

EU Company (EC)

Definition and explanations

The European Company (EC) is a special legal entity derived from the EU law that aims to facilitate cross-border trade and encourage business mobility throughout Europe. This article will guide you through the discovery of this statute.

SUMMARY:

1. WHAT IS A EUROPEAN COMPANY?
2. HOW TO CREATE A EUROPEAN COMPANY?
3. HOW DOES A EUROPEAN COMPANY WORK?

A European Company (EC) is a company that is authorized to carry on its activities in any country of the European Union in a legal form that is accepted as valid in all states.

The European Company Statute was established in 2004, after several years of negotiations between the European institutions.

This statute originates from the EU law and grants benefits to companies, allowing them to limit their administrative costs by offering them a legal structure adapted to the markets of each country of the European Union.

However, arriving at the creation of this statute was not at all simple: was it necessary to harmonize the different national laws? Or to make them compete with each other? Or to favor the most liberal legislations to accommodate businesses?

This statute has become a real economic actor, which has the facilities to evolve within the European scene and which, at the same time, has its own legal status.

Reflections on this atypical statute, used by an ever-increasing number of companies.

What is a European Company?

A European Company is often used to facilitate mergers and restructuring between one or more European Union companies.

But, above all, this allows to bypass the numerous legislative obstacles imposed by the differences in regulations between European countries.

This therefore allows you to operate easily throughout the territory by creating a network of branches.

How to create a European Company?

There are different ways of incorporation.

First and foremost, this statute is reserved for European Companies, i.e. subject to the law of a member country of the European Union.

The latter is a *conditio sine qua non* for the creation of this type of company.

Furthermore, there is the possibility to act according to 4 possibilities:

- **Through a merger:** one or more public limited companies, whose registered office is located in the European territory and constituted under European law, may merge. To do so, at least two of the companies involved in this operation must not be subject to the law of the same European state.
- **Establishing a holding company:** between public limited companies and limited liability companies (SRL). To create a holding company, the same conditions apply as in the previous case. If all companies are subject to the law of the same member state, having a subsidiary or branch for at least 2 years in another member state allows for the creation of a European company.
- **Establishing a branch:** It is possible to create a branch between companies, with a public establishment or an association. The same conditions as listed above apply. The European company can be considered as the parent company or as a branch within the group.
- **Through a transformation:** This possibility is offered exclusively to joint stock companies that have a registered office and a management body within a Member State of the European Union, which have had a branch subject to the law of another Member State for at least two years.

How does a European Company work?

The functioning of a European company is close to that already established for the limited company under French law.

This statute requires a minimum contribution of 120,000 Euros divided into shares, to be paid at the time of incorporation of the company.

Each Member State is free to determine the amount of minimum capital to be applied. The EC registered in France is subject to the provisions relating to the management and administration of joint stock companies. Only the quorum of the management and supervisory bodies is exempt from them.

Likewise, the shareholders meeting follows the same rules as a public limited company. The relationships between shareholders are much freer and more flexible.

The SE may be managed by a board of directors responsible for the management and control of the company.

Alternatively, it is possible to establish a supervisory board responsible for monitoring the management of the general management.

However, there is no uniform tax regime for the EC.

The fiscal sovereignty of the States has been respected, for this reason the EC depends on the same fiscal regime as any other public limited company. Therefore, it is subject to the taxes and duties of the Member State in which its activities are carried out, without particular fiscal advantages. However, the owner of the company can freely choose the state where to locate the company's headquarters without incurring any sanctions as long as this State is an EU member.

This rule applies with the exception of EC's formed by mergers, which may be taxed in the country where they have their registered office.

The European Company maintains a rather specific and particular statute, despite its relatively widespread practice. Substantially, the spread of ECs, although provided for by the EU system, has been substantially boycotted by the Member States because, substantially, it disadvantages countries with more rigid and high taxation by allowing, in full legality, their entrepreneurs to own a foreign company name in full right and full transparency. The proof of this is in the fact that the institution of the EC has existed since 2004, but nobody talks about it.

In day-to-day operations, this status has considerable advantages. However, the lack of a harmonized tax scenario raises fears of real social dumping among member countries.

The European Company is particularly advantageous for companies operating at EU level

Where and how to set it up?

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A warm greeting