

Business Law – Business units

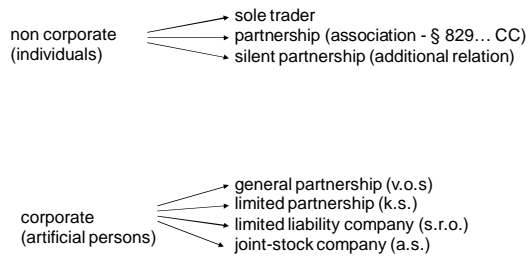
Overview of lecture:

- sole trader
- partnership
- limited partnership
- limited company
- joint stock company
- societas europaea



Business Law – Business units

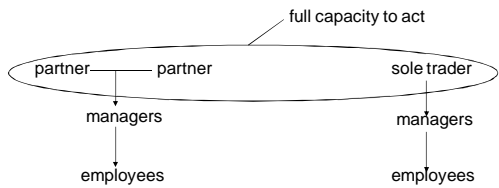
Types of business units

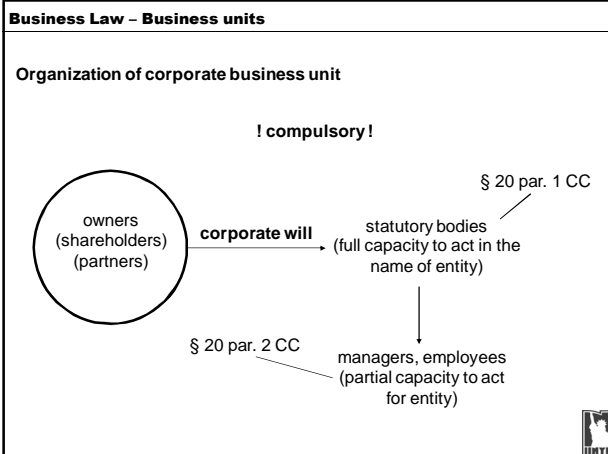


Business Law – Business units

Organization of non corporate business unit

! facultative !





- Business Law – Business units**
- Sole trader - concept**
- small business
 - no complicated structure
 - no huge turnover
 - no limit on liability
 - easy to establish
 - no separate legal capacity


- Business Law – Business units**
- Trade license - purpose**
- licenses are registered at local authorities
 - identification of trader
 - place of establishment, jurisdiction
 - license issued = standards met
 - control over number and activities

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Trade license – types (some countries – no licensing)

registered → right to be registered if conditions are met
less conditions
almost all trades

concessions → registered upon decision of state authority
more conditions
special trades




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Registered trade license – types – CZ

free license - § 25 TA only general conditions have to be met
no extra qualification needed
example – general trade

bound license - § 23, § 24 TA extra qualification needed
experience needed (often)
example – trade in fuels

craft license - § 20, § 21 TA craft qualification needed
example - plumbing



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Sole trader – business relations

unlimited responsibility → personal assets = business assets
→ no initial funds (capital) needed

acts in own name

only licensed trade (criminal resp.)


income taxation – **progressive tax**



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Partnership - concept

- non–corporate unit = no legal capacity
- no registration
- based on **agreement** between partners (participants)
- no initial funds (capital)
- principle of **personal participation** of partners



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Rights and duties of partners (associates) - CZ

rights:

- to participate on property – § 833, § 834 CC, § 137... CC
- to freely use property - § 833 last sent.
- to participate on decision making – § 836 CC
- to get portion of liquidation balance - § 841
- to leave the partnership (association) – § 838 par. 1 CC

duties:


- to execute activities to meet the purpose - § 830 CC
- to provide money or other things to meet the purpose - § 831 CC
- to be jointly responsible - § 511 CC



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Partnership (association) – common property - CZ

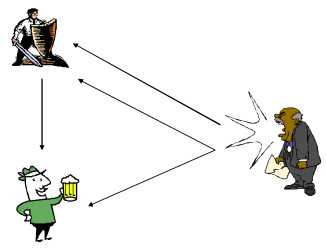
- if not stipulated otherwise, the shares are equal – § 137 par. 2 CC
- decision making by majority according to share - § 139 par. 2 CC
- **joint responsibility** for obligations – § 139 par. 1 CC
- preemptive right to buy other shares – § 140 CC



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Partnership (association) – joint responsibility - CZ

if not stipulated otherwise, shares are equal - § 511 CC
! acts only between partners !



§ 511 par. 1 CC
 § 511 par. 3 CC

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Corporate business – main features

- separate **legal capacity**
- structure (complicated in comp. with sole trader - some)
- **no responsibility** of shareholders (some)
- no change in shareholders/managers can affect the company (some)
- entitled persons – **statutory bodies**
- complicated set up
- more complicated accounting procedures, books
- shareholders can have only little control of the business
- danger of insider trading
- possible limited credit due to limited liability (some)

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Corporate business – suitable for


- bigger businesses
- more employees
- risky activities (almost all)
- need of various investment sources
- expansion (easy take-over, merger)

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Corporate business – types - CZ

establishment, procedures, bodies, dissolution, etc.
Commercial Code (513/1991 Sb.) – referred as CoC


- **general partnership (v.o.s.) – § 76 CoC**
- **limited partnership (k.s.) – § 93 CoC**
- **limited company (s.r.o.) - § 105 CoC**
- **joint stock company (a.s.) – § 154 CoC**



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Corporate business – types - CZ

s.r.o. (limited company)	limited liability of shareholders registered capital 200.000 CZK bodies: General meeting, Executives
a.s. (joint-stock company)	no liability of shareholders registered capital 2/20 mil. CZK bodies: General meeting, Board of directors, Supervisory board
v.o.s. (general partnership)	unlimited liability of shareholders no registered capital no bodies – all partners are representatives
k.s. (limited partnership)	2 types of shareholders: general, limited partners initial funds needed only for limited partners no bodies – all general partners are representatives




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Corporate business – types of shares - CZ

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graph LR
    quality --> ordinary["ordinary shares (§ 155 par. 6 CoC)"]
    quality --> preference["preference shares (§ 159 CoC)"]
    preference --> prior["prior right to receive dividends (liq. bal.)"]
    preference --> limits["may have limits on voting powers"]
    form --> registered["registered shares"]
    form --> bearer["bearer shares"]
    shareCapital["share capital"] --> authorised["authorised (recorded)"]
    shareCapital --> issued["issued (allotted)"]
    shareCapital --> called["called up (paid upon allotment)"]
  
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Corporate business – piercing of veil

if the veil is pierced, the limit on liability is broken

shareholder

shareholder (acting in fraud)

shareholder

shareholder (acting in fraud)

limited company

debt

creditor

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Corporate business – dissolution

voluntary dissolution (except hostile takeovers)

with liquidation (no successor)

without liquidation (successor)

- by merger
- by division
- by winding up with transfer to shareholder

non-voluntary dissolution

bankruptcy

court decision (followed by liquidation)

specific instruments (no dissolution) – expulsion of shareholder, squeeze - out

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Commercial register - http://www.justice.cz/cgi-bin/sqw1250.cgi/or/l_hled.sqw

Name

ID

File

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Societas Europaea

- **regulation** 2157/2001
- unified corporate business structure for all EC countries
- form of public limited company
- member states obliged to allow their existence
- basic capital – 120 000 EUR
- general meeting +
 - Administrative organ (one-tier)
 - Supervisory + management organ (two-tier)
- formal duties as in case of public limited companies at place of registration