



POSITION PAPER

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From 27 frameworks to one voluntary option: key recommendations for “EU Inc.”

Executive summary

The European Commission’s proposal for a 28th corporate legal regime (“EU Inc.”) is a constructive step towards reducing single market fragmentation created by 27 national company law frameworks and facilitating cross-border establishment and scaling. This paper lists key recommendations addressed to EU policymakers to unlock its full potential.

1. **Maintain a broad and inclusive scope for EU Inc. companies.** EU Inc. should be accessible to all Limited Liability Companies (new and existing), avoiding a narrative that limits benefits to “innovative start-ups” only. This should also include EU-based subsidiaries of companies headquartered outside the EU, where they meet the applicable EU requirements.
2. **Keep EU Inc. optional: a voluntary European legal form.** EU Inc. should remain an optional European legal form, enabling companies to choose it where the business case is clear.
3. **EU Inc. should not extend into labour law or tax competences.** National labour and social law must remain applicable. In taxation, the EU should stay within its competences while considering restricted pragmatic improvements specific to EU Inc. (e.g. employee stock options).
4. **Simplification must go beyond EU Inc.** Online incorporation and digital administration are welcome, but companies will still face significant EU and national regulatory burdens; broader streamlining is needed.
5. **Establish a clear, consistent and flexible framework for EU Inc.** Orgalim calls for a truly harmonised EU Inc. with a clear allocation of applicable law and limited reliance on national rules. At the same time, the framework must ensure sufficient flexibility to adapt organisational and capital structures to companies’ needs.

From 27 frameworks to one voluntary option

Orgalim, representing Europe’s technology industries, **welcomes the [European Commission’s proposal](#)¹ for a 28th corporate legal regime (“EU Inc.”)** as a positive initiative to improve the functioning of the EU single market. By addressing the complexity created by multiple national company law systems, the proposal has the potential to facilitate company establishment and cross-border operations in continuity with previous legislation.²

Currently, European companies must navigate **27 national legal frameworks and a wide range of company law forms** when expanding across the European Union. Despite the effort of harmonisation made with the Directive (EU) 2017/1132³, this fragmentation often leads to administrative burdens, legal uncertainty and higher costs, which can deter companies from scaling within the single market.

While EU Inc. can help address this complexity, it should not be seen as a standalone solution. A number of obstacles faced by companies will also need to be tackled, including market fragmentation driven by differing national rules and interpretations in various areas outside company law, complex administrative procedures, limited digital options in some Member States, weak implementation of the ‘once-only’ principle⁴, and insufficient cross-border recognition of skills and qualifications.

Orgalim’s recommendations for EU Inc.

1. Maintain a broad and inclusive scope for EU Inc. companies

Orgalim welcomes the broad scope of the proposal. The Commission proposes that EU Inc. would be available to all Limited Liability Companies, including both newly established and existing firms. This inclusive approach is preferable in comparison to limiting EU Inc. to only “innovative” companies, start-ups or scale-ups.

At the same time, while the proposal is formally open to all Limited Liability Companies, the Commission appears to place particular emphasis on innovative start-ups and scale-ups as key beneficiaries of a single and simpler set of EU-wide rules – for example, insolvency proceedings. In this context, the use of the term “innovative start-ups” appears unduly restrictive, as **innovation is not confined to start-ups alone**; innovative SMEs, larger companies and other actors also contribute. Presenting “innovative start-ups” as the primary beneficiaries therefore risks conveying the wrong impression and should not lead to a narrowing of scope; EU Inc. should remain broadly accessible to all companies. In addition, the framework should remain practically accessible to EU-based subsidiaries of companies headquartered outside the EU, when they meet all applicable requirements – including SMEs with established operations in the single market.

¹[European Commission’s proposal](#)

² [Council Regulation \(EC\) No 2157/2001 of 8 October 2001 on the Statute for a European company \(SE\)](#);

[Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005 on cross-border mergers of limited liability companies \(Text with EEA relevance\)](#);

[Directive \(EU\) 2019/2121 of the European Parliament and of the Council of 27 November 2019 amending Directive \(EU\) 2017/1132 as regards cross-border conversions, mergers and divisions](#)

³ [Directive \(EU\) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law \(codification\)](#)

⁴ This refers to the implementation of the EU ‘once-only’ principle, under which companies should not be required to repeatedly submit the same information or documents to different public authorities.

2. Keep EU Inc. optional: a voluntary European legal form

The Commission proposes EU Inc. as an open, optional company form – an approach that is key, as this allows businesses to choose freely between national legal forms and the new European framework.

Existing companies should also be able to benefit by converting an existing structure into an EU Inc. company. Such conversions may take place through domestic conversion, domestic merger or division, or through the cross-border conversion, merger or division of limited liability companies. However, it is worth noting that converting an existing structure into an EU Inc. company will entail time and costs, which is precisely why it is important that the regime remains optional – allowing companies to adopt it when the business case is clear.

3. EU Inc. should not extend into labour law or tax competences

It is positive that the Commission's proposal does not contain labour law provisions, and that national labour and social law frameworks remain applicable. Stakeholders have raised concerns that any future EU-level harmonisation in this area could undermine existing national systems.

Nevertheless, excessive recourse to national rules, other than in the areas concerning labour laws and social security, would undermine harmonisation.

In the area of taxation, the EU should remain within its limited competences and avoid turning EU Inc. into a vehicle for tax harmonisation. As a company law proposal, EU Inc. should not alter the underlying principles for tax treatment, which should continue to depend largely on where a company is registered and where it actually operates – just as for national company structures today. At the same time, the EU can explore pragmatic improvements where it has scope to act, and Orgalim supports the Commission's proposal on EU employee stock options (EU-ESOs).

4. Simplification must go beyond EU Inc.

Orgalim welcomes the focus on digitalisation, including online incorporation. Digitalisation is key to keeping administrative burdens as low as possible. However, to be useful for cross-border SMEs, digital incorporation and administration must work smoothly not only for fully EU-based founders, but also for non-resident directors, foreign shareholders and beneficial owners – including through clear rules on electronic identification, signatures, Know Your Customer (KYC) and document recognition. However, it must be noted that even companies incorporated through the **EU Inc. form will still face heavy regulatory burdens at both EU and national level**, which need to be addressed as soon as possible. The proposed harmonised company form can therefore only be one part of broader simplification efforts if this initiative is to deliver the full benefits of the single market. Here you can find some [examples and recommendations to reduce EU regulatory burdens](#).⁵

5. Establish a clear, consistent and flexible framework for EU Inc.

Orgalim believes that EU Inc. must be established as a genuinely uniform company form under EU law. This requires limiting reliance on national company law to the greatest possible extent.

⁵ Orgalim's Regulatory Burden report - 'Time to act: Reducing the EU's regulatory burden on Europe's technology industries'

Furthermore, Orgalim underlines that the EU Inc. regulation should ensure a clear and exhaustive delineation between matters governed by EU law and those subject to national legislation.

In addition, Orgalim emphasises that the EU Inc. regulation must ensure sufficient flexibility for companies to structure their internal organisation to their specific needs. The regulation should enable flexibility in internal governance models, including the choice of management structures and decision-making processes, within a clear EU framework.

EU Inc. should also be complemented by broader measures to strengthen access to capital, support long-term investment in research, and foster innovation and technological development – thereby enhancing Europe’s attractiveness for entrepreneurship, investment and industrial growth.

Links to relevant publications:

- [European Commission’s proposal](#)
- Orgalim’s Regulatory Burden report - [Time to act: Reducing the EU’s regulatory burden on Europe’s technology industries](#)
- [Business Europe Position Paper](#)
- [Council Regulation \(EC\) No 2157/2001 of 8 October 2001 on the Statute for a European company \(SE\);](#)
- [Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005 on cross-border mergers of limited liability companies \(Text with EEA relevance\);](#)
- [Directive \(EU\) 2019/2121 of the European Parliament and of the Council of 27 November 2019 amending Directive \(EU\) 2017/1132 as regards cross-border conversions, mergers and divisions](#)
- [Directive \(EU\) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law \(codification\)](#)

Orgalim represents Europe’s technology industries, comprised of 770,000 innovative companies spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches. Together they represent the EU’s largest manufacturing sector, generating annual turnover of over €2,972 billion, manufacturing one-third of all European exports and providing over 11,9 million direct jobs. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.