

EU company law adapted to the digital era

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The EU has decided to revise its company law rules so that they remain fit for purpose in the digital age. The aim is to achieve greater efficiency, transparency and legal certainty through the use of digital tools. The Romanian presidency of the Council today reached a **provisional** agreement with European Parliament's representatives on a draft directive that will facilitate and promote the use of online solutions in a company's contacts with public authorities throughout its lifecycle.

The new rules ensure that:

- companies are able to register limited liability companies, set up new branches and file documents for companies and their branches, to the business register fully online;
- national model templates and information on national requirements are made available online and in a language broadly understood by the majority of cross-border users;
- rules on fees for online formalities are transparent and applied in a non-discriminatory manner;
- fees charged for the online registration of companies do not exceed the overall costs incurred by the member state concerned;
- the 'once-only' principle, whereby a company would only need to submit the same information to public authorities once;
- documents submitted by companies are stored and exchanged by national registers in machine-readable and searchable formats;
- more information about companies is made available to all interested parties free of charge in the business registers.

At the same time, the directive sets out the necessary safeguards against fraud and abuse in online procedures, including control of the identity and legal capacity of persons setting up the company and the possibility of requiring physical presence before a competent authority. It maintains the involvement of notaries or lawyers in company law procedures as long as these procedures can be completed fully online. It also foresees an exchange of information between member states on disqualified directors in order to prevent fraudulent behaviour.

The directive does not harmonise substantive requirements for setting up

companies or doing business across the EU.

Next steps

The provisionally agreed text will now have to be approved by the relevant bodies of the two institutions. It will then be formally adopted after the usual legal/linguistic scrutiny.

Background

According to figures provided by the Commission, there are around 24 million companies in the EU, out of which approximately 80% are limited liability companies. Around 98-99% of limited liability companies are small and medium-sized enterprises, which would be most directly impacted by these improvements.

The proposed directive complements the existing rules on EU company law as codified in directive (EU) 2017/1132. It is one of the two proposals tabled by the Commission in April 2018 for the modernisation of EU company law. It is also an important pillar for the recently adopted Single Digital Gateway regulation, which facilitates interactions between citizens, businesses and competent authorities by providing access to online solutions.

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