

# Registering the beneficial owner of a legal entity in 2023

## What is the registration of beneficial owners?

- As part of the anti-money laundering measures and combating the financing of terrorism, the EU has introduced an **obligation for legal persons to actively identify who controls them and benefits from their activities, i.e., to find out who their beneficial owner is.**
- Legal entities must therefore actively identify all their beneficial owners, record their identification data, and **register this information in the Register of Beneficial Owners, which is a register maintained by the Ministry of Justice.**

## Why is it important to record the beneficial owner?

- **If a legal entity does not properly register its beneficial owners, those beneficial owners cannot vote at the general meeting or receive their shares in the profits of the legal entity. As a result, they cannot use their position and profit from their participation in the legal entity.**
- If a legal entity fails to register the correct data in the Register of Beneficial Owners even when requested to do so by the state authorities, it may be **fined up to CZK 500,000.**

## Who is concerned?

- Obligation to actively identify their beneficial owner is relevant to almost all types of private legal entities – in particular, limited liability companies, joint stock companies, public companies, limited partnerships, cooperatives, but also associations, associations of unit owners, political parties, churches, and trusts.
- Only selected public legal entities (e.g., the state, regions, municipalities, legal entities established or owned by these public bodies, or public research institutions) do not have their beneficial owners.

## Is this relevant to us even though we have already registered the beneficial owner in the past?

- Yes, **there have been significant changes in the area since 1 October 2022 through amendments to the legislation and the previously made registrations may no longer be correct.**

## What has changed then?

- **Change in terminology** – only the term “beneficial owner” is now used instead of the terms “ultimate beneficiary” and “person with ultimate influence”. This change should have been reflected automatically, but we recommend checking that this has occurred in your company’s case, as the presence of a technical error cannot be ruled out.

- **Extension of the circle of persons who are considered beneficial owners** – the beneficial owners of a corporation are now also persons who exercise decisive influence in a corporation that has a share larger than 25 % in the (examined) corporation. Thus, a person controlling a shareholder of the (examined) corporation with a share larger than 25 % will also be a beneficial owner. Consequently, it is necessary to ensure that these beneficial owners are newly entered into the register.
- **Extension of the circle of legal entities that must identify their beneficial owner** – the beneficial owner will now be identified in associations of unit owners, trade unions, churches, political parties, or hunting associations.
- **Extension of automatic entries and changes in the system** – the scope of automatic entries of the beneficial owner has been extended, not only for newly registered persons (e.g., associations of unit owners, political parties), but also for structures of business corporations in which decisive influence is exercised on the basis of control. To a certain extent, the above-mentioned changes in the circle of beneficial owners can be automatically registered without the need for the corporation's cooperation; however, we recommend that you always check the accuracy of such automatic entry.

### What does that mean for you?

- If you have not yet registered the beneficial owners of your legal entity, **it is necessary to ensure their registration immediately.**
- If you have already registered the beneficial owners of your legal entity, **it is necessary to check the registration and, if necessary, ensure the correction by making a new registration by 1 April 2023 the latest.**

### What to do if you find discrepancies in your company's registration?

- In such a case, it is necessary to prepare an application for the registration of the beneficial owner on the appropriate form. The application must be accompanied by the relevant documents proving the identity of the beneficial owners and justifying their status as beneficial owners, with simple copies (scans) of the relevant originals being sufficient.
- If you have already registered the beneficial owner in the past, your company has until 1 April 2023 to make the relevant updates to the register to comply with the law and not to have any inconsistencies in its registration.
- The prepared draft application can then be registered through your registration court or any notary public.

The team in PEYTON legal is at your disposal and ready to assist you with the registration of the beneficial owner, whether it is about identification of the beneficial owner of your company, check of your current registration, or the complete registration of new data in the Register of Beneficial Owners.

**Do not hesitate to contact us at any time.**



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