

EU Inc. 28th Regime Proposal

Position Paper

Executive Summary

On 18 March 2026, the European Commission published its legislative proposal for EU Inc., a pan-European company structure designed to simplify business formation and cross-border operations across the European Union. This is a historic milestone, and it reflects direct engagement and months of advocacy from the startup and small and medium-sized enterprise (SME) community.

The proposal delivers meaningfully on several **core priorities**: fully digital 48-hour incorporation, no minimum share capital, flexible share structures for venture capital, an EU Employee Stock Option Plan (EU-ESOP) with deferred taxation, and use of a Regulation as the legal basis for uniform application. These are real wins.

However, **significant gaps remain**. Tax harmonisation, cross-border hiring, employee participation rules, and dispute resolution are all left to Member States. No standardised EU convertible investment instrument has been introduced. The central EU registry has been deferred. If left unaddressed through the legislative process and national implementation, these gaps risk turning EU Inc. into another layer of complexity on top of existing national regimes rather than a simplification.

This paper sets out our detailed assessment, our key remaining asks, and our recommended next steps as the proposal moves to the European Parliament and Council.

BACKGROUND AND CONTEXT

The European startup and scaleup ecosystem has long faced a structural disadvantage compared to jurisdictions such as the United States, the United Kingdom, or Singapore: the absence of a single, harmonised corporate form that can operate seamlessly across borders. Founders have had to navigate 27 different national company law regimes, each with its own incorporation procedures, capital requirements, share class rules, employment frameworks, and tax systems.




The EU Inc. proposal is the Commission's response to this structural gap. It introduces an optional limited liability company form governed by a directly applicable Regulation. Companies may incorporate to the EU Inc. from scratch or convert from an existing national form.

The Commission has framed EU Inc. as a tool for founders, SMEs, and investors to launch and grow companies across the Single Market without having to reincorporate in each jurisdiction. This framing is correct but the proposal's ambition must be matched by genuine harmonisation. Where national law is left to fill the gaps, the promise of EU Inc. may go unfulfilled.



DETAILED ASSESSMENT OF THE PROPOSAL

The table below provides a structured assessment of the Commission's proposal against ACT members' stated positions. Status indicators reflect alignment with our asks:

 Aligned  Partially Aligned  Not Aligned

Issue Area	Status	What We Asked For	Commission Outcome
Legal basis		Use a Regulation	Regulation adopted — uniform application across all 27 Member States.
Fast incorporation		48h, fully digital	48-hour fully digital incorporation confirmed.
Harmonised templates		Harmonised templates	Multilingual templates established but optional use.
Capital requirements		No minimum capital	No initial capital or legal reserves required.
Share structures		Flexible share classes & VC instruments	Digital share register; flexible structures including shares without nominal value for VC/early-stage financing.
Employee stock options (EU-ESO)		EU-level ESOP	EU-ESO established; taxation deferred to exit event.
Incorporation fee		€1 symbolic fee	€100 incorporation fee — close to symbolic but not quite.
EU registry / one-stop-shop		Full EU-level registry	Central EU interface connecting to national registries; full EU central registry deferred to the future.
Optional EU-wide regime		Full opt-in across 27 MS	EU Inc. form available EU-wide, but national law still governs areas not harmonised by the Regulation.
Insolvency/winding up		Simplified insolvency for all EU Inc.	Simplified winding-up only for qualifying 'innovative startups', not all EU Inc. companies.
EU-FAST investment instrument		Standardised EU convertible (like US SAFE)	No new EU-wide instrument introduced; SAFEs/convertible notes permitted but not standardised at EU level.
Tax harmonisation		Centralised, fair, simple tax framework	National tax and social security laws continue to apply; no harmonisation.
Cross-border hiring		Facilitate cross-border hiring	No provision; branches likely still required to hire in other Member States.
Employee participation		Harmonised EU rules	Rules of the registered office Member State apply; divergence remains.
Dispute resolution		Specialised EU court	National courts designated by each Member State; legal fragmentation persists.



WHAT WE WELCOME



Use of the Regulation as the Legal Form

The establishment of the 28th regime framework in the form of a Regulation has been one of the main asks from the startup community.

Unlike Directives, which require transposition into national law and often result in fragmentation, a Regulation provides **immediate and uniform application across all Member States**. This is essential to ensure that provisions apply seamlessly in the EU.

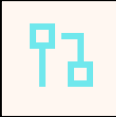


The Establishment of EU Inc. as a Corporate Framework in Which All Companies Can Opt In

We welcome the proposal to introduce EU Inc. as an EU-wide harmonised legal form (Articles 1 and 3). Creating a **harmonised company form** that businesses can voluntarily choose is an important step to address fragmentation in the Single Market and enable companies to operate more easily across Member States.

The proposal establishes EU Inc. as an **optional limited liability company form, recognised in the legal order of each Member State**, (Article 1(a)), while providing a common EU-level framework. Companies adopting this form, can **register through an online interface** (Article 1(b)) and benefit from **legal entity recognised across Member States**.

We also welcome the **flexibility of the regime**: companies may be created ex nihilo or established through domestic or cross-border conversions, mergers, or divisions, and may be formed by one or more natural or legal persons (Article 3).



Fast and Fully Digital Incorporation

We strongly support the proposal to enable **fast and fully digital incorporation for EU Inc.** (Articles 10 and 15). The introduction of **digital-only procedures**, allowing companies to complete the entire formation process online without physical presence, represents an important step toward a truly modern and accessible company law framework.

We particularly welcome the introduction of **harmonised EU templates for articles of association** (Article 8), which can significantly reduce legal complexity and administrative costs for founders across Member States.

In addition, the fast-track formation procedure through the **EU central interface** (Article 15), enabling registration within **48 hours** and at a **maximum cost of €100** (Article 16), will help make the regime accessible to startups and SMEs.

Finally, we welcome the proposal that **EU Inc. companies are not required to have a minimum share capital** (Article 62), allowing companies to be established even with €0 capital and thereby removing unnecessary barriers to entrepreneurship.



Flexible Corporate Structure

The proposal entails a flexible share and financing framework for EU Inc. companies by introducing **digital share registers and fully digital share transfers** (Article 54 and 59). This allows companies to manage and transfer shares efficiently online. It also enables multiple classes of shares and non-par value shares, providing companies with the flexibility needed to accommodate common venture capital and early-stage financing arrangements. Together, these provisions help ensure that EU Inc. companies can attract investors and structure funding rounds in line with global startup and venture capital practices.

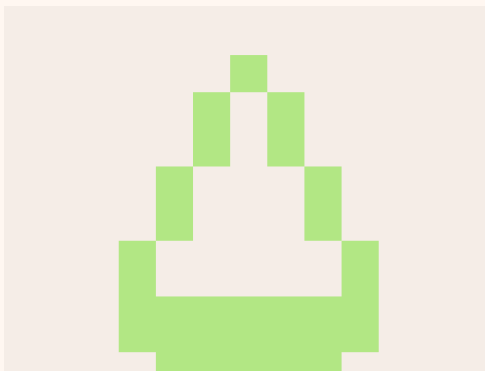


EU Employee Stock Option Plan (EU-ESOP)

The proposal establishes a dedicated EU Employee Stock Option Plan (EU-ESOP) (Article 78) under EU Inc. This allows EU Inc. companies to **grant stock options to employees, management, and board members**, an important tool to help startups and scaleups attract, incentivise, and retain talent in a competitive global market.

In particular, the proposed **taxation of stock options only at the moment of exit** (Article 79), when employees sell their shares, will remove upfront tax burdens that often discourage participation in stock option schemes and aligns incentives between employees and company growth.

A harmonised EU-level stock option framework will make it easier for innovative companies to offer competitive compensation packages and share ownership with their teams, strengthening Europe’s ability to attract talent and scale high-growth companies across the Single Market.



WHERE WE CONTINUE TO PUSH



Establishing a Fully Integrated EU-Level Company Registry

While the creation of a single EU portal through which EU Inc. companies can submit registration and other corporate documents, is a welcome step forward, further progress is needed to achieve a truly integrated European system. Under the current proposal, **the EU central interface functions as a one-stop-shop connected to national company registries** (Article 34).

If the Commission itself acknowledges that a central registry is ultimately necessary for the proper functioning of the regime, as the proposal's recitals suggest, then its absence at launch raises serious questions about the completeness of the framework from day one. A company form designed to operate uniformly across 27 Member States must be anchored in a single, coherent infrastructure at the moment of its creation, not retrofitted after the fact. ACT urges Parliament and Council to amend the text to require a fully operational central EU registry as a core component of the Regulation, effective from its entry into force.



More Ambitious Framework for Insolvency and Cross-Border Winding-Up

ACT also encourages further progress **on insolvency and cross-border winding-up procedures**. The proposal introduces a simplified winding-up procedure for innovative startups, allowing qualifying companies to close down more quickly and with reduced administrative burden when facing insolvency. This is a welcome step that recognises the need for faster and less bureaucratic exit processes for high-growth startups.

However, the scope of this simplified procedure is **currently limited to companies that qualify as 'innovative startups'** (Articles 88 and 89). During the negotiations, ACT encourage policymakers to consider **broadening these simplified insolvency mechanisms to all EU Inc. companies**, ensuring that the regime provides predictable and efficient exit options for the wider startup and SME ecosystem operating across the Single Market.

If this framework is intended as a corporate framework, it should be **capable of regulating the entire lifecycle of a company**: from formation through growth, restructuring, and, if necessary, exit. Additionally, the definition of 'innovative startups' still needs to be clarified and may prove challenging, which could affect the applicability and fairness of the simplified procedure.



Tax Harmonisation

The proposal explicitly clarifies that matters not covered by this Regulation or by articles of association shall be governed by national law (Article 4). In this context, **the lack of provision on tax harmonisation and social security represent a significant gap in the framework.**

Without at least a minimum level of tax harmonisation, particularly for cross-border structures, EU Inc. companies will still need to engage specialist advisers in each jurisdiction. We call on the Commission to bring forward a complementary tax framework that upholds the principles of fairness, simplicity, and centralisation.



Cross-Border Hiring

The proposal is silent on cross-border employment. Under the current framework, an EU Inc. **company wishing to hire employees in a Member State other than its registered office will in practice still need to establish a local branch or subsidiary to comply with national employment, social security, and payroll registration requirements.** This directly contradicts the premise of a single European company form and creates a structural disincentive to use EU Inc. for genuinely pan-European teams.

Many of the companies our members represent are digital-first and operate with distributed workforces across multiple Member States. Requiring them to establish a physical presence in each hiring jurisdiction does not reflect operational reality. ACT notes the Commission's stated intention to explore cross-border telework under the forthcoming Fair Labour Mobility Package and urges Parliament and Council to ensure that the package includes binding provisions enabling EU Inc. companies to hire across borders without triggering additional establishment requirements.





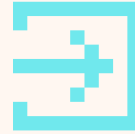
Absence of a Standardised EU Investment Instrument

The proposal does not introduce a standardised EU convertible investment instrument equivalent to the US SAFE. While the recitals (Recital 45) acknowledge that EU Inc. companies may use instruments such as SAFEs and convertible notes, the absence of a harmonised EU-level instrument means that deal terms will continue to vary across jurisdictions. We continue to call for the introduction of EU-FAST a standardised, EU-wide simple agreement for future equity to reduce transaction costs and legal complexity in early-stage funding rounds.



Employee Participation

Employee participation rules will continue to be governed by the law of the Member State of the registered office. This means EU Inc. companies face divergent requirements depending on where they are registered, the very problem the Regulation was meant to solve. We call for harmonised minimum standards for employee participation within the EU Inc. framework.



Dispute Resolution and Legal Fragmentation

EU Inc. companies will rely on national courts designated by each Member State for dispute resolution (Recital 81). Without a specialised EU court or at minimum a harmonised procedural framework, EU Inc. companies face divergent legal interpretations, inconsistent outcomes, and variable costs depending on their registered office.

Two EU Inc. companies facing the same legal question, on share transfers, director liability, or investor rights, may receive materially different answers depending on the jurisdiction of their registered office. This is incompatible with the objective of a uniform European company form.

ACT maintains its call for a dedicated EU-level dispute resolution mechanism for EU Inc. matters. A practical model would be a specialised chamber linked to the Court of Justice of the European Union with an efficient referral procedure, ensuring consistent interpretation of the Regulation's provisions across all Member States. Without this, legal fragmentation will persist at the enforcement layer even where the substantive rules are harmonised.

RECOMMENDED NEXT STEPS

The EU Inc. proposal represents the most significant advance in European company law harmonisation. It reflects real progress on priorities that matter most to founders and investors, and ACT acknowledges and welcomes that progress.

The legislative proposal now moves to the European Parliament and the Council of the EU. The co-legislative process typically takes 12–24 months, and the outcome will be shaped significantly by how Parliament and Council approach the outstanding issues. ACT urges the European Parliament and Council to take the reactions from the startup community into consideration and amend the proposal accordingly. The gaps in tax harmonisation, cross-border hiring, investment instruments, and dispute resolution are not minor technical matters; they go to the heart of whether EU Inc. can deliver the simplification it promises.

Policymakers should prioritise full harmonisation when it comes to the EU Inc. proposal. That means a centralised registry and a specialised EU court or at minimum a harmonised procedural framework. These two changes would improve the proposal exponentially.

ACT will continue to engage constructively with the Commission, Parliament, Council, and national governments to ensure that the final text of EU Inc. and its implementation delivers real, lasting simplification for founders building European companies.

