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Czech Insolvency Act

From 1st of July 2017, a large amendment to Czech Insolvency Act No. 182/2006 Coll., comes into effect. This amendment regulates many aspects of insolvency proceedings, from protection against frivolous insolvency petitions through corporate insolvency assessment, to debt relief.

First amended area is court competence. For insolvency proceedings against a debtor who is enrolled in the Commercial Register, the competent court is the district court according to the debtor's seat on the day preceding the opening of the insolvency proceedings by 6 months. In insolvency proceedings with a European element the amendment transforms directly applicable European Union Regulation (EU) 2015 / 848. The bankruptcy decree must contain an opinion on the international competence of the insolvency court.

The Amendment introduces a "liquidity gap" test. The liquidity gap is the difference between a debtor's due debts and its readily available funds. A debtor will newly be considered insolvent only if the liquidity gap in the decisive period is higher than 10% of its overdue debts.

In order to discourage frivolous petitions, creditors now have to justify their claim with written proof of the debt, such as a notarial acknowledgement of debt or an auditor's confirmation.

Insolvency petitions filed by creditors will undergo a preliminary review by the court, which can prevent certain parts of file before being published in the Insolvency Register.

Besides above mentioned legislator in order to prevent frivolous petitions increased fines for unsubstantiated motions up to CZK 500,000 (approximately EUR 18,500). Creditor who will file such petition is not eligible to file another petition against same debtor in the period of 6 months.

Upon the introduction of the Amendment proposals for discharge from debts can debtor file only after the consultations with advocate, notary, insolvency administrator, executor or so-called accredited person with special permission of the Ministry of Justice. This provision should also make insolvency proceeding faster and more effective.

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