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May, 13th 2021</td></tr>
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New regulations for the registration of beneficial owners

On 1 June 2021, the new law on the registration of beneficial owners will come into force. Compared to the current legal situation, the scope of the information to be recorded has been expanded and, above all, sanctions for non-compliance have been introduced. The register will be publicly accessible.

The new regulation will affect almost all commercial companies, including those that have fulfilled their obligations under the existing legal situation.

Beneficial owner

Beneficial owner of a company is any natural person who is either a **final beneficiary** or a **person with final influence**.

- A **final beneficiary** is any natural person who is entitled, directly or indirectly (through another person), to more than 25% of the profits (or liquidation proceeds) of the enterprise.

- A **person with final influence** is any natural person who directly or indirectly exercises a controlling influence over a legal entity. This may be the case if it holds more than 25% of the voting rights.

If the beneficial owner cannot be identified, persons from the top management are recorded as beneficial owners. These can be not only members of the statutory bodies, but also persons directly subordinate to them.

The registration of beneficial owners will now also record other information, such as a description of the structure of the relationship or the period from when to when the person was the beneficial owner and why. All data must be supported by appropriate documents at the time of registration.

Completely new will be the **automatic registration transfer** from the commercial register to the registration of beneficial owners for certain companies.

Part of the information in the registration of beneficial owners will be **accessible to the public on the internet**. Various institutions, including e.g. the tax office, will have access to the full version.

Sanctions

In contrast to the current law, the new law introduces **penalties of up to CZK 500,000** - for a company that does not register the beneficial owner even if ordered to do so by the court, or for other subjects (such as shareholders or beneficial owners) that do not provide the necessary cooperation for registration.

Other restrictions, however, can have an even more unpleasant effect on companies and their shareholders. A **company may not distribute dividends** (including equity or liquidation assets) to an unregistered beneficial owner. An unregistered beneficial owner **may not exercise his or her right to vote at a shareholders' meeting**. The same applies to any company of which that person is the beneficial owner.

In addition, a company may not distribute shares in profits to companies that do not have a registered beneficial owner on the register.

Deadlines

The law comes into force as early as 1 June 2021. Companies that have fulfilled their reporting obligations under the current law may, according to the transitional provisions, fill in the missing data until 1 December 2021.

Recommendation

In view of the penalties, we recommend that you ensure that all relevant data is entered in the beneficial owner register.

If the company intends to distribute dividends after 1 June 2021, the registration of the beneficial owner of the company and the parent company must now be verified in addition to the insolvency test.

If you have any questions, please do not hesitate to contact us. We will be happy to assist you with the registration of the beneficial owner.

For the AUDITOR Team

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