

Brussels, 19 March 2026
(OR. en)

7527/26

**Interinstitutional File:
2026/0074 (COD)**

**DRS 12
COMPET 355**

COVER NOTE

From: Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director

date of receipt: 19 March 2026

To: Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union

Subject: COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS
Towards a 28th regime for EU companies

Delegations will find attached document COM(2026) 320 final.

Encl.: COM(2026) 320 final



Brussels, 18.3.2026
COM(2026) 320 final

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
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Towards a 28th regime for EU companies

I. Introduction

The EU is taking decisive steps in accelerating its push for competitiveness and economic security in an era of change. With this in mind, it must act with urgency, scale its innovations more decisively, and equip its policy framework to match the speed and ambition of the global technology race. Innovation cycles are shortening, technological advances are unfolding simultaneously across sectors, and competition for technological leadership has become sharper and more strategic.

Europe is a continent bursting with innovation. One fifth¹ of all scientific publications worldwide originate in the EU. European companies also play a key role in global R&D and intellectual property creation. In the area of renewable energy for instance, EU companies hold 29% of global patents². The EU also hosts over 40,000 VC-backed tech startups, and creates more than any other region globally.

Nevertheless, European innovative companies struggle to scale up and compete globally. Europe had only 331 unicorns compared with 1963 in the U.S as of 2025³.

The EU needs a more enabling framework to allow founders, whatever sector they are active in, to easily set up a business in Europe, access funding and scale in the EU. The EU is at a crucial stage where there is the need to create the bridges between our thrive for independence and competitiveness. **This requires ambitious and urgent action.**

Since the start of the mandate, the Commission has put competitiveness at the centre of its agenda. With its **Competitiveness Compass** adopted in January 2025, it committed to present a 28th regime, making it possible for our businesses, in particular our innovative startups and scaleups, to benefit from a single and simple set of EU-wide rules - wherever they invest and operate in the EU - reaping the full benefits of the Single Market. The **EU Startup and Scaleup Strategy** and the **Single Market Strategy** adopted in May 2025 seek to further improve the conditions for startups and scaleups reducing the reasons to relocate outside the EU.

The EU Inc. proposal is a cornerstone and the starting point of the Commission's response – a comprehensive set of corporate rules covering the entire lifecycle of a company. It makes it easier to start and grow a business in Europe, attract investment and reduce the costs of failure. Anyone who wishes to set up a new company in the EU will have the choice to either use the new EU Inc. company form or another one foreseen under national law, which will continue being available to companies in parallel to the new company form.

The 28th regime represents Europe's offer to its businesses, in particular to its startups, scaleups and innovative enterprises, to seize the benefits of the Single Market. It will be the pathway for Europe's companies to have a globally recognised European-wide company form, rapidly get access to funding and operate seamlessly across borders – in *all* matters concerning their business.

¹ Draghi report, The future of European competitiveness, p. 230.

² High-value patent filings, European Commission - Science, research and innovation performance of the EU report, 2024.

³ Dealroom database – consulted on 16 March 2026.

II. The EU Inc. proposal

The EU Inc. responds to the needs of innovative enterprises, enabling them to easily start and scale in Europe. It will provide a new ambitious corporate legal framework in all the Member States, open to anyone who deems it fit for their business model. EU Inc. will, among others, ensure faster (48 hours), cheaper (maximum EUR 100), fully digital registration with the future EU central Register, extending the once-only principle in relation to other authorities, and with no minimum share capital.

The EU Register will offer EU Inc. companies an integrated and seamless user experience, allowing them amongst others to register the EU Inc. companies, and to access key information such as about their corporate structure and activities.

The EU Inc. will remove in-person formalities and the mandatory involvement of intermediaries for share transfers. It will provide fully digital capital and corporate governance procedures and enable the use of financing instruments and standardised contracts. This is for instance the case of future equity agreements like SAFEs (Simple Agreements for Future Equity) which are preferred by investors. This also aims to encourage Member States to allow EU Inc. companies to access regulated markets.

Founders, as well as existing companies, will be **free to choose the EU Inc. form.** The new framework will allow *all* companies in Europe, no matter their size and corporate purpose, to opt-in and remain in this regime.

This will bring the benefits of reducing administrative burden and simplification to all companies. Most of the newly formed EU Inc. companies are likely to be set up by natural persons and be innovative startups and innovative scaleups. Therefore, the estimated overall administrative burden reduction of between EUR 328 million to EUR 440 million over a period of 10 years would mostly benefit this group of companies.

The EU Inc. proposal will include additional elements to attract and retain talent. All EU Inc. companies can opt into the EU common scheme for employee stock options (**EU-ESOs**). The employees who have been granted stock options under EU-ESO will be subject to taxation in the EU only at the time of disposal of the underlying shares. This prevents a situation where taxes would have been paid in the absence of an actual income.

Founders should also have the chance to try and test, and to start again. Innovative startups registered as EU Inc. companies will therefore have **access to simplified insolvency procedures**, to help them restart faster. This proposal complements the approximation of substantive insolvency laws achieved by the Directive harmonising certain aspects of insolvency law, adopted in 2026. In that context, this has been achieved in particular by providing for a simplified winding up procedure and a framework for electronic auction of assets.

EU Inc. companies will be free to choose the Member State in which to incorporate and where to set up the headquarter, making full use of the Single Market. **A blacklist of prohibited national practices** will ensure that the EU Inc. companies, wherever they are incorporated, are treated in the same way as other limited liability companies formed under national law. For example, a company should not be requested to be established or to have a subsidiary or a local representative in a Member State, in order to have access to state aid

support, to exercise an economic activity or obtain an authorisation. It should not be denied to use a bank account set up in another Member State to get an authorisation or carry out an economic activity.

The proposal, in addition, will provide safeguards to prevent any risk of potential fraud and abuses. In this context, EU Inc. builds upon the existing protections in national and EU law.

Founders will be able to rely on the new EU Inc. form in the same manner throughout the EU. This is critical to ensure the recognition of the EU Inc. by the global investment community. The EU Inc. is therefore established by way of a **Regulation**. This ensures a coherent and unified framework of harmonised rules. In particular, the new legal form will be provided in each of the legal orders of EU Member States.

III. Innovative enterprises, innovative startups and innovative scaleups

The EU Inc. initiative will support in particular innovative startups and innovative scaleups to translate innovative ideas into globally successful businesses. However, there is **currently no single EU definition** of those companies, while numerous national and Union-level supporting measures are designed to target innovative enterprises, startups or scaleups. This may lead these measures to be ineffective or be applied inconsistently between Member States, and impedes the good functioning of the EU single market.

Therefore, as a part of the proposals put forward in this package, and as announced in the EU Startup and Scaleup Strategy, the Commission is adopting a **Commission Recommendation on the definitions of innovative enterprises, innovative startups and innovative scaleups**. These definitions build on objective criteria related to investments in innovation activities, age, size or growth and well-established criteria from the Commission recommendations on small and medium size enterprises (SMEs) and small mid-caps (SMCs), including size thresholds and structural characteristics. It is addressed to Member States, the European Investment Bank (EIB) and the European Investment Fund (EIF). Others, such as National Promotional Banks and Institutions (NPBI) are also encouraged to apply the definitions.

The **proposed definitions** are designed to provide pragmatic ways for assessing and demonstrating that criteria are met. Practically, this will allow to improve the alignment, consistency and effectiveness of policies targeting innovative enterprises, startups and scaleups in the EU, and facilitate data collection to measure the impact of these policies. Since innovative enterprises, startups and scaleups, in particular in deep-tech areas, play a key role in the development and commercialisation of innovative technologies, these EU definitions mark an important step toward a more innovative and competitive EU.

IV. Complementary measures towards the 28th regime

Digitalisation

The EU will continue the efforts to reduce administrative burdens, improve agility of its legal framework and simplify, while addressing fragmentation and obstacles in the Single Market. These efforts include first a maximum **digitalisation** of all matters relating to doing business in the single market. A 100% digital environment enables a truly efficient and competitive company framework that attracts investors, from within and outside the EU. To support a fully digital business environment, the framework should remain technologically neutral and allow companies to use digital solutions such as distributed ledger technology, tokenised shares and smart contracts.

The **European Business Wallet** will allow EU Inc. companies to make full use of digital tools for all their interactions with public authorities and economic operators across the Union. After an EU Inc. company is set up, all the relevant data will be available in the European Business Wallets, for those using such solutions. This means that an EU Inc. company can use the Business Wallets to effortlessly take actions such as submitting tax returns, applying for permits, signing and exchanging contracts with public authorities and business partners across the EU - without the need for physical documentation or in-person interactions and with full legal validity. Business Wallets enable completely automated management of business identity and data, including that of customers and business partners.

Furthermore, it is important to ensure interoperability and avoid duplications between the existing systems already enabling digitalisation for companies, such as the **Business Registers Interconnections System (BRIS)** and the **Single Digital Gateway Regulation**. Through the Single Digital Gateway Regulation, in particular, the Commission obliges Member States to provide online access to information, procedures, and assistance services that EU businesses may need in another EU country. Through the Once-Only-Technical System (OOTS), Member States can exchange evidence and documents in an automated and secured manner. Most Member States are, or will shortly be, technically ready to use this system, but not all the relevant procedures and documents are on-boarded yet. Member States should therefore prioritise now the on-boarding of procedures and evidence that are critical for key stages of the business lifecycle of an EU Inc. and that generate significant cross-border interaction. The Commission will continue to support Member States in this endeavour, and to enrich the evidence available for the operation of companies, it calls on Member States to identify the relevant priorities by 30 September 2026.

Startups and scaleups often struggle with **high costs and delays due to the mandatory submission of certified document translations**, hindering thus their market competitiveness and efficiency. A certified AI based automatic translation system can support public administrations to understand and accept documents originating from other Member States. This would significantly reduce language barriers and administrative burdens costs for companies in cross-border operations. In addition, the broader deployment of multilingual AI based services will enable companies to communicate with public sector bodies in cross-border situations.

Access to finance

Startups and scaleups need rapid **access to capital**. They will be able to take full advantage of the scale and depth of the EU capital market, and the range of financing opportunities, building on the measures being adopted under the Savings and Investments Union, and the European Competitiveness Fund and the Scaleup Europe Fund. The revision of investment rules of pension funds will strengthen business capacity to invest in listed and unlisted equity. The upcoming review of the European Venture Capital Funds Regulation will further promote the development of a more dynamic and integrated market for venture and growth capital funds. These are key for startup and scaleup companies with uncertain future revenues and a lack of tangible assets.

Attracting and retaining talent

EU Inc. companies need also **favourable employment and taxation conditions** to retain and attract talent and swiftly operate across borders.

In the area of **employment**, with the forthcoming Fair Labour Mobility package, the Commission will explore the possibility to allow 100% cross-border telework for startups and scaleups across the Union, applying the social security legislation of the Member State where the employer is located. The Commission will also develop a legal framework to speed up the digitalisation of social security attestations through the European Social Security Pass initiative. The Skills Portability Initiative will aim to remove obstacles to mobility of workers linked to qualifications and skills, including through digitalisation. The Commission will explore ways to simplify procedures for handling the recognition and validation of qualifications and skills of third country nationals. These measures will be complemented by attracting talent from abroad through the EU Talent Pool Regulation, which, once operational, will facilitate job-matching in the recruitment of non-EU talent. The Commission will further explore the feasibility of an ‘Omnibus’ of targeted amendments to the EU’s legal migration framework to ensure that is aligned with the Union’s competitiveness and innovation objectives.

Taxation

On **taxation**, the Commission has proposed a Head Office Tax (HOT) system that would allow small and medium-sized enterprises (SMEs) to apply the tax rules of their home country. In addition, the Business in Europe Framework for Income Taxation (BEFIT) initiative aims to establish a single legislative framework for corporate taxation in the EU. A swift adoption of the proposals is necessary to better support companies, and especially startups and scaleups, which face divergent and complex tax rules in each Member State. The Commission will continue to support the negotiations in Council on these files. The upcoming Omnibus simplification package on direct taxation should further remove additional administrative burdens by simplifying existing legislation. Finally, the Commission encourages Member States to characterise and tax the income derived from the EU- ESO as capital gains as opposed to employment income.

Clear predictable and swift legal framework

To allow for an effective, efficient and uniform application of the EU Inc. rules, Member States should consider dedicating one **specialised judicial chamber or court** with the authority to handle disputes on EU Inc. company law. By centralising expertise, this approach would help

improve consistency in rulings, minimise procedural bottlenecks, and deepen judicial understanding of the framework's unique aspects - thereby bolstering investor confidence and facilitating cross-border trust. While this would not necessitate standardising national judicial systems, it would send a clear signal of Member States' commitment to ensuring the framework's practical success. The Commission will support effective and consistent application.

In addition, innovative startups and scaleups can already benefit from a stable and predictable framework on **jurisdiction of the courts, applicable law, including labour law, and recognition and enforcement of judgments** across the Union for their cross-border commercial transactions. The Brussels Ia Regulation dealing with international jurisdiction and recognition and enforcement of judgments in civil and commercial matters, is currently being assessed in order to further improve its effects on competitiveness. In addition, the Commission makes available guidance, to support companies, in particular startups and scaleups, via the European e-Justice Portal.

V. Conclusion

With the proposals adopted today, the Commission is continuing its efforts of making Europe the best place to start and grow a company, simplifying and speeding up the access to the opportunities offered by the Single Market and enhancing competitiveness.

Speed is of the essence. The Commission invites the European Parliament and the Council to proceed swiftly with the adoption of the EU Inc. legislative proposal given its key importance for EU's prosperity. The Commission will do its utmost to support the co-legislators in this respect with the clear objective to reach an agreement by end of 2026.

The Commission will monitor the progress towards fast adoption of the proposal in the context of the Roadmap One Europe One Market. It will further monitor the roll-out of the ancillary measures put forward in this Communication and explore potential additional measures to strengthen the 28th Regime.