



We dedicate this first issue of Business Bulletin in 2021 to new regulations in Czech law, which either become effective on January 1, 2021 or in the beginning of 2021. Some of the changes have been awaited for a long time and published in the Collection of Laws many months ahead, while others waited for their publication until the very end of 2020. Out of many changes we choose those which may have a substantial impact to business and the functioning of business corporations.

Finally, we would like to invite you to the first 2021 Business Brunch with the title Defects of goods and liability for defects, which will take place on February 23, 2021.

LEGAL NEWS FOR BUSINESS AS OF JANUARY 1, 2021

Amendment to the Business Corporations Act

On January 1, 2021, the amendment to the Business Corporations Act No. 33/2020 Coll. became effective. This amendment, already passed in the beginning of 2020, represents the greatest change to the corporate law since the recodification.

The amendment aims to simplify establishment of new companies – it will no longer be necessary to open a special bank account to pay up contributions up to CZK 20 000; it will be possible to pay up the contributions otherwise. There are changes to the rules of distribution of profit, payment of advances on profit share or limitations to the payment of profit to the shareholders.

Substantial changes also affect members of the corporate bodies. There are new rules of resignation of corporate body members, including repealing a rule that a director may not resign in an inappropriate time. The amendment changes the terms of disqualification of a director and possible legal consequences for him, if he contributes to company's bankruptcy.

The amendment also expressly allows to incorporate into a share the right to independently appoint one or more managing directors, board members or members of the supervisory board. This amendment marks a significant change for a one-tier joint-stock company, as the position of the general director (as the sole governing body of the company) no longer exists; all his management and other powers have been passed to the board of directors.

We wrote about the changes to the Business Corporations Act in more detail [here](#) (in Czech).

Lex covid

In the end of 2020, the Parliament adopted two important amendments to the Act No. 191/2020 Coll. ("Lex covid"). This act introduces several measures to make the functioning of the courts and corporations easier under the conditions of the pandemic.

The amendment No. 460/2020 Coll. prolongs the suspension of the obligation of the debtor (legal entity or natural person-entrepreneur) to file a motion on declaring oneself bankrupt, if the bankruptcy was largely caused by the extraordinary measures to tackle the coronavirus pandemic. The right of the debtors to apply for the extraordinary moratorium is extended by the same date (June 30, 2021) to give them time to solve their financial problems.

The amendment No. 601/2020 Coll., prolongs the existing measures to enable the proper functioning of the legal entities in the pandemic by June 30, 2021. Corporate bodies are still allowed to adopt decisions *per rollam* or with use of technical means (e.g. via Teams or Webex) even if they were not allowed to do so under normal circumstances. The rules of automatic prolongation of the term of office of corporate body members or possibility of "cooptation" are prolonged by the same period of time.

Register of Beneficial Owners

The new Ultimate Beneficial Owners Act, implementing the 5th EU AML Directive, shall be adopted in the first weeks of 2021. The most important change is the strengthening of sanctions for those who fail to register their beneficial owners. The companies, which do not have their UBOs registered, will be sanctioned not only by penalties, but also will be banned from receiving public aids and subsidies. And even more important sanctions are the ban on distribution of profit and suspension of voting rights of shareholders. The act will introduce a more precise definition of the ultimate beneficial owner and disclose some basic information about the identity of UBOs. The act has already been debated in the Senate and returned to the Chamber of Deputies with amendments. The Chamber of Deputies shall debate the proposal in the beginning of this year, so the act shall become effective in the beginning of 2021.

Labour Code

As of January 1, 2021, the remaining part of the amendment to the Labour Code No. 285/2020 Coll. came into effect. Among others, the amendment brings substantial changes to the calculation of the length of annual leave, which will no longer be calculated by days, but by hours. Our employment team has been working intensively on this amendment, for instance see an article summarizing the consequences of this amendment [here](#) or our current list of trainings at Randls Training website [here](#).

Income tax

There is a new amendment to the Income Tax Act No. 540/2020 Coll., which introduced the so-called lump-sum tax for natural persons-entrepreneurs with income less than CZK 1 million, who are not registered as VAT payers. Such taxpayers will no longer have to pay income tax and social and health insurance contributions separately or file statements of income and expenditures to the social insurance authority or a health insurance company. Instead, they may opt to pay one lump-sum payment in the amount of CZK 5 469 (for 2021) each month. This regime will be very advantageous for those entrepreneurs, whose income is close to CZK 1 million and/or those who use lower lump-sum expenditures (e.g. freelance professions). For those with lower income, with higher lump-sum expenditures (e.g. craftsmen) or parents who make use of tax bonuses on their children it may be more advantageous to stay in the standard regime.

From the New Year there is also the act No. 609/2020 Coll. amending the Income Tax Act and abolishing the "supergross salary". The base of the income tax is therefore no longer increased by the social and health insurance contributions, which results in higher net salary for employees. This amendment allows employers to make tax exempt monetary allowances to meals of their employees, as another alternative to operation of canteens or providing meal vouchers. The act caused a number of controversies, the last time when the Czech president issued a statement to the act, from which it was unclear whether it is a presidential veto or not. However, it is unlikely that there would be enough deputies or senators willing to submit a claim to the Constitutional Court and demand cancellation of this act few months before elections.

Amendment to the Tax Procedural Code

In the beginning of the New Year, an amendment to the Tax Procedural Code No. 283/2020 Coll. became effective.

The amendment brings a number of changes in the tax proceedings. One of the main objectives of the amendment is the digitisation of the tax administration. An important tool to achieve this is the further development of the so-called tax information box, i.e. an electronic file, kept by the tax office about the tax payers, which the tax payers may access electronically. The amendment creates a legislative basis for turning the tax information box into a useful comprehensive information system, through which one can file submissions, obtain information from tax files or notifications about deadlines of upcoming tax obligations.

Another incentive to electronic communication in the tax administration is the prolongation of the deadline for filing a tax return. A tax return (e.g. for income tax) shall be filed within 3 months after the end of the tax period (if you file it yourself) or 6 months, if filed by a tax advisor. However, there is a new 4-month deadline for those who file a tax return by themselves, but do so electronically.

Bank identity

The amendment to the Bank Act No. 49/2020 Coll. became effective on January 1, 2021. This amendment gives a legal basis to the so-called bank identity. This project should allow natural persons to verify their identity in electronic communication with public authorities, as well as private companies in the same way as they log in to their e-banking. Česká spořitelna and ČSOB have already

launched the project, other Czech banks should follow in the first half of 2021. More information about the bank identity project is available at the special site of the Czech Banking Association [here](#).

Experts and interpreters

As of January 1, 2021, the old act on experts and interpreters from 1963 was repealed and substituted by brand new acts. The purpose of the act on experts, expert offices and expert institutions (No. 254/2019 Coll.) is to improve surveillance over the experts and increase liability of experts.

There are new statutory requirements for an expert opinion, creating conditions for effective assessment of an expert report as an evidence. The experts will be obliged to keep mandatory liability insurance in the amount of at least CZK 1 000 000. Remuneration for expert activity shall be increased.

The Interpreters and Translators Act (No. 354/2019 Coll.) creates two relatively separate professions – interpreters and translators. It is thus no longer necessary for a translator to interpret in court and vice versa. There are also new rules to obtain a license for interpreting and translating.

All news related to experts and translators are available at www.znalci.justice.cz and www.tlumocnici.justice.cz.

New Waste Act and End-of-life Products Act

On January 1, 2021, the new Waste Act (No. 541/2020 Coll.) and the new End-of-life Products Act (No. 542/2020 Coll.) became effective. The Waste Act implements new EU legislation in the area of waste management, postpones the end of the landfilling to 2030. The act stresses out the necessity of waste sorting even more than the existing regulation by providing a gradual increase of landfilling fees and new restrictions as to what types of waste can be accepted to a landfill.

The End-of-life Products Act is a special regulation to the Waste Act, applicable to electronic devices, batteries, tires and road vehicles. Its purpose is to create rules for collection and liquidation of such goods and forcing their manufacturers to get more involved in the process, for example by setting mandatory goals for collection of electro-waste.

RANDLS BUSINESS BRUNCH

We would like to invite you to the second year of our Business Brunch meetings. Business Brunch is a half-day training (09:30–12:30) with good refreshment, in which we will address interesting legal issues, inform you about news in legislation as well as case law and train you in areas in which our clients are most interested in.

Business Brunch 2021 is scheduled as three meetings, each dedicated to a topic, on the following dates: February 23, 2021, May 25, 2021, and October 19, 2021.

Price for all three meetings for clients of Randl Partners is CZK 3 300 + VAT.

The topic for the first Business Brunch 2021 (scheduled to **February 23, 2021**), is **Defects of goods and liability for defects** (Practical aspects of relationships between customers and suppliers in terms of enforcing defect claims and quality warranties).

For details and applications see [here](#).



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