



Istituto per l'Innovazione
Repubblica di San Marino

**SANMARINO
INNOVATION**

eBook

Delegated Decree Provisions on High-Technology Enterprises

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San Marino Innovation

San Marino Innovation, Institute for Innovation of the Republic of San Marino, is a private law company, the property belongs solely to the State. The strength of the initiative lies therefore in having the State as guarantor of the broad social and economic objectives. The company has the task of creating an ecosystem for the growth of the innovation of the Republic, for all aspects: research, training, collaboration between actors, internationalization of offer, and the investment of capital both in liquid and in form of technological implementation by leading companies in the sector.

San Marino Innovation S.p.A. is the referent for the Great and General Council, the Congress of State as well as other Institutions and Public bodies, and also for private individuals, Associations and interested companies, with regard to innovation, with the aim to support the national strategy in the short and long term in collaboration with the public offices dedicated also through the proposal of norms aimed at favoring the growth of the innovative ecosystem of the Republic of San Marino.



Introduction Innovation Delegated Decree

The Institute for Innovation has made itself the promoter of the technological innovation reform that today is finally law: Delegated Decree - Provisions on High- technology Enterprises. This Decree provides for instruments and measures of advantage that affect the entire life cycle of the companies, defined as "High-Technology Enterprises", from the start-up phases up to the various stages of maturation.

Targets

The decree has the objective of facilitating and promoting a new entrepreneurial culture devoted to innovation in the Republic, supporting employment in key sectors for economic development, fostering a more solid ability to attract talent and foreign capital and strengthen the links between institutions and the entrepreneurial fabric.

Target Audience

The legislation is addressed to individuals, startups, corporate spin-offs operating in the field of technological innovation or who want to share resources and skills to research certain technologies.

Classification of high- technology enterprises

The decree introduces the new concept of High-technology Enterprise, the declinations of companies established as a limited liability company. Founders need to have an innovative idea of product, service, process, technology, organization or business model. Three categories of high-technology enterprises have been designed, a path extending for a total period of 12 years, functional for the identification of treatments to the enterprises' needs:

First level Technology Start-up (SUT I)

The startup of the innovation process, it's the executive phase from which the idea is converted into an organized project. Starting the innovative process (start-up), is the executive phase in which the idea is transformed into an organized project. Duration of path: 3 years.

Second level Technology Start-up (SUT II)

Initial expansion phase (early growth), the startup begins to grow in terms of positive turnover. Duration of path: 4 years.

High - Technology Enterprises (SAT)

Consolidation phase (sustained growth), the enterprise achieves the full operation.

Duration of path: 5 years.

Certification and requirements

- To benefit from all the advantages provided by the legislation, anyone with an innovative idea will have to obtain the high- technology enterprises certification issued by the Institute for Innovation of San Marino, which will evaluate the innovative profiles of the product, service, process, technology organization or business model.

Requirements are required:

- To be a San Marino company established as a joint-stock company, newly established or established for less than 12 months;
- Hold an industrial or service license;

Once the company has obtained certification of high technological content and the requirements have been verified, the company must request enrollment in the Register of high-tech companies at the Economic Activities Office within 90 working days of the issue of the certification.

Access requirements for the facilitated path:

The table below illustrates the requirements of entry, that is, the classification of the society with respect to the three bands of the Innovation Business Categories (SUT I, SUT II, SAT).

These parameters are functional only to identify the range of entry into the innovation regime and not for the growth path of the company already in operation:

SUT I	SUT II	SAT
<ul style="list-style-type: none"> • Newco, under the San Marino law, whose structure is composed of single persons or companies that do not fall within the parameters referred to in the following bands (SUT II and SAT) • San Marino companies incorporated for less than 12 months 	<ul style="list-style-type: none"> • Newco whose capital stock is held to an extent of not less than 50% by a foreign or local enterprise. • Number of employees: equal or more than 25 persons and less than 50 persons • Annual turnover: exceeding 5 MLN Euro and less than 10 MLN Euro 	<ul style="list-style-type: none"> • Newco whose capital stock is held to an extent of not less than 50% by a foreign or local enterprise. • Number of employees: more than 50 persons • Annual turnover: equal or more than 10 MLN Euro

Possibility of access to the facilitated path

- Possibility of creating spin-offs of foreign and San Marino enterprises to develop a branch of business with a strong technological and innovative connotation by exploiting the subsidized schemes of SUT II and SAT. Company whose capital stock is held to an extent of not less than 50% by a foreign or local enterprise with employees more than 25 and less than 50 turnover more than 5 millions euro and less than 10 Millions.
- SUT II: Company whose capital stock is held to an extent of not less than 50% by a foreign or local enterprise with:
 - employees more than 25 and less than 50
 - turnover of more than 5 million euro and less than 10 Millions
- SAT: Company whose capital stock is held to an extent of not less than 50% by a foreign or local enterprise with:
 - employees more than 50
 - turnover more than 10 Millions

Benefits and News

The maturity ranges indicate the growth path of the High Technology Enterprise, characterized by tax concessions, flexibility and progressive empowerment.

Maturity Phases

SUT I	SUT II	SAT
3 years	4 years	5 years
0% General Income Tax	4% General Income Tax	8% General Income Tax
Exemption from payment of the licence fee and annual renewal	Exemption from payment of the licence fee and annual renewal	
Registration tax: 70 Euro	Registration tax: 70 Euro	
Capital Stock: 1 Euro	Capital Stock: 10k Euro	Capital Stock: 20k Euro
COCOPRO at max 4 collaborators renewable until 18 months	COCOPRO at max 4 collaborators renewable until 18 months	
Fixed-term contract (also part-time) up to 8 resources with a maximum duration of 36 months	Fixed-term contract (also part-time) up to 8 resources with a maximum duration of 36 months	
Administrators of High-Technology Enterprises can apply for residence in the Republic for themselves and their family	Administrators of High-Technology Enterprises can apply for residence in the Republic for themselves and their family	Administrators of High-Technology Enterprises can apply for residence in the Republic for themselves and their family
All the employees of High-Technology Enterprises can request a special residence permit, renewable every year	All the employees of High-Technology Enterprises can request a special residence permit, renewable every year	All the employees of High-Technology Enterprises can request a special residence permit, renewable every year

- Tax benefits on income extended to a total period of 12 years and reduced capital stock.
- Reduction of the share capital.
- Introduction of “maturity” phases of enterprise and application to dedicated rules (both fiscal and operative).
- Possibility to get access to the regime also for big local and foreign enterprises that want to create spin-off in San Marino.
- Residence for directors and shareholders and special stay permit for family members of employees.
- Liberalization of co.co.pro. relationships and occasional and ancillary work to make the employment relationship more flexible.
- Introduction of the Work for Equity institution.
- Exemption of capital gains resulting from the disposal of participations in High-Technology Enterprises.
- Introduction of Research and Development Consortium.
- Tax incentives for investments made by legal persons and by private investors in high technology enterprises.
- Introduction of Certified incubators, accelerators and science parks.
- Introduction of Certified Partners.

Liberalization of co.co.pro. relationships and occasional and ancillary work

Possibility to use different formulas of lean and flexible contracts to hire staff in high-tech enterprises:

- Fixed-term contract also part-time for a maximum of 8 resources with a maximum duration of 36 months. It is possible to use this type of contract for the first 7 years of the life of the company.
- Coordinated and continuous project-based collaboration agreement (COCOPRO): it is one of the most flexible contractual formulas available to high-technology enterprises. Each employment relationship can be renewed up to a maximum of 18 months. Depending on the type of high-technology enterprise, there are different usage limits:

- a. SUT I: up to a maximum of 4 resources for 3 years regardless of the number of employees in the company
- b. SUT II: up to a maximum of 4 resources for 4 years regardless of the number of employees employed in the company.
- c. Occasional and ancillary work, usable for up to 120 days per year.

Work for equity

Introduction of the Institute of Work for Equity:

- All high-technology enterprises can make use of alternative remuneration methods for employees and collaborators to encourage and retain them. It is possible to remunerate its collaborators and employees with instruments of participation in the social capital in the face of works and services for the growth of the company itself.
- Each relationship must be regulated by a Work for Equity contract. It will be essential to specify and describe the nature of the work and service provided, to establish the performances and / or objectives to which the issue of equity is conditioned.
- The contract can be stipulated through the form of authenticated private agreement, reducing notary costs.
- Facilitated tax regime: the shareholdings assigned under this contract do not contribute to forming the taxable income.

Residence and Special stay permit

- All the employees of the enterprises that have received the Certification of high- technology enterprises (SUT I, SUT II, SAT) can request a special residence permit, renewable every year.
- Administrators and employees of high-technology enterprises can apply for residence in the Republic for themselves and their family members.

Capital Gains

Tax exemptions are provided for capital gains in the event of the sale of investments in high-technology enterprises in the following measure:

- 100% of their value if the capital gains are reinvested within two years enterprises that carry out the same activity;

- At 50% of their value in all other cases.

This incentive in the exit phase brings the Republic of San Marino closer to the most advanced legal systems in the international scenario in terms of regulations dedicated to enterprises in the sector.

Research and Development Consortium

Introduction of the Institute of the Research and Development Consortium:

- Two or more enterprises can form a Consortium to develop a specific project with a strong scientific, research and development, intersectoral dimension to facilitate the technological transfer from a reality with a strong technological connotation to "traditional" enterprises.
- All enterprises, from San Marino and abroad, can enter into the Consortium Contract, with the essential requirement that at least one of the associated enterprises is a company with high-technology enterprises or in possession of the status of "Certified Partner".
- Each of the participants will make available resources that will constitute the consortium fund that must be used exclusively for the pursuit of the object of the consortium. It must be established as a trust.
- Important tax deductions are included in the cash contributions made by the consortium members in the consortium fund. A 20% deduction from the consortium member's income tax is foreseen for an amount not exceeding 50.000 Euro for a year.

Tax incentives for investors

- Tax incentives for investments made by legal persons and by private investors in high- technology enterprises.
- Individuals with San Marino residence or enterprises under San Marino law who decide to invest in high-technology enterprises will be able to benefit from important tax relief depending on the maturity of the enterprise in which they invest.

- Tax deductions for legal persons residing in the territory of San Marino:
 - Investments in SUT I: deductions from income tax equal to 60% up to a maximum of 2 millions euro invested.
 - Investments in SUT II: deductions from income tax equal to 30% up to a maximum of 2 millions euro invested.
 - Investments in SAT: deductions from income tax equal to 15% up to a maximum of 2 millions euro invested.

- Tax deductions for private investors residing in the territory of San Marino:
 - Investments in SUT I: deduction from income tax of 80% up to a maximum of 1 millions euro invested.
 - Investments in SUT II: deduction from income tax of 60% up to a maximum of 1 millions euro invested.
 - Investments in SAT: deduction from income tax of 20% up to a maximum of 1 millions euro invested.

Incubators and Accelerators

- Possibility to create Certified Incubators, Accelerators and Scientific and Technological Parks by San Marino enterprises upon issue of a specific authorization from San Marino Innovation. These structures must provide specific services dedicated to high-technology enterprises.
- Possibility of hosting Certified operators in Incubators, Accelerators and Scientific and Technological Parks that supply ancillary services concerning the needs of the established enterprises.

Certified Partners

San Marino Innovation S.p.A. can carry out the most appropriate assessments on the subjects and operators who intend to enter into a relationship or partnership with the Institute to carry out innovative projects for the Republic in collaboration.

- Individuals or operators who intend to obtain the status of "Certified Partner" must comply with the specific requirements indicated in the Regulations of the Institute.
- The partnership must however assume:
 - the identification of one or more innovative projects with high-technology of research or development and / or implementation of digital and technological applications in general, to be carried out in collaboration with San Marino Innovation SpA, in pursuit of its social goals,

among which: economic growth and creation of technological excellence, new entrepreneurial culture and innovation, increased research activities and the development and implementation of projects aimed at implementing the San Marino Digital Agenda (ADS).

- the contribution of human, intellectual, economic and/or technological resources and any other suitable resource to pursue the aims of the projects.

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