

Legal Alert

01/2017

The amendment to the Civil Code and the amendment to the Business Corporations Act

Amendment to the Civil Code

The first amendment to the new Civil Code from 2014 was published in the Collection of Laws late last year. Its purpose was to remove the most conspicuous problems that appeared in practice after the Code came into effect.

The biggest and the most discussed change was the renewal of the **legal pre-emption right** to a co-ownership share **in real estate**. The reason for the return of this institute was a requirement for the consolidation of ownership interests and the fact that it existed in the Czech legal system earlier. The pre-emption right is re-applied in cases in which co-ownership was established before 31 December 2013. This rule will be effective as of 1 January 2018.

Due to the low transparency and concerns regarding their possible misuse for money-laundering purposes, a public **register of trust funds** was established by the amendment. A trust fund is established on the date of registration in this register, except for funds established by will. However, only basic information will be accessible to the public, e.g. identification number, date of establishment, purpose of the fund and the contact details and signatory powers of the trustee.

Other changes introduced by the amendment are e.g. extending the deadline for evicting a room-mate in a so-called "special-purpose apartment" after the death of the tenant from three to six months or extending the period within which the court has to examine the grounds for limiting legal capacity. Based on practical experience, when a public document is required for legal action, a power of attorney with a verified signature will be sufficient instead of a power of attorney in form of a notarial deed. Late payment interest for owed alimony or the fact that, with the exception of housing cooperatives, the acquisition of shares does not create the participation of the other spouse in the company or cooperative, have also been newly enacted.

Most of the changes will be effective as of 28 February 2017.

Employees will be back on supervisory boards

An amendment to the Business Corporations Act (the "BCA") was also published. It reintroduces the **right of employees to be represented on company supervisory boards**, which was cancelled when the BCA took effect (except for the supervisory boards of state-owned enterprises).

After a series of discussions in the Chamber of Deputies the final amendment was approved in a wording that states the obligation to have one third of the supervisory board elected by the employees **of companies with more than 500 employees** in an employment relationship and the related obligation to have the number of supervisory board members divisible by three.

This amendment will be effective as of 14 January 2017 and the companies affected have an obligation to bring their statutes and supervisory boards into conformity with the new regulation **within two years** from this date.

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