

26 SEPTEMBER 2025

The 28th regime: Unlocking growth with European rules

Executive summary

DIGITALEUROPE welcomes the European Commission's initiative to establish a 28th regime, a voluntary legal and administrative framework for businesses operating across the EU.¹ As proposed in the Letta report, European startups and scaleups need a simplified and uniform legal framework that allows them to focus on growth rather than paperwork.²

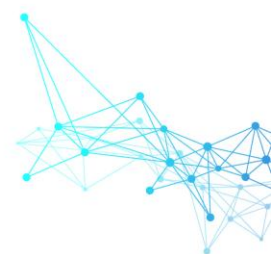
This regime must offer speed and certainty for entrepreneurs and investors and, at the same time, ensure a level playing field with existing companies in areas such as taxation, commercial and consumer law. To make the regime practically useful, it must clarify how it will interact with existing national regimes and not create additional complexity or uncertainty where mandatory national legislation remains applicable.


The 28th regime should provide:

- ▶▶ A simple EU corporate form, with no eligibility criteria or capital requirements;
- ▶▶ Incorporation within 48 hours, fully digital and paperless;
- ▶▶ Support through standardised model documents, e.g. shareholder agreements, to speed up company formation and reduce legal costs;
- ▶▶ Flexibility in ownership structures and business models;
- ▶▶ Dedicated funding and investment support;
- ▶▶ Specialised courts and conflict resolution mechanisms, including English-language options;
- ▶▶ Fair interaction with existing national regimes and a level playing field for all companies in terms of legal obligations; and
- ▶▶ Aligned insolvency procedures.

¹ https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14674-28th-regime-a-single-harmonized-set-of-rules-for-innovative-companies-throughout-the-EU/public-consultation_en?G-RB4EH5DG40=.

² Enrico Letta, *Much more than a market*, available at <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>.





The 28th regime must drive valuable reforms whose benefits should extend to all companies across Europe, not just those established under a new EU corporate form:

- ▶▶ Full application of the digital-by-default and once-only principles for setting up and operating companies. This could be realised through an EU business register or better integration of national registers, allowing for real-time filings and automated data exchange throughout a company's lifecycle;
- ▶▶ Increased coordination of national tax procedures and implementation of coordinated tax incentives for cross-border innovation by Member States;
- ▶▶ Greater convergence of employee stock option schemes across Member States to help attract and retain key talent;
- ▶▶ Simplified employment and social security coordination for cross-border hiring and remote work; and
- ▶▶ Creating demand by modernising procurement to enable innovative companies to scale.

The 28th regime must be matched by broader burden reduction efforts. These include the already proposed sustainability omnibus,³ an ambitious European Competitiveness Fund,⁴ the future European Business Wallet,⁵ the harmonisation of insolvency rules and the Listing Act,⁶ and – crucially, for Europe's tech competitiveness – an ambitious digital omnibus.⁷ Its success also hinges on progress with the Savings and Investment Union,⁸ the Union of Skills,⁹ the European Innovation Act, stronger use of procurement for innovation¹⁰ and coordinated taxation measures.¹¹

³ See DIGITALEUROPE, *Winning sustainability: An omnibus for a competitive Europe*, available at <https://cdn.digitaleurope.org/uploads/2025/03/Winning-sustainability-An-omnibus-for-a-competitive-Europe.pdf>.

⁴ See DIGITALEUROPE, *Design principles for a European Competitiveness Fund*, available at https://cdn.digitaleurope.org/uploads/2025/06/2025-05-05_DIGITALEUROPE-Position-on-Competitiveness-Fund_v1.1-1.pdf.

⁵ See DIGITALEUROPE, *A practical vision for the European Business Wallet*, available at <https://cdn.digitaleurope.org/uploads/2025/07/EU-Business-Wallet-1.pdf>.

⁶ Regulation (EU) 2024/2809.

⁷ See DIGITALEUROPE, *Executive Brief: Removing regulatory burden for a more competitive and resilient Europe*, available at <https://www.digitaleurope.org/resources/executive-brief-removing-regulatory-burden-for-a-more-competitive-and-resilient-europe/>.

⁸ See DIGITALEUROPE, *A Savings and Investments Union to finance Europe's future*, available at <https://cdn.digitaleurope.org/uploads/2025/04/DIGITALEUROPE-reaction-to-the-SIU.pdf>.

⁹ See DIGITALEUROPE, *Closing the talent gap: Priorities for Europe's skills agenda*, available at https://cdn.digitaleurope.org/uploads/2025/08/2025-08-20_Closing-the-Talent-Gap_Digital-Skills-Agenda-Priorities.pdf.

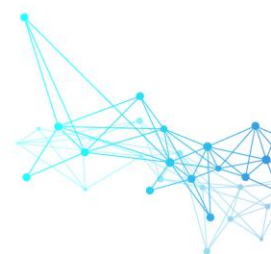
¹⁰ See DIGITALEUROPE, *Strengthening the public procurement economic lever*, available at <https://cdn.digitaleurope.org/uploads/2025/07/Strengthening-the-public-procurement-economic-lever-28-Feb.pdf>.

¹¹ Such as BEFIT (COM/2023/532 final), HOT (COM/2023/528 final) and DAC9 (Council Directive (EU) 2025/872).



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Why the status quo fails European startups

The 28th regime could offer an opportunity to cut through complexity by establishing a unified, optional legal framework that sits alongside national regimes. But the proposal also raises fundamental questions on how business law will apply across the EU, for example, in terms of companies' legal obligations on employment, tax, founders' and directors' liability, privileges, securities and dispute resolution.

To deliver tangible benefits, the 28th regime must provide a simple and transparent alternative that reduces the friction of operating across borders for entrepreneurs and offers certainty for investors. Predictability and simplicity are central to add real value compared to the regime applicable to companies incorporated under existing domestic law.

Companies operating across the EU face legal fragmentation, regulatory complexity and administrative burdens that inhibit cross-border growth. Navigating different company laws, employment rules and tax codes creates friction discourages risk-taking and hurts EU competitiveness. For example:

- ▶▶ **Company formation** can take days or weeks depending on the Member State, with requirements like notarial acts increasing cost and delaying incorporation.
- ▶▶ **Talent mobility** is constrained by different national social security, employment and tax rules, undermining cross-border recruitment and retention of talent.
- ▶▶ **Cross-border investment** often requires setting up multiple legal entities, managing inconsistent shareholder rights and duplicative tax obligations. Different national frameworks further create complexity and unpredictability that disincentivise cross-border investments.
- ▶▶ **Stock options** remain governed by 27 national regimes, creating friction for employees and disincentivising the attraction and long-term retention of key workers, which undermines European competitiveness.
- ▶▶ **Insolvency resolution** is slow and inconsistent, often locking capital in 'zombie startups' and discouraging risk-taking.

These barriers cripple scaleup ambitions, especially when compared to startup environments in other jurisdictions like the US.

Building blocks for the 28th regime

The 28th regime could be designed in a modular way, centred around a new EU-wide legal corporate form recognised across the single market, meaning that it is governed by a unique and uniform set of EU-wide rules to avoid additional complexity, whilst maintaining a level playing field with nationally incorporated companies.

The EU should pursue a step-by-step approach to develop the 28th regime, with coordination or harmonisation across different potential building blocks: legal structure and digital-first design; investment, incentives and taxation; talent retention and attraction; and conflict resolution. These building blocks are outlined in the tables below. To succeed, the regime must be easy to use, involve as little bureaucracy as possible and be consistently applied across Member States.

Unless a stand-alone legal regime including employment and tax law is created, companies set up under the 28th regime will remain embedded in the mandatory national laws of the Member State where they have their seat or centre of activity. In the absence of such an entirely separate European Business Code, interactions with existing national rules, including employment and tax laws, need to be clearly defined to ensure that entrepreneurs and investors make actual use of the new regime. Otherwise, the risk is that the 28th regime will add another layer of complexity without removing existing frictions, leaving companies worse off.

Legal structure and digital-first design

A swift digital incorporation, the availability of standardised corporate documents, the once-only principle and digital governance are in the interest of all companies, irrespective of their country of incorporation. These steps should be prioritised in any case, and not only apply to new EU-incorporated companies.

Reducing administrative burden by means of a truly integrated EU business registry would also allow the application of the once-only principle across Member States, and ultimately enable cross-border validation and mutual recognition of nationally incorporated companies. Again, this step should benefit all companies.


Building block	Description
New EU company form	A simplified EU-wide legal form recognised across Member States. As a second-best option, the targeted harmonisation of national company laws could align legal forms across Member States. No eligibility criteria like business size or ‘innovativeness,’ as these would be difficult to administer and would limit the usefulness of the new corporate form. Similarly, there should be no or a very low minimum capital requirement to enable use by startups. The new EU company form should provide for limited liability, because it would otherwise create little added value to existing national forms without limited liability available in Member States like Belgium.
Model documents	Pre-approved templates for shareholder agreements and articles of association available in all EU languages, covering a number of typical scenarios to speed up incorporation and simplify cross-border investments. When using these model documents, incorporations should be fast-tracked by national authorities.
Fully digital incorporation	Online company setup in less than 48 hours, using eID/qualified electronic signatures. No requirement for notaries or in-person steps. Guidance and required documents should be available in English and other major EU languages, with the option to also submit them in English. To safeguard against frivolous incorporations, a requirement for a simple business and financial plan could provide creditors and stakeholders with a minimum level of protection.
EU business registry, including shares	A central digital company registry at EU level or a deeply integrated network of national business registers, enabling real-time filings, access to verified data and automated data exchange throughout a

	company's lifecycle. A similar approach can be used for the company's share register.
Once-only principle	Corporate data submitted once and reused across national authorities, e.g. tax, employment, company registries.
Flexibility	The new corporate form needs to respond to the needs of founders and investors, enabling different ownership structures and supporting company models with both exit strategies and long-term orientation.
Fully digital governance	The new corporate form should allow for digital procedures by default, such as digital meetings for general assemblies and board meetings, with no requirements for in-person meetings or votes, handwritten signatures or paper filings for the company's governance and ownership (like investment and share agreements). This can take inspiration from developments in Member States: Belgium, for example, already allows for digital general assemblies and board meetings, and written decision-making for all matters where unanimity is reached.
Exchange listings	The new corporate form should be able to list its shares on a recognised stock exchange like any other entity in compliance with applicable stock market and capital market laws.

Investment, incentives and taxation

A coherent approach to incentives and taxation is essential to create a predictable and attractive environment for startups and investors across the EU. Streamlining and better coordinating national tax provisions, fees and procedures would benefit all companies.

Building block	Description
Dedicated funding support	To incentivise uptake of this new corporate form, the Commission, in close collaboration with the European Investment Bank and the European Innovation Council, should create a dedicated team to provide tailored investment and funding advice to companies incorporated under the 28 th regime, reflecting their new status and specific needs. This team should also be charged with explaining the new corporate form to potential investors and support matchmaking between funders and companies.
Regulatory sandboxes	Whilst all companies should be able to benefit from regulatory sandboxes, companies set up under the new EU corporate form could potentially benefit from streamlined access to regulatory sandboxes, especially where they are set up across multiple Member States. This could boost attractiveness of this corporate form for innovative companies and facilitate compliance testing in a controlled environment.
Coordinated tax incentives	Whilst this is primarily for Member States to coordinate, startup-friendly tax regimes across the EU through better coordination of tax



	incentives across Member States for cross-border R&I and technological deployment.
Harmonised insolvency law	Aligned procedures for corporate exit and creditor protection, inspired by the Insolvency Directive proposal. ¹²
Alignment of tax procedures	Improved coordination on procedural elements of taxation, ideally via a single reporting channel for tax obligations. Does not require, but would further benefit from, harmonisation of tax rates. Needs to align with BEFIT, HOT, DEBRA and DAC9 and can take inspiration from the development of the VAT One-Stop Shop.
Alignment of fees	Harmonised fees and administrative processes across Member States, especially for copyright levies. ¹³

Talent retention and attraction

Access to talent remains one of the most pressing challenges for European companies, from startups to large enterprises. Improving rules on cross-border labour mobility, making remuneration more attractive through harmonising employee stock option schemes, and simplifying rules for cross-border remote work would benefit all companies by making it easier to hire across borders, retain skilled workers and offer competitive equity-based incentives that encourage long-term commitment and growth for businesses across the single market.


Building block	Description
Harmonised employee stock option scheme	A unified EU framework for, or at least greater convergence of, employee stock option schemes across Member States, which would better align tax treatment aligned across Member States to facilitate portability of stock options. This is required to let employees participate in the growing value of startups and scaleups as they expand across Europe, encourage a long-term orientation of these businesses and allow startups to compete for talent.
Improved talent mobility	Improved coordination of rules on employment and social contributions to support EU-wide hiring, remote work and relocation.
Simplified reporting for cross-border remote work	Streamlined administrative framework for cross-border remote work, including aligned, only-once reporting for social security, tax and employment law across Member States.

Conflict resolution

Building block	Description
Specialised, fast-track courts	Establish specialised courts or judges in Member States responsible for deciding cases arising in relation to the 28 th regime, modelled on existing commercial courts where judges hear cases in English. It

¹² COM/2022/702 final.

¹³ See DIGITALEUROPE, *The 60-year Copyright Levies saga: High time for reform*, available at <https://cdn.digitaleurope.org/uploads/2024/11/The-case-for-copyright-levies-reform-Nov-2024-compressed.pdf>.



	will also be important to create mechanisms to avoid the divergence of case law. The specialised courts will still have to apply substantive national laws where these are applicable.
Alternative dispute resolution	Specialised, startup-relevant dispute resolution paths, including fast-track procedures and English-language options.

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About DIGITALEUROPE

DIGITALEUROPE is the leading trade association representing digitally transforming industries in Europe. We stand for a regulatory and investment environment that enables European digitalising businesses across multiple sectors and citizens to prosper from digital technologies. We wish Europe to grow, attract and sustain the world's best digital talents, investment and technology companies. Together with our members, we shape the industry policy positions on all relevant policy matters and contribute to its development and implementation. Our membership represents over 45,000 businesses who operate and invest in Europe. It includes corporations and scale-ups which are global leaders in their field of activity, as well as national trade associations from across 30+ European countries.