

## Benchmark

# Migratory pathways for start-ups and innovative entrepreneurs from third countries

The benchmarks of EMN Netherlands compare the research results from the Netherlands with those of other Member States of the European Union (EU) and Norway. What are the most relevant similarities and differences? The benchmarks are an annex to the thematic EMN Studies (synthesis reports with all research results per EU Member State). EMN Netherlands drafts benchmarks in consultation with the Dutch experts involved.

**Dutch policy compared with other EU Member States<sup>1</sup> and Norway<sup>2</sup>. Annex to the EMN study 'Migratory pathways for start-ups and innovative entrepreneurs in the EU' (18 December 2019).**

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### Main findings

The Netherlands is in a group of European front runners in the policy for start-ups from within and outside the EU, together with countries including Estonia and France. Start-up founders can apply for a special residence permit in the Netherlands. The Netherlands is also developing a special **residence scheme for 'key personnel' of start-ups** which will enter into effect after the summer of 2020. At present, Cyprus, Estonia, France and Portugal already have a similar residence permit for start-up employees.

Further characteristic of the Netherlands are:

- the condition that a start-up must cooperate with a recognised **facilitator**<sup>3</sup>. The facilitator offers the starting entrepreneur a tailored package and helps for example with business operations, marketing, research and finding investors.
- the **Netherlands Point of Entry**, a contact point and reference for innovative entrepreneurs from the time they consider coming to the Netherlands. Entrepreneurs can go there for matters including assistance in applying for a residence permit, an explanation of the Dutch policy for start-ups, registration with the Chamber of Commerce and opening a bank account.

### Policy of the Netherlands in comparison with other Member States

In the Netherlands the attraction of start-ups and innovative entrepreneurs from outside the EU is a **policy priority**, just as in sixteen other Member States.<sup>4</sup> It emerged from the EMN study that in nine Member States, including the Netherlands, **policy changes** are scheduled.<sup>5</sup> These measures deal partly with facilitation of the establishment of start-ups in the Netherlands and optimising the application process for residence permits. In thirteen countries, including the Netherlands, there is a **special visa or residence permit** for start-up entrepreneurs from countries outside the EU.<sup>6</sup> What stands out as well is that the EMN study

devotes special attention to (a) the role of the facilitator in the Netherlands and (b) the Netherlands Point of Entry. These two elements of the Dutch start-up policy and business climate are both mentioned as *good practices*.

### Business climate

- Only Estonia, Italy, Lithuania and Latvia have an unambiguous, legally established **definition** of a start-up.<sup>7</sup> Characteristics taken into consideration in all Member States in formulating a (partial) definition of a start-up are for example: (a) length of time the company has been established; (b) availability of a business plan; (c) potential to grow quickly; (d) putting an innovative product on the market.
- Member States set different conditions for starting a business. Examples of conditions that the Netherlands does not set: Belgium and Sweden require the entrepreneur to be **over 18** years of age. In addition, thirteen Member States require the company to have a bank account number.<sup>8</sup> It is striking that in Wallonia (Belgium) the entrepreneur must also have thorough knowledge of *business management*, for example by obtaining a diploma.<sup>9</sup> In five Member States, there must also be a minimum starting capital, ranging from € 1-12,000<sup>10</sup>.
- In five Member States, including the Netherlands, setting up a business usually costs less than € 100.<sup>11</sup> Other Member States require somewhat more, usually between €100 and € 200.<sup>12</sup> Just as in the Netherlands, in most Member States there is **cooperation** with (a) incubators and accelerators; (b) universities; (c) cities and regions.<sup>13</sup>
- About half of the Member States, including the Netherlands, state that in their start-up policy **they do not focus on specific sectors or industries**.<sup>14</sup> The Netherlands, just as other Member States, do however focus on the development of specific industries in their general economic policy (for example by way of a **top sector policy** or hubs).<sup>15</sup>

### Residence conditions

The Netherlands is one of the thirteen Member States with a **special visa or residence permit** for start-up entrepreneurs from countries outside the EU (third countries).<sup>16</sup> The most striking similarities and differences are:

- The Netherlands sets as conditions for this: (a) step-by-step plan; (b) cooperation with a facilitator; (c) passport or ID; (d) proof of sufficient financial means to provide for one's own maintenance; (e) no criminal record, criminal history and/or danger to public order or national security; (f) entry in the commercial register of the Chamber of Commerce (however, this is also possible with a guarantee from the *facilitator* after arrival in the Netherlands).
- In some cases, several other Member States set additional or different conditions on obtaining the visa or residence permit. These are for example (a) a minimum amount of starting/financial capital;<sup>17</sup> (b) proof of diplomas or qualifications of the start-up entrepreneur;<sup>18</sup> (c) language requirements;<sup>19</sup> (d) proof of healthcare insurance.<sup>20</sup>
- Just as in the Netherlands, in Bulgaria, Cyprus, Spain (for forthcoming businesses), Italy, Lithuania and Latvia the residence permit is valid for one year. In five other Member States<sup>21</sup> this is valid for two years, in the United Kingdom for three years and in France four years. In all Member States, except the United Kingdom, the residence permit can be renewed.<sup>22</sup> This is done in the Netherlands by easing the requirements for admission to the general residence permit for self-employed entrepreneurs.
- In the Netherlands, cooperation with a facilitator is required to apply for the specific residence permit, unless the entrepreneur makes use of the general self-employment scheme.<sup>23</sup> In Portugal and the United Kingdom, participation in a *support scheme*, ecosystem or accelerator programme is required. Five other Member States do have collaborative arrangements, but participation in them is not required for submitting an application.<sup>24</sup>

## Attraction of start-ups and innovative entrepreneurs

### Attraction of start-up employees from third countries

In all Member States without a specific scheme for start-ups, an entrepreneur can employ employees from third countries if they meet the conditions for a general national residence permit for third-country employees. There is a special residence scheme for start-up employees third countries only in Cyprus, Estonia, France and Portugal.<sup>25</sup> In the Netherlands a special scheme for 'key personnel' of start-ups will enter into effect after the summer of 2020.

### Blue Card

Almost all Member States (except Denmark, Ireland, the United Kingdom) also allow highly qualified employees of start-ups to apply for the European Blue Card (a combined residence and work permit for highly qualified migrants from third countries). In Luxembourg, an employee of a start-up does have to meet the general conditions for an employee, for example with the necessary professional/occupational qualifications required for a job, to pass the labour market test and to serve national interests. In Sweden it is the employer that has to meet certain conditions for the employees of start-ups. The employer must, for instance, advertise the vacancy through specific channels, offer a minimum net salary, ensure insurance and consult the relevant trade union regarding the terms and conditions of employment.

## Incentive measures

All Member States, including the Netherlands, have schemes to stimulate start-ups and innovative entrepreneurs. This is usually general start-up policy, among other things to prevent unfair competition. The most striking similarities and differences between the Netherlands and other countries:

- Most Member States have **incentives** (incentive measures) to attract start-ups and innovative entrepreneurs, such as (a) access to funding (by the government or the private sector) and investments (for example microcredit); (b) office space; (c) access to incubator and accelerator programmes; (d) tax measures (usually taxation policy).<sup>26</sup>
- Several Member States have additional incentives, such as (a) tax cuts for investors in start-ups<sup>27</sup>; (b) lowered social contributions<sup>28</sup>; (c) reimbursement of administrative costs.<sup>29</sup>
- Approximately half of the Member States, including the Netherlands, make efforts for **promotional activities** abroad.<sup>30</sup> Very few Member States, however, use branding to promote their start-up scheme. In the EMN Study, besides examples from France, Portugal and Latvia, the branding system in the Netherlands ('Holland Branding Dutch Spirit') was explained.<sup>31</sup>
- Socio-economic factors, culture, availability of hubs, good locations and the entrepreneurial climate, are endorsed by different Member States as factors that influence the attraction of start-ups and innovative entrepreneurs.<sup>32</sup> Other factors that some Member States mention are: (a) possibilities for personal and professional development; (b) eased establishment of a business; (c) digital public services; (d) few administrative burdens; (e) reputation under tourists; (f) capacity for innovation and research; (g) sectoral specialisation and access to social services, such as healthcare.

## Retention of start-ups and innovative entrepreneurs

Member States employ different measures to retain start-ups. Almost all Member States provide the possibility to extend the special visa or residence permits for start-ups and innovative entrepreneurs.<sup>33</sup> Similarities and differences between Member States in that respect are:

- Whereas an entrepreneur in the Netherlands switches from a start-up permit to the

self-employment scheme (after expiry of the one-year permit), other Member States indicate that their permit (special start-up permit or a different regular permit) can also be **extended**. This varies from extension for one year to ten years in Estonia.<sup>34</sup>

- On extension, half of the Member States check whether the company has actually been founded. On extension, just as in the Netherlands, some other Member States check whether the start-up is still listed in the **business register** (similar to the commercial register of the Chamber of Commerce) and whether the start-up actually exists.<sup>35</sup> It is notable that Belgium and Cyprus specifically examine the fact whether the **tax return** has been filed.<sup>36</sup>
- If the start-up becomes insolvent or ceases to exist, in eight countries the start-up entrepreneur will lose his/her status and residence permit.<sup>37</sup> In the Netherlands and most other Member States, in that case entrepreneurs can apply for a different residence permit.<sup>38</sup>
- Besides tax measures, as in the Netherlands and six other Member States<sup>39</sup>, Member States also employ other measures, such as (a) a **specialised service for family members** of the start-up entrepreneur in finding a job<sup>40</sup>; (b) a scheme in which start-ups do not have to pay **any social insurance contributions** for their first employee.<sup>41</sup>

### Facts and figures: start-up entrepreneurs from outside the EU in Europe

#### Number of start-ups and top nationalities<sup>42</sup>

Statistics were provided by nine Member States. In 2018 the highest number of applications for specific visas or residence permits for start-ups were registered in Estonia (783), followed by Spain (305), Lithuania (178), the Netherlands (127), Finland (108), Italy (92) and Ireland (42).<sup>43</sup> Nationalities that took first place in the number of visas/residence permits issued to start-ups in most Member States in 2018 were: the Russian Federation, the United States, India and China. Also notable is the number of permits issued to Moroccan entrepreneurs in France, which puts this nationality in first place there (202 in 2018).

#### Survival rate<sup>44</sup>

A small number of Member States was able to say something about how many companies of start-up entrepreneurs from third countries survived. In France the survival rate of foreign innovative businesses after three years was lower than that of businesses founded by French persons: 58% of the businesses of third-country entrepreneurs were still active after three years, as against 68% of the businesses founded by French persons.

In Italy, 3.2% of the innovative start-ups (325 of about 10,000) comprised entrepreneurs from third countries. In 2017, approximately 15% of the start-ups founded in Italy by entrepreneurs from third countries had a turnover of more than € 100,000.

# Annex

## Dutch policy for start-ups from third countries

The Dutch government makes efforts to attract entrepreneurs and start-ups from countries outside the European Union (EU). This is done by offering good schemes and creating a favourable business climate. A wide range of Dutch organizations work together on this.

### Policy framework

#### 1 'Ambitious entrepreneurship: an agenda for starters and growers', March 2014

Launch by the Ministry of Economic Affairs and Climate (EZK) of support for start-ups and scale-ups (successfully growing businesses), also from third countries. In cooperation with the Ministry of Social Affairs and Employment (SZW) for legislation and the Ministry of Justice and Security (JenV) for the migration aspect. Shape was given to the policy in the overarching project StartupDelta in January 2015, under the direction of Constantijn van Oranje, with a sequel in 2016 with StartupDelta 2020 (now known as TechLeap.NL). For starting entrepreneurs from third countries, the government created a separate scheme in January 2015, the scheme for starters from outside the European Union (EU) [Regeling starters van buiten de Europese Unie \(Dutch\)](#). The scheme enables starting entrepreneurs to apply to the Immigration and Nationalisation Service (IND) for [a temporary residence permit for one year \(in English\)](#). One of the conditions is that a recognised facilitator supports the start-up founder. A facilitator offers an entrepreneur a tailored package and can help with the business operations, marketing, research and finding investors. After one year, the scheme becomes the general self-employment scheme for innovative entrepreneurs in the Netherlands. This self-employment scheme is also open to entrepreneurs from third countries who do not found a start-up but do want to develop an innovative product.

### Regional hubs and urban initiatives

Hubs are regional networks for supporting innovative entrepreneurs and start-ups. They, together with the cities and regions, play a vital role in creating a good business climate in the Netherlands. The Netherlands has many regional hubs, including hubs in:

- the Amsterdam region, mainly for creative start-ups and internet start-ups
- The Hague with The Hague Security Delta
- Eindhoven with Brainport Development
- Groningen, mainly for start-ups in data services and energy
- other cities and regions, such as the eight regional hubs with which TechLepa.NL (Startup Delta) cooperates

An example of a national urban programme that also stimulates entrepreneurship is [Agenda Stad \(in English\)](#).

#### 2 Comprehensive Agenda on Migration, March 2018

The Comprehensive Agenda on Migration defines [Dutch migration policy \(in English\)](#) for the coming years. Its main pillar is the attraction of highly-qualified migrants, including start-ups from third countries. Highly-qualified migrants strengthen the Dutch knowledge economy, the innovative power and the competitive position of the Netherlands.

#### 3 Letter to Parliament 'Stand van zaken: Startup en scale-up beleid' ('State of affairs: Start-up and scale-up policy') about the examination of policy adjustments, December 2018 (in Dutch)

Letter to Parliament on the examination of improvements in the business climate for start-ups and scale-ups, and the attraction of innovative entrepreneurs from third countries.

Responsible Ministries: Economic Affairs and Climate Policy, Social Affairs and Employment, Justice and Security.

## Forthcoming policy adjustments

- In 2019, the Dutch government announced that it wanted to adjust the point system for self-employed persons. A connection with the top sectors is preferred.
- In 2019, the Dutch government also announced that it wanted to examine whether the partner of a foreign self-employed person could be given more freedom on the Dutch labour market.
- After the summer of 2020, the Netherlands will introduce a special scheme for key personnel of foreign start-ups, also for start-ups from third countries. Key personnel will then be able to come along to the Netherlands with the starter him/herself, or a Dutch start-up will be able to attract foreign talent.

- 24 EU Member States participated in the study: AT, BE, BG, CY, CZ, DE, EE, ES, FI, FR, HR, HU, IE, IT, LT, LU, LV, NL, PL, PT, SE, SI, SK, UK.
- The EMN is composed of all EU Member States and Norway, except for Denmark.
- EMN Synthesis Report, page 15.
- EMN Synthesis Report, page 13. These are: AT, BG, CY, EE, ES, FI, FR, IE, IT, LT, LV, NL, PL, PT, SI, UK.
- EMN Synthesis Report, page 13. These are: BE, BG, DE, ES, FR, IE, LV, SI, NL.
- EMN Synthesis Report, page 15. These are: AT, CY, EE, ES, FI, FR, IE, IT, LT, LV, NL, PT, UK. In 10 other countries, start-up entrepreneurs are attracted under normal schemes for work and entrepreneurs.
- EMN Synthesis Report, page 9.
- EMN Synthesis Report, page 11. These are: BE, CZ, EE, FI, HU, HR, LT, LU, LV, MT, PL, PT, SI.
- EMN Synthesis Report, page 11.
- EMN Synthesis Report, page 11. These are: BG, CZ, HR, LT (depending on the legal entity), LU, MT, SE, SI and SK.
- EMN Synthesis Report, page 12. These are: BE, FR, LT, NL and UK.
- EMN Synthesis Report, page 12. These are: CY, CZ, EE, IE, IT, LU and SE. The database registration of a business in the Netherlands costs a one-off registration fee of €50. If the entrepreneur wants a paper extract of the registration, this then costs €15. Besides these costs there are often other costs as well ('other costs'), partly depending on the chosen legal form.
- EMN Synthesis Report, pages 11 and 12.
- EMN Synthesis Report, page 14.
- EMN Synthesis Report, page 12.
- EMN Synthesis Report, page 13. These are: AT, CY, EE, ES, FI, FR, IE, IT, LT, LV, NL, PT, UK. In 10 other countries the start-up entrepreneurs are attracted under normal schemes for work and entrepreneurs.
- EMN Synthesis Report, page 19. These are: AT, CY, IE, IT, UK.
- EMN Synthesis Report, page 19. These are: AT (this is not required, but is evaluated within the point system), CY, ES, IT, LT.
- EMN Synthesis Report, page 19. These are: AT (this is not required, but is evaluated within the point system), CY (Greek and English) and UK (English requirement).
- EMN Synthesis Report, page 19. These are: AT, EE, ES, IE, LT, LV and PT.
- EMN Synthesis Report, page 23. These are: AT, ES (for innovative companies), FI, IE, UK (start-up visa).
- EMN Synthesis Report, page 23.
- EMN Synthesis Report, page 15.
- EMN Synthesis Report, page 19. These are AT, EE, FR, IE en LT.
- EMN Synthesis Report, page 7.
- EMN Synthesis Report, page 26.
- EMN Synthesis Report, page 30. These are: BE, CY, HU, IT, UK.
- EMN Synthesis Report, page 30. These are: ES, FR.
- EMN Synthesis Report, page 30. These are: AT, ES, FI, FR, HU, IT, LV, PT, UK. In Austria, start-ups are for example exempted from fees and charges which are normally due for official procedures, purchases of immovable property, etc.
- EMN Synthesis Report, page 27. These are: AT, BE, CY, CZ, DE, EE, ES, FI, FR, HR, IE, LT, LU, LV, NL, PL, SK (general).
- EMN Synthesis Report, page 28. In France, the branding is called 'French Tech' and is a national logo that all start-ups may use in promotional activities.
- EMN Synthesis Report, pages 28-29.
- EMN Synthesis Report, page 31. These are: AT, BE, CY, CZ, DE, EE, ES, FI, FR, HU, IE, IT, LT, LU, NL (by way of a special, eased scheme, the entrepreneur can move on to the self-employment scheme after a year of residence on the basis of the residence permit specifically for starting entrepreneurs), SE, SK.
- EMN Synthesis Report, page 31.
- EMN Synthesis Report, pages 31-32. These are: CZ, DE, EE, HR, LT, LU, NL.
- EMN Synthesis Report, page 32.
- EMN Synthesis Report, page 32. These are: AT, BE, CY, CZ, DE, EE, LT, LV.
- EMN Synthesis Report, page 32. These are: AT, BE, CY, CZ, DE, EE, ES, FI, FR, HU, IE, IT (depending on conversion quotas defined by the annual flow decree), LT, LU, NL, PT, SE (exceptional reasons), SK.
- EMN Synthesis Report, page 29. These are: AT, BE, FR, IT, LV, NL, UK. The tax measure in the Netherlands concerns the fact that entrepreneurs in the Netherlands let the 30%-rule apply to foreign employees in paid employment at the starting entrepreneur. This concerns reimbursement of extraterritorial expenses.
- This concerns: EE.
- EMN Synthesis Report, page 33. This concerns: BE.
- EMN Synthesis Report, page 14.
- The number listed for the Netherlands is the number of first applications for the specific residence permit for start-ups, and is exclusively the number of applications for changing the purpose of residence. Start-ups in the Netherlands can also apply for the general residence permit for self-employed persons. However, no data are available on this. Whether this also applies in other Member States cannot be gathered from the EMN Synthesis Report.
- EMN Synthesis Report, page 34.