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Object of business activities in the founding documents and in the Commercial Register

On 12th May 2021, the Supreme Court of the Czech Republic issued a revolutionary decision (file No. 27 Cdo 3549/2020) regarding the wording of the object of the business activities of business corporations (hereinafter only the “**decision**”) which is entirely in contradiction to the hitherto practice of the Commercial Register courts.

According to the decision, stating of the object of the business activities of a business corporation in the founding document of a business corporation (memorandum of association, founder’s deed, articles of association) in the wording: “*Production, trade and services not listed in annexes 1 to 3 of the Trade Licensing Activities*” is vague. Stating of the object of the business activities in this wording is therefore not in compliance with law.

Business corporations with the above-mentioned vague object of business activities in the founding document should therefore sufficiently concretize the object of business activities in the founding document and subsequently in the Commercial Register, i.e., to adjust the founding document and apply for a change of the entry in the Commercial Register. In the event that the business corporation does not do so and does not remedy the situation, the court can invite the business corporation to do so. If the business corporation does not remedy the situation within the period provided by the court, a fine up to CZK 100,000 can be imposed on the business corporation. In the worst-case scenario, the court could even decide on dissolution of the business corporation with liquidation.

We recommend to check the object of the business activities in the founding document and the entry of the business activities in the Commercial Register and, if necessary, to correct it.

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

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