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Policy Brief: EU Inc. in Comparative Perspective

Do the proposed reforms reduce costs, or merely shift and increase them?

An assessment of the 28th regime

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EU Inc. in Comparative Perspective

Shifting costs is not the same as reducing economy-wide costs

The European Commission's EU Inc. proposal would create a uniform company-law framework (the 28th regime) designed to simplify company formation and financing and make it easier for companies to grow across borders. Under the proposal, company-law procedures would be largely digital. Where the EU model articles are used, a company could be incorporated within 48 hours at a cost of no more than EUR 100. On this basis, the Commission's impact assessment estimates EU-wide administrative savings of EUR 328 million to EUR 440 million over ten years.[1]

The Commission's impact assessment, however, captures only part of the economically relevant costs. Digitalisation, harmonisation and the Once-Only Principle offer genuine potential for efficiency gains. However, removing a fee or formal requirement reduces economy-wide costs only if the underlying service is no longer needed. If companies still require legal review, identity and entitlement checks or reliable documentary evidence, those costs do not disappear. They shift to other actors or to later stages of the process and may ultimately be higher.

DIW Econ therefore assesses the EU Inc. using a broader cost framework built on three complementary perspectives. These cover the company level (transaction costs over the company life cycle), the institutional level (register reliability, the prevention of misuse and the implications for public budgets) and the procedural level (the time it takes a company to become operationally ready). The assessment finds that the Commission's assumptions do not provide a sound basis for an economy-wide comparison. In Germany, the proposed framework could instead create substantial additional costs for companies, legal transactions and public budgets. The draft Regulation promises lower transaction costs, faster company formation and a uniform, fully digital framework. For each of the three objectives, the analysis finds either that the expected benefit would not materialise as claimed or that any benefit would come with costs that the draft Regulation and the Commission's impact assessment do not adequately capture.

[1] European Commission (2026): Impact Assessment Report for EU Inc.

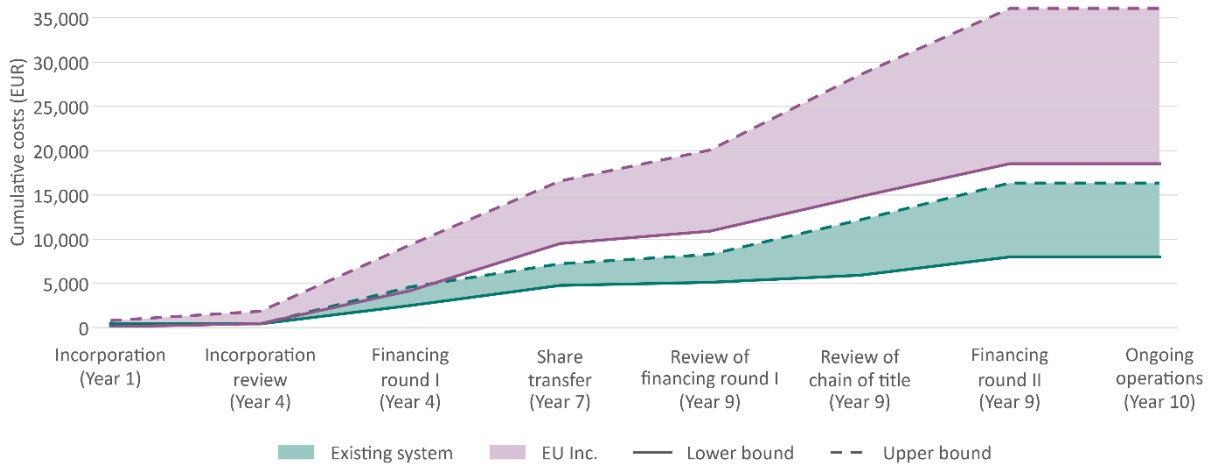
Reducing public preventive control does not necessarily reduce companies' overall costs

A standardised formation using the EU model articles of association may initially appear cheaper because costs are capped at EUR 100. Yet low-cost digital procedures and template-based formations are already available under the current German framework. The underlying need for substantive legal review and advice remains, even in straightforward formations, and becomes more important in complex formations, share transfers, capital increases and financing rounds. Under the EU Inc., some of this work shifts to other actors and to later stages of the company life cycle. As a result, total costs for companies and legal transactions can be substantially higher than under the current framework.

This is especially apparent in share transfers. Under the draft Regulation, each EU Inc. would maintain its own digital share register and would itself verify the transferor's entitlement and whether the transfer is valid. There is no equivalent to the upfront public scrutiny provided under the current German framework. The need for substantive legal review therefore shifts to the company, investors and external legal advisers. Earlier transactions may then have to be reviewed again during subsequent financing rounds or share transfers.

An exploratory life-cycle analysis shows how these costs can accumulate across several transactions (see Figure 1). Under the current German framework, key checks are bundled with each transaction and the resulting information can be relied on later. Under the EU Inc., by contrast, private review and verification costs can recur. Any cost advantage from the EUR 100 cap for a formation using the EU model articles therefore says little about the overall cost burden over the company life cycle. Potential additional litigation costs are not included in this analysis.

Figure 1: Cumulative costs over the company life cycle matter for the economic assessment



Source: DIW Econ modelling.

Reliable registers are valuable economic infrastructure

Reliable company registers reduce transaction costs for all market participants, public authorities and courts by providing reliable information on ownership and powers of representation. The EU Inc. proposal risks weakening the reliability of German registers and, particularly for share transfers, shifts part of the upfront substantive review to companies themselves. This creates additional review and verification costs for buyers, investors, creditors and public authorities. It also increases the need for downstream checks, including corrections to register information, anti-money-laundering controls and tax enforcement. Experience from the United Kingdom shows that limited checks at the point of entry can lead to substantial later effort to verify and correct register information.[2] Weakening existing notarial safeguards against money laundering also carries substantial opportunity costs.

Public authorities also bear the infrastructure costs of the new system. The savings expected by the Commission must be weighed against substantial technical, organisational and staffing requirements for commercial register courts and other public bodies. These follow-on costs are not adequately reflected in the Commission's impact assessment.

Registration within 48 hours does not mean a company can start doing business within 48 hours

The 48-hour deadline under the 28th regime applies to company-law review and registration under the fast-track procedure. What matters to companies, however, is when they can actually start doing business.

This depends in particular on having an operational business account and completing tax registration. A practical review by the Federal Ministry of Justice identifies these downstream steps as major bottlenecks in the formation process.[3] By contrast, the available evidence does not identify company-law formation and registration as major sources of delay. The proposed framework therefore leaves key bottlenecks in the formation process untouched.

[2] Companies House (2025): Companies House annual report and accounts 2024 to 2025.

[3] Federal Ministry of Justice (2024): Results of the Practical Assessment of Transactions Requiring Notarization in Association and Limited Liability Company Law in Germany (in German).

The proposed Once-Only Principle can simplify the transfer of data to tax, beneficial-ownership and social-security authorities. But the draft Regulation does not give those authorities a processing deadline comparable to the 48-hour rule. Faster registration therefore does not automatically shorten the time it takes a company to become operationally ready.

Realise the benefits of reform without increasing or shifting costs

The assessment points to three priorities for an economically efficient reform:

- **Preserve review functions where they prevent downstream costs:** Reliable checks of identity, entitlement and legality create information that companies, investors and public authorities can rely on later. Their economic value lies precisely in avoiding repeated private checks, corrections to register information and litigation.
- **Make full use of digitalisation and harmonisation:** Common digital access points and automated data exchange can reduce administrative burdens directly.
- **Address the actual bottlenecks in the formation process:** Reform should cover the full path to operational readiness and, in particular, improve coordination with banks, tax administrations and other public authorities.

The assessment finds no robust evidence that a shift to the 28th regime would deliver the expected cost advantages in Germany. Instead, the analysis shows that additional private review costs and institutional and public follow-on costs could partly or fully offset the promised savings, or even exceed them. Table 1 summarises the main cost implications.

An economically efficient EU Inc. should simplify procedures where administrative burdens can genuinely be avoided, while retaining review and safeguarding functions that prevent costs from arising later.

Table 1: Expected costs of the proposed Regulation on the 28th regime under a broader cost framework

Perspective	EU Inc. under the draft Regulation and impact assessment	Assessment under the broader cost framework
Company-level perspective		
Formation	EUR 100 cap and registration within 48 hours under the fast-track procedure.	Digital procedures, template-based formation and online processes are already available under the current German framework. The benchmark used for comparison is too high. More complex formations do not benefit from the cost ceiling.
Share transfer	Removal of notarisation and execution fees; according to the Commission, four-figure savings for transactions valued above EUR 500,000.	The need for review and advice does not disappear. It shifts to external legal advisers and private due diligence, making the transaction more expensive overall than under the current German framework.
Capital measures and financing rounds	Fully digital issue of new shares, with no additional formal requirements for share subscription; expected savings in time and transaction costs.	The need for legal review, structuring and advice remains, but is borne to a greater extent privately, making the process more expensive overall. Earlier capital increases may also trigger renewed review and verification work in later financing rounds.
Litigation and downstream costs	Not reported.	Greater litigation risk, with potentially high procedural costs and wider economic consequences.
Institutional perspective		
Register reliability	Uniform digital register with data collected only once.	Without upfront review by a public authority, the register no longer provides the same legal effects of publicity and good-faith reliance, so subsequent counterparties must carry out their own checks. Register reliability can therefore be expected to decline, increasing costs for companies and legal transactions.
Risks of misuse	No separate benefit identified; risks of misuse are excluded from the in-depth assessment.	Notarial AML and tax reporting channels are lost, reducing the probability of detection and the deterrent effect. Opportunity costs rise substantially.
Fiscal effects	One-off technical implementation costs in the single-digit millions of euros across the EU. EU-wide administrative savings of up to	Operating costs and capacity expansion are not included. The implementation cost estimate is less than one tenth of the additional annual expenditure of a single national register authority, while the fee cap is around one third of the cost-covering fee. Disputes over

	EUR 440 million over ten years.	ownership are shifted into litigation, creating an ongoing burden on public budgets.
Procedural perspective		
Company formation and registration	Binding registration deadline of 48 hours when EU model articles are used and five working days under the standard procedure.	The current German framework is already digital. The expected time saving of a few working days affects only one part of the process and does not determine how long it takes a company to become operationally ready.
Access to an operational business account	No minimum capital requirement means registration is no longer tied to opening a bank account.	Banks' identity and AML checks remain unchanged, so this stage is not shortened.
Tax registration and invoicing readiness	Automatic transmission of tax data without a separate application.	There is no processing deadline for issuing the tax number. The several-week bottleneck therefore remains the binding constraint.

Source: DIW Econ, based, among others, on the proposed Regulation and the European Commission's impact assessment.