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Covid-19 financial update | Incentives for recapitalization of medium-sized companies

1. Tax incentive provided for investors

Who	Investors, natural persons and legal entities, who confer money for capital increases of one or more of the following companies:		
	<ul style="list-style-type: none">SpASapASrl / SrlsCooperativesEuropean companiesEuropean cooperatives	Excluding: <ul style="list-style-type: none">companies belonging to the group of the company that conducts the capital increasefinancial intermediariesholding companiesinsurance companies	
	having their registered office in Italy and excluded:		
Requirements	<ul style="list-style-type: none">a) amount of consolidated revenues between 5 and 50 million eurosb) revenues reduced by at least 33% in the two months of March-April 2020 compared to the same period of the previous yearc) fully paid-up share capital increase, approved and executed by December 31st, 2020		
What	Tax credit equal to 20% of the contributions made for the share capital increase of one or more of the abovementioned companies (max increase in share capital € 2.000.000 → max tax credit € 400.000)		
	Example	Money contributions for the share capital increase	€ 3.000.000
		Tax credit = 20% of the money contributions	€ 600.000
		Tax credit, taking account of the limit	€ 400.000
How	<ul style="list-style-type: none">The investor must hold the stake until Dec 31st 2023The investor loses the benefit if the recipient company distributes reserves before December 31st 2023 → Return of deducted amount + legal interestThe investor must be in possession of a certification issued by the company, certifying that the overall amount eligible for tax incentives has not been exceeded or, if exceeded, the amount for which the tax credit is due.Tax credit can be used, without limits:<ol style="list-style-type: none">in the tax return relating to 2020 and in subsequent ones until its use is concludedalso in compensation, starting from the 10th day following the submission of the tax return relating to the investment period.		

2. Tax incentive provided for companies conducting share capital increases

Who	<ul style="list-style-type: none"> ▪ SpA ▪ SapA ▪ Srl / Srls ▪ Cooperatives ▪ European companies ▪ European cooperatives <p>having their registered office in Italy</p>	<p>Excluding:</p> <ul style="list-style-type: none"> - financial intermediaries - holding companies - insurance companies 	
	Requirements par. 1	<ul style="list-style-type: none"> a) amount of consolidated revenues between 5 and 50 million euros b) revenues reduced by at least 33% in the two months of March-April 2020 compared to the same period of the previous year c) fully paid-up share capital increase, approved and executed by December 31st, 2020 	
Requirements par. 2	<ul style="list-style-type: none"> ▪ Fall outside the category of: <ul style="list-style-type: none"> ○ firms in difficulty under the EU Regulations, as of Dec. 31st 2019 ○ companies that have not repaid, having received them, aids deemed illegal or incompatible by the European Commission ○ companies subjected to prevention measures pursuant to the Anti-Mafia Code (L.D. n. 159/2011) ▪ Directors, shareholders and beneficial owner must NOT have been sentenced, in the last 5 years, for crimes related to the evasion of income taxes and VAT, which resulted in the exclusion from public offices from 1 to 3 years 		
What	<p>Tax credit equal to 50% of the losses exceeding 10% of the net assets, gross of the losses themselves, up to 30% of the capital increase.</p> <p>Benefits recognized only after the approval of the financial statements for the year 2020</p>		
Example	Share capital increase	€ 300.000	30% = € 90.000
	Net assets including losses	€ 5.000.000	10% = € 500.000
	Losses		€ 700.000
	Losses exceeding 10% of the net assets	€ 700.000 – € 500.000 =	€ 200.000
	Tax credit	50% of € 200.000 =	€ 100.000
	Tax credit, taking account of the limit		€ 90.000
How	<ul style="list-style-type: none"> ▪ Loss of the benefit if the company distributes reserves before January 1st 2024 → Return of deducted amount + legal interest ▪ No restrictions on profit distribution nor on repayment of non-interest bearing loans from shareholders ▪ The tax credit can be used in compensation, without limits, starting from the 10th day following the submission of the tax return relating to the investment period. 		

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3. Fund set up to support companies that issue bonds or other debt securities

Who	<ul style="list-style-type: none">▪ SpA▪ SapA▪ Srl / Srls▪ Cooperatives▪ European companies▪ European cooperatives having their registered office in Italy	Excluding: <ul style="list-style-type: none">- financial intermediaries- holding companies- insurance companies	
	Requirements par. 1	a) amount of consolidated revenues between 10 and 50 million euros b) revenues reduced by at least 33% in the two months of March-April 2020 compared to the same period of the previous year d) fully paid-up capital increase of at least € 250.000, approved and executed by December 31st, 2020	
Requirements par. 2	<ul style="list-style-type: none">▪ Fall outside the category of:<ul style="list-style-type: none">○ firms in difficulty under the EU Regulations, as of Dec. 31st 2019○ companies that have not repaid, having received them, aids deemed illegal or incompatible by the European Commission○ companies subjected to prevention measures pursuant to the Anti-Mafia Code (L.D. n. 159/2011)▪ Directors, shareholders and beneficial owner must NOT have been sentenced, in the last 5 years, for crimes related to the evasion of income taxes and VAT, which resulted in the exclusion from public offices from 1 to 3 years		
	SME's Asset Fund	Fund managed by Invitalia and aimed at subscribing, by Dec. 31st 2020, newly issued bonds or debt securities of companies that meet the above requirements	
What	Limits	Financial instruments may be issued for a maximum amount equal to the lower of: <ol style="list-style-type: none">1. three times the capital increase2. 12.5% of the amount of revenues referred to in paragraph 1	
	Esempio	Capital Increase	1.000.000 (x3 = 3.000.000)
		Revenues	20.000.000 (12,5% = 2.500.000)
		Maximum amount of issuable securities	2.500.000
	If the company benefits from loans backed by public guarantee or from loan facilities, the sum of guaranteed amounts, soft loans and amount of financial instruments subscribed must not exceed the greater of: <ol style="list-style-type: none">1. 25% of revenues2. double the personnel costs relating to 20193. the company's liquidity needs for 18 months following the aid measure (self-certified by the legal representative)		

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How	The issuing company commits to:	<ul style="list-style-type: none">▪ not distribute reserves▪ not purchase units or treasury shares▪ not proceed with the repayment of shareholder loans▪ allocate funding to support activities located in Italy▪ provide Invitalia with a periodic report in order to allow verification of the commitments undertaken	until the full repayment of the financial instruments
	Characteristics of the issued securities	<p>Redemption</p> <p>The financial instruments are redeemed after 6 years from the subscription, but the issuing company can repay them in advance after 3 years.</p> <p>Interests</p> <p>Accrue on an annual basis and are paid in a lump sum on the redemption date.</p>	
	Request	It must be sent to Invitalia through the form made available on its website.	

For any further information do not hesitate to [contact your trusted RSM consultant](#).

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