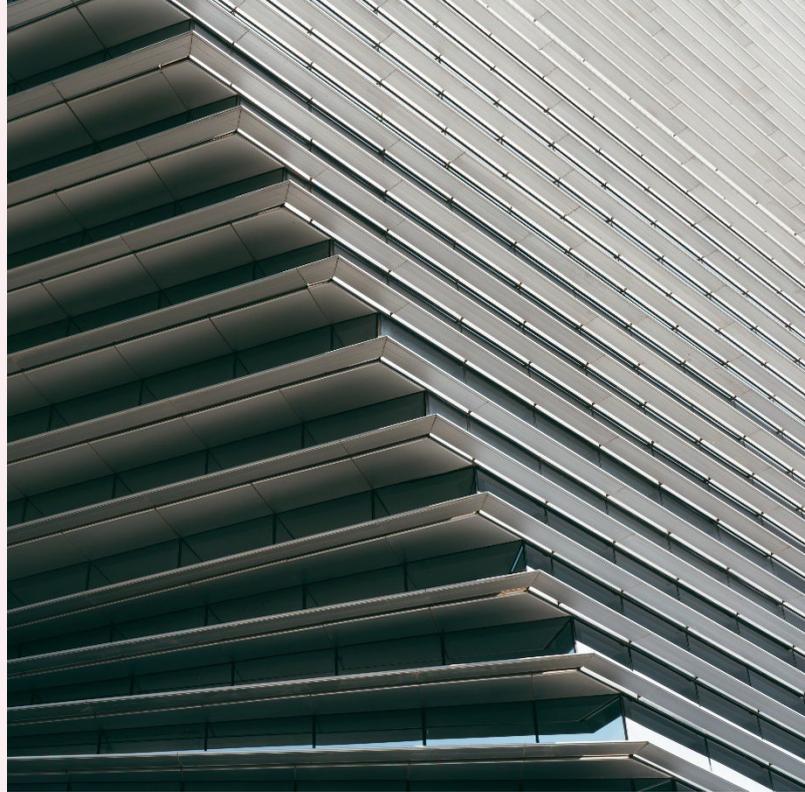


The EU Inc. Proposal

How far does it really go?

24 March 2026



On 18 March 2026, the European Commission proposed a new harmonised corporate legal form, the “**EU Inc.**”, intended to remove fragmentation in EU company law and make it significantly easier for innovative businesses to start, operate and scale across the European market.

Previous attempts to create an EU-wide company form (most notably the *Societas Europaea* (SE)) failed to gain broad traction due to their complexity and high entry thresholds. By contrast, the EU Inc. proposal - designed as an optional ‘28th regime’ that sits alongside existing national company forms or the SE - combines fully digital procedures, 48-hour fast-track incorporation, no minimum capital, flexible governance and capital structures, and a pan-European alignment of employee stock option taxation, making it one of the most ambitious corporate law reforms in recent years.

The publication of the EU Inc. proposal starts negotiations between the European Commission, the European Parliament and the Council, and the draft Regulation will be amended as a result of those discussions. The Commission aims to reach an agreement by the end of 2026 (with entry into force in 2027 or 2028), but given the wide-ranging impact it is likely that the new regime will not be available for use before 2029.

In this briefing we outline what the EU Inc. will look like based on the Commission's proposal and how it may affect legal structures in the European Tech and Private Capital sectors.

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What will EU Inc. look like?

Expanding across the EU often requires navigating 27 different legal systems, making cross-border growth costly, slow and administratively burdensome for founders and investors. The EU Inc. proposal seeks to remove this friction by creating a fully digital, harmonised pan-European company form. Its goal is to simplify operations, enhance mobility and provide a modern corporate vehicle for innovative, scaling businesses.

The key features of the EU Inc. proposal are:

Fully digital, fast track processes

- 48-hour digital incorporation via an EU central interface.
- Maximum incorporation cost of €100 when using EU templates.
- All lifecycle procedures (formation, filing, governance, issuance of shares, liquidation) are "digital-only" with very limited exceptions.
- No minimum capital requirement.

Flexible governance structure

- Broad freedom to design governance via the articles of association; only requirement is one EU-resident director.
- Board and shareholder meetings can be fully online; written/e-resolutions expressly permitted.
- Harmonised directors' duties, supplemented by national law.

Capital structure and financing tools

- Multiple share classes allowed (e.g., multi-vote, no-vote, preference, veto). Shares default to no nominal value.
- Ability to issue convertible instruments (such as SAFEs, KISS notes), warrants and redeemable shares.
- Capital maintenance replaced by a double test (balance sheet + solvency) for dividends, buybacks and redemptions.

New EU Employee Stock Options (EU-ESO)

- Mandatory minimum 24-month vesting period.
- Employees and directors eligible.
- Moment of taxation deferred until disposal of shares, avoiding "dry tax" events.
- Taxable basis: difference between fair market value of the shares at disposal and exercise price

Winding up and closure

- Fast-track solvent liquidation where no activity, no assets/liabilities (or creditor consent) and no pending litigation; completion possible within three months.
- Simplified winding-up procedure for "innovative startups" (definition pending), triggered when the company cannot pay its debts as they fall due, with fully digital filing, a simplified claims process and stay of enforcement actions, and asset realisation through interconnected EU-wide electronic auction systems.

Is EU Inc. what the European Tech sector is waiting for?

European Tech investors, founders and scaleups have extensively advocated for EU Inc. as a way to overcome the fragmentation of national legal systems that slows cross-border expansion and capital raising. We analyse whether the proposal delivers on the sector's three principal demands: simplifying doing business, reducing friction when scaling across borders, and creating a consistent corporate framework across the EU.

Simplify doing business – Achieved

EU Inc. introduces a fully digital incorporation and corporate housekeeping system, broadly comparable to Delaware law. Incorporation can be completed within 48 hours, and subsequent corporate actions – including share issuances, share transfers, amendments to articles, and board changes – can be executed digitally, without notarial involvement, legalisations or apostilles.

This represents a significant simplification relative to all existing national company forms, including those considered the most flexible (such as the Irish Ltd or French SAS). For businesses operating in more formality-heavy jurisdictions (notably Germany and Spain), EU Inc. has the potential to materially reduce time and cost, both when establishing and when operating a legal entity.

Scaling without friction – Partly achieved

European Tech companies frequently encounter cross-border regulatory and administrative frictions early in their growth trajectory. These divert resources from product development and commercial expansion. EU Inc. mitigates some of these issues, but does not eliminate them:

- Member states may not exclude EU Inc. companies from grants, public funding, tenders, regulated activities or certifications solely because they lack a local entity or headquarters. Requirements for local representatives or physical presence are also prohibited.
- Under the EU-ESO framework, all employees of the EU Inc. will be taxed on their stock options at the same moment (at disposal of the underlying shares) and on the same taxable basis (the difference between fair market value at disposal and their exercise price) irrespective of their jurisdiction of residence. The proposal does not harmonize the tax rates on capital gains, although the tax treatment may not be less favourable than that applicable to similar instruments under national law. Designing incentive structures that are tax efficient for employees in multiple jurisdictions will remain a challenge, but with EU Inc., at least the scale of the variation of national tax treatment may reduce.
- There are significant fields of friction that remain untouched. EU Inc.s will still be taxed under existing national tax rules wherever they are tax resident or have a permanent establishment for tax purposes. An EU Inc. will also still have to deal with local regulation in the member states in which it operates.

Consistency through a single corporate framework – Partly achieved

Investors and growth companies would benefit significantly from a harmonised corporate regime across the EU. They would spend less cost on diligencing local legal specificities, spend less time familiarising themselves with different equity or quasi-equity instruments across jurisdictions, and could even use the same legal advisors across the EU.

The proposal moves towards harmonisation, but the rules governing an EU Inc. will still vary depending on where it is registered:

- The proposal introduces a largely uniform and flexible governance framework. However, matters not expressly regulated – including legal personality, directors' liability, and remedies against board or shareholder decisions – will continue to be governed by national law.
- Accounting rules remain national, meaning EU Inc.s will still follow different accounting standards across member states. EU Inc.s may also face questions around currency and accounting flexibility: some member states require financial statements in the local currency (usually euro, with some exceptions), while others (such as Ireland) allow more flexibility. Whether an EU Inc. can adopt a different base currency (e.g. USD) will ultimately depend on what can be set in the articles and what national accounting rules continue to require.
- Quasi-equity instruments, such as convertible notes or SAFEs, are not harmonised as they depend on contract law rather than corporate law. Some standardisation of SAFEs for EU Inc.s (notably based on the FAST template launched by the EU Inc. association) is expected but enforceability will remain a matter of national law.
- Restructuring and insolvency of EU Inc.s will still largely be matters of national law. The proposal does not address the concerns of providers of debt finance which still face different national rules when dealing with companies in financial distress.

A new playing field for sponsors: what EU Inc. could mean for Private Capital

While the EU Inc. was originally geared at the Tech sector, it also has the potential to affect how private capital sponsors structure, acquire, manage and exit their European portfolio companies. By reducing administrative friction, enabling more flexible financing structures and providing harmonised governance tools for investments across the EU, it could become an attractive vehicle for BidCos, HoldCos, TopCos and management platforms. Certain challenges remain, however.

Reduced formalities and lower administrative burden

The EU Inc.'s digital-first, standardised framework will simplify day-to-day housekeeping: filings, resolutions, register updates and cross-border actions can be completed fully online using harmonised documents. This reduces portfolio management costs, particularly in multi-layer BidCo/HoldCo structures, and the 48-hour, €100 incorporation timetable allows for rapid deployment of acquisition vehicles in competitive processes.

Core compliance requirements remain unchanged. Accounting standards, audits, tax filings (CIT, VAT, TP), AML/KYC, UBO disclosures, sectoral licences and ESG reporting continue to follow national rules and may still create meaningful administrative burden for sponsor structures. Nevertheless, a single 'once-only' submission would register the company with the business register, social security authorities and beneficial ownership registers, while simultaneously issuing its European Unique Identifier (EUID), tax identification number (TIN) and VAT identification number, without any need to resubmit information to each authority.

Simplified relocation enhancing strategic flexibility

Automatic EU-wide recognition eliminates much of the traditional jurisdiction shopping. Sponsors gain greater ability to relocate registered offices, reorganise holding structures or adjust the corporate footprint without needing to re-incorporate. This also improves exit readiness, allowing the structure to be adapted to buyer expectations late in the investment cycle.

Flexible capital framework

The EU Inc.'s capital model aligns well with PE deal mechanics: no minimum capital, no mandatory nominal value and broad freedom to design share classes enable sophisticated equity waterfalls, ratchets, preferred tiers and sweet equity. It also supports stacked financing and instruments such as SAFEs, KISS notes, warrants and redeemable shares. The flexibility of the EU Inc. goes beyond any current company form existing in the EU.

However, any instruments not purely governed by company law (e.g., loan notes, participating loans) will continue to be governed by local civil law, affecting priority, leverage metrics and the distribution waterfall. Sponsors will still require jurisdiction-specific analysis to confirm legal characterisation and ranking within the capital stack, particularly in distressed scenarios.

Potential of EU-ESO as a standardised MIP

The harmonised EU-wide employee stock option scheme (EU-ESO) could serve as a useful baseline for management incentive plans, particularly in cross-border groups. As outlined above, taxation remains primarily a national competence, but the EU-ESO's mandatory minimum vesting, eligibility rules and taxation only upon disposal may help facilitate a more consistent foundation for incentive design across the EU.

Governance considerations

Although the Regulation proposes harmonised director duties, these remain supplemented by national law. Divergences in liability regimes, the duty of care and "best interests" tests may create incentives for forum shopping, particularly in distressed situations where local insolvency law and enhanced liability grounds continue to dominate.

In addition, employee participation rules and labour law remain entirely national: for example, employee representation on the board may be mandatory if the EU Inc. is registered in a jurisdiction such as Germany or Sweden, meaning governance structures will still vary depending on the member state of incorporation.

Exit opportunities and liquidity

A statutory withdrawal right allows shareholders to achieve a court-ordered exit at fair value in cases such as deadlock or oppression. While familiar in some jurisdictions, this mechanism may affect shareholder dynamics and its interpretation will depend on national courts. For sponsors, it potentially introduces valuation, liquidity and deal-certainty risks, which may require enhanced contractual protections and more deliberate jurisdiction selection within the EU Inc. model.

The proposal also allows EU Inc. companies to seek listing but does not harmonise listing rules. Whether an EU Inc. may access regulated markets and what the governance requirements are for listed companies, remain

regulated at the national law, meaning the EU Inc. is unlikely to be an attractive listing vehicle.

Tax considerations

Taxation remains entirely national. The Regulation's digital-only nature raises potential questions around tax residency, substance requirements and allocation of taxing rights in jurisdictions where physical presence and local decision-making are still central to tax analysis.



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