

### **Change (transformation) of an entity**

The condition of two consecutive closed accounting periods can be considered fulfilled in the case that, in the monitored period, a change occurs in the entity (transformation) which fulfils the following characteristics:

- Transformation of an operating natural person into a legal entity can be accepted, as can transformation of an enterprise, with the legal successor dissolving the predecessor without liquidation.
- A newly created entity will take over, in a demonstrable manner, all assets, claims and liabilities of the original entity (the Applicant shall demonstrate this fact by documentation which unambiguously proves the full takeover of assets, claims and liabilities from the original entity and shall further demonstrate by a written declaration that it does not have any liabilities towards third parties which could influence the economic entity and that were not communicated to the programme administrator at the moment of submitting the application).
- In the case of transformation of a natural person into a legal entity, the original natural person shall become the sole partner of the commercial enterprise.
- The newly established entity's subject of activity shall be identical to the original entity's subject of activity (or it shall at least include the activity of the original subject).
- There may not be concurrent activities of both entities beyond the absolutely necessary scope (the period of transformation), i.e. if the original entity has transferred its liabilities and the newly created entity has accepted such liabilities to the full extent, the existence of the original entity is terminated. If any liabilities (material, contractual, financial, asset, etc.) remain binding on the original entity, the transformation has not been performed. Thus, this rather concerns the existence of two separate entities and the condition of two-year registration cannot be considered as fulfilled.
- The realisation of the full transformation, i.e. the takeover of all liabilities by the new entity, must be demonstrated; thus, this may not concern the termination of one entity's activities and the establishment of another (start-up) entity.
- The reason for transformation may not be to rescue an unviable enterprise which is not able to restructure its production in order to meet the needs of the market.