pool of investors interested in social issues.

___ ***Liquidating a startup quickly.*** A simplified liquidation process is introduced in order to speed up the liquidation and economise.

___ ***Corporate continuity? It's easy if you are a startup!*** Put in place a further simplified system to facilitate the closing down of those startups that still possess valuable assets.

___ ***Going bankrupt is not the end of the world!*** A fast and simple procedure for the startup bankruptcy process. The startupper himself is appointed liquidator and the consequences of the declaration of bankruptcy for the entrepreneur are limited.

AWARENESS

___ ***Schools and universities.*** Carrying out activities, programmes and initiatives aimed at promoting a culture of innovation and entrepreneurship in schools throughout Italy. Setting up *contamination labs* in Italian universities to promote education, mentoring programmes, the "contamination" of different disciplines and giving birth to innovative business ideas.

___ ***Raising public awareness.*** Broadcast tv-programmes on the national television (RAI) promoting

innovation and explaining the benefits linked to the establishment of an enterprise. At the same time start a nationwide awareness campaign.

TERRITORIES

A National Plan for the Startup Environment.

The creation of a Fund for the startup environment, the aim of which is to co-finance projects at a local level that could further improve a region's capacity to host startups.

EVALUATION

Policy monitoring.

Allocate ad hoc funds for data collection and the monitoring of the impact the measures included in the “startup package” had on growth and employment.

1. *Società a Responsabilità Limitata (SRL)* the Italian equivalent of a Limited Liability Company (Ltd.).

2. *Società di Gestione del Risparmio (SGR)* corresponds approximately to an Asset Management Company (AMC).

3. *Imposta Regionale sulle Attività Produttive (IRAP)* is a regional tax on productive activities.

In April 2012, the Minister of Economic Development Corrado Passera established a Task Force of twelve experts (Andrea di Camillo, Annibale D'Elia, Donatella Solda-Kutzmann, Enrico Pozzi, Giorgio Carcano, Giuseppe Ragusa, Luca de Biase, Mario Mariani, Massimiliano Magrini, Paolo Barberis, Riccardo Donadon, Selene Biffi), coordinated by Alessandro Fusacchia, the Minister's Advisor for European Affairs, Youth and Innovation.

The job of the Task Force was to make policy proposals on how to turn Italy into a friendlier place for the establishment and development of innovative startups. The members of the Task Force participated in a personal capacity and pro bono. On the 9th of July they presented their preliminary results to Minister Corrado Passera. The Report was then finalised and made public on the 13th of September 2012. Its final version is available

online on the Ministry of Economic Development's website and it is the main source of inspiration for the measures supporting startups that the Government is putting in place. These measures integrate the National Reform Programme and contribute to respond to some of the policy recommendations that the European Union made to Italy in July.

Rome, 24th September 2012

