



France Digitale's Answer to the Public Consultation on the 28th Regime

September, 30th 2025

Context

[France Digitale](#) is Europe's leading start-up association, bringing together 1,800 start-ups and 200 investment funds. It is co-chaired by Frédéric Mazzella, founder of BlaBlaCar, and Benoist Grossmann, CEO of Eurazeo Investment Manager.

In response to the findings of the recent Letta and Draghi reports on European competitiveness, France Digitale has been working for more than one year on a **European Company Regime** ("28th regime"). We mentioned the idea of a European Company Regime in our [Manifesto for the 2024 European Elections](#), with the aim of creating the legal environment to grow European champions, as it is one of the essential keys to unlocking the capabilities of European businesses, and enabling them to finally benefit from a true single market. In October 2024, France Digitale, together with 26 trade associations and EU Inc, set out a first blueprint for the 28th regime¹.

The association continues its ongoing effort to contribute to the broader debate and ensure that the voice of startups is heard in shaping the future regulatory landscape in Europe.

France Digitale's position on the 28th regime

Why is the 28th regime needed?

Scaling a business in Europe often means significant operational defocus. Opening a new market typically requires multiple teams to divert their attention from core activities just to navigate the complex administrative barriers to entry. This delay is particularly damaging in fast-moving, capital-intensive markets where speed is critical.

"In practice, it takes around 6 months to get a legal entity fully operational in another EU country (setting up a company, HR matters, accounting set up)". Vincent Huguet, CEO and cofounder of Malt

Europe's fragmented regulatory environment, combined with linguistic and cultural diversity, adds further friction that hinders growth and puts startups at a disadvantage compared to their U.S. or Asian counterparts, who can scale seamlessly across vast domestic markets. While Europe's diversity is a strength we must preserve, it's all the

¹ [How can a 28th regime company status help young and innovative companies to scale in Europe?](#)

more urgent to simplify the legal and administrative frameworks. If we want to build true European tech champions, we must make scaling across the EU faster, more predictable, and less resource-draining.

Yet, what the 28th regime entails still needs to be defined. First and foremost, we believe it should primarily be a company law reform, specifically, the creation of a “European Company Regime” and a shift towards more streamlined, efficient, and digitalized processes for operating companies across Europe (see part I).

While the harmonization of other legal areas such as tax and labor law is vital for scaling up within the EU, we recommend that discussions around the establishment of a truly European legal entity be decoupled from these broader issues, which should be addressed separately (see part II).

I. The creation of a new European Company Regime, as part of a broader company law harmonization agenda

Why is the creation of a new European-wide uniform legal status for companies needed?

The establishment of a new European Company Regime, a uniform, EU-wide legal status for companies, has become increasingly essential for entrepreneurs and investors. Such a regime would provide greater legal certainty and significantly reduce compliance costs when operating across multiple European countries. Investors would benefit from increased transparency into corporate governance structures and shareholder rights, fostering stronger confidence in cross-border operations.

This regime would also create a strong “European brand” for innovative companies, boosting their credibility, attracting clients, and signaling growth potential. It would facilitate cross-border investments, enable more mergers and acquisitions, and support the rise of European Champions, ultimately increasing exit opportunities for founders.

What is the European Company Regime?

The European Company Regime should be an **optional legal status for companies** available at incorporation in each Member State, alongside existing national regimes. It is not to be perceived as isolated and disconnected from Member States, but as an optional framework available when creating a company in one country, and later **at the time of internationalisation** in another Member State. This is why we prefer to refer to it as the “**European Company Regime**” rather than 28th Regime.

The European Company Regime does not preclude the need to set up a local entity in each new country where the company sets up business, although this is simplified by the European Company Regime. As such, Member States’ sovereignty is preserved.

Who is the European Company Regime for?

The European Company Regime is for both new and existing **companies that intend to open an office, a permanent establishment, or to recruit in another EU country**. Such

an intent could be linked to an obligation to actually realize this EU-expansion within a certain number of years to be defined (ie. 5 years).

In principle, this regime should be accessible to **all kinds of companies**, not only innovative ones. The regime must be open to all companies, regardless of size, sector, or origin. Arbitrary thresholds or limitations will only undercut uptake and trust. The framework should empower all innovative firms across Europe.

The European Company Regime should be valid and relevant throughout the lifecycle of the company. This includes ensuring existing companies can transition into it, as well as enabling companies to choose the European Company Regime from creation to exit (e.g., when preparing for an IPO and issuing public shares).

How could the European Company Regime permit faster registration in Europe ?

The incorporation process should be fully digitised. It should take only a few hours, it should be entirely in English (or more than one EU official language, including English) and online. The ultimate goal being to reduce as much as possible the time to start a business.

While registration would remain governed by the country of incorporation rules, digital processes must be available across Europe. Registration requirements should be harmonised and integrated with eIDAS (electronic Identification, Authentication and Trust Services) for secure identification. National registers should be interoperable with an EU register. Applying the **“once only” principle**, Member States should automatically transmit registration documentation to the EU register, ensuring recognition and seamless access for stakeholders, including investors conducting due diligence.

How could the European Company Law Regime improve the management of corporate documentation?

The European Company Regime could also benefit from standardized forms, for instance by providing a model for statutes of incorporation, or share transfer agreements. Going further, having a single body of contract law applicable to companies operating under the European Company Regime would prevent recurring issues regarding the choice of law in B2B contracts across Europe.

What other aspects of company law still need to be addressed?

A broader reform of company law is urgently needed. Many aspects remain unharmonized across the EU, creating significant obstacles for businesses expanding abroad, such as opening a bank account or registering a local entity. Local specificities, inconsistent and paper-based procedures often result in Kafkaesque situations.

For instance, members have reported that in Austria and Germany, it was impossible for their French company to obtain a phone number. One startup eventually had to use an employee's grandmother's German mobile number. It seems trivial, but it's one more problem in a long list

"In 2024, we acquired a company in the Czech Republic and transferred it to Belgium. Yet, to this day, we're unable to transfer the company's funds back because the Czech banker is demanding a physical extract from the Belgian Commercial Register, a document that no longer exists in paper form since the Belgian Commercial Register has been digitalized 20 years ago". Luc Jacobs, CEO of Nixxis

Setting up subsidiaries in other EU countries is already administratively complex and costly. Entrepreneurs face a maze of platforms, rules, documents, and timelines that differ by country. This forces startups to pay high legal fees to navigate national frameworks, costs that many cannot afford. Moreover, cross-border legal support is often inaccessible, and finding the right contacts abroad is a persistent challenge.

Making the law accessible should be a priority

There is a pressing need for clarity and simplification. The European Company Regime should foresee the creation of a platform listing all useful national procedures and resources (e.g. templates of national employment contracts, in all EU official languages, with explanations of employees' rights, etc.). Each Member State would be responsible for providing this information and the project should be coordinated by the European Union.

Apart from the European Company Regime, this new tool would be used for national simplification and literacy of the general public in business and labour law. To make EU company law truly functional, this tool must be supported by the formal codification of EU business law, with the creation of a European Business Code..

Hunting gold-plating to end legal uncertainty

Gold-plating refers to the additional requirements and administrative burdens imposed by Member States when transposing EU legislation. These national add-ons often lead to discrepancies in areas that are supposed to be harmonised, creating legal uncertainty and raising compliance costs for companies operating across borders in Europe.

"For example, the implementation of e-invoicing requirements in France is a significant undertaking that we're going through at the moment. We can't imagine having to go through the same process, again, in Italy or Germany where we operate! It's unsustainable for scaling companies." Frédéric Trinel, co-founder and co-CEO of EcoVadis

And yet, we know harmonisation is both possible and economically beneficial. Areas like intellectual property have shown that EU-wide frameworks can offer clarity, reduce administrative overhead, and support business growth.

We therefore recommend that the European Company Regime be established through a Regulation to ensure uniform application across Member States. More broadly, future EU legislation affecting business operations should either take the form of a Regulation or, when using Directives, aim for maximum harmonisation to avoid fragmentation.

A complementary approach would be to expand the principle of passporting. If a company is deemed compliant with an EU rule in the Member State where it is

established, this should be sufficient for operating elsewhere in the EU. This logic already underpins the country-of-origin principle in the GDPR and should be replicated wherever possible.

II. Beyond the 28th regime: other issues to be addressed for scaling success

While the introduction of a 28th regime is an important step toward harmonizing company law, we believe it is not sufficient on its own. Many of the measures needed to foster an innovative ecosystem do not fall strictly within company law and may therefore lie outside the proper scope of the 28th regime. This section highlights some of the key challenges that startups face when expanding across Europe, along with potential solutions. Several of these issues are addressed here, with additional details provided in our response to the consultation on the Innovation Act.

1. A harmonized employee equity and share option scheme

One clear area in need of harmonization is stock option schemes or similar employee incentive schemes, which currently vary significantly across the EU due to each country's distinct tax frameworks' design and tax treatment. This fragmentation creates legal uncertainty and limits the effectiveness of equity-based compensation, a key tool for attracting and retaining talent in startups.

Although it would be ideal to integrate such a tax proposal into the 28th Regime, we want to increase the chance of achieving tangible harmonisation of stock option regimes across Europe. To that end, adopting a dedicated EU regulation could help secure broader political consensus while still respecting national competencies. If this proves unfeasible, the Innovation Act could serve as an appropriate alternative vehicle.

We thus call for European policymakers to **encourage and harmonise employee ownership in startups** through 7 policy recommendations built on the [Not optional campaign](#).

The goal should be to harmonise what can reasonably be harmonised without undermining the fiscal sovereignty of Member States:

1. **Create a stock option scheme that is open to as many startups and employees as possible**, offering favourable treatment in terms of regulation and taxation. Design a single scheme based on existing models in the UK, Estonia or France to avoid further fragmentation and complexity.
2. **Allow startups to issue stock options with non-voting rights**, to avoid the burden of having to consult large numbers of minority shareholders.
3. **Defer and harmonise employee taxation to the point of sale of shares**, when employees receive cash benefit for the first time. Employees should only face a taxable event at the moment of share sale, not at the point of option grant or exercise.
4. Allow startups to issue stock options based on an accepted 'fair market valuation', which removes tax uncertainty. We call for an **harmonisation of the capital gains calculation**: a common method for calculating gains should be established across Member States. At the same time, **national flexibility on rates** should be

preserved as they follow into Member States' fiscal sovereignty. While the method would be harmonised, each country would retain the ability to set its own tax rates.

5. Apply **capital gains** or (even better) **tax rates** to employee share sales.
6. Reduce or **remove corporate taxes associated with the use of stock options**.
7. Make the share option scheme more widely **available to all employees**.

Such a framework is essential to level the playing field between European startups and big corporations. Startups often pay salaries lower than large corporations and even less compared to U.S. tech firms, as they do not have the capacity to align themselves with the latter. Equity compensation is the only meaningful way to bridge that gap and incentivise talent.

Uniformity would also ensure fair treatment for employees working across borders within the same group, reinforcing a sense of unity and belonging across multinational teams.

2. Reducing the burden of tax and employment law compliance

For startups, expanding abroad often comes with an overwhelming burden, particularly in complying with local tax and employment laws.

The fragmentation of employment law makes HR management complex and costly. Employees may end up receiving different treatment depending on their location, which undermines cohesion and fairness within cross-border teams.

Even for limited activity in another Member State, companies must file local tax declarations, hire local accountants, and manage a maze of administrative procedures. These obligations are often disproportionate to the scale of operations, making the cost of legal and compliance services unsustainable. This discourages startups from hiring employees abroad or entering new markets altogether.

"In order to expand in several EU countries outside France, we recruited local employees to start discussing with local Universities for partnerships. For each country, we had to do a local employment contract - meaning specific costs (local pay, local lawyer, time from HQ) just for one employee.

And then, we had to open local branches since it is required as long as you have local employees or revenues - meaning additional specific costs (local accountant, local bank, time for HQ). All in all, the entry cost is very high, and since we had to shut down some of the branches where we did not succeed - which was again very costly -, the overall result is a very high cost (in time and money) of testing a new market.

Having thresholds before having to get local employment contracts or local entities would go a long way to reduce the cost of testing a new market."

Nicolas Lombard, co-founder and board member of JobTeaser

The real challenge lies in the multiplicity of rules, procedures, and points of contact, which becomes exponentially more complex when dealing with several Member States. A practical first step would be the creation of a one-stop-shop in each Member State, a

single point of contact for all employment, tax, and legal formalities, especially designed with startups and SMEs in mind.

With this in mind, we welcome proposed initiatives, such as the Framework for Income Taxation (BEFIT)², which proposes a new legislative framework for corporate taxation in the EU, and the Head Office Tax System for SMEs (HOT)³, which allows SMEs operating cross-border by way of permanent establishments the option to interact with only one tax administration. These two proposals are going in the right direction, and we call for a rapid and efficient application across the continent, as well as future efforts in the field.

3. A need for a shift in mentalities for the 28th Regime to be effective

Albeit the principle of non-discrimination (Art 18 TFEU) is a cornerstone of the European Union, it is not consistently upheld by private and public actors across the Member States. In today's highly competitive global tech landscape, **European countries must shift from a fragmented, nationalistic approach to one that embraces and supports truly European champions**. This shift should be reflected not only in state aid measures but also in investment strategies, both of which too often favor national ecosystems over broader European potential (home bias). Startups from neighboring EU countries should not be treated as foreign entities, but as integral parts of a shared innovation ecosystem.

"Scaling in Europe often means hiring talent across multiple countries, which naturally leads to setting up local affiliates, where resources are. Yet, ownership of the IP is often centralised in the parent company in the home country. This becomes a barrier as national investors are often reluctant to invest in companies whose IP or legal entity isn't domestic, even when offered equity in the parent company." Anna Riverola, Group International Development & Research Program at SiPearl

Hopefully, the creation of a European Company Regime should help create a European mindset.

This European mindset should also be reflected in merger control policies. To scale effectively, startups must be able to consolidate across borders, merging operations, talent, and resources at the European level. Without this flexibility, Europe's companies will remain fragmented and unable to compete with global tech giants.

Consolidation is crucial for startups to reach critical scale, allowing them to compete with global players internationally. If European authorities are hesitant to let startups acquire their peers, the question remains: who will? Large corporations in Europe often lack both the financial capacity and the acquisition culture to buy startups.

Contacts

- **Clotilde Hocquard**, Public and Regulatory Affairs Manager:
clotilde@francedigitale.org, +33 6 38 36 77 95

²European Commission. [Business in Europe: Framework for Income Taxation \(BEFIT\) \(2024\)](#)

³European Commission. [Head Office Tax System for SMEs \(HOT\) \(2024\)](#)

- **Ester Davanzo**, Senior European Affairs Coordinator:
ester@francedigitale.org, + 33 6 52 46 82 89

EU Transparency Register: 479234015862-06