

Voluntary 28th corporate framework for companies - based on recommendations from the Letta and Draghi reports

Breaking down fragmentation and encouraging competitiveness - one legal framework to encourage investment and make creating companies, moving them around the EU and winding them up easier, faster and cheaper

The problem the regulation addresses

- 27 different national legal systems = complexity, legal uncertainty and high transaction costs
- Founders must navigate divergent rules, procedures and requirements in each Member State
- Investors face reduced certainty and higher due diligence costs across borders
- EU is losing competitiveness to the US and China in the startup and scale-up ecosystem



The strategic response

- The 28th Regime proposal aims to introduce a **new Regulation creating a legal framework for a European limited liability company, known as EU Inc.**, which is designed to function as a standardised legal vehicle for corporates across all Member States
- The primary goal is to provide an efficient corporate framework that specifically addresses the needs of startups and scaleups, though the form remains legally open to any founder or company
- EU Inc. shares may be traded on public markets (on a multilateral trading facility and, as a Member State option, on a regulated market)

Objectives

- Simplify the regulatory framework and reduce fragmentation through a set of harmonized corporate rules
- Enable companies to attract private investment through common, fast, digital and cost-effective procedures
- Make it easier for high-growth companies to scale up in the internal market
- Attract both EU and third-country investors with flexible share creation and exit options

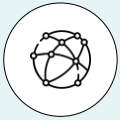
Next steps

- [Published](#) on 18 March
- The Regulation is to be adopted through the ordinary legislative procedure, by the European Parliament (majority) and the Council of the EU (qualified majority) (Article 114 TFEU, legal base for harmonising legislation to further the single market)
- The European Commission (Commission), European Parliament and Council have signalled their commitment to reach agreement on the text by the end of 2026

EU Inc. harmonized but areas where national law applies

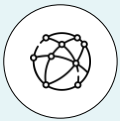
Companies will remain integrated into national law, meaning an EU Inc. is incorporated in a specific Member State and remains governed by that State's legal order

EU harmonized



Single Framework

The EU Inc. framework is open to all, regardless of size or sector, allowing both natural and legal persons to form new companies and subsidiaries or convert existing ones. Simplified rules apply to allow EU Inc. companies to set up branches across the EU.



Centralized Infrastructure

A single EU Central Register allowing fast registration after a Member State control (48-hour, €100 max, if a standard template is used), integrated with the Business Registers Interconnection System (BRIS), using a 'once-only' data submission principle that extends across all Member States.



Digital-Only Procedures

Embracing a digital-first approach, all company lifecycle events, including a fully online liquidation process for solvent companies and a winding-up process for insolvent companies limited to innovative startups.



Flexible Framework

€0 minimum capital, non-par value shares, single or multiple shareholders, one or more directors (at least one being an EU resident), optional EU-ESO (employee stock option) plan with harmonized timing of taxation.

What remains national?



Taxation and Accounting Frameworks

EU Inc. companies are subject to national corporate income tax, VAT and transfer taxes of the Member State of registration. The sole exception is the optional EU-ESO plan, which harmonizes timing (taxation at share disposal, not grant/vesting). Accounting rules follow the laws of the Member State of registration.



Employment & Social Security

Employee participation on board, national labor laws, including minimum wage regulations and social security contributions, are fully governed by the laws of the Member State of registration.



Regulatory Oversight & Controls

Member States maintain full supervisory authority over fraud prevention, anti-money laundering compliance and preventive controls, while being encouraged to designate specialized judicial chambers for EU Inc. company law matters



Cross border operations

The EU Company Law Directive (2017/1132) continues to be the legal framework for cross-border operations involving EU Inc. companies.

Commission Communication - Complementary Measures

The 28th corporate framework is part of a broader “28th regime” and is to be accompanied by four complementary pillars that are under way or still to be adopted - digital tools, capital access, talent mobility and legal certainty



Talent

Expected:

- Fair Labour Mobility Package – 100% cross-border telework for startups/scaleups

Under way:

- EU Talent Pool Regulation – non-EU talent recruitment
- European Social Security Pass – digitalised attestations
- Skills Portability Initiative – remove qualification recognition barriers
- Simplified procedures for third-country nationals



Digitalisation

Expected:

- 100% digital environment for all business operations
- BRIS & Single Digital Gateway integration for once-only principle
- AI-powered automatic translation to reduce language barriers

Under way:

- European Business Wallet – seamless interactions with authorities across EU
- Digital tools: distributed ledger technology, tokenised shares, smart contracts



Access to Finance

Expected:

- European Venture Capital Funds Regulation review – dynamic venture/growth capital market

Under way:

- Leverage EU capital market scale and depth
- Savings and Investments Union measures
- European Competitiveness Fund & Scaleup Europe Fund
- Pension fund investment rules revision (listed & unlisted equity)



Legal Framework

Expected:

- Specialised judicial chambers/courts for EU Inc. Disputes

Under way:

- Assessing Brussels Ia Regulation – harmonized jurisdiction & enforcement across EU
- Consistent rulings & minimized procedural bottlenecks
- European e-Justice Portal guidance for startups/scaleups
- Stable framework for cross-border commercial transactions

Commission Recommendation - Definitions of innovative enterprises, innovative startups and scaleups

In parallel to the EU Inc. Regulation proposal (which includes a lighter insolvency regime for innovative startups), the Commission proposed definitions of innovative enterprises, innovative startups and scaleups for use across the EU as consistent, transparent and objective criteria for accessing EU-wide support measures and policies

Who should use those definitions ?

- EU Member States (in policy & support measures)
- European Investment Bank (EIB)
- European Investment Fund (EIF)
- EU Commission (all policies)

Encouraged: National Promotional Banks & Institutions

These definitions should build upon the established criteria for medium-sized enterprises (SMEs) and small mid-caps (SMC) and large enterprises, including size thresholds and structural characteristics.

Innovative Enterprise

Meets at least **ONE** of:

- **R&D Intensity:** $\geq 10\%$ of operating costs OR $\geq 5\%$ of net sales invested in R&D
- **Product/Service Innovation:** Developed/developing new or substantially improved products/services with commercialization intent and risk of technological failure (last 3 years)

Innovative Startup

Meets **ALL** criteria:

- **Is an innovative enterprise**
- **Autonomous** (not controlled by other enterprises)
- Size: **<100 employees AND $\leq \text{€}10\text{M}$ turnover/balance sheet**
- Age: **<10 years since registration**

Innovative Scaleup

Meets **ALL** criteria:

- **Is an innovative enterprise**
- **Autonomous** (not controlled by other enterprises)
- Minimum Size: **$>\text{€}10\text{M}$ turnover/balance sheet**
- Maximum Size: **<750 employees OR not publicly listed**
- Growth: **$\geq 20\%$ average annual growth in employees OR revenue (last 2 years)**



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