Policy Paper

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Understanding the EU Inc

Is the 28th Regime a new European shortcut or a detour for the regions?

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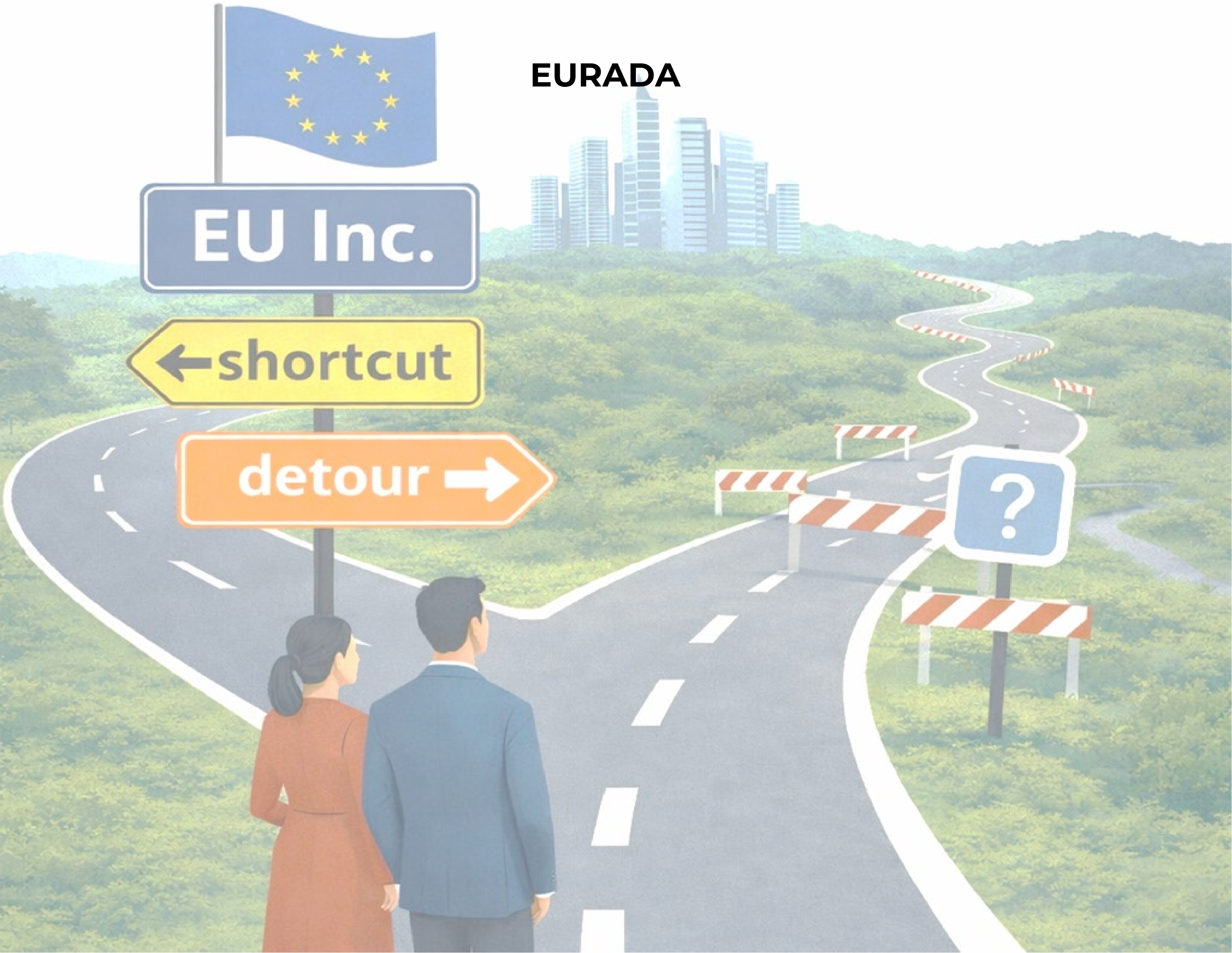

Abstract

The EU Inc is the Commission's proposed optional, EU-wide limited-liability company form under the "28th regime" agenda, set out in the official proposal for a Regulation (COM(2026) 321) alongside a Communication and impact assessment package published on 18 March 2026. It is intended to simplify cross-border operations for companies (particularly startups, scale-ups and SMEs) by creating a harmonised, digital-by-default framework. For regional authorities, regional development agencies (RDAs), clusters and chambers, the 28th regime promises easier scaling of local firms, better access to finance, and stronger integration with EU-wide markets. Regions with strong innovation ecosystems could turbo-charge their scale-ups; more moderate regions might gain new investors and talent; lagging regions could see a marginal boost in firm formation if supported by adequate advisory capacity and ecosystem development.

However, there are risks and trade-offs. Experts warn that without safeguards the optional, harmonised regime could reinforce concentration of innovative activity in leading hubs. It may also complicate national/regional policy, for example, firms could choose EU rules over local incentives, leading to a "two-speed" system. Moreover, while the initiative primarily addresses corporate law fragmentation, it does not fully harmonise key areas such as taxation, labour or social security. At the same time, it is not limited to company law alone: the proposal contains targeted tax-related provisions (EU-ESO timing) and targeted closure/insolvency tools (such as simplified winding-up procedures for certain innovative startups). As such, EU Inc. operates within a layered regulatory environment combining EU-level and national rules.

In short, the 28th regime represents a major Single Market initiative with the potential to reshape how and where companies grow, scale and invest in Europe. This paper explains the 28th regime's background and timeline, outlines its key provisions and implications for regions, and weighs the pros and cons from a regional development perspective. It concludes with strategic questions for stakeholders and recommendations on how regions can prepare.

Introduction

In January 2025 the Commission's **"Competitiveness Compass"** Communication (COM(2025) 30) underlined the need to remove legal barriers in the Single Market. Building on broader debates on the future of the Single Market, including the Letta and Draghi reports, it explicitly highlighted a new "28th regime" as a way to reinforce the single market and boost innovation. By mid-2025, the Commission incorporated the idea into its flagship strategies: the Single Market Strategy (May 2025)[1] and the EU Startup and Scaleup Strategy (May 2025) both refer to creating a pan-EU company framework[2]. On 8 July 2025 a public Call for Evidence launched a consultation on the scope of the 28th regime, closing on 30 September 2025.

Meanwhile, political momentum built. The European Council called for an optional 28th company law regime in March 2025 and reiterated that call in October 2025[3]. The Commission's 2026 Work Programme (adopted Oct 2025) officially scheduled a legislative proposal for Q1 2026[4]. The European Parliament adopted a resolution with recommendations on the 28th regime. In early 2026 EU leaders at informal meetings asked the Commission to deliver on the 28th regime on 20 Jan 2026. By the 18th of March 2026 the Commission published an official proposal package. Formal negotiation in the Council and Parliament is now expected through late 2026, with a hoped-for entry-into-force perhaps in 2027 (depending on legislative progress).

So what is the EU Inc and what is not?

EU Inc is designed as an optional legal form: founders can opt in, while national company forms continue in parallel. The Commission proposal sets EU Inc governance via the Regulation and the company's articles of association, with residual national law applying to relevant comparable forms in the Member State of the registered office. The Commission positions EU Inc as a broadly accessible legal form (not strictly limited to "innovative companies"), while aiming to meet startups and scaleups' needs; targeted elements (notably simplified winding-up) may apply to defined subsets (e.g., "innovative startups" in the closure context). EU Inc is not a general EU tax or labour harmonisation instrument. Most taxation, labour and social security remain governed by existing EU/national rules. At the same time, it is inaccurate to say it touches "corporate law only": the proposal includes ancillary taxation features linked to EU employee stock options and contains specific closure/insolvency mechanisms.

1 Bringing down barriers to the single market to create opportunities for all - European Commission
2 The 28th regime | Think Tank | European Parliament
3 20250320-european-council-conclusions-en.pdf
4 Carriages preview | Legislative Train Schedule

Key provisions likely to affect regions

The proposed Regulation and accompanying documents suggest the following **core features** of the 28th regime. For each, we note the direct impact and implications for regional policy tools, please see the annex for a deeper understanding.

PROVISION	DIRECT IMPACT ON BUSINESSES	IMPLICATIONS FOR REGIONAL POLICIES & INSTRUMENTS
EU-WIDE COMPANY FORM (NEW ENTITY) A pan-EU limited-liability company established by Regulation.	**Simplifies cross-border incorporation.** A single legal identity to scale across the EU.	**Adapt regional incentives and advice.** Focus on regional value (clusters, markets), not legal form.
DIGITAL-BY-DEFAULT FORMATION Fully online setup, "48 hours" registration at low cost.	**Low-entry barrier.** Rapid, low-cost incorporation via a multilingual portal.	**Integrate into one-stop support.** Promote simplicity and update startup guidance.
FLEXIBLE CAPITAL AND GOVERNANCE RULES Innovative financing, multiple share classes, ESOPs.	**Attracts investment and talent.** US-style financing and stock options under EU law.	**Align funding and talent programs.** Coordinate on tax/talent rules and develop training.
SINGLE LEGAL BASE (REGULATION, ART. 114 TFEU) Based on a Regulation, not a Directive.	**Uniform rules EU-wide.** Less national divergence within the harmonised framework.	**Focus on broader policy tools.** Ensure optional scope and coordinate on e-government (Digital Business Wallet).
OPTIONAL REGIME (COEXISTS WITH NATIONAL LAW) Firms choose EU-inc or stay national.	**Parallel systems.** Choose the framework that best suits their needs.	**Inform and include EU-inc firms.** Ensure eligibility for regional support schemes.
NON-HARMONISED AREAS Labour, tax and social security remain national.	**Continued fragmentation.** Companies must comply with 27 national regimes.	**Clarify the dual layer.** Align incentives and help firms manage compliance.

Table 1: Key elements of the 28th regime and how they affect regions and regional policy instruments. Sources : EU Commission proposal, EU Parliament, EP think-tank analyses.

Overall, the 28th regime is built on **digitalisation, optional harmonisation, and investor-friendly design** (online 48h setup, no minimum capital, ESOPs, multilingual portals, etc.). It envisions a "one-stop shop" corporate form supported by EU-level digital infrastructure (notably through BRIS and related systems), rather than a fully centralised EU authority. RDAs should note both the opportunities (easier scale-up, cross-border market access) and the challenges (parallel legal systems) that these rules create.

What's in for regional stakeholders?

The 28th regime could yield **concrete advantages** for regional economies, if uptake is broad and the design remains user-friendly:

Easier scaling of local businesses: By lowering legal barriers, successful regional startups and scale-ups can expand into other EU markets more smoothly. For example, firms need not re-incorporate in each country or decipher each country's LLC law. The regime offers a unified legal identity that simplifies cross-border operations and reduces regulatory complexity, making it easier to operate and attract investment across the Single Market. Regions with burgeoning tech firms (e.g. digital, biotech, clean tech) can leverage this to push their SMEs into new markets.

Increased investment flows: Harmonised rules and global-friendly corporate features (flexible shares, ESOPs) should make regional companies more understandable and attractive to international investors. By reducing legal uncertainty and transaction costs, the regime supports companies' ability to scale and attract funding. Regions can promote their startups on more equal legal footing with those from leading hubs such as Paris or Berlin, improving deal flow. Evidence from policy and stakeholder analyses suggests that a single EU-wide legal identity can improve investment attractiveness and cross-border financing opportunities. RDAs should highlight this when pitching to venture capital networks.

Talent retention and attraction: With standardized employee-incentive tools (e.g. pan-EU ESOP frameworks) and a prospect of seamless EU-wide career paths, innovative regions may find it easier to keep and draw high-skilled people. EU policy discussions have emphasised the importance of employee stock options and similar tools to attract and retain talent in European startups and scaleups. Regions competing against US or other EU hubs can use EU Inc as a selling point: local graduates have a shot at scaling European companies without moving abroad.

SME and startup friendliness: While the regime is legally open to all companies, it is primarily designed to support startups and scaleups and therefore complements regional SME and innovation policies. A well-designed regime could support smaller firms through proportional and simplified rules, and truly optional uptake. Regions can integrate EU Inc into their Smart Specialisation agendas, using it to implement cross-border innovation projects. The regime's digital focus (online filings, B2G interactions) also aligns with broader SME digitalisation goals. [5]

Better leverage of EU funds: Fragmented company law has long been recognized as a bottleneck for EU cohesion and R&I funding. Evidence from the European Parliament Policy Department indicates that divergent national frameworks create costs and inefficiencies that financial support alone cannot address. By removing one layer of fragmentation, the 28th regime could enhance the impact of EU grants and loans in every region. In other words, a grant-funded project in an EU-inc company would operate under

[5] Establishing the 28th Regime in Europe A Unified Legal Framework to Support Growth and Business, EESC: https://cdn.ceps.eu/2025/11/qe-01-25-038-en-n.pdf

a more predictable legal framework. This synergy (financial incentives + legal simplification) could make regional innovation programs more effective.

Different **types of regions** may experience these benefits variably (see table below). Generally, regions with well-developed innovation ecosystems ("strong" regions) can supercharge their scale-ups; "moderate" regions gain a more level playing field and easier EU-market access; even "lagging" regions might see higher local entrepreneurship if the barrier to form and fund a company is lowered.

REGION TYPE	OPPORTUNITIES	CONCERNS
INNOVATION HUBS (strong R&D clusters, advanced regions)	Local startups go EU-wide quickly (good for Tel/Fintech/etc). More VC and cross-border partnerships. Talent sees region as part of EU-wide stage.	Risk that already-strong hubs attract even more activity. Competition among hubs intensifies. Must keep domestic edge (clusters, universities) despite EU-wide options.
MODERATE REGIONS (transitioning, mixed economy)	Easier access to larger markets may help growing firms. Ability to highlight lower costs/regulation to attract startups. Improved visibility in EU innovation networks.	Need capacity to advise firms on new regime. Potential for brain drain if local talent or firms relocate within EU. Risk that funding goes to firms in stronger regions instead.
LESS-DEVELOPED REGIONS (lagging, low-innovation)	Simplified incorporation may spur new local SMEs. Lower legal entry costs might attract niche startups (e.g. green tech pilots). Can align EU Inc with regional development schemes.	Firms may still cluster in richer regions (few local hubs). Limited local scale-ups to benefit directly. Without targeted support, benefits accrue elsewhere.

Table 2: Impact of the 28th Regime by regional context. Evidence: EP analysis on fragmentation, ELI report on scale-ups, etc.

What should you keep an eye on?

Regional stakeholders should also heed the **risks**. Key concerns include:

Geographic concentration: Studies warn that optional harmonisation may **reinforce** clustering in top innovation regions. If Brussels–style procedures dominate (e.g. registration in one hub), smaller regions could be sidelined. The EP analysis[6] suggests that fragmented incentives and the new regime (without safeguards) can "reinforce the geographic concentration of innovation and undermine pan-European convergence". In practice, star startups from Tier-2 regions might still migrate to Tier-1 cities to tap networks, using EU Inc as legal cover. Regions must guard against a "success gets success" spiral.

Policy incoherence and dual regimes: The 28th regime does not automatically harmonise all relevant laws. Companies will still follow national labour, tax and insolvency rules. EU Inc includes worker participation safeguards and does not remove host state obligations. RDAs should consider the risk of a dual regulatory environment, where traditional SMEs (bound by national regimes) coexist with "EU Inc" firms (using EU rules for selected corporate matters). This could dilute the effectiveness of regional programmes. In other words, a regional grant conditioned on local company law might not fit neatly with the EU Inc structure, leading to "misalignment" of support measures.

Administrative burden (short term): Initially, businesses and agencies must learn two systems. Instead of one national company law, firms can choose either, so advisors and public offices need to handle both. While the long-term objective is simplification, short-term adjustment costs and learning effects are expected. RDAs and one-stop shops must educate staff on the new regime. In the absence of familiarity, local chambers might even hesitate to support EU-inc firms until clarity emerges.

Detachment from local ecosystems: If a firm legalises as "EU Inc", it may feel less tied to its region. Decisions about hires, R&D sites or HQ location could become fully pan-European considerations. The risk is that the link between companies and territory (one of the levers of regional policy) weakens. Without ensuring local anchoring (e.g. maintaining jobs, R&D) there is a danger of "deregionalisation" – where the firm is European in name but economically centered elsewhere. Regional networks and innovation clusters must work harder to keep EU-inc businesses engaged locally.

Uneven uptake: Stronger regions with legal experts and tech savvy are more likely to adopt early, while smaller or rural areas may lag behind (due to lack of awareness or capability). This could exacerbate existing disparities. RDAs in moderate/lagging regions must therefore proactively build capacity (legal clinics, trainings) to ensure their local SMEs don't miss out.

In short, **we should not assume the regime automatically levels the playing field**. It must be complemented by cohesion-focused measures. The 28th regime is "not a silver bullet", it works best when carefully sequenced, optional, and embedded in a broader strategy. Without such care, the risks outlined above could materialise.

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[6] IUST_STU(2025)775947_EN.pdf

Annex

Key elements of the 28th regime and how they affect regions and regional policy instruments.
Sources : EU Commission proposal, EU Parliament, EP think-tank analyses.

Provision	Direct Impact on Businesses	Implications for Regional Policies & Instruments
EU-wide company form (new entity) A pan-EU limited-liability company established by Regulation[7].	**Simplifies cross-border incorporation:** A firm can incorporate under EU rules rather than navigating 27 national laws. Provides a single legal identity for scale-ups.	Regions must advise firms on choosing the EU-inc form versus local forms. Regional incentives (grants, tax breaks, infrastructure) should be adapted to apply to EU-inc companies as well. This provision reduces reliance on national company law – e.g. a region can no longer entice a firm solely with special national company status. RDAs should thus focus on regional value (clusters, markets) rather than legal form.
Digital-by-default formation Fully online setup, targeted “48 hours” registration at low cost (no minimum capital requirement).	**Low-entry barrier:** Rapid, low-cost incorporation encourages entrepreneurship. Multilingual online portal (maybe linked to the EU Business Wallet) streamlines filings.	Regional agencies can promote the speed and simplicity to local startups. Local registration offices will have less paperwork. RDAs should integrate this process in one-stop support services (rather than duplicate manual guidance). Regional start-up incubators may update their advice to include EU-inc registration portals.
Flexible capital and governance rules Allow innovative financing[8] (multiple share classes, separate voting/economic rights, etc.) and employee equity (stock options/ESOP)[9].	**Attracts investment and talent:** Firms can replicate US-style financing (e.g. convertible notes, time-limited rights) under EU law. Stock-option schemes become easier cross-border.	Regions should align their funding/grant programs with these new structures. E.g. if a regional R&D grant requires certain shareholding, it may need amending. For talent programs, RDAs can highlight that EU-inc companies have standardised ESOP frameworks. However, regions must watch national tax/benefit rules: equity rewards may still be taxed differently by country, requiring coordination with tax authorities. Regional cluster trainings should include how to use share options under the new regime.
Single legal base (Regulation, Art.114 TFEU) The proposal is based on a Regulation, rather than a Directive.	**Uniform rules EU-wide:** Limited scope for national divergence within the harmonised framework, while national law continues to apply in non-harmonised areas.	Regions have reduced influence over company law design within the EU Inc framework but retain competence in broader economic and innovation policy tools. They should push for ensuring *optional scope* (to avoid centralisation) – i.e. no mandatory cross-border requirements that could hurt local autonomy. Also, the “digital business wallet” is mentioned (compatibility

[7] An EU Corporate Legal Framework by the European Commission, Response of the European Law Institute: https://www.europeanlawinstitute.eu/fileadmin/user_upload/p_eli/Publications/ELI_Response_to_the_EC_Public_Consultation_on_28th_Regime.pdf#:~:text=make%20the%2028th%20regime%20a,law%20must%20be%20supplemented%20and
8 This includes support for standardised investment instruments such as SAFEs (Simple Agreements for Future Equity).
[9] EU competitiveness: MEPs propose new legal framework for innovative companies | News | European Parliament

Provision	Direct Impact on Businesses	Implications for Regional Policies & Instruments
		required), so RDAs should coordinate with national e-government services.
Optional regime (coexists with national law) Firms choose EU-inc or stay national. (Draft implies national laws still apply to all non-included matters.)	**Parallel systems:** Firms must decide which framework suits them. Growth-stage startups may jump in, while others stay local.	RDAs now have two legal systems to understand. They must inform companies about both and avoid confusion. It also means regional support schemes should be valid for EU-inc firms (not only for purely national companies). Regions should clarify, for example, whether a locally funded SME retains access to funds if it reincorporates as EU-inc.
Scope and eligibility The proposal is legally open to all companies, although it is primarily designed to meet the needs of startups and scaleups. The EP suggested "non-listed limited liability companies", but the Commission proposal does not strictly limit eligibility to these categories.	**Targeted at scale-ups:** Likely to be most relevant for high-growth and cross-border-oriented firms, particularly startups and scaleups.	RDAs should verify if their key regional sectors (e.g. manufacturing SMEs vs. high-tech startups) are covered. They may need to lobby for a scope that includes mature SMEs important to the local economy. Where focus is on innovation, regions should align Smart Specialisation priorities to sectors that will benefit and ensure their own innovation actors (cluster organisations, tech parks) are ready to use the regime.
Dispute resolution and language The Communication encourages the development of specialised and efficient dispute resolution mechanisms, potentially including dedicated courts or procedure[10].	**Cross-border legal clarity:** Easier to resolve disputes without language barriers. Use of English or other languages is not mandated in the proposal but has been suggested in policy discussions.	Regions should inform local companies of this new option (potentially via legal clinics). However, most local law enforcement (e.g. labour disputes) remain national, so this mainly affects investor-oriented contracts. RDAs may partner with cross-border legal networks to help firms interpret EU-inc rules.
Non-harmonised areas The Regulation primarily addresses corporate law, but does not fully harmonise labour, tax or social security frameworks.	**Continued fragmentation:** Companies must still comply with 27 sets of tax, labour, etc., laws.	This is a big caveat. RDAs must recognize that EU-inc doesn't override national labour codes or tax incentives. For example, a startup in Spain using EU-inc still follows Spanish employment law. Regions should adjust social and tax incentives to remain compatible. Insolvency remains largely national/EU acquis, but proposal includes simplified winding-up and e-auction for certain innovative startups; tax includes EU-ESO timing; otherwise not harmonised. They should also warn companies of this dual layer and help them manage it (e.g. multijurisdictional HR guidance).

[10] EU competitiveness: MEPs propose new legal framework for innovative companies | News | European Parliament

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