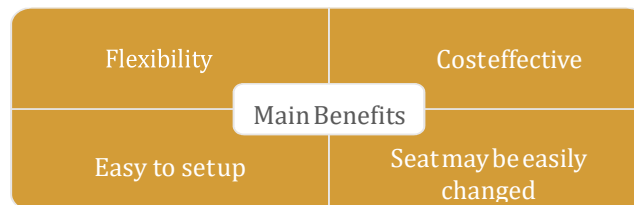


The European Economic Interest Group (EEIG)

Scope and Structure

The freedom of establishment is a salient principle of the European Union, and the key to a well-functioning internal market. The EU has worked at promoting and strengthening the integrity of the European economy by investing in this freedom, and creating a more harmonised legal framework across the Member States. A primary example of how the Union has cultivated this freedom, is the enactment, through European Community (EC) Council Regulation 2137/85, of a pan-European framework that brings to life an innovative and unique new legal entity – The European Economic Interest Group (hereinafter referred to as an EEIG). The idea here was to create a new structure that would adopt European nationality and in turn, offer an innovative way to reduce the obstacles that would surface when differing Member States sought to partner up and do business together.

In Malta, these entities find their legal basis in the European Economic Interest Grouping Regulations (Subsidiary Legislation 386.08, Companies Act (European Economic Interest Grouping) Regulations) and are registered with the Maltese Registry of Companies. These special setups offer unique and opportunistic legal traits that prove interesting to various European economic players. Their existence contributes to the facilitation of the harmonious development of economic activities and the smooth functioning of the common market envisaged by the EU.



Who may set up an EEIG?

An EEIG may be set up by groups or associations comprised of at least 2 persons – and no more than 20 persons. The rationale behind its creation would be to facilitate or develop the economic activities of its members, or to improve or increase the profits or benefits of such activities.

Members of a group may be either;

- Companies and other bodies corporate which have been constituted or incorporated in accordance with the law of an EU Member State and which have their registered office and central administration in a Member State; or
- Natural persons who carry on any industrial, commercial, craft or agricultural activity or who provide professional or other services within the EU.

In addition, a grouping shall consist of at least;

- Two companies or other bodies corporate within the meaning of point 1 above, which have their central administrations in different Member States; OR
- Two natural persons within the meaning of point 2 above, who carry on their principal activities in different Member States; or
- A company or other body corporate and a natural person, both within the meaning of the definition of grouping above, of which the first has its central administration in one Member State and the second carries on his principal activity in another Member State.

Change in Seat

One of the most compelling reasons to set up an EEIG is its flexibility in so far as it provides the ability to easily transfer its seat. All that needs to be done in order to effect this change is to draw up a transfer proposal which is then registered with the Registrar and published.

This bears particular importance in cases where for instance, a company is set up between EU citizens who then find that the costs for complying with these regulatory obligations will rise considerably so that it is no longer as profitable to operate in one country as opposed to the other. Having the option of transferring the seat and applicable law will therefore become more important than ever before. This avoids having to dissolve the company and reconstitute it in order to redomicile.

Requirements

- No legal requirement as to the initial capital of the EEIG;
- The official registered address may be anywhere in the EEA;
- The activities of the EEIG shall be related solely to the economic activities of its members and to ancillary activities thereto;
- The EEIG may be managed by one or more persons who is either an individual or a body corporate, provided that where the person managing the EEIG is a body corporate, such body corporate has designated one or more natural persons to represent it. Each member will be entitled to one vote (unless contracted otherwise) so long as no member of an EEIG is entitled to hold the majority of votes in it;
- The members may, by unanimous decision, decide on the conditions for the appointment and removal of the manager/s together with their powers (unless contracted otherwise).

Liability

An EEIG has its obligations guaranteed by the unlimited and joint and several liability of its members.

Contract and Registration

An EEIG boasts of a very straightforward means of set up and simply requires the formation of a contract between the parties.

Taxation of an EEIG

It is the members of the EEIG that are subject to the payment of tax rather than the EEIG itself (as with a regular partnership). The members are liable for payment in accordance with the law that applies to them depending on their domicile and place of establishment. Having said this, it is possible for an EEIG to opt to be treated as a company for income tax purposes where the provisions of the Maltese tax laws that are usually applicable to companies would apply to it.

For more information on how Zeta can assist you please contact our Business Development department on bd@zeta-financial.com.

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