

28th Regime Moving Forward: Proposal on EU Inc. Unveiled

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1. Introduction

Anyone who has been queueing endlessly for an apostille or been prompted with recurring error messages when trying to log in to a business register in another country knows how the current regulatory environment for conducting cross-border business is far from perfect. Business opportunities are delayed, hindered or even prevented when the entrepreneur's focus is shifted from growing the business to fulfilling different compliance requirements. But now there is light at the end of the tunnel: on 18 March 2026, the Commission published its [proposal](#) on the 28th regime corporate legal framework – EU Inc. (EU Inc. Proposal). The EU Inc. Proposal introduces a new legal form, EU Inc., which benefits from a single set of simplified rules and takes full advantage of modern information technology.

2. Background of the EU Inc. Proposal

The idea of a regime that enables companies, especially SMEs, to operate under a single set of rules within all 27 EU Member States originates from the [Letta report](#) published on 10 April 2024. The idea took a more concrete form on 29 January 2025 when the Commission published its [Competitiveness Compass](#). The Competitiveness Compass embraced the idea of a 28th regime: a new set of harmonized rules for companies, especially innovative companies, applicable in all 27 EU Member States. The new rules would include relevant aspects of:

- ▶ corporate law;
- ▶ insolvency;
- ▶ labour law; and
- ▶ tax law.

Since the Letta report and the Competitiveness Compass, the Commission has put in significant effort in a relatively short period of time to make these ideas into a concrete proposal.

3. Features of EU Inc.

According to the Proposal, an EU Inc. company is a limited liability company formed by one or more natural or legal persons. It can either be a newly set up company or created through a domestic or cross-border conversion, merger or division. The Proposal allows all companies in Europe, irrespective of their size or purpose, to opt in to the EU Inc./28th regime. In other words, it opens new horizons to all European companies to expand their activities beyond the national borders and benefit truly from the single market.

The EU Inc. company remains optional. Furthermore, its founders are free to choose the Member State in which they want to incorporate. An EU Inc. company is governed by the EU Regulation, its articles of association and by the national law of its registered office. It has the flexibility to create different classes of shares with varying

economic or voting rights. There are certain constraints, though. An EU Inc. company must have its registered office in an EU Member State and its central administration or principal place of business in the European Union. The EU Inc. company is managed by a board of directors, of which at least one member needs to reside in an EU Member State. The meetings may be organized and held fully or partly online.

Other main features include:

- ▶ Founding of an EU Inc. company can be completed within 48 hours, costs less than EUR 100 and requires no minimum share capital.
- ▶ Submitting company information needs to be done only once via an EU-level interface (Business Register Interconnection System, BRIS) connecting national business registers together. The information submitted during registration would be shared with the relevant national tax and social security authorities, e.g. to obtain tax or VAT identification numbers. The EU-level interface will later be replaced by a new central EU register.
- ▶ An EU Inc. company may freely open branches in other Member States. The business register registering the branch needs then to automatically retrieve the relevant information of the EU Inc. company through the BRIS. This saves the EU Inc. company the trouble of submitting the information again for branch registration purposes.
- ▶ All the processes, including liquidation procedures, are digital by default. Digital procedures are provided also for financing operations and the use of standardized contracts and financing instruments is enabled. Qualifying innovative companies can benefit from simplified insolvency rules.
- ▶ All in-person formalities are removed. A physical presence can be requested by a public authority only in exceptional circumstances, e.g. to prevent identity misuse.

The Commission is already outlining more far-reaching plans in its [Communication](#), which was published on the same day as the EU Inc. Proposal. The Communication:

- ▶ Proposes maximum digitalization of interactions between companies and public authorities, for example, with the European Business Wallet (submitting tax returns, applying for permits, signing and exchanging contracts with public authorities and business partners the EU). No physical documentation or in-person interactions would be needed.
- ▶ Calls on Member States to consider setting up specialized judicial chambers or courts with the authority to handle disputes on EU Inc. company law.
- ▶ Mentions that the Commission will further explore the possibility to allow 100% cross-border telework for innovative start-ups and scale-ups across the Union with the forthcoming Fair Labour Mobility Package. One of the measures would be to apply the social security legislation of the Member State where the employer is located.

4. Introduction of EU Employee Stock Option Plan (EU-ESO)

One of the major obstacles to cross-border operations is tax fragmentation. The EU Inc. proposal, however, does not touch upon tax rules of an EU Inc. company specifically. Those will be dealt with by the Commission proposals on a [Head Office Tax \(HOT\) system](#) that would allow small and medium-sized enterprises (SMEs) to apply the tax rules of their home country and the [Business in Europe Framework for Income Taxation \(BEFIT\)](#) initiative aiming to establish a single legislative framework for corporate taxation in the EU.

The EU Inc. proposal, however, introduces a new instrument for EU Inc. companies to attract and retain employees and board members. An EU Inc. company may establish an EU employee stock option plan which enables eligible employees and board members to exercise their option rights after a mandatory waiting period (minimum of 24 months from the issuance of a warrant) and acquire shares in the EU Inc. company. The taxation of such options would occur only when the shares obtained by exercising the option are disposed of. This is a welcome

simplification of the current situation, whereby some Member States are taxing options already at the moment of granting, vesting, exercising or selling. These regulatory differences between different EU Member States may currently result in undesirable tax mismatches for cross-border employees and board members and in practice nullify the financial benefits of such option plans.

5. Legislative Form and Future Steps

The proposal is in the form of a regulation under article 114 of the Treaty on the Functioning of the European Union (TFEU). This is a bold move from the Commission but a necessary one. Only by way of a regulation, a directly applicable instrument, will the application of the rules not differ between the EU Member States. This will not leave way for national implementation. Another advantage is that its adoption in the Council of the European Union requires “only” a qualified majority. The proposal will be discussed by the European Parliament and the Council, but the Commission is committed to reaching an agreement on the proposal by the end of 2026.

6. Conclusion

The EU Inc. Proposal is a welcome one and offers concrete solutions to many problem areas. Its solutions are ambitious but feasible. There is an urgency to put Europe back on the innovation and growth path – EU Inc. might really do the trick. Even the name, EU Inc., is catchy. If everything goes according to plan, entrepreneurs can soon focus on what they do best: growing their businesses and generating tax revenue and welfare for us all.

IBFD references:

- > EU tax law developments are reported on the daily IBFD [Tax News Service](#) page.
- > For a detailed analysis of the direct tax directives and initiatives, see section 3., on [Harmonization of Corporate Taxation](#), in C. Valério & D. Arsenovic, Direct Taxation, Global Topics IBFD.
- > L. Ambagtsheer-Pakarinen, [28th Regime – Enough to Boost Innovation in EU?](#), EU Tax Focus (22 September 2025)
- > G. Ranchev, [European Tax Aspects of the Proposed 28th Legal Regime](#), 66 Eur. Taxn. 1 (2026), Journal Articles & Opinion Pieces IBFD.
- > CFE Tax Advisers Europe, [Opinion Statement CFE 3/2025 on the European Commission Consultation Concerning the “28th Regime” for Start-Ups and Scale-Ups](#), 66 Eur. Taxn. 2 (2026), Journal Articles & Opinion Pieces IBFD, <https://doi.org/10.59403/3s1ey19>.