

# News Flash

5 October 2022



**New rules for the beneficial owners in the Czech Republic**

## New rules for the beneficial owners in the Czech Republic

On 1 October 2022, the amendment to the Act on the Register of the Beneficial Owners came into force. This amendment responds to the requirements of the European Commission, according to which the current local regulations on the beneficial owners are not in compliance with the European law. The amendment will further reduce the administrative burden on the registrants' end and ensure greater transparency of organisations.

### What is changing with the new legislation?

#### Definition of the beneficial owner

The main change brought by the amendment is a simplification of the definition of the beneficial owner. The amendment departs from the distinction between the ultimate beneficiary and the person with ultimate effective control, and it **establishes a uniform material definition of the beneficial owner**.

Newly, only the direct or indirect **ownership or control** in a legal person or legal arrangement will establish a basis for identifying the beneficial owner. The ownership will be based on the factual situation and the ownership of 25% share (of participation in the capital, voting rights or profit) will be the determining criteria. At the same time, it will not be necessary to meet the material condition of possessing the ultimate control. This may result in the identification of multiple beneficial owners - significant 'players' in the company who may not have actual decisive influence.

#### Additional entities obliged to register the beneficial owner

The obligation to register the beneficial owner will now apply to some legal entities and legal arrangements that did not have this obligation before. The registration of the beneficial owner will be required for:

- unions and employers organisations,
- association of unit owners,
- political parties and movements,

- district and regional chambers,
- churches and religious organisations,
- hunting societies.

#### Extension of the period during which the voting rights are not suspended

The new amendment also extends the period during which the voting rights of an unregistered beneficial owner are not suspended, and that is **from 15 to 30 days**. If the position of the beneficial owner is established in the period of 30 days prior to the date of the general meeting, the prohibition on exercising voting rights will not be applied.

#### Automatic data exchange and change of beneficial owners' data according to the new amendment

In order to comply with the terminology of the new amendment, most of the data already entered in the register of beneficial owners will be **adjusted automatically**, without the need to submit a new registration form for changes of the beneficial owners' data.

For most of the entities which will have a new obligation to register their beneficial owner, the automatic data exchange mechanism will also be used.

The automatic data exchange will take place during the month following the entry into force of the amendment, i.e. during October. If the automatic data exchange does not occur, the

registration will have to be amended within **6 months**, i.e. by the end of March 2023.

Likewise, legal entities that have fulfilled the registration obligation under the previous

legislation but will not have the automatic data exchange applied, will have **6 months** from the entry into force of the amendment to proceed with the registration updates in order to comply with the new requirements.

## Our recommendations

- Since most of the already entered data will be automatically adjusted in the register of beneficial owners, the adopted amendment will not have a significant impact on the business corporations. However, we recommend considering whether the change of the definition of the beneficial owner may not lead to the identification of more beneficial owners. At the same time, we would like to point out that in the event of any future changes in the ownership structure of the business corporation (e.g. transfer of shares), it is necessary to update the information already registered in the register of beneficial owners.
- In the case of entities that have a new registration obligation, and the mechanism of automatic data exchange is applied to the registration, we recommend doublechecking whether the registration of the beneficial owner corresponds to the actual situation once the deadline for automatic data exchange has passed.

We will be happy to assist you with the registration of the beneficial owners in the Register. Please do not hesitate to contact us.

## Contact

### Lenka Brummerová

Corporate Services Manager

Email: [lenka.brummerova@accace.com](mailto:lenka.brummerova@accace.com)

Phone: +420 222 753 480

### Martina Vaničková

Junior Associate

E-mail: [martina.vanickova@accace.com](mailto:martina.vanickova@accace.com)

Phone: +420 222 753 480



## About Accace Czech Republic

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