European Parliament
2024-2029

ADOPTED TEXTS

P10_TA(2026)0002

The 28th regime: a new legal framework for innovative businesses

European Parliament resolution of 20 January 2026 containing recommendations to the Commission concerning the 28th scheme: a new legal framework for innovative companies (2025/2079(INL))

The European Parliament,

– having regard to Article 225 of the Treaty on the Functioning of the European Union,

– having regard to Article 50 and Article 114(1) of the Treaty on the Functioning of the European Union,

– Having regard to Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I)[1],

– Having regard to Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters[2],

– having regard to Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions within the internal market and repealing the Directive 1999/93/EC[3],

– Having regard to Directive 2009/102/EC of the European Parliament and of the Council of 16 September 2009 on company law relating to single-member limited liability companies[4],

– Having regard to Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 on certain aspects of company law[5],

– having regard to Directive (EU) 2019/2121 of the European Parliament and of the Council of November 27, 2019 amending Directive (EU) 2017/1132 as regards

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1 OJ L 177, 4.7.2008, p. 6, ELI:http://data.europa.eu/eli/reg/2008/593/oj .
2 OJ L 351 of 20.12.2012, p. 1, ELI:http://data.europa.eu/eli/reg/2012/1215/oj .
3 OJ L 257 of 28.8.2014, p. 73, ELI:http://data.europa.eu/eli/reg/2014/910/oj .
4 OJ L 258 of 1.10.2009, p. 20, ELI:http://data.europa.eu/eli/dir/2009/102/oj .
5 OJ L 169 of 30.6.2017, p. 46, ELI:http://data.europa.eu/eli/dir/2017/1132/oj .

cross-border transformations, mergers and splits[6],

– having regard to Directive (EU) 2025/25 of the European Parliament and of the Council of 19 December 2024 amending Directives 2009/102/EC and (EU) 2017/1132 as regards the extension and improvement of the use of digital tools and processes in the field of company law[7],

– Having regard to Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European Company with regard to employee involvement[8],

– having regard to the Commission communication of 28 May 2025 entitled “EU Strategyin favor of start-ups and scale-ups",

– given Enrico Letta's report of April 17, 2024 entitled "Much more than a market",

– having regard to the report by Mario Draghi of 9 September 2024 entitled “The future of European competitiveness”,

– having regard to the opinion of the Committee on Legal Affairs on the proposed legal basis,

– in view of Articles 47 and 55 of its internal regulations,

– having regard to the report of the Committee on Legal Affairs (A10-0269/2025),

A. whereas businesses, in particular small and medium-sized enterprises (SMEs), start-ups and scale-ups, face very different regulatory frameworks in the Union from one Member State to another; whereas this regulatory diversity and the costs associated with the difficulty of conducting business in unfamiliar environments hinder the pan-European financing and development of businesses;

B. whereas the Commission, in its communication entitled "EU Strategy for Start-ups and Scale-ups", stressed that fragmentation and weaker growth prospects encourage innovative companies to seek funding outside Europe;

C. whereas the global business environment increasingly demands agility, digitalisation and access to diverse markets and talent pools, objectives which many Union companies are currently struggling to achieve due to regulatory complexity and inconsistent frameworks;

D. whereas the Union, keen to guarantee that businesses can compete on an equal footing, is working, as provided for in Article 3(3) of the Treaty on European Union, for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, which aims at full employment and social progress, and a high level of protection and improvement of the quality of the environment;

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6 OJ L 321 of 12.12.2019, p. 1, ELI:http://data.europa.eu/eli/dir/2019/2121/oj .

7 OJ L, 2025/25, 10.1.2025, ELI:http://data.europa.eu/eli/dir/2025/25/oj.

8 OJ L 294 of 10.11.2001, p. 22, ELI:http://data.europa.eu/eli/dir/2001/86/oj .

E. whereas it would be possible to establish a more effective European company law, not only by means of an autonomous legal act of the Union, but also by introducing a set of rules which operate in parallel with the legal system of each Member State, without these rules entailing additional administrative or financial burdens, or other types of obstacles to the development of businesses, in particular SMEs;

F. whereas the Union has already adopted legal frameworks relating to the European limited liability company, the European cooperative society and the European economic interest grouping; whereas these forms of company are however not suitable to allow start-ups and scale-ups to operate more effectively in the internal market;

G. whereas facilitating access to capital and talent through a simplified and uniform legal framework will strengthen the ability of SMEs, start-ups and scale-ups to be globally competitive, attract investment and contribute to job creation and social cohesion within the Union;

H. whereas it is necessary to guarantee clarity and legal certainty for European and foreign investors, by allowing them to invest across borders according to harmonized rules;

I. whereas SMEs, start-ups and scale-ups need better access to different forms of capital, cross-border mobility, scalability, highly skilled workers, scientific and research outputs, including data, public procurement, and protection against predatory takeovers
and strategies investment has long-term For prosper At breast of walk interior;

J. whereas SMEs, start-ups and scale-ups, which are often social enterprises and companies founded by young or new entrepreneurs, play a key role in promoting innovation, creating social cohesion and contributing to sustainable economic growth, but often face greater challenges in terms of access to finance, networks and specialist support; whereas cooperation with universities, research institutes and technology transfer offices can accelerate processes from the laboratory to the market, facilitate access to expertise and infrastructure and stimulate the commercialization of research results;

K. whereas many start-ups and scale-ups in the Union are developing cutting-edge technologies; whereas they are often acquired by foreign companies before reaching maturity; whereas these acquisitions are often below the Union's merger control thresholds;

L. whereas SMEs, which are at the heart of the Union's competitiveness, in particular family businesses, face succession problems; whereas employee financial participation models can open up economic prospects for SMEs, start-ups and scale-ups, encourage talent, address succession difficulties when intra-family succession is not viable and, therefore, support long-term stability and growth;

Whereas it is essential to strengthen legal certainty and predictability for companies operating in several Member States if we want to strengthen the Union's position as a hub for entrepreneurship, innovation and sustainable business development;

General principles

1. Welcomes the Commission's commitment to present a legislative proposal relating to a 28eLegal framework for companies;

2. underlines that the 28eThe regime must be ambitious in both substance and form; insists on that the rules relating to the 28eregimes are the same throughout the Union and Member States are not authorized to maintain or introduce into their national law any provision deviating from those provided for in the legislative act relating to the 28eregime; considers that regulation is the most appropriate instrument to create a 28eregime; recognizes that a maximum harmonisation directive could serve the same objective; opposes the use of Article 352(1) of the Treaty on the Functioning of the European Union as a legal basis, as it requires unanimity within the Council, which risks considerably delaying the adoption of the legislative act relating to the 28theregime and to compromise the ambition and coherence of the form of society covered by the 28eregime; insists on the use of a legal basis that allows for the adoption of the legislative act relating to the 28theregime by qualified majority within the Council; therefore considers that it may be necessary to create the 28theregime by means of a package of several separate legislative proposals; observes that Article 50 and Article 114(1) of the Treaty on the Functioning of the European Union constitute the adequate legal basis for company law matters; is of the opinion that a directive on the 28eThe system must be a directive of maximum harmonization if we are to achieve the objectives of the 28thediet;

3. Expresses concern about the use of enhanced cooperation referred to in Article 20 of the EU Treaty and Article 329 of the Treaty on the Functioning of the European Union for the purposes of establishing the 28eregime; stresses that such an approach risks fragmenting the internal market, contrary to the Union's integration process;

4. Notes that the measures for the harmonisation of company law, adopted under Article 50 and Article 114(1) of the Treaty on the Functioning of the European Union, must be transposed into the national law of the Member States; is of the opinion that, in the present case, it is appropriate to adopt a maximum harmonisation directive containing a clearly defined set of essential issues, without prejudice to labour and social law, in order to guarantee uniformity of rules in all Member States, without creating additional administrative or financial obstacles for businesses;

5. Considers that the need for uniformity, efficiency, consistency and legal certainty, demanded by economic operators, such as SMEs, start-ups and innovative scale-ups worldwide, and investors in the sector, requires the adoption of a maximum harmonisation directive;

6. Invites the Commission to assess the benefits of a coherent framework, including on tax matters, and the added value for start-ups and scale-ups, within the framework of the package of measures on the 28theregime, in order to attract international investment and

support innovation and growth in the Union; stresses that the Commission should facilitate coordination and encourage good practices, in order to reduce barriers that prevent doing business, investing and attracting talent across borders;

7. considers that the 28eThis system constitutes a strategic step towards deepening the internal market, which will advance European integration and Europe's competitive strength;

8. reaffirms that companies that voluntarily adhere to the 28eregime should be required to comply with its rules;

9. Emphasizes that a company's choice to join the 28ethe scheme must be automatically recognised in the national legal systems of all 27 Member States;

10. declares itself aware of the risk that the 28ethe scheme allows for the circumvention of mandatory national protections benefiting workers, their representatives and trade unions, as well as other vulnerable stakeholders; underlines that on the 28thethe scheme must in no way become a means of undermining, reducing, weakening or circumventing existing levels of protection at national or Union level; insists that real safeguards be established by means of substantive rules which ensure a high level of protection and conflict rules which provide for the application of mandatory national regulations;

11. estimates the implementation of a 28efundamental regime for innovation, competitiveness and growth; is of the opinion that the proposal, together with the related regulatory and executive measures, should be adopted and implemented as quickly as possible;

The 28theregime – legal framework

12. is of the opinion that the 28eThe scheme should primarily concern company law rules, and only unlisted limited liability companies should be able to participate; considers that the 28theregime should be a set of rules that must be incorporated into existing or new national forms of society;

13. proposes to name the form of company covered by Article 28ethe "Societas Europæa Unificata" (S.EU — Unified European Company) scheme, which involves adding the abbreviation "S.EU" to existing national abbreviations for forms of company;

14. underlines that the 28escheme is without prejudice to Union and national law in the field of labour and social law, including rules relating to worker participation as defined in Article 2(k) of Directive 2001/86/EC and regulations relating to collective agreements applicable in the workplace; stresses that S.EUs must be subject to the same Union and national rules on insolvency and must not derogate from any rule granting workers preferential protection in insolvency proceedings;

15. Stresses that the formation and registration of companies must be feasible in a simple and digital manner; calls for the complexity of procedures to be reduced and for the registration procedure for the creation of an S.EU to be completed digitally within 48 hours, while guaranteeing legal certainty;

calls for the mandatory integration of digital tools to present company documents and disclose information online throughout the life cycle of the S.EU; wants the full implementation of the "once and for all" principle with regard to the registration and management of an S.EU; requests the possibility of using digital procedures, such as videoconferencing for general meetings and board meetings;

16. Stresses that the creation of the S.EU should be fully integrated into the initiative to develop a European digital identity portfolio for businesses, which could also streamline and simplify digital identification and authentication as well as the management of essential business documents, thereby ensuring seamless digital interactions between S.EUs in Member States and facilitating cross-border operations; further calls for the full implementation and evaluation of existing Union law regarding the use of digital tools in company law, in particular Directives (EU) 2017/1132 and 2009/102/EC, as well as the continued digitisation and automation of reporting to authorities, which should be a key priority in the work on regulatory simplification in the Union;

17. Calls for the creation of, or integration into existing systems of, a single digital portal at Union level, which will serve as a direct entry point for S.EUs and will complement and extend the existing Business Registers Interconnection System (BRIS) by providing a harmonised single access interface that allows cross-border use, without creating a new separate or parallel register; stresses that the digital portal should not replace existing national rules on company formation, but rather serve as a common portal on which all the information needed by investors would be gathered; insists that the digital portal be easily accessible, allow seamless access to national business registers, and build upon the existing e-Justice portal or, where appropriate, reorganisation it; requests that the digital portal serve as a platform facilitating secure digital processes, capable of storing documents as well as national certifications that could then be recognised in all Member States, in order to allow the portability of certifications, on the principle of providing evidence 'once and for all'; stresses that the digital portal should allow the use of verifiable identifiers, electronic signature of documents, sale and allocation of shares, creation and adoption of board resolutions and provision of electronic invoicing services; insists that the digital portal be multilingual and promote cross-border operability; underlines that these digital tools will strengthen legal certainty, reduce administrative burdens and promote the smooth functioning of companies within the internal market;

18. Calls for the continued development and adaptation of a unique Union business identifier to streamline registration, enhance transparency and trust, facilitate verification of business identity and combat fraud, money laundering and tax evasion; stresses that this would allow companies to securely store and share verifiable identification information with authorities across the Union; encourages the Commission to work on interoperability with global corporate identifier initiatives;

19. Considers that the possibility of registering as an S.EU should take into account the diversity of business models, without being limited to a new category of ‘innovative companies’ or other restrictive factors; warns against the unnecessary administrative formalities that the creation of such a new category would generate; specifies that only natural or legal persons residing or established in the Union should have the possibility of creating an S.EU;

20. considers that the S.EU should serve as a form of company for single entities as well as for the uniform management of groups; is of the opinion that an S.EU should be able to carry out its activities as a parent company or as a subsidiary of a parent company that is itself an S.EU;

21. Emphasizes that a company must have its registered office in one of the 27 Member States in order to be registered as an S.EU; specifies that the registered office and the head office may be located in different Member States;

Guarantees, including long-term strategies and optional forms

22. Request to include in the legislative proposal relating to the 28ᵉregime of optional forms of steward ownership (socially responsible entrepreneurship), asset lock-ups and different classes of shares, in particular loyalty bonus shares and dual-class shares, including veto shares; notes that innovative European companies, in particular SMEs, start-ups and scale-ups, need alternative avenues for accessing capital; stresses the need to provide alternative financing models in the early stages of a S.EU's life cycle; considers that entrepreneurs may want to protect themselves against predatory takeovers in order to prevent the relocation of innovation, often supported by European public research funds, outside the Union; is of the opinion that merger control regulations are insufficient to address this issue;

23. Stresses that existing standards at Union or national level should not be undermined in order to promote legal certainty and protect public interests, such as the prevention of money laundering, compliance with Union sanctions regimes and the protection of workers, their representatives and trade unions, as well as other vulnerable parties in the national legal systems of the Member States; recalls that any EU-based system must comply with the requirements laid down by national and Union labour law;

24. Considers it necessary to include safeguards for the participation of workers, their representatives, or both, in the affairs of a company; includes participation within the meaning of Article 2(k) of Directive 2001/86/EC; reaffirms that the S.EU should be treated by its home Member State in the same way as comparable national companies and by any host Member State in the same way as comparable foreign companies of the Union, while ensuring that measures are effectively taken to prevent the artificial use of the S.EU to circumvent the levels of protection for worker participation currently enshrined in Member State law; stresses that the S.EU should be subject to any rules in force in the Member State of employment concerning employee participation; therefore insists that the
S.EU shall establish, in accordance with the national law applicable in the workplace, employee representation rights at the board level as soon as the number of S.EU employees exceeds a certain threshold, as provided for by law

national of the place of work to trigger workers' representation rights at the board level in that Member State; considers the negotiation procedure provided for in Articles 3 to 7 of Directive 2001/86/EC as a fallback solution, provided that the participation rights of workers already established are not circumvented;

25. underlines that the 28eThe regime should not lead to the creation of dormant S.EUs or the emergence of shell companies, given that these practices are detrimental to regulatory integrity, distort fair competition and undermine the genuine economic activity of the Union; insists that on the 28thethe system should be put in place without prejudice to the right of trade unions and employers' organizations to negotiate collective agreements;

26. considers that a company should not be allowed to participate in the 28eregime if it has been officially established that it has breached binding rules relating to fraud, tax evasion, social security or worker participation;

Attracting and supporting talent

27. insists that the S.EU framework promotes partnerships with universities, research institutes and technology transfer offices, in order to accelerate the transition from laboratory to market, ensure access to research infrastructure and expertise and support the commercialization of research results, thereby strengthening innovation-driven ecosystems;

28. Stresses that the S.EU framework should facilitate free movement within the Union, without the need to use intermediaries in administrative procedures, while respecting Union rules and applicable national provisions in labour and social law;

29. Stresses that attracting the best talent is essential to fostering growth and innovation in the Union and that SMEs, start-ups and scale-ups often find it difficult to offer competitive financial incentives across the single market, such as participation or profit sharing, sufficient to attract and retain skilled professionals; affirms that increased productivity, innovation and social inclusion must be combined; takes the view that consideration should be given to harmonisation of rules relating to employee financial participation, in particular through the creation of employee share ownership plans (ESOPs) and employee stock option plans (ESOs);

30. Emphasizes that harmonised rules on employee share ownership are a key requirement for businesses struggling to offer equal benefits to their employees across the internal market; insists that harmonised rules must be free from budgetary constraints and allow employees progressive share purchase options; considers that harmonised rules would enable employees to acquire equity participation and benefit directly from the success of their company, thereby fostering loyalty, innovation and a fairer distribution of growth in the long term; stresses the importance of the Commission drawing up guidelines on equity valuation and lock-up periods; notes, in this context, that the tax implications of employee share ownership are significant.

The financial stability of employees, which is budgetarily attractive, is a sensitive but essential issue if we want to attract the best talent; therefore, the Commission is invited to address this aspect within the framework of the package of measures on the 28th regime, in order to guarantee legal consistency and cross-border applicability;

31. insists that the harmonised rules relating to employee financial participation schemes be designed in such a way as to contribute to a more favourable working environment and not be discriminatory; stresses that these schemes should not replace or reduce remuneration and that the threshold from which employees can access them should be low;

Access to capital

32. Emphasizes that the legislative proposal relating to the 28eThe regime establishing the S.EU should, on the whole, bring clarity to European and foreign investors, allowing them to invest across borders according to harmonized rules;

33. Calls for the development of standardized and multilingual model documents that S.EUs can use throughout the Union for shareholders' agreements and articles of association; wishes that these model documents and other fundamental and operational templates specifically designed for S.EUs be used and respected, and that control be ensured through the digital portal referred to in paragraph 17, in order to guarantee legal clarity, ease of cross-border use and familiarity for investors; recommends that these model documents serve as default templates, on an optional basis, for the registration of S.EUs; proposes that it be possible to deviate from them to take account of company-specific requirements;

34. considers that the legislative proposal relating to the 28ethe regime should contain harmonized rules concerning debt instruments similar to shares, including insolvency rules related to these instruments, allowing investors to invest in a company without acquiring control rights over it;

35. Reaffirms that access to finance should not be limited to venture capital, but should also cover other types of investment, including equity and social impact investments, pension schemes and public investment funds, in order to ensure the necessary access to capital;

36. Considers that measures should be taken to facilitate cooperation between SMEs, start-ups and scale-ups and research institutes, in order to support spin-off companies and knowledge transfer; stresses that, to this end, the creation of the S.EU should be fully integrated into Union initiatives aimed at promoting better access to data in the context of research;

Dispute resolution

37. Calls for the establishment of a new dispute settlement mechanism involving a single entity, in order to ensure the swift and specialized settlement of disputes; further considers that Member States should consider creating, within their national courts, a chamber specializing in disputes between companies involving a single entity; proposes that these chambers be able to conduct dispute settlement in English;

Impact analysis, review and evaluation

38. Urges the Commission to carry out and publish a full and transparent impact assessment of any new legislative proposal relating to the 28th regime, focusing on the impact of harmonisation measures on companies, on the social, fiscal and legal consequences, as well as on the risk of weakening national protection standards;

39. Requests the Commission to undertake a full review and, if necessary, a revision of the 28 regime at regular intervals, in particular by assessing its adoption rate among businesses, especially SMEs, start-ups and scale-ups, its suitability to the evolving needs of businesses and society as well as to the objective pursued, and its effects on the competitiveness of the Union; calls on the Commission to assess the potential effect of the new legislative act on the development and economic growth of SMEs, and to report on it to the European Parliament, the Council and the European Economic and Social Committee; considers that the review should take place every 4 years, in order to ensure adaptation to new challenges;

Final provisions

40. Requests the Commission to submit, no later than the end of the first quarter of 2026, on the basis of Articles 50 and 114 of the Treaty on the Functioning of the European Union, a proposal for a directive, following the recommendations in the annex;

41. Considers that the financial implications of the proposal requested must be covered by robust budgetary appropriations;

42. instructs its President to forward this resolution and the recommendations contained in the annex to the Commission and the Council.

APPENDIX TO THE RESOLUTION:

RECOMMENDATIONS REGARDING THE CONTENT OF THE REQUESTED PROPOSAL

1. General principles and legal basis

Parliament proposes that the form of companies covered by Article 28eThe scheme should be named "Societas Europaea Unificata" (S.EU, Unified European Company). The rules applicable to S.EUs must be the same in all Member States and, in order to address the fragmentation of the internal market, Member States must neither maintain nor introduce into their national law any provisions that deviate from these rules. To ensure that the regulatory framework is robust, ambitious, and comprehensive, Parliament insists that the adoption of the S.EU be based on a legal basis that triggers the ordinary legislative procedure with a qualified majority vote in the Council. Parliament therefore opposes Article 352(1) of the Treaty on the Functioning of the European Union being chosen as the legal basis. It views the use of enhanced cooperation with a critical eye, as on the 28theThe scheme would only be applicable in a subset of Member States, which, instead of addressing the fragmentation of the internal market, would only exacerbate it and harm the attractiveness of the S.EU, which, in this scenario, would not be recognized throughout the Union. It might be useful to adopt the 28theThe system establishing the Single European Union (SEU) would be implemented through several legislative acts, rather than a single overarching legislative instrument. In this scenario, each separate legislative proposal would need to provide the same safeguards for the protection of public interests, including labor law and the rights of workers and trade unions. The elements of the system relating to company law would have to be adopted under Article 50 and Article 114(1) of the Treaty on the Functioning of the European Union, which are the only legal bases for legislative acts in the field of company law that provide for the application of the ordinary legislative procedure with qualified majority voting in the Council. However, Article 50 of the Treaty on the Functioning of the European Union only allows for the adoption of directives. Under these conditions, the S.EU would not constitute an autonomous form of company, but rather a form of national company existing in all Member States, comprising a series of essential elements harmonized by Union law, so as to avoid over-regulation and the existence of divergent national S.EUs, contrary to the objective of Article 28eregime. The abbreviation "S.EU" should be added to the list of abbreviations for company forms in force at the national level.

The Single-Member Company (S.EU) must be an extension of the forms of company established by national law. Member States should be free either to allow existing national forms of company to convert into S.EUs or to create a new form of national company. The founders or owners of a national form of company should have the option of voluntarily joining the new regime, which would allow them to designate their company as an "S.EU".

The national legal systems of all Member States should automatically recognise the S.EU as a limited liability company.

The law applicable to the creation of a single-member limited liability company (S.EU) should be the law of the Member State in which the company is registered. By way of derogation from this principle, and in order to protect predefined public interests, it should be possible to determine the applicable law by means of a predominant connecting factor other than the place of incorporation.

In order to guarantee the legal certainty of the constituent elements of the S.EU, the directive adopted under Article 50 and Article 114(1) of the Treaty on the Functioning of the European Union must be a directive of maximum harmonisation.

Parliament is aware that the automatic recognition of simplified joint-stock companies (S.E.s) carries the risk of circumventing mandatory national rules that protect workers, their representatives and trade unions, as well as other vulnerable stakeholders and other public interests. It is therefore essential that the company law rules governing S.E.s be without prejudice to Union and national law on individual and collective labor law, and in particular provisions relating to employee participation in company affairs, and that they contain safeguards that effectively prevent the misuse of S.E.s.s.

2. Scope

Member States should include in their national legal systems a set of rules which, if complied with, allow a national company form to include the abbreviation S.EU in its corporate name. To be registered as an S.EU, a national company form should meet the following conditions:

– it must be a legal entity with legal capacity automatically recognised in all Member States on the date of its registration;

– it must be a limited liability company in which the liability of the owners for the debts of the company is limited to the amount of their contributions;

– it must not be a publicly traded company;

– it must have been created by one or more natural or legal persons residing or established in a Member State;

– it must be able to carry out its activities as an independent sole proprietorship or as a subsidiary of a parent company S.EU;

– its registered office must be located in one of the Member States.

– it must be able to transfer its registered office to another Member State without having to proceed with a dissolution or reconstitution, in accordance with harmonised procedures guaranteeing the continuity of legal personality;

To form a company eligible for registration as an S.EU, the requirement for immediately paid-up minimum capital must, for the purposes of registering said company, be set at EUR 1, irrespective of the minimum capital required by other provisions of the national law in question.

To ensure creditor protection, the Commission should propose a comprehensive legal framework that incorporates other mechanisms such as creditworthiness tests. These other mechanisms should be proportionate and transparent, with clear criteria for assessing companies' financial health and mitigating risks for creditors.

In the interest of simplification, the possibility of registering as an S.EU should not be limited to a new category of "innovative companies" or other restrictive factors, as this would constitute an excess of administrative formalities and an unnecessary administrative burden.

If a S.EU intends to go public, it should be required to convert into a public limited company under Union or national law, in compliance with the relevant Union and national provisions.

3. Creation of the company form

The creation and registration of a Single Entity (S.EU) should be entirely digital and adhere to the "once-and-for-all" principle, whereby a company submitting a document in one Member State should not have to submit it in another. The creation of an S.EU must be completed within 48 hours.

Upon its creation, a S.EU should receive a unified digital identity and business identifier to streamline registration, enhance transparency and trust, facilitate verification of company identity and combat fraud, money laundering and tax evasion, while ensuring legal certainty.

To facilitate the achievement of these objectives, a single digital portal at Union level should be created, or integrated into existing systems. This portal will serve as a direct entry point for Single European Union (SEU) registrations and will be managed by the Commission. It will complement and extend the existing Business Registers Interconnection System (BRIS) by providing a harmonized, single-access interface that allows for cross-border use, without creating a new, separate, or parallel register. The digital portal should not replace existing national rules on company formation, but rather serve as a common platform where all the information investors need is gathered. Member States should therefore automatically transmit documents to the portal, thus ensuring recognition and ease of access for stakeholders. The platform should also provide information on national procedures and resources, and give investors access to S.EU document templates, enable identity verification, electronic document signing, the sale and allocation of shares, the creation and adoption of board resolutions, and the provision of electronic invoicing services. Companies using the digital portal to register as S.EUs will have to choose a Member State as their place of incorporation and, in doing so, the national law applicable to that incorporation.

The Union-level digital portal for companies should allow registration as a Single Entity (S.EU) and searches for companies registered as S.EUs. Registration, filings, and updates should be carried out via the digital portal in a single step and should be accessible in all Member States through a multilingual interface and harmonized identification standards under the

Regulation (EU) No 910/2014. The digital portal could use a permissioned distributed ledger network (DLT) which will keep track of key business events, such as share registrations or transfers, by means of immutable timestamps.

It should be possible to make cash contributions for the company's formation through a public trust agency during the period preceding the finalization of a bank account opening. The trust agency will then transfer the cash contributions to the bank account once it is opened.

4. Guarantees

The rules relating to single-member limited liability companies (S.EUs) should be without prejudice to Union and national labour law, including rules relating to the participation of workers in employee representatives, or both, in the affairs of a company within the meaning of Article 2(k) of Directive 2001/86/EC. In principle, the S.EU should be treated by its home Member State in the same way as the national form of limited liability company on which it is based, and by any host Member State in the same way as comparable foreign companies of the Union, while ensuring that the artificial use of S.EU status to circumvent existing levels of protection for employee participation in Member State law is effectively prevented.

The law applicable to individual employment contracts continues to be determined exclusively by Article 8 of Regulation (EC) No 593/2008, and jurisdiction over individual employment contracts continues to be governed by Chapter II, Section 5, of Regulation (EU) No 1215/2012, including the relevant case law of the Court of Justice of the European Union. Therefore, the parties' choice cannot deprive workers of the protection afforded to them by mandatory provisions that cannot be derogated from by agreement.

With regard to employee participation, the S.EU must comply with any applicable rules concerning employee participation in the Member State of its registered office. However, if an S.EU carries out economic activities involving employment in another Member State without establishing a branch, agency, or subsidiary, it must comply with any applicable rules on employee participation in the Member State of employment, unless the legal system of the S.EU's registered office provides for at least the same level of employee representation rights on the board of directors as that required by the legislation of the place of employment. If necessary, the S.EU should amend its articles of association accordingly.

Where the applicable law cannot be determined in accordance with the principles set out in the preceding paragraph, as a fallback solution, a negotiation procedure equivalent to that provided for in Articles 3 to 7 of Directive 2001/86/EC must be initiated once the number of workers reaches, in at least one Member State, any threshold triggering the rights of workers' representation at the level of the management boards in that Member State, provided that a single entity has not yet introduced worker participation or provided that reaching the threshold entails changes to existing worker participation.

If an existing national company is transformed into a S.EU, Articles 86*terdecies*, 133 and 160 *terdecies*provisions of Directive (EU) 2017/1132 must be applied mutatis mutandis, provided that there is no circumvention of the rights already established in matters of worker participation.

5. Encourage long-term strategies and optional forms of participation

In order to stimulate innovative European businesses, attract investment, create alternative pathways to capital and new financing models, and prevent innovations from being relocated outside the Union—innovations whose creation is often supported by European public research funds—Member States should establish rules allowing companies to voluntarily and irrevocably join additional legal protection schemes. These additional legal protection schemes should aim to help European companies seeking to protect themselves against predatory takeovers and relocations. These schemes may include:

- the separation of voting rights and economic rights through different classes of shares, for example dual-class shares, veto shares and preferred shares;

-the qualification of voting rights as being non-transferable and non-hereditary;

- the distribution of profits to investors or holders of economic rights on the basis of a contractual agreement limited in time or amounts and which can be terminated by either party at any time;

- the limitation of cross-border transformation into entities that have adhered to the additional legal protection regime, in particular for asset freezes.

Companies that have joined these additional legal protection schemes should be able to include the label "steward owned" (socially responsible project entrepreneurship) in their company name.

Directive (EU) 2017/1132 should be amended with regard to cross-border transformations, mergers and divisions to allow Member States which have chosen to introduce their own form of national social enterprise project to limit the cross-border transformation of such a form of national company into company forms of other Member States which also provide for similar forms of social enterprise project.

6. Attracting and supporting talent

Attracting skilled and innovative talent is essential to stimulating economic growth, fostering innovation, and maintaining competitiveness in a rapidly evolving global market. Productivity growth, innovation, and social inclusion must go hand in hand. The S.EU framework should facilitate free movement within the Union, without the need for intermediaries in administrative procedures, while

Respecting EU rules and applicable national provisions on labor and social law, the S.EU should provide for optional harmonized rules across the EU on employee financial participation schemes, in particular on the structuring of employee share ownership plans (ESOPs) facilitated by a separate legal entity and the creation of employee share option (ESO) plans. This measure will enable SMEs, start-ups, and scale-ups not only to attract talent and encourage long-term commitment, while facilitating their activities in different national markets given the design of the various existing frameworks, but also to promote the full and equitable participation of employees in the value they help create through their work and intellectual capital. The harmonized rules on optional ESOPs and ESOs should aim to harmonize the main elements of company law, the framework, and the structural characteristics of employee financial participation plans, without affecting budgetary rules. The following principles must be taken into account when developing harmonized rules within the framework of the SES:

- As a prerequisite, employee financial participation schemes must in no way replace or diminish normal basic remuneration or any other form of contribution such as social security contributions, but must constitute a supplementary benefit to all social and contractual rights;

- Transparency and democratic governance must be key principles throughout the design and implementation of these regimes;

- Participation in these schemes must be non-discriminatory and open to all employees;

- Participation in these schemes must remain voluntary for employees and the implementation of these schemes must remain optional for S.EU;

- These schemes must be accompanied by mechanisms to protect workers against unreasonable financial risks.

The Commission, in consultation with social partners and relevant stakeholders, and based on best practices, should develop guidelines for employee share ownership plans (ESOPs) to facilitate implementation, raise awareness of employee share ownership, and ensure convergence of employee share ownership schemes across Member States. These guidelines should include information on the associated financial risks for workers, clarify employee buyback options and democratic governance, and consider the impact on workers.

Furthermore, the Commission should address, within the framework of the 28th$_{e}$The system addresses issues related to the tax treatment of employee financial participation to ensure legal consistency and cross-border applicability. Until harmonization at Union level is achieved, Member States should be strongly encouraged to adopt their own measures to support employee financial participation, aligned with the objectives of the EU Social Security Scheme, to make it attractive to both employers and workers, promoting cross-border mobility and fairness.

To strengthen the innovation capacity of S.EUs and accelerate the commercialization of research results, the legislative proposal should be accompanied by measures aimed at

to foster and facilitate structured partnerships between S.EUs and universities, research institutes, and technology transfer offices. The Commission should develop guidelines and model cooperation agreements for these partnerships, ensuring they are simple, transparent, and fair to all parties involved.

7. Attracting capital

Member States should introduce a harmonised debt instrument similar to equity that allows investors to invest in companies without acquiring controlling rights over them, such as profit-sharing rights, silent partnerships or positive impact loans. These equity-like debt instruments should:

- to be created by the conclusion of a contractual agreement between the company and the investor for a capital contribution. Such an agreement must specify the principal amount invested, include a defined repayment date and provide for compensation which may take the form of fixed or variable interest, or a share of the profits;

-be subordinate to ordinary claims;

- be treated as equity or equity substitute for regulatory and accounting purposes.

In order to strengthen legal certainty in the 27 national jurisdictions of the internal market and to reduce barriers to investment in S.EUs, the Commission should facilitate the development of multilingual standard templates for articles of association, shareholders' agreements and all other relevant documents for S.EUs and establish a platform on which these templates and practical information are available in all official languages of the Union.

The Commission should appoint a group of experts to draft high-quality, standardized model articles of association that meet the harmonized requirements for S.EUs. This group of experts should include, among others, representatives of founders, investors, and trade unions.

The Commission should appoint another group of experts to develop standardized, fair, and high-quality model shareholder agreements. These model shareholder agreements should strike a balance between the interests of founders and those of investors. This group of experts should include, among others, representatives of founders and venture capital investors.

The Commission should support and develop existing initiatives concerning research and information on European and comparative business law in order to produce comparable and freely accessible information on business regulation in Member States, in all official languages of the Union.

8. Specialized Dispute Resolution

In order to expedite the resolution of disputes concerning S.EUs, a new specialized dispute resolution mechanism should be established. Participation in this mechanism should be subject to the consent of the parties concerned. Disputes relating to individual and collective labor law should be excluded from this mechanism, and jurisdiction in these matters should be determined in accordance with Articles 20 to 23 of Regulation (EU).
No. 1215/2012.

Member States should also consider establishing a specialized chamber within their national courts, either within a specific national court or within a designated court in each federal entity, depending on the relevant national judicial system. These chambers should be responsible for resolving civil law disputes between companies related to the S.EU company form, disputes arising from or related to the acquisition of S.EUs or S.EU shares, and disputes between an S.EU and members of its board of directors or supervisory board. Member States should ensure that proceedings before these chambers can be conducted in English, provided the parties involved consent.

9. Impact analysis, review and evaluation

The effectiveness of the 28ethe system with regard to the promotion of innovation, the strengthening of competitiveness, the safeguarding of legal certainty and the prevention of regulatory circumvention of national and Union social and labour standards should be subject to continuous monitoring.

The Commission should carry out and publish a full and transparent impact assessment at the same time as any new legislative proposal relating to the 28thethe scheme, paying close attention to the social, fiscal, and legal consequences, as well as the risks of weakening existing national and EU protection standards. For the sake of legal certainty and consistency, the Commission should also assess existing national models and best practices, including the operation of national business registers and automated digital processes that facilitate business creation while maintaining high standards of transparency and accountability. In particular, the Commission should explore ways to optimize procedures so that all registration operations, including supplementary checks and compliance checks, can be completed within 48 hours, without compromising legal certainty and in compliance with procedural safeguards.

The Commission should also ensure a full review and, if necessary, a revision of the 28thescheme at regular intervals, including an assessment of its adoption rates among businesses, in particular SMEs, start-ups and scale-ups, its alignment with the evolving needs of businesses and society, competitiveness, social protection and employment in the Union and its overall suitability to the objective pursued.

The Commission should, every four years, assess the potential impact of the legislative act on the development and economic growth of SMEs, compliance with labor law and worker protection standards of the Union and Member States, and its effect on these, in order to ensure the adaptability of the system to new challenges, and report on this to the European Parliament, the Council, and the European Economic and Social Committee. This report should be accompanied, where appropriate, by legislative proposals for revision.