



---

## NEWSLETTER 4/2016

Novelization of the Court Fee Act and the Registry of Contracts Act

- I. **Novelization of the Court Fee Act – foundation of a simple limited liability company is now less costly**
- **Novelization of the Act No. 549/1991 Coll., on Court Fees (Act No. 161/2016 Coll.) became effective as of 7 June 2016.**
  - **The main aim** is to simplify the process and cut down costs of establishment of a simple limited liability company (so called “100 Euros company”), which should boost the business environment. The novelization meets the requirements of the EU Directive and decreases the mandatory minimum costs for establishment of a limited liability company to Euro 100 from the existing CZK 11,300 (approx. EUR 420).
  - The novelization applies only to those **limited liability companies** whose foundation deeds include **only mandatory provisions** prescribed by the Civil Code (Act No. 89/2012 Coll.) and the Business Corporation Act (Act No. 90/2012 Coll.).
  - **Another condition** is that the contribution of the founders to the registered capital must be of a **monetary kind** and **the incorporation** of the company to the commercial register must be done by **a Public Notary**.

- The actual reduction in the costs stems from the fact that the incorporation of a company to the commercial register carried out by a Public Notary **is exempt from the incorporation fee** (Section 11(8)(d) of the Court Fee Act). The incorporation fee was CZK 2,700 till now.
- Furthermore the remuneration of a Public Notary for the execution of a notarial deed on the foundation of a company was decreased to CZK 2,000, from CZK 4,000. See legislative amendments to Decree No. 162/2016 Coll. – **the Notarial Tariff – effective also as of 7 June 2016.**
- The novelization also exempts from the notarial fee for registration in the public registry any registration concerning associations, foundations and foundation funds, institutes and public beneficiary companies (Section 11(8)(b) of the Court Fee Act).
- Despite the aforementioned reduction of the costs of the establishment of a simple limited liability company, in practice the EU-required amount of Euro 100 will not be achieved (because of other notarial fees, e.g. for the certification of other documents needed for the registration of the company in the commercial register (CZK 1.000), for drawing up of another counterpart of the notarial deed necessary for the bank and the respective trades licensing office etc., and because of administrative fees paid for getting relevant trade licences (CZK 1.000 for each). Further insufficiency of the legislation can be seen in that the minimal requirements of the founding actions will not be satisfactory for

companies with more than one founder that wish to agree on specific provisions of their foundation deed.

## II. Registry of Contracts Act

- **The new act of registry of contracts (Act No. 340/2015 Coll.) became effective as of 1 July 2016.**
- The Act establishes a **registry of contracts**, an informative system of the public administration that serves as a platform for publication of contracts prescribed by law, which should contribute to public awareness and control of spending of public funds and assets.
- The administrative body of the registry is the **Ministry of Internal Affairs**. The registry is accessible via a free platform: <https://smlouvy.gov.cz/>
- All contracts in which one party is one of **the obligatory entities** must be published in the registry. Contracts that are subject to publication in the registry, must be concluded in a mandatory **written form**.

- **The law provides for a comprehensive list of obligatory entities** (Section 2 (1)). Such entities include, inter alia: the Czech Republic, municipalities, state-funded organisations, state funds, public universities, state-owned companies, Czech Radio, Czech TV, or legal entities in which the state or municipality have a majority ownership share (directly or indirectly).
- The obligation to register the contract **does not** apply to legal entities established under foreign law that operate mainly outside the Czech Republic.
- The Act also provides for a list of exemptions from the obligation to register (Section 3). Information that is not required to be provided pursuant to the free access to information legislation **cannot be published**. Such information includes, for example: classified information, personal data or trade secrets (if not concerning public funds).
- Certain contracts, for which the publishing duty is not mandatory, may be published **voluntarily** (Section 3(2)). This may include contracts that are to be performed mainly outside the Czech Republic or contracts with a value of CZK 50,000 without VAT or less.
- Contracts are published by placing an electronic picture of the text **in open and computer readable format**. If the contract includes information that is not published pursuant to the free access to information legislation, such information may be made **unreadable**.

- The publishing entity can be **either** of the contracting parties. The party that contractually undertakes to publish the contracts is **liable** for due performance of this duty.
- The act imbeds a **new rule** under which the contracts that are to be published mandatorily will become effective **only as of the date of their publication**. If a contract is not published in the registry within three months from execution, **it will become null and void, ex tunc**. **This rule, however, will become effective only as of 1 July 2017**.
- Although the main aim of this Act is to provide for public control of spending of public funds, **this law should also be taken into the account by business (private) entities** that enter into contractual relations with obligatory entities, as the publication duty will also apply to them.

We hope the above summary will ease your orientation in the new legislation. We are available for any of your additional requests or information.

Editor: JUDr. Magda Stárková, advocate, e-mail: [starkova@akvk.cz](mailto:starkova@akvk.cz)

---

Our newsletters are prepared in order to provide general guidance on relevant matter and cannot be considered as exhaustive professional advice. We are not able and cannot address any specific circumstances or needs in this newsletter. We do not recommend acting upon the information contained therein without obtaining an independent professional advice which we will be glad to provide at your request. No representation or warranty is given as to the accuracy or completeness of the information contained in this publication.