

28th regime – EU Inc.: what is the impact for workers?

What is the 28th regime?

The so-called 28th regime is an EU initiative to create a legal framework that companies can choose instead of operating under one of the 27 national company law systems. It is a harmonised rulebook—often referred to as “EU Inc.”—covering a company’s lifecycle from incorporation to restructuring or exit. Initially, the intention of the proposal was aimed at start-ups / scale-ups, making it easier and cheaper for them to operate and expand across borders through fast, digital registration and uniform rules. The current proposal that the European Commission launched applies to all companies and not restricted to start- or scale-ups. This new European company law system would exist alongside the national systems.

What is in the proposal?

- 48-Hour Registration: Companies can establish an "EU Inc." company fully online within 48-hours for a maximum administrative fee of €100, with 0€ minimum share-capital requirements.
- "Once-Only" Principle: Companies submit their data just once through a central EU-level interface or once-only to a single national authority. This information is to be automatically shared with national business registers, tax authorities, and VAT offices.
- Unified Stock Options: It introduces an EU-wide Employee Stock Option scheme. Any earnings are only taxed when the shares are actually sold ("exit"), rather than when they are granted or exercised. The timing of taxation is harmonised, not the tax rates, which remain subject to different rules in each of the 27 Member States.
- Digital-by-Default Lifecycle: Everything from the company’s registration/creation, its board meetings and shareholder votes, to liquidation and insolvency procedures is designed to be handled digitally.
- Flexible Share Classes: Founders can create different types of shares that give them more voting power than investors. This lets them raise money from investors while still keeping control over key decisions and the company’s direction.

What does it mean for workers?

Regime shopping to avoid workers’ participation

EU Inc. companies are not effectively required to comply with national rules on works councils, board-level employee representation, or other participation rights. Since these rights depend on the registered office, companies can choose countries with weaker rules, even if most workers are elsewhere.

e.g. A company with most of its workforce in Germany registers its EU Inc. in Ireland, where no board-level employee representation exists, allowing the company to bypass co-determination.

No limits on who can use the EU Inc. structure

Any company or group of companies can adopt this form, making it easier to avoid thresholds that trigger workers’ rights. Multinationals could use EU Inc. entities as holding or letterbox companies, enabled by low registration costs.

e.g. A transport group operating in Italy restructures into several EU Inc. subsidiaries registered in Estonia, each employing just under the national threshold for works councils. While the group employs

over 3,000 workers in total, no single entity triggers participation rights.

Split seat and online governance weaken accountability

Because companies can choose where they are legally based (“split seat”) and run meetings fully online, they can pick countries with weaker rules while actually operating somewhere else.

Important decisions can be taken online, making it harder to see where the company is really managed and which country’s worker-protection rules should apply. This can make it easier for companies to avoid duties toward workers, such as consultation rights.

e.g. An EU Inc. is registered in Luxembourg but runs terminals and depots mainly in Poland. Board meetings and restructuring decisions are taken online, enabling management to argue that Luxembourg rules apply, even though the impact is felt by Polish workers.

### Reduced transparency and weaker enforcement

Labour and tax inspectors may struggle to monitor EU Inc. companies due to missing basic information. The proposal does not require disclosure of key data such as employee numbers when setting up branches, making enforcement of labour law more difficult.

e.g. An EU Inc. is incorporated within 48 hours in Malta, with no obligation to declare the number or location of employees. When labour inspectors in Italy investigate working conditions, they struggle to

obtain basic information about employment structures and responsibilities.

### Employee stock option schemes shift risk onto workers

The EU-wide stock option scheme (EU-ESO) puts a lot of risk on workers. Employees may be forced to keep shares for a long time, the value of the shares is unclear, and workers have little say because the scheme is decided by shareholders. This means workers carry financial risk without strong guarantees.

Giving employees shares is presented as an alternative to real influence, such as consultation, collective bargaining, or board-level representation.

e.g. An EU Inc. in the Netherlands offers workers in Portugal stock options instead of wage increases.

When the company collapses, the shares are worthless and workers are left with lower pay and no

real say in company decisions.

### Insufficient protection in fast-track liquidation

The simplified liquidation procedure does not adequately safeguard workers' claims. Unpaid wages, severance pay, or social security contributions may be at risk if a company closes quickly.

E.g. An EU Inc. registered in Cyprus closes its operations in Greece using a simplified digital liquidation

procedure. Workers face long delays and legal uncertainty when trying to recover unpaid wages and social security contributions.

What are the next steps? What can you do?

Proposed in March 2026 by the European Commission, the 28th regime takes the form of a regulation based on the 'Draghi Report.' Unlike a directive, this regulation will be directly applicable in all Member States upon adoption. Both the European Parliament and the Council (where member states are represented) are currently reviewing the proposal. This process is expected to be high on the agenda in the next months already before the summer. The legislative process is expected to be finished at the end of 2026.

It is now time to influence our national governments and MEPs to amend or annul this proposal.

This proposal will not help start-ups to grow within the European Union as their issues are more capital-related. It will cancel national existing rights that can be used by fraudulent companies.

For national governments it might furthermore mean

- Loss of control over labour and company law;
- Reduced tax and social security revenues;
- Weakened enforcement and oversight;
- Competition between Member States ("race to the bottom");
- Increased administrative burden with fewer tools to manage more complex cross-border cases.

The ETF, together with its affiliates, will use the coming months to contact political representatives and raise awareness regarding the impact on workers.