

# CZ: THE BENEFICIAL OWNERSHIP REGISTER FOR LEGAL ENTITIES

TO WHOM DOES THE BENEFICIAL OWNERSHIP REGISTER APPLY?  
WHAT IF THE BENEFICIAL OWNER CANNOT BE DETERMINED?  
WHAT INFORMATION DOES THE REGISTER CONTAIN?

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On 1 January 2018, an amendment to the Act against Money Laundering and the Financing of Terrorism (the "**AML Act**") established the **Beneficial Ownership Register**. Information on the beneficial owners of legal entities and trust funds must be entered in this register. Below you will find answers to the most frequently asked questions about the amendment to the AML Act:

## 1. TO WHOM DOES THE OBLIGATION TO REGISTER THEIR BENEFICIAL OWNER IN THE REGISTER APPLY?

This obligation applies to all **legal entities** registered in public registers (i.e. not only business corporations, but also associations, condominiums, foundations and institutions) as well as **trust funds**.

## 2. WHO IS CONSIDERED A BENEFICIAL OWNER?

A beneficial owner is a **natural person** who has the factual or legal opportunity to directly or indirectly exercise a decisive influence in the given legal entity.

In business corporations it is assumed that the beneficial owner is a natural person:

- who himself or together with persons acting in concert has more than a 25% share in the voting rights or registered capital of this business corporation; or
- who himself or together with persons acting in concert controls the business corporation; or
- who is the recipient of at least 25% of the profits of this business corporation.

If the business corporation does not have a beneficial owner or if the beneficial owner cannot be determined according to these rules, it shall be considered a natural person who is a member of its **statutory body**.

Specific rules shall apply to legal entities other than business corporations.

## 3. WHO MAINTAINS THE REGISTER AND WHO HAS ACCESS TO IT?

The Beneficial Ownership Register (see <https://issm.justice.cz/>) is maintained by the courts maintaining public registers in electronic form. The register contains identification data on beneficial owners as well as information about the facts on which this position is based.

The register is **not publicly accessible** and may only be accessed by a restricted circle of persons, primarily courts, authorities involved in criminal proceedings, tax administrators, the Financial Analytic Authority, the Czech National Bank, as well as persons which have identification and control duties under the AML Act and persons who demonstrate a legal interest in connection with the prevention of certain criminal offences. Information on beneficial owners will not be included in extracts from the respective public registers.

Filings in the register are made via an electronic form submitted to the relevant court or are made by a notary. Filings are free of charge until the end of 2018; afterwards they will be subject to a court fee of CZK 1,000.



#### 4. WHAT MUST BE DONE IN CONNECTION WITH THE BENEFICIAL OWNERSHIP REGISTER AND WHEN?

Firstly, it must be pointed out that legal entities have already been obliged to internally **register their beneficial owners**, including the facts on which this position is based, pursuant to the amendment to the AML Act since 1 January 2017.

Legal entities registered in the Commercial Register must register their beneficial owners in the Beneficial Ownership Register by **1 January 2019** at the latest. Legal entities registered in other public registers (including trust funds) must do so by **1 January 2021**. These deadlines do not follow unequivocally from the amendment to the AML Act; nevertheless, they constitute the predominant interpretation and are also confirmed by the statements of the competent authorities.

For the purposes of registration it is also essential to submit documents identifying the beneficial owner and evidencing his position as such in relation to the respective legal entity. The entry must be updated without undue delay in the event of a change in any decisive facts.

#### 5. WHAT ARE THE PENALTIES FOR FAILING TO REGISTER THE BENEFICIAL OWNER?

The AML Act **does not prescribe any penalty** for noncompliance with the obligation to register in the Beneficial Ownership Register. Presumably neither the possibility to impose a procedural fine nor the possibility to dissolve the legal entity under the Act on Public Registers will be applied.

For some contractual partners (in particular banks and other financial institutions), failure to disclose the beneficial owner in the register may be an obstacle to continue the business relationship. In connection with other circumstances, a breach of this obligation could lead to transactions made with the legal entity in question being regarded as a suspicious transaction pursuant to the AML Act.

Legal entities participating in public tenders will be required to prove the identity of their beneficial owners if they win the tender. If their beneficial owners are not listed in the register and are not disclosed upon the request of the contracting authority, the tenderer must be excluded from the tender.

#### 6. CONTACTS



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