

# Doing Business

In the Czech Republic  
in 2018



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## **1. WHAT KIND OF FORMS OF BUSINESS ACTIVITIES ARE ALLOWED IN THE CZECH REPUBLIC IN THE YEAR 2018?**

Czech or foreign natural persons or legal entities can perform the business activity in the Czech Republic if they comply with the Czech law. The condition is generally the issuance of a Czech trade license regulated by the Trade Licensing Act or another specific permit regulated by a number of specific acts, depending on the type of business activity. The exception from this condition applies to entrepreneurs from another EU member state in case of temporarily provision of services based on the trade licenses issued in such member state.

### **Natural persons as entrepreneurs**

A natural person or entrepreneur is, according to Czech law, a person who conducts business on the grounds of a trade licence, a person who conducts business using a special licence, or a person who practises agriculture and is registered according to a special regulation.

Citizens of other countries are allowed to conduct business in the Czech Republic under exactly the same conditions and to the same extent as Czech citizens, unless the law says otherwise. For this purpose, the term foreign person applies to a natural person whose permanent residence is outside of the Czech Republic. Therefore, it is permanent residence, and not citizenship, that is decisive here. Visa are required in certain cases.

### **Conducting business with a trade licence**

According to the Trade Licensing Act (Act No. 455/1991 Coll.), the business activity is conducted systematically, individually, using one's own name, on one's own responsibility, with a view to make profit and under the conditions laid down under this law. The different professions requiring a trade licence are listed in appendices 1- 4 of the Trade Licensing Act.

The Trade Licensing Act differentiates between notifiable trades, where the licence is granted once the agreed conditions are met and the Trade Office is notified, and concessionary trades, which require state permission - i.e. the granting of a concession; this is not accorded automatically. Notifiable trades are further divided into skilled, restricted and free trades. Every natural person who is considering pursuing a trade must meet a set of general conditions, including being 18 years old and above, having legal capacity and being a person of good character. In the case of restricted, skilled and concessionary trades, a natural person is additionally obliged to meet special conditions - a professional qualification or other competence as defined by the law for each profession. In case of non-compliance with these special conditions, a natural person is obliged to conduct a trade through the intermediary of a responsible representative, who is obliged to meet both the general and the special conditions pertaining to the given type of trade. Access to the Trade Register is free and available online at [www.rzp.cz](http://www.rzp.cz).

### **Conducting business using a special licence**

The different business objects for the given category are the professions listed in Section 3 of the Trade Licensing Act, and which are exempt from its provisions. First and foremost, this

applies to professional services (doctors, advocates, expert witnesses, auditors, tax advisers, dentists, etc.). Conditions for each of these professions are specifically defined by separate laws.

### **Practice of agriculture**

The third type of natural persons encompasses persons who practise agriculture and who are registered under a special regulation - the Agriculture Act (Act No. 252/1997 Coll.).

Agriculture includes forestry and water resource management. An agricultural entrepreneur is any person who practises agriculture for profit and meets the agreed conditions, including being at least 18 years of age, having legal capacity and Czech or EU citizenship - all other natural persons need permanent residence in the Czech Republic and a certification of a basic knowledge of the Czech language.

### **Legal entities**

The Act on Business Corporations recognises the following types of business entities:

- limited liability companies
- joint-stock companies
- general partnerships
- limited partnerships
- co-operatives
- Societas Europaea (European companies)
- European Economic Interest Grouping (EEIG).

The Czech Civil Code recognises also other forms of legal entities, such as trust and associations, which can also perform business activity, but this should not be the main purpose of their existence.

A Czech legal entity is an entity that has its registered office in the Czech Republic. Commercial companies are formed in two stages. The first stage involves founding the company and the second stage involves establishing it as a legal person, as of the date of its entry in the Commercial Register. The Commercial Register is maintained by the courts. Only after registration in the Commercial Register the company is entitled to commence its business activity in the Czech Republic. Access to the Commercial Register is free and available online at [www.justice.cz](http://www.justice.cz).

### **Branch office**

A branch office is merely an organizational unit of the founding company and it is not regarded as a separate legal entity and does not have its own legal capacity. It is an entity legally dependent on its head office, although it has an independent management and their own accounts. The branch office must be registered in the Commercial Register and the founder must appoint a director of the branch office who acts on behalf of the founding company, but this is only in relation to matters concerning the branch office.

In case of commencement of any business activity in the Czech Republic (i.e., continuous business activity carried out independently and aimed at generating a profit) it is important to ensure, that the respective trade licenses or other permits in the Czech Republic are obtained and registration with the Czech Commercial Register is performed.

## 2. STEPS FOR ACQUIRING A CZECH TRADE LICENCE IN THE YEAR 2018

### Brief description of legal steps for acquiring a Czech Trade Licence in the year 2018

Trades are divided under the Czech Trades Licensing Act (Act No. 455/1991 Coll.) into notifiable trades, which can be obtained based on notification, and concession trades, which can only be pursued on the basis of a special business licence - a concession. Notifiable trades are categorised into three further groups: vocational, professional and unqualified.

Notifiable trades are characterised by the fact that the authorisation to trade becomes valid immediately at the very moment of notification (not later when the trade licence is issued).

To illustrate the various types of trade, here are a few examples. Trades categorised as vocational include carpentry, bakery and confectionary, bricklaying and plastering, brewing, etc. Professional trades include activities such as providing or brokering consumer credit, work as an optician, or animals trading.

In order to acquire the concession for concessionary trades, it is necessary to demonstrate the relevant professional eligibility and in some cases to also meet some additional requirements. Trades that require concessions include operating a travel agency, road freight transport or a security firm employed to protect other people's property.

Those interested in a licence for a notifiable trade can obtain one by notifying the trade, while applicants for a concession can submit their application at one of the general Trade Offices - central registration points, by means of government administration contact points (Czech-Point) or do so electronically using the Trade Register web system. Trades are notified and applications for concessions are submitted using a standard registration form. Forms can be obtained at any trade office, and in most cases are freely available at the Ministry of Industry and Trade website <http://www.mpo.cz/dokument77388.html> for natural persons and <http://www.mpo.cz/dokument77394.html> for companies (forms must be completed in Czech).

### General conditions for pursuing a trade

The general conditions applying to a natural person pursuing a trade are: to have reached the age of 18 years, to have full legal capacity and a clean criminal record. According to the Act, a person with a clean criminal record is someone who has not been finally convicted of intentionally committing a criminal act, if it was committed in connection with business activities, or with the business object for which they are applying or notifying, unless they are now considered as not having been convicted of such offence.

### Professional eligibility

Alongside the form, in the case of a professional or vocational trade or concession, the notifier or applicant must submit

a document attesting its professional eligibility for the relevant trade, or of the appointed responsible representative, together with his/her signed declaration that he/she consents to the appointment. The signature on the declaration must be officially certified. If documents are in a foreign language, they must be translated into Czech by a sworn translator (a list can be found at [http://datalot.justice.cz/justice/repznatl.nsf/\\$\\$SearchForm?OpenForm](http://datalot.justice.cz/justice/repznatl.nsf/$$SearchForm?OpenForm)), with the exception of documents submitted by nationals of EU Member States or by a legal entity with its registered office, central administration or principal place of business activities in an EU Member State, unless there are doubts as to the translation's correctness.

### Other terms and conditions

Further, a document attesting the legal basis for use of the premises on which the trader has located its place of business (e.g. a lease contract) must be submitted, and also a receipt for payment of the administrative fee, which is 1,000 CZK (40 EUR) for a notifiable trade (if multiple trades are notified simultaneously the fee is charged only once) must be submitted. A foreign natural person, except for nationals of EU Member States or of a State Party to the Agreement on the European Economic Area, or the Swiss Confederation, must attach to their notification of a trade or concession application a document corroborating that they have been granted a visa to stay longer than 90 days or have had their long-term residency permit. A foreign natural person must further provide an extract from the criminal register or equivalent document issued by the relevant court or state authority of the country of which the individual is a national; the extract must not be more than three months old.

The Trade Office is obliged to make the entry into the Trade Register within 5 business days of receiving the notification and issue the entrepreneur an extract if the notifier meets the conditions set out in the Trades Licensing Act. Where concessions are concerned, the Trade Office shall decide the matter within 30 days of receiving the application, provided that all of the relevant particulars are met. Subsequently, within 5 business days of the decision granting the concession having come into effect, an entry is made in the Trade Register and an extract is issued to the entrepreneur.



### **3. INCORPORATING A CZECH LIMITED LIABILITY COMPANY IN THE YEAR 2018**

The limited liability company is the most common form of business corporation in the Czech Republic. How to establish such company?

A limited liability company is established by a Memorandum of Association, which is signed by all the founders, i.e. the future shareholders or just one future shareholder. In both cases, it is essential that it is executed in a form of notarial deed of a Czech notary. The notary fee usually does not exceed CZK 5,000 (180 EUR) and is depending on the amount of the registered capital. In case of basic Memorandum of Association which contains only the mandatory provisions required by the Civil Code and Business Corporations Act and if all contributions to the registered capital will be monetary and registration of the company to the Commercial Register will be performed by the notary, the notary fee was decreased to CZK 2,000 (75 EUR). The founding deed must contain basic information about the company, e.g. the business name, registered address, identification of the shareholders, types of business interests (shares) held by each shareholder and specification of rights and obligations attached to such business interests (assuming various types of business interests are allowed), list of company's business activities, number of executives and how they will act on behalf of the company, amount of registered capital, amount of contribution of each shareholder to the company's registered capital, identification of the initial executives and appointment of contribution administrator.

The business name must not be interchangeable with any already existing name of another company registered in the Commercial Register. This is why the business name being considered by the founders should be checked out in this regard in advance at the website [www.justice.cz](http://www.justice.cz). If the company's business name contains the name of a living natural person, the founders must obtain the consent of such person.

#### **Obtaining a business licence**

Once the founding deed was drawn up, the initial executives need to obtain the trade license at the Trade License Office unless the company's business activity includes only management of own property, letting of real estate, residential units and non-residential units or a special permit is required. The administration fee for obtaining the trade license at the Trade License Office amounts to CZK 1,000 (EUR 40).

#### **Business interests**

The founding deed of the limited liability company may allow formation of various types of business interests (shares) held by shareholders of the company. Furthermore, the business interest of the shareholder could be represented by a common certificate issued as registered security. Shareholders of the limited liability company can own more than one business interest in the company.

#### **Registered capital and payment of contributions into the registered capital**

The minimum requirement for the registered capital of the limited liability company is CZK 1. However, it is recommended

that founders agree on the higher amount of the company's registered capital than the minimum amount.

A shareholder's contribution into the registered capital is either in monetary or in-kind form whereas all contributions of founders are administered by the contribution administrator who is usually one of the founders. Monetary contributions are deposited to a special bank account established for this purpose. The in-kind contributions must be appraised in the expert's opinion drafted by the expert chosen by the founders from the official list of experts. Before submitting the application for entry the company into the Commercial Register, any in-kind contribution must be fully paid up, while at least contribution premium (if any) and 30% of each monetary contribution must be paid.

#### **Entry of the company into the Commercial Register**

The application for entry of the company into the Commercial Register has to be submitted either by all executives of the company on the prescribed form with their officially verified signatures or the registration can be performed through the notary who can register the company into the Commercial Register directly. The application must be submitted to the competent court depending on the location of the company's registered office within 6 months from the foundation of the company; otherwise the founding deed is considered as withdrawn. The founding deed may stipulate another period. The registration court fee amounts to CZK 6,000. The fee amounts only to CZK 2,700 (EUR 100), if the registration is performed by the notary on the basis on the notarial deed which would contains only mandatory provisions and all contributions to the registered capital of the Company would be monetary the registration of the company is for free.

Irrespective whether the application is submitted by the company's executives or through the notary, the following documents must usually be presented:

- a notarial deed containing the founding deed,
- a trade licence or licence for other type of business activity,
- a deed attesting the legal basis for use of the premises at which the company's registered office is situated, e.g. a written consent of the owner (such consent may not be older than 3 months and signatures on the document must be legally certified), together with the decision of the company's statutory body on the company's registered office location,
- a document attesting the fulfilment of the obligation to pay prescribed contributions into the registered capital. This fact could be proved by a declaration of the contribution administrator and confirmation from the bank that the relevant monetary sums have been credited to the bank account of the company,
- documents attesting the fact that persons who are to be registered as members of the company's bodies satisfy the requirements set forth by law, i.e. that they are at least 18 years old, have legal capacity, are without a criminal record related to the business, and that there are no impediments to their operating of a trade in accordance with the Trades Licensing Act and other legal regulations (such as an affidavit concerning such facts and an extract from the criminal record or equivalent document issued by the relevant authority of the EU Member State in which they were last residents in the case of citizens from another than EU Member State)
- the consent of the person being registered to their registration

in the Commercial Register.

The necessary forms for entering the company into the Commercial Register can be found in Czech on the website of the Czech Ministry of Justice <https://or.justice.cz/ias/iform/index.html?0>. Documents presented to the Commercial Register must be in Czech, including all their attachments; any deeds in a foreign language must have a legally certified translation unless it is drawn up in one of the official languages of the European Union (in that case a simple translation is sufficient). For certain types of foreign deeds (e.g. an extract from a criminal register or commercial register) a special form of higher authentication is required, one that certifies the authenticity of the issuing authority, generally identified as an apostille or 'super-legalisation', depending on whether the country issuing the deed is a signatory to the so-called Hague Apostille Convention.

The statutory deadline for registration of the company is five working days from submission of the application. If, within this period, the court does not register the company or request additional documents from the applicants, the company is considered as registered. The notary can register the company into the Commercial Register almost immediately.

In order to submit an application to the Commercial Register or Trade Register, it is not mandatory to be represented by a lawyer. Nonetheless, with respect to fulfilment of formal requirements, we recommend that an attorney-at-law is engaged.

The average amount of time needed to establish a limited-liability company in the Czech Republic is approximately 19 days but registration within couple of days is also possible.



## COMPANY IN THE YEAR 2018

The joint-stock company is the second most common form of business corporations in the Czech Republic. How to establish such company?

A joint-stock company is established at least by one founder on the basis of Articles of Association which are executed in the form of the notarial deed of a Czech notary and signed by all the founders. The notary fee usually does not exceed CZK 16,000 (580 EUR) and is depending on the amount of the registered capital.

The founding deed must contain basic information about the joint-stock company, such as business name, registered address, list of company's business activities, number of shares and their nominal value, specification of shares and whether the company issues registered shares or bearer shares, amount of the registered capital, number of votes attached to an individual share, total number of votes in the company and estimation of costs related to the establishment of the company.

The business name must not be interchangeable with any already existing name of another company registered in the Commercial Register. This is why the business name being considered by the founders should be checked out in this regard in advance at the website [www.justice.cz](http://www.justice.cz).

### Obtaining a business license

After the founding deed is executed, the members of the company's statutory body need to obtain the trade license at the Trade License Office unless the company's business activity includes only management of own property, letting of real estate, residential units and non-residential units or a special permit is required. The administration fee for obtaining the trade license at the Trade License Office amounts to CZK 1,000 (EUR 40).

### Corporate Governance

The founders could choose between the monistic and dualistic model of corporate governance. In case of former, the company establishes a Board of Directors and a Supervisory Board. The Board of Directors is in charge of the management of the company's business. The Supervisory Board supervises the exercising powers by the Board of Directors.

In case of later, the company has only an Administrative Board that determines the basic orientation of the management of the company's business and supervise its proper execution. The Administrative Board elects a statutory director who is responsible for management of the company's business. The chairman of the Administrative Board could also be the company's statutory director.

All the above-mentioned company's bodies could have only one member.

### Shares

There are two types of shares in the joint-stock company, i.e. shares with no special rights (ordinary shares) and shares with special rights (such as different or fixed profit shares or different vote weightings shares). The so-called no par value shares are shares that have nominal value.

## Registered capital and payment of contributions into the registered capital

The minimum amount of the registered capital of the joint-stock company is CZK 2,000,000 (EUR 73,000).

A shareholder's contribution into the company's registered capital may take either monetary or in-kind form whereas all contributions are administered by contribution administrator who is usually one of the founders. Monetary contributions are deposited to a special bank account identified in the Articles of Association. The value of in-kind contributions is determined by the expert chosen by the founders from the official list of experts.

Before submitting the application for registration of the company into the Commercial Register, each founder must pay up at least the share premium and all the founders must further pay up in aggregate at least 30% of nominal value of the subscribed shares. All in-kind contributions must be fully paid.

### Entry of the company into the Commercial Register

The application for entry of the company into the Commercial Register could be either submitted by all the members of the company's statutory body on the prescribed form with their officially verified signatures or the registration can be performed through the notary who can register the company into the Commercial Register directly. The application must be submitted to the competent court depending on the location of the company's registered office within 6 months from the foundation of the company; otherwise the founding deed is considered as withdrawn. The founding deed may stipulate another period.

The registration court fee equals to the amount of CZK 12,000 (EUR 450). The fee amounts to CZK 8,000 (EUR 300) only, if the registration is performed by the notary.

Irrespective whether the application is submitted by the company's members of the statutory body or through the notary, the following documents must usually be presented:

- a notarial deed containing the founding deed,
- a trade licence or licence for other type of business activity,
- a deed attesting the legal basis for use of the premises at which the company's registered office is situated, e.g. a written consent of the owner (such consent may not be older than 3 months and signatures on the document must be legally certified), together with decision of the company's statutory body on the company's registered office location,
- a document attesting the fulfilment of the obligation to pay at least statutory minimum contributions into the registered capital. This fact could be proved by a declaration of the contribution administrator and confirmation from the bank that the relevant monetary sums have been credited to the bank account of the company,
- documents attesting the fact that persons who are to be registered as members of the company's bodies satisfy the requirements set forth by law, i.e. that they are at least 18 years old, have legal capacity, are without a criminal record related to the business, and that there are no impediments to their operating of a trade in accordance with the Trades Licensing Act and other legal regulations (such as an affidavit concerning such facts and an extract from the criminal record or equivalent document issued by the relevant authority of the EU Member State in which they were last residents in the case of citizens from another than U Member State)

- the consent of the person being registered to their registration in the Commercial Register (members of the company's statutory body),
- the decision on the appointment of the chairman of the Board of Directors, chairman of the Supervisory Board, chairman of the Administration Board or statutory director, if applicable.

The necessary forms for entering the company into the Commercial Register can be found in Czech on the website of the Czech Ministry of Justice <https://or.justice.cz/ias/iform/index.html?0>. Documents presented to the Commercial Register must be in Czech, including all their attachments; any deeds in a foreign language must have a legally certified translation unless it is drawn up in one of the official languages of the European Union (in that case a simple translation is sufficient). For certain types of foreign deeds (e.g. an extract from a criminal register or commercial register) a special form of higher authentication is required, one that certifies the authenticity of the issuing authority, generally identified as an apostille or 'super-legalisation', depending on whether the country issuing the deed is a signatory to the so-called Hague Apostille Convention.

The statutory deadline for registration of the company is five working days from submission of the application. If, within this period, the court does not register the company or request additional documents from the applicants, the company is considered as registered. The notary can register the company into the Commercial Register almost immediately.

In order to submit an application to the Commercial Register or Trade Register, it is not mandatory to be represented by a lawyer. Nonetheless, with respect to fulfilment of formal requirements, we recommend that an attorney-at-law is engaged.





## **5. LEGAL REQUIREMENTS OF LEASE OF BUSINESS PREMISES IN THE CZECH REPUBLIC IN THE YEAR 2018**

The New Czech Civil Code regulates the lease of premises for business purposes, even in relation to lease agreements entered into prior to this date. Compared to general types of property leases, lease of business premises has several specific features. Landlords, property developers and their tenants who are leasing business premises in the Czech Republic should certainly be aware of them.

### **Requirements of a lease contract**

The essential requirement of a lease contract is now simply an agreement concerning the object of the lease and the amount of rent. The purpose of the lease no longer needs to be specified in the contract. If, however, the object of the lease will not be used at least predominantly for the operation of business, then no specific conditions shall apply. Neither is it required to have the object of lease approved by the occupancy permit for the contract to be valid.

The regulation of leases in the Czech Civil Code is not mandatory. Parties therefore have the opportunity to manage their mutual rights and obligations according to their own specific requirements and needs. The lease contract does not need to be renegotiated and rewritten due to the adoption of the new legislation, although in practice the parties prefer this option to exclude application of certain newly introduced provisions of the Czech Civil Code.

### **Terminating a lease of business premises**

Unless the contracting parties agree otherwise, the notice period for a lease with an indefinite term is six months, and three months for a fixed term lease. The notice on a fixed term contract must state the reason for terminating the lease, otherwise the notice is not valid.

Unless the parties set out other reasons, tenants are entitled to give notice on a fixed term lease before the lease expires, inter alia if (i) they have lost the capacity to carry out the activity for which the business premises were intended, (ii) the leased premises have ceased, for objective reasons, to be eligible for carrying out the activity for which they were intended, and the landlord does not provide the tenant with equivalent alternative premises, (iii) the landlord has grossly breached his obligations in respect of the tenant, and (v) the circumstances on the basis of which the parties concluded the lease agreement have changed to such an extent that it would be unreasonable to require the tenant to continue the lease.

The landlord is entitled to give notice on a fixed term lease contract, inter alia if: (i) the real estate in which the business premises are located is to be demolished or rebuilt in such a way that prevents the leased premises from being used any further, provided that the landlord did not and could not have predicted such situation when entering into the contract, or (ii) the tenant has grossly breached his obligations in respect of the landlord (e.g. the tenant is more than 1 month in delay with the payment of rent or services connected with use of the business premises), (iii) the tenant is convicted of an intentional criminal act committed against the landlord, a member of his family, or

person who lives in the building in which the business premises are located, or against another person's property situated in such building, (iv) the business premises need to be vacated due to a reason of public interest protection, or (v) some other similarly serious reason exists.

The lease agreement passes over to the new owner in case of the sale of the premises. If the new owner had no reasonable cause to doubt that he was buying the premises free of any lease, he is entitled to terminate the lease within three months after he became or must have become aware that the premises are leased and who the tenant is.

Objections can be raised against a termination notice. Objections must be made in writing and notified within one month of the relevant party having received the notice. If the notice is not withdrawn by the terminating party within one month from the delivery of the objections, the party who raised the objections may ask the court to examine the legitimacy of the notice within the period of another two months. If, however, the tenant vacates the business premises in accordance with the notice, then such notice shall be regarded valid and as having been accepted by him without objections.

In particular cases termination without the notice period is possible; by the landlord in cases of particularly serious breaches of the lease agreement by the tenant, by the tenant if the landlord fails to provide the tenant with sufficient protection against claims of a third party, who asserts the right of ownership or another right in a thing or claims that the premises be surrendered or vacated. Nevertheless, the breach has to be specified in the notice and a possibility to remedy the breach before the notice has to be given.

### **Signs regulation**

The tenant is entitled furnish, to the appropriate extent, the real estate in which the object of the lease is located with various types signage, provided the landlord has given his consent. The landlord may only withhold his consent for serious reasons. If the tenant requests the landlord in writing to be given such consent and the landlord does not respond within 1 month, it shall be taken that consent has been given. On the other hand, a failure to obtain the consent constitutes a gross breach of the lease agreement by the tenant.

### **Compensation for taking over a customer base**

One entirely new legal mechanism is the payment of compensation for taking over a customer base, i.e. a group of customers who were regular clients of the tenant, provided that such base was created by the tenant himself. The tenant is entitled to compensation for the take-over of a customer base in cases where the lease is terminated by notice of the landlord and at the same time the customer base is taken over by the landlord or a new tenant. However, the tenant will not be entitled to compensation for the takeover of a customer base if the landlord gave a notice to the tenant for the reason of the tenant's gross breach of obligations.

## **6. THE MOST IMPORTANT CHANGES IN CZECH LAW FOR ENTREPRENEURS IN 2018**

In 2018, a number of changes for entrepreneurs will come about. These will affect, for example, builders, register of beneficial owners of legal entities, and unified electronic identification.

### **GDPR – General Data Protection Regulation**

Similarly as in other EU countries, the so-called General Data Protection Regulation (GDPR) will also come into effect in the Czech Republic as of 25 May 2018. Through it, the EU authorities plan to strengthen and unify the protection of personal data of all individuals within the EU, and to further regulate the transfer of EU citizens' personal data beyond its borders. For non-EU entities handling data of EU citizens, the GDPR should facilitate compliance with the Member States' to-date varying national laws. In the first half of 2018, a new act on the protection of personal data will most likely be adopted in the Czech Republic, which will repeal existing Act No. 101/2000 Coll. and specify certain obligations and rights arising from the GDPR.

New data will be explicitly considered to include, inter alia, IP addresses and cookies. Persons will have the right to data transferability (portability) within the scope of which they will be able to obtain a copy of the processed personal data, and transfer it to another service provider. Individuals will also have the so-called right to be forgotten – RTBF, and may demand the removal of certain personal data from search engines. These rights are also in line with the wider obligations of Internet entrepreneurs. Businesses will have to report, among other things, within 72 hours of detection any leakage of personal data to the supervisory authority and, in some cases, to the client. Another obligation of entrepreneurs will be the adequacy, respectively the obligation, to minimise the volume of processed personal data by permanently deleting data that is no longer necessary, and to which, for example, the client's consent does not apply. The GDPR also fixes the obligatorily established position of the so-called Data Protection Officer (DPO). In some Member States, this position is or has been previously known of, but in the Czech Republic, it is an entirely new position.

### **Register of beneficial owners of legal entities**

Commencing from 1 January 2018, records of data on beneficial owners of legal entities will be maintained in the Czech Republic. A beneficial owner is to be considered any natural person that has the possibility to either directly or legally exercise factual influence within a given legal entity, with more detailed rules being set for individual types of legal entities. These records will be kept at the registry courts, which will collect the names, addresses of the place of residence, birth dates and birth numbers, nationality, and facts forming basis of their status as beneficial owners, whether it be a share in the voting rights, distributed funds, or otherwise. The application for registration of the beneficial owner will be required to be filed by the legal entity itself, which will be obliged to keep the internal list of owners independently of the public records. The data will not be publicly available, but the range of people and authorities accessing it will be quite broad.

### **Statutory pre-emptive rights in connection with immovable property**

From 2018, the statutory pre-emptive right of co-owners to immovable property will be valid once again. The pre-emptive right shall again apply to all transfers, except for the transfer of interest to a close person (e.g. a relative). The pre-emptive rights will not apply to any items other than immovable property. Co-owners will be able to waive their pre-emptive rights. Such a waiver will also have an effect on legal successors of the waiving co-owner (i.e. the subsequent owners of the original co-owner's interest). Information that a co-owner has waived the pre-emptive right will be entered in the Cadastral Register. The three-year status since 2014, where property co-owners could not influence who their new co-owner would be, will end in 2018. The co-owners of immovable property will thus be able to once again prevent, as of 1 January 2018, the transfer to an unwanted person by exercising their pre-emptive right. However, this does not affect transfers to close persons.

### **Amendment to the Building Act**

From 1 January 2018, an amendment to the Building Act will enter into force, which will, among other things, represent significant process acceleration and streamlining for builders. Zoning and construction proceedings may be combined into one co-ordinated procedure in more situations than ever before. The environmental impact assessment (EIA) process will also be included in the co-ordinated procedure, and the binding opinion of the competent authority will be issued as part of this procedure. For the builder, however, the possibility of combining the zoning and construction proceedings is only a possible alternative, it is not a compulsory procedure, and so the previous two separate proceedings may still be chosen. Compensation for damage in the field of competition

The new Czech Act on Compensation for Damage in the Field of Competition, which transposed the 2014 European Directive at the end of 2017, should facilitate the recovery of damages caused by the restriction of competition. This includes, for example, a longer limitation period for the exercise of the right to compensation, which lasts for 5 years, and starts to run from the day on which the entitled person became aware of the damage, but at the earliest on the date on which the restriction of competition was brought to an end. The law simplifies claiming damages for an injured party by allowing him to demand access to any evidence at the responsible party's disposal prior to the opening of proceedings. The court may penalise a failure to submit the requested documents by a fine of up to CZK 10 million, or 1% of the net turnover of the last completed accounting period for the person who has violated this obligation imposed by the court, rendered it impossible, or significantly hindered it. Although this obligation is also generally applicable to documents collected in the file of the Antimonopoly Office, it is significantly limited in relation to those documents, in particular as concerns the self-incriminating documents submitted by the cartel participants under the so-called Leniency programme. The damage is to be reimbursed in its entirety, because the objective is to return the injured person to a situation in which he or she would be located if the competition law violation had not occurred, and therefore involves both compensation for actual damage and loss of profits and interest. However, compensation for damage must not lead to overcompensation.

## Unified electronic identification from 1 July 2018

The Electronic Identification Act, adopted at the end of 2017, will allow a simple, secure, and state-guaranteed way of proving the user's identity on the Internet from 1 July 2018, while at the same time helping to develop and ease the use of online public administration services. The Act is directly linked to the European eIDAS Regulation (on electronic identification and trust services for electronic transactions in the internal market). Thanks to this Act, it will be possible to prove one's identity even remotely, by electronic means.



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