

Further changes to the registration of beneficial owners from 1 October 2022 Do they apply to you?

On 1 October 2022, an amendment to Act No. 37/2021 Coll., on the **Registration of Beneficial Owners** ("the Act") will come into force. In particular, the amendment brings changes to terminology and expands the range of entities that will be obliged to register their beneficial owners.

The fundamental changes can be summarized in three points:

I. The Act introduces a new definition of the beneficial owner, which is any natural person who owns or controls a legal entity or legal arrangement.

A corporation is owned or controlled by any natural person who directly or indirectly (through another entity or legal arrangement)

- has an interest in the corporation or voting interest of more than 25%
- has a right to a share of profits, other resources, or liquidation surplus greater than 25%
- exercises a controlling influence over a corporation or corporations that individually or collectively have a greater than 25% interest in the corporation; or
- exercises decisive influence in the corporation by other means (decisive influence is exercised by the person who can appoint or remove a majority of the persons/members of the statutory body of the corporation).

The Act simplifies the information regarding beneficial owner status as follows:

- direct or indirect owner;
- material (Sections 4 and 5a), substitute (Section 5), or formal (Section 6) owner.

II. The Act newly regulates the beneficial owner of foundations, institutes, public benefit corporations, and legal arrangements.

The beneficial owner of these legal arrangements is any natural person who exercises decisive influence in them (decisive influence is exercised by those who can directly or indirectly make the decisions of the statutory or other governing body, or of the trustee in the case of trusts, conform to his/her will).

The obligation to register the beneficial owner now also applies to entities that were previously deemed not to have a beneficial owner. These include, for example, political parties and movements, churches, religious societies, trade unions, and employers' organizations as well as unit owners' associations.

III. The Act further regulates the details of "automatic transcription" based on the entries in the public register.

However, the registrant must still apply to a court or notary to have its beneficial owner automatically transcribed in the future according to the information in the Commercial Register.

To conclude: **Some practical information and recommendations**

- During the first month after the entry into force of the Act (i.e., October 2022), all existing entries in the Register of Beneficial Owners will be automatically updated according to the terminology introduced by the Act.
- Some obliged entities with complicated structures need to check whether the new terminology introduced by the Act has resulted in a change or extension of the facts recorded.

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- Any inconsistencies in the registrants' entries must be resolved no later than 6 months after the entry into force of the Act, i.e., by 31 March 2023.
- Proceedings for registration of changes based on the new Act will be exempt from the court fee, which otherwise amounts to CZK 4,000. The courts will process applications for registration of amendments under the new Act starting from 1 November 2022.
- Registrants are advised to check the status of the registration in the Register of Beneficial Owners after 1 November 2022, and in case of discrepancies or incomplete information, to complete the registration in order to comply with the requirements of the Act.

We are, of course, available for any legal assistance you may require.

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