

THE EUROPEAN ECONOMIC INTEREST GROUPING (EEIG)

The European Economic Interest Grouping, in short: EEIG, is an interesting company structure based on EU law on the basis of council regulation (EEC) No. 2137/85 (Official Journal of the EEC L199 of 25 July 1985) as well as on the national laws regarding EEIG regulation.

EEIGs are on par with limited partnerships in most European countries. They have to be comprised at least two members from two different European countries.

Members of an EEIG do have to be legally independent respectively, however the owners may be identical.

Furthermore, members of an EEIG are not required to be homogeneous. Hence, an EEIG can be founded in any combination by freelancers and self-employed persons or a one-man business, limited companies or stock corporations as well as associations and public bodies (e.g. universities, chamber of commerce and industry, municipalities etc.).

There are no limits for professions. It would for example be possible that tax advisors, consultants, lawyers and possibly a data center (hosting of accountancy software), all from different EU countries, could establish an EEIG in order to offer respective services to their clients.

EEIGs themselves are not subjected to tax. The EEIG's net income is subject to taxation on the level of the members, where net income is distributed on par to the members according to their participation.

It is important to note in this context that an EEIG should, according to EU regulation, assist its members in the realization of their goals and must not pursue profits in its own name. This is because one of the EEIG's main feature is the fact that it does not accrue any profits and there is not tax liable.

The purpose of an EEIG is the realization and implementation of the common objectives of its members. Thus, the line of business must always refer to the cooperation of the members and must not replace they activities of a single member.

Why don't You use EEIG's advantages to create new businesses?

In this article I would like to show you some of the most important advantages you can find by using the EEIG instrument.

Advantages of an EEIG:

- ♣ EU-wide standardized legal form, hence no discrimination;
- ♣ Change of business location possible within all of the single European market (in contrast to for instance a domestic limited company);

- ♣ EEIGs are particularly attractive to small and medium sized businesses since EEIG is constructed in a simple and flexible manner and since no authorized capital is required when setting up an EEIG;
- ♣ Simple formal incorporation requirements: Written incorporation contract and entering in the company registry (exceptions in some countries);
- ♣ Profits of an EEIG are distributed equally or proportionally to the shares or the participation of the members in each operation; the same applies to taxation;
- ♣ Also possible: setting aside reserves; this model as a whole is an interesting concept with respect to taxation (profits made on the level of the EEIG and in the name of the members can be transformed into reserves of the EEIG and thus are not distributed to the members. The result: no taxation of reserves on the level of the members;
- ♣ EEIGs do not have to prepare balance sheets;
- ♣ EEIGs are not required to publish results;
- ♣ The members themselves decide how they want to distribute their liability and the risk related to cooperation;
- ♣ Members maintain their economic and legal autonomy, yet at the same time the EEIG maintains legal capacity;
- ♣ Legal liability lies primarily with the EEIG itself;