



EU-Inc Policy Proposal

An industry blueprint for the upcoming 28th regime

Europe, December 1st, 2024

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This document proposes practical details of an EU-Inc under a 28th regime as described per the EU-Inc.org petition and other policy initiatives. It outlines a standardized corporate structure for a new digital holding company, a digital registry, a management dashboard, a new investment instrument called EU-FAST and a new EU-wide employee share option scheme - EU-ESOP. It also addresses some of the key aspects of taxation and employment in the context of the EU-Inc.

Key takeaways:

- **Standardized company structure:** EU-Inc aims to create a single, EU-wide company type with harmonised corporate governance, capital and share capital maintenance rules.
- **Digital-first approach:** A fully online registry, dashboard, and standardized investment documents will streamline incorporation, and management.
- **EU-FAST investment:** A new, standard, open source investment instrument inspired by convertible instruments such as SAFEs and BSA AIRs which will facilitate early-stage funding.
- **EU-ESOP:** EU-wide employee share option scheme with standardised rules will help attract and retain talent.

This proposal is open for feedback and collaboration on our notion page [here](#), with the ultimate goal of submitting it to the European Commission.

This proposal aims to build upon existing discussions and research on the 28th regime approach, such as the recognised publication of France Digitale, and offers additional insights and practical solutions, drawing largely from existing best practices within the EU and beyond.

Disclaimer

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This document is based on information and legal frameworks available at the time of drafting. While efforts have been made to ensure accuracy, some data or regulations may have since been updated or amended. As such, we cannot guarantee the completeness or accuracy of the information provided. Users should verify the current status of legal, regulatory, or factual details before relying on this proposal, which is intended for informational purposes only and not as a substitute for professional legal advice.

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1. Introduction to EU-Inc

Despite the European Union (the “EU”) single market principle, businesses still face cross-border challenges due to fragmented markets and varying regulations. This document introduces EU-Inc (referred to here as the “company” or “entity”)—a digital-first company structure designed to address these obstacles.¹

The EU-Inc represents an entity where corporate governance, the roles of members (such as shareholders and directors), and their relationships are governed by a standardized set of rules established under EU regulations. This framework, as part of the “28th regime,” provides a single, consistent set of rules that apply to EU-Inc. While the “28th regime,” could theoretically allow the EU-Inc to adopt a standard EU-level approach to taxation, the sovereignty of individual members of the EU (the “**Member State/s**”) over choosing their own tax rates, tax collection and enforcement remains intact. For operational activities - such as selling products, engaging clients, hiring and managing employees, and paying operational taxes - EU-Inc must comply with the national laws of each Member State in which it operates.

EU-Inc, together with a new proposed regulatory framework and supporting tools, seeks to create an ecosystem that facilitates (1) EU cross-border operations, (2) attracts talent, (3) draws investment, (4) reduces administrative burdens and (5) strengthens European identity for the next generation of European modern companies. By promoting accountability, predictability, and simplicity for founders and investors, EU-Inc aims to enhance the competitiveness of Europe’s startups and attract greater private capital investment into the region’s innovative enterprises. EU-Inc is a central feature of the proposed “28th regime” rulebook and code of business law helping streamline regulations for companies across the EU.

The EU-Inc proposal is built upon four key pillars:

1. **Core Corporate Principles:** This pillar lays out (1) a proposed approach to unified EU regulatory framework for the formation, maintenance, management, and capital access for companies and (2) it introduces several digital-first tools based on best practices globally to facilitate incorporation, simplify its process, and further encourage capital at speed:
 - a. **EU-Inc:** This a new EU-wide digital-first company structure;
 - b. **EU-REGISTRY:** This is an online, digital only registry with a fully open API² and connectable with third party tools.
 - c. **EU-DASHBOARD:** An optional, webtool to communicate with the EU- Registry, with tools for entity and share capital management;
 - d. **EU-FAST** (the “European Union Fast Advanced Subscription Template”): This is an open-source early-stage investment instrument, based on convertible notes, inspired by models such as the ASA³, French BSA AIR⁴ and SAFE⁵;

¹ [Legal obstacles in Member States to Single Market rules](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/658189/IPOL_STU(2020)658189_EN.pdf)
([https://www.europarl.europa.eu/RegData/etudes/STUD/2020/658189/IPOL_STU\(2020\)658189_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/658189/IPOL_STU(2020)658189_EN.pdf))

² Application Programming Interface

³ Advanced Subscription Agreement

⁴ Bons de Souscription d'Actions à Imposer au Régime Fiscal

⁵ Simple Agreements for Future Equity

2. **Share Options:** This pillar proposes to create a new EU-level approach to share options, allowing companies established under the 28th regime to offer share options to employees across the full single market without facing 27 different legal frameworks. It introduces:
 - a. **EU-ESOP** (the “European Union Employee Share Option Pool”) to bolster European startups for a global competition for talent acquisition and retention.
3. **Taxation:** This pillar proposes a more consistent and balanced approach to tax rules, ensuring fair treatment for companies scaling internationally and integrating EU-Inc with local tax regimes without impeding on Member State tax sovereignty, and
4. **Employment:** This pillar provides recommendations on key employment-related aspects.

This proposal outlines the corporate framework and the digital-first official registry as the foundations for the “**28th regime**”, with governing laws structured under key pillars. These pillars are supported by new proposed practical tools designed to enhance efficiency, streamline administration, foster entrepreneurship, and strengthen the ecosystem for modern companies.

This proposal aims to build upon existing discussions and research on the 28th Regime approach, such as the recognised publication of France Digitale⁶, and offers additional insights and practical solutions, drawing largely from existing best practices within the EU and beyond.

⁶ [France-Digitale-Non-Paper-28-Regime-2024](https://media.francedigitale.org/app/uploads/prod/2024/10/23104352/France-Digitale-Non-Paper-28-Regime-2024.pdf)
(<https://media.francedigitale.org/app/uploads/prod/2024/10/23104352/France-Digitale-Non-Paper-28-Regime-2024.pdf>)

Why not SE (European Company)?

The Societas Europaea (the “SE”), or European public limited-liability company, was introduced to foster cross-border business integration and strengthen the EU single market. Envisioned in the late 1950s and legislated in 2004, the SE aimed to overcome legal obstacles posed by varying national laws and enhance international competitiveness. Despite its potential, the SE has faced limited adoption especially in the context of modern European companies. Challenges such as complex setup requirements, high administrative costs, and lack of harmonisation across Member States have hindered its success, making it less attractive for businesses seeking efficient cross-border operations.

Considerations for Start-ups and Scale-ups:

- **Complexity, Cost Capital and Administrative Strain:** The formation and maintenance of an SE involve significant legal, administrative, and financial commitments. The €120,000 minimum capital requirement can be a high barrier for early-stage businesses, and the associated administrative burden may divert resources away from core business development and growth. Even for scale-ups, the administrative costs associated with maintaining an SE, coupled with the capital requirement, can strain resources that could be better allocated toward expansion or innovation. The dual burden of compliance and management may slow down operational efficiency.
- **Governance and Reporting Requirements:** The mandatory governance structure and detailed reporting obligations inherent in the SE model may create additional overhead, particularly for smaller teams. This can reduce operational flexibility, which is crucial for businesses at the start-up or scale-up stage, where agility and rapid decision-making are often key to success.
- **Flexibility and Scalability:** While the SE is well-suited to large, cross-border enterprises, its rigid structure may not align with the evolving needs of start-ups or scale-ups. These companies typically prioritize market entry and expansion over managing complex multinational structures, which may not be the focus at early or mid-stage growth.
- **Employee Participation Framework:** The SE’s mandatory employee participation rules can complicate decision-making, particularly in competitive industries where quick strategic decisions are crucial. This may be more manageable for larger enterprises, but for smaller or fast-growing companies, these rules may add an additional layer of complexity.
- **Lack of Digital Accessibility and Ecosystem Support:** One of the key limitations of the SE framework is the absence of a robust online ecosystem to support its adoption and management. There is no centralised digital infrastructure to simplify processes

like ultimate beneficial ownership (the “**UBO**”) verification, Know Your Customer (the “**KYC**”) procedures, or investment facilitation. For businesses seeking to streamline operations, the lack of digital tools and third-party services built around the SE model presents a significant inefficiency. A more accessible digital ecosystem could ease the administrative burden, provide a trusted source of information, and enable businesses to manage compliance and governance effectively while promoting greater trust and transparency.

The EU-Inc model:

- is designed to address most of these concerns, offering greater flexibility, lower entry barriers, and a streamlined governance structure that could be more conducive to the needs of start-ups and growing businesses.
- allows for more efficient use of resources and provides a simpler framework for navigating cross-border operations, making it a potentially more attractive option for companies with international aspirations.
- seeks to establish a globally competitive entity that rivals structures like the Delaware system (please see [Appendix I](#) for an overview of key competitive factors of the Delaware system).

Please see an indicative comparison of key differences between the proposed new structure EU-Inc and SE in [Appendix II](#)

Pillar 1: Core Corporate Principles

This section outlines the legal structure of the EU-Inc and introduces the proposed digital-first tools designed to support and enhance its operations.

Section 1 Proposed Legal Structure of the EU-Inc

Current Dilemma

Establishing and scaling businesses across Europe presents unique challenges, particularly due to the fragmented nature of governance systems and inconsistencies in corporate regulations. Unlike regions with more integrated frameworks such as the US, Europe's lack of uniformity creates hurdles for cross-border investments and efficient operational growth.

This fragmentation often leaves individual Member States competing in isolation on the global stage, impacting the ability to attract investment, foster talent mobility, and drive innovation at scale.

EU-Inc provides a potential solution: a digital-first corporate framework designed to streamline governance, simplify cross-border operations, and reduce administrative burdens - allowing for the effective operation of the EU Single Market.

With tools like the EU-Registry, EU-Dashboard, and EU-ESOP, this approach aims to create a more predictable and efficient business environment, while respecting Member States' sovereignty over taxation and domestic laws. It supports innovation and strengthens Europe's competitiveness in the global economy.

Section 1.1 Legal Structure

- **Entity Type:** The EU-Inc will be registered as a private, share-based limited liability company. This status protects shareholders' personal assets from the company's liabilities, limiting their financial exposure to the amount invested in shares.

- **Governing law of the corporate structure of EU-Inc:**
 - **Legislative implementation through EU Regulation:** The formation and operation of EU-Inc will be governed by a future regulation established by the European Union under the "28th regime". EU regulations are directly applicable in all EU Member States. This means they automatically become part of national law without the need for transposition (passing corresponding national legislation). As such, they have binding force across the entire EU and ensure uniformity by applying the same legal standards throughout all Member States.

 - **Regulation vs Directive:** Opting for a "Regulation" will ensure standardisation and harmonization for the corporate framework whereas opting for "Directive" would likely result in fragmentation and uncertainty to applicable rules and legislation surrounding the EU-Inc, reducing entrepreneurs' confidence and speed.

- **Dispute Resolution:** The corporate framework governing the EU-Inc shall be subject to the national courts of the jurisdiction chosen as corporate seat (registered address) by the EU-Inc, which will enforce the 28th regime EU regulations with complex matters referred to specialised EU corporate court. Disputes should first be resolved through alternative dispute resolution methods to ensure a cost-effective solution for all parties. If a resolution cannot be reached through these means, the matter will then proceed to the relevant national courts. Ideally, a dedicated EU-wide fast-track court system specialised in EU-

Inc's matters should be established for cases related to the 28th regime to ensure fair, swift, proportional, and efficient outcome.

- **Corporate/Business Law framework:** The core framework and corporate structure for governance of EU-Inc is attached to this document in [Appendix III](#) (“**28th regime Core Corporate Framework**”).
- **Entity composition:** The company must have at least one shareholder (corporate or individual person) and one director.
- **Corporate Governance:**
 - **Articles of Association of the Company:** The internal governance rules, including shareholder rights, director responsibilities, and decision-making processes, will be codified in the company’s model Articles of Association.
 - **Shareholders agreement:** Certain rights may be recorded in a separate agreement as agreed between the relevant shareholders.
- **Decision-Making Process**
 - **Resolutions and Voting:** The option to execute resolutions and votes is available through traditional methods, such as written resolutions, or via the EU-Dashboard or third-party tools. Written resolutions can be directly filed with the EU-Registry, or alternatively, resolutions can be submitted through the EU-Dashboard or third-party tools, which are connected to the EU-Registry via API.
 - **Document execution:** Contracts can be signed by authorised individuals, such as a director, and electronic signatures are generally valid when executed through a recognised electronic platform that clearly demonstrates agreement and intent.

Section 1.2 Capital Requirements

- **Minimum Capital:** There shall be no minimum capital requirement, ensuring accessibility for startups and small businesses.
- **Share Structure:**
 - **Nominal Value and Premiums:** Shares may have a nominal value, but this will not dictate a minimum investment. Any premiums above nominal value can be established to reflect market conditions.
 - **Types of Shares:** The company may issue different classes of shares (e.g., ordinary shares, preference shares) with varying rights such as dividends, voting, conversion and liquidation preferences.

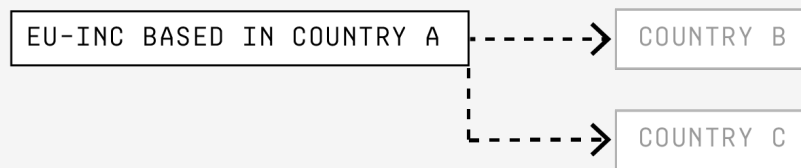
Section 1.3 Registered Office

- **Location:** The EU-Inc must establish its registered office in one EU Member State, serving as the official legal address for correspondence and regulatory compliance.

The EU’s Single Market Principles allow for entities to freely provide services and trade goods

across Member States⁷. For more permanent operations such as employing, an EU-Inc can instead establish a branch in another Member State. Visually:

A.



B.



In **Scenario A**, the EU-Inc has its operations in its country of incorporation, Country A. The entity can freely trade and provide services across the European Union. The dotted lines illustrate countries with which the entity has more permanent and regular dealings, but not recurring enough to warrant the employment of local employees.

In **Scenario B**, the EU-Inc has substantial operations in Countries B and C, including local teams. To that effect, the EU-Inc registers a branch, obtaining local tax and social security numbers, allowing them to directly employ the local team.

In both Scenarios, the EU-Inc's Governance is centered in Country A.

Section 1.4 Regime Corporate Framework

- A more detailed proposed corporate framework and the core corporate structure are provided in [Appendix III](#) of this EU-Inc proposal (the '**EU-Inc Regime Core Corporate Framework**'). This framework is intended to offer guidance and recommendations based on best practices identified in various EU Member States and some common law jurisdictions such as UK and Delaware, rather than presenting specific legislative language.

⁷ [Treaty on the Functioning of the European Union](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A12012E%2FTXT) (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A12012E%2FTXT)

Example

The EU-Inc would be a digital first, European type of entity. The standardized and harmonized set of corporate rules that establish this entity would allow all involved parties to deal with certainty surrounding the entity's governance, their duties, ownership and rights. The entity's operations, employment and taxation would be subject to the Member State's laws and/or applicable EU legislation.

Section 2 Enabling tools: Powering the EU-Inc

EU-Inc will be powered by its key enabling tools: EU-Registry, EU-Dashboard and EU-FAST. Please see below the overview of each.

Section 2.1 The EU-REGISTRY

EU-Registry:

- Will be a fully online, centralized, API-first, English-first, digital registry with designated EU public authority.
- Will be composed of a college of registration officers from each Member State, that will allow the EU-Inc to perform entity related filings digitally.

Key characteristics

- **Open API as a Principle:** allowing for third-party solutions to communicate with the registry, and allowing users to opt for another “front-end” for managing their entity.
- **Based on the “once only principle”:** Incorporating an EU-Inc should allow the entity and its actors to identify themselves before any authority without having to perform further registrations, or a bare minimum of these. The open API nature of the EU-Registry would also allow banks and financial institutions to be granted access for KYC purposes.
- **Fully Digital Incorporation:** The entire process will be carried out digitally, enabling incorporators to register, verify their identities, and complete all necessary formalities online. The digital nature of the process will allow for it to be fast and cost effective i.e incorporation fee under 100 EUR, under 24h.
- **Identity Verification:** Incorporators will be able to verify their identity directly through the EU-Registry, or alternatively, they can log in via an external service that has already authenticated their identity (e.g., eIDAS login, or in some EU Member States, banking logins that provide access to public services).

- **Simple and Guided Registration:** The registration process will be intuitive, with clear steps to fill in necessary details via an online form. This will include the entity's name, address, names of founders, shareholders, and board members. The system will be designed to guide users through the process seamlessly, following modern, mobile friendly UX principles.
- **Standardized Documents:** Standardized documents such as articles of incorporation, share transfer agreements, resolutions would allow for fast execution and qualification by the EU-Registry.
- **Electronic Signature Requirement:** If required, a Qualified Electronic Signature (QES) should be used to finalize the process. However, this will only be necessary if the EU-Registry adheres to open standards and recognises third-party private QES providers listed on the EU's Trusted Provider List⁸, rather than requiring signatures from state-owned Qualified Trust Service Providers.
- **EU-Registry and Competent Authority:** The EU-Registry will serve as the competent authority, empowered to control legality and bestow public good faith on the documents that are filed.
- **Real-Time and Accessible Extracts:** The EU-Registry will provide real-time, up-to-date company extracts, which can be accessed by those who have been granted access via a unique code. This access code will provide the same functionality as a physical, certified registry extract, but with the added flexibility of being digital. An open API should allow for third party software used by the EU-Inc to access information in a safe and secure manner in alignment with EU data rules.
- **Access Control and Revocation:** The EU-Registry will allow the entity to track and control who was granted access codes to the registry extracts. The entity should also have the ability to revoke access at any time or set an expiration period for automatic revocation.

EU Legislation supporting an EU-Registry and best practices

Directives (EU) 2017/1132 and (EU) 2019/1151 mark significant first steps towards harmonization of company law, as well as the digitalization of procedures.

However, given their nature as Directives, a cohesive and predictable pattern was not achieved within the EU. Whereas Member States such as Portugal and Estonia can be applauded for their complete digitalization and simplification of online company formation procedures, allowing for example electronic identity verification and signatures, other Member States opted for maintaining the requirement of intervention by a certifying party i.e notary, albeit through videoconference.

⁸ [EU's Trusted Provider List](https://eidas.ec.europa.eu/efda/trust-services/browse/eidas/tls) (https://eidas.ec.europa.eu/efda/trust-services/browse/eidas/tls)

Section 2.2 EU-Dashboard

EU-Dashboard:

- will be an optional “minimum specification” central platform for communication with the EU-Registry.
- will be a one stop shop for all entity management tasks.

Key characteristics

- **Document Creation:** Admin can create essential company documents like resolutions and general meeting agendas, or upload externally drafted documents.
- **Share Transactions:** Should the company wish to sell or buy shares they can do this through a contract or directly within the EU-Dashboard by issuing and confirming the purchase. The EU-Dashboard will sync the transfer with the EU-Registry through API, keeping it up-to-date.
 - When using the Dashboard, the admin can use a guided form system, only having to fill out details such as seller, buyer, etc and number of shares being sold and price. The system will then generate a final contract, which the parties can sign digitally.
 - The EU-Dashboard will store the contract and will be able to generate a certified version, providing legal proof of the transaction.
 - When shares are transferred via the guided form system, the cap table will automatically update and recalculate ownership percentages.
 - If a share transfer is done through an external contract, the document can be uploaded to the EU-Dashboard. The EU-Dashboard admin will then update the cap table once the transaction is completed.
- **Cap Table management and Share Certificates:** Cap table simulations and calculations can be run on the EU-Dashboard, as well as issuing share certificates directly on it, or through a third-party cap table management tool.
- **EU-FAST Instruments:** For instruments like the EU-FAST (please see section 3.3 below), the EU-Dashboard can pre-calculate the ownership percentages for founders after a hypothetical funding round, allowing them to track their commitments before completing the share issuance.

Example

EU-Inc “ABC” is a brand new company. The founders have been advised that they need to deliberate on some strategic matters, and to do so through a board resolution. Not being entirely familiar with the procedures, they would turn to the EU-Dashboard, and follow a resolution wizard where they choose the type of resolution, name the points to be decided upon, and easily create a document that comes pre-filled with their entity’s information and appropriate formatting.

Five years later, “ABC” is now a large company, with a dedicated Legal department. The Legal department uses third party entity management software to draft and archive resolutions. This software would communicate directly with the EU-Inc’s API and automatically pull the entity’s data, as well as sync information both ways as necessary.

Section 2.3 EU-FAST (European Union Fast Advanced Subscription Template)

EU-FAST

- Will be a streamlined, open-source template designed for companies to attract early-stage investment, similar to BSA AIR⁹, convertible loan notes, and SAFEs¹⁰. It is not a debt instrument.
- Will be a standard form, which shall be available on the official EU-Inc;s website and must remain unchanged.
- Stands for European Union Fast Advanced Subscription Template. It will be a convertible investment instrument that allows investors to subscribe for shares in advance of their actual issuance, thereby providing the company with capital before a formal share sale and the closing of an investment round.
- Is the first instrument that combines speed, simplicity, and low costs, while offering the benefits of convertible loan notes, BSA AIR¹¹, and SAFEs¹².
- Facilitates the "Europeanisation" of investments for modern companies. By standardizing company structures across Europe, it simplifies cross-border investments, making it easier for individual and institutional investors, both European and international, to invest in startups. As a result, it should foster a more competitive and transparent investment landscape for founders and investors across the EU with

⁹ Bons de Souscription d'Actions à Imposer au Régime Fiscal

¹⁰ Simple Agreements for Future Equity

¹¹ Bons de Souscription d'Actions à Imposer au Régime Fiscal

¹² Simple Agreements for Future Equity

an ultimate result to streamline equity-based investment for pan-European modern companies, similar to the well-established models used in the UK (BVCA)¹³ and the US (NVCA)¹⁴.

Key Characteristics

- **Convertible Investment Instrument:** EU FAST will be a convertible security, not a debt instrument.
- **Advance Funds for Future Equity Subscription:** It will enable companies to receive funds upfront, which will later convert into equity upon a qualifying event.
- **Flexible Conversion:** The instrument only converts into equity upon a qualifying triggering event, such as the next round of financing.
- **Commercial Terms:** Investment terms can be based on a valuation cap or at a discount on the equity price determined during the next qualifying financing round. *By default, EU FAST will use a post-money valuation.*
- **No Maturity or Long Stop Date:** There will be no set maturity or long stop date for the EU FAST instrument.
- **Additional Investor Rights:** Any additional investor rights, such as pre-emption or information rights, can be outlined and agreed upon in a side letter.
- **Jurisdiction:** The jurisdiction for disputes related to the EU FAST will primarily be determined by the location of its registered address. While the EU regulations governing the EU-Inc's corporate structure require compliance across all Member States, any disputes that cannot be resolved through the applicable regulations in a specific Member State should be addressed in that state. Please see [Section 1.1](#) for more information on governing law and dispute resolution.
- **An outline of the proposed EU-FAST + Side Letter will be shared in future iterations.**

¹³ [British Venture Capital Association](https://www.bvca.co.uk/Policy/Industry-guidance-standardised-documents/Model-documents-for-early-stage-investments) (https://www.bvca.co.uk/Policy/Industry-guidance-standardised-documents/Model-documents-for-early-stage-investments)

¹⁴ [National Venture Capital Association](https://nvca.org/) (https://nvca.org/)

Why is the EU-FAST not a convertible loan note agreement?

The EU-FAST would be a new alternative investment instrument designed to combine the benefits of existing early-stage funding options subject to future EU regulations.

Convertible loan notes are commonly used in startup financing as they allow debt to convert into equity, offering speed and simplicity. However, in certain EU countries, convertible notes are heavily regulated, which can create barriers when converting debt to equity. Recognizing these challenges, the EU-FAST has been developed as a simplified subscription agreement—drawing inspiration from instruments like the BSA AIR¹⁵, Advanced Subscription Agreement, or YC SAFE¹⁶. Importantly, the EU-FAST differs in that it would accrue no interest and have no maturity date, making it a flexible, forward-looking tool while supporting a standardised, efficient approach to early-stage investment across Europe. That being said, we believe there is nothing that should prevent EU-Inc from accepting other investment instruments that are widely used across Europe provided they comply with the future EU regulations governing the affairs of such entities.

¹⁵ Bons de Souscription d'Actions à Imposer au Régime Fiscal

¹⁶ Simple Agreements for Future Equity

Examples of similar instruments globally:

- **SAFE (US):** is a legal future-equity agreement. Developed by Y Combinator in 2013, the SAFE was designed as a simpler, founder-friendly alternative to convertible notes for early-stage startup investment widely adopted globally as standard investment documents including in Europe. Templates of SAFEs can be found [here](#).
- **Advanced Subscription Agreement (UK):** Allows investors to pre-purchase shares in a future round, simplifying investment without debt.
- **BSA AIR¹⁷ (France):** A form of hybrid financial instrument (warrant) allowing investors to convert investments into shares at a later stage inspired by US SAFE), based on a future funding round. It offers a discount or valuation cap. An example template can be found at [Seedcamp](#).
- **Convertible Loan Note (Germany, UK):** A debt instrument that converts into equity in a later round, with a discount or valuation cap. It's commonly used for early-stage financing. For more information, visit Orrick's [Legal Ninja Snapshot](#).

¹⁷ Bons de Souscription d'Actions à Imposer au Régime Fiscal

Example

A German investor is interested in investing in your EU-Inc, which has a registered address in the Netherlands. You have agreed on a post-money valuation for the investment. Using the open-sourced EU-FAST available on the EU-Inc website, you would be able to download the template, update it with the relevant investor and company details, specify the post-money valuation, and sign the document electronically. The investor would then wire the funds directly to the company.

This arrangement constitutes a future or advanced subscription for shares, as the EU-FAST will only convert upon a Financing Round, Liquidity Event, or Dissolution Event (unless repayment under Dissolution Event is elected).

Note: The EU-FAST aspires to be a practical, pan-European tool for early-stage investments. However, its implementation as a standardized tool will depend on its adoption and the ecosystem's willingness to collaborate.

Pillar 2. Share Options

EU-ESOP (European Union Employee Share Option Pool)

This section provides an introduction to the EU-ESOP, an EU-wide primary employee share option scheme, and recommendations for the approach to the key components of the scheme based on research on existing best practices in the EU.

Current Dilemma

The EU-ESOP addresses the challenges modern companies face in attracting and retaining top talent by offering a competitive, standardized employee share option scheme across the EU. It allows businesses to overcome inconsistencies between national regimes, simplifies cross-border operations, and provides employees with clear advantages when participating in the startup ecosystem.

This unified approach ensures fairness, reduces administrative complexity, and enhances the ability of the European companies and market to compete globally for skilled workers.

EU-ESOP

- Will be an EU-backed employee share option scheme designed to help smaller, high-growth companies attract and retain talent;
- Will be subject to the future EU Regulation regarding the 28th regime, which will outline the rules to be followed in order to grant such options, as well as the terms set out in the contractual agreement between the company and the employee;
- Will offer significant advantages to employees when they acquire share options in early-stage companies through the scheme;
- Does not impact the sovereign right of Member States to choose their own taxation rates, nor does it impact any already existing domestic ESOP regimes available to European businesses.

Key Characteristics:

The following outlines key recommendations for each component/characteristic of the scheme, which are essential to establish an effective, growth-focused EU-ESOP drawing largely from already existing best practices within the EU. They address the recognition of the type of benefit received, timing of taxation, employee and company eligibility, shareholder rights, and other crucial aspects for a balanced ESOP. For a comprehensive analysis of the current practices within the EU, please refer to [Appendix IV](#) and a more detailed comparative data across EU jurisdictions in [Appendix V](#).

Component	Recommendation	Rationale/Examples
Recognition as capital gains	Profit received by employees via the sale of EU ESOP shares will be recognised as a capital gain (and thus be taxed at a capital gains rate - whatever that rate is in each Member State)	Empowers European startups to compete for the best talent globally during early stage company building and motivates employees to engage in equity participation. Example: France’s BSPCE scheme. This does not impact Member State competency and their sovereign right to choose rates of taxation, instead recognises that profit received from the sale of EU ESOPs should be seen as a capital gain, not as income.
Timing of Tax	Employees will only be faced with a tax event at the point of sale. This event will also be able to be delayed further in situations such as a restructuring, exchange of shares, contributions.	Encourages employees to retain ownership longer, aligning interests with company growth. Examples: Latvia and Portugal avoid immediate tax burdens. Employees receive no capital gain at any point prior to point of sale. As long as the proposal recognises that the only benefit the employees receive through the EU ESOP is the capital gain at point of sale, it becomes clear that there should be no tax event prior to that.
Holding Terms and Conditions for Early Exercise	EU-ESOP will require a minimum holding period of 1-3 years before beneficial exercise (where holding period is not met due to specific factors such as an acquisition, undue termination or death, the beneficial treatment will remain).	Balances retention and flexibility. Example: Estonia’s 3-year holding period for favorable tax treatment encourages long-term commitment.
Company Size and Eligibility Limits	<p>Best case: EU-ESOP will be open to all companies incorporated under the 28th regime.</p> <p>Mean case: EU-ESOP will have a focus on early stage startups and Small Medium Enterprises (the “SMEs”). This could be defined based on specific gross asset, revenue or employee headcount thresholds. If this approach is followed, we would recommend assessing the need for additional employee ownership schemes for companies that surpass the thresholds set under the EU-ESOP.</p>	Supports talent acquisition and retention for early-stage businesses throughout their growth journey. Example: UK and Ireland models support a broader range of businesses, not just micro-companies.

Employee Eligibility	EU-ESOP will be available for all employees and key contractors, excluding peripheral consultants.	Ensures key contributors participate, motivating the workforce without diluting the program. Example: Ireland's inclusive approach for employees and key contractors.
Shareholder Rights upon Exercise of Options	EU-ESOP options will convert to non-voting shares upon exercise of options.	Preserves governance control enabling quick decision making process for the company while employees share in company growth. Example: France's BSPCE program maintains control for founders and primary investors.
Dividend Rights upon exercise	Employees will receive dividends on non-voting shares, aligned with market conditions and company profitability.	Fosters a sense of ownership. Example: France's approach ensures employees share in profits without diluting control.

Conclusion

EU-ESOP

- will be designed around the best and most optimal employee incentives practices already established across the EU. The focus should be on creating a scheme that is both attractive and competitive, aimed at attracting and retaining top talent;
- will be subscribed for directly through EU-Inc by any eligible person;
- will benefit from a standardised European equivalent to the U.S. 409A valuation method under the 28th regime. This will be adopted to ensure tax compliance and enhance the competitiveness of European startups. The 409A method offers a reliable, market-driven approach to valuing private company shares, crucial for accurately determining the value of employee share options and equity awards. By using this "**Safe Harbour**" method, startups can avoid penalties for undervaluation and build employee confidence in their share options, making employee share option plans more effective in fostering long-term commitment and innovation;
- May need to be complemented by additional schemes to support companies in later stages of growth if EU-ESOP has a focus on early-stage companies (mean case approach). In either case, the aim is to empower companies to attract talent during their most capital-constrained phases and at each stage of the company's growth stage.

Example

Imagine a promising tech startup, "InnovateTech," incorporated as an EU-Inc entity in Berlin. They've just secured seed funding and are ready to expand their development team. To attract top talent, InnovateTech decided to implement the EU-ESOP scheme.

Anna, a talented software engineer from Amsterdam, the Netherlands, is excited to join InnovateTech. She's impressed by their innovative project and the opportunity to be part of a growing company. During her job offer discussions, InnovateTech presents her with an EU-ESOP grant alongside her salary package.

Here's how the EU-ESOP grant would work for Anna:

Grant: InnovateTech grants Anna options to purchase 2,000 shares of the company at a predetermined price, called the "exercise price" or "strike price." This price is determined based on a Safe Harbour valuation of the company.

Vesting Period: Anna's options are subject to a vesting schedule, typically over four years. This means she earns the right to exercise a portion of her options each year she remains with the company. For instance, 25% of her options could vest each year.

Tax: Under the proposed EU-ESOP rules, Anna wouldn't face any tax liability at the time of grant or exercise. She would only be taxed when she eventually sells her shares, and this profit would be treated as a capital gain. Without these rules, Anna would face dry taxation on a benefit that she may never receive. This approach therefore defers her tax liability until she realizes a profit and taxes said profit at a capital gains rate.

Exercise: Once her options vest, Anna can choose to exercise them, meaning she can buy the shares at the predetermined exercise price. If InnovateTech is successful and the share price increases, Anna will profit from the difference between the exercise price and the market price when she sells her shares.

Shareholder Rights: Upon exercising her options, Anna receives non-voting shares. This structure protects the founders' and primary investors' control over the company's strategic direction.

Dividend Rights: Even though Anna holds non-voting shares, she would still be entitled to receive dividends. This allows her to participate in the company's profits and further incentivizes her to contribute to its growth.

The EU-ESOP grant helps align Anna's interests with the success of InnovateTech. The potential for future financial gain motivates her to work hard and contribute to the company's growth. It also encourages her to stay with InnovateTech, reducing employee turnover.

For InnovateTech, the EU-ESOP scheme is a powerful tool for attracting and retaining talent without a significant upfront financial burden. It offers a competitive advantage in the war for talent, particularly in the dynamic tech industry.

Pillar 3. Taxation

This section outlines the current taxation framework, its potential challenges for the EU-Inc model and presents recommendations to enhance efficiency and offers recommendations to improve efficiency and establish the EU-Inc as a credible and globally recognized entity.

Applicable Law and Current Dilemma

Tax systems rely on the concept of a "head office" or central management to determine a company's tax residency and liability. However, this model may present challenges for the EU-Inc, which is designed for seamless cross-border operations. Multiple jurisdictions may claim tax rights over the profits of an EU-Inc company, leading to potential double taxation, which creates uncertainty and could undermine the model's credibility.

Existing options for companies operating in multiple jurisdictions, such as establishing a Permanent Establishment (the "PE") or forming a local subsidiary, each have their own complexities. Defining a PE involves navigating detailed rules on activity duration, agents, and profit allocation, often leading to ambiguity. Managing multiple subsidiaries offers legal separation but introduces administrative burdens and increases compliance challenges, particularly in relation to diverse tax regulations and double taxation treaties.

Section 3.1 - The EU-Inc

The introduction of the EU-Inc entity is a step towards promoting more efficient cross-border business within the EU. This new entity type presents an opportunity to develop a system that is specifically tailored to the needs of businesses operating across multiple EU jurisdictions. While the "28th regime," could theoretically allow the EU-Inc to adopt a standard EU-level approach to taxation, the sovereignty of individual Member States over choosing their own tax rates, tax collection and enforcement remains intact. Whatever the approach, the tax framework should uphold the key principles of fairness, simplicity, and centralization to ensure predictability and growth while ensuring efficient revenue collection across multiple EU jurisdictions. This is achieved through the following:

- **Standardisation:** Existing EU-level directives and initiatives including Directive (EU) 2016/1164¹⁸, commonly referred to as the Anti-Tax Avoidance Directive ("ATAD Directive")¹⁹, Council Directive (EU) 2022/2523, and the Framework for Income

¹⁸ [Directive \(EU\) 2016/1164](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32016L1164) (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32016L1164)

¹⁹ [Council Directive \(EU\) 2022/2523](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02022L2523-20221222) (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02022L2523-20221222)

Taxation (BEFIT)²⁰ should be seen as best practice with respect to taxation frameworks. These initiatives are designed to simplify and standardise taxation within the European Union, promoting consistency and predictability, thereby establishing a level playing field across Member States.

- **Predictable tax system:** A predictable tax system that encourages investment, reduces unexpected liabilities, and ensures clear communication, efficient dispute resolution, and specialized tax courts.
- **Fair allocation of profits:** A transparent and consistent methodology for allocating profits based on where an EU-Inc entity conducts its business will ensure transparent, equitable taxation across jurisdictions. This could involve considering factors like headcount, assets, and sales in each jurisdiction, preventing disputes and ensuring fairness in taxation across Member States.
- **Centralized reporting:** A single reporting channel for tax obligations, which will allow the EU-Inc to share information with other relevant jurisdictions, reducing administrative complexity. Examples of successful centralized reporting systems include:
 - **BEFIT²¹ proposal**, which aims to simplify cross-border taxation by allowing businesses to report taxes in one EU member state;
 - **VAT One-Stop Shop²²**, which allows businesses selling digital services across the EU to file a single VAT return with their local tax authority, which then forwards the data to the relevant member states, reducing cross-border VAT compliance complexity.
- **Financial Advantages:**
 - Revisiting thresholds (e.g., ATAD CIT deductibility) creates an EU-wide standard, promoting centralized incentives.
 - Implementing a more **transparent and simplified withholding tax relief procedure**, potentially by expanding the scope of the FASTER Directive²³ to these entities or adopting a similar framework tailored to their needs.
 - Exploring tailored tax incentives and allowances for EU-Inc entities, potentially including allowances for equity increases such as the one proposed in the DEBRA Directive²⁴.

²⁰ [Framework for Income Taxation \(BEFIT\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023PC0532&%3Bqid=1700565513879) (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023PC0532&%3Bqid=1700565513879)

²¹ [Business in Europe: Framework for Income Taxation](https://taxation-customs.ec.europa.eu/taxation/business-taxation/business-europe-framework-income-taxation-befit_en) (https://taxation-customs.ec.europa.eu/taxation/business-taxation/business-europe-framework-income-taxation-befit_en)

²² [AT One-Stop Shop](https://vat-one-stop-shop.ec.europa.eu/index_en) (https://vat-one-stop-shop.ec.europa.eu/index_en)

²³ [VAT One-Stop Shop](https://vat-one-stop-shop.ec.europa.eu/index_en) (https://vat-one-stop-shop.ec.europa.eu/index_en)

²⁴ [Debt-Equity Bias Reduction Allowance](https://taxation-customs.ec.europa.eu/taxation/business-taxation/debt-equity-bias-reduction-allowance-debra_en) (https://taxation-customs.ec.europa.eu/taxation/business-taxation/debt-equity-bias-reduction-allowance-debra_en)

Pillar 4. Employment

This section outlines the key principles for addressing employment matters and proposes a balanced approach to employee involvement in the context of EU-Inc operations.

Applicable Law and Current Dilemma

In the context of EU-Inc, Member States shall retain autonomy in matters of employment law. The EU-Inc's purpose is to offer, among other factors, simplicity in its formation, and a predictable set of rules for governance and the relationship between shareholders and the board. It is not the purpose of the EU-Inc to derogate national laws, reduce fundamental rights, or serve as a mechanism for entities to sidestep compliance and obligations. As such, the EU-Inc should be subjected to the employment law of the country in which it operates, and in the event the entity has cross-border employees, those employees should be protected by the employment laws of their respective countries.

The challenge arises when modern companies, particularly high-growth start-ups, must act quickly in fast-paced environments to capitalize on business opportunities, raise capital, or pivot strategically. In such dynamic settings, extensive regulatory requirements related to employee participation and governance can introduce delays, potentially impeding timely decision-making.

This is especially true when complex processes are needed to ensure compliance with various employment laws. Therefore, the approach outlined in Section 2: "Approach to Employee Participation" seeks to strike a balance by promoting effective employee engagement that aligns with the principles set out in Article 27 of the EU Charter while maintaining flexibility for companies to operate efficiently and adapt swiftly to changing market conditions.

Section 4.1 Approach to Employee Participation

To achieve a balance between efficient decision-making and employee involvement, in line with Article 27 of the EU Charter²⁵, we propose a Tier 1 approach. This approach prioritises no automatic board-level participation while incorporating the following principles:

- **Employee Consultation:** Providing employees with the right to be informed and consulted, as outlined in Article 27 of the EU Charter, when triggered by a company reaching specific thresholds, this could include a certain number of employees or a particular level of revenue to ensure that consultation requirements are proportionate and targeted, without imposing undue burdens on smaller companies moving in fast-paced environments. It is important to clarify that this should not automatically imply board representation or voting rights, but rather focuses on ensuring employees are appropriately informed and consulted on key matters.

²⁵ [EU Charter of Fundamental Rights](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A12012P%2FTXT) (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A12012P%2FTXT)

- **Promoting a Collaborative Culture:** Fostering a culture of cooperation between employers and employees, based on mutual agreement rather than legal obligation. This approach allows businesses to remain flexible while also ensuring that employee voices are heard and considered where appropriate, aligned with the company's operational needs and growth.
- **Upholding Management Responsibility:** The management of the company should remain the responsibility of the Board, which has the duty to act in the best interests of the company. Shareholders, who take on the financial risk, should retain ultimate control. Employee involvement should be consultative, ensuring transparency and promoting cooperation, without hindering effective decision-making.

Example

EU-Inc “ABC” is a growing business operating across several EU member states. Originally a small family-run company, it now employs 500 people and generates a significant annual turnover.

Scenario 1: Reaching the Consultation Threshold

ABC’s management values both employee engagement and efficient decision-making at the board level. Under the proposed Tier 1 approach, formal employee consultation is required only once the company surpasses the agreed upon thresholds (e.g. employee headcount, revenue, etc.).

At this point, a consultative committee of employee representatives would be formed to advise on major decisions like investments and strategic changes. While the consultation is non-binding, the board would give careful consideration to employee input.

Scenario 2: Smaller Companies Below the Threshold

Before reaching these thresholds, ABC engages with employees informally, through newsletters, town halls, and occasional surveys, without the need for formal consultation. As the company grows, it recognizes the need for a more structured approach and follows the threshold guidelines for when this becomes necessary.

Benefits

- **Efficiency and flexibility:** Decision-making remains swift, while ensuring transparency and employee cooperation.
- **Proportionality:** Formal consultation is introduced only when the company reaches a size that justifies it, avoiding unnecessary burdens on smaller businesses.
- **Enhanced employee engagement:** Formal consultation fosters collaboration once the company meets the required size, supporting an evolving business culture.

Conclusion

This approach ensures that consultation is meaningful and proportional to company size. ABC can maintain efficient decision-making while respecting employees' right to be informed and consulted as the company expands,

balancing business needs with worker involvement.

Collaboration and future releases of this document

We would like to express our sincere gratitude to all reviewers, commentators, contributors, and subject-matter experts who generously shared their insights, opinions, and time with us. The input from industry experts has been invaluable in shaping this document. While we recognise that not all feedback has been incorporated at this stage, we would like to highlight that this document is still in its Minimum Viable Product (MVP) form. Further expert opinions and collaboration will be essential to its finalisation. We welcome continued engagement throughout December and January on our notion page [here](#) as we work to refine and complete the document.

Authors and Acknowledgment

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Appendix I

Delaware Success Story (Overview of Key Competitive Factors)

It is widely recognised that Delaware's dominance as the preferred jurisdiction for corporate entities stems from the following five key factors that provide a robust legal and operational framework for businesses.

- **Efficient Incorporation Processes:** Delaware's digital and cost-effective incorporation system enables businesses to establish themselves quickly and efficiently, meeting the pace of modern commerce.
- **Specialized Judiciary:** The Delaware Court of Chancery is a non-jury court with expertise in corporate law, ensuring efficient and well-reasoned dispute resolution. This system fosters confidence among businesses and investors.
- **Clear and Adaptable Corporate Laws:** The Delaware General Corporation Law (DGCL) is a well-established, flexible framework tailored to corporate needs. Its clarity reduces legal ambiguity, enabling companies to operate with predictability and efficiency.
- **Pro-Business Policies:** Delaware offers a business-friendly environment with minimal red tape, competitive tax structures, and reduced regulatory burdens, making it attractive to both startups and established corporations.
- **Established Precedents:** Delaware's extensive case law creates a wealth of legal precedents, providing a reliable foundation for corporate decision-making. Its influence extends globally, as other jurisdictions and widely used documents, such as the NVCA financing templates, drawn from Delaware law.

Below are some key disadvantages:

- **Foreign Qualification Requirement:** To operate out of state within the US, a Delaware company has to perform a foreign qualification, which while not as time-consuming as a full incorporation, is an additional and inefficient step. The EU-Inc will be fully recognised as an entity in all Member States from the moment of incorporation.
- **Reliance on Registered Agents:** Every Delaware company must appoint a Registered Agent. To request company documents from the Division of Corporations, Delaware's equivalent to the Commercial Registry, the company must do it through the Registered Agent and not directly. The EU-

Registry will allow any EU-Inc to request copies of their own documents from the EU-Registry.

- **No Registry Extract:** While Delaware's Division of Corporations allows for companies to be searched, it does not offer a method of obtaining key entity information in an up to date certified manner. The EU-Registry will allow for a comprehensive, real time extract to be instantly issued at any moment, which can be used for KYC/AML purposes.

Appendix II:

Indicative comparison of SE and EU-Inc

Societas Europea („SE“)²⁶	EU-Inc
Minimum share capital of 120,000 EUR	No minimum share capital
Incorporation requirements Must be created from: <ul style="list-style-type: none">- Merger of at least two previously existing companies from different Member States, or- Formation of a SE Holding Company, with at least two subsidiaries from different Member States, or- Formation of a SE subsidiary, held by at least two parent companies from different Member States, or- Conversion of a company that owns at least two subsidiaries from different member States <p>(The legality of a merger shall be scrutinised by the court, notary or other authority competent in the Member State of the registered office of the SE)</p>	Will be incorporated without requiring a previous connection or group relationship with another pre-existing company but must have its registered office in an EU-Member State.
Incorporation process The formal requirements regarding the formation of a company are set out in the rules applicable to the national legal forms for corporations.	The EU Inc shall be incorporated digitally.

²⁶ https://europa.eu/youreurope/business/running-business/developing-business/setting-up-european-company/index_en.htm

<p>Register</p> <p>The SE must be registered in the commercial register of the EU Member State where the registered office is located.</p>	<p>The EU shall establish an EU-Inc. Registry, which enables a fully digital, online registry and supports the eIDAS authentication.</p>
<p>Company Law</p> <p>The company law regulations are based on those of the laws of the national stock corporations of the country in which the SE has its registered office.</p>	<p>The EU Inc shall have its own corporate law, the “28th regime” corporate framework”.</p>
<p>Management structure</p> <p>With regard to management, the shareholders of a SE can opt within the articles of association for one to the two following systems: One-Tier-System (board of directors) or Two-Tier-System (management board and a supervisory board).</p>	<p>The EU Inc shall have a board of directors and can appoint an advisor/observer board.</p>
<p>Legal jurisdiction</p> <p>The SE is subject to the courts of the SE’s registered office EU-Member State and regarding EU law or validity of EU regulations it is subject to the European Court of Justice.</p>	<p>The EU Inc will be subject to the national courts chosen by the EU-Inc or a dedicated EU-wide fast-track court system and is subject to the European Court of Justice, where further escalation is required.</p>
<p>Relocation</p> <p>The SE can move headquarters within the EU, but there are specific legal requirements (e.g. a transfer proposal; a report, explaining and justifying the legal and economic aspects of the transfer; etc.)</p>	<p>The EU Inc can relocate their registered office within the EU without the need to change their corporate structure provided that it does not conflict with Directives 2009/133/EC and (EU) 2016/1164 or any</p>

	<p>other applicable EU legislation subsequently adopted..</p>
<p>Co-determination</p> <p>The national rules regarding co-determination do not apply to the co-determination of the SE's employees. The level of co-determination therefore does not depend on the number of employees employed by the SE. Instead, the so-called 'before and after principle' applies. The general legal idea is derived from the standards of the SEGB that the highest standard of co-determination of a company involved in the formation of the SE also continues to exist in the SE.</p>	<p>Thresholds, such as reaching a certain number of employees or a particular level of revenue, may trigger the obligation to consult employees on key matters subject to applicable legislation.</p>

Appendix III

EU-Inc Core Corporate Framework

Definitions

- (a) **Articles:** Refers to the Articles of Association as adopted by EU-Inc.
- (b) **Community:** Refers collectively to all EU Member States.
- (c) **Dashboard:** Web based “user area” that the EU-Inc entity can use to communicate with the Registry.
- (d) **EU:** Stands for the European Union.
- (e) **EU-Inc:** EU-wide digital holding company registered as a private, share-based limited liability company (also referred herein as “**Company**”).
- (f) **Member State:** Denotes any country that is a member of the European Union.
- (g) **Registry:** The Commercial Registry with competent authority to control the legality of EU-Inc related documents and inscribe their acts.
- (h) **Regulation(s):** Refers to the EU regulation, known as the "28th regime" corporate framework.

1. Formation of an EU-Inc

1.1. Capital Structure

The capital of an EU-Inc shall be divided into shares. Shareholders shall not be liable for more than the amount they have subscribed for

1.2. Legal Personality

An EU-Inc shall possess legal personality.

2. Capital Requirements and Shares

2.1. Currency

The capital can be expressed in any lawful currency.

- 2.2. No Minimum Capital Requirement** There shall be no minimum capital requirement for the formation of an EU-Inc. This allows founders the flexibility to determine the amount of capital necessary for their specific business needs.

2.3. Governance of Capital

The capital of an EU-Inc, including its maintenance, changes, shares, bonds, and similar securities, shall be governed by the provisions of the EU [28th regime] Regulations.

2.4. Share Capital

- 2.4.1. The capital of an EU-Inc shall be divided into shares with a specified nominal **value**. The nominal value represents the minimum price at which shares can be issued.
- 2.4.2. The minimum nominal value of one share should be, upon incorporation, 0.01 of lawful applicable currency.
- 2.4.3. The Company may issue different classes of shares (e.g., ordinary shares, preference shares) with varying rights such as dividends, voting, and liquidation preferences
- 2.4.4. Shares may be issued at a **premium** above nominal value, which represents an amount paid by shareholders over the nominal value for acquiring shares. The premium may be used for specific purposes as defined in the EU-Inc's Articles, including but not limited to:
 - (a) Capital reserves
 - (b) Future share issuance
 - (c) Covering the costs of issuance

2.5. Authorisation of Share Capital

- (a) A company may authorise its share capital through resolutions in line with applicable Regulation, specifying share quantity and nominal value.
- (b) The Board of Directors may allot shares within authorised limits as allowed by Regulations.
- (c) Changes to class share rights require consent from that class unless otherwise specified in the Articles and Regulations.
- (d) All resolutions affecting share capital must be filed with the relevant authority in compliance with Regulations at EU-Inc Registry.

2.6. Subdivision of Share Capital

The Board of Directors shall have the authority to approve the subdivision and redivision of the Company's share capital, subject to any consent requirements outlined in the Articles of Association or other governing agreements.

2.7. Voting rights

Shareholders' voting rights are determined by the class and number of shares held, as set out in the Articles and in accordance with Regulation.

2.8. Share Transfers

Any transfer of a share/s to another founder, shareholder, or third party (excluding EU-Inc) shall require the approval of the Board of Directors. This approval must be documented by written resolutions

and approved by the majority of the Board of Directors subject to compliance with the restrictions in the Articles and/or shareholders agreement.

3. Registered Office

3.1. Location

The registered office of an EU-Inc shall be located within the Community, in the same Member State as its head office.

3.2. Transfer of Registered Office

The administrative seat of an EU-Inc may be transferred to another Member State without resulting in the winding up of the EU-Inc or the creation of a new legal person.

4. Legal Framework

4.1. Governing Laws

An EU-Inc shall be governed by:

(a) The existing and forthcoming Regulation created by the EU.

(b) Its Articles.

(c) If the nature of the business carried out by an EU-Inc is **regulated** by specific provisions of national laws, those laws shall apply in full to the EU-Inc.

4.2. Publication of Information

Documents concerning an EU-Inc that must be publicized will be published in the EU-Inc Dashboard, housed in the EU-Inc's Registry.

5. Formation and Registration

5.1. Registration Process

The registration of an EU-Inc shall be published in the EU-Inc Registry.

5.2. Legal Personality Acquisition

An EU-Inc shall acquire legal personality upon registration. If acts have been performed in the name of the EU-Inc before registration, and the EU-Inc does not assume obligations arising from those acts, the individuals or entities performing those acts will be jointly and severally liable for them.

5.3. Publication of Notice of Registration

Notice of an EU-Inc's registration and of the deletion of such a registration shall be published in the EU-Inc Registry. That notice shall state the name, number, date and place of registration of the EU-Inc.

5.4. Pre-incorporation Acts and Contracts

If acts have been performed in an EU-Inc's name before its registration, and the EU-Inc does not assume the obligations arising out of such acts after its registration, the natural persons, companies, firms or other legal entities which performed those acts shall be jointly and severally liable therefor, without limit, in the absence of agreement to the contrary.

6. Corporate Structure

6.1. Composition

An EU-Inc shall consist of:

(a) a Board of Directors.

(b) one or more Shareholders.

(c) optional advisory/observer board member appointed in accordance with the contractual governing document of EU-Inc.

7. Board of Directors

7.1. Board of Directors Composition

(a) The Board of Directors shall manage the EU-Inc.

(b) A minimum of one director must be appointed.

(c) The number of Board members shall be defined in the EU-Inc's Articles.

(d) Board members shall be appointed by the General Meeting, though the first administrative organ may be appointed via the Articles.

(e) The Board shall elect a chairperson from its members.

(f) The Articles may allow companies or other legal entities to serve as Board members, provided they designate a natural person to exercise those functions.

(g) No individual disqualified under the law of any of the Member States may serve on the Board.

7.2. Board Meeting Protocol

Unless otherwise specified, the internal rules for quorums and decision-making shall include:

(a) Quorum: majority of directors must be present or represented.

(b) Decision-making: A majority of those present.

7.3. Powers and Responsibilities:

The proposed powers and responsibilities of the Board of Directors:

- (a) The power to manage the day-to-day affairs of the Company.
- (b) The power to appoint and remove officers.
- (c) The power to enter into contracts on behalf of the Company.
- (d) The power to issue shares
- (e) The power to declare dividends
- (f) The responsibility to prepare the Company's annual accounts
- (g) The responsibility to ensure that the Company complies with all applicable laws and regulations

7.4. Proposed Duties of Directors

Members of an EU-Inc's Board of Directors would be liable for any breach of regulatory duties as outlined in the Regulations. At minimum, we propose Directors would be subject to the following duties under the Regulations to ensure responsible governance:

(a) Duty of Care Directors must act with the care that a reasonably prudent person would use in similar circumstances, exercising reasonable diligence in their decision-making processes.

(b) Duty of Loyalty Directors must act in the best interests of the Company, avoiding conflicts of interest and not taking personal advantage of opportunities that rightfully belong to the Company.

(c) Duty of Good Faith Directors are expected to act honestly and in good faith, making decisions that promote the success and welfare of the Company.

(d) Duty to Exercise Independent Judgment Directors must make decisions independently, avoiding undue influence from outside parties or other interests that could compromise their objectivity.

(e) Duty to Declare Interests / Disclosure of Conflicts Directors must disclose any conflicts of interest they have in relation to transactions or arrangements involving the Company, ensuring transparency and accountability.

(f) Duty of Confidentiality The members of an EU-Inc's Board of Directors shall be under a duty, even after they have ceased to hold office, not to divulge any information which they have concerning the EU-Inc the disclosure of which might be prejudicial to the Company's interests, except where such disclosure is required or permitted under national law provisions or is in the public interest.

7.5. Board Written Resolutions

It is expected that most decisions can be passed by the Board of Directors through written resolutions, unless otherwise specified in the Regulation.

7.6. Electronic Transmission of Written Resolutions

The Articles of Association explicitly permit the transmission of written resolutions through electronic means, including email. By adopting the Articles, shareholders consent to receive written resolutions electronically.

8. Shareholders

8.1. General Meeting

An EU-Inc must hold a general meeting annually within six months of the financial year's end. The first meeting may occur within 18 months of incorporation.

(a) Shareholders holding at least 5% of the subscribed capital may request a general meeting.

(b) Where there is no relevant provision in the Articles, the chairperson of each organ shall have a casting vote in the event of a tie.

(c) The request under 8.1 (a) that a general meeting be convened shall state the items to be put on the agenda.

(d) General meetings may be convened at any time by the Board of Directors or any other authority deemed competent by the Regulation.

(e) The general meeting shall decide on matters for which it is given sole responsibility by the Regulation.

8.2. General Meeting Protocol

Unless otherwise specified in Regulation or Articles of Association, the internal rules for quorums and decision-making shall include:

(a) Quorum: At least half of the members must be present or represented.

(b) Decision-making: A majority of those present or represented.

(c) Voting will occur via written resolutions or in the EU-Inc Dashboard. Votes do not include abstentions, nor votes not cast by shareholders who did not vote within the allotted time.

8.3. Proposed Core Shareholders Competence

We propose that the following matters should fall within the minimum competence of Shareholders, in accordance with the Regulation and the required approval threshold:

- (a) Amending the Articles
- (b) Changing the Share Capital
- (c) Excluding the pre-emptive right
- (d) Granting or issuing options, convertible loans, convertible notes, or other instruments granting the right to acquire new Shares
- (e) Excluding the pre-emptive right to subscribe for new Shares or instruments
- (f) Approving and amending the aggregate nominal value of Common Shares reserved for issuance under any option plan or program
- (g) Acquiring own shares and transferring such shares
- (h) Deciding on the merger, division, transformation, or dissolution of the Company
- (i) Disposing of all or substantially all of the Company's assets (including intellectual property rights), or granting an exclusive license over all or substantially all of the Company's intellectual property rights
- (j) Distributing profit
- (k) Electing and recalling members of the Board of Directors
- (l) Approving the annual report

8.4. Shareholder Written Resolutions

It is expected that most decisions may be passed by the shareholders via written resolutions, unless otherwise specified in the Regulation.

8.5. Electronic Transmission of Shareholder Resolutions

The Articles of Association explicitly permit the transmission of shareholder resolutions through electronic means, including email. By adopting the Articles, shareholders consent to receive resolutions electronically.

9. Finances and Accounting

9.1. Fiscal Year

The fiscal year of the Company shall be the calendar year unless specified otherwise in the Articles.

9.2. Dividends

The Board of Directors may declare dividends out of the Company's profits, subject to any restrictions imposed by the Regulation or Articles of Association.

9.3. Accounts

The Board of Directors shall cause the Company's accounts to be kept in accordance with applicable law and shall prepare annual financial statements.

10. Liquidation

10.1. Governing Provisions

The winding up, liquidation, insolvency, cessation of payments, and similar procedures of an EU-Inc shall be governed by the legal provisions established in the applicable Regulation on insolvency and liquidation.

10.2. Publication of Proceedings

Subject to any national law requirements for additional publication, the initiation and conclusion of winding up, liquidation, insolvency, or cessation of payment procedures, as well as any decisions to continue operations, shall be published on the EU-Inc Dashboard.

11. Conversion

11.1. An entity governed by the law of the Member State in which its registered office is situated may be converted into an EU-Inc.

11.2. An EU-Inc may be converted into another type of entity governed by the law of the Member State where its registered office is located.

11.3. No decision regarding conversion may be made until at least two years have passed since the entity's registration, or until the first two sets of annual accounts have been approved.

11.4. The conversion under sections 11.1 and 11.2 shall take place on a tax-neutral basis, provided that it does not conflict with Directives 2009/133/EC²⁷ and (EU) 2016/1164²⁸ or any other applicable EU legislation subsequently adopted.

²⁷ [Directive 2009/133/EC](#)

²⁸ [\(EU\) 2016/1164](#)

Appendix IV

Examples of most optimal, acceptable and unacceptable practices across EU block for each component*:

Component	Description	Optimal Practice	Acceptable Practice	Unacceptable Practice
Taxation (Timing of Tax)	<i>When tax is triggered, such as at grant, exercise, or sale.</i>	Tax at Sale: Deferring tax until the point of sale encourages long-term ownership, as seen in countries like Latvia and Portugal.	Tax at Exercise or Sale: Tax at exercise with deferral options (e.g., Netherlands, where tax is due when shares become tradable or after 5 years).	Tax at Grant/Exercise: Immediate tax on grant and exercise (e.g., Belgium, 18% tax if accepted within 60 days) reduces attractiveness as employees have not yet received value from shares.
Tax Rate	<i>The percentage applied to gains at sale or exercise, including capital gains and income tax rates.</i>	Reduced Capital Gains Rate at Sale: A flat or reduced rate [of 15-20%] is optimal for incentives, as seen in France, eg. BSPCE ²⁹ scheme.	Incremental Income Tax Rates: Taxed as income with incremental rates, such as in Netherlands, which allows deferral options.	High Income Tax Rates at Acquisition and Exercise: High rates on acquisition exercise (standard income tax) which discourage value and retention.
Holding Terms and conditions for early exercise	<i>The minimum period an employee must hold shares before achieving full tax benefits.</i>	1-3 Year Minimum: Ensures employees can realise value without excessive waiting, as adopted in existing schemes in Ireland and Estonia.	Flexible with Vesting: 2-3 years provides tax benefits if held post-vesting, promoting ownership (e.g., Portugal).	Long Mandatory Holding (e.g., 5+ Years) and monetary caps: Restrictive periods, like Spain, 3-year, EUR50k cap for tax benefit, with reduced flexibility and engagement.
Company Size	<i>Limits on eligible company size, typically by revenue or employee count, to target SMEs and startups.</i>	SME Focused with Mid-Sized Flexibility: Limits of 500 employees and revenue <EUR100 million are inclusive of SMEs and mid-sized businesses (e.g., France BSPCE).	Limited to Small Enterprises: Only SMEs/startups with <250 employees and <EUR50 million turnover (e.g., Portugal), focusing on early-stage growth.	Strict Limits Excluding Most Companies: Very low size caps (e.g., <EUR10 million turnover) limit reach and practicality, excluding growing companies needing incentives.

²⁹ Bons de souscription de parts de créateur d'entreprise

Employee eligibility/employee status	<i>Who can participate, including employees, contractors, and board members.</i>	Employees & Key Contributors: Includes all employees and core contractors with tenure, enabling broader participation (e.g., Ireland, KEEP).	Employees and Select Contractors: Limited to employees plus key contractors (e.g., Poland), allowing some flexibility.	Employees Only or Excluding Contractors: Limitation to full-time employees only reduces flexibility, not suited for startups needing diverse workforce models.
Shareholder rights upon exercise of options	<i>The rights granted to option holders once they exercise their options and become shareholders</i>	<p>Employees receive no voting rights upon exercising options, minimising their influence on corporate decisions and enabling the company to make quick decisions, reducing the administrative burden eg. France (BSPCE options typically convert to non-voting shares).</p> <p>Employees receive dividend rights which allow employees to participate in profits as soon as they exercise.</p>	<p>Employees are issued non-voting shares or limited consultation rights, informed of major decision but without direct control, eg. Ireland. exercised options convert to non-voting shares, employees are informed of key corporate decisions.</p> <p>Estonia: Employees exercising options receive limited consultation rights and are generally issued non-voting rights.</p> <p>Employees receive dividend rights, provided they meet holding terms. Aligns employee interest with company success.</p>	<p>Employees are issued full voting rights or required consultation rights, requiring employee shareholders to be involved in key decisions, eg. Belgium: exercised warrant options often result in full voting right, requiring employees to participate in shareholder meetings.</p>

(Source of comparative data - Not Optional³⁰ and Index Ventures³¹)

³⁰ [Not Optional](https://www.notoptional.eu/rankings.html) (https://www.notoptional.eu/rankings.html)

³¹ [Rewarding Talent by Index Venture](https://www.indexventures.com/rewarding-talent/country-by-country-review) (https://www.indexventures.com/rewarding-talent/country-by-country-review)

Appendix V

Summary of Comparative Data*

Country	Primary Scheme	Tax Impact at Grant/Exercise	Holding Period for Tax Benefits	Tax Rate at Sale	Conditions for Early Exercise	Company Size/Issue Limits	Additional Schemes	Eligibility Criteria for Individuals
Austria	Deferred tax at sale if company <10 years old; 75% taxed at 27.5%, 25% as income.	No tax at exercise for qualifying cos	3 years holding	27.5% for 75% of proceeds	25% taxed as income	Companies <10 years, < EUR40M turnover, <100 employees	None	Limited to employees of qualifying startups and SMEs, generally excluding board members.
Belgium	Taxed at 18% at grant if accepted within 60 days; no additional tax on gains if shares held 2 years post-exercise.	18% tax at grant	2 years post-exercise	Not available	Higher rate if not accepted within 60 days	Not available	Proposed amendments to defer taxable events to sale, but currently no formal additional schemes beyond 18% tax option at grant.	Available to employees; stock options typically taxed upon acceptance.
Czech Republic	Deferred tax until triggering event such as sale, termination, liquidation, or 10 years from acquisition for all companies.	Deferred taxation	Triggering event	Adjusted income if share value decreases	Retroactive tax impact on prior grants if exercised post-2024	All company sizes	None	Available to employees and contractors, with broad company eligibility.

Country	Primary Scheme	Tax Impact at Grant/Exercise	Holding Period for Tax Benefits	Tax Rate at Sale	Conditions for Early Exercise	Company Size/Issue Limits	Additional Schemes	Eligibility Criteria for Individuals
Denmark	Tax-free if yearly value <20% of salary and held for 3 years; gains taxed at flat capital gains rate on sale.	No tax at exercise for qualifying cos	3 years	Flat capital gains rate	Taxed as employment income if conditions not met	Max grant value: 20% of annual salary	None	Primarily for employees; limited scope for board members or contractors under strict conditions.
Estonia	No tax at exercise if held for 3 years, gains taxed at 20% on sale.	No tax at exercise if held >3 years.	3 years	20% personal income	Taxed as employment income if exercised <3 years unless exempted	No cap on options or company size	None	Open to employees; also accessible for contractors, with flexibility for various company structures.
Finland	Stock options taxed as income at exercise and as gains at sale.	Taxed as income at exercise	Not available	Not available	Not available	Not available	None	Open to employees and some contractors, subject to standard income tax.

Country	Primary Scheme	Tax Impact at Grant/Exercise	Holding Period for Tax Benefits	Tax Rate at Sale	Conditions for Early Exercise	Company Size/Issue Limits	Additional Schemes	Eligibility Criteria for Individuals
France	BSPCE scheme: no tax at grant/exercise for companies <15 years old, <250 employees, <€50M turnover. Gains taxed at flat rate	Tax-free at grant/exercise	3 years	Flat rate on gains	Not available	Young, small companies	AGA (Attributions Gratuites d'Actions): Allows companies to grant free shares with reduced social taxes if held for 2 years. Designed for both SMEs and larger companies; taxed at a lower rate if conditions met.	Open to employees in eligible companies under BSPCE scheme; contractors are generally excluded.
Germany	Deferred tax for SMEs and startups under EUR100M revenue and <1,000 employees, with capital gains tax if held >1 year.	No tax at grant for qualifying SMEs	1 year	Capital gains tax (flat rate)	Taxed at exercise if non-qualifying company	Limited to qualifying startups and SMEs	None	Limited to employees in qualifying SMEs and startups; not available for contractors or board members.

Country	Primary Scheme	Tax Impact at Grant/Exercise	Holding Period for Tax Benefits	Tax Rate at Sale	Conditions for Early Exercise	Company Size/Issue Limits	Additional Schemes	Eligibility Criteria for Individuals
Greece	No personal income tax at exercise if held for 2 years (3 years for startups); gains taxed at 15% on sale, 5% for startups.	No tax at exercise if held >2 years	2 years (3 years for startups)	15% (5% for startups)	Taxed as employment income if exercised early	Beneficiaries must own <0.5% of company	None	Eligible for employees only, with specific limitations on shareholding (must not hold >0.5%).
Ireland	Deferred tax until shares sold if held for 1 year.	No tax at exercise if held >1 year.	1 year	Capital gains tax (rate varies)	Not taxed as employment income if held >1 year	EUR100k per year or EUR300k total per individual	KEEP (Key Employee Engagement Programme): Allows qualifying companies with <250 employees and <EUR50M turnover to defer tax until sale if shares held for 1 year. Extended until 2025 as a key support for SMEs.	Primarily aimed at employees, with restricted access for contractors and board members.
Italy	Tax-exempt at exercise for Innovative Startups and SMEs; taxed at flat rate on sale.	No tax at exercise for qualifying cos	Varies	Flat rate at sale	Taxed as employment income at progressive rates if non-qualifying company	Only for Innovative Startups and SMEs	None	Restricted to employees in qualifying Innovative Startups and SMEs.

Country	Primary Scheme	Tax Impact at Grant/Exercise	Holding Period for Tax Benefits	Tax Rate at Sale	Conditions for Early Exercise	Company Size/Issue Limits	Additional Schemes	Eligibility Criteria for Individuals
Latvia	Deferred tax until sale if options held for at least 12 months.	No tax at exercise if held >12 months.	12 months	20% capital gains	Taxed as employment income if exercised <12 months	No cap on stock options or company size	None	Open to employees without specific restrictions; contractors and board members are also eligible.
Lithuania	No tax at exercise if held for 3 years; gains taxed at flat rate on sale.	No tax at exercise if held >3 years.	3 years	Flat rate on gains	Taxed as employment income if exercised early	No cap on options or company size	None	Open to employees without additional restrictions; contractors may be included.
Netherlands	Employees can defer tax to when shares become tradable or 5 years after exercise, taxed at income tax rates.	Deferred income tax	5 years or until shares tradable	Incremental income tax	Deferred tax requires employee choice; income/capital gains applied based on timing.	State approval required for all stock option plans	No other formal schemes, though recent updates reflect a movement toward addressing tax deferral needs.	Primarily available to employees; state approval may impose additional requirements.

Country	Primary Scheme	Tax Impact at Grant/Exercise	Holding Period for Tax Benefits	Tax Rate at Sale	Conditions for Early Exercise	Company Size/Issue Limits	Additional Schemes	Eligibility Criteria for Individuals
Norway	Startup scheme: tax deferred to sale if the company is <10 years old, <50 employees, <NOK 80 million.	No tax at exercise for startups	Not available (specific to startups)	Flat rate on capital gains	Taxed as income for other companies	Startups only with strict conditions	None	Restricted to employees in small qualifying startups, with strict limitations on company scope.
Poland	No personal income tax at exercise if held for 2 years; gains taxed at a flat rate on sale.	No tax at exercise if held >2 years.	2 years	Flat rate on gains	Available only for joint-stock SMEs and startups	Only for certain joint-stock and simple JSC SMEs	None	Primarily for employees, but also includes contractors and board members if they hold <5% of shares.

Country	Primary Scheme	Tax Impact at Grant/Exercise	Holding Period for Tax Benefits	Tax Rate at Sale	Conditions for Early Exercise	Company Size/Issue Limits	Additional Schemes	Eligibility Criteria for Individuals
Portugal	Deferred tax until sale if held for 2 years, gains taxed at 50% of value at 28%.	No tax at exercise if held >2 years.	2 years	Effective 14% on gains	Treated as employment income if exercised <2 years	Startups and SMEs with <250 employees, <EUR50M	None	Available for employees only, typically within startups and SMEs as per criteria.
Spain	Startup scheme: employees receive up to EUR50,000/year in stock options tax-free if held for 3 years; taxed on sale at scaling rate.	No tax at exercise if held >3 years	3 years	Scaling rate	Taxed as employment income if sold <3 years	Certified Emerging Companies, with <5 years old, <EUR10M turnover	None	Open to employees in Emerging Companies; must meet specific certification requirements.

Country	Primary Scheme	Tax Impact at Grant/Exercise	Holding Period for Tax Benefits	Tax Rate at Sale	Conditions for Early Exercise	Company Size/Issue Limits	Additional Schemes	Eligibility Criteria for Individuals
Sweden	Tax-free exercise if held for 3 years; gains taxed at flat rate on sale for companies with <150 employees, <SEK 280 million.	No tax at exercise if held >3 years	3 years	Flat rate on sale	Taxed as income if conditions not met	Limited to companies with <150 employees, <EUR25M	None	Open to employees in qualifying SMEs with restrictions on the company size.
Switzerland	Stock options are subject to income tax at the point of exercise.	Taxed as income at exercise	Not available	Not available	Not available	Not available	None	Available to employees; contractors and board members typically included under general taxation.

Country	Primary Scheme	Tax Impact at Grant/Exercise	Holding Period for Tax Benefits	Tax Rate at Sale	Conditions for Early Exercise	Company Size/Issue Limits	Additional Schemes	Eligibility Criteria for Individuals
United Kingdom	EMI (Enterprise Management Incentive): No tax on grant/exercise if shares held >2 years; capital gains tax on sale.	No tax at exercise for EMI scheme	2 years	Capital gains tax	Taxed as income if conditions not met	SMEs with <250 employees, <£30M in assets	CSOP (Company Share Option Plan): Tax-free on grant/exercise for options up to £60,000; capital gains tax at sale. SIP (Share Incentive Plan): Up to £3,600 free shares per year tax-free if held for 5 years; CGT may apply at sale. SAYE (Save As You Earn): Employees save up to £500/month over 3-5 years to buy shares tax-free at exercise; capital gains tax at sale.	EMI scheme limited to employees working >25 hours/week or >75% of their time; excludes contractors and most board members.

(Source of comparative data - Not Optional³² and Index Ventures³³)

³² [Not Optional](https://www.notoptional.eu/rankings.html) (https://www.notoptional.eu/rankings.html)

³³ [Rewarding Talent by Index Venture](https://www.indexventures.com/rewarding-talent/country-by-country-review) (https://www.indexventures.com/rewarding-talent/country-by-country-review)