



Amendment to the Business Corporations Act

On 1 July 2023, the second part of the amendment to the Business Corporations Act will enter into effect, bringing significant changes in the area of eligibility of persons to be a member of an elected body of a business corporation and also introducing a completely new non-public register of persons excluded from being a member of an elected body of a business corporation.

The amendment also introduces the following new obstacles to performing the function of a member of an elected body of a business corporation:

- (a) a decision of a court or other competent authority of the Czech Republic or another state, as a result of which the person cannot perform the function of a member of the dominant, supervisory or administrative body of a legal person;
- (b) a final and enforceable conviction of a person for selected criminal offences committed in connection with business activities. As a rule, this will include the criminal offences of fraud, subsidy fraud, legalization of proceeds of crime, tax crimes, embezzlement or breach of fiduciary duty; and © a decision declaring bankruptcy on the property of the relevant person.

Therefore, a person who is to become a member of an elected body of a business corporation will be obliged to inform the corporation that he or she is not prevented from performing the function of a member of an elected body. The absence of this obstacle will be documented by an affidavit. Providing a false affidavit may cause the person to incur criminal liability.

As far as the new register of persons excluded from being a member of an elected body of a business corporation is concerned, it will serve the courts or notaries for verification in the procedure to register a person as a member of such body. The register will contain details of all persons who are prevented from performing such function.

The business corporations will not be able to verify the information from this record themselves. Natural persons, however, will be able to request the provision of information on whether data about them is kept in the register. Based on this request, the requesting person will obtain an extract or a confirmation from the register stating that there are no data on them currently entered in the register.

The amended Act will provide that persons, who will be members of an elected body of a business corporation at the time of the amendment's entry into effect and an obstacle will prevent them from performing the function of an elected body, will be obliged to inform the business corporation of the existence of such obstacle within one month of the amendment's entry into effect. The corporation will then be given a period of 2 months to elect a new member of the elected body. The position of a member of an elected body of a business corporation who is prevented from performing such function will cease to exist 3 months after the amendment enters into effect.

If you have any questions regarding the abovementioned or about business corporations in general, please do not hesitate to contact us.

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