

European Commission proposes ‘EU Inc.’ corporate form under the 28th regime

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In brief

What happened?

The European Commission published, on 18 March 2026, a [Proposal for a Regulation establishing a ‘28th Regime Corporate Legal Framework’](#) (the proposal), introducing a new optional EU-wide corporate form called EU Inc., intended to reduce legal uncertainty, complexity, and administrative cost arising from divergent national company law regimes. The Regulation would establish a single, harmonised corporate framework for a new private limited liability company — the EU Inc. — recognised across all 27 Member States. It is primarily aimed at startups, scaleups, and other growth businesses that depend on flexible financing, employee participation, and digital scalability, but also may be relevant for established and non-EU groups using EU cross-border structures.

Alongside the proposal, the Commission published a broader [Communication on the 28th regime](#). This places the EU Inc. initiative in a wider policy context and links it to other tax simplification efforts, including the proposed Head Office Tax (HOT) system, the Business in Europe: Framework for Income Taxation (BEFIT) initiative, and a forthcoming Omnibus package on direct taxation. Additionally, in its Conclusions of 19 March 2026, the European Council identified the proposal as a high priority under its [‘One Europe, One Market’](#) agenda.

Why is it relevant?

While the proposal is primarily a company law initiative and does not introduce a harmonised EU corporate tax regime, it contains tax-relevant features, including a once-only registration mechanism

linking company formation with the issuance of the Tax Identification Number (TIN) and VAT identification number, a harmonised approach to the taxation of warrants issued under the proposed EU Employee Stock Option (EU-ESO) plan, and a defined role for tax authorities in fast-track liquidation procedures. Domestic rules will continue to determine most practical tax outcomes for EU Inc. companies, despite the stated intention of introducing a simpler corporate law framework. While the EU Inc. must have both its registered office and its central administration or principal place of business within the Union, the proposal does not create a standalone economic substance test or minimum activity requirement.

In detail

Overview of the proposal

Under the Regulation, each EU Inc. entity would be incorporated in a specific Member State but operate within a harmonised EU framework, remaining subject to national law where the Regulation does not prevail. The regime would be optional, sit alongside existing national company law forms, and apply across the full company lifecycle, from formation to exit.

A core feature is a digital-by-default model. All lifecycle procedures would be completed online via a central EU interface within Business Registers Interconnection System (BRIS), enabling fast-track formation within 48 hours at a maximum cost of EUR 100 when harmonised templates are used, alongside safeguards to mitigate fraud.

The proposal also introduces a flexible financing framework, including multiple share classes, zero capital structures, and convertible instruments such as SAFE (Simple Agreement for Future Equity) and KISS (Keep it Simple Securities). It would establish an EU ESO plan for employees and board members and provide simplified insolvency, winding up, and fast track liquidation procedures for eligible EU Inc. entities.

Tax implications

Once-only principle for tax registration

Upon formation, the business register would automatically transmit company data to the authorities responsible for issuing the TIN and VAT identification number, as well as to the beneficial ownership register, thereby eliminating duplicate submissions. The same principle would apply to cross-border branches. The once-only data exchange mechanism would also extend to the dissolution and liquidation phase, with the business register transmitting relevant status changes to competent authorities, including tax authorities.

Observation: This mechanism may reduce duplication and streamline tax onboarding, although its practical effectiveness would depend on coordination between business registers and national tax authorities. It also remains unclear whether additional tax-administration identifiers or interfaces may be needed.

Taxation of warrants under the EU-ESO plan

The proposal introduces a harmonised tax timing rule for warrants issued under the EU-ESO plan applicable to all EU Inc. No tax would arise on grant, vesting, or exercise; instead, tax would arise only on disposal of the underlying shares, based on the difference between disposal value and acquisition price.

Member States would retain control over classification of the receipt (as income or gain) and rates, but would have to apply a common calculation method and ensure treatment no less favourable than comparable domestic stock option regimes.

Observation: This approach should be attractive to early-stage and scale-up businesses that rely on equity incentives. However, obstacles to accessing the regime remain. The anti-avoidance rule would exclude individuals who hold, or have held within the previous 24 months, more than 25% of voting rights or rights to proceeds. The regime also appears limited to employees and board members, potentially excluding contractors commonly engaged by scale-ups. In addition, the ‘no less favourable treatment’ requirement may prove politically sensitive, given Member States’ reluctance to accept EU influence over direct tax matters.

The accompanying Communication also encourages Member States to treat EU-ESO income as capital gains rather than employment income, although this would not be binding. That distinction is important, as the effective tax burden may vary materially depending on domestic classification.

Tax clearance in fast-track liquidation

The proposal would give national tax authorities a defined role in fast-track liquidations of eligible solvent companies. They must approve or oppose the liquidation within 30 days, with one possible 30-day extension. Absent opposition, approval would be deemed granted.

National tax law remains applicable

The proposal further provides that national law would still apply to matters outside the scope of the regulation, including tax, social security, and labour law.

Observation: The proposal would not establish an EU-level corporate tax regime. National tax law would therefore continue to determine the tax consequences of share issuances, share classes, buybacks, distributions, and other corporate transactions.

Broader transparency and compliance considerations

The proposal also contemplates the electronic exchange of beneficial ownership information as part of the broader registration framework.

Observation: This provision could have implications for tax governance, DACs and AML/KYC obligations, and due diligence processes, particularly in the financial services sector and in cross-border holding, investment, or financing structures involving EU Inc. entities.

What’s next?

The proposal will now enter the ordinary legislative procedure, with the European Parliament and the Council acting as co-legislators. The Commission has called for negotiations to conclude by the end of 2026, although timing will depend on progress in both institutions. The EU-ESO plan is likely to attract particular attention, given the inclusion of tax-related rules in a non-tax legislative instrument.

Let's talk

For a deeper discussion of how the 28th regime or EU Inc. proposal might affect your business, please contact:

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