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EU Inc.

Simplifying company formation and cross border growth



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48 hours
Digital incorporation within 48 hours

100 euros
at a cost of up to 100 euros

EUR 0
Incorporation without mandatory minimum share capital

INTRODUCTION

EU Inc – Simplifying company formation and cross border growth

The European Union has always promoted the creation of a single market, making it easier for people to work and businesses to trade across national borders. In theory, this should also allow companies to expand their operations into other Member States with relative ease. Although considerable progress has been made in this regard, certain obstacles remain. Since each Member State has its own company law, the legal framework governing business activities across the EU remain fragmented. As a result, companies seeking to expand internationally continue to face additional legal requirements, administrative procedures and costs. These challenges are particularly significant for fast-growing businesses, which are expected to play an important role in the EU's economic growth.

In order to address this issue, the European Commission introduced the concept of the "28th regime". It is, so to speak, an optional legal framework which is envisaged to operate in parallel with the national legal systems of the Member States. The aim is to provide companies with the possibility to be established under an alternative European legal code, which would primarily regulate the establishment and operation of companies, while allowing them to operate under the same rules throughout the European Single Market. The central legal instrument through which this concept is intended to be implemented is the Proposal for a Regulation of the European Parliament and of the Council on a 28th regime for business entities ("EU Inc.").

The proposed Regulation and its Annex would govern a new form of limited liability company, designated as "EU Inc.", which would be established and registered in European Union Member States in accordance with harmonized rules.

KEY FEATURES · 1 OF 2

The proposed Regulation introduces the following key features:

01 Digital incorporation within 48 hours, at a cost of up to 100 euros.

Accelerated registration via a European digital interface is envisaged, provided that standardized incorporation documents are used and legal requirements are met. A separate procedure is provided for individually drafted incorporation documents. This would reduce initial administrative hurdles for entrepreneurs.

02 Implementation of the “once-only” principle through the BRIS System.

The proposed Regulation seeks to establish a rule whereby companies will not be required to resubmit data and documents that have already been submitted to one competent authority to another competent authority in a different Member State. In other words, the authorities will be obliged to exchange data and documents through the already established Business Registers Interconnection System (BRIS).

03 Incorporation without mandatory minimum share capital.

An EU Inc. could be established with a share capital of EUR 0. Instead of mandatory minimum capital, the proposal provides for other mechanisms to protect creditors. This is particularly important for startups whose initial value is based on knowledge, technology and intellectual property.

04 Additional Mechanisms for Creditor Protection

The proposed Regulation introduces balance sheet and solvency tests, requiring companies to maintain sufficient assets and remain capable of meeting their debts. Before distributing funds to shareholders, directors would be required to confirm compliance with these requirements. Furthermore, joint and several liability is provided for the managers of EU Inc. companies.

KEY FEATURES · 2 OF 2

05 Flexibility in the Share Structure

The proposed Directive will allow for shares without a nominal value, as well as different classes of shares with varying economic and governance rights. It also provides for shares with preferential rights to profits, shares with multiple voting rights, or shares without voting rights.

06 Digital Register of Shares and Electronic Transfer of Shares

The shares would be recorded in a digital register, and their registration would have constitutive legal effect. Electronic transfers and digital certificates of shareholders' rights are also envisaged. This would simplify changes in the ownership structure during investment rounds.

07 Simplified closure of companies

The proposal provides for faster and simplified procedures for the liquidation of solvent companies in the EU. The aim is to make the closure of a company less time-consuming and less expensive, without compromising the protection of creditors. In addition, a separate, simplified procedure in the event of insolvency is envisaged, available to innovative startup companies that meet the relevant conditions. This would allow entrepreneurs whose business ventures have not been successful to move forward more easily and start new business activities.

CONCLUSION

The proposed "28th regime" for EU Inc. is key for establishing a uniform standard for the incorporation and operation of companies across the European Union, bringing the Union one step closer to fully achieving its historic goal of creating a Single Market. Its significance can be seen on two levels. First, it simplifies the procedures and requirements for the establishment and operation of companies, which makes it easier for new entrepreneurs to start their own businesses. More importantly, however, the new approach facilitates the further growth of companies by creating an environment in which they can expand beyond the borders of their home countries under predictable legal conditions, as well as attract investment from abroad. In this way, EU Inc. represents a significant step towards reducing the differences in areas of corporate law that are particularly relevant to entrepreneurial growth.



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