

EEIG in the Czech Republic

The Czech implementation law

- Law No. 360/2004
- Came in force on June 15 2004.
- Is applicable mainly on registration in the Commercial Register, publication of registrations, rules relating to managers and finally bookkeeping.
- Makes reference to the part of the Commercial Code concerning general commercial partnership.

Capacity to have rights and obligations of the EEIG

- EEIG in the Czech Republic is granted with a legal personality.
- EEIGs which are not legal persons are treated like legal persons because of §22 of the Commercial Code, which stipulates that legal capacity of a foreign person, other than natural foreign person, shall correspond to the law under which it was founded. EEIG is established according to the European law, which gives it full capacity.

Acting on behalf of the EEIG before it was registered

- The persons who act on behalf of the EEIG before it has been registered are engaged in this acting themselves and they are not limited solely to the matters relating to the company's incorporation.
- List of their activities must be ratified by members acting collectively within three months from when the EEIG has been incorporated.

The creation of an EEIG

- Creation:
 - Establishment
 - Incorporation
- Establishment is the stage where you make a contract for the formation of a grouping. It does not create the company.
- Incorporation is the stage where an EEIG is registered in the Commercial Register.

The process of registration in the Commercial Register

- In case the court of justice does not make a decision about the registration within 5 working days, the proposal of the registration in the Commercial Register is automatically approved and EEIG is registered.

Nullity of EEIG

- Regional court of justice (or City court of justice in Prague) has competence to pronounce the nullity.
- Nullity can be pronounced when:
 - The contract for the formation of the grouping was not agreed to (by the parties) or was not made in concordance with law or the contract was not made in writing.
 - The object of undertaking is forbidden or it opposes public order.
 - In the contract for the formation of the grouping the name or the subject of the undertaking is missing.
 - None of members has capacity for legal acts.
 - In contradiction to the regulation the number of founders is smaller than two.

Members of EEIG

- Members of EEIG may be both legal and natural persons.
- Natural person must fill several conditions:
 - An individual having acquired the age of 18.
 - Capacity to contract.
 - Submission of proof that the natural person has properly paid all tax.
 - Submission of proof of impunity.

Unlimited joint and several liability of members

- Creditor has to demand the debtor to fulfil his obligations before he makes demands to the guarantor.
- Exceptions to the rule mentioned above: it is obvious that the EEIG is not able to fulfil its obligations, e.g. bankruptcy was pronounced on EEIG or the creditor did not manage to recover debts through seizure of EEIG's assets in the past.
- The creditor's demand to pay does not need to have a special form; the practice is to accept the letter as well as the legal action directly.

The assets to which the liability relates

- The liability of the natural person relates not only to the assets of the natural person but also to the joint estate of spouses in case where he or she is married.
- The liability does not relate to the assets of wife or husband which were obtained before marriage, inherited or received as a gift. Other assets, which are excluded, are assets gained according to the laws of restitution after the Velvet revolution or things which are intended for personal usage by either husband or wife.

Length of period of limitation of liability and debts

- The regulation in its article 37 sets out the period of five years as a period of limitation for debts and other liabilities of EEIG after the publication of the conclusion of the liquidation of the EEIG. This period differs from the general period of limitation of four years set out in the Commercial Code.

Rules relating to the managers of the EEIG

- The manager of the EEIG can be either a natural person or a legal person. Before election a legal person has to charge a natural person with the potential exercise of the rights and obligations of the manager. The natural person charged by the legal person has to be able to fulfill all the conditions set down by law for managers - natural persons directly elected by members acting collectively.

EEIG in practice

- In the Czech Republic, there is currently just one EEIG named *Inter Pool Cover Team, evropské hospodářské zájmové sdružení*, which was incorporated the 15th of July 2005 and situated in Prague. Activities of this EEIG are mainly focused on cooperation in the fields of marketing, advertising and the building of electronic information databases.

- Any questions ?