

News Flash

November 6th 2014

Amendment to the Commercial Code

On October 21th 2014 the proposed Amendment to the Commercial Code was approved. Please find the most significant changes introduced by the amendment that comes into force as of January 1st, 2015:

Changes on the establishment of the limited liability company

Starting 2015 it will be possible to establish the limited liability company with the **registered capital only of 1 EUR**. It means that also the capital deposit of the LLC shareholder will be in the amount of only EUR 1.

However, by this type of companies special conditions have to be applied:

- Limited liability companies with the registered capital lower than EUR 25 000 will be under obligation to state the value of the registered capital and the extent of its payment on all business documents. It has to be stated on the web page of the company as well. It will be possible to use abbreviations "ZI" for the registered capital and "SP" for the paid up capital.
- The number of shareholders will be limited up to 5.
- LLC with the registered capital lower than 5 000 EUR may **distribute the profit share only of ¼ of the net profits**. Moreover, such company may not distribute the profit share in case it could cause a bankruptcy. For companies with the registered share higher than or equal to 5 000 the same provision is applicable as till now.
- Obligation of the statutory representatives to call the General Meeting when the lost of the company exceeds 1/3 of the registered capital or it is supposed to (for LLC with the registered capital lower than 25 000 EUR it is applicable if the lost exceeds 2500 EUR)

The above mentioned means that as of 2015 two different types of companies will be distinguished – limited liability company obligated to state its registered capital if the register capital is lower than 25 000 EUR, and other limited liabilities companies without this obligation.

Company in crisis

The term "company in crisis" is introduced by the amendment. It is meant that company is in bankruptcy or there is a risk it will be in bankruptcy while for determining this state the proportion of equity and liabilities is taking into consideration, i.e. the proportion between own equity and debt capital.

Moreover, the term of „payments substituting the own resources" is also mentioned by the amendment. Under this term loans, credits and other similar payments provided to the company in crisis are understood. During the crisis the company may not pay these payments back and this till the end of the crisis. The aim of the provision is to protect the creditors.

The crisis will only apply for LLC, joint stock company and limited partnership company whose general partner is not an individual.

During the crisis the company is obligated to **prepare extraordinary financial statements** at the end of the each month. Moreover, the statutory body of the company in crisis is obligated to call the General Meeting without undue delay,

prepare a draft of measures for the avoidance of the crisis and introduce it to the highest body of the company.

The resignation of the function of the statutory body member

If the resignation of a member of the statutory body did not take place at the meeting of the company body that is authorized to appoint or elect a new member of the body (for example at the General Meeting), the resignation has to be in written form and the signature has to be official verified.

So-called register of excluded representatives

Based on the decision of the court it can be determined for the period specified in the decision or for the period of three years after the conclusive decision of the court, that **an individual can not work as a member of statutory body or supervisory body, the head of the branch office or proxy in any other company or cooperative.** In this connection a special register of disqualifications is introduced.

This decision may be imposed for example by criminal proceeding as a “ban on performance of the activity” or by bankruptcy proceeding If the obligated person violated the obligation to file a bankruptcy.

The register of disqualifications will be kept at the District Court of Žilina and it will not be available for public.

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