



EU proposes rules to simplify and digitalize business across borders

Will companies be formed online everywhere in the EU? If it is up to the European Commission, the answer is yes. As part of its '[Company Law Package](#),' the Commission recently proposed two directives, one of which promotes the digitalization of company law. This directive would require all member states to offer the possibility of forming and registering a limited liability company fully online. Currently, only 17 member states offer an online procedure.

Fully online means that the company's founders would not have to be physically present for any part of the procedure. They would simply use a template of a constitutional document provided online by the relevant country and file all of the required information online. Their identification would also take place by electronic means (unless fraud is suspected). Where national law currently requires the involvement of a lawyer or notary, this would remain possible under the proposed rules, as long as it would not stand in the way of forming and registering the company entirely online. The EC believes that the procedure of forming and registering a company should take no longer than five business days. The directive also proposes a fully online procedure for setting up branches and filing documents with the company registers in the EU.

The second proposed directive introduces common EU procedures for cross-border conversions and demergers. EU action is needed because the existing national procedures differ and are sometimes incompatible with each other. In some member states, such procedures do not exist at all. The directive also updates existing rules on cross-border mergers, e.g., by introducing new fast-track rules for "simple" mergers. The proposed directive includes strong safeguards to prevent these cross-border transactions from being used for abusive ends, such as tax avoidance or undermining workers' rights. It would also introduce the possibility of completing all of the necessary formalities fully online.

The directives would make it easier for businesses to be set up anywhere in the EU and would increase cross-border mobility of companies. At the same time, as part of the EU's mission to combat money laundering and terrorism financing, companies are increasingly being asked to disclose details of their founders and beneficial owners. Legal professionals have [expressed their concern](#) about the compatibility of these corporate transparency obligations and the proposed directive on the use of digital tools in company law.

Whether the directives will actually be adopted remains to be seen. If they are, EU member states will be expected to bring their national laws in line with the directive within two years of publication.

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