



March 2021

## Register of beneficial owners 2021

Existing regulation of the register of beneficial owners is being changed. On 1<sup>st</sup> June 2021, new act No. 37/2021 Coll., on the register of beneficial owners (the “*Act*”) enters into effect. By the Act, the beneficial owner is defined more precisely, **various sanctions** for non-fulfilment of the obligations are set forth and **public access** to the data on beneficial owners is introduced.

Business corporations and other entities stipulated for in the Act are **obliged to enter** each of their beneficial owners **in the register of beneficial owners**.

The Act provides for exception when some legal persons do not have beneficial owners (e.g., the state or an association of unit owners).

### **Public access to the register of beneficial owners**

In comparison with the existing regulation, the register of beneficial owners will be partially accessible to the public at the website of the Ministry of Justice. To certain public authorities (e.g., courts, notaries, administrators of tax) or other authorized persons, the register will be accessible in full scope.

### **Penalties for breach of obligations**

If legal persons who are obliged to register their beneficial owner (registrants) do not ask for registration of the beneficial owner, sanctions under the Act can be imposed on them. If a registrant does not arrange for registration of any beneficial owner even within a reasonable period determined by the court, a **fine up to CZK 500,000** can be imposed on the registrant. The same fine can be imposed on the beneficial owner who does not provide the necessary cooperation.

The act provides also for other sanctions which have essential impact of the functioning of the business corporation. If a beneficial owner is not entered in the register of the beneficial owners, the business corporation **may pay out share in profit neither to this beneficial owner** nor to any other business corporation (typically to a parent company) whose beneficial owner is this beneficial owner as well. If the beneficial owner is not registered in the register, he/she (himself/herself or via a business corporation whose beneficial owner he/she is) **may neither execute voting rights** upon decision-making of the **supreme body nor adopt decisions as the sole shareholder** of that business corporation with respect to which he/she is not, in breach of law, registered as the beneficial owner.

**Deadlines for registration**

Beneficial owners who have been already registered according to the existing regulation will be deemed to be registered in accordance with the Act as well.

Business corporations that have already registered their beneficial owner are obliged (with some exceptions) to procure by 1<sup>st</sup> December 2021 that the data comply with the requirements set out by the Act. Other persons that have already registered their beneficial owner have to do so by 1<sup>st</sup> June 2022.

Business corporations that have not yet registered their beneficial owner according to the existing legal regulations at all are at risk of the above-mentioned sanctions as soon as the Act becomes effective. In these cases, the registration of the beneficial owner without undue delay is recommended. Other registrants than the business corporations that have not registered the beneficial owner according to the existing regulations yet are obliged to do so by 1<sup>st</sup> December 2021.

We will be pleased to answer any queries you might have.

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