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OPINION STATEMENT

Opinion Statement CFE 3/2025 on the European Commission Consultation Concerning "28th Regime" for Start-ups and Scale-ups

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CFE Tax Advisers Europe is the European association of tax institutes and associations of tax advisers. Founded in 1959, CFE brings together 33 national tax institutes, associations and tax advisers' chambers from 24 European countries. CFE was the initiator of the Global Tax Advisers Platform through which it is associated with more than 600,000 tax advisers worldwide. CFE is part of the EU Transparency Register no. 3543183647-05.

We would be pleased to answer any questions you may have regarding our Opinion Statement. For further information, please contact Eduardo Gracia Espinar, Chairman of the CFE Professional Affairs Committee, Jeremy Woolf, Chairman of the CFE Fiscal Committee, or Aleksandar Ivanovski, Director of CFE at info@taxadviserseurope.org. For further information regarding CFE Tax Advisers Europe please visit our web page http://www.taxadviserseurope.org/

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1. Executive Summary

CFE Tax Advisers Europe welcomes the opportunity to respond to the European Commission's consultation the 28th Regime, an initiative announced by European Commission President Ursula von der Leyen.

CFE strongly supports the objective of creating a simplified EU-wide entity structure to facilitate the expansion of start-ups and scale-ups. Past experience with European legal forms, particularly Societas Europaea (SE), indicate that a new structure can only succeed if it resolves the fundamental tax, administrative and compliance issues that continue to fragment the Internal Market. CFE recognises that this initiative builds on wider EU efforts to strengthen competitiveness, deepen the market integration and support Europe's transition towards innovation-driven growth.

There are persistent tax-related obstacles for start-ups expanding cross-border, including divergent corporate tax rules across the EU, inconsistent access to tax incentives, and multiple uncoordinated filing obligations. Drawing lessons from the limited uptake of the SE, we underline that an EU entity without meaningful tax simplification risks repeating past shortcomings.

CFE therefore recommends that the 28th Regime prioritise practical simplification and coordination. Measures such as a single EU tax filing interface, harmonised documentation standards, and EU-wide safe harbours for transfer pricing would provide immediate value. A startup-friendly loss relief mechanism and a coordinated approach to R&D incentives would further enhance the attractiveness of the regime, while clear rules on State aid compatibility would ensure legal certainty.

The 28th Regime should also be embedded in the EU's broader digitalisation agenda, making use of tools such as the EU Company Certificate and Business Wallet. In this way, the regime can reduce the administrative burden, improve access to finance by providing a trusted EU-kitemark and support investor confidence.

2. Political, Economic Context and Existing Experience

Initiatives such as the Competitiveness Compass, the European Innovation Agenda, and the SME Relief Package all reflect a recognition that Europe must create a more conducive environment for growth-oriented companies. We see the initiative on the 28th Regime as part of a wider EU agenda to boost competitiveness and strengthen the Internal Market.

Start-ups and scale-ups are particularly affected by EU's market fragmentation. Cross-border operations require compliance with 27 different company law, labour law, insolvency and tax regimes. Administrative burden, including difficulties in opening bank accounts, translation and notary requirements, continue to create significant barriers. Against this backdrop, the Commission's consideration of this new EU entity structure represents a timely opportunity to deliver tangible simplification and reinforce Europe's position as place to do innovative businesses.

In this regard, Socieatas Europea provides important lessons for the design of the 28th Regime. Introduced to facilitate cross-border business activity, the SE allows companies to transfer their registered office between Member States without liquidation and to operate under a single EU corporate identity.

However, uptake has remained limited. The SE has been used predominantly by large MNEs with the resources to manage complex compliance requirements, rather than by SMEs or start-ups. The reasons are clear: tax systems remained fragmented, compliance burden was not reduced, and national implementation rules often diverge in practice. For start-ups and scale-ups, the SE did not provide sufficient benefits compared with simply setting up subsidiaries or PEs. Therefore, from CFE's perspective, a new EU legal form cannot succeed by focusing solely on company law mobility. To deliver real value, the 28th Regime must address the tax and administrative burdens that have deterred smaller businesses from engaging with European entity forms in the past.

3. Obstacles Related to Taxation

(*Question 40 of the Commission Questionnaire: What are the main obstacles related to taxation for companies, especially when they do business in more than one EU country?*)

From the perspective of CFE Tax Advisers Europe, the main tax-related obstacles for start-ups and scale-ups expanding across the EU come from fragmentation and inconsistency in national systems. Divergent rules on taxable bases, permanent establishments and transfer pricing create uncertainty and increase costs. Multiple and uncoordinated filing obligations compound the problem. Companies must prepare and submit tax returns in different formats, meeting different deadlines and documentation requirements in each Member State. For SMEs in particular, this necessitates engaging multiple local advisers, imposing a compliance burden disproportionate to their size.

Access to tax incentives is also uneven. R&D deductions, innovation allowances and restructuring reliefs play a critical role in supporting start-ups. Yet inconsistent eligibility criteria and documentation requirements across Member States make it difficult for companies to benefit when expanding beyond their home jurisdiction. Even where EU directives provide a common legal basis, such as the Parent-Subsidiary or Interest and Royalties Directives, national interpretation diverges. Anti-abuse provisions under the Anti-Tax Avoidance Directive are similarly implemented inconsistently. The absence of coordinated tax inspection/tax audits and mutual recognition of tax rulings further undermines certainty.

While VAT reforms such as the One-Stop-Shop have been welcome, indirect tax compliance continues to pose challenges. Divergent invoicing and registration rules remain significant obstacles for small businesses trading cross-border.

These obstacles undermine competitiveness and highlight the need for a regime that directly tackles tax fragmentation, rather than adding another legal form without practical advantages.

4. Potential Tax Measures under a 28th Regime

(Question 41 of the Commission Questionnaire: *Are there any potential tax measures, including tax incentives, that you would consider helpful to support the future 28th regime's goal of allowing start-ups and scale-ups to develop in the EU?*)

The 28th Regime must deliver tangible tax simplification and legal certainty. The regime should remain optional and proportionate, allowing companies to opt in where they see value, without imposing additional obligations on smaller entities. CFE believes that the following measures would be particularly beneficial:

- **Single EU tax filing interface:** An EU-level portal enabling companies to comply with corporate tax obligations through a single interface, reducing duplication and costs.
- **Harmonised documentation standards:** Common requirements for R&D claims, transfer pricing and corporate tax return annexes, providing clarity and consistency across jurisdictions.
- **Transfer pricing simplification:** EU-wide safe harbours or simplified methods for transactions most relevant to start-ups, such as intra-group services and IP licensing.
- **Coordinated R&D incentives:** A baseline standard for R&D deductions and credits to ensure that expanding companies can rely on consistent treatment across Member States.
- **Startup-friendly loss relief:** Cross-border loss carry-back or group relief reflecting the high-risk, high-investment profile of start-ups. Legal certainty must be ensured through compatibility with EU State aid rules.

5. Digitalisation and Investor Confidence

Beyond taxation, the 28th Regime should be integrated into the EU's wider digitalisation agenda. The EU Company Certificate, the European Business Wallet and the once-only principle can provide a seamless framework for recognition and compliance, reducing administrative costs and ensuring consistency across borders.

An EU “kitemark” which will be recognisable also has a branding function. Start-ups using the 28th Regime would benefit from increased investor confidence, particularly from VC- venture capital and cross-border private equity, which often look for a standardised and reliable framework. Lessons from the SE show that recognition alone is insufficient and the new regime must combine visibility with practical advantages to attract meaningful uptake.

6. Concluding Remarks

CFE Tax Advisers Europe supports the Commission’s objective of creating a more unified and simplified environment for EU start-ups and scale-ups. The limited uptake of the SE shows that a European entity structure will only succeed if it addresses the real barriers to cross-border growth.

The 28th Regime should focus on practical tax simplification and coordination, introduce measures such as a single tax filing interface, harmonised documentation, simplified transfer pricing and startup-friendly loss relief, ensure compatibility with State aid law to provide legal certainty, leverage on digitalisation to reduce administrative burdens; and strengthen investor confidence by offering a trusted and recognisable EU kitemark. If designed with these priorities, the 28th Regime could become a meaningful tool to support innovation, competitiveness and scale-up growth in the European Union.