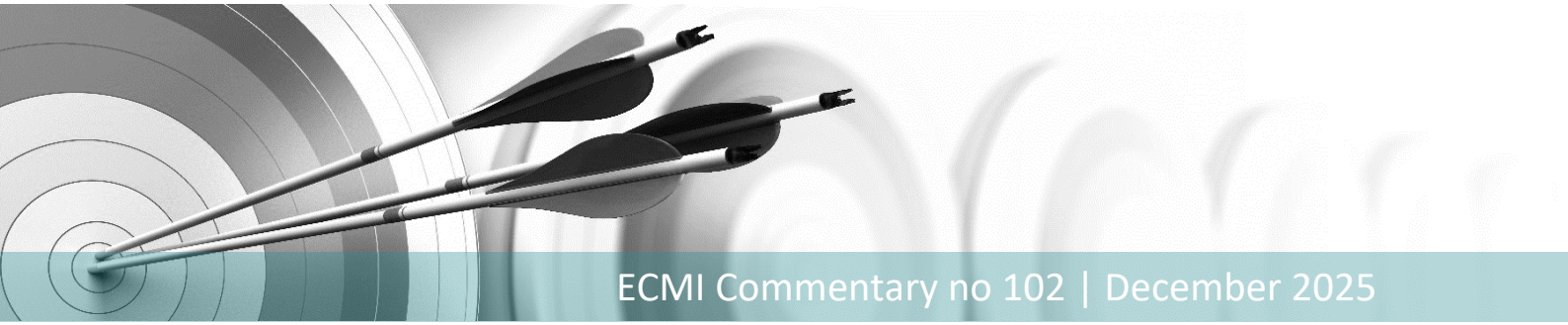

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Think small, act big – why Europe needs a 28th regime for business

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Nearly 30 years after the single market's formal completion, Europe still feels more like a patchwork of 27 business environments than one large integrated economy. Customs barriers are gone and the euro is well established, but companies trying to grow across borders – especially SMEs and scale-ups – now face deeper obstacles: company law, tax rules, insolvency frameworks, labour regulations and sometimes burdensome administrative practices.

The core message is simple: if the EU wants more cross-border firms, productive investment and high-quality jobs, it needs a radically simpler legal route for doing business across the Union – without forcing Member States to abandon their own systems. The 28th regime is that alternative.

Fragmentation as a competitiveness problem

The costs of fragmentation are no longer anecdotal. Internal barriers to trade in goods inside the EU still resemble high tariff levels; for services, they're even higher. Much of this isn't about customs posts or prohibitions, but rather the cumulative burden of navigating 27 different sets of rules – on incorporation, governance, taxation, reporting, insolvency, accounting and labour.

For growing companies, the result is familiar, namely repeated incorporation, duplicated filings, divergent restructuring outcomes by jurisdiction and the need for local legal and tax experts in each new market. Fixed costs add up. Large firms can absorb them; smaller ones often cannot.

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EU strategic reports, from Letta and Draghi to the Commission's competitiveness agenda all converge on the same point – that the single market remains Europe's most under-used asset. Yet when tax unanimity or labour sensitivities block full harmonisation, the system defaults to lowest-common-denominator compromise, leaving its complexity untouched.

So, the real question isn't whether further integration is needed, but what tools still have a realistic chance in today's political and legal context.

What a 28th regime is – and what it's not

The term '28th regime' has become a buzzword, sometimes applied too broadly. To be useful, it needs to be more sharply defined.

A genuine 28th regime is an optional, self-contained EU framework that exists alongside national regimes. It must be open to all users across the Union and work in and for the real economy. It's key that firms or individuals choose to opt in but every Member State must make the regime available.

It must also plug into real institutions (e.g. registries, courts, tax authorities, supervisors) and not just exist as a legal abstraction. It must operate in areas of shared EU-Member State competence and rest on solid Treaty foundations that can survive legal scrutiny. And it must be user-friendly, with clear procedures and digital tools that smaller firms can handle without the need for an army of advisers.

This tighter definition has consequences. Some EU success stories, like UCITS, do not qualify. UCITS is a harmonised framework that replaces national law, not a voluntary alternative. Conceptual clarity matters. If everything becomes a 28th regime, the term loses all its usefulness as a design tool.

That's why policymakers need to know when optionality is the right choice, and when harmonisation, supervisory convergence or targeted fixes are more effective.

Start with business law, not the whole edifice

If the EU wants to deploy a 28th regime at scale, it should begin where the benefits are greatest and the political risks are lower: business law.

The first layer would be corporate law. A European company form that can be incorporated once, recognised across the EU, move its seat without reincorporating, and follow a clear rulebook for governance and disclosure.

Add to that a 'register once' principle and a multilingual digital interface (i.e. a single business entry point) so firms aren't forced to refile the same data in different formats across different registries.

The second layer would include targeted tax coordination. Not a full common consolidated corporate tax base but essential features for cross-border operations: workable group taxation,

cross-border loss relief, streamlined withholding tax and VAT treatments. Without some tax coherence, even the best company form won't gain traction.

The third layer would cover key insolvency and accounting elements. Companies and creditors need a predictable baseline for restructuring or liquidation. Investors need comparable accounts. The aim isn't to replace national regimes, but to provide a common framework for supporting legal certainty.

Labour law should be approached more cautiously. It's politically sensitive and tightly bound by Treaty constraints. At least initially, employment rules should be left outside the 28th regime. Only if clear gaps emerge in handling cross-border employment should labour elements be considered – and even then, narrowly (and slowly).

This modular logic is a political strategy too. It lets Member States and businesses test the regime's value (for example, through pilots backed by the Competitiveness Lab or national efforts like Spain's Regime 20) before scaling up.

Lessons from past experiments

The EU has experimented with 28th-regime-style frameworks before, with mixed results. Some, like the European Company Statute (Societas Europaea, SE), have achieved meaningful uptake, particularly among large multinational firms seeking cross-border operational flexibility. Others, such as the Unitary Patent, have gradually gained traction, while proposals like the Common European Sales Law or Societas Privata Europaea (SPE) stalled during the legislative process.

Even when such frameworks are adopted, uptake can remain uneven due to factors such as complexity, national legal incompatibilities or limited perceived advantages over domestic regimes.

Three key lessons emerge from these experiences.

First, optionality alone isn't enough; a new regime must offer a clear, compelling advantage over the status quo to encourage firms to opt in.

Second, excessive design complexity can undermine usability, particularly when hybrid models depend heavily on national fallback rules (e.g. as seen with the Societas Europaea), making them mainly accessible to large corporations with specialised legal teams.

Third, sensitive policy areas such as worker participation and social rights require careful handling, including supporting measures and trust-building efforts, to prevent political backlash.

For a future 28th regime to succeed, it must be genuinely simple for users, fiscally and legally coherent, and framed as a business facilitation tool; not as a backdoor to deeper political integration.

From blueprint to practice

A well-designed 28th regime won't solve all the EU's competitiveness problems. It won't replace the hard work of refining directives, cutting gold-plating, improving supervisory coordination or fixing narrow tax and insolvency issues. But it can offer a single, navigable path through today's fragmented legal landscape for companies ready to operate on a European scale.

If the goal is for more firms to think and act European from day one, then they need a legal home that fits and facilitates that ambition.

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