



TAX INCENTIVES FOR BUSINESS COMBINATIONS AND INVESTMENTS IN SMES/START-UP

Belluzzo International Partners

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SUMMARY



A) Italy incentivizes business combinations with a tax bonus (max. Euro 5 Mio);



B) Italy supports new investments in SMEs and Start-up with tax deductions (max. Euro 1.8 Mio each fiscal year).

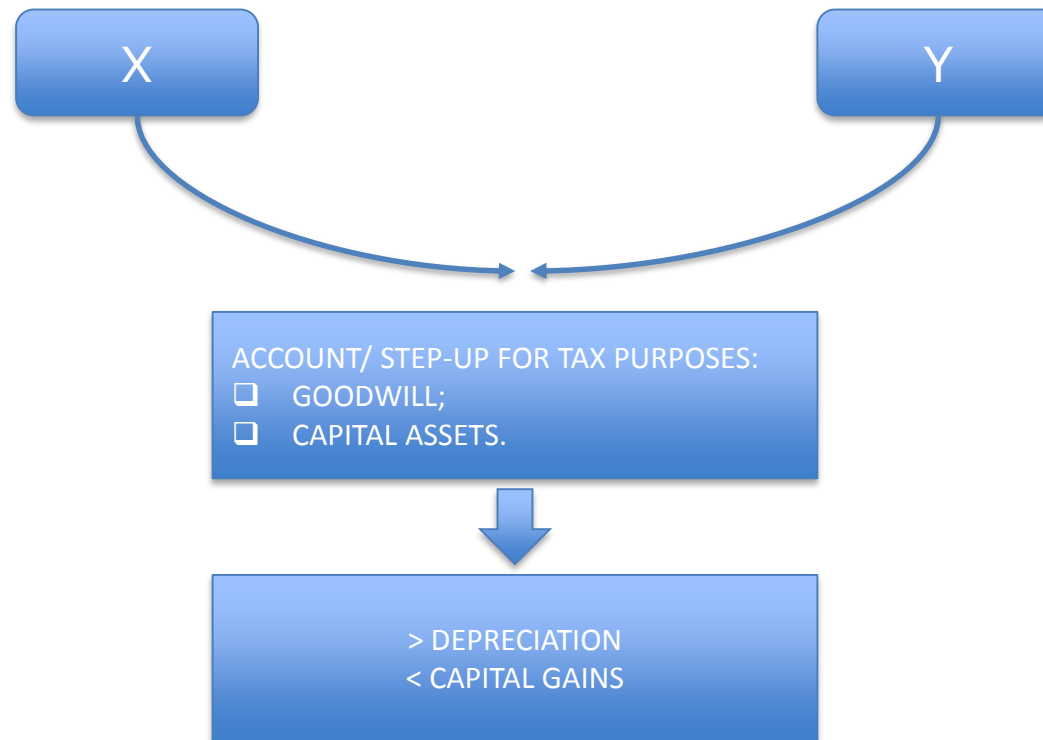


A) BUSINESS COMBINATIONS

Business Combinations

This year the Italian government has introduced a **tax incentive** aimed at **encouraging business combinations** to increase the competitiveness of corporate entities.

The incentive is granted to resident corporate entities which are the result of combinations between unrelated parties. It allows to **step up the value of capital assets or account for goodwill recognised for tax purposes**.



Business Combinations

The incentive is subject to the following conditions:

- the business combination must be achieved by way of **mergers, demergers or contributions** of a business (as going concern);
- the entity resulting from the above transactions must be **resident in Italy**. Non resident entities may also be involved (for example, an Italian resident company absorbs a non resident company by way of merger);
- the entities involved **must not be part of the same group**, have a participation of more than 20% in the share capital of the other participant or be controlled, directly or indirectly, by the same entity (via majority of voting rights);
- the entities must be “**operative**” since at least two years preceding the combination; and
- the combination **must take place in the period** between 1 May 2019 and 31 December 2022.

Business Combinations

In case of merger or demerger the provision allows the resulting entity to **step up the value of the capital assets or account for a goodwill by allocating to such items the merger/demerger deficit** (arising as a consequence of the participations exchange).

The revaluation/accounting allowed in the **limit of Euro 5 Mio.**

In case of contribution of a business as going concern, the receiving entity may account for the above mentioned items within the same amount.

The value of the above items is recognised for corporate tax purposes (IRES 24% and IRAP 3,9% generally) as of the fiscal year following the one in which the transaction has been executed.

As a consequence, **it grants new tax depreciation and reduces capital gains** arising upon disposal of the assets (if any).

The incentive is revoked if the beneficiary entity executes new extraordinary transactions within the first four years following the one which he was entitled to it or disposes of the revaluated assets.



B) INVESTMENTS in SMEs/START-UP

Individuals subject to the Italian personal income tax and **entities** subject to the Italian corporate tax (including permanent establishments of foreign entities) **that make investments in “innovative” resident SMEs or Start-up are entitled to deduct a percentage of the investment.**

To be qualified as “innovative” the SMEs must meet specific requirements and may be resident in Italy or also in EU or SEE countries. In such a case they must have a productive plant or subsidiary in Italy.

Investments may be also carried out via UCITs or companies which are dedicated to invest into SMEs and Star-up.

Individuals are entitled to a **deduction of 40%** of the investment within the limit of Euro **1 Mio each tax year**. The investment **must be held for at least three years**.

Entities are entitled to a deduction of **40% or 50%** (in case they acquire the entire share capital of the SMEs/Start-up) within the limit of Euro **1.8 Mio each tax year**. Also in this case, the investment must be held for at least three year.

The incentive is subject to a detailed legislation which sets out the scope of application and the conditions. Further, it is subject to authorization by the European Commission.

**THANK YOU FOR YOUR
ATTENTION!**



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This information is not complete and is supplied as a preliminary guide only and the interested one shall seek for proper tax & legal advice before taking any step.

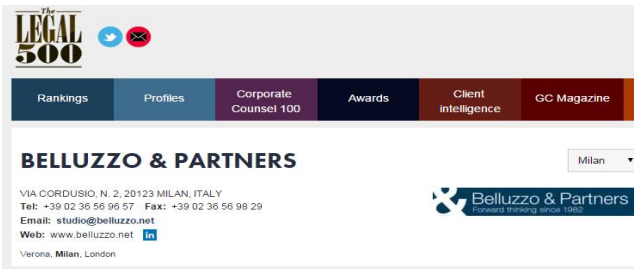
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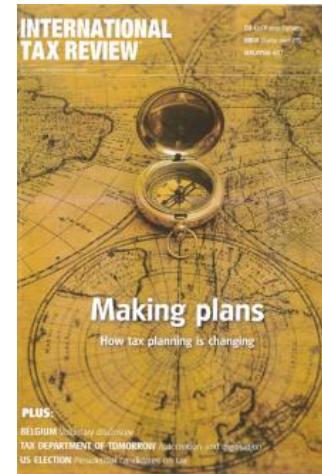
Our Firm is more than happy to follow up about the issues within this presentation and happy to liaise with you and/or your consultant in order to better understand the case and start an assessment phase which is to be regarded as highly recommended.

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The Italian tax market Italy's tax market is among the most challenging in the world. The tax authorities are under substantial to collect more income to reduce the country's financial deficit. *After the crisis, the tax authorities have been very

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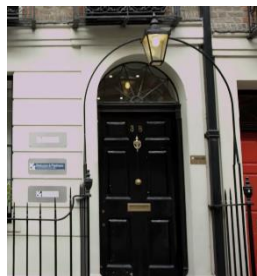
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