

# The 28th regime

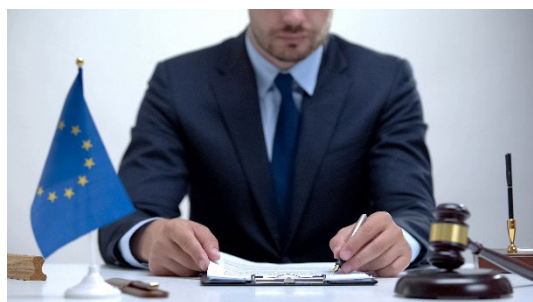
## SUMMARY

Although it is a long-standing concept, the 28th regime was emphasised by Enrico Letta's report in 2024 as a major recommendation to reinforce the single market and remove internal barriers. The International Monetary Fund estimates that the persistent barriers to the EU single market still represented the equivalent of a 110 % tariff on services.

The 28th regime, which has yet to be defined, would possibly be a specific legal framework that would govern various aspects of businesses that opt into the scheme from 'birth to death', such as establishment, organisation, operations, and disputes.

The Commission made the 28th regime a key element of its competitiveness compass, under the 'necessity' of closing the innovation gap; the legislative proposal is scheduled for the first quarter of 2026. The start-up and scale-up strategy published in June 2025 will encompass the 28th regime, which will be aimed at young and small innovative companies. The scope would thus be narrowed substantially compared with Letta's recommendations.

The European Parliament is currently engaged in preparatory work on the 28th regime.



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## Introduction

In his 2024 [report](#) on the single market, commissioned by the European Council, Enrico Letta emphasised the need for a specific and unique corporate legal framework. The Letta report claims that a 'European Code of Business Law would be a transformative step towards a more unified Single Market, providing businesses with a 28th regime to operate within the Single Market. It would directly address and overcome the current patchwork of national regulations, acting as a key tool to unlock the full potential of free movement within the EU' (page 10), adding that it would be a 'real game-changer' for small and medium-sized enterprises (SMEs), allowing them to 'finally tap into the full potential of the single market'.

### Box 1 – The 28th regime in the Letta report

The Letta report dedicates a whole sub-section to the motivations and design of the 28th regime – 'A European code of business law for a simpler Single Market', part of the section on how to 'unleash SMEs' potential'.

The business code would be a 'simplified European company' whose scope may be expanded to include the following areas of law, where applicable: general commercial law, market law, e-commerce law, company law, securities law, enforcement law, insolvency law, banking law, financial market law, intellectual property law, employment law, and tax law.

Where the EU has exclusive competence, the Code would replace national laws. In other areas, the Code would supplement national laws with new instruments that businesses can opt into. Therefore, a European Business Code would provide EU firms with an additional – 28th – regime to operate across borders.

The report emphasises that the 28th regime would be a major step towards a unified single market, directly addressing the 'current patchwork of national regulations'. The report mentions the Uniform Commercial Code (UCC) in the US and the Organization for the Harmonization of Business Law in Africa (OHADA) as two examples that have produced positive effects.

## Possible scope and content

While maintaining the overall objective to overcome fragmentation of laws in the EU, the potential scope and format of the 28th regime have been interpreted in various ways since the Letta report was published.

The Commission took up the proposal as part of its action to deepen the single market, as reiterated in its [work programme](#) for 2026 ('we will ... set up the 28th regime for all companies operating across the Single Market'). The proposal announced for the first quarter of 2026 would focus on innovative companies ('28th Regime for Innovative Companies').

The Commission has set the establishment of the 28th regime as one of its priorities to improve the EU's competitiveness. The [competitiveness compass](#) of January 2025 builds on the Draghi report, and the three key challenges it identified, namely closing the innovation gap, decarbonising our economy, and reducing dependencies. In the compass, the 28th regime initiative is part of the first 'necessity', closing the innovation gap, which primarily aims to boost innovation. This challenge is addressed through five main policy actions:

- a [startup and scaleup strategy](#) (SSS), which aims to improve the business environment for young companies to start and expand;

- an [apply AI strategy](#), which will help big companies adopt new technologies such as artificial intelligence (AI) and robotics;
- **the 28th regime**, which will create a single set of rules for businesses, thereby helping companies to operate across the EU;
- a [European Innovation Act](#), which would aim to establish a set of horizontal framework conditions conducive to scaling-up and disseminating innovation across the single market. It could, for instance, include an EU legal definition of a start-up and a scale-up.
- sectoral action plans for the development and market deployment of new technologies, including [quantum](#), advanced materials, biotech, robotics and space technologies.

The initiative for a 28th regime is thus announced as a major and separate initiative, to support young and small innovative companies. The [communication](#) for the competitiveness compass specifies that the aim is to create 'a single, harmonised set of EU-wide rules' from which innovative companies could benefit, instead of 'facing 27 distinct legal regimes'.

The [communication](#) for a start-up and scale-up strategy, published on 28 May 2025, provides further details. Firstly, the 28th regime would be a 'single set of rules' for companies – with no more mention of harmonisation. Secondly, it would include a corporate legal framework, based on 'digital-by-default solutions', and would simplify applicable rules and reduce the cost of failure, by addressing specific aspects within relevant areas of law, including insolvency, labour and tax law. It would explore the possibility of enabling companies to establish themselves in Europe more rapidly, ideally within 48 hours.

While the businesses and objectives targeted by the 28th regime are specified to some extent, it is unclear which firms would specifically have access to it, and which aspects of the business code would be covered. The competences of the EU are likely to constitute boundaries in this respect. Moreover, the EU has already adopted [Council Regulation 2157/2001](#) on the statute for a European company (see Box 2).

#### Box 2 – The European Company (SE)

After 30 years of negotiations, the EU [established](#) a statute for a European Company (Societas Europea, SE) with Council Regulation [No 2157/2001](#) – supplemented by Council Directive [2001/86/EC](#) on the involvement of employees of SE – which entered into force in 2004. The framework is [aimed](#) at companies operating in several Member States, as it allows greater mobility and easier transfer of registered offices. An SE can be set up by merger, creation of a holding company, creation of a joint subsidiary, or conversion of an existing company set up under national law. The SE must have a minimum capital of €120 000. The SE statute aims to cut administrative costs and provide a legal structure for EU cross-border activities.

## European Parliament

Parliament's Committee on Legal Affairs (JURI) is preparing a [legislative-initiative report](#) on the 28th regime (rapporteur: René Repasi, S&D, Germany). The draft report was presented in JURI earlier this year, and the plenary vote is tentatively [scheduled](#) for the January 2026 session. On 7 October 2025, there was a [debate](#) in plenary on 'time to complete a fully integrated Single Market: Europe's key to growth and future prosperity'. While several MEPs indicated that the 28th regime could contribute

to achieving the single market, others expressed concerns about its potential negative impact on national laws.<sup>1</sup>

## Council and European Council

In its May 2024 [conclusions](#) on the future of the single market, shortly after the publication of the Letta report, the Council supported the enhancement of the single market and the capital markets union, but made no reference to the 28th regime or the need for a unified legal framework for businesses. The conclusions referred to the harmonisation of relevant aspects of national corporate insolvency frameworks only – an ongoing [legislative procedure](#).

In its [conclusions on competitiveness and the twin transition](#) of 23 October 2025, the European Council reiterated the urgent need to 'advance an ambitious and horizontally-driven simplification and better regulation agenda' to 'ensure' the EU's competitiveness'. It urged that work be accelerated – 'as a matter of utmost priority' – on all files with a simplification or competitiveness dimension, and called on the Commission to propose 'without delay' an 'optional 28th company law regime allowing innovative companies to scale up'.

## Stakeholders' views

A [study](#) by Ecorys and the Centre for European Policy Study (CEPS) – commissioned by the European Economic and Social Committee and published in October 2025 – provides a comprehensive analysis of the concept, rationale, historical evolution, and prospects of the 28th regime in EU law. It puts forward a 'roadmap for an optional 28th regime', including 14 recommendations to guide the design and implementation of a 28th regime. It invites the Commission and the co-legislators to ensure its existence as a complementary option in all Member State jurisdictions, and to guarantee sound definitions and an incremental approach that would extend its scope based on evidence.

The 28th regime initiative is widely welcomed by industry representative organisations as a way of simplifying rules for firms, with some reservations, mostly in relation to large *versus* small companies. Other organisations are particularly concerned about the 'forum shopping' such a new regime may create, which could affect domestic laws, such as those on labour and taxation.

[Digital Europe](#)<sup>2</sup> supports the 28th regime and emphasises that it should not include eligibility criteria or capital requirements, but should ensure fast (less than 48 hours) and fully digital incorporation. It should have standardised model documents, such as shareholder agreements, and ownership structures and business models should remain open. On conflict resolution, Digital Europe supports the introduction of a specialised court and conflict resolution mechanisms, with English-language options available, and aligned insolvency procedures.

In its position paper of September 2025, [BusinessEurope](#) notes that it has always called for the establishment of a single corporate legal regime. The regime should be an optional EU company law instrument, supplementing existing national frameworks without harmonising or disrupting Member States' company laws or governance models. It could be inspired by previous EU company forms, such as the European Company (see Box 2), with a view to facilitating better access to Member States' markets for any person, natural or legal, that would like to create a business or conduct business. It should be primarily for start-ups, scale-ups, and SMEs, although it would remain open to all company types, allow formation by natural persons, and minimise reliance on national laws –

and would preferably be established through a regulation or a fully harmonising directive. However, the regime should exclude labour, insolvency, and tax matters, determining applicable law by place of registration, and allow company transfers across Member States without dissolution.

[Allied For Startups](#) expressed its support for the 28th regime in a position paper of 1 October 2025. In a [joint letter](#) of 17 October 2025, Allied For Startups, EU-INC, the European Startup Network and other representation organisations for start-ups expressed their support for the 28th regime, and stated that regulation is the only way to ensure a 'single, unified framework' in the EU and prevent fragmentation.

In their position paper of 8 October 2025, the [European Business and Innovation Centre Network](#) (EBN)<sup>3</sup> supports the establishment of the 28th regime, which 'must serve as the cornerstone' for simplification. EBN emphasises the complexity and costs associated with incorporating and operating companies across the EU, due to the fragmentation of national rules, and that these discourage growth of businesses. Its key suggestions include the adoption of a regulation – i.e. not a directive – and the establishment of a digital-first lifecycle that provides for incorporation, management and closure entirely online via an EU Registry, with full cross-border eID recognition. The network also calls for the introduction of 'standardised EU-wide investment and talent instruments'.

A policy brief published in September 2025 by the [European Trade Union Institute](#) (ETUI)<sup>4</sup> suggests that the 28th regime is unnecessary and potentially harmful to labour rights. The brief is concerned that firms would be enabled to opt in to a framework that is less favourable to labour protection ('forum shopping'), and that the new business code would have a negative impact on domestic labour standards. They are also concerned by the creation of loopholes and 'letterbox' companies, similar to the experience with the European Company, according to the author. Finally, ETUI argues that there is no real need for such a framework in the current EU legal framework. For this reason, the policy brief calls for precise eligibility criteria for 'innovative' firms, anti-abuse rules to prevent shell companies, and robust safeguards for worker participation and collective bargaining. ETUI's position is supported by other labour representation organisations, such as [UNI-Europa](#).

## MAIN REFERENCES

Dickens, C., [Establishment of the SE Company: An Overview over the Provisions Governing the Formation of the European Company](#), *European Business Law Review* 18(6), 2007.

Fernandes, M., Jančová, L. and Baumgaertel, M., [Scaling up European innovation: What is the potential European added value of a 28th regime?](#), EPRS, European Parliament, June 2025.

Thomadakis, A. and Marcus, J., [Identification of hurdles that companies, especially innovative start-ups, face in the EU justifying the need for a 28th Regime](#), Study for the JURI committee, Policy Department for Justice, Civil Liberties and Institutional Affairs, European Parliament, July 2025.

JURI committee workshop, [The 28th Regime: a new legal framework for innovative companies](#), June 2025.

## ENDNOTES

- <sup>1</sup> See: [Verbatim report of proceedings](#), 7 October 2025.
- <sup>2</sup> [Digital Europe](#) is a trade association representing EU 'digitally transforming industries', representing 45 000 businesses who 'operate and invest in the EU' and 41 national trade associations in the EU.
- <sup>3</sup> The [European Business and Innovation Centre Network](#) (EBN) is a not-for-profit body serving a pan-European, global community of people that use innovative business as a driver for regional (economic) development. EBN's initiatives include EUJIBC certification, development and distribution of quality business support programmes, facilitation and initiation of project collaborations, global networking, and advocacy for excellent business support actors like the EUJIBCs.
- <sup>4</sup> [ETUI](#) is the research and training centre of the European Trade Union Confederation ([ETUC](#)), which itself affiliates European trade unions into a single European umbrella organisation.

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