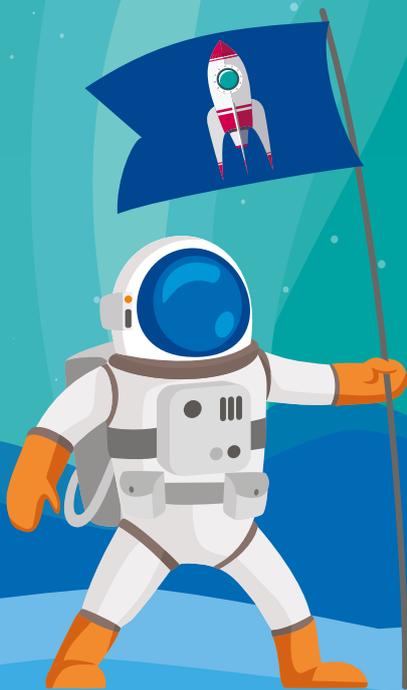




KPMG

Startup: the Italian tutorial



kpmg.com/it

Introduction

With some 4,000 professionals and 26 offices throughout Italy, KPMG offers a complete range of multidisciplinary services tailored to help businesses grow.

KPMG has expanded its offer to meet the needs of both today's and tomorrow's business leaders, assembling a specialised startup team for rapidly growing business initiatives.

With deep insight into the tough challenges that emerging companies must face, KPMG professionals can help and support you in every phase of your company's growth as you overcome business development issues to achieve your goals.

The KPMG network also boasts dedicated startup support teams in various capitals of innovation around the globe, including London, Paris, Berlin, Dublin and Tel Aviv.

The purpose of this tutorial is to guide you step by step as you develop your business and to help you anticipate and tackle the most insidious operational and financial problems that may arise.

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Innovative Startups

What is an Innovative Startup?

An Innovative Startup is a company (even a cooperative company) set up for the exclusive or primary business purpose of developing, producing and selling innovative high-tech products or services ('Innovative Startup').

Italian legislation includes a complete and comprehensive set of policies (Decree Law no. 179/2012, converted into Law no. 221/2012) to encourage the creation and development of Innovative Startups. These policies have been continuously expanded upon and improved over time.

Prerequisites

Under this legislation, to be eligible for the benefits offered to Innovative Startups, companies must have the following prerequisites:



they must be a **new company** or, in any case, less than 60 months old



their **total annual production revenues** must be **under €5 million** from their second year of business



their **primary headquarters must be in Italy** or, if they are headquartered in another EU country or in an EEA country, they must have a **production site or branch in Italy**



they must not distribute **profits or have distributed profits in the past**



their exclusive or primary business purpose must be the development, **production and sale of innovative high-tech products or services**



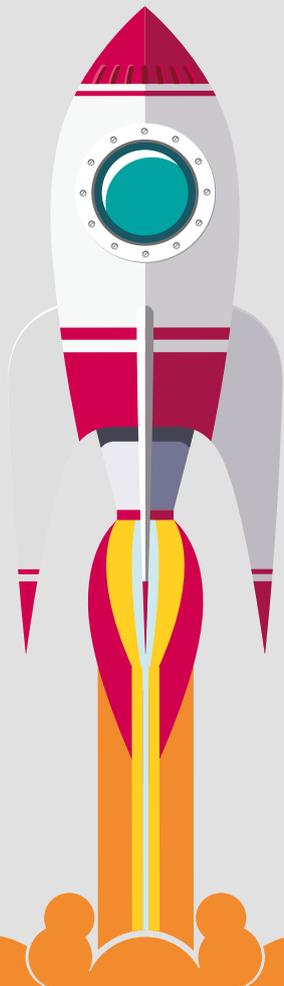
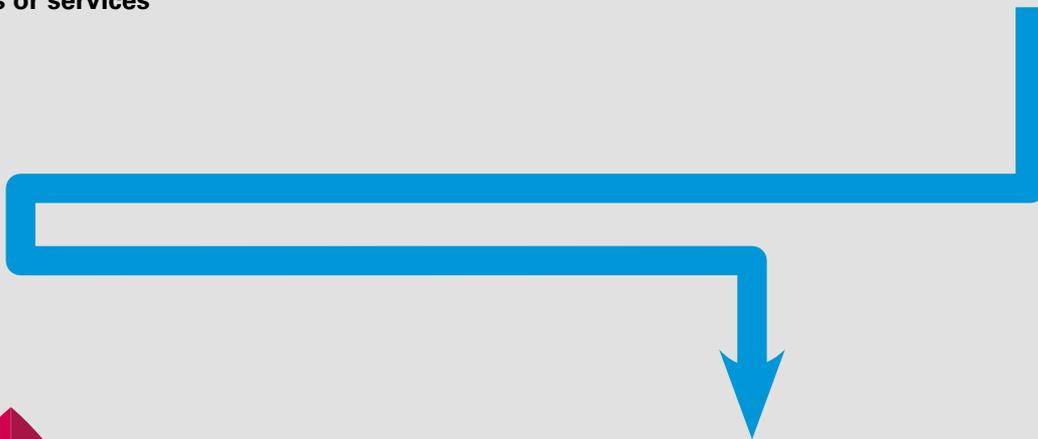
they must not have been set up through a merger, demerger or the transfer of a company or business unit



their shares or quotas must not be listed on a regulated market or a multilateral trading facility



they **must demonstrate that they are innovative** by meeting at least one of the following criteria:



- 15% of annual turnover or, if higher, annual costs must be attributable to **research and development**
- they must hire their **workforce** on the basis of specific characteristics. The definition of employees includes founding directors, if they are also employed by the company as workers, and interns, if they are remunerated. Employees do not include independent advisors or freelancers with VAT numbers. Specifically, the companies may choose to hire:
 - as at least one-third of the total workforce, employees or freelancers with either **(i) a doctoral degree** (or who are completing a doctoral degree at an Italian or foreign university), or **(ii) a university degree** and at least three years of **certified research experience** at a public or private research institute (in Italy or abroad)
 - as at least **two-thirds of the total workforce**, employees or freelancers with a **master's degree**
- they must either hold or have filed or licensed a **registered patent** (industrial property rights) or hold a registered original computer programme.

Innovative SMEs

What is an Innovative SME?

An Innovative Small and Medium-sized Enterprise ('SME') is a company with fewer than 250 employees, annual turnover of not more than €50 million or total assets of not more than €43 million, and strongly innovative features ('Innovative SME').

Decree Law no. 3 of 24 January 2015 (known as the 'Investment Compact'), converted into Law no. 33 of 24 March 2015, extended the main benefits in place for Innovative Startups to a potentially much wider range of companies: Innovative SMEs, which is to say all highly innovative small and medium-sized enterprises, irrespective of when they were established, what their business purpose is and how far they are in the development process.

This legislation also extended the eligibility period for Innovative Startups to receive benefits. While they were previously only eligible for their first five years of life, now they can continue to enjoy these benefits while developing as an Innovative SME.

Prerequisites

To be eligible for the benefits offered to Innovative SMEs, companies must have the following prerequisites:



they must have **fewer than 250 employees**



they must have **annual turnover of not more than €50 million or total assets of not more than €43 million**



their **primary headquarters must be in Italy** or, if they are headquartered in another EU country or in an EEA country, they must have a **production site or branch in Italy**



they must be set up **as a company** (even a cooperative company)



their most recent **financial statements**, along with their consolidated financial statements, if applicable, must have been **audited by a certified auditor or a certified audit company**



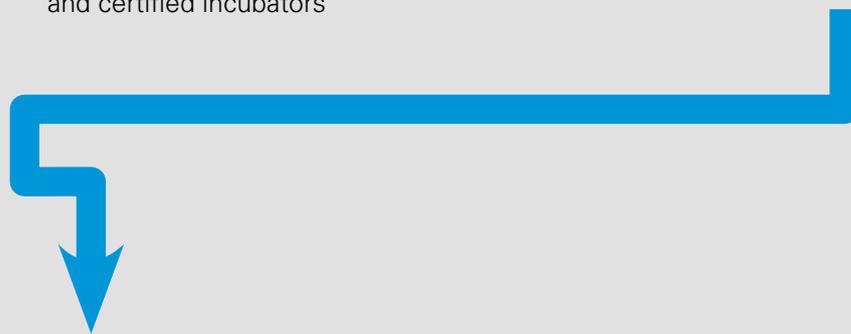
they **must not be registered in the special section of the Business Register that is reserved for Innovative Startups** and certified incubators



their **shares or quotas must not be listed** on a regulated market



they **must demonstrate that they are innovative** by meeting at least two of the three following criteria



- their expenditure for **research, development and innovation** must be equal to at least 3% of their production cost or, if higher, production revenues
- at least one-fifth of their **total workforce**, employed as either employees or freelancers of any kind, must have a **doctoral degree** or be completing a doctoral degree at an Italian or foreign university or have a **university degree** and at least three years of **certified research experience** at a public or private research institute in Italy or abroad, or at least one-third of the total workforce must have a **master's degree**
- they must either hold or have filed or licensed at least one **industrial property right** relating to an industrial or biotechnology invention, a topography of semiconductor products or a new plant variety, or they must hold the rights to an original computer programme registered with the special public register of computer programmes (in either case the right must be directly related to their business purpose and activity).



Innovative Startups vs. Innovative SMEs

Some of the differences between Innovative Startups and Innovative SMEs are summarised below:

	Innovative Startups	Innovative SMEs
Type of company	Companies, including cooperatives	Companies, including cooperatives
Size limits	Annual turnover of less than €5 million (from the second year of activity)	Fewer than 250 employees, annual turnover of less than €50 million, balance sheet assets worth under €43 million
Time limits	Active for 60 months or less	There are no time limits
Listed	No	No, but it may be listed on a multilateral trading facility
R&D costs	Minimum of 15% of turnover or production cost, whichever is higher	Minimum of 3% of turnover or production cost, whichever is higher
Qualified workforce	At least one-third of workers with a doctoral degree or two-thirds with a master's degree	At least one-fifth of workers with a doctoral degree or one-third with a master's degree



1. Setting up the company and financing





Like all entrepreneurs, you are probably focused on the financial results of setting up and developing a successful business. However, there are many financial, legal, accounting and administrative aspects to consider first.

Choosing the right legal form for your business is crucial, along with implementing transparent systems to record cash inflows and outflows, and it is essential to grasp the future impact of some of the key financial decisions you will make.

1.1 Choosing the right legal form

First, it is important to keep in mind that an Innovative Startup is not a new type of company, but only the name for the special role of certain companies that meet specific conditions.

Italian legislation requires that in order to be considered an Innovative Startup and therefore be eligible for the related benefits, a business must be set up as a company (even a cooperative company).

Any of the following companies may be considered Innovative Startups:

- **companies limited by shares**
- **partnerships limited by shares**
- **companies limited by quotas**
- **cooperatives.**

Obviously, in order to be considered an Innovative Startup, the company must also have the prerequisites described earlier.

The company's legal form: available options

Italian legislation provides for different types of companies with differing characteristics.

Choosing the legal form that best meets your specific needs is vital:

this is not a decision to be taken lightly given its personal, tax, business and legal repercussions.

Your options are briefly described below.



An Innovative Startup must be set up as a company (even a cooperative company)



What distinguishes a company is the clear separation of the legal entity from its owners

As mentioned above, only by setting up one of the types of companies envisaged may founders access the special benefits reserved for Innovative Startups.

What distinguishes a company is the clear separation of the legal entity from its owners: the company assumes its own obligations and meets them by using its own assets only, while the owners will only be required to meet the company's obligations within the limits of the shares or quotas that they have subscribed and, if the company is insolvent, its creditors may not make claims on the individual owners' personal assets.

In Italy, the most common types of companies are:

- **companies limited by shares** (*Società per Azioni, S.p.A.*)
- **ordinary companies limited by quotas** (*Società a Responsabilità Limitata ordinaria, S.r.l.*)
- **simplified companies limited by quotas** (*Società a Responsabilità Limitata semplificata, S.r.l.s.*).

Company limited by shares (S.p.A.)

Companies limited by shares feature:

- **the separation of the company's assets from those of its owners**
- the **division of capital into shares**, which distinguishes companies limited by shares from companies limited by quotas.

When they are incorporated, the minimum share capital of an S.p.A. must be €50,000.00, as explicitly required by law.

The procedure for the incorporation of the company begins when the deed of incorporation is signed.

The deed of incorporation must be prepared as a public deed by a notary, or it is not considered valid, and the procedure for the incorporation is completed when the deed of incorporation is filed, and the company is registered with the Business Register.

To incorporate a company limited by shares:

- the share capital must be entirely subscribed
- the requirements relating to contributions (in cash or in kind) must be met
- other authorisations must be obtained and other conditions imposed by special laws for the incorporation of companies must be met, according to the company's specific business purpose.



Companies limited by quotas (S.r.l.)

Companies limited by quotas consist of the division of capital into quotas.

The companies are subject to a set of separate regulations and are generally known for their greater flexibility and more personalised nature, making them the most popular model for those intending to set up a company.

Companies limited by quotas offer their founders significant freedom with respect to the by-laws, enabling them to implement an internal organisation and company management that responds to their actual needs.

The minimum quota capital for the incorporation of an ordinary company limited by quotas is €1.00.

If the founders decide to set up a company limited by quotas with quota capital ranging from €1.00 to €9,999.99, they are required to make a cash contribution only, which must be fully paid in by one of the specific means of payment to be indicated in the by-laws.

If the founders decide to set up a company limited by quotas with quota capital of €10,000.00 or more, they may contribute any 'assets with economic value', specifically:

- cash
- contributions in kind or receivables

- provision of work and services on the company's behalf
- any other items considered useful for the performance of the business activity (e.g. know-how).

Reference may be made to the regulations applicable to companies limited by shares for information on how these companies are incorporated.

Companies limited by quotas may be single-member companies if they are set up by one person, or they may become single-member companies at a later time.

Single-member companies limited by quotas have the same characteristics as those with more than one owner (both in terms of their incorporation and their functioning).

In general, the liability of the single member, whether a natural or legal person, is limited to the amount paid in. However, the same single member has unlimited liability for the company's obligations in the period when the single member held all the quota capital if both of the following circumstances apply:

- the company becomes insolvent
- the contribution and reporting obligations were not complied with.

Simplified company limited by quotas (S.r.l.s.)

In 2012, to encourage small and medium-sized business activity, Italian legislators introduced a new type of company, the **simplified company limited by quotas, conceived specifically for startups.**

These companies may be set up as a single-member company or with more than one owner, provided that the owners are natural persons. The quota capital must be paid in with cash and the amount must be more than €1.00 and less than €10,000.00.

Unlike an ordinary company limited by quotas,

the deed of incorporation of a simplified company limited by quotas is standard and contains specific mandatory content and clauses (third paragraph of article 2463-bis of the Italian Civil Code).

In addition, **the following exemptions are provided for by law:**

- the deed of incorporation is exempt from stamp tax and processing fees (including for the purposes of registration with the Business Register)
- no notary fees are due.



Reporting obligations

The transactions and deeds of companies subject to reporting obligations must be filed and registered at the Business Register. From a practical standpoint, this translates into the need to prepare and submit applications or reports to the competent offices in accordance with clearly defined rules for their content, signing and submission.

The incorporation of a new company generally entails the following costs:

- **legal fees** if the company engages a legal advisor to prepare the incorporation documents and fill out the incorporation forms to be submitted
- **expenses for registration with the Business Register, annual fees, processing fees and stamp duty**
- **administrative costs.**



The Business Register includes a special section for Innovative Startups

Reporting requirements for Innovative Startups

Innovative Startups must register in a special section of the Business Register which the Chambers of Commerce have set up specifically for them.

They register by electronically transmitting to their local Chamber of Commerce a self-declaration that they meet the requirements described earlier.

While this part of the process is flexible, the rest of the process is less so:



Every year, it is necessary to certify that the startup still meets the requirements

- the local Chambers of Commerce verify that the companies effectively satisfy the requirements
- within 30 days of the approval of the financial statements and, in any case, within six months of each year end, the startup's legal representative must certify that the startup still satisfies the requirements, or it will lose its special status and, accordingly, the related benefits.

The special section of the Business Register that is reserved for Innovative Startups is published electronically and updated each week by the Chamber of Commerce's IT system.



New digital incorporation procedure for Innovative Startups

Since 17 February 2016 Innovative Startups set up as companies limited by quotas have been allowed to prepare their deed of incorporation using a standard template and an electronic signature.

In addition, since 22 June 2017 Innovative Startups set up using this online procedure have also been able to use a dedicated platform to amend their by-laws and deed of incorporation.

This new digital incorporation procedure offers a number of advantages and new possibilities. In particular, it is:

- **free:** incorporating a new company does not cost anything
- **simple:** there is no need for an official to be physically present in order to verify the identity of the parties signing the deed, since the electronic signature already confirms their identity
- **practical:** the parties can draft and sign the deed of incorporation and by-laws online, using the dedicated platform, which they can also use to save drafts and re-open them at a later time
- **quick:** the standard templates for the by-laws and the deed of incorporation are quick to fill out, while giving founders the chance to customise them.

Once the form has been completed, the platform sends it via certified email to the relevant tax office.

Moreover, this simplified procedure is optional. Those who prefer to set up a company limited by quotas by ordinary public deed may still do so and may concurrently or subsequently register their company in the special section of the Business Register.

Exemption from incorporation costs

Innovative Startups are exempt from paying the following costs as soon as they are registered in the special section of the Business Register:

- stamp duty and processing fees for registration with the Business Register
- the annual Chamber of Commerce fee.

These exemptions do not apply after the fifth year of registration with the Business Register and are only applicable to companies registered in the special section of the Business Register. They do not exempt the startup from having to meet other legal requirements.



Innovative Startups set up as companies limited by quotas have been allowed to prepare their deed of incorporation using a standard template and an electronic signature



Innovative Startups are exempted from paying the fees due to the Business Register and the Chamber of Commerce



Innovative Startups benefit from some exemptions and supplements to ordinary company law. This facilitates their existence, also in time of crisis

Derogations from ordinary company law

To encourage the creation and development of Innovative Startups, Italian legislators have introduced significant derogations from ordinary company law specifically for Innovative Startups set up as companies limited by quotas, allowing them to include clauses that deviate, although only temporarily, from the typical elements of the traditional 'S.r.l.' model.

The following exemptions apply to all Innovative Startups:

- **quota capital reduction:** deviating from the ordinary regulations laid down by articles 2246 (second paragraph), 2447, 2482-bis (fourth paragraph) and 2482-ter of the Italian Civil Code, the time limits within which an Innovative Startup must remedy a reduction in quota capital and that within which it must file for dissolution are extended
- **over-indebtedness:** in the event of a crisis due to over-indebtedness, Innovative Startups are not subject to the Bankruptcy Law procedures, as they are only required to follow debt restructuring procedures
- **fresh start:** to enable a founder to start over with a new project, the time needed for court-approved winding up has been shortened for startups in the grip of a crisis, which do not have to go through full-fledged bankruptcy proceedings.

The specific provisions previously reserved solely for companies limited by shares have been extended to Innovative Startups set up as companies limited by quotas. In particular:

- **management of quotas:** deviating from the ordinary regulations, Innovative Startups set up as companies limited by quotas may create different categories of quotas carrying special rights (e.g. there may be categories of quotas without voting rights or quotas that carry voting rights disproportionately to the percentage of ownership)
- **own quota transactions:** pursuant to article 26 of Decree Law no. 179/2012, Innovative Startups set up as companies limited by quotas have the right to subscribe, sell or acquire own quotas when the transaction is carried out as part of an incentive plan that provides for the assignment of quotas to employees, freelancers or members of the board of directors
- **public offering of quotas:** to facilitate fund raising, Decree Law no. 179/2012 allows all Innovative Startups set up as companies limited by quotas to launch public offerings of their own quotas, even on online trading facilities. Completing this legislative framework, article 50-quinquies of Legislative Decree no. 58 of 24 February 1998 governs the management of fundraising websites
- **work for equity:** freelancers and employees may receive quotas of the Innovative Startup as remuneration for their work on its behalf.



1.2 Accounting

Bookkeeping

Keeping accurate and up-to-date accounting entries is much more than a legal obligation. Indeed, it is fundamental to keeping a record of revenues and costs and to understanding the company's financial position. Founders who prefer to pour all their energy into developing their innovative idea and enhancing its value would be well advised to use an external expert. This will better ensure that they are complying with all legal obligations and enjoying all the available tax benefits.

The main laws and regulations applicable to accounting and financial reporting practices in Italy are listed below:

- **the Italian Civil Code**
- **general tax laws**
- **Italian GAAP (OIC)**
- **International Financial Reporting Standards (IFRS).**

The double-entry accounting system is used in Italy, in which each transaction is recorded with both a debit and a credit entry and/or a cost and revenue. In general, the accounting records must be complete, correct and kept in strictly chronological order. All entries and records, even if computerised, must be stored for at least ten years after the date of the last entry, along with all the related company correspondence.

Accounting ledgers

The following are the mandatory accounting ledgers to be completed and stored:

- day book
- issued invoice ledger
- collections ledger
- received invoice ledger
- inventory ledger
- inventory entries
- asset ledger
- other ledgers kept for VAT purposes (e.g. in/out ledgers for goods/merchandise transferred/received without transfer of ownership, and the local gift book).



Keeping accurate and up-to-date accounting entries is a legal obligation and is fundamental to understand the company's financial position



All entries and records, even if computerised, must be stored for at least ten years



Tax requirements

The following are the main annual tax requirements to be met:

- annual VAT return
- annual statement of employees' wages, equivalent amounts, and freelancers' income, fees and other income
- payment of annual tax on the company books
- quarterly report of output VAT and input VAT transactions
- quarterly (or, optionally, half-yearly) report of VAT transactions
- payment of income tax balance and advances
- annual statement of withholdings (770 return)
- annual income tax return (income tax and IRAP return)
- periodic INTRASTAT reports.

Electronic invoicing

The 2018 Finance Act has established that electronic invoicing is mandatory from 1 January 2019 for all resident businesses established in Italy and, accordingly, for startups as well. This change will require the issue of electronic invoices which will be transmitted to customers via the tax authorities' *Sistema di Interscambio* ('Sdl') exchange system.

The tax authorities will therefore consider any invoices issued in non-electronic form, and not transmitted via the 'Sdl' exchange system, as never having been issued.

Annual financial statements

The company's directors must prepare the annual report, consisting of the financial statements (balance sheet, profit and loss account and notes to the financial statements) **and the directors' report** (where required). The annual report must be prepared clearly and give a true and fair view of the company's financial position and financial performance.

The share/quotaholders must approve the financial statements by passing a resolution during a meeting called in accordance with the company's by-laws.

The annual financial statements must be approved first by the directors and then by the share/quotaholders within 120 days of the year end, unless the company exercises its right to the longer 180-day time limit due to specific needs related to the company's structure and business purpose.

The annual financial statements and minutes of the share/quotaholders' meeting must be filed electronically with the Business Register within 30 days of the approval of the financial statements.



The annual financial statements must be approved first by the directors and then by the share/quotaholders within 120 days of the year end



1.3 Personal data protection and the GDPR

Regulation (EU) 2016/679 (the European General Data Protection Regulation or 'GDPR') became effective on 24 May 2016 and has applied directly in all EU member states since 25 May 2018.

The processing of personal data by a controller or processor based in an EU member state is subject to the provisions of the GDPR. In addition, the GDPR also applies to the processing of personal data by a controller or processor not based in the EU if the data are related to the offer of goods or services to data subjects based in the EU or if the data are related to the monitoring of EU-based data subjects' behaviour.

Now that the GDPR is in force, companies must adopt and/or implement technical and organisational measures appropriate to the level of risk associated with their data processing, and review their existing documentation and contracts, to ensure that they are compliant with the new EU data protection rules.

The requirements of the GDPR may be summarised in five key points:

- 1. record of data processing:** the purpose of this record is to keep a detailed and complete record of data processing within the company. The record must include the mandatory information indicated in article 30 of the GDPR and has to be kept if the company is either the controller or processor. This rule does not apply to companies with fewer than 250 employees, unless the processing is likely to result in a risk to the rights and freedoms of data subjects, the processing is not occasional, or the processing includes special categories of data or personal data relating to criminal convictions and offences.
- 2. documentation updates:** companies that are already up and running must update the documentation they use, while the documentation of newcos must be compliant with the GDPR standards.
- 3. data breaches and procedures:** companies must implement internal procedures capable of detecting all violations and enabling the controller to report any violations to the authorities within 72 hours of their detection. This also entails an obligation to prepare adequate reports that indicate at least the minimum information required by article 33.3 of the GDPR.
- 4. security:** companies must take steps to define internal security policies, conducting a risk assessment. It is, therefore, necessary to analyse the technical and organisational measures that will need to be implemented, considering the controller's obligation to guarantee (and, especially, to be able to demonstrate) that data are processed in compliance with the GDPR.



5.impact assessment: in order to fully embrace the new regulations, companies must conduct an impact assessment of the protection of personal data which must be carried out in the specific circumstances dictated by the GDPR, as well as in those in which the data processing is considered risky. The GDPR does not define 'riskiness', making the controller responsible for conducting an ad-hoc assessment on a case-by-case basis.

6.Data Protection Officer (DPO): The DPO has specific IT, legal, risk-assessment and process-analysis skills. The DPO's main tasks include monitoring, assessing and managing personal data processing in order to ensure compliance with European and Italian data protection regulations. Article 37 of the GDPR specifies when companies are required to appoint a DPO. In particular, this is necessary when:

- processing is carried out by a public authority or body
- the core activities of the controller or the processor consist in processing operations which, by virtue of their nature, their scope and/or their purposes, require regular and systematic monitoring of data subjects on a large scale
- the core activities of the controller or the processor consist in processing on a large scale of special categories of data pursuant to article 9 or the personal data relating to criminal convictions and offences referred to article 10 of the GDPR.

The penalty system is based on the principle that sanctions must be effective and proportionate.

In this respect, article 83 of the GDPR provides for two types of fines:

- infringements of the obligations of a controller or processor are subject to fines of up to €10 million in the case of natural persons, and up to 2% of the total worldwide annual turnover of the preceding financial year in the case of undertakings
- infringements of basic principles, the data subjects' rights or transfers of personal data are subject to fines of up to €20 million in the case of natural persons, and up to 4% of the total worldwide annual turnover of the preceding financial year in the case of undertakings.



1.4 Implementing a financial model

The characteristics of the financial model

A financial model is a practical tool that helps you decide the future of your company in a structured manner. It encompasses all the most material information: from costs, revenues and investments to the amount of time needed to become profitable and the possible effects of various financing options.



A financial model is a practical tool that helps you decide the future of your company in a structured manner

IT support and the structure of the model

The IT support used to develop **your financial model can be a simple spreadsheet incorporating the main mathematical functions.**

However, **the financial model's structure is more complex.** The model must be sufficiently flexible to reflect all of your company's main features so it can simulate the largest number of scenarios and, accordingly, the main business trends (sales, production, purchases, etc.) and their effects (on the financial position and financial performance).

Integrity

The financial model must support the preparation of all financial statements: the profit and loss account, balance sheet and cash flow statement.

The balance sheet must reconcile, meaning that assets must be equal to the sum of net equity and liabilities.

Simplicity

The financial model's structure must be simple and based on short formulas.

This will facilitate controls, mathematical accuracy and logical checks.



Reliability

All models share one common characteristic: if they are fed with incorrect or inaccurate information, the model will generate incorrect or inaccurate output. **The data and information used to feed the model must be reasonable and their level of accuracy must be consistent with the objectives of the model.**

1.5 Preparing a business plan

A business plan is a document that describes the founder's competitive strategies for the business, the steps to be taken to reach the strategic goals and trends in key development drivers and in forecasts. The business plan plays a vital role in the startup and management of the business, as it embodies the founder's vision and helps attract the human and financial resources needed to achieve it.

A startup's business plan should include a detailed analysis of the market context, the main competitors and potential customers, and it should accurately describe the services and products to be offered. This detailed analysis is a crucial step in meeting one of the main objectives of a business plan, i.e. presenting financial forecasts over a three- to five-year period, depending on the type of business.

The business plan should include at least the following sections:

- **executive summary**
- **description of the startup**
- **strategic plan for sales and marketing**
- **organisational structure**
- **financial forecasts.**



The main objective of a business plan is to present financial forecasts over a three- to five-year period



Executive summary

The executive summary provides a brief description of the business plan and the startup's main objectives, as well as a summary of the assumptions underlying the financial forecasts. The purpose of this section is to summarise the key information on the company and the most important data to be highlighted for potential investors and/or stakeholders.

In short, the executive summary should present the business idea and the business model, the startup's prospective market position, its main investments and the forecast results.



Description of the startup

This section should describe the startup's sector and how the company intends to position itself.

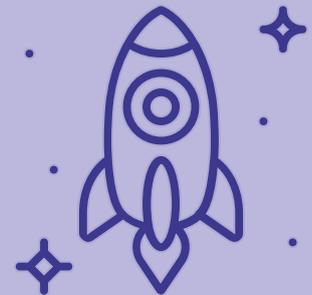
It is helpful to note **how the sector has performed historically and its prospects for the future**, providing information on similar sectors and products to give some background on the market and the competition that your startup will face.

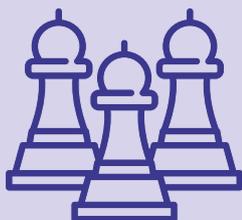
You should ensure that you use statistics based on reliable market data, so that the plan is credible.

When describing your company, you should also indicate the **customers you intend to target**, the **distribution channels** you will use, the **geographical areas** in which you plan to operate and the **systems you expect to develop to support sales** (e.g. advertising and promotions).

In addition, you should describe the **products or services** that you intend to offer and the needs you plan to meet by offering them. The description should be brief yet sufficiently detailed to give readers a clear picture of your competitive edge.

You should showcase your **business model** by emphasising how your product or service is unique, focusing on how you intend to stand apart from potential competitors.



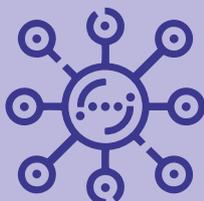


Strategic plan for sales and marketing

To define and contextualise your sales and marketing strategy, you should conduct a **market analysis to outline your startup's range of action and development potential**.

When you describe your sales and marketing strategy, clarify the following elements:

- your overall target market
- how you plan to position your startup on the market
- your pricing strategy
- the market share you expect to gain
- the distribution channels you intend to use
- the initiatives you will take to promote your product or service
- who your competitors are and how you are different from them.



Organisational structure

An organisational structure is made up of all the people, skills, activities and processes that enable your company to operate.

In particular, the business plan should outline a flexible structure that can meet the startup's specific future requirements and efficiently respond, with the necessary expertise, to the expected potential developments described in the plan.

Financial forecasts

All business plans are evaluated on the basis of the **financial prospects arising from the startup's strategic and development decisions**. It is therefore essential to include detailed forecasts that are consistent with the historical performance of the startup's sector, including simulations of possible alternative scenarios reflecting changes in the assumptions underlying the plan (e.g. a range of macroeconomic factors and varying growth rates for revenues, costs and investments).

This section usually includes the startup's profit and loss account, balance sheet and cash flow statement, which are needed to reflect the trends in your company's current and future performance and financial requirements.





1.6 Financing your company

Once you have come up with an interesting idea and outlined a plan, you must find the funds to transform your idea into reality.

Ideally, you should only raise funds from third parties when necessary. If you can self-finance as much as possible until you are successful on the market and your product is well received, it will be easier to raise funds later on.

Bear in mind that **the fundraising process is long, whichever method you choose.** You should begin the process early, when you still have plenty of time and capital and can start the search for funding before you need it urgently, while you have more bargaining power.

To finance your company's operations, you do not necessarily need to go to your bank. Today, **there is a wide range of financing options available, including new funding models, such as business accelerators and crowdfunding.**

Agreeing the right financing at the right time is crucial for a successful company. You can use traditional sources of funding, such as overdrafts, loans and equity financing, or new sources, such as accelerators, crowdfunding and venture debt.



Agreeing the right financing at the right time is crucial for a successful company



Financing options

Overdrafts

A current account overdraft is a credit facility agreed with a bank to meet short-term financing requirements. It is a flexible solution to cover immediate financing needs (e.g. covering cash expenses).

Current account overdrafts are flexible since you only pay interest on the amount of the overdraft. However, the bank may revoke them at any time, they tend to be more costly than other types of loans, and you must provide a guarantee when they are agreed.

Loans

The most common startup lenders are friends, family and banks. You can also take advantage of government initiatives, such as loans for startups, which are loans to individuals for which the company's founding owners are eligible.

Unless they are non-interest bearing, loans accrue interest at varying rates depending on the term of the loan, whether the company or founder has provided any collateral, and other more general economic factors, such as the ECB's base rate.

Equity financing

Equity financing entails selling a portion of the company to raise the necessary funds. There are various methods, depending on the startup's phase of development.

Startup financing

This type of financing is used to develop a product, create a management structure, conduct market research, etc., and it may be raised through accelerators, angel investors or crowdfunding.

The main types of startup financing obviously include the founder's friends and family. This type of financing is seen in a positive light by subsequent investors, as it demonstrates your credibility and the confidence that friends and family have in you.

Initial financing

This financing comes into play when you are ready to sell your product. If necessary, it can be disbursed in instalments and tends to be provided by informal investors and venture capital firms.

Expansion financing

Expansion phase begins once your product is being sold and the business model has proven to be sound. This phase is similar to the initial phase, but the financing tends to come from venture capital and private equity firms, which are usually interested in more developed companies.

Exit financing

This is the capital needed to finance your company's continued expansion and maturity over the years and to cover exit costs for the owner or previous investors. These funds may be generated by selling your company to another company or by going public.



Accelerators

These are support programmes that usually offer startup phase financing, office space, mentors and other business contacts. The standard model is an intensive, structured programme lasting three to six months and culminating in a demonstration day, in which participants present their startups to a group of investors to convince them to finance the development of their projects.

Certain accelerators are supported and promoted by large companies interested in tapping the startups that they support for innovative ideas. If you think an accelerator might be the right solution for your startup, you should investigate the various possibilities and use the accelerators that best meet your specific needs.

Corporate venture capital (CVC)

The CVC model consists in companies investing directly in a startup to gain access to innovative solutions and talent which they then use for their own technological innovation. CVC investors typically provide managerial, technological, administrative, compliance and commercial support to startups as well.

Although CVC is similar to the types of financing described above, the nature of the relationship with a CVC investor entails close collaboration in which the CVC firm has a vested interest in increasing the value of its investment in the startup to gain a competitive edge, which can be exclusive.

Venture debt

Venture debt can be considered as complementary to equity financing for startups that have progressed to an advanced phase. It offers companies additional liquidity without diluting the interests of share/quotaholders and founding owners, and is usually advantageous to companies that already have a successful business model, can rely on solid lenders and are generating profits.

Royalty revenue-based financing

Startups may also use a type of financing based on agreements whereby royalty revenues are shared in order to repay debt, without diluting any interests in the company or involving the lender in operations.



Grants

These are an excellent form of financing for startups.

Grants are mainly given by public bodies, but may also come from private entities.

The advantage of grants is that they do not dilute interests in the startup; however, they often entail rather complicated application processes and reporting obligations, and the wait time for authorisation and collection of grants can be quite lengthy.

Crowdfunding

As already mentioned above, crowdfunding is a financing tool that enables Innovative Startups to raise capital on the market via channels that are alternative or complementary to traditional forms of financing.

The expression 'crowdfunding' refers to the process whereby several people finance a project on specific websites or platforms.

This form of financing has undergone explosive growth in recent years, as it helps users invest in the most revolutionary ideas and technologies. The companies that use this innovative financial marketing tool must be able to present their ideas to the public, which, in turn, can invest in the startup and thereby participate as a project user and supporter.

Nevertheless, given the impersonal nature of crowdfunding, this type of financing does not offer the kind of structured support that accelerators or angel investors offer, which can contribute to a startup's success.

There are four types of crowdfunding: equity-based, lending-based, donation-based or rewards-based.



Types of crowdfunding platforms

Equity-based crowdfunding platforms

The first type of crowdfunding is the only one regulated by Italian law. The equity-based model provides that, in exchange for their investment and support, lenders receive an equity stake in the startup (through quotas or similar securities). Their involvement is extensive: not only do crowdfunding investors provide support for the project, but they also share in the business risk. This risk is obviously offset by the potential returns in the form of the profits that could be generated.

Lending-based crowdfunding platforms

This type of crowdfunding enables startups to raise funds through loans or other debt instruments without the involvement of financial institutions. It entails the repayment of both principal and interest.

This is a peer-to-peer loan or a peer-to-business loan.

In Italy, in order to use lending-based crowdfunding, the website must be registered in a specific list held by the Bank of Italy.

Donation-based crowdfunding platforms

This type of crowdfunding enables investors to support projects promoted by non-profit organisations with a social, philanthropic or sponsorship mission. Investors do not expect any return, other than the moral gratification of having supported a good cause.

Rewards-based crowdfunding platforms

This type of crowdfunding enables people to offer money in exchange for benefits or the startup's products or services (e.g. a prototype, a limited series, or a miniature of the product received before the official launch). It is an excellent way of validating the product's function and quality, and a growing number of companies are using it as a marketing tool. There are two different options in the rewards-based model:

- all or nothing: only if a minimum threshold is achieved will the funds raised be used to finance the project
- keep it all: even if the minimum threshold is not reached, the funds raised will be used to finance the project.



1.7 Managing working capital

A company's main operating costs normally include salaries, utilities, supplies of goods and services and overheads such as rent and insurance. **Good working capital management essentially consists in ensuring that available liquid funds match actual operating requirements.**



To manage working capital it is necessary to estimate and schedule future collections and payments

Financial planning

To manage working capital it is necessary to estimate and schedule future collections and payments. It is therefore crucial to have a financial model that can support the plan and you should show how the company will maintain balanced cash flows.

The purpose of the financial model is to identify potential risks, preparing solutions in advance and ensuring that there is enough time to remedy any imbalances.

Improving cash flows

First and foremost, you should consider how long it will take for you to receive the money you are owed, i.e. when you will collect revenues. A sale is not complete until you have received payment.

To optimise treasury processes, invoices must be sent to customers as soon as possible after you have sold a product or provided a service, and you should monitor collection times to shorten them as much as possible.

Debt collection is essential: the longer it takes debtors to pay, the longer you will need to finance sales with liquidity from your company's coffers. Cash flows consist of both outflows and inflows.

To ensure regular cash flows, it is crucial that you know your customers and negotiate fair payment terms with them, granting credit based on their financial standing and history. These terms must be continuously reviewed, as even one large uncollected debt could bring financial ruin.

On the other hand, when you are paying suppliers, **you should try to break up payments and negotiate more favourable payment terms,** so as to keep liquidity in the company as long as possible.



To ensure regular cash flows, it is crucial that you know your customers and negotiate fair payment terms with them



Ideally, the credit terms negotiated with suppliers should be more favourable than those granted to customers

Ideally, the credit terms negotiated with suppliers should be more favourable than those granted to customers, but this is rarely the case in the real world, especially for a startup new to the market that has yet to build a reputation as a sound, reliable counterparty.

Factoring of receivables and financial discounting are two possible ways of speeding up collection times and freeing working capital that is 'tied up' in invoices.

Factoring of receivables

When you factor your receivables, **a lender** (i.e. a bank or a factor) **manages the receivables and collects the amounts due from your customers**. The lender pays you about 85% of the invoice's face value. The residual amount (net of interest and factoring fees) will be made available only after the lender has collected the entire amount due from the customer.

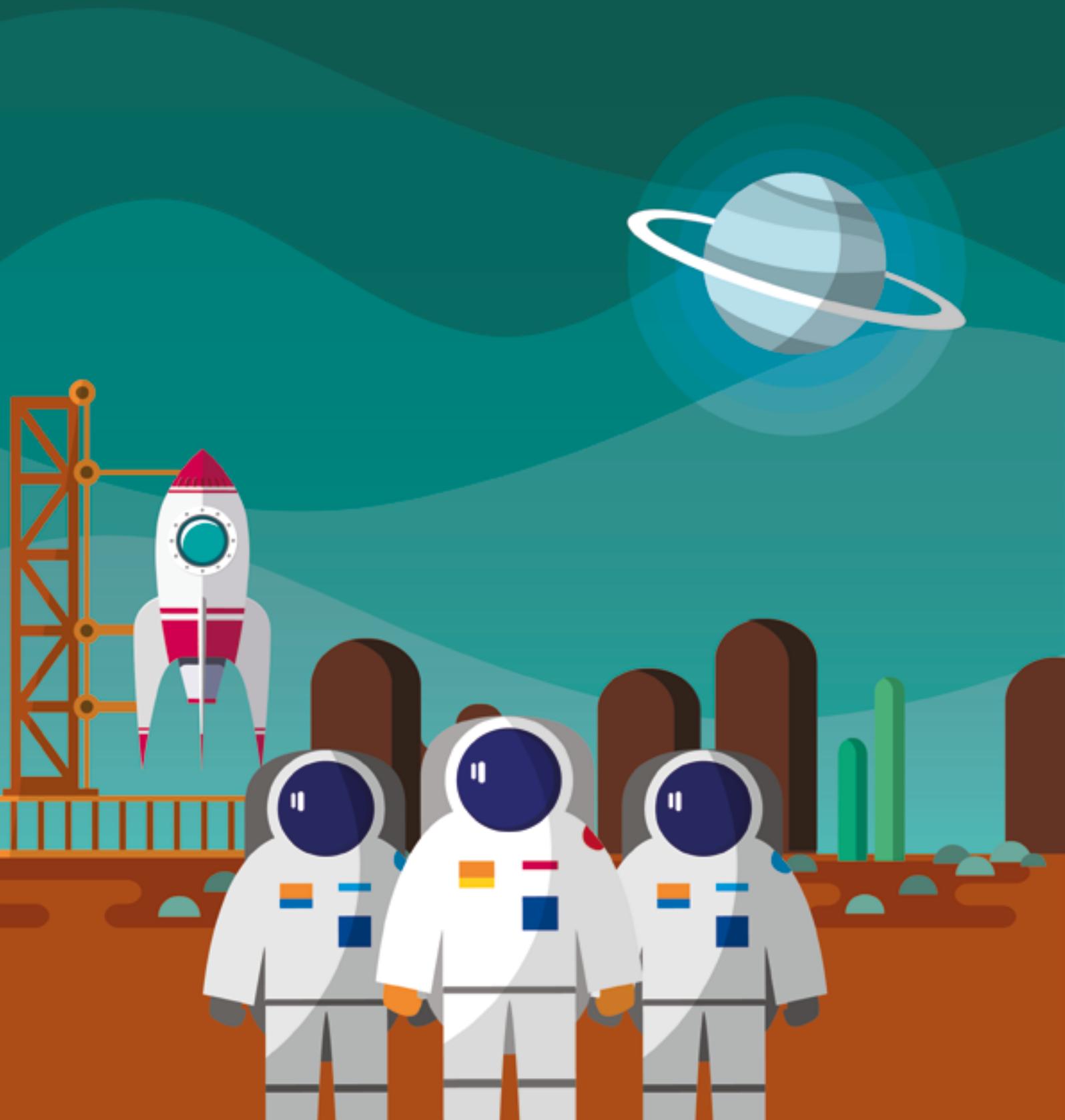
Financial discounting

When invoices are 'discounted', **the lender** (usually a bank) **pays an advance on the invoices without managing the receivable or collecting amounts on your behalf**.

In financial discounting, an agreed percentage is paid on the face value of the invoice (including VAT). When the invoice is settled, the money goes to the lender, reducing your debt.

The fees for discounting tend to be lower than those for factoring since the lender does not manage the receivables.

2. Attracting talent





Choosing the people with whom your startup will be launched and developed is vital for the success of your project. Skilled workers must be appropriately selected, correctly positioned within the company, and provided with an incentive scheme that motivates them to achieve your corporate goals.

2.1 Assembling the team

Have you found the right people for your company? It's time to decide what type of agreement or contract to offer them.

You have three main options: you can take them on as employees, contract workers or freelancers. You may also go through a temporary staffing agency to use contract workers, interns and temps. Since most companies hire employees or freelancers, we will focus on these two options.

Employees

Hiring an employee

Employees enjoy a vast range of rights and protections that are mainly governed by law, national collective bargaining agreements and individual contracts, but also by company regulations and practices. At the same time, from the date of hire, **the employer gains various powers over employees, including the power to direct and discipline them**, while employees have to meet certain obligations, such as showing loyalty to the company and complying with company regulations and the employer's instructions.

From the time they are hired, employees:

- must guarantee their availability to work in the agreed period, performing the work personally
- have the right to receive all financial and other benefits provided for by law, applicable national collective bargaining agreements, and any company regulations and practices.

Specific rules have been established for Innovative Startups, which are exempt from the limit on the number of fixed-term workers, who cannot account for more than 20% of the total workforce.



Employees enjoy a vast range of rights and protections, but are also subject to duties and obligations



Innovative Startups are exempt from the 20% limit normally applied to fixed-term employment contracts out of the total workforce



Rights of employees

Italian employment law affords employees a series of rights and protections, such as:

- **remuneration** no lower than the minimum wage guaranteed by the national collective bargaining agreement
- pre-established **hours** and a pre-established **place of work**, which the employer may not unilaterally change, except in certain circumstances and within certain limits specified by law and national collective bargaining agreements
- payment of an **indemnity in the event of illness or injury**
- **minimum guaranteed and paid holidays**
- the right to **paid maternity, paternity and adoption leave**
- a **minimum notice period in the event of dismissal**
- **protection in the event of unlawful dismissal**, which may, in certain cases, consist in reinstatement of the employee.

Rights of employers

An employment contract has the following advantages:

- the employer may **direct and control** the ways in which the work is performed
- with a few exceptions, the company retains title to the **intellectual property** created by employees over the course of their employment contract, but it must be specifically remunerated
- during the employment contract, employees must give **loyalty and allegiance** to their employer and may not compete with the company
- the employment contract may place **confidentiality and non-competition obligations** on employees, which must be specially remunerated, and which may last longer than their employment.

Commitments arising from employment

An employment contract entails the following commitments:

- **salaries are fixed** and must be paid regardless of the outcome of the work performed
- employers must **provide all the equipment and facilities** that the employees need to do their work
- employers must **withhold taxes and national insurance contributions** on employees' wages and pay them to the tax authorities



- employers that **unilaterally terminate employment contracts** face costs based on different parameters.

The advantages of fixed-term employment contracts for Innovative Startups

For Innovative Startups, the 'Jobs Act' (Legislative Decree no. 81/15) establishes special rules on fixed-term employment contracts.

In particular, it provides the following relief:

- Innovative Startups may exceed the ordinary limit for fixed-term contracts (20% of the entire workforce)
- although they are subject to the general limit on the total maximum duration of fixed-term contracts, which is 24 months (based on the recent amendment introduced by the 'Dignity Decree'), Innovative Startups may renew these contracts without having to observe the 10/20-day interval between termination and renewal applicable by law to all other employers
- Innovative Startups are not subject to the maximum limit of four extensions of fixed-term contracts within a 24-month period (based on the recent amendment introduced by the 'Dignity Decree').

This relief for Innovative Startups applies in the first four years after the company's incorporation.

Freelancers

Working with freelancers

Freelancers provide professional services to your company. Companies may hire freelancers under a work contract or a consultancy contract.

A freelancer is not subordinate to the client/founder because there is no hierarchical relationship, which is instead typical of employment contracts. Accordingly, freelancers are not subject to the client's direction and disciplinary power.

Freelancers have VAT numbers and enjoy a great degree of flexibility and autonomy in deciding how and when they will work.

The freelancers' fees are freely established through negotiations with the client.

A freelance contract involves any manual, technical or intellectual work that is capable of producing an economic result, and that is carried out within a specific period or on an ongoing basis.



For Innovative Startups, the 'Jobs Act' establishes special rules on fixed-term employment contracts



Freelancers are not subject to any form of subordination, which is typical of employment contracts



The difference between work performed under an employment contract and a freelance contract is very subtle

The difference between work performed under an employment contract and a freelance contract is very subtle. **To avoid the risk of a freelance contract being reclassified as an employment contract**, the following must be avoided:

- assigning the freelancer company benefits and work tools, e.g. telephone, email address, fixed workstation at the company's offices (desk and PC), personal computer, swipe card, etc.
- having the freelancer work exclusively for your company
- requiring the freelancer to follow policies, orders and directives
- requiring the freelancer to comply with a fixed, predetermined work schedule
- paying a fee to the freelancer on a fixed monthly basis
- choosing a freelancer who has no entrepreneurial structure, not even a minimal one.



A freelance contract has advantages for startups, but also entails some risks due to the greater 'independence' of freelancers compared to employees

The advantages of using freelancers

A freelance contract has the following advantages:

- the parties agree in advance on the **fees, expenses and delivery times**
- the fees are determined in advance and cannot be changed, unless agreed otherwise by the parties. In addition, **the fees are paid only when the work has been completed**
- freelancers are **completely autonomous and independent in terms of organising the resources and tools necessary to carry out their work**
- it is the freelancers' duty to pay **income taxes** and **mandatory insurance contributions** on the fees that they receive. If their revenues exceed a certain limit, they have to obtain a VAT number.



The risks of using freelancers

A freelance contract entails the following risks:

- unless otherwise agreed, freelancers retain title to the **intellectual property** they have created
- freelancers who work for more than one company are more likely to **leak information about your company to competitors**, even involuntarily
- **freelancers are not completely integrated into the company** and are therefore likely to be less loyal than employees, unless their contract includes specific confidentiality clauses
- unless it is performed in compliance with the law, a **freelance contract risks being reclassified as an employment contract**, which could lead to additional unexpected costs.

Hiring freelancers

In order to hire a freelancer, the company must send a contract defining the terms and conditions of the engagement and have the freelancer sign it. The contract must include:

- the **scope of the engagement**, i.e. details about the work that the freelancer will perform
- the **fee** for the work
- the **date when the contract ends**
- a few **general guidelines** on how to perform the engagement
- clauses regulating **confidentiality** and the **handling of confidential information**
- **intellectual property clauses**
- **termination** and **withdrawal clauses**
- a request for a copy of the **freelancer's insurance policy**, to check that the person is covered in the event of claims arising from the engagement
- an indication that **the contract regulates a freelance arrangement**, and that the worker is not in any way a subordinate.



A freelance contract must clearly define the terms and conditions of the engagement

2.2 Incentives for hiring employees



There are grants and reduced social security contributions for employers who sign specific types of employment contracts or hire specific categories of workers

To encourage the hiring of specific categories of people, **the government has introduced incentives and benefits for companies intending to take on new workers.**

These mainly consist in grants and reduced social security contributions for employers who sign specific types of employment contracts or hire specific categories of workers (e.g. women, workers over 50, young people). Below is a summary of the hiring incentives that are currently available. However, employers should always keep in mind that certain benefits will expire or are available on a first come, first served basis until the allocated resources have been used up. Applicants would be well advised to file their applications early.



Women

All private-sector employers are eligible for this incentive if they hire, on a fixed-term or open-ended employment contract, **women who have been unemployed for at least 24 months.** This period of unemployment is reduced to six months if the women:

- are residents of disadvantaged areas
- are employed in a profession or economic sector characterised by highly disparate employment rates between the genders.

The **benefit** reduces the employer's share of social security contributions by 50% for:

- 12 months in the event of fixed-term employment contracts
- 18 months in the event of open-ended employment contracts.



Workers over 50

All private-sector employers are eligible for this incentive if they hire **workers who are over 50 years of age and have been unemployed for more than 12 months.**

The **benefit** reduces the employer's share of social security contributions by 50% for:

- 12 months in the event of fixed-term employment contracts
- 18 months in the event of open-ended employment contracts.



Young people

All private sector employers are eligible for this incentive if they hire - **under open-ended employment contracts offering a level of protection that increases as time goes by - young people** who:

- are not yet 30 years old (or, up to 31 December 2018, are not yet 35 years old)
- have never been employed under an open-ended employment contract with the same or any other employer.

The **benefit** consists in a 50% exemption from the employer's share of social security contributions, excluding national insurance (INAIL) premiums and contributions, up to a maximum amount of €3,000.00 per year for each new worker hired and for a maximum period of 36 months.

Employers are also eligible for this benefit if they convert:

- a fixed-term employment contract into an open-ended one (the worker must be under 35 at the conversion date)
- an apprenticeship contract into an open-ended employment contract (and the apprentice is under 30 when the open-ended contract is signed). In this case, the exemption applies for a maximum of 12 months, beginning from the first month after that in which the contribution relief for the apprenticeship ends.

The benefit is increased to 100% of the employer's share of social security contributions (again, excluding INAIL premiums and contributions, and for the same maximum amount and period as indicated above) if the employer hires a young person who has successfully completed their secondary education no less than six months earlier and who has worked for that employer:

- as part of a school/work programme
- as an apprentice working towards a vocational qualification.





Employers should create a remuneration package that encourages employees to do their best, thereby helping to achieve business objectives

2.3 Motivating the team

It is not easy to calculate the financial resources needed to hire the right people, since potential employees consider a wide range of factors in addition to the actual financial offer.

Remuneration is what drives an employee to accept a job offer, but it must also motivate them. Employers should create a remuneration package that encourages employees to do their best, thereby helping to achieve business objectives.

The remuneration package

It is important to have a clear understanding of the company's objectives so that the person you intend to hire can help you achieve them. If a person is essential, remuneration should increase accordingly.

An employer should consider whether it would be easy to find another person with the same skills. If it would not, it might be a good idea to adjust the financial package, to reflect the candidate's unique skills.

The employer should survey and analyse market demand for similar positions, to anticipate candidates' expectations and offer salaries that meet them.

The employer should also consider whether the candidates are interested in the offer solely because of the remuneration or if the position and the company are attractive for other reasons. **For candidates, especially if they are young and ambitious, it is extremely important to be able to identify with the company because they believe in the project.** Moreover, candidates must be offered the opportunity to grow professionally and personally by developing, among other things, new skills.



Offering employees equity in the company or stock options is one way to attract sought-after talent without depleting the company's financial resources and to motivate employees to contribute to the startup's development and success

Startups often have limited liquid funds: offering employees equity in the company or stock options is one way to attract sought-after talent without depleting the company's financial resources and to motivate employees to contribute to the startup's development and success.

If employees are offered stock options, the employer should consider whether the terms are easy to understand. If they are overly complex or the value is difficult to understand, it is unlikely that the package will be perceived as an advantageous offer.

Other aspects to consider are what will happen if the employees leave the company voluntarily or involuntarily and how flexible the package is if the company were to change its development strategy.



2.4 Equity incentives

During the startup phase, the company is not always able to offer salaries in line with market rates.

One solution is an **equity incentive plan offering stock and restricted stock, stock options, or restricted stock units**.

This benefit is designed to help startups attract, retain and motivate employees, offering remuneration that is far more valuable than a mere salary.



An equity incentive plan may help startups attract, retain and motivate employees

Stock option plans

In an employee stock option plan, an employer grants employees the right to acquire the company's shares or quotas in the future at a specific price and within a specific period of time.

For example, employees may exercise their options after a specific period of time has passed (usually three or more years) and once specific criteria are met, or the company has achieved certain results. Similarly, the company may assign equity instruments directly and restrict their transfer until a specific period of time has passed.

Furthermore, the company may also promise that it will assign equity instruments in the future if the employee achieves specific targets within a specific period of time.

The tax benefits

Employees enjoy the following tax benefits:

- the assignment of equity instruments, even through the exercise of options to acquire such instruments, does not have any tax impact as it does not generate income
- employees who receive the Innovative Startup's equity instruments for free, pay neither taxes nor social security contributions on the value of the instruments
- when employees exercise options issued by an Innovative Startup, they pay neither taxes nor social security contributions on the gain arising from the difference between the price of the equity instrument and the strike price
- when the equity instruments of an Innovative Startup are sold, capital gains tax is due, but it is generally lower than the income taxes and social security contributions.



Employers enjoy the following tax benefits: until the option is exercised, it is not subject to income tax and the employer pays neither mandatory insurance contributions nor withholding tax.

Assignment of equity instruments

Beneficiaries include directors, employees (including those with fixed-term or part-time contracts) **and contract workers** who work for the company on an ongoing basis and whose income is normally considered the equivalent of an employee's wages.

The benefit applies as long as the Innovative Startup or any entity that directly controls or is controlled by the Innovative Startup, or is controlled by the Innovative Startup's parent, does not repurchase the equity instruments or options.

2.5 Verifying that the employee has the right to work in Italy

The talent market is global. Specialists with the skills your company needs could come from anywhere in the world and you might decide to bring them to Italy so they can contribute to your success.

However, **work permit regulations in Italy are stringent and continuously updated**, which makes this process much more complex.

The employer's responsibilities

The employment of non-EU workers is subject to special legislation whereby the Italian government aims to regulate the flow of migrants while ensuring acceptable living conditions for foreigners who are legally residing in the country. From a practical standpoint, Italian law does not allow employers to hire people who do not have work permits or who are not residents of Italy. Employers are legally required to check that their employees, regardless of their nationality, meet these requirements and therefore have a valid work permit and reside in the country.



Employers are legally required to check that their employees, regardless of their nationality, have a valid work permit and reside in the country



Each employee's documents must be checked when they are hired or, at the very latest, on the first day of work. It is advisable to keep a copy of these documents as evidence that all the necessary checks were completed.

Who can work in Italy without restriction?

In general, the following people are eligible to live and work in Italy without restriction:

- Italian citizens
- EU citizens
- non-EU citizens with valid (fixed-term) permits of stay granted for work purposes, family reasons or study purposes.

Employers who employ non-EU foreign workers without permits of stay face serious criminal and civil sanctions.

Two separate programmes have been introduced to encourage young talented foreigners to come to Italy:

- **ITALIA Startup VISA:** this initiative is for non-EU citizens who are abroad. The purpose is to make it easier for people wanting to set up an Innovative Startup to come to Italy
- **ITALIA Startup HUB:** this initiative is for non-EU citizens who are already in Italy for non-business reasons. If they meet the requirements, they may renew their permit of stay without having to go back to their country of origin for a visa. This is particularly helpful for students who are completing their education in Italy and intend to set up an Innovative Startup here.



The 'ITALIA Startup VISA' and the 'ITALIA Startup HUB' programmes have been introduced to encourage young talented foreigners to come to Italy

2.6 Termination of employment

An employment contract may be terminated by the employee (i.e. resignation) or by the employer (i.e. dismissal); or it may end for other reasons beyond the control of either.

Our analysis will focus on dismissal.

In general, dismissal must be justified by specific reasons connected with the employee's conduct (dismissal for just cause or a disciplinary reason), or with **production or the organisation of labour** (fair dismissal for a business reason). In certain specific cases, employers are free to withdraw from the employment contract.

If more than five employees are dismissed within 120 days, a collective dismissal procedure must be followed, which also involves the trade unions.

Dismissal for just cause or a disciplinary reason

Employers may dismiss an employee for just cause when the employee is in breach of contract, and so seriously that it is impossible for the employment relationship to continue, even temporarily. In these cases, the employer is free to withdraw from the contract immediately, without any prior notice.

Employers may dismiss an employee for a disciplinary reason when the employee is in breach of contract, but not so seriously that the employment relationship cannot continue temporarily. In these cases, the employer may withdraw from the contract but is required to give notice (see below).

The amount of notice that the employer must give in the event of dismissal for a disciplinary reason is established in the national collective bargaining agreement and generally depends on the worker's position and length of service.

During the notice period, the worker continues to work as usual and has the right to be paid. If, however, the employer would prefer not to have

the employee continue working and intends to immediately withdraw from the contract, the employer must pay an indemnity in lieu of notice equal to the amount of remuneration that the employee would have earned during the notice period.

Italian law does not specifically and meticulously indicate the individual circumstances that would legitimise dismissal for just cause or disciplinary reasons.

Over the years, case law has identified a series of circumstances in which dismissals are found to be legitimate: abandoning one's place of work, prolonged and unjustified absence, violation of the loyalty or confidentiality obligation, and the commission of a crime.

Nevertheless, a judge's decision is based on an assessment of the individual case and the formal and substantive circumstances.



Fair dismissal for a business reason

In practice, when a dispute arises in relation to a dismissal the employer and the employee will attempt – before going to court – to establish their respective rights and obligations through a settlement agreement.

These settlement agreements usually require the employee to waive any claims in connection with

the dismissal and/or employment relationship, in exchange for a leaving incentive.

The settlement agreement is only valid if it is signed in the venues defined by Italian law.

2.7 Owner's departure and equity transactions

Newly incorporated companies often witness founder turnover, for a variety of reasons. These changes have an impact on the company's ownership structure, in two main ways: when an existing owner leaves and/or when a new owner arrives.

The following comments are general ones, and it is always important to check the company's by-laws and shareholder/quotaholder agreements, as they could limit the options.

When founding owners (individuals) intend to leave the company, they can sell their investment to other parties. In general, any gain generated by the sale of an investment owned by an individual is subject to different tax treatment, according to the nature of the investment:

- If the investment is 'substantial', 49.72% of the gains realised up to and including tax year 2017 are considered part of the owner's taxable income (58.14% if realised from tax year 2018)
- If the investment is not 'substantial', the entire gain is subject to substitute tax of 26%.



Any gain generated by the sale of an investment owned by an individual is subject to different tax treatment, according to the nature of the investment



In general, an investment in an unlisted company is considered 'substantial' if it gives its holder over 25% of capital or equity or more than 20% of the voting rights that can be exercised during the ordinary share/quotaholders' meeting.

A different type of tax treatment could apply if the departing owner holds the investment as a corporate investment.

2.8 The founder's role in the company



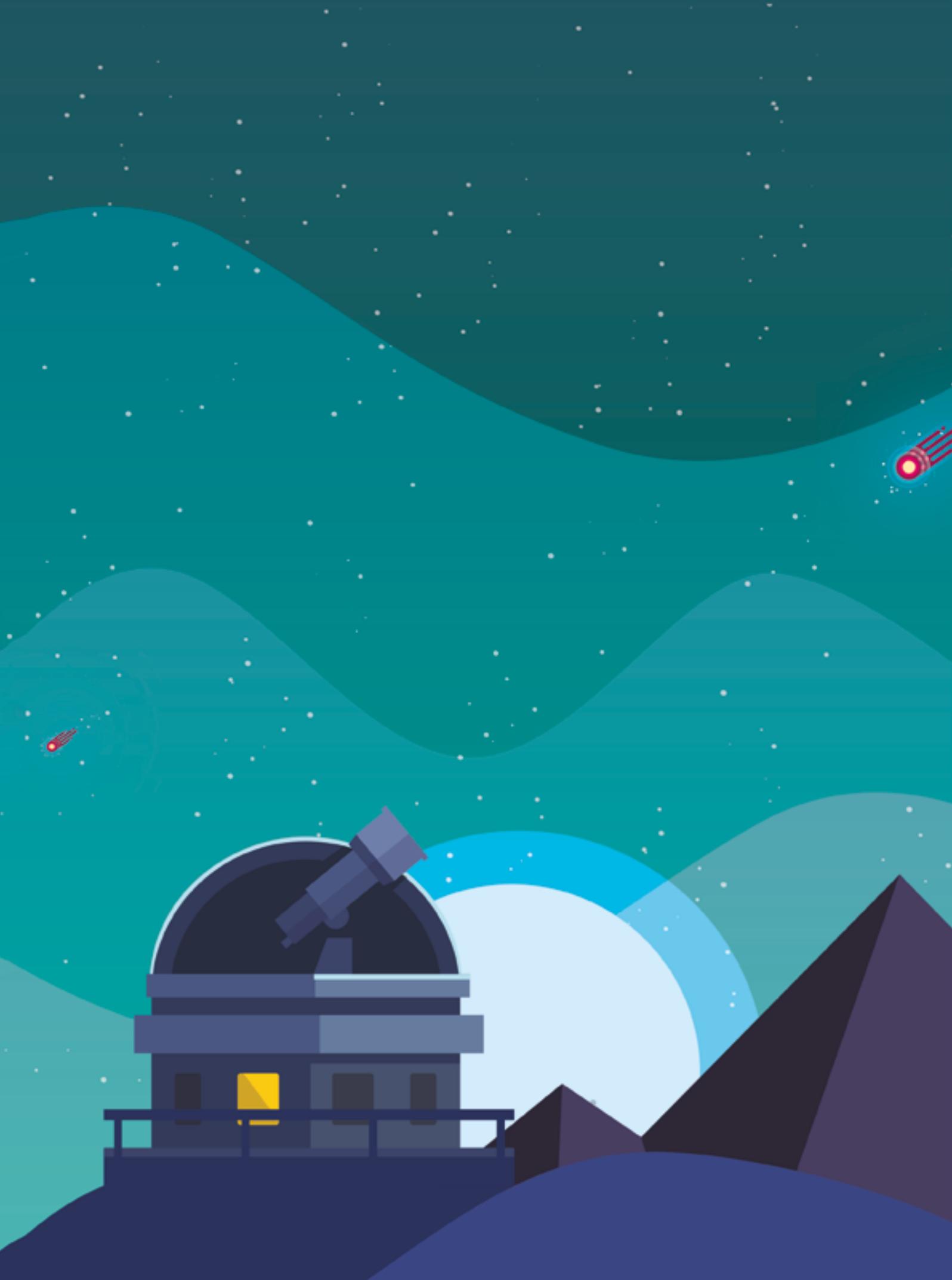
If the founder decides to have an operational role in the company's organisation, it may be as director, contract worker or employee

Founders are not required to have a role in company operations and may, in fact, appoint an external manager to manage the company that they own or have founded.

If the founder decides to have an operational role in the company's organisation, it may be as director, contract worker or employee.

In particular, the founder may be a:

- **Director:** founders may be appointed director of the company. Depending on the company's legal form, the founder may be the sole director or a member of the board of directors and/or managing director. The founder may or may not receive a fee for serving as director. If no fee is paid, the founder must explicitly waive the fee.
- **Contract worker:** the founder may be appointed and paid to carry out certain activities. Founders who are contract workers may also be appointed director or be issued with specific powers of attorney for certain legal transactions.
- **Employee:** the founder may even be an employee of the company, with the related rights and obligations. However, it is important to keep in mind that, with respect to social security contributions, the relevant authorities could challenge the founder's status as an employee. Again, founders who are employees may also be appointed director or attorney of the company.



3. The startup ecosystem





The management of digital innovation as a priority for companies and the rising importance of Innovative Startups in the context of macroeconomic development have laid the groundwork for the creation of an ecosystem focused on innovation. This ecosystem is made up of players that, despite having different ultimate aims, are interested in partnering with startups and supporting their development.

3.1 The elements of this ecosystem

If, on one hand, fundraising is a key focal point for startups during the initial phase, their development and the marketing of their ideas depend on their ability to network within their economic context, access know-how and resources, promote their business idea and make it visible. The startup ecosystem consists of various structures that support them, and the main types are listed below.



The ability to network within the economic context, access know-how and resources, promote business ideas and make them visible, facilitates the startup's development path

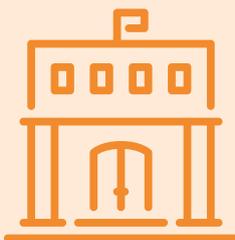
Structures that support startups

Science & technology parks

These are public or private bodies whose primary aim is to promote the growth and development of highly innovative or high-tech businesses. They cultivate the sharing of knowledge and skills between universities, research centres and businesses in the local area.

Technology parks directly support startups and innovative companies in terms of both skills (technology, business, marketing, patents, etc.) and infrastructure (co-working spaces, laboratories, logistics, events, etc.) and encourage cooperation between businesses in the area.

APSTI (the Italian association of science and technology parks) is a network of 25 of the largest Italian technology parks, set up to facilitate interaction and cooperation (www.apsti.it).





University campuses for startups

Initially created as university incubators, these campuses host and support startups that are spin-offs of the university. In addition to providing logistics support, services and academic expertise, they enable cooperation with companies that already participate in university initiatives.



Co-working spaces

The idea behind co-working spaces is to offer, for short or longer periods, access to infrastructure and services that can be shared with other startups, at affordable prices and exploiting economies of scale for office and organisational costs. These spaces also provide a cooperative environment where people can cultivate and expand their network of multidisciplinary relationships, which is at the heart of the growth and development process.



FabLabs

Often associated with co-working spaces, FabLabs are support centres for the development of digital production. They provide innovative systems and processes that are difficult for startups to access on their own (because they are expensive and require special know-how) and that they can use to develop prototypes, semi-finished products and limited production series. One hallmark of certain FabLabs is the relationship they share with academia and the availability of resources for co-designing and training.



Pro-innovation non-profit associations

These are associations that, in various ways, bring together the players in the startup ecosystem (founders, incubators, accelerators, companies, public bodies, service providers for startups, etc.) in order to promote a startup culture and offer a support platform (e.g. www.italiastartup.it).



3.2 Startup programmes and competitions

Programmes and competitions for startups are ways of promoting ideas in order to source tangible and intangible resources or present business ideas to sponsors. They may be public or private sector initiatives and are a vehicle for reaching out to business players and boosting the startup's visibility.

- **Calls for Ideas** - these events are promoted by companies or other bodies
- **Calls for Tender** - these are public tenders to access financing and government grants (local, national or European) for the launch and development of startups or financing for a specific project
- **Startup competitions** - these are programmes and competitions that rate startups and business projects and award the winners with financing, grants, mentorships, advisory services and incubation services
- **Hackathons** - these are events for the development of specific software for certain sectors/services organised by incubators in connection with business districts/networks
- **Empowerment programmes** - these are training/mentoring programmes for founders and new entrepreneurs in the various phases of development or planning
- **Crowdsourcing platforms** - these are websites where groups of people/experts offer support for specific tasks/activities proposed by startups.



Programmes and competitions for startups are ways of promoting ideas in order to source tangible and intangible resources

3.3 Open innovation

Through open innovation, companies seek to capitalise on innovative contributions outside the company to drive and improve their own internal innovation process. Rather than relying on protecting the company's intellectual property and exclusive offers (strategies typical of closed models), the company's competitive edge and ability to innovate are based on how well it attracts and integrates third parties, such as other startups, academia, technology parks and partners, creating genuine ecosystems that attract solution providers and users alike.

Companies have grown increasingly interested in startups for numerous reasons, including: the need to improve and speed up their innovation processes; the desire to gain access to innovative ideas and solutions; the possibility of shorter development times than those offered by their own internal business processes; the desire to attract resources and talent; an interest in sharing project objectives and risks with other parties and in developing partnerships for products/services; expansion of their product/service portfolio.

There are two main ways in which companies may invest in startups: indirect investment through funds or investee incubators, and direct investment through corporate venture capital. While the first way mainly offers a source of financing for startups, the second way sees investors playing a more important role in the development of the business idea: they provide their own resources (marketing, logistics, technologies), specific services (financial, legal and contractual), integrated business development, mentoring, and direct managerial support.



3.4 Incubators and accelerators

Decree Law no. 179 of 18 October 2012 recognised the startup incubator as a “company [...] that offers [...] services to support the creation and development of Innovative Startups”. The law establishes the criteria that incubators must meet to be certified and receive tax benefits, including: availability of premises, relationships with universities, availability of services for startups (internet, sales tests, etc.) and adequately qualified personnel. **Incubators directly support the creation and development of startups, by offering on-demand services. They are not a channel for direct investments.**

Accelerators are also organisations that support the growth of startups in their initial phases but, unlike incubators, they play an active role in the choice of investment areas and specific startups, in addition to financing the initiatives.

3.5 Marketplaces

A marketplace is a digital platform dedicated to startups, often supported by financial or business associations to bring together supply and demand (e.g. between investors and startups or service providers and users) and to promote the startups’ ideas.



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VentureUp marketplace

VentureUp is a digital platform supporting startups. It is promoted by AIFI (the Italian private equity, venture capital and private debt association) and Fondo Italiano di Investimento (the Italian investment fund) and it offers tools and guidelines to help inform and guide startups. VentureUp also provides a marketplace specifically devoted to bringing startups and investors together (www.ventureup.it).

4. Compliance and tax benefits





Tax compliance can be a critical element for the development of your startup.

It is important to clearly understand tax rules from the very start, creating a system that enables the startup to manage taxes correctly and efficiently. Only then is it possible to focus on business development.

4.1 Tax compliance

Compliance with tax obligations is an integral part of a company's operations.

An Innovative Startup's tax burden can often be reduced by taking advantage of the tax benefits available to it under the law.

Corporate income tax: basic principles

Companies residing in Italy manage their tax operations on a self-certification basis. This means that the company is responsible for sending information to the tax authorities, filing an income tax return, and paying taxes by the established due dates.



Companies residing in Italy manage their tax operations on a self-certification basis

Tax code

When a company registers with the Business Register, it receives a unique 11-digit tax code.

Tax return

The company must prepare an income tax return for each completed year of business.

The tax authorities require the income tax return to be filed online, using the electronic income tax return. In addition to the electronic income tax return, certain categories of taxpayers (e.g. companies and partnerships) must also file an IRAP form. The tax return must be filed within nine months of the year end. For companies that adopt a calendar-year tax period, the filing deadline is 31 October of the following year.



The standard rate of corporate income tax (IRES) is 24% for all companies

The corporate income tax rate

The standard rate of corporate income tax (IRES) is 24% for all companies.

Another corporate income tax known as IRAP (regional business tax) is also due, and is calculated on a different tax base than profit for the year (standard rate of 3.9%).



Taxable income is calculated on the basis of the profit or loss for the year, net of the temporary or permanent differences resulting from the application of tax regulations

Calculating income tax

Taxable income is calculated on the basis of the profit or loss for the year recognised in the profit and loss account of the year ended in the relevant tax period, net of the temporary or permanent differences resulting from the application of tax regulations. These differences are reported in the income tax return.

The rate indicated above is then applied to the taxable income, to determine the tax due for the year.

Permanent non-taxable revenues and non-deductible costs

The calculation of taxable income excludes all revenues and costs that are not related to the business. For example, costs that are fully or partially non-deductible in the calculation of corporate income tax include:

- costs related to cars, telephone expenses, meals and accommodation
- all expenses related to the purchase of articles not used exclusively and completely for the company's activities.

Temporary non-taxable revenues and non-deductible costs

Temporary non-taxable revenues and non-deductible costs are normally those that do not meet the requirements of being certain and determinable. The temporary differences are due to the timing differences created when statutory and tax regulations for the recognition of income and expense differ. Consequently, these items are taxed in different years.



Tax benefits

Italian tax law offers many tax benefits to Innovative Startups and Innovative SMEs.

The most important include:

- tax depreciation of 250% of the cost of new and innovative tangible fixed assets as described in the National Industry 4.0 Plan (so-called 'hyper depreciation') and tax depreciation/amortisation of 140% of the cost of certain new tangible/intangible assets (so-called 'super depreciation'). For 2018 onwards, the percentage has been reduced to 130%
- possible tax deductions of up to 30% for investments in Innovative Startups and Innovative SMEs
- the possible transfer of the newco's tax losses in its first three years to a sponsor company
- financing for the purchase of new plant and machinery (under the 'Sabatini-ter' law)
- no taxation of profits from the use of the company's own intangible assets (e.g. patents) provided that the company has developed the assets itself (the 'Patent Box' law)
- a tax credit for the costs of R&D, training, and advertising.



Italian tax law offers many tax benefits to Innovative Startups and Innovative SMEs

Payment of income taxes

The first advance for the year and the balance for the previous year are due by the last day of the sixth month after the end of the tax period (e.g. 30 June 2019 if the tax period ends on 31 December 2018). The second advance is due by the last day of the 11th month after the end of the tax period (e.g. 30 November 2019). The June payment may be deferred for 30 days, by paying an additional 0.4%.

Holding of records

The Italian Civil Code requires that taxpayers retain all documentation that is relevant for tax purposes for 10 years. This documentation must include electronic records, invoices, sales, purchase and expense receipts, and all the documentation supporting the company's activities (including accounting ledgers, books, deeds, contracts, receipts and sales slips).



All businesses set up in Italy are required to have a VAT number and to comply with VAT regulations

4.2 VAT

All businesses set up in Italy as companies, partnerships, permanent establishments and sole proprietorships are required to have a VAT number and to comply with VAT regulations.

VAT: basic principles

Value added tax (VAT) is an indirect consumption tax that only applies to value added at each step in the production and distribution process. It is levied by requiring suppliers to charge output VAT to customers in proportion to the consideration and to then pay the VAT to the tax authorities, net of input VAT paid on purchases. Suppliers are entitled to a refund of any excess VAT paid.

VAT number

Supplies of goods and services made in Italy as part of a business activity are taxable transactions. Therefore, all businesses set up in Italy as companies are required to apply for a VAT number within 30 days of startup.

Taxpayers may obtain a VAT number through the single multi-purpose 'Comunicazione Unica' declaration.



The right to deduct VAT arises when the tax is due and it can be exercised, at the very latest, in the VAT return for the year in which the right to deduct it arises

VAT deductions

The right to deduct VAT arises when the tax is due and it can be exercised, at the very latest, in the VAT return for the year in which the right to deduct it arises. The amount of deductible VAT is calculated at the rates established by tax regulations. In any case, it is not possible to request the deduction of VAT relating to:

- **goods for personal use**
- **entertainment expenses** (exceeding €50)
- **goods that are VAT-exempt or, in any case, not subject to VAT.**



There are certain cases in which the right to deduct VAT is limited. The most significant goods for which VAT deductions are limited include:

- **cars:** a 40% deduction is permitted when the vehicles are not exclusively used for business purposes. On the other hand, 100% of VAT on the purchase of cars that form part of the business activity is deductible
- **telephone expenses:** a 50% deduction of VAT on mobile phone costs is permitted if the phones are not used exclusively for the business activity, whereas 100% may be deducted if the use is exclusive.

VAT exclusions and exemptions

Transactions excluded from VAT are those that do not meet the requirements for the application of VAT and for which there are no formal or substantive obligations. VAT-exempt transactions are those which are carried out by a business with a VAT number (and are therefore recorded, noted, etc.) but which do not generate VAT, as explicitly provided for by law.

VAT compliance

VAT payers must comply with specific obligations pursuant to tax legislation. These obligations essentially include:

- invoicing
- keeping accounting records and ledgers
- calculating the tax
- paying the tax due
- reporting to the tax authorities
- submitting an annual VAT return, which is separate from the income tax return and which is for the 'calendar' tax year.

Paying VAT

Taxpayers may report their VAT position on a monthly or quarterly basis. Quarterly VAT settlement is an option for VAT payers that have reported low business volumes in the previous year.

As it is an option, if a taxpayer does not explicitly state that it will pay VAT quarterly, the monthly settlement procedure applies.



Taxpayers may report their VAT position on a monthly or quarterly basis



VAT on sales to foreign customers

In general, VAT does not apply to supplies of goods sent abroad or services performed abroad. Goods and services that leave the country are not taxable in Italy and will be subject to trade taxes (VAT or other taxes, if applicable) in the country of destination.

To avoid applying VAT, a company which sells goods that are sent abroad, or which performs services abroad, must follow specific procedures, based on the destination of the goods or services (EU or non-EU).



When a startup begins operating, it usually has a VAT credit. This is due to the purchase of operating assets and services to begin business development

VAT for startups

When a startup begins operating, it usually has a VAT credit. This is because the purchase of operating assets and services to begin business development generates a VAT credit that has not yet been offset by the VAT liability arising on revenues, since these will be generated in a later phase.

Until the future revenues are generated, the VAT credit may be used in one of the following ways:

- by immediately offsetting it against other tax or social security liabilities
- by claiming a refund from the tax authorities.

If the VAT credit amounts to over €5,000 (€50,000 in the case of Innovative Startups) and the startup claims a refund or offsets the credit against other taxes, the amount must be endorsed.

4.3 Tax benefits for companies and investors



Italy offers benefits for anyone aiming to transform an idea into an Innovative Startup or their business into an Innovative SME

Italy offers benefits for anyone aiming to transform an idea into an Innovative Startup or their business into an Innovative SME.

These benefits were established by Decree Law no. 179 of 2012 for Innovative Startups and Decree Law no. 3 of 2015 for Innovative SMEs. These decree laws cut red tape and offer tax relief to companies and their investors.



Tax incentives for companies

The following are **common incentives for Innovative Startups and Innovative SMEs**:

- exemptions from stamp duty and processing fees
- tax incentives for investments
- simplified access to the government's underwriting fund for Innovative SMEs
- use of crowdfunding.

The following benefits are also available to Innovative Startups:

- exemption from payment of incorporation and registration costs to the Chamber of Commerce, up to the fifth year following registration in the special section of the Business Register (although the company must comply with the other legal requirements)
- tax credit for the hiring of highly qualified personnel
- lifting of regulations for 'non-operating companies' (e.g. 'dummy companies' and 'companies showing systematic losses')
- possibility of transferring the tax losses generated in the first three years to listed companies with investments of at least 20% in the Innovative Startup
- exemption from employment law restrictions (no limit on the percentage of fixed-term employment contracts)
- support for internationalisation.

In addition, **Innovative Startups benefit from other exemptions from ordinary company law**. The main benefits include:

- less stringent rules if the company's capital is reduced by more than one-third (the time limit within which the loss must be reduced to less than one-third is extended for Innovative Startups to the second year after that of the reduction by more than one-third)
- the procedures laid down by the Bankruptcy Law do not apply - only the procedures for restructuring following over-indebtedness
- definitive release from outstanding debt in the event of bankruptcy, with the Innovative Startup consequently able to be struck off the Business Register and immediately start over with another Innovative Startup (i.e. fresh start).

To receive these benefits, Innovative Startups must register in a special section of the Business Register created specifically for them at the Chamber of Commerce. This registration makes it possible for the startup to comply with reporting requirements and the Chamber of Commerce to conduct checks and monitor Innovative Startups.



To receive these benefits, Innovative Startups must register in a special section of the Business Register created specifically for them at the Chamber of Commerce



Benefits are also available for certified incubators, which can be any kind of company, including cooperatives, that offers services to support the creation and development of Innovative Startups. To be considered a certified incubator, a company must have a structure that can adequately house an Innovative Startup, such as dedicated spaces where testing facilities can be installed, ultra-broadband internet, a permanent organisation offering technical expertise and managerial consultancy in business and innovation, and partnerships with universities, research centres and similar bodies.



There are tax incentives for investments in Innovative Startups and Innovative SMEs, applicable to both natural and legal persons

Tax incentives for investors

There are tax incentives for investments in Innovative Startups and Innovative SMEs. Cash contributions can be made when the company is set up, or when its capital is increased if the company is already set up. Both natural persons and companies are eligible for the tax benefits.

Individuals subject to IRPEF (personal income tax) may deduct 30% of their investments in one or more Innovative Startups. **The incentive is subject to the following conditions:**

- the maximum qualifying investment is €1 million per year
- the investment must be held for at least three years.

Legal entities subject to IRES (corporate income tax) may deduct 30% of their investments in one or more Innovative Startups. **The incentive is subject to the following conditions:**

- the maximum qualifying investment is €1.8 million per year
- the investment must be held for at least three years.

In practical terms, if it has invested the maximum qualifying amount of €1.8 million in a tax period, a legal entity subject to IRES could deduct €540,000 (30% of €1.8 million) from its tax base and, accordingly, the tax savings would amount to €129,600 (24% of €540,000).

If the deduction is not used within four years of the investment, it will expire.



4.4 Tax benefits for research and development (R&D), training and advertising

Companies that put time and money into the development of new technologies, new applications for existing technologies, employee training and advertising are eligible for a generous package of tax benefits provided by law to offset some of these costs.

4.4.1 R&D tax credit

To encourage the development of technology, the Italian government offers tax benefits to companies that carry out scientific or technological R&D.

The benefits are particularly attractive for startups.

Who is eligible?

All taxpayers that generate business income are eligible for the R&D tax benefits, regardless of their legal form, business sector, accounting system or size.

All R&D activities carried out to gain new knowledge, build upon existing knowledge and use new knowledge for new applications are eligible for these benefits.

The tax credit may be combined with other benefits, even if they relate to the same type of investment.



The Italian government offers tax benefits to companies that carry out scientific or technological R&D



What activities are eligible?

The activities eligible for these benefits can be grouped together in four macro categories:

- **fundamental research:** experimental or theoretical work with the primary aim of gaining new knowledge about observable phenomena and events, without the planned development of direct applications or commercial uses
- **industrial research:** planned research or critical investigations to gain new knowledge to be used to create new products, processes or services or to improve existing products, processes or services
- **experimental development:** gaining, combining and using existing scientific, technological or commercial knowledge and abilities to create plans, projects or designs for new, updated or improved products, processes or services. Experimental development may also include other activities for the purposes of defining a concept, planning and documenting, provided that they are not for commercial use
- **feasibility studies:** activities whereby the business assesses and analyses the potential of an R&D product for fundamental research, industrial research and experimental development.

Ordinary or periodic changes to products, production lines, manufacturing processes, existing services and other operations in progress are not considered research and development, even if the changes are improvements.

The **eligible expenses** include those for:

- personnel involved in R&D
- laboratory instruments and equipment with an individual cost of at least €2,000
- technical skills and industrial property rights which are part of patents or have been registered (both those developed internally and those acquired externally)
- research agreements signed with universities, research institutes and similar bodies, other companies (provided that they are independent), and experts
- R&D cost certification for companies whose financial statements are not subject to legally-required audit and which do not have a board of statutory auditors.



How much is the R&D tax credit?

The tax credit is equal to 50% of the amount by which R&D costs exceed the 2012-2014 average. To be eligible, the costs incurred for R&D must total at least €30,000 and, from 2017, the maximum annual tax credit for each beneficiary has been raised from €5 million to €20 million.

The calculation method for these benefits is particularly advantageous for startups that have recently begun operating.

This is because the 2012-2014 average R&D costs could be zero if the startup dates to after 2014, or very low if the startup was still in the initial development phase then.

How and when can the tax credit be claimed?

This is an automatic incentive. **The company calculates and uses the tax credit directly and, if necessary, the tax authorities check it afterwards.** Once the startup has had its R&D expenditure endorsed, it must include the credit in the 'RU' section of its electronic income tax return and keep all the supporting documentation.

The credit can be used from the tax period following that in which the R&D costs have been incurred.

The company can offset the tax credit against other recurring tax charges and social security contributions (VAT and pension contributions).

This type of offsetting is particularly advantageous for startups that, in the first few years of business, have not generated a tax base against which they can use the tax credit.

Tax credit for Industry 4.0 training

The Italian government also offers tax benefits to companies that have their employees attend technology training in connection with the National Industry 4.0 Plan.

Who is eligible?

Any company residing in Italy, irrespective of its business activity, legal form, size or accounting system, is eligible for this tax benefit.



The tax credit is equal to 50% of the amount by which R&D costs exceed the 2012-2014 average



The credit can be used from the tax period following that in which the R&D costs have been incurred



The Italian government also offers tax benefits to companies that have their employees attend technology training in connection with the National Industry 4.0 Plan



What activities are eligible?

This incentive is available for all training aimed at teaching or strengthening employee skills in the technologies needed for the technological and digital transformation of companies, as envisaged in the National Industry 4.0 Plan. In particular, this training is related to the following technologies:

- big data and data analysis
- cloud and fog computing
- cyber security
- simulation and cyber/physical systems
- rapid prototyping
- visualisation, virtual reality (RV) and augmented reality (AR) systems
- sophisticated and collaborative robotics
- additive manufacturing (3D printing)
- internet of things and machines
- digital integration in business processes.



At the end of each training session, employees should receive a participation certificate

Training is eligible for the benefit provided that it is governed by national collective bargaining agreements, company contracts or local agreements filed with the labour inspectorate. Once each session is completed, the company must issue an attendance certificate to the employees who have taken part in the training.

The training may also be organised by parties outside the company, as long as they are accredited in the region where the company has its registered office or operating site.

Only those expenses for employees participating in the training are eligible for the tax credit, and only the portion of the company's cost for the hours or days of training.



The tax credit on the costs related to the employees who participate in training activities is equal to 40% of the costs incurred

How much is the tax credit?

The tax credit for employees undergoing training amounts to **40% of the expenses, up to a maximum of €300,000 per beneficiary**.

The tax credit also applies to the costs of employees participating as teachers or tutors. In this case, the eligible expenses cannot exceed 30% of the employee's total annual remuneration.



How and when can the tax credit be claimed?

Companies automatically apply this incentive by **offsetting the eligible expenses in their F24 tax payment form**, which may only be filed electronically with the tax authorities.

The National Industry 4.0 training tax credit can be combined with other tax benefits applicable to the same eligible expenses.

Advertising tax credit

The Italian government also offers tax benefits to companies and freelancers when they invest in advertisements placed in newspapers and magazines (including online publications) and on local analogue or digital television and radio stations.

This is a stand-alone credit and cannot be combined with other similar benefits available under EU, national or regional legislation.

Who is eligible?

All taxpayers that generate business income are eligible for this tax benefit, regardless of their legal form, business sector, accounting system or size. These include freelancers, professionals working in regulated sectors, and non-commercial bodies.

What activities are eligible?

The eligible investments are purchases of advertising space in national and local newspapers and magazines, including online publications, or on local analogue and digital television and radio stations.

The newspapers/stations must be published/broadcast by the companies that own the duly registered publication/station.

One of the requirements is that the advertising investments must exceed at least 1% of similar investments in the previous year in the same media.



The Italian government also offers tax benefits to companies and freelancers when they invest in advertisements placed in newspapers and magazines and on local analogue or digital television and radio stations



How much is the tax credit?

The tax credit applies to increases in spending on advertising during two time frames:

- from 24 June 2017 to 31 December 2017, only advertising in traditional and online newspapers is eligible (in this case, the minimum 1% increase must be calculated in relation to the same investments made in the corresponding period of 2016)
- from 1 January 2018, advertising on local television and radio stations is also eligible.

The tax credit amounts to 75% of the increase in the value of investments compared with the previous comparable period.

Micro-companies, SMEs and Innovative Startups receive a tax credit equal to 90% of the increase in the value of investments compared with the previous year. However, in the first year of application, the amount of the tax credit is 75%, pending the European Commission's decision on the application of a higher percentage than that permitted under European rules on government assistance.

The increase must be calculated separately for each of the two types of media (the traditional and online press versus local television and radio stations). Taxpayers that invest in advertising in both types of media receive two separate tax credits, one for advertising in the press and the other for advertising on television and radio stations.

How and when can the tax credit be claimed?

Taxpayers interested in claiming the tax credit must send a special online application between 1 and 31 March of each year, to request a tax credit for their investment in advertising over the previous year.

By 30 April, the relevant government department will list those qualifying for the tax credit, and the amount granted to each one. For 2018, the total budget available for this incentive is €62.5 million.

For 2018 only, the online application can be submitted, via the service available on the Italian Revenue Agency's website, between 22 September and 22 October. The list of qualifying taxpayers will be issued by 21 November.



Micro-companies, SMEs and Innovative Startups receive a tax credit equal to 90% of the increase in the value of investments compared with the previous year



Taxpayers interested in claiming the tax credit must send a special online application to request a tax credit for their investment in advertising over the previous year



4.5 Super depreciation and hyper depreciation of assets covered by the National Industry 4.0 Plan

The incentives described below are temporary and will expire on 31 December 2018. Nevertheless, we have included a description of these benefits because we expect them to be renewed in the same or another shape after they expire, as encouraging investment in operating assets to support the development of Italian industry remains one of the government's objectives.

Super depreciation

The benefit

Super depreciation consists in a 30% increase in the cost recognised for tax purposes, and therefore the depreciable cost, of investments in new owned or leased tangible fixed assets used in operations.

This benefit is temporary and applies to investments made by 31 December 2018 (or 30 June 2019, provided that, by the end of 2018, the order has been accepted by the seller and at least 20% of the purchase cost has been paid in advance).

Who is eligible?

Taxpayers that generate business income are eligible for this tax benefit, regardless of their legal form, business sector, accounting system, or size.

Which assets are eligible?

The benefit applies to new tangible fixed assets used in operations, irrespective of whether they are purchased or leased.

They are durable goods which can be used as production equipment within the company's production process and which have not been previously used. If they are leased, only the user is eligible for the benefit.

The benefit does not apply to intangible assets, assets depreciated at rates lower than 6.5%, buildings, or constructions.

Since 2018, this benefit has not applied to investments in cars and other means of transport.

How much is the tax benefit?

The benefit consists in a 40% increase in the purchase cost recognised for tax purposes.

If there are any non-deducted differences, they may not be recovered in subsequent tax periods.

How is the tax benefit claimed?

The benefit is automatically applied. The company calculates it directly when computing its taxes; however, the tax authorities may decide to check it later.

Hyper depreciation for high-tech assets

The benefit

Hyper depreciation for high-tech assets consists in a 150% increase in the cost recognised for tax purposes, and therefore the depreciable cost, of investments in new owned or leased tangible fixed assets characterised by high-tech content (i.e. those covered by the National Industry 4.0 Plan).

This benefit is temporary and applies to investments made by 31 December 2018.

The ultimate deadline for delivery of the eligible assets has been extended to 31 December 2019, provided that the seller accepts the order by 31 December 2018 and an advance of at least 20% of the purchase cost is paid by the same date.

Who is eligible?

Taxpayers that generate business income are eligible for this tax benefit, regardless of their legal form, business sector, accounting system, or size.

However, artisans and professionals are not eligible.

Which assets are eligible?

New high-tech tangible fixed assets, owned or leased and used in the company's operations, are eligible for this benefit.

The eligible assets, listed in Appendix A to the 2018 Budget Law, are outlined below:

- numerically-controlled assets or those operated using specific sensors and commands
- quality and sustainability assurance systems
- devices for man/machine interaction and for improvement of workplace comfort and safety.

The benefit does not apply to assets depreciated at rates lower than 6.5%, buildings, or constructions.

How much is the tax benefit?

The benefit consists of a 150% increase in the purchase cost recognised for the purposes of calculating tax depreciation.



How is the tax benefit claimed?

The company calculates it directly when computing its taxes; however, the tax authorities may decide to check it later.

In addition, the acquired asset must be 'interconnected' with the company's production

management system or supply network.

To receive the benefit, the company's legal representative must submit a special statement. In the case of assets individually costing more than €500,000 the company must submit a sworn appraisal by a registered engineer, to certify that the asset meets certain technical requirements.

Extra amortization of intangible assets for hyper depreciation taxpayers

The benefit

The benefit consists in a 40% increase in the fiscally recognised cost of investment in new intangible fixed assets used in the company's operations and furthering high-tech 'Industry 4.0' transformation. These assets may be owned or leased.

The benefit applies to investments made by 31 December 2018 (or by 30 June 2019 provided that certain conditions are met).

Who is eligible for the tax benefit?

Any taxpayer that generates business income is eligible for this benefit, regardless of their legal form, business sector, accounting system, or size.

What assets are eligible for the tax benefit?

The benefit applies to new high-tech intangible fixed assets that are owned or leased.

How much is the tax benefit?

The tax benefit consists in a 40% increase in the purchase cost recognised for the purposes of calculating tax amortisation. Any non-deducted differences may not be recovered in subsequent tax periods.

How is the tax benefit claimed?

The company calculates it directly when computing its taxes; however, the tax authorities may decide to check it later.

Again, the acquired asset must be 'interconnected' with the company's production management system or supply network.

To receive the benefit, the company's legal representative must submit a statement. In the case of assets individually costing more than €500,000, the company must submit a sworn appraisal by an engineer, or a certificate of conformity issued by an accredited certification body, to certify that the asset meets certain technical requirements.

4.6 Patent Box



Under the Patent Box rules introduced in 2015, taxpayers that have opted to apply this regime are entitled to partial tax relief on the income generated by direct or indirect use of intangible fixed assets

If intangible fixed assets produced by a company can be legally protected, they may also offer a tax benefit: the income generated by using such intellectual property may be taxed at a reduced rate.

Under the Patent Box rules introduced in 2015, taxpayers that have opted to apply this regime are entitled to partial tax relief on the income generated by direct or indirect use of intangible fixed assets (patents, know-how, etc.). When elections are submitted after 31 December 2016, in the case of calendar-year taxpayers, or from the third tax period after that in progress on 31 December 2014, income attributable to the use of trademarks is excluded from the Patent Box regime.

This benefit applies to all taxpayers that generate business income, have the right to use an intangible asset for economic gain, and incur research and development costs.

Scope of application

With the introduction of the optional Patent Box system in Italy, **income generated by the direct and indirect use of certain intangible fixed assets is eligible for partial tax relief:**

- software protected by copyright
- industrial patents
- designs and models
- processes, formulas and information relating to expertise gained in the industrial, trade or scientific fields (i.e. know-how).

Fifty percent of this income is not included in the tax base.

The benefit also applies to income generated by the joint use of interconnected and complementary intangible fixed assets in one or more products or processes, provided that they are assets covered by the legislation.

Prerequisites

All taxpayers that generate business income are eligible for the Patent Box option, including non-residents that have a permanent establishment in Italy and are residents of countries with which treaties have been signed to avoid double taxation and with which there is an effective exchange of information.

The taxpayer must send formal electronic notification to the tax authorities that it is exercising this option.



To calculate the income generated by the direct use of the intangible fixed asset, an agreement must be reached with the tax authorities through the ruling procedure.

If the intangible fixed asset is used indirectly, the option may be exercised without following the ruling procedure, which is therefore optional.

Taxpayers are eligible if they carry out research and development, even with universities, research institutes and similar bodies or through research agreements with companies other than those that directly or indirectly control the taxpayer or are under its control.

The advantages of the Patent Box

Of the income generated by the use of the intangible fixed asset, 50% is not considered in the calculation of the tax base.

The portion of eligible income is calculated by first identifying the amount attributable to the direct and indirect use of eligible intangible fixed assets. This amount is then multiplied by the ratio of R&D costs incurred to maintain, increase and develop the intangible fixed assets to the total costs incurred to produce the assets.



Of the income generated by the use of the intangible fixed asset, 50% is not considered in the calculation of the tax base

The Patent Box eligibility period

The Patent Box option is valid for five years and may not be revoked.

It must be exercised in the tax period from which the taxpayer intends to apply the tax break.

Eligible income

Income generated by the direct or indirect use (e.g. concessions) of intangible fixed assets covered by the Patent Box rules is eligible for the benefit.

The necessary documentation

In the tax ruling procedure for the determination of eligible income, the taxpayer must provide the tax authorities with documentation that accurately identifies the relevant intangible fixed assets and details the complementary nature of any intangible fixed assets that are used together. In addition, a clear description must be provided of the R&D activities and how they are directly related to the intangible fixed assets. The calculation method and criterion used to measure the eligible additional income must also be explained in detail.

4.7 Tax credit for SMEs that go public

The Italian government offers tax benefits in the form of tax credits to encourage the listing of small and medium-sized enterprises on regulated markets or multilateral trading facilities in EU and EEA countries.

Who is eligible?

SMEs are eligible for this tax credit if:

- they are members of a group that has fewer than 250 employees, revenues of not more than €50 million and assets of less than €43 million
- they have commenced the procedure for listing on a regulated market or a multilateral trading facility in an EU or EEA country after 1 January 2018, with admission for trading by 31 December 2020.

How much is the tax credit?

The maximum tax credit is €500,000 and corresponds to 50% of the costs of advisory services incurred between 1 January 2018 and the listing date.

How and when can the tax credit be claimed?

To claim the tax credit, an application must be sent electronically between 1 October of the year in which the company is listed and 31 March of the subsequent year.

The tax credit may only be used to offset tax payments through the electronic F24 form, from the tenth business day of the month following that in which it is granted.



4.8 Audit

It is advisable to have the company's financial statements audited even if the audit is not legally or contractually required, because it improves the company's reputation with potential investors and its bargaining power with banks, suppliers and customers.

In addition, an audit is legally required for companies that wish to be classified as an Innovative SME.

Audit

An audit consists of an audit company or auditor expressing an independent opinion on whether the financial statements give a true and fair view of the company's financial position on a certain date and its financial performance over the period, in accordance with the basis of preparation.



An audit consists of an audit company or auditor expressing an independent opinion on the financial statements

Statutory audit

Companies limited by shares are required by law to have their financial statements audited.

Companies limited by quotas also have this obligation if they have, for two consecutive years, reported:

- assets of over €4.4 million
- turnover from sales and services of over €8.8 million
- an average annual number of employees that is higher than 50.

In order to be classified as an Innovative SME, the most recent set of financial statements must have been audited by an independent auditor.

The audit procedures

An audit is performed in accordance with the relevant standards on auditing, which require that the auditor obtain, as the basis for the opinion, reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. In general, errors, including omissions, are considered material if they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



An audit therefore involves **performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements**. The selected procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to identify the types of potential errors and factors that could affect the risk of material misstatement and to decide the nature, timing and scope of the consequent procedures.

An audit also includes evaluating **the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors**, in addition to evaluating the overall presentation of the financial statements.



Even companies that are not required to have their financial statements audited may benefit from an audit

The benefits of an audit

Even companies that are not required to have their financial statements audited may benefit from an audit, which is, moreover, often requested by institutional investors.

Accordingly, many companies voluntarily request an audit to confirm the accuracy of the financial information in their financial statements. This proves to be a wise choice, especially when raising funds from investors and negotiating with banks, suppliers and customers.

Audit procedures may give rise to useful recommendations to improve processes and internal control to optimise and enhance internal processes for management and compliance purposes.



5. Protecting intangible fixed assets and intellectual property





In its development phase, a company creates intangible fixed assets, such as its brand or the process used to provide an innovative service or sell products. The protection of these assets, processes and know-how is meant to prevent imitators from using them.

5.1 Intellectual property rights

These are the legal protections necessary to prevent third parties from stealing the company's intangible fixed assets. Intangible fixed assets constitute a crucial element in the value of any company, and not only must the company protect its intellectual property rights adequately, but it must also ensure that it does not violate the rights of others.

The types of intellectual property rights that can be protected are listed below:

Intellectual property				
Marketing	Customer service	Arts	Contracts	Technology
Registered trademarks (e.g. company name or product/service brands)	Database rights (e.g. customer data)	Website design	Terms and conditions applied to customers	New inventions
Unregistered trademarks and designs (e.g. sub-brands and character names)	Software copyright	Registered designs (e.g. products)	Licensing of intellectual property (e.g. applications and website design)	Algorithms (e.g. used to analyse customer data)
Domain names (e.g. first- or last-level names)	Confidential information	Music and jingles	Contracts with suppliers (e.g. distribution logistics)	Software codes (e.g. object and source codes)
	Method of service provision	Copyright (e.g. brochures, website content and training material)	Non-disclosure agreements	Online search tools
		Photographs or images		Trade secrets and formulas
		Audio-visual material		Company methods and systems



Title to intellectual property

A company's intellectual property, created with the involvement of employees, is the company's property. If the intellectual property is created using contract workers, they must sign contracts to transfer their rights in the intellectual property to the company.

Certain intellectual property rights arise automatically, while others must be registered with a national intellectual property office. **Registration only protects these rights nationally.**

Customers' use of the company's intellectual property

To allow a customer to use the company's intellectual property, a licensing agreement must be signed with the customer or a clause must be included in the contractual terms and conditions agreed with the customer. This agreement will define the permitted uses and limits, as well as the company's liability in the event of third-party claims against the customer following its improper use of the company's intellectual property.

5.2 Types of intellectual property rights



The intellectual property rights provide the legal safeguards necessary to prevent third parties from taking a company's intangible assets

There are various types of intellectual property rights, which should be identified on a case-by-case basis depending on the type of property to be protected.

The type of intellectual property right depends on the type of property to be protected:

- **copyright** - to protect works, software and databases
- **registered trademarks** - to protect the company's name, products and services
- **domain name registration** - to protect the company's website address
- **trade secrets and know-how** - to protect confidential information
- **patents** - to protect the company's inventions or improvements to a product
- **decorative elements** - to protect designs and models.



Intellectual property rights

Copyright - to protect works, software and databases

Copyrights protect creative works in the fields of literature, music, the figurative arts, architecture, theatre and film.

Copyright law also includes software, which is treated like a literary work.

If you create an original work embedded in a tangible asset, you hold the copyright. You might not always register it, but you must be able to demonstrate that you are the creator and that you created it before anyone else.

To this end, it is advisable to file the copyright to the work with a body that certifies the date of creation. In Italy, SIAE (the Italian copyright collecting agency) fills this role.

Software protection and use

Computer programmes are protected by copyright law as if they were literary works, provided that they are original and the result of the author's intellectual skills. Both the source code and the object code are protected, along with the preparatory material to design the programme.

Registered trademarks - to protect the company's name, products and services

A startup will have a new and original name that will stand out on the market. Furthermore, it might also have a logo and names for its products and services. Together, these names constitute its brand and the logos that it might wish to protect as registered trademarks.

To prevent third parties from using the company's name in the same sector or field of business, the company should apply for registered trademark protection.

Choosing the company's name

When you choose a name for your company, you should ensure that no one else is already using the same name.

This should be verified on the basis of a specific search conducted by an expert in registered trademarks.

However, you may conduct this search on your own behalf to see whether the company's name or brand is already a registered trademark.

Trademark requirements

To be considered valid, a trademark must be:

- new - there must not be any identical or similar trademarks already registered or widely used for the same products or services, or any identical trademarks used for different products or services
- legal - it must not violate public order or decency
- distinctive - it must immediately identify a company's products or services as different from another company's.

Scope of protection

The trademark owner acquires exclusive rights to it.

As it is a registered right, the trademark protects the company's name only in the country where it is registered.

However, there are registration systems that expand the scope of protection throughout Europe and internationally. In this case, you should consider the countries where you plan to operate and decide where to register the company's name as a trademark accordingly.

Costs and duration

In Italy, registering an individual trademark currently costs approximately €100 in registration tax for one product segment and €34 for every additional product segment.

The registration lasts ten years from the filing date. If it is not renewed on expiry, it lapses and enters the public domain. There are no limits on the number of renewals.

Registering a domain name - to protect the company's website address

Registering a domain name protects the company's website address. To do so, you must file a request with an accredited register and check that the domain has not already been registered by another company.

Trade secrets and know-how - to protect confidential information

A startup will generate trade secrets and know-how, including the company's specific operating, production and service provision methods.

The company's owner and employees (and potentially other people such as investors and contract workers) have access to confidential information and trade secrets, which include the ways in which the company is run or how goods and services are managed. This information may also include, for example, lists of suppliers, customers and processes.

It is important to keep this information confidential. To this end, you can:

- implement strict controls, such as limiting the number of employees who have partial or complete access to new inventions
- use efficient data-security systems
- include confidentiality clauses in employment contracts
- implement information classification policies that all employees must follow.

When trade secrets and know-how are discussed with third parties, such as investors, suppliers and potential customers, you must ensure that non-disclosure agreements have been signed with these parties to restrict their use of the information you have shared.

Patents – to protect the company's inventions or improvements to existing products

If your company has new products or processes that are one of a kind in the world, you should patent them.

A patent protects your invention by preventing anyone else from benefiting from it. No one may use the same process or sell the same product without your consent.

Before selling products that incorporate new technical solutions, it is highly recommended that you first verify the freedom to operate. This is a search for previously registered patents that could prevent the sale of a product in a given geographical area.

Patent requirements

To be valid, a patent must be:

- new - it must never have been produced or registered anywhere in the world
- innovative - to be patented, an invention cannot be banal and must be a step forward in the current state of the art
- legal - it must not violate public order or decency
- industrial - only solutions that can be reproduced industrially may be patented.

Like registered trademarks, patents must be registered. The registration process is extremely technical, and it is advisable to seek assistance from a patent registration expert. While a patent might prevent others from profiting from your invention, you should be aware of the costs of this type of protection.



Types of patents

There are two types of patents:

- patents for inventions - these are the strongest form of protection and cover breakthrough inventions that constitute a new and original solution to a technical problem that has never before been resolved. Patents for inventions are valid for 20 years and cannot be renewed
- utility model - these patents protect upgrades to existing objects. They are valid for 10 years and cannot be renewed.

Geographical coverage of the protection

An Italian patent will only protect your invention in Italy. To extend the coverage, you must use the European and international registration and patent systems.

Costs and duration

When deciding whether to register a patent, it is important to consider the initial costs to file the application, which amount to roughly €120, and the number of pages and claims, plus the tax to renew the patent registration from the fifth year on. The tax ranges from €60 to €650 and protects the patent for four years from filing. After the fifth year following registration, an annual patent registration tax is due.

Registering a patent is a lengthy and expensive process. This means that it is often easier to protect your invention as a trade secret, in part because the details that you must include in the patent registration bring it into the public domain.

Designs – to protect designs and models

New designs or models may be registered for protection against any violations, as registration gives independent evidence of ownership of the design and the creation date. In order to be eligible for this protection, the design or model must be:

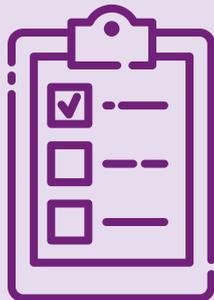
- new - there may not be anything that is, in the current state of the art, the same or similar, including products whose only differences lie in the details
- individual - it must give a general impression of being new and different from anything previously published
- legal - it may not be in violation of public order or public decency.

The Italian patent registration application must be filed with the Italian trademarks and patents office in Rome (UIBM) or with the Chamber of Commerce. The application to register a design or model in the EU must be filed with the European Union Intellectual Property Office or with one of the central intellectual property offices in the EU member states (e.g. the UIBM in Italy).



5.3 Intellectual property rights checklist

The top priorities for startups to consider when protecting intellectual property rights are summarised below.



- ✓ Ensure that employment contracts contain confidentiality clauses and clauses limiting the transfer of intellectual property.
- ✓ Ensure that contracts with freelancers contain confidentiality clauses and clauses limiting the transfer of intellectual property.
- ✓ Affix the copyright symbol, relevant year and company name to all material.
- ✓ Before deciding the new company's name, check the brands online and then decide whether to register the brand in order to protect the company's name.
- ✓ Request a domain.
- ✓ Draft a standard non-disclosure agreement to be used when confidential information is shared with third parties.
- ✓ Verify the data-security systems, especially in the development of know-how and commercial secrets.

What KPMG can do for you

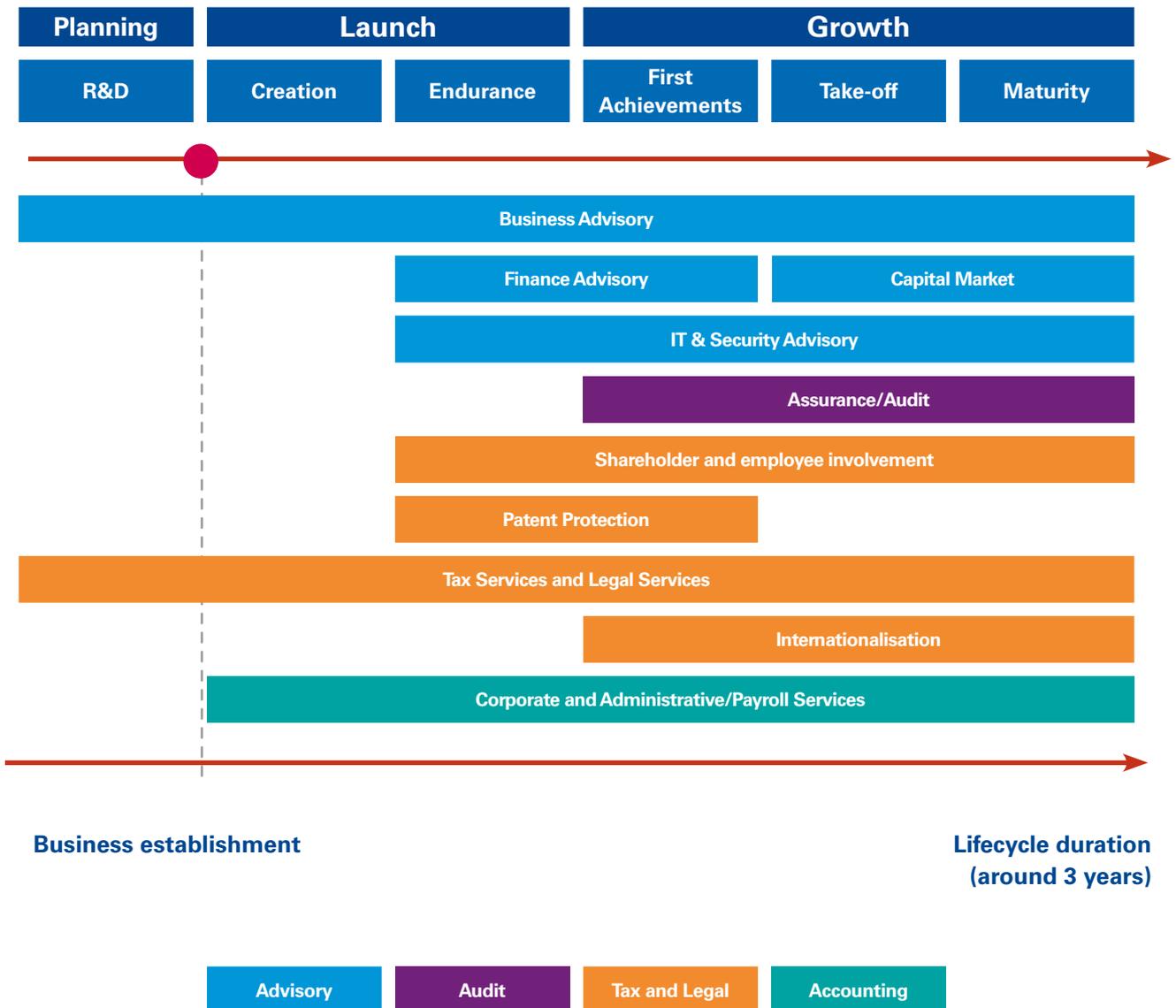
The variety and complexity of the many different issues that founders face when they set up and develop their startup can come between a brilliant idea and its success. KPMG's team of professionals, with expertise in startups and a multidisciplinary approach, provides a complete range of services to take full advantage of all the incentives and opportunities that the startup ecosystem offers.

KPMG's services in the various development phases of a startup

A startup's development may be broken down into three macro-phases: planning, launch and growth. The founder's priorities change over the various phases of development of a startup, although achievement of business objectives is always fundamental.

Phase	Objective	Focus
Planning	Definition, validation and preparation of the business idea	<ul style="list-style-type: none"> • Business model and business case • Promoting the idea • Raising funds and finding investors
Launch	Development of the business idea and startup	<ul style="list-style-type: none"> • Incorporation of the company • Sourcing capital • Sourcing talent and resources • Visibility in the startup ecosystem • Prototyping • Launch and marketing • Fine-tuning the business model
Growth	Developing the business idea	<ul style="list-style-type: none"> • Sourcing financial and human capital • Corporate expansion • Business development and sales • Streamlining the business model • Product/service development and improvement • Business and partnership agreements • Internationalisation

KPMG provides startups with support throughout all phases of development, offering a complete range of turnkey services: accounting, tax and administrative services; auditing; strategic, technological and industrial advice; consultancy in the fields of tax and company law.



Portfolio of KPMG services for startups	
Business Advisory Services	<ul style="list-style-type: none"> • Business modelling and business planning • Commercial and channel strategy • Budgeting and periodic management and financial reporting • Mentorship/tutorship to guide and support the startup • Exit strategy
Finance Advisory Services	<ul style="list-style-type: none"> • Notifying interested financial players • Notifying interested business players • Assistance with applications for funding/grants from public bodies • Due diligence for acquisitions/sales of startups
Capital Market Services	<ul style="list-style-type: none"> • Assistance with access to financial markets: Borsa Italiana's AIM and Elite markets • Crowdfunding reports (equity/rewards-based)
IT & Security Advisory	<ul style="list-style-type: none"> • Technology Advisory • Cyber security assessment • GDPR Compliance
Assurance/audit services	<ul style="list-style-type: none"> • Voluntary/statutory audits • Social report/measurement of intellectual capital/innovation index • IFRS conversion • Reporting of R&D costs, personnel expenses, and the costs of projects eligible for financing or benefits
New investor services	<ul style="list-style-type: none"> • Share/quotaholder agreements for founding partners and investors • Contracts with related parties • Stock-option and work-for-equity plans for employees, directors, freelancers and business development providers
Patent services and management of intellectual property rights	<ul style="list-style-type: none"> • Identification of ideas/assets to be protected • Registration of patents in Italy and other markets for development and sale • Intellectual property right asset management • Calculation of intellectual property right expenses for Patent Box purposes
Tax services	<ul style="list-style-type: none"> • Tax assistance (innovative service requirement, internationalisation and transfer pricing) • Tax benefits (Innovative Startups, Innovative SMEs, R&D tax credit and Patent Box) • Social security/labour cost benefits • Assistance with applications for tax and social security benefits
Legal services	<ul style="list-style-type: none"> • Legislative and regulatory legal support • Commercial and corporate legal support
Corporate and administrative/ payroll services	<ul style="list-style-type: none"> • Incorporation of the company • Registration as an Innovative Startup or certified incubator • Registration as an Innovative SME • Administrative, accounting and tax assistance • Payroll and employment contract assistance

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