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## Czechia: Rescue procedures in insolvency

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Czechia

Phase:

Management

Type:

Rescue procedures in insolvency

Last modified: 18 June, 2021

Native name:	<b>Zákon č. 182/2006 Sb., o úpadku a způsobech jeho řešení (insolvenční zákon) ve znění pozdějších předpisů</b>
English name:	<b>Act No. 182/2006 Coll., on bankruptcy and settlement (insolvency act)</b>

### Article

Section 316–364

### Description

The application for insolvency can be made either by the insolvent company or by the creditors.

Three options are available in case of insolvency: reorganisation, debt relief and bankruptcy.

Reorganisation, according to the Act No. 182/2006 Coll., aims to satisfy creditors' claims while allowing the company to continue its business. Conditions for permission of reorganisation by the court are:

- the total annual net turnover of the debtor for the last accounting period preceding the insolvency petition has reached at least CZK 50,000,000 (about €1,850,000), or
- the debtor employs at least 50 employees, or
- the reorganisation plan has been adopted by at least half of all secured creditors counted according to their claims and at least half of all unsecured creditors.

Debt relief is another measure that must be agreed by the creditors (provided that creditors receive no less than 30% of the amounts due) and approved by the court.

If the two options above are not feasible, the court proceeds with bankruptcy measures.

The reorganisation can be done mainly through the following measures:

- Restructuring the claims of creditors, consisting in the remission of the debts of the debtor, including their accessories or delay their maturity;
- Selling the entire estate or part thereof, or sale of debtor's business;
- Issuance to creditors of the debtor's assets or transfer of these assets to a newly formed legal entity in which creditors have a stake;
- Merger of the borrower - legal entity with another person or transfer its assets to a partner to maintain or change the rights of third parties concede;
- Issuance of shares or other securities of the debtor or a new legal entity;
- Providing funding for the debtor's business;
- Change the founding document or statutes or other documents regulating the internal affairs of the debtor.

If the court approves the reorganisation, the insolvency administrator is also appointed by the court. The insolvency administrator shall exercise supervision over the activities of the debtor and perform tasks such as surveying of the estate and its inventory, leading incidental disputes, compiling and adding a list of creditors. In addition, the insolvency administrator shall regularly inform the bankruptcy court and creditors' committee about the results of his/her activities.

### Comments

This act regulates the resolution of insolvency of the debtor established by court procedures through one of the following procedures: restructuring, debt relief or bankruptcy. These procedures allow to achieve the highest possible proportional satisfaction of the debtor's credit for all creditors.

Restructuring according to this act is used rarely in the Czech Republic. The number of approvals of reorganisation by the court are reported in the table below, as well as the number of approved reorganisation plans which have to be submitted to the court 120 days after the approval of reorganisation at the latest.

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of approvals of reorganisation	1	3	1	7	5	7	8	15	11
Number of approved reorganisation plans	0	3	1	7	3	7	6	12	8

Source: [Ministry of Justice of the Czech Republic](#) (Ministerstvo spravedlnosti České republiky)

#### Cost covered by

Not applicable

#### Involved actors other than national government

Other





#### Involvement others

Court, creditors

#### Thresholds

Company size by number of employees:  
50

#### Sources

-  [Insolvency - Czech Republic](#)
-  [Zákon č. 182/2006 Sb., o úpadku a způsobech jeho řešení \(insolvenční zákon\) ve znění pozdějších předpisů](#)
-  [Insolvency Act. Prague : Wolters Kluwer ČR, a. s., 2011, p. 216](#)
-  [Statistics in the field of Ministry of Justice of the Czech Republic](#)

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