

YOUR FIRST STEPS IN PRAGUE **BUSINESS**

PRAGUE FOR EXPATS

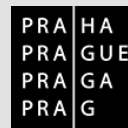


TABLE OF CONTENTS

WHY PRAGUE?	3
KEY SECTORS	5
High-tech sectors	7
Aerospace industry	7
Electronics industry	8
Pharmaceutical industry	8
Knowledge intensive business services (KIBS)	9
Cultural and creative industries	9
ESTABLISHING A BUSINESS STEP BY STEP	11
Selecting company type	13
Branch office	14
Limited liability company (s.r.o.)	15
Joint stock company (a.s.)	17
Limited partnership (k.s.)	20
General commercial partnership (v.o.s.)	22
European company (SE)	23
Alternative business types	25
Foundation (non-profit organisation)	25
Cooperative (co-op)	27
Self-employment (OSVČ)	29
Summary table	31
Establishing a company	33
Notarial deed	34
Trade licences and representation	35
Opening a bank account	37

Registration of a company in the commercial register	38
Visa requirements	40
Registration of beneficial owners	42
EMPLOYEES	43
Types of employment contracts	46
Social and health insurance deductions	48
Rights and obligations of employees	50
Ending a contract	54
ACQUISITION OF REAL ESTATE BY A COMPANY	57
OBLIGATIONS	61
Accounting	63
Taxes	65
Value added tax (VAT)	66
Corporate income tax	67
Personal income tax	68
Other taxes	69
Registration of sales (EET)	69
General data protection regulation (GDPR)	71
BUSINESS SUPPORT IN PRAGUE	73
Public sector	75
Private sector	76
Academic sector	76
ANNULMENT OF COMPANY	77
USEFUL LINKS AND CONTACTS	81
General information	81

START YOUR BUSINESS IN PRAGUE STEP BY STEP:

- Choose the subject of your business and the company type
- Establish the company with a founding document – may or may not require a notarial deed
- Acquire real estate where your company will be located
- Acquire a trade license
- Open a bank account
- Register at the Commercial Register
- If your company has employees, prepare the occupational health and safety documentation
- If your company has employees, register at the social security administration and a health insurance company
- Register at the tax authority
- If you are not an EU citizen, get permission to reside in the Czech Republic – a long-term visa or long-term residence permit
- Register all beneficial owners
- Register with EET to report sales
- Deal with GDPR obligations if they apply to your business
- Take care of accounting and tax obligations



WHY PRAGUE?

Prague is politically, economically, and culturally **the most important city in the Czech Republic.**

The capital city is among the most economically developed regions in the EU - **scoring the 3rd highest in GDP per capita in 2019** - and has a high potential for further economic growth (Eurostat 2021). Prague is also among the EU regions with the highest proportion of high-growth enterprises.

THIS INDICATES MULTIPLE POSITIVE FACTORS:

- including the availability of capital for business startups
- highly-qualified people to staff rapidly growing enterprises
- critical mass of potential business and/or consumer clients (Eurostat 2020)





Since Prague is the capital of the Czech Republic and all state institutions are located here, it is possible to arrange **all the requirements related to business within one city**. Prague is also the seat of many chambers and business support organisations in the Czech Republic. Having a business address in the well-known city of Prague gives entrepreneurs a **certain level of prestige and creditworthiness**.

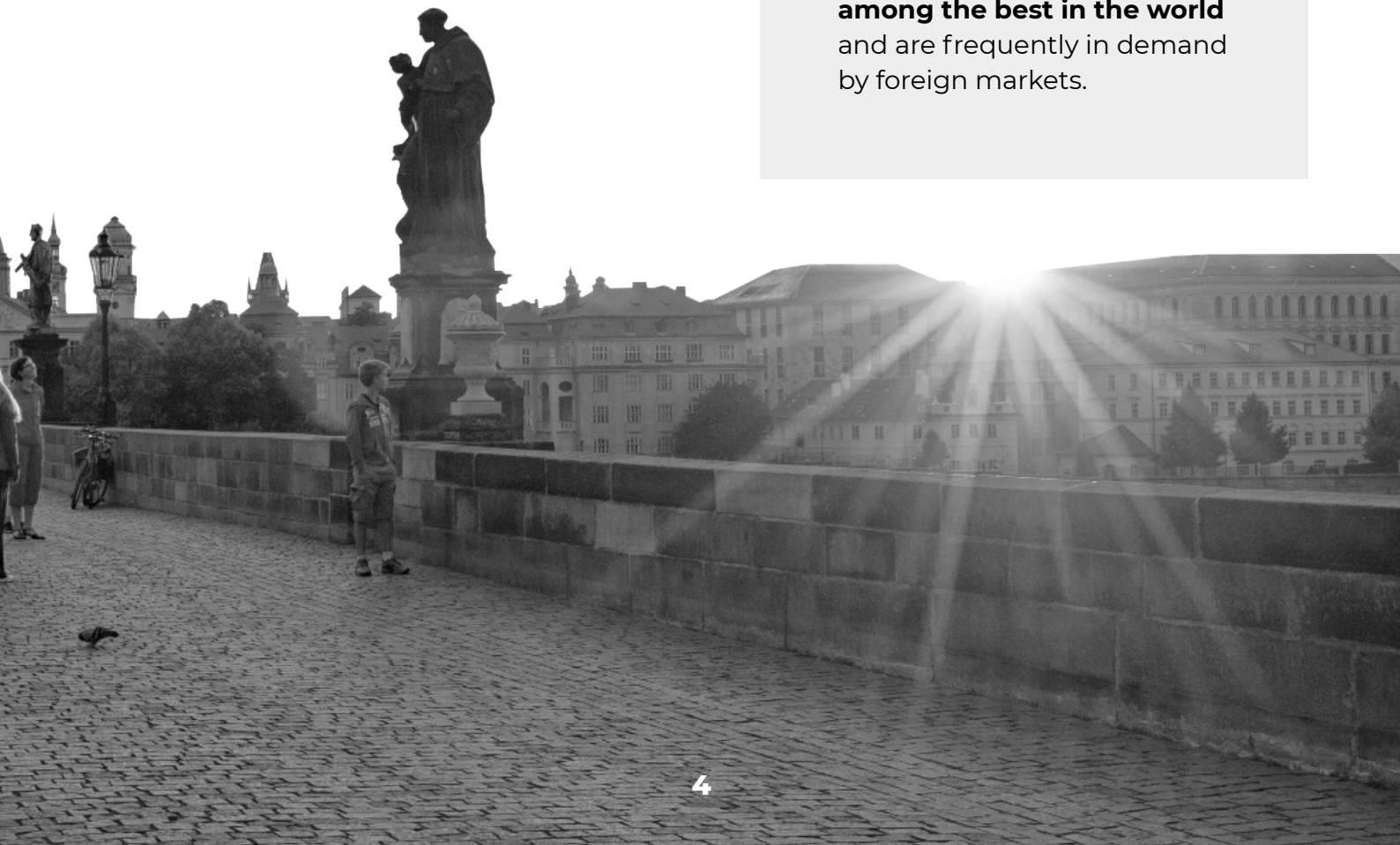
On top of that, Prague offers a wide variety of locations for starting a business, such as office spaces for small businesses. It's also a **fast-growing trend to work in co-working spaces**, which are more suitable for small businesses and freelancers. For larger companies, there are spacious corporate offices available throughout Prague.

DOING BUSINESS IN PRAGUE HAS SEVERAL INDISPUTABLE ADVANTAGES

1 The Czech Republic has **one of the lowest effective average tax rates in Europe** 18th out of EU 27 in 2019 (Eurostat 2021) and the costs of a qualified workforce and living expenditures are much lower than in Western Europe.

2 There are several **first-rate universities** in Prague ensuring a sufficient number of young educated people.

3 Students are usually proficient in English, and it's also common for them to be knowledgeable in German as well. Graduates from **technical fields are among the best in the world** and are frequently in demand by foreign markets.



KEY SECTORS

The economic development in Prague in recent years shows the strengthening of the sphere of services and the decrease of the share of production industries.

The services industry in Prague now **represents more than 75% of employed people** (Regional Innovation Scoreboard, 2019).

PRAGUE FOR EXPATS

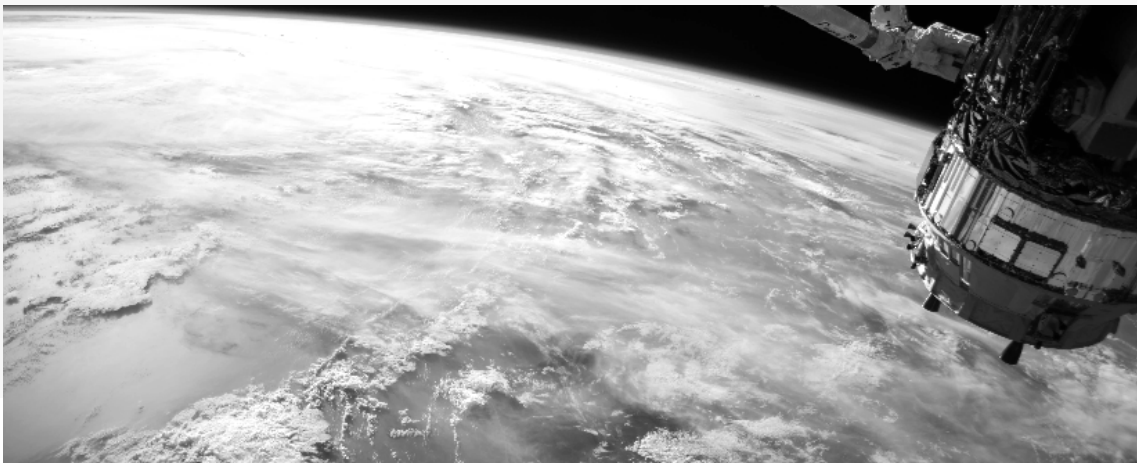


HIGH-TECH SECTORS



AEROSPACE INDUSTRY

The Czech aerospace industry has its origins in the early 20th century and has since then worked its way up to the role of a global competitor. Notable examples include the testing and construction of turboprop engines. Innovation and knowledge sharing are at the core of this industry. Many high-class aerospace R&D centres and unique research groups closely cooperate with the Czech technical university in Prague and the Czech Aerospace Research Centre. The Czech Republic is home to the **EU Agency for the Space Programme (EUSPA)**, with headquarters located in Prague. EUSPA is the operational European Union Agency for the Space Programme that coordinates the two satellite navigation programmes of the Union: Galileo and EGNOS. Moreover, ESA BIC Prague, the first space incubator in Central and Eastern Europe, was established in May 2016 as part of the European Space Agency's (ESA) network of Business Incubation Centers (BICs). The business incubator provides background and support to innovative technology startups that work with space technologies, further develop them and seek their commercial use. The project aims to support the use of space technologies in everyday life, thus ensuring support for research, development and innovation, and the monetization of their results.





ELECTRONICS INDUSTRY

Electrical engineering and electronics is the second largest industrial sector of the Czech economy **with more than 14% of the overall manufacturing output**. Labour productivity in the electronics industry more than doubled in the past eight years. Various R&D activities in this field are also the focus of strong governmental support. An indication of the competitiveness of the Czech electronics industry is the fact that every third electron in the world is produced in the Czech Republic.



PHARMACEUTICAL INDUSTRY

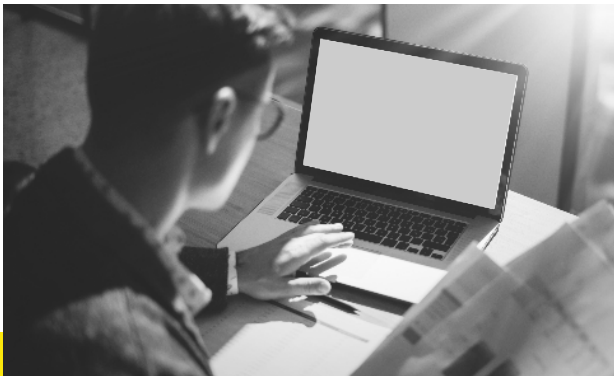
There has been a massive increase in value and employment in the pharmaceutical industry, especially during the period of 2000 - 2014. This sector remains one of **the most innovative branches in the entire Czech economy**. The development of new pharmaceutical treatments and diagnostics is one of the top recipients of funding by the Czech government. Over €2.5 billion has been allocated in the last decade to strengthen the sector's research infrastructure.

KNOWLEDGE-INTENSIVE BUSINESS SERVICES (KIBS)



BUSINESS SERVICES

Currently, the sector of **business services** represents around 1.5% of Czech GDP, with the average annual growth rate of 15%. Graduates in financial and business services are required to study at least one foreign language, and at some universities two languages are required. English is the most popular foreign language, followed by German and French.



THE CZECH ENGINEERING SECTOR

The Czech **engineering sector** employs over 126,000 workers and around 85% of manufactured products are being exported. The Czech Republic is the only Central and Eastern European (CEE) country that is a member of the prestigious CECIMO group - the European Association of the Machine

Tool Industries. Prague is also steadily becoming a global hub for AI research and development, with initiatives such as **Prg.ai**, the AI Center of the CTU (Czech Technical University) and a variety of startups. The same can be said about virtual reality. Moreover, the Czech Republic belongs among the top countries worldwide in cyber security according to the National Cyber Security Index.

CULTURAL AND CREATIVE INDUSTRIES

The Czech Republic has a **long tradition of cultural and creative industries** (CCIs) and in recent years, there has been an increasing awareness of the importance of CCIs at the EU level. The Czech Republic recognizes their importance as well and tries to map the current situation in the country. Prague's creative scene includes art, theatre, fashion, design, music, graphic design, urban planning and architecture. One of the most successful creative industries that put Prague as well as the Czech Republic in the international spotlight is game development. Czech-made games rival even the top competitors on the world market. Moreover, the City of Prague has its own Creative Incubator, which serves as the city's creative laboratory and meeting point for the academic, private and public sectors, intending to develop the cultural and educational cluster.



ESTABLISHING A BUSINESS STEP BY STEP

There are multiple ways a new business can be created based on its type.

The most common type in the Czech Republic is the **Limited liability company (s.r.o.)**, which are small and medium-sized businesses, larger businesses can be **Joint-stock (a.s.)** companies. Alternative types are **Branch Offices, Limited partnership (k.s.), General commercial partnership (v.o.s.), Foundations, Cooperative or self-employment.**

PRAGUE FOR EXPATS

When it comes to business and economic freedom, the Czech Republic has some of the top scores worldwide. Establishing and operating a business is rather easy even for foreign citizens. There are no restrictions for foreigners to create new companies or establish branch offices as long as they follow Czech law.

However, foreigners coming from a country outside the European Union, European Economic Area, or the Swiss Confederation also need a residence permit.

The rules for the functioning of businesses are regularly updated, the latest major changes in private law being:

- **The Czech Business Corporations Act** - effective since 2014
- **The amendment** of this act - which went into effect in January 2021
- Other important components of the legal framework of Czech business include the **Civil Code**
- the **Act on international private law**
- the **Trade Licensing Act**.

**The links to these documents can be found below.
The most important rules are summarised in this chapter.**

- ***Business Corporations Act***
The amendment of this act is available ***here*** (Czech) and ***here*** (English)
- ***Civil Code***
- ***International Private Law Act***
- ***Trade licensing Act***
- ***Labour Code***

SELECTING COMPANY TYPE

Once you've made the choice to come to Prague to start a business, you have already made the first and perhaps most crucial step forward. **Now you need to pick the company type that suits you best.**

THE MOST COMMON TYPES OF COMPANIES:

- **the limited liability company (s.r.o.)**
- **the joint-stock company (a.s.)**
- **the limited partnership (k.s.)**
- **a general commercial partnership (v.o.s.)**

The latter two are frequently established for tax reasons by investors from German-speaking countries.

Additional types include **branch offices**, which aren't Czech legal entities but extensions of foreign companies, **foundations (a non-profit organisation)**, **cooperative (co-op) businesses** and **self-employment (OSVČ)** for individuals.

BRANCH OFFICE

A branch office is the legal representative of a multinational company from abroad. As such, it is not a separate legal entity and all the responsibility lies within the **parent company** located in another country.

The internal dealings of the branch have to correspond with the law under which the parent company was founded. Branch offices are also only **allowed to engage in business activities** that are consistent with those of the founder.

This range of activities has to be precisely described in the **application to the Commercial Register** before the branch is opened and cannot be expanded without the knowledge of the Register.

Branch offices have **to be managed by Czech residents or by foreign citizens with a valid Czech residency permit**. To ensure transparency and avoid chains of legal entities, the company has to authorize one natural person to represent the branch. Furthermore, branch offices cannot legally purchase and own Czech real estate, the property can only be leased.

The main advantage of branch offices is a **much simpler registration process** compared to other business types since it's not an independent company.

Only a few relatively easily obtainable documents, such as the parent company's articles of association and registration certificate are **needed to register at the Trade Licensing Office and the Commercial Register**. Branches benefit from lesser accounting requirements as their income is taxed only according to the profit made in the Czech Republic, not the company as a whole.



LIMITED LIABILITY COMPANY (S.R.O.)

A limited liability company is usually a small or medium-sized business. It is the most common type of business in the Czech Republic. At least one shareholder is required for the company to be established. There is no upper limit in this regard. If there is only one founder, the company is established by a **Deed of Foundation**, in the case of multiple founders a **Memorandum of Association** is needed. A shareholder can be a natural or legal person.

THE FOUNDING DOCUMENT HAS TO INCLUDE BASIC INFORMATION ABOUT THE NEWLY FORMED COMPANY, SUCH AS:

- **original company name** - if the company's business name contains the name of a living natural person, the founders must obtain the consent of such person
- **registered address, identification of all shareholders, types of interests** (shares) held by each shareholder and specification of rights and obligations attached to these interests if multiple types of business interests are allowed
- **a complete list of the company's business activities, number of executives** and the manner in which they will act on behalf of the company
- **amount of registered capital** (at least 30% of the subscribed monetary contributions must be paid up before the registration of the company in the Commercial Register)
- **amount of contribution of each shareholder** to the company's registered capital
- identification of the **initial executives** and appointment of a **contribution administrator**

The minimum deposit is just CZK 1 unless the partnership agreement says otherwise. If the registered capital is too low, however, the company may seem untrustworthy to potential customers. The share of each founder in the company is then calculated according to the amount they contributed if the founding agreement doesn't specify otherwise. The registered capital may include non-monetary contributions, in that case, an expert has to determine the value of these contributions. One of the benefits of limited liability companies is that there is **no personal liability** of members for the company's obligations. Partners in this type of business are liable for the company's obligations only up to the capital they originally contributed to the company. Shareholders of the company can own more than one business share in the company. As long as provided so by the Memorandum of Association, shares of individual participants may also be represented by a **Common Certificate**. It is a security similar to stocks in joint-stock companies and it can be easily traded from person to person. Every issued common certificate needs to be registered in the Commercial Register.

The executive body of limited liability companies is rather small. Instead of a board of directors, which is typical for joint-stock companies, there are one or more **executive directors** (there are no limitations on how many). Each of the directors is independent in their work as a representative unless the founding document claims otherwise. The amendment to the Czech Business Corporations Act sets out the obligation of legal entities, which perform the function in a statutory or supervisory body in a capital company or cooperative, to authorize without undue delay after appointment a single natural person who meets the legal requirements for performing the function.

The supreme body of the company is the **General Meeting**. It consists of all shareholders of the company who use it to participate in the dealings of the company. It is not a permanent body and it is convened by the executives (if there are multiple directors any one of them can convene the meeting unless the founding document stipulates them as a collective body) and this is done exclusively via a written invitation occurring at least 15 days before the meeting. Only when the director fails to fulfil his duties in the long term (or if a director hasn't been appointed yet) can the meeting be convened by any shareholder. Since the General Meeting is the supreme body, it can decide on all matters of the company including its **internal organisation** (i.e. appointing directors), **amendments in the Articles of Association, approval of financial statements, distribution of profits, dissolution** of the company or the **appointment of the Supervisory Board**, which oversees accounting and the activities of the Executives if the rules of the company allow this body (it is not required by law). The General Meeting may vote by unanimity or by simple majority based on the subject and according to the company rules. If the company has only one member, he may represent the General Meeting alone. It is required to convene at least one general meeting per year.

More information about establishing limited liability companies can be found on the [Prague Expat centre website](#).

JOINT-STOCK COMPANY (A.S.)

Large businesses often function as joint-stock companies.

Instead of shares, the company deals with **stocks:**
securities that represent these shares.

Stockholders get a share of the profit of the company and have a say in its management. They are under **no liability** obligations as the company itself is liable for all of its assets.

The **main advantage** of joint-stock companies is their prestige and the possibility to include a wide range of business activities.

On the other hand, the bottom limit for their **registered capital** is quite high - it has to amount to at least CZK 2,000,000 (or €80,000 for companies which are allowed by a special law to keep their accounts in Euros). At least 30% of the registered capital has to be paid prior to the company's registration in the Commercial Register.

The **income tax** of joint-stock companies is also very high. Just like with limited liability companies, the organisation is established by a deed of foundation and in the case of multiple founders, a memorandum of association is needed. In the Czech Republic, only **book-entered shares** are allowed, meaning their ownership is recorded.

They are transferred by the registration of the new owner in the **Central Securities Depository**. Currently, neither limited liability companies nor joint-stock-companies have the obligation to create a reserve fund. However, joint-stock companies which acquire their own stocks (treasury stocks) and include them on an active balance sheet do actually have an obligation to create **a special reserve fund.**

The amount of money in the fund has to be as high as the value of the company-owned stocks. Reserve funds can only be dissolved or lowered if the company gets rid of its stocks or reduces the share capital by their value.

The purpose of the reserve fund is to cover the company's possible losses in the future. Aside from the above-mentioned circumstances, this fund can be created voluntarily by both joint-stock and limited liability companies.

Founding document must include:

- **the internal structure of the organisation**, which is in many ways similar to that of the limited liability company
- **the supreme body of the company** that is the General Meeting which consists of all stockholders
- **the constituent general meeting** that establishes the company and its basic structure
- **the founding deed** which must include the name and address of the company, and the proposed base capital
- **the number and value of stocks**, information about the **issue price of these stocks**
- **the designated contribution administrator** and **company rules**

The general meetings may decide on amendments of the Articles of Association, elect the company's bodies or approve the distribution of profits and financial statements. **Voting is done by unanimity or majority** according to the discussed matter and the company's rules.

Stockholders have several votes, based on the amount of stocks they own. The meeting has to take place at least once per accounting period and is usually convened by the **Board of Directors**.

All stockholders are invited to the meeting via written letters and the **event is announced on the website** of the company at least 30 days prior. The General Meeting is present in every company of this type, but the rest of the structure may differ.



CZECH LAW ALLOWS TWO POSSIBLE SYSTEMS:
dualistic (continental) and **monistic** (Anglo-American).

The dualistic model

The dualistic model is more common in the Czech Republic. It includes a **Board of Directors** with three members who manage the company in between general meetings, unless stated otherwise.

Directors are elected by the General Meeting unless the company rules ascribe this responsibility to the **Supervisory Board**.

If the Board of Directors has more than one member, the directors appoint a chairman, who has the casting vote when the votes on each side are equal. Each member of the Board of Directors has one vote.

If the Articles of Association do not stipulate otherwise, each director is elected for three years. Unlike the limited liability company, in the dualistic system, the joint-stock company has to include a Supervisory Board.

Again, unless stated otherwise in the Articles of Association, the Board has three members elected by the general meeting.

The monistic model

The monistic model is based on a single body known as **the Executive Board**, in which the powers of both the Board of Directors and of the Supervisory Board are vested.

Thus, this body manages all day-to-day business activities of the company and also substitutes the role of the Supervisory Board by overseeing the implementation of its policies.

Unless stated otherwise, the board has three members including an elected chairman. The members of the board can be both natural persons and legal entities, but the chairman has to be a natural person.

Executive Board is elected by the General Meeting. Until the end of 2020, the Executive Board appointed the Statutory Director. However, since January 2021, the function of Statutory Director has been completely eliminated, the Executing Board thus becoming the only statutory body of a joint-stock company in the monistic model.



If the company has more than **500 employees, then at least 1/3 of the Supervisory Board is elected by them.** The Supervisory Board overlooks the activities of the Board of Directors as well as all business matters of the company. If not stipulated otherwise, the Supervisory Board has a functioning period of three years.

LIMITED PARTNERSHIP (K.S.)

This company type consists of two groups of members:

- **limited partners**
- **general partners**

Limited partners don't have a say in the management of the company and are liable for the company's obligations up to the amount of their unpaid deposit registered in the Commercial Register. The statutory default of the liability of limited partners for the company's obligations can be modified by specifying a **limited-liability amount** in the Memorandum of Association. If so, a limited partner is liable up to the limited-liability amount, which cannot be lower than his or her contribution.

General partners are liable with **all of their property** and they manage the company. This way elements of the limited liability company (limited partners) and the general commercial partnership (the limited partnership company as a whole) are present in this limited partnership.

The law stipulates rules for the two groups according to the laws regarding the two different above-mentioned business types. **The company is established with a Memorandum of Association,** which must state all members and stipulate whether they are a limited or a general partner.

The amount of the deposit of each member has to be stated as well. Unlike with limited liability companies and joint-stock companies, **no notarial deed is needed,** only the registration in the Commercial Register. No base capital is needed either, any rules in this regard have to be stipulated in the Memorandum of Association.

Only the limited partner has the right to transfer shares unless the Memorandum of Association states otherwise. If a limited partner has not received the consent of the other shareholders to transfer the share, they will be liable to repay the deposit even if they cease to be a partner. General partners function together as the statutory authority responsible for the business management of the company. On all other matters, the two partner groups make decisions together, with each member having one vote unless the Memorandum of Association stipulates otherwise.



Changes to the partnership agreement must be approved by all associates and reported to the Commercial Register within 30 days.

GENERAL COMMERCIAL PARTNERSHIP (V.O.S.)

1.

In a general commercial partnership, all partners are **unlimitedly, jointly and severally liable** for the company and all of them have a share in its management. Unless otherwise stipulated in the Memorandum of Association, the shares of all partners are the same.

3.

Each partner is obliged to **tax their profit individually**, the company is not required to do so. Partners are liable with all their property including their private property. This makes the general commercial partnership one of the most trustworthy business types.

5.

The agreement should also include:

- **the name of the company**
- **the subject of the business activities names of all the partners**
- **contributions** (including how they are to be fulfilled)

The statutory body are all partners who meet the conditions required by the law — the partnership agreement may include only some shareholders in the decision-making process.

2.

This also applies to their role in **governing the company**. Unless the agreement says otherwise each partner gets one vote. Profit and loss are shared equally among the partners. The shareholder is entitled to a share of the profit representing 25% of the amount by which they fulfilled their deposit obligation.

4.

A legal entity can also be a partner but its duties in the company have to be carried out by an authorized representative, who has to be a natural person. There are no limits on base capital stipulated by the law. The amount of the base capital and how much of it each partner should contribute is codified in the **Memorandum of Association**.

6.

Minors can also become members of a general commercial partnership, but they cannot legally be part of the statutory body. A general commercial partnership cannot be joined by anyone who was in the past 3 years subject to **insolvency proceedings**.

EUROPEAN COMPANY (SE – SOCIETAS EUROPEA)

EUROPEAN COMPANY (SE)

It is also possible to establish a so-called European company (SE), which is a legal form of business recognised throughout the entire EU.

This is a type of **public limited-liability company** that allows you to run your business in different European countries using a single set of rules.

IF YOU WANT TO ESTABLISH A EUROPEAN COMPANY:

- the registered office and head office must be in the same EU country,
- you must have a presence in other EU countries (subsidiaries or branches),
- or all companies involved need to be governed by the laws of at least two different EU countries.

The **minimum subscribed capital is EUR 120 000**, and you and your company's employees' representatives will need to reach a decision on employee participation in the company bodies, and on how employees will be consulted and informed.

The company may be established through:

- a merger,
- formation of a European holding company,
- formation of a European subsidiary,
- or by conversion.

Within one month of publishing the requested documents,
The Office for Official Publication needs to be informed by
the national authority that the registration has been requested.

The requested documents include:

- **the name of the European company**
- **the number of the European company**
- **date and place of its registration**
- **the date, place and title of publication where the information about the European company was published in the country of registration**
- **the registered office of the European company**
- **the company's sector of activity.**

The company details will then be published
in the Official Journal of the European Union.

More on the European company (SE) [here](#)

**More on the European company (SE)
and Czech national legislation [here](#)**

ALTERNATIVE BUSINESS TYPES

FOUNDATION (A NON-PROFIT ORGANISATION)

Foundations are legal entities collecting property to be used for specific purposes (e.g., foundations explicitly for charitable objectives).

They cannot be used to fund political parties or to only gain profit.

Any business activities may be done only to support the main goal of the foundation, which should be serving the common good. The purpose of the foundation has to be mentioned in the company's founding document. This document is called the **foundation charter**.

THE FOUNDATION DEED TAKES THE FORM OF A NOTARIAL RECORD.

The founder decides how the **governing board** will be structured and how the foundation will manage its assets - e.g., whether it appoints a person familiar with the management of the property to the managing board, or whether the management will be done by a person outside of the board.

The board has at least three members (the number of members doesn't have to be divisible by three), the term of office is five years, unless the foundation charter claims otherwise.

A legal entity can also be a member. The company's **property is exempt from income taxation.**

Foundations also have the right to participate in the business of joint-stock companies. Like many company types, foundations need to have a base capital to work with before they start their business activities. In this case, the law stipulates the minimum amount of CZK 500,000. This minimum amount needs to be paid before the foundation is formally established. The amount of base capital has to be included in the founding document.

Foundations always keep **double-entry** accounting, regardless of the amount of income and assets, and if the base capital or turnover reaches in minimum CZK 5,000,000, annual financial statements must be certified and audited.

If the business acts beyond legal requirements, adheres to ethical principles, works well and acts transparently it can aspire to get a quality mark to prove its competences. **The quality mark** is given by the Czech Donors Forum.



COOPERATIVE (CO-OP)

A cooperative is a community of an open number of persons established for the purpose of doing business or providing for the economic, social or other needs of its members.

3 MEMBERS

The minimum number of members is 3 regardless if they are natural persons or legal entities.

15 YEARS OLD

In the case of natural persons, members need to have completed compulsory schooling and must be at least 15 years old.


LIABILITY

The cooperative is a legal entity and is therefore liable for its obligations with all its assets. The members of the cooperative are not individually liable.

The minimum base capital for cooperatives is not stipulated by Czech law. Each member needs to pay enough for the base capital to be reached before the business is established. The contribution is stipulated in the founding agreement which are the Articles of Incorporation.

The share of each member must be the same. Members of the cooperative may have to pay a membership fee and guarantee further participation of the cooperative's business, this is again stipulated in the founding document.

Non-monetary deposits will be valued as determined by the articles of association or as agreed upon at the establishment of the cooperative by all members. The cooperative is founded at the **constituent meeting**.

An aerial, black and white photograph of a city square. In the center is a large, ornate fountain with multiple tiers and a central spire. People are seen walking around the square, and there are buildings with classical architectural features in the background. The sky is filled with dramatic, cloudy patterns.

The **constituent meeting** is convened by the convener, who submits the **draft statutes** and decisions necessary for the establishment of the cooperative to the interested parties. After the adoption of the statutes, the constituent meeting elects the members of the **governing bodies** of the cooperative, approves the deposit administrator and determines the method of fulfilling the basic membership deposit, or the entry deposit.

Each interested party has one vote and the meeting may vote only when simple majority is present. Further **membership meetings** may vote on changes to the company statutes, meetings must take place at least once per accounting period.

The governing board should have at least 3 members and the cooperative should also establish a supervisory board. Smaller cooperatives with up to 50 members do not have to set up a board of directors or a supervisory board. The statutory body is the chairman of the cooperative and each member of the cooperative has the authority of the supervisory board vis-à-vis the statutory body of the cooperative.

SELF-EMPLOYMENT (OSVČ)

Self-employed persons enjoy the benefits of being their own boss. Rather than using the term “entrepreneur,” the Civil Code defines them as:

“A person who, on their own account and responsibility, independently carries out a gainful activity in the form of a trade or in a similar manner with the intention to do so consistently for profit.”

This includes artistic or other creative activities on the basis of copyright relationships. All activities are carried out in the name of the self-employed person and they are **fully liable** for them. The entrepreneurs whose income for the previous year did not exceed CZK 1 million enjoy relatively easy tax recording due to a simple flat rate. They are exempt from separately paying income tax, social security and health insurance advances through a single **lump-sum payment**. If this amount is surpassed, the self-employed person will have to keep regular accounting books, register to

become a VAT payer, and annually submit a tax report. A self-employed person may conduct business as **a primary or a secondary activity**. This influences the payment of health insurance and social security contributions. Self-employment activities may change from primary to secondary, and vice versa (for example you may be primarily a student, a regular employee, on maternal leave etc., and secondarily OSVČ). Self-employment as a secondary activity exempts the entrepreneur from paying health insurance and social security contributions.

Primary self-employed persons are obliged to pay advances for social and health insurance.

During the first year of business, only the minimum amount of advances is paid. In the following years of business, the amount of the monthly advance is calculated by the profit achieved in the past year and is included in the Statements of Income and Expenditures (*Přehledy o příjmech a výdajích*) that all self-employed persons must deliver annually to their health insurance company and the Czech Social Security Administration.

REGISTRATION

The registration of a self-employed person is done at trade licensing offices. The applicant has to define the subject of business and the fields of activities they will perform.

SELF-EMPLOYMENT AS A SECONDARY ACTIVITY

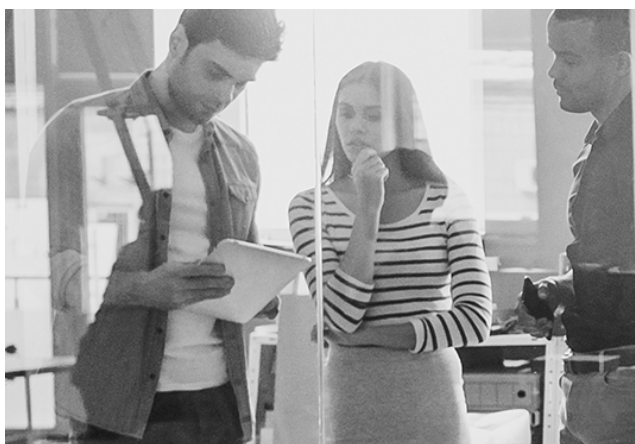
Self-employment as a secondary activity means the self-employed person does not have to pay advances for social and health insurance during their first year of business. In the next years, after the submission of the Statements of Income and Expenditure, the payments at the end of each year depends on the tax base (income after deduction of expenses). If the tax base of the self-employed person does not exceed the set decisive amount (it changes every year, in 2021 it is CZK 85,058), the social security insurance does not have to be paid at all. The advance payment for health insurance is paid according to the amount of the assessment base without a supplement to the minimum. However, it is important that the self-employed person must notify the health insurance company or the social security administration of the reason for fact that self-employment gainful activity is secondary.

GENERAL REQUIREMENTS

The general conditions for obtaining a trade license are full legal capacity - reaching the age of 18 years old and having a clear criminal record. In the case of foreign nationals who are not citizens of the Czech Republic or another Member State of the European Union, the clear criminal record is proven with an extract from the Criminal Register of their respective countries. The exception is if they are a permanent resident in the Czech Republic - in that case, they prove the clear criminal record as citizens of the Czech Republic. Foreigners also need to show visa validity and all documents regarding residency in the Czech Republic. The administration fee is CZK 1,000.



You can find more information about self-employment for foreign citizens [here](#) and [here](#).



SUMMARY TABLE

COMPANY TYPE	FOUNDING DOCUMENT	MINIMUM BASE CAPITAL
Branch office	The parent company's formal decision of opening a branch	x
Limited liability company	Deed of foundation / Memorandum of association	CZK 1
Joint-stock company	Deed of foundation / Articles of association	CZK 2 MILLION
Limited partnership	Partnership agreement	x
General commercial partnership	Partnership agreement	x
Foundation	Foundation charter	CZK 500 000
Cooperative	Statutes of the cooperative	x
Self-employment	Trade license	x

Source: author

LIABILITY	LEGISLATIVE BODY	EXECUTIVE BODY
Parent company	Parent company	Branch representative
Shareholders up to the amount they contributed to the base capital	General meeting	Executive director(s)
The company itself	General meeting	Executive board / Board of directors
Limited partners up to the amount of their unpaid deposit, general partners with all their property	All partners	General partners
All partners - even with private property	All partners	All partners - may be changed in the partnership agreement
The governing body	Founder(s)	Governing body
The company itself	Membership meeting	Board of directors (<i>představenstvo</i>)
The self-employed person	x	x

ESTABLISHING A COMPANY

The actual process of setting up a company may vary depending on the type of business. Some more specific requirements have been described above.

Most business types, however, follow the same basic structure:

1 Establishment of the company:

- The company must be established by a notarial deed executed by a Czech notary

(limited liability company, joint-stock company, general commercial partnership and foundations - if there is only one founder, others are exempt)

2 The company needs to acquire:

- a trade licence
- a new bank account

3 Registration in the Commercial Register:

- usually constitutes the official establishment of the new company

4 Beneficial owners:

- all beneficial owners must be registered in the Czech register of beneficial owners

5 If you are not an EU citizen:

- you have to make sure all your visa requirements are met

NOTARIAL DEED

Contacting a notary is among the first things you should do after deciding to establish a company. They will write the founding documents and all other necessary papers for a price determined by the state, with the exception of additional services that the notary will charge based on their own price list. Under Czech law, creating these documents must be done by a **notary public**. The notary will need some important information about the company to include all required information in the document. This may vary based on the type and structure of the company (some points have been mentioned in the descriptions above).

Information you'll need to provide:

- **An original company name followed by the company type (s.r.o., foundation, etc.)**
- **The address of the office where the company will be based**
- **The base capital of the company and the amount of the contribution of each partner, including the method and period of repayment of the contribution**
- **The range of business activities of the company**
- **All business partners - company name and registered office in the case of legal entities or the name and residence in the case of natural persons**
- **The names and addresses of the company's first executives and the manner in which they act on behalf of the company**
- **If the company includes a supervisory board, then the names and residences of the members of the first board**
- **Appointment of a deposit manager**
- Optional: a description of the internal organisational structure of the company

Be careful about the number of **duplicates** (*stejnopis*) and **true copies** (*opis*) of the notarial record that the notary offers you. One duplicate is included in the price, subsequent duplicates are quite expensive, unlike true copies. Also, avoid contracts that contain long copies of passages of the Commercial Code. It is not necessary to include what is already stipulated by the Code into the contract and you would have to change it anytime the Code is amended.

TRADE LICENCES AND REPRESENTATION

A trade licence or a similar form of business authorisation is needed before the company can be registered in the Commercial register.

first
The company needs to appoint a responsible representative (*odpovědný zástupce*) who will take responsibility for the company's compliance with the law.



If a company does not operate in a field covered by the so-called **free trade** (*volná živnost*) license.

Free trades include 80 general business activities, such as:

- managing an e-shop
- mediation of trade and services
- accommodation
- consultancy
- purchase and sale of real estate
- advertising
- translation
- interpreting
- operation of travel agency
- guide
- operation of cultural
- cultural-educational and entertainment facilities
- organisation of cultural
- sports and similar productions
- work for households and other activities.



next

**The next step is a visit to
the local Trade Licensing Office**
also called a central registration point (CRM).

Submissions can also be made through a public administration contact point - the Czech Submission Verification Information National Terminal - **Czech POINT**. The application has two components: the trade licence itself and registration with the tax office (all types of tax, except for the excise tax and some ecological taxes).

Representatives of legal entities (companies) need to supply the following documents alongside the application form:

- a document proving that the legal entity has been **established or constituted** (Memorandum of association or a founder's deed or articles)
- a document proving the **permission to use premises**, where a registered office will be located (such as lease, consent of the building owner etc.)
- the responsible representative has to prove that they meet the **necessary qualification requirements** by presenting documentation demonstrating such qualification, i.e. education certificates, practical experience-related certifications, attestations, authorizations or permits required for each specific trade, as well as a document proving the non-existence of obstacles to carry on with a trade (for technical trades, bound trades and concession trades)
- a **declaration** made by the authorised representatives that they consent to the function
- a **criminal record statement** or equivalent document of the company itself, if it is registered outside of the Czech Republic and from the responsible representative, if they are not a Czech citizen
- a document showing payment of the **administrative fee** (CZK 1,000)

The process is a little different when a natural person is applying for the licence. More information can be found by following the links below

[here](#), [here](#) and [here](#)



OPENING A BANK ACCOUNT

Before the company is registered in the Commercial Register, a special bank account where the founders deposit their monetary contributions has to be opened. The bank will not allow access to the money deposited in this bank account before the registration of the company in the Commercial Register unless the money is to be used for the payment of establishment-related costs. **The company must appoint a contributions administrator** responsible for the necessary deposits. They have to visit the bank personally or if the bank allows it, the account can be opened on the basis of a power of attorney granted by the contributions administrator, whose signature must be approved by a notary.

Each bank may have **other different rules**, so it's best to discuss all matters with the chosen bank before opening the account. Upon request, the bank issues a confirmation of the deposit and its amount, after receiving the company's founding document. The confirmation is included in the proposal for entry in the Commercial Register.

REGISTRATION OF A COMPANY IN THE COMMERCIAL REGISTER

The whole process of registration may take several months depending on the Registration Court (the local Regional Court). The proposal for registration has to be issued by all members of the executive board. *The registration form can be downloaded here* (the website is unfortunately only available in the Czech language).

The proposal for entry in the Commercial Register can be submitted in paper or electronic form. The signature on the paper form must be certified and the signature on the electronic form has to include a qualified certificate (electronic signature). In case of companies, the proposal has to be issued **within 6 months** from the signing of the founding document. Otherwise, it loses its validity.

THE FOLLOWING DOCUMENTS MUST BE ATTACHED TO THE PROPOSAL:

a From the company as a whole:

- The founding documents
- An authorization for business activities (trade license, etc.)
- Written permission to use the premises where the company has located its registered office, namely an extract from the real estate cadastre not older than 3 months proving the ownership of the premises, and if it is not the owner, the consent of the (co-)owner or the administrator empowered to give consent, with the location of the registered office and the power of attorney given to this administrator
- Proof of fulfilment of the deposit obligation (confirmation of the deposit manager, bank, expert opinions, etc.)

b From each executive director:

- Extract from the Criminal Record or an equivalent document not older than 3 months
- An affidavit confirming that they are fully competent to perform legal acts and are not hindered by Czech law to conduct business

All signatures must be officially verified. If your company was created by notarial deed, it is recommended to let the notary arrange all necessary steps for the registration since it's faster and cheaper this way. Once the proposal is processed, the court will send the Decision on registration by mail to the address of the company.

From the date of registration of the company in the Commercial Register the following deadlines are imposed on the company:

8 calendar days

8 calendar days to register with the District Social Security Administration, if the company has employees (more on that in the following chapter about employees)

8 days

8 days to register with health insurance companies, if the company has employees (more on that in the following chapter about employees)

15 days

15 days to register with the tax authority (more on that in the chapter about tax obligations)

With the registration in the Commercial Register, each legal entity automatically gets its own data mailbox intended for the official electronic delivery of documents, in particular from the public authorities and for communication between the company and the authorities. It is important for a company to log in to its data mailbox on a regular basis as a message (official document) is deemed to have been delivered after 10 days, starting from the day on which such a message was placed in the data mailbox.



VISA REQUIREMENTS

For citizens of countries outside of the EU or the EU's associated countries (Norway, Liechtenstein, Iceland and Switzerland) - and with the exception of those granted asylum - staying in the Czech Republic for the purpose of doing business (self-employed in the Czech Republic; a statutory body or a member of a statutory body of a company or cooperative) requires a long-stay visa for the purpose of business (also known as a **Business visa**). An appointment at the Czech Embassy of your country has to be made and an interview with the applicant is conducted while lodging the application. The written record of the interview is a part of the application.

The following items and documents are required for obtaining a business visa:

- A filled out **application form** - it can be downloaded [here](#)
- A **visa fee** - the amount to be paid changes often, so it is best to ask beforehand at the Embassy
- 2 passport-size **photos** - they need to resemble the applicant's current appearance
- A valid passport - its validity must exceed the expected length of stay by at least 90 days (after the visa expires)
- **Biometric data** (fingerprints) - will be taken during the visit at the consulate
- **Document confirming the purpose of stay** - registry extract, such as a trade licence extract (*živnostenský list*), Commercial Register extract (*výpis z obchodního rejstříku*), the number of the application into the Commercial Register or other
- **Document confirming sufficient financial resources** - proof of financial funds in the minimum amount of CZK 110,000
- **Document confirming accommodation** - Applicants are required to arrange accommodation before arriving in the Czech Republic and to provide proof that they have done so. Examples of documents proving accommodation are: accommodation agreement, rent agreement, proof of property ownership (e.g., a purchase agreement or land register extract), dormitory document, or confirmation on providing accommodation (the signature must be verified by a notary)
- A **criminal record** extract issued by a state of which the applicant is a citizen of and in which they have resided in the past three years, uninterruptedly for a period longer than six months
- If the visa is approved - a **confirmation of travel medical insurance**, unless the person contributes to public health insurance (e.g. if it concerns a stay for the purpose of employment, the document on medical travel insurance is only required for the period of entry until the beginning of employment)

The **long-stay visa application** will be processed within 90 days from the date the consulate receives the complete application. In some cases, the procedure can take up to 120 days.

All documents must be presented in their **original form or as a notarized copy** and may not be older than 180 days (with the exception of travel documents). All documents except for the travel documents must be in the Czech language and translations must be officially verified.

The visa is valid for one year.

If you plan on staying longer, you will need to apply for a visa extension for up to one year at your local branch of the Ministry of the Interior before the expiration date.

You may also apply for a long term residence permit for the purpose of business (more information under the link below).

More information [here](#), [here](#) and [here](#).



REGISTRATION OF BENEFICIAL OWNERS (UBO)

The registration of the company's beneficial owner is done either by the competent registry court or by the notary. While part of records of beneficial owners are public, complete excerpt of valid data in the Ultimate Beneficial Owners Register and data that has been deleted without any replacement, or substituted by other data, may only be obtained by a person registered in the UBO Register as a beneficial owner, the person having filed a petition for initiation of a registration procedure, and other persons stipulated by the law. It is intended to improve the transparency of companies and combat money laundering. All changes to the company's list of beneficiaries must be reported to the **Czech Register of Ultimate Beneficial Owners** without undue delay.

According to Czech law, beneficial owners are all persons who are beneficiaries of at least 25% of the profits of the business and have more than 25% of the voting rights in the company, as well as persons whose role is to control the actions of the above-mentioned members. In the case of foundations, a beneficial owner is anyone who is the founder, in whose interest the foundation was established or is operating, or who has been authorised to exercise supervision over the management (i.e. is a member of the controlling body).

EMPLOYEES

If you plan to employ people in your new company, the next crucial step is to understand the various types of employment contracts, regulations regarding social security and health insurance contributions, work safety rules and other important laws regarding employment in the Czech Republic.

It is easy to find qualified employees in Prague even if you don't speak Czech. The Czech Republic has a **high rate of foreign language speakers**. This is because foreign languages are taught from an early age in the Czech Republic, especially English. Around 45% of the population speaks English and more than 16% of Prague's inhabitants are expats.

PRAGUE FOR EXPATS



EMPLOYEES

Regardless if you want to open a small shop or a huge tech company, you are probably going to need employees to do much of the work.

Below are the basic rules on hiring employees as stipulated by the **Czech Labour law**. If you plan on employing Czechs, citizens of the EU or the EEA, this should be relatively easy.

Citizens from a state that is not a member of the EU nor citizens of:

ICELAND - LICHTENSTEIN - NORWAY - SWITZERLAND

(except some special categories of employees)

need one of the following:

WORK PERMIT - in cases of seasonal work, or for persons with a long-term residency permit for the purpose of business, also applicants for international protection and others

EMPLOYEE CARD - for long-term residence in the Czech Republic where the purpose of the stay is employment for a time period exceeding 3 months

BLUE CARD - for a long-term stay, meant for those who practise highly skilled jobs



TYPES OF EMPLOYMENT CONTRACTS

There are several types of employment contracts, all, however, must include:

- **the type of work**
- **the place of work**
- **the day the employee starts working**

If any of these essential elements are missing, the contract is invalid and does not constitute employment. Most contracts also stipulate the **gross wage** of the worker, unless it is stated in a different written agreement or determined by the employer's internal regulations.

The wage has to be added to the contract within a month. The same applies to the employee's holidays. The contract may also include the length of an initial **trial period**.

During this time, either the employer or the employee can immediately terminate the employment contract without stating a reason (the trial period is not obligatory, but it is common). It may last a maximum of 3 months (or up to 6 months in the case of a management position) and has to be agreed upon on the first day of employment at the latest.

TYPES OF EMPLOYMENT

EMPLOYMENT (*hlavní pracovní poměr, or HPP*) - the typical kind of employment contract, it is further stipulated whether the work is full-time (40 hours per week) or part-time.

It is also divided into:

Employment Contract for a Fixed Term

(*na dobu určitou*)

- can only be for a maximum of 3 years, and only 3 times in a row (3×3 years)

Employment Contract for an Indefinite Period

(*na dobu neurčitou*)

- an employment relationship which lasts for an indefinite period

AGREEMENT TO PERFORM WORK (*dohoda o pracovní činnosti, or DPČ*)

- a contract for work with a maximum of 20 hours per week

AGREEMENT TO COMPLETE A JOB (*dohoda o provedení práce, or DPP*)

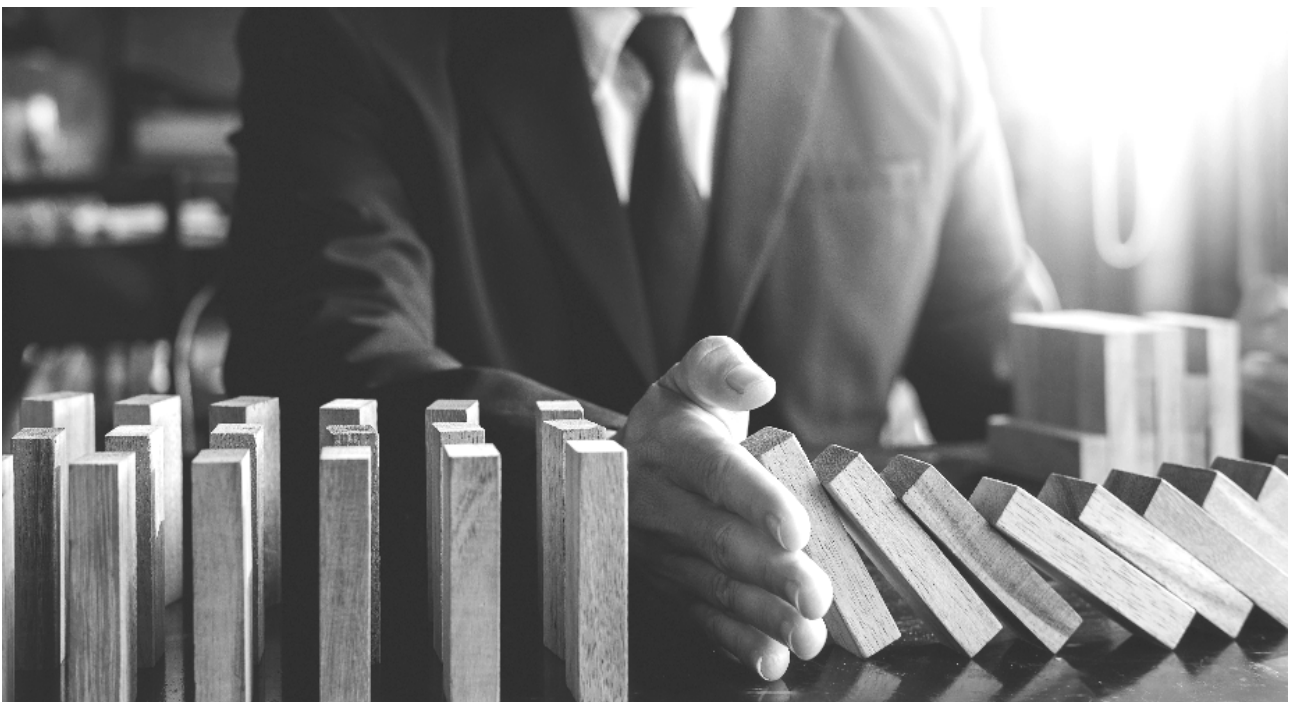
- a contract for temporary work which may not exceed 300 hours during any calendar year

Additionally, an individual who has a trade licence (*živnostenský list*) and is primarily self-employed (*OSVČ*) works independently without the above forms of contract. This relationship is typically governed by a so-called **Framework agreement**. This agreement doesn't create a contractual relationship and therefore no receivables and liabilities of the signing parties arise from it. For cases of breach of contractual obligations, it is necessary to arrange contractual penalties. The contract should set a framework of fines for all parties involved.

Another alternative, mainly used for construction, manufacturing specific items, repairs etc., is the **Contract for work**, where the employer plays the part of the **ordering party** (*objednavatel*) and the employee of the **contractor** (*zhotovitel*).

SOCIAL AND HEALTH INSURANCE DEDUCTIONS

Social and health insurance is a **mandatory payment paid by employees** from their salaries and wages. The amount to be paid is calculated from the gross wage in percent - the exact number changes over time. The business owner is **automatically registered** in these two tax networks by getting a trade licence. Self-employed persons pay social and health insurance as compulsory payments. Both social and health insurance for the employee is paid between the 1st and the 20th of the month following a month of employment.



a Registration of the employer

- The employer must register with the relevant **social security administration** within eight days from the start of employment.
- The form is relatively simple as it contains only basic identification data about the employer. In the event of a change in this basic information, the employer will report it again within eight calendar days.
- After the employer is registered, they receive the employer's **variable symbol** (under which they send insurance payments and fill it in on all other forms).
- With the employment of the first employee, the employer must also notify the **health insurance company** where the employee is registered at. For each new employee who is registered at a different health insurance company, the employer also registers with this health insurance company.
- The information (e.g. name of a company) must exactly agree with that in the Commercial Register or the Trade Register in the case of natural persons.



Each health insurance company has a different form that can be downloaded on their web page.

The form for the social security administration can be ***downloaded here***.

b Registration of the employee

- Within eight calendar days from the start of employment, the new employee must also be registered at the social security administration.
- The relevant 'Notice of Employment' form must be completed and sent electronically. Registering a new employee for health insurance is made via the form 'Collective notification of the employer.' Each company has its own forms, but they are all similar. It is also necessary to report any new employment to the tax office.
- A taxpayer who is obliged to collect or deduct advances on income tax from the dependent activity is obliged to register within 15 days from the moment the obligation arose (more on that in the chapter about taxes). The last obligation in this field is the registration for compulsory statutory liability insurance at an insurance company chosen by the state - the **Kooperativa insurance company**.



The Application for employer's liability insurance for accidents at work and occupational diseases can be ***downloaded here***.

More information ***here, here and here***.

RIGHTS AND OBLIGATIONS OF EMPLOYEES

First and foremost, the employees have the obligation to follow safety measures at their new job, which means the employer has the obligation to introduce these measures to the employees.

The employer has to provide their employees with training on occupational safety and to acquaint them with risks in the workplace. The employer should have clear and verifiable evidence of these legal obligations, which including the employee's signature.

By signing, the employee confirms that they have been duly acquainted with all their obligations regarding work safety at the workplace. Obviously, an office job entails fewer dangers than construction work (as an example), so **occupational health and safety documentation** has to be tailored to the specific company and the type of work. The process of writing the necessary documents is quite complicated so you should consider hiring a professional to do it for you.

If you want to do it yourself, you should read into specifics and conduct an **Audit** to identify the risks and the levels of those risks within the workplace, assess whether your safety procedures are legally compliant, recommend changes, etc. Internal audits on safety should be conducted periodically, at least once a year and the health and safety management and documentation must be constantly verified. This is because new safety risks may appear in the workplace at any time. Added caution should be given to **fire protection**. A fire safety technician or a professionally qualified person has to assess the risk of a fire in the workplace, sufficient technology needs to be supplied, and there should be clearly designated evacuation routes.

BOOK OF ACCIDENTS

If an employee gets injured at the workplace, they may be eligible for compensation by their employer. The employer's obligation is to keep a book of accidents, in which all accidents are recorded, even if they end up being assessed as non-work-related

INCAPACITATION

If the employee becomes incapacitated for more than 3 days, or dies as a result of the accident, it is the employer's obligation to make a **record of a work accident.**

RECORD OF A WORK ACCIDENT

The record of an accident at work must have two copies. One belongs to the employee and the other to the employer. As the employer, you must clarify the causes and circumstances of the accident.

INCIDENT INVESTIGATION

The injured employee should be present in the investigation, as well as other employees or witnesses who have seen the incident. The investigation is carried out either with the participation of a trade union or a health and safety representative.

UNDER THE AGE OF 15

The work of persons under the age of 15 (or over the age of 15 if they have yet to finish compulsory schooling) is prohibited. These persons may only perform artistic, cultural, advertising, or sports activities under the conditions stipulated by a special legal regulation.



When it comes to working holidays, the employer needs to present a clear plan for all employees. There are three types of holidays the employee might be entitled to:

a Holidays for a calendar year or a proportional part thereof

- Employees have the right for at least 4 weeks per year with the possibility of a collective 2-week leave. An employee who works for his employer for the entire calendar year is entitled to use the entire specified leave. However, an employee who has worked for his employer only for a certain period of a calendar year is not entitled to the entire leave, but only to a proportion of it. The decisive period for the recognition of leave is at least 60 days of continuous legal relationship.

b Holidays for completed working days

- If the employee worked for less than 60 days of the calendar year, they are still entitled to holidays. The number of days is calculated according to the days worked in the proportion of one-twelfth for a calendar year for every 21 days worked in a given calendar year.

c Additional holidays

- Additional holidays of one week concern only those employees who perform particularly difficult work or work underground with the same employer throughout the calendar year (e.g. mining, excavation, tunnelling, etc.). If the employee works in these conditions only for a certain part of the year, they are entitled to one-twelfth of the additional leave for every 21 days worked.

RIGHTS AND OBLIGATIONS OF EMPLOYEES

It is possible to organise a mass holiday for all employees at once, but only if it is necessary for operational reasons. This collective use of leave may not exceed 2 weeks (or 4 weeks for art ensembles). The employee on a working holiday is **entitled to compensation for a wage or salary equal to their average earnings.**

If they terminate their employment and have not used the leave to which they are entitled, they are also eligible for compensation under the same conditions (this doesn't apply to additional holidays).

If the employee cannot go to work because of family or other personal reasons, they may be given an **unpaid leave**, the duration of which is usually determined under the agreement between the employee and the employer. Female employees are entitled to 28 weeks of paid **maternity leave** (37 weeks in the case of twins), beginning six to eight weeks prior to birth. During this time, mothers receive financial support from the social security administration. Fathers may take over the leave at no sooner than full 6 weeks after childbirth. This has to be done via a written agreement with the mother. In any case, maternity leave cannot be shorter than 14 weeks and may not be interrupted or ended for 6 weeks following childbirth. For the entire duration of maternity leave, the employer is obliged to keep the job position vacant. When the mother/father returns to work, the employer must give them the same job at the same workplace.

OTHER RIGHTS OF EMPLOYEES INCLUDE:

- equal treatment in working conditions, payment and career advancement
- a clear structure of working hours - schedule, records, etc.
- reimbursement of expenses for the transfer to another place (relocation) or for business trips

ENDING A CONTRACT

The employment relationship with the employee can be terminated by agreement between the parties in writing or by **Notice of Termination**. The Notice of Termination has to be made in writing and delivered to the other party. The employee doesn't have to explain why they terminate the employment, while the employer must specify the reason for the termination by using one from the official list of reasons provided by the Labour Code (§ 52).

OTHER WAYS A CONTRACT MAY BE TERMINATED ARE:

- **Expiry of the agreed period** in case of the employment contract for a definite period (no special administrative steps need to be taken as the duration of the employment relationship is specified in the employment contract)
- **Immediate termination** of the employment specified by the law (e.g. the employee has breached an obligation arising from legal regulations relating to work in a particularly excessive manner, an employee may terminate his employment immediately for health reasons based on a medical report issued by an occupational health service provider)
- Termination within a **probationary period**
- In the case of foreigners due to expiration of their legal residence in the Czech Republic
- Upon the **death of the employee**

Czech law prohibits giving notice to an employee during the protection period (while the employee is pregnant or is on maternity leave, the employee is unfit for work, the employee is released to exercise a public office, etc.). This doesn't apply to termination by the expiry of the contract. At the termination of employment, the employer is obliged to issue **Proof of Employment** for the employee.

If the contract is terminated for reasons that are not the fault of the employee, then they are entitled to **severance pay**. This occurs most commonly when the position of the employee is no longer needed in the company. The payments amount to one month's payment for termination of employment in the first year, two months for the second year, and three months for those who have worked for more than two years for the employer.

You can find more information [here](#) and [here](#).



We agree to the above conditions and terms of the agreement and confirm that the information provided in the application is correct.

.....
Company Stamp

Documents Required

1. Copy of Valid Trade License.
2. Copy of Chamber of Commerce / Economic Development / Sponsor Passport / Identity Card
3. Copy of Document showing authorised signatory.

Insurance Cheque, undated (amount to be decided at the time of trade registration)

ACQUISITION OF REAL ESTATE BY A COMPANY

Even a regularly sized company needs offices to use as headquarters. You can either rent spaces, purchase property or if you are self-employed you can use co-working spaces, which are modern offices (often within cafés) where a community of workers is created.

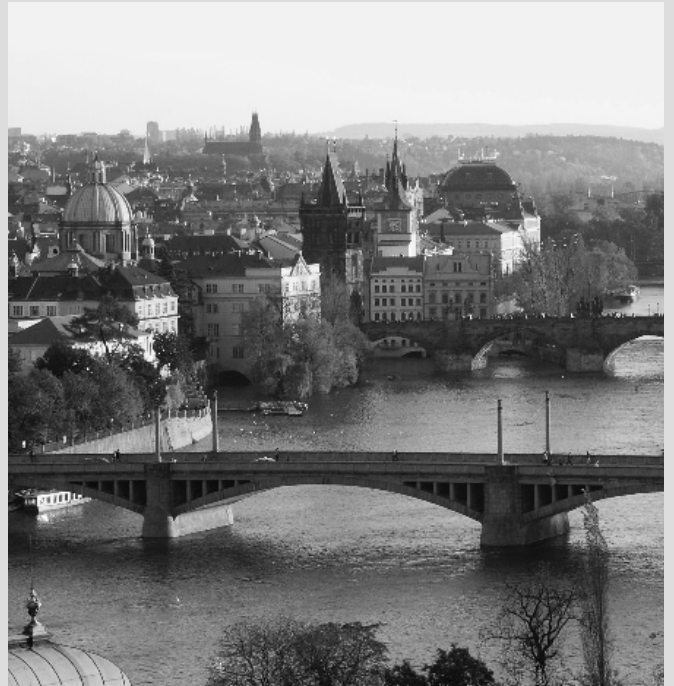
Remember that if you purchase an office, the purchase or transfer of real estate **must be registered at the State Administration of Land Surveying and Cadastre.**

PRAGUE FOR EXPATS



ACQUISITION OF REAL ESTATE BY A COMPANY

Czech companies may acquire real estate by the same rules regardless if they are owned by Czechs or foreigners. Furthermore, real estate can be acquired by Czech legal entities which are owned partly or fully by **non-residents** or by **non-resident companies** with branches registered in the Commercial Register.



Czech law follows the principle of “superficies solo cedit,” which means that a structure legally belongs to the owner of the land on which it is built. Exceptions include the **right of construction** (a perpetual leasehold). The building is the property of the owner of this right, even though it is located on someone else’s land. The right of construction is temporary. It cannot last longer than 99 years.

In other words, there are no real restrictions on acquiring property in the Czech Republic if you have followed the steps mentioned above. Any purchase or transfer of real estate must be registered at the **State Administration of Land Surveying and Cadastre** (a form for this can be [***downloaded here***](#)).

Other exceptions are situation when the **law does not allow the fusion of the ownership** right of the structure with the ownership right of the land when a structure is only of a temporary nature or in circumstances in respect of which the legal regulations stipulate explicitly that certain types of structures are not part of the land on which or in which they are situated (electricity cables, sewage pipes, certain types of roads etc.).

Smaller companies will most likely lease office spaces rather than buy entire buildings. The **lease of business premises** in the Czech Republic requires a lease contract, which is simply an agreement stipulating the object of the lease and the amount of rent. The contract doesn't have to include the purpose of the lease and occupancy permits are not required.



The two parties manage their mutual rights and obligations according to their own specific requirements and needs. The lease contract does not need to be renegotiated and rewritten due to the adoption of new legislation, although in practice the parties prefer this option to exclude the application of certain amendments in the **Czech Civil Code**.

You can find more information [here](#).

OBLIGATIONS

As a company, you will have multiple obligations towards the Czech government. These include keeping **regular accounting, paying taxes** and **filing tax reports**. You also have to report sales via the EET system. If your company collects or processes the personal data of persons, GDPR rules apply to you.

The Czech Republic, together with Hungary, have the lowest personal tax rate in the EU, with a flat tax of 15%. Next in line is Estonia with 20%.

PRAGUE FOR EXPATS



ACCOUNTING

In the Czech Republic, all business activities have to be regularly reported via accounting. Accounting provides information about the financial status of the company, its economic results, conditions and the movement of economic resources of the business as framed by a certain period of time.

In the case of legal persons, the economic transaction has to be documented with double-entry bookkeeping, which means it is entered twice in separate accounting books - the left-hand side is debit (or liabilities) and the right-hand side is credit (or assets).

DOCUMENTATION IS DONE VIA THE FOLLOWING FORMS:

- **invoices** (issued and received)
- **cash documents** (income and expenditure)
- **bank statements**
- **internal accounting documents** (receipts, disbursements, payslips)

All necessary information is gathered in a single report and presented once each **accounting period** (12 consecutive months) in a **financial statement** that includes the following:

- **Balance sheet**
 - provides an overview of the company's assets and sources of coverage (liabilities) for the purpose of assessing the financial position of the company and it captures the state of things as they were on a specific date (Balance sheet day)
- **Income statement**
 - shows the economic result achieved by the accounting unit for the observed period, including a comparison with the previous period
- **Cash flow statement**
 - shows the source and use of the company's cash and cash equivalents
- **Statement of changes in equity**
 - shows the changes in the company's accumulated reserves, share capital, and retained earnings
- **Attachments to the financial statement**

Companies listed on the stock exchange must also publish an annual management report. Each document has to be written in Czech and sent separately to the local Registration Court within 12 months following the Balance sheet day. This can be done by mail or online. Businesses that need to have their statements verified by an auditor must publish their financial statements within 30 days of verification.

The Czech Republic follows the rules set by the [IFRS](#).

Accounting - online form [here](#) and IFRS rules [here](#)

TAXES

TAX OFFICE

After your company is officially registered at the Commercial Register, you have 15 days to register at the **local tax office** (*finanční úřad*).

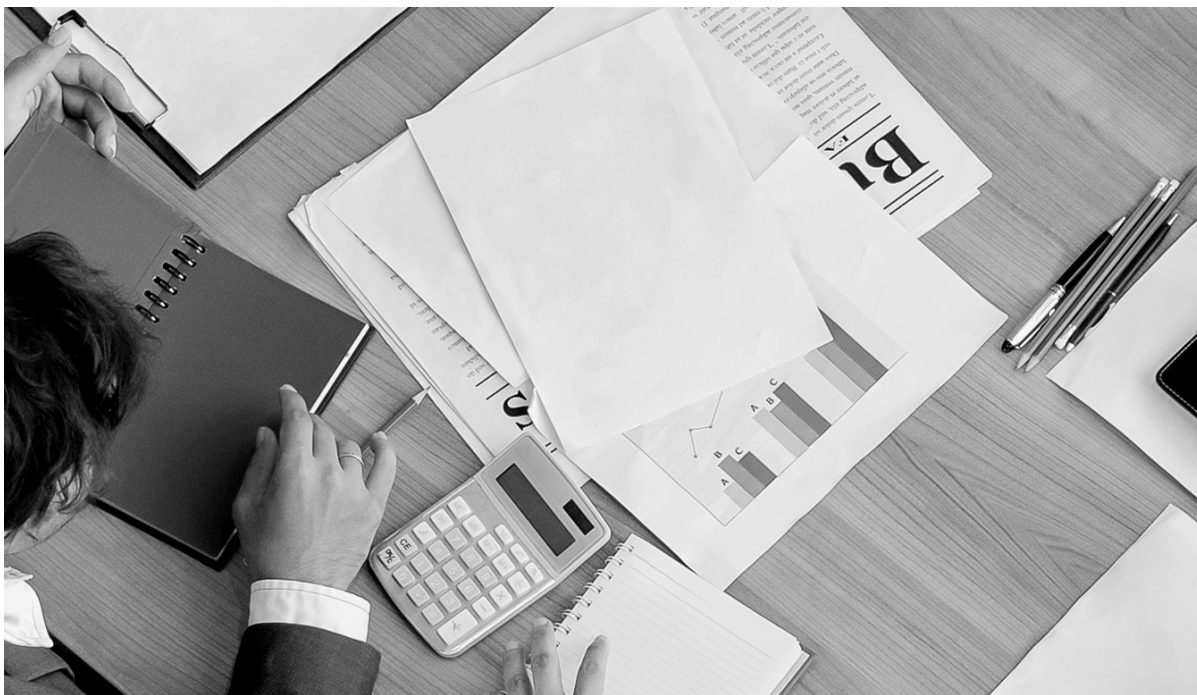
BANK ACCOUNT

Tax payments are transferred to a special bank account given by the Tax office.

TAX IDENTIFICATION NUMBER

After you hire your first employee, you have 8 days to register at the same place as an employer. First, the tax administrator will assign you a so-called **tax identification number**.

You will need it when filing **tax returns**, which is done after the end of the **taxation period** (depends on the type of tax).



VALUE-ADDED TAX (VAT)

Czech companies whose profit exceeds CZK 1 million in any consecutive 12-month period must register as a VAT payer with the Tax office.

- The registration has to be done within **15 days** following the end of the month in which the threshold has been passed. Registering for VAT has to be done electronically.
- **The address is given to the company by the relevant tax administrator.** This type of tax is imposed on supplies of goods and provision of services in the Czech Republic and on goods imported to the Czech Republic or bought in the Czech Republic from other EU member states.
- The basic **taxation and reporting period is 3 calendar months** if the payer's turnover for the previous calendar year did not reach CZK 10 million and it is not an unreliable payer (this is possible only after 3 years after registering as a VAT payer) or one calendar month, if the payer's turnover did reach CZK 10 million or if it is a new payer or group or an unreliable payer.
- The change from monthly to quarterly taxation periods and vice versa is only possible in January of the respective calendar year. The tax return and the payment has to be done within 25 days after the end of the tax period.

VAT RATES VALID IN THE CZECH REPUBLIC:

1 Basic 21%

- applies to goods and services that are not mentioned in the law on reduced rates

2 First reduction 15%

- these are mainly food, soft drinks, water and sewage, urban transport

3 Second reduction 10%

- this includes medicines, health services, veterinary medicines, printed books, newspapers and magazines, irreplaceable baby food, products intended for gluten-free food production, accommodation services, cultural events etc.

INPUT VAT is added to the price of goods or services that are liable to VAT. If the business that is buying is registered for VAT, it can deduct the amount of VAT it paid from its taxing obligations.

Businesses are generally entitled to reclaim input VAT. Certain supplies are VAT exempt without entitlement to reclaim input VAT (healthcare, education, financial services, insurance services, and long-term rent of the immovable property). Export of goods from the EU to the third countries is VAT exempt with a right to recover input VAT.



Find more information on VAT [here.](#)

CORPORATE INCOME TAX

Corporate income tax (CIT) applies to the profits generated by companies, including branches of foreign companies. Corporate partners in general partnerships and corporate general partners in a limited partnership are subject to CIT on their share of the profits in the partnership. The income tax return is filed no later than 3 months after the end of the taxable period, which is usually one calendar year. Corporate income tax is set at a general rate of 19%, 5% for basic investment funds.



Find more information
on Corporate income taxes [here.](#)

PERSONAL INCOME TAX

All income regardless of whether it is monetary or non-monetary (benefits such as using the company car, etc.) is affected by a flat **personal income tax of 15%** (23% if the monthly income exceeds CZK 141,764). This is calculated from the **gross income**.

The personal income tax return has to be filed with the relevant Tax Office within three months after the end of the tax period of one calendar year (or within six months if a power of attorney for filing the tax return is submitted by a certified tax advisor). Employees are also subject to income tax. The business withholds tax payments from their monthly salary towards their annual tax liability.



Find more information
on Personal income taxes **[here.](#)**

OTHER TAXES

- **Excise tax**
 - companies who produce or trade ethyl alcohol, beer, wine and intermediates, mineral oils, and tobacco products have to incorporate a special tax.
- **Energy tax**
 - this tax is applied if a company supplies energy products (electricity, natural gas, and solid fuels) to final consumers in the Czech Republic. A number of exemptions exist.
- **Road tax**
 - required for on-road vehicles and their trailers that registered and operate for business purposes in the Czech Republic. The tax is calculated according to the engine size for passenger cars or weight and number of axles for other commercial vehicles.
- **Real estate tax**
 - is levied on all properties in the Czech Republic, payable by the owner. Applicable rates vary depending on the kind of real estate (location, worth, etc.).

Find more information on other taxes [here](#).

REGISTRATION OF SALES (EET)

This obligation is mandatory for all types of businesses in the Czech Republic. It is a complex electronic system of online communication between businesses and the Financial Authority for the purpose of better government control over tax payment and fair competition.

To get accepted into the system, the business first needs to get **authentication data**. These can be requested either in person at any tax office. The data is used to get access into the EET application, which can be [downloaded here](#).

Next, the business must fulfil the **notification obligation**, by sending information on all establishments from which the recorded revenues flow to the tax office via the EET web application. Any changes in the information about any of the establishments have to be reported to the tax authorities no later than 15 days after the change.

The process of registering a sale is divided into the following steps:

1 XML data

- The business sends an XML data message about the transaction to the Financial Authority.

2 Fiscal Identification Code

- The Financial Authority sends back a confirmation of the receipt with a unique Fiscal Identification Code (FIK).

3 Receipt

- The business issues a receipt (including the FIK) and provides it to the customer.

4 Receiving

- The customer receives the receipt.

5 Registration

- Registration of the sale can be verified through the web application of the Financial Authority. The customer can verify their receipt; the business can verify the sales registered under their name.

The sales that need to be registered may stem from all kinds of business activities **except direct bank account transfers** and **card payments** made through payment terminals or online transactions carried out through e.g. a payment gateway. The technical solution for registration of sales requires a POS device that can communicate electronically via the internet (PC, tablet, mobile phone, cash register, POS system, etc.) as well as an internet connection available at the moment when the payment is received. If for some reason the sale cannot be registered immediately (e.g., due to no internet connection) the company has to send the relevant information to the Financial Authority within 48 hours. Currently, the registration of sales (EET system) has been postponed by Act no. 449/2020 until 31st December 2022.

You can find more information by following these links: [here](#) (authentication data), [here](#) (EET application) and [here](#).

GENERAL DATA PROTECTION REGULATION (GDPR)

GDPR applies to anyone who collects or processes personal data of persons. The company needs to appoint a **data protection officer**. This authorized person should have some experience in the legal field.

The officer is not personally liable for **non-compliance** with the regulations since this is the responsibility of the company. Instead, the officer gathers information to ensure processing activities, analyses the legal compliance of processing activities, informs or issues recommendations to processors and provides advice.



In the event of a breach of the GDPR, the administrator must report it within 72 hours of becoming aware of the incident.

The responsible person must keep records of processing activities containing, for example, **the name and contact details of the legal entity**, the reason for processing data, the deadline for deleting data, etc. The record-keeping does not apply to small and medium-sized companies with less than 250 employees.



You can find more information by following these links: [here](#) and [here](#).

BUSINESS SUPPORT IN PRAGUE

Your business might be eligible for support in Prague. It can be financial support through **grants, soft loans, discounts** or **financial guarantees**. The private sector as well as NGOs and government institutions offer this kind of support. The academic sector might also be of interest, especially in technical fields.

PRAGUE FOR EXPATS

In Prague, your business might be eligible for support. This can be **financial support through grants** (non-repayable, targeted financial support), or through soft loans, discounts and financial guarantees. There is also non-financial support, usually in the form of services. Such services include consulting, organized seminars, workshops, or start-up mentoring.

Financial support is usually **provided from public funds**. These are mainly funds from the state budget of the Czech Republic, funds from the budgets of local governments and municipalities or funds from the structural funds of the European Union.

The third option is the combination of financial and non-financial support. Most often, this is support through various competitions or incubation programs, which can be **funded publicly or privately or in combination**. This support is associated with the chance to be awarded a certain amount of financial support (most often for specific purposes, for example, to finance a stay abroad) and with the free or partially financed provision of counselling, mentoring services or seminars and training for the company.

BUSINESS SUPPORT THROUGH THE PUBLIC SECTOR

The largest part of business support is the public sector. The support of companies is monitored especially by the state, the city or contributory organisations of the state. The aim is to increase their competitiveness abroad and to attract investment to the Czech Republic or to a specific region of the Czech Republic. In Prague, most of these programs are **covered by the City of Prague itself.**

- **Technology Agency of the Czech Republic (TA CR)** business support programs - focuses on research and innovation. More information is **available here.**
- **National Development Bank (NDB)** business support programs. More information is **available here.**
- **CzechInvest Business and Investment Support Agency** programs - such as the Czech Starter program. More information is **available here.**
- **CzechTrade Agency** business support programs - the organisation functions under the Ministry of Industry and Trade and supports export-oriented activities. More information is **available here.**
- **Czech Export bank (CEB)** business support programs - also focused on export. More information is **available here.**
- **Center for Regional Development of the Czech Republic (CRD CR)** support - among other activities, they help with writing requests for EU funds. More information is **available here.**
- **Ministry of Industry and Trade of the Czech Republic (Agency for Business and Innovation)** business support programs. More information is **available here.**
- **Dotace.eu Portal** European Funds Program in the Czech Republic. More information is available **here.**
- **EU Operational Program Employment** One of the oldest of the EU structural funds that aim to reduce unemployment, create good labour market conditions and contribute to social inclusion. More information is available **here.**

BUSINESS SUPPORT THROUGH THE PRIVATE SECTOR AND NON-GOVERNMENTAL ENTREPRENEURSHIP SUPPORT

THIS INCLUDES:

- **Czech Chamber of Commerce and the Czech Agrarian Chamber** - The Chamber of Commerce is the most important representative of the business sphere. The mission of the Chamber is to create opportunities for business, promote and support measures that contribute to the development of business in the Czech Republic. More information about the Chamber of Commerce is [available here](#). The Agrarian Chamber is mainly interested in agriculture, food industry and forestry. More information about the Agrarian Chamber is [available here](#) (Czech only).
- **Association of Entrepreneurs and of Self-employed Persons of the Czech Republic (SPŽ ČR)** business support - especially useful for legal advice. More information is [available here](#) (Czech only).
- **Association of Small and Medium-Sized Enterprises and Self-Employed Persons of the Czech Republic (AMSP ČR)** business support. More information is [available here](#).
- Business support through bank products and banking institutions authorized to provide banking services in the Czech Republic - you will need to check with each bank individually.
- Entrepreneurship support through programs by large, multinational companies and private companies for SMEs, self-employed, and primary or secondary school students.

BUSINESS SUPPORT THROUGH THE ACADEMIC SECTOR

Universities and other academic organisations may also step in to provide opportunities for support for companies.

Here are some examples:

- **University of Economics and Business Prague (VŠE)**; this is a new name in English, until recently the university was known as The University of Economics in Prague - [more information here](#).
- **Czech Technical University in Prague (ČVUT)** - [more information here](#).
- **Czech University of Life Sciences (ČZU)** - [more information here](#).
- **Point one under the ČZU** - [more information here](#).
- **Academy of Sciences of the Czech Republic** - especially the Technology Center of the Academy. More information is [available here](#) and [here](#).

ANNULMENT OF THE COMPANY

It can happen that one day, you will have to terminate your business. In that case, you have to **follow a set of rules**. This includes insolvency proceedings and either the start of a liquidation process, which means a liquidator has to be appointed; or insolvency proceedings without liquidation, which means the company is transferred to a legal successor.

PRAGUE FOR EXPATS



ANNULMENT OF THE COMPANY

Some companies grow up to dominate the market for hundreds of years, but most are not so lucky and sooner or later they are forced to close. Either they are not very successful or they were created for a specific time period and there is no longer a need for them. Companies can be closed through **liquidation** or through simple **dissolution**.

Liquidation involves the process of termination of the company, its assets being sold, and any remaining assets of the company being distributed to the shareholders. Liquidation can be either forced (court-ordered) or voluntary (closed by the owner or owners). In the case of voluntary liquidation, the process differs based on the type of company.

If the company is bankrupt, then it cannot be liquidated but must go through insolvency proceedings. A company is bankrupt if it has multiple creditors and financial obligations for more than 30 days past the due date and is unable to meet these obligations.

Limited liability companies, joint-stock companies and other types that are constituted by a general meeting must follow the procedure as stipulated by the founding agreement. Usually, the meeting decides on the liquidation. The resolution of the general meeting must be agreed by at least 2/3 of all shareholders of the company and needs to be codified in the form of a notarial deed.

If the founding documents do not give these decision powers to the general meeting, **all of the shareholders** must decide on this issue in a similar agreement.

THE LIQUIDATION PROCESS CONSISTS OF SEVERAL IMPORTANT STEPS:

- 1** After the relevant body of the company decides to terminate the business, a **liquidator** has to be appointed by the general meeting, the statutory body or by the court. The liquidator is responsible for overseeing the entire liquidation process. The appointment is accompanied by formal notification of entry into liquidation.
- 2** The liquidator prepares **financial statements**, which precede the date of entry into liquidation.
- 3** The liquidator informs the **Commercial Register** of the liquidation without undue delay.
- 4** All of the **company's creditors** must also be informed. In the case of unknown creditors, this is done through the Business Journal. The notice must be published at least twice, with a two weeks gap in between.
- 5** All **financial and other claims** from creditors and employees must be satisfied. The time limit for filing claims may not be less than three months from the publication of the second notice.
- 6** The company has to have **paid off everything** and be 'empty.' All taxes owed to the state as well as social and health insurance payments have to be paid, and all contracts terminated ('lease of property', employment, etc.). All property is sold directly or through an auction. If any assets are left (a so-called liquidation balance), the shareholders have to agree on its redistribution.
- 7** After all above-mentioned matters are closed, the liquidator prepares final financial statements, which have to be added to the **application for deletion** from the Commercial Register. The application is sent within 30 days after the end of liquidation.

Another possibility is dissolution without liquidation. This is only possible in the cases of **transformation** of a legal entity or the transition to a legal successor. The **Commercial Register in the Czech Republic** needs to be informed by future changes as soon as possible.

Link to the business journal: [Obchodní Věstník \(ihned.cz\)](http://ObchodníVestník.ihned.cz)

USEFUL LINKS AND CONTACTS

GENERAL EMERGENCY NUMBER:	112
THE CITY HALL:	12 444
EXPAT CENTRE PRAGUE:	778 479 925

GENERAL INFORMATION

- Starting a business in the EU: [**EUROPA.EU**](#)
- Practical guide to doing business in Europe: [**EUROPA.EU**](#)
- Doing business in the Czech Republic: [**CZECHINVEST**](#)
- Registration of legal form of business: [**BUSINESSINFO.CZ**](#)
- Develop your business: [**CZECHSTARTER**](#)
- Czech business partner search: [**CZECH TRADE OFFICES**](#)
- Point of single contact: [**BUSINESSINFO.CZ**](#)
- Public administration services: [**PORTAL.GOV.CZ**](#)



OUR MISSION IS TO HELP ALL THE EXPATS IN PRAGUE.

It doesn't matter whether you already live in our city or if you're still thinking about moving. We are ready to assist you with any problem you might face.

We provide information and support with all kinds of situations related to a professional or private start in Prague. Role of the Expat Centre is to **make the process of settling as easy as possible**, whether you want to study, work or do business in Prague.

The Expat Centre Prague offers **free telephone and online consultations**, as well as a possibility of booking an individual consultation in our beautiful office at Škodův palác. Besides, a variety of events and workshops organized by the Expat Centre provide an ideal networking opportunity for all expats living in Prague.

The Expat Centre is your connection to the city administration and a **first step to your effortless start** in Prague. All our services are free of charge.

GET IN TOUCH WITH US



Book your consultation at expat@praha.eu