

# Guide on How to Organize Life and Work of Democratic Exiles from Eurasian Countries in the Czech Republic:

Volume III of III: Companies

JANUARY 2025

**CLIFFORD  
CHANCE**

**ICNL**  
INTERNATIONAL CENTER  
FOR NOT-FOR-PROFIT LAW

# **Guide on How to Organize Life and Work of Democratic Exiles from Eurasian Countries in the Czech Republic:**

## **Volume III of III: Companies**



**C L I F F O R D  
C H A N C E**

Clifford Chance Prague LLP, organizační složka (Clifford Chance)  
The International Center for Not-for-Profit Law (ICNL)  
January 2025

## About this Guide

The Guide on How to Organize Life and Work of Democratic Exiles from Eurasian Countries in the Czech Republic: Volume II (“Guide”) was prepared by the Clifford Chance Prague LLP, organizační složka (“Clifford Chance”), with the support of the International Center for Not-for-Profit Law (“ICNL”).

The content of this publication is that of the author(s) and does not necessarily reflect the views, analysis, or policies of ICNL. The contents are the responsibility of Clifford Chance.

**Authors:** Josefína Landová, Martin Boháč

**Supervisors:** Josef Lysoněk, Emil Holub

**Editors:** Natalia Bourjaily, Natasha Hryekewicz

### Disclaimers:

This Guide is the third of three volumes. **Volume I** covers: legal residence for democratic exiles from Eurasian countries in the Czech Republic; and available international protection status for foreigners. **Volume II** covers: the conditions under which a foreign national can legally work in the Czech Republic; peculiarities of taxation of foreign nationals; receiving grants of donations; opening a bank account; peculiarities of receiving or transferring funds from abroad; public health insurance; among others. **Volume III** covers: information relevant to foreign nationals on establishing, registering, operating, and managing companies in the Czech Republic.

The Guide has been prepared for education purposes for democratic exiles from Eurasian countries, with special reference to Russian and Belarusian activists, human rights defenders, and civil society organization (CSO) representatives, to advise them on issues relating to visa status, labor, corporate, tax, civil law matters, and other issues related to organizing their work after relocation to the Czech Republic. The Guide aims to help individuals comply with Czech legal requirements by providing an overview of the Czech legislative framework and practice, as of September 30, 2024.

Unless stated otherwise, all information contained in this Guide applies to both Russian and Belarusian nationals.

The information used in this Guide corresponds to the legislation as of September 30, 2024, and has been obtained from public sources. Please note that legislation and practices in the Czech Republic are continually changing; therefore, it is recommended to verify the information provided in the Guide and to consult with relevant Czech institutions and experts in each specific case when using the information provided in the Guide.

The authors would be grateful if local experts could e-mail us at [nbourj@icnl.org](mailto:nbourj@icnl.org) if they notice any errors or inaccuracies when reading this Guide.

# Table of Contents

---

<b>Glossary</b>	<b>4</b>
<b>1. Most Common Business Entity Legal Forms of Interest to Foreign Nationals</b>	<b>5</b>
1.1. What are the most common legal forms of business entities (companies) which might be of interest to foreign nationals?	5
1.2. What are the advantages and disadvantages of various types of companies, from the perspectives of a foreign national as a founder?	6
<b>2. Registration Procedure for Each Legal Form</b>	<b>8</b>
2.1. Process of establishment of business corporations	8
2.2. Can a foreign national establish a company?	11
2.3. Can a foreign national be a manager/director of a company?	11
2.4. What is the registration fee to establish a company and what are other mandatory expenses associated with establishing a company?	12
2.5. What information about a founder(s)/owner(s) of a company shall be provided in by law, and will this information be available to the public?	13
2.6. What are the registration procedures for the two most desirable legal organizational forms for foreign nationals?	14
2.7. Requirements for the legal address of a company. Is it possible to have a legal address in an apartment? Which documents have it be submitted to the registration point will do it the legal address?	16
2.8. What are the requirements for the name of a company?	17
2.9. How long does it take to register a company? Is it possible to suspend and or extend the registration term, and if so, under which circumstances?	17
2.10. What are the reasons the government can delay the registration of a company?	17
<b>3. Operation of a Company</b>	<b>18</b>
3.1. Post-registration company operations	18
3.2. What are the limitations on activities for the two most desirable types of companies?	20
3.3. Can a company receive a grant or donation (tax-exempt) from a local non-governmental organization (NGO) or from a foreign organization? If yes, what is the legal procedure and practice?	21
3.4. Special terms, requirements, and limitations for carrying out specific types of activities as a foreign company	21

## 4. Internal Management and Contractual and Labor Relations 24

- 4.1. What are the internal management bodies of the two most desirable forms of companies? Are foreign nationals restricted from being members of these management bodies? Can and foreign national be a director of a company? Are there law requirements on the number of members per management point? 24
- 4.2. Is a company required to have minimum paid staff? If yes, what is the requirement? 26
- 4.3. Can the company's management (director and accountant) carry out their work free of charge? 26
- 4.4. Can a company only have contactors/consultants? 26
- 4.5. What are the legal requirements when a labor contract is mandatory? 26
- 4.6. Can a company have volunteers? If yes, is a company required to have a written agreement with a volunteer? 27
- 4.7. What is the minimum salary for employees required by law? 27

## 5. Reporting Requirements and Government Inspections 28

- 5.1. What are the reporting requirements for the two most desirable types of companies? 28
- 5.2. Does the law establish requirements for publicizing information in the reports? If yes, what information shall be made public? If information is not made public, is it possible to request disclosure of such information and if so, to whom this request shall be addressed and are there limitations in terms of disclosure of such information? 31
- 5.3. Under which circumstances can government authorities inspect activities of/request information from companies? What is the situation with state inspections in practice? 31

## 6. Opening a Bank Account for a Company 34

- 6.1. Requirements for opening a business entity bank account 34
- 6.2. What documents are required and what is the procedure of opening a bank account for a company? Are they the same in all banks? Are there preferred banks for opening such bank accounts, and if so, why are they preferred? 34
- 6.3. What are the restrictions and special rules for receiving funds from foreign sources according to anti-money laundering and countering terrorism financing legislation? 35
- 6.4. Is it necessary to open several bank accounts if payments to the bank account are made in different currencies (for example local, EUR, and USD)? Are they the same in all banks? Which banks are preferred? 38
- 6.5. Are there penalties or other requirements when there are no bank transactions with bank account? Are they the same in all banks? Which are banks preferred? 38

## 7. Taxation of a Company 39

7.1. What are the basic taxation rules for the two most desirable legal forms of companies?	39
7.2. Is there a simplified tax regime for small businesses? If so, which companies qualify? What are their tax obligations and which reports do they need to file?	40
7.3. Which income is tax exempt and under which circumstances?	42
7.4. What are the tax obligations for income received from economic activities?	44
7.5. What are the taxes due on employee salaries and self-employed persons salary fees?	45

## Glossary

<b>Entrepreneur ("Podnikatel")</b>	A legal or natural person who independently carries out a gainful activity on his/her own account and responsibility in a trade or similar manner with the intention of doing so consistently in order to achieve profit. Entrepreneurs can do business either as a self-employed person or through the establishment of a business corporation.
<b>The Commercial Register/Companies Register ("Obchodní rejstřík")</b>	A public register in which the legally prescribed data about entrepreneurs, such as the business firm, registered office, subject of business or partners, are recorded. The commercial register is kept at the Register court. Accessible <a href="#">here</a> .
<b>The Registrar Court ("rejstříkový soud")</b>	For the proceedings on the application for registration of the entity is the court in whose district is the general court of the person whom the registration concerns. The general court in registry matters is always the regional court (Municipal Court in Prague for Prague and the Central Bohemian Region, Regional Court in České Budějovice, Regional Court in Plzeň, Regional Court in Ústí nad Labem, Regional Court in Hradec Králové, Regional Court in Brno and Regional Court in Ostrava).

# 1. Most Common Business Entity Legal Forms of Interest to Foreign Nationals

## 1.1. WHAT ARE THE MOST COMMON LEGAL FORMS OF BUSINESS ENTITIES (COMPANIES) WHICH MIGHT BE OF INTEREST TO FOREIGN NATIONALS?

The Czech legal system distinguishes between the following types of legal entities:

### A. Business Corporations (“Obchodní korporace”)/Trading Companies<sup>1</sup> (“obchodní Společnosti”)

#### i. Limited liability company (LLC) (“společnost s ručením omezeným” (s.r.o.))

This is the most common legal form of small and medium-sized businesses in the Czech Republic. Liability is limited only to the amount of the unpaid deposit; the basic capital for establishment can be as little as CZK 1.

#### ii. Stock corporation (“akciová společnost” (a.s.))

This legal form is suitable for larger companies. The share capital must be at least 2,000,000 CZK (approx. 80,000 EUR). The founder guarantees the obligations of the company.

#### iii. Public company (“veřejná obchodní společnost” (v.o.s.))

This legal form requires at least two partners who guarantee their assets and have equal shares in the capital and profit and loss. The share capital is not mandatory, unless the articles of association so specify.

#### iv. Limited partnership (“komanditní společnost” (k.s.))

A limited partnership must have at least two partners: one limited partner and one general partner. Limited partners invest capital of at least CZK 50,000 and have limited liability (i.e., only up to the amount of their deposit, general partners are not liable for the deposit, but for their entire property).

### B. A Cooperative (“Družstvo”)

A cooperative is a specific form of a business corporation that may or may not be established primarily for business purposes. A minimum of three persons and a share capital of at least CZK 50,000 are required for its establishment.

### C. Other Legal Entities

There are other types of legal entities through which business can be carried out with certain restrictions stipulated in the law. These include, in particular, an association/

---

<sup>1</sup> Trading companies are subject to Act No. 513/1991 Sb., Coll., the Commercial Code, as amended. Trading companies are considered as legal entities.



society ('spolek'), an institute, and a foundation (including endowment funds), which are non-profit organizations. You can read the specifics of regulation of non-profit organizations and the procedure for conducting business activities by them here: <https://cof.org/country-notes/nonprofit-law-czech-republic>.

## 1.2. WHAT ARE THE ADVANTAGES AND DISADVANTAGES OF VARIOUS TYPES OF COMPANIES, FROM THE PERSPECTIVES OF A FOREIGN NATIONAL AS A FOUNDER?

### A. LLC

The most popular and most frequently used form of trading company is an LLC.

This form is directly created for the joint business of one or more associates who want to personally participate in its business or manage its assets, but do not want to guarantee its obligations.

#### Advantages:

- Relatively simple corporate structure.
- Low requirements for share capital (i.e., the initial contribution of associates to the company).
- Relatively great flexibility, which allows associates to adjust a whole range of issues differently from the statutory regulation.

#### Disadvantages:

- The basic corporate income tax rate in 2024 is 21% (a lower tax rate applies to income from investment funds and pension companies). The basic income tax rate for any legal entity, including LLCs, is therefore 6 % higher than the 15% income tax for the alternative of running a company, i.e. self-employment.
- An LLC is criminally liable - the highest possible penalty is a fine and forced dissolution of the company. LLC is the so-called closely-held company, which is designed more for a smaller number of associates who have direct control over its operation.

### B. Stock Corporation

The second most common of a trading company is a stock corporation.

#### Advantages:

- Relatively widespread form of business.
- High prestige compared to other forms of business.
- Less information about the owners of the stock corporation in the Commercial Register, which allows anonymity of shareholders.

- Often much better position in negotiations, tenders, etc.
- Very suitable for a number of business activities on a larger scale, with more investors or capital-intensive projects.
- The company is liable for its obligations only with its assets (private assets are in no risk).

#### Disadvantages:

- Higher costs of acquiring or setting up a stock corporation.
- Higher requirements for the share capital (at least CZK 2,000,000).
- The basic corporate income tax rate in 2024 is 21% (a lower tax rate applies to income from investment funds and pension companies). The basic income tax rate for any legal entity, including stock corporations, is therefore 6 % higher than the 15% income tax for the alternative of running a company, i.e. self-employment.
- A stock corporation is also criminally liable - the highest possible penalty is a fine and forced dissolution of the company.

#### Peculiarities for foreign nationals:

Foreign nationals can purchase or establish a trading company under the same conditions as citizens of the Czech Republic. During the administrative process, however, it is possible to encounter office workers who do not speak English, or any other language than Czech. If the foreigner does not speak Czech fluently, it is advisable to bring an interpreter (for example, a friend) with him/her to the office.

Furthermore, the process can be complicated by the obligation to submit an extract from the criminal record from the country where they have permanent residence. The Russian Federation and the Republic of Belarus are member states of the Apostille Convention, so the statement must also be accompanied by an apostille.

When establishing a trading company, it is necessary to have a business account, and banks may refuse to open an account for foreigners, which means that there is no way to deposit the share capital of the corporation. As an alternative, so-called ready-made, i.e., already-established companies, can be purchased.

## 2. Registration Procedure for Each Legal Form

### 2.1. PROCESS OF ESTABLISHMENT OF BUSINESS CORPORATIONS

The process of establishment of business corporations is two-phased: first, the business corporation is founded (“založení”); and only then is it created (“vznik”) as a legal entity, namely on the date of its registration in the Commercial Register.

#### A. Foundation of a Business Corporation

The mere foundation of a company does not mean its legal existence. In the period between its founding and the creation of a business corporation, it does not have legal personality (it cannot acquire rights and obligations, neither by its own actions nor by the actions of other persons), and its bodies do not exist either. The partners of the company are only in the position of founders, not partners.

If someone (the founders or any other person) acts on behalf of the company before its foundation, he/she is authorized and bound by this action (e.g., concluding a lease agreement to rent premises where the company will carry out its activities, etc.). If more than one person acts, they are authorized and bound jointly and severally.

In the event that the company assumes the effects of these negotiations for itself within three months of its creation, it is valid that the company was authorized and bound by these negotiations from the beginning. In such a case, it will let other participants know that it has done so. Otherwise, the persons who acted on behalf of the company before its establishment will remain obligated from these negotiations. However, the law does not preclude these persons from assigning claims from such actions to the company or for the company to take over the liabilities thus incurred or to accede to them.

The foundation and creation of business companies and cooperatives is a complex process of interrelated legal and related negotiations, and it is customary for the founders to entrust this activity to their lawyers, who will prepare all the necessary documents and manage the entire process of foundation and creation of the business company or cooperative and communicate with the relevant courts and authorities.

Legal proceedings relating to the foundation, creation, change, cancellation, or dissolution of a business corporation require written form with officially verified signatures, otherwise these proceedings are invalid. Invalidity does not need to be objected to in court, as it is considered even without a proposal.

Business corporations are incorporated by a Memorandum of association (“společenská smlouva”) signed by all the founders. If a capital company, i.e., an LLC or a stock corporation, is being established, the Articles of association (“stanovy”) must be in the form of a public deed. One type of public deed is a Notarial deed.

The Notarial deed must contain:

- place, day, month and year of legal action;
- name and surname of the notary and his/her seat;
- name, surname, place of residence, social security number (if not, then date of birth) of participants and their representatives;
- declaration of the participants that they are autonomous;
- information on how the identity of the participants was verified;
- content of legal action;
- indication that the minutes have been approved by the participants after they have been read;
- signatures of the participants or their representatives; and
- imprint of the notary's official stamp and his/her signature.

The Notarial deed is drawn up by each notary on the basis of documents and facts communicated and documented by the founder or his/her legal representative. A price is charged according to the notary tariff for making a notary record. The social contract, which establishes the cooperative, is concluded by the adoption of the constituent meeting.

On the basis of a special power of attorney, the founder can also authorize his/her general representative or attorney to establish the company. However, the signature of the principal founder must be officially verified on the power of attorney. This power of attorney must also be in the form of a Notarial deed.

If a company is established by a single founder (which is permitted by law in the case of an LLC and a stock corporation), the Memorandum of association is replaced by a Deed of incorporation ("zakladatelská listina"), which must be in the form of a public deed.

Entries in the Commercial Register (as well as in other public registers) are made either by the Registrar Court or a notary. The notary performs registration in the Commercial Register at the request of the person authorized to submit a proposal for registration and on the basis of the underlying Notarial deed written by him/her.

Direct registration by a notary is faster than registration by a Registrar Court, because a notary, unlike a Registrar Court, does not conduct any proceedings, but performs the registration directly. The notary also collects a possible fee from the applicant, which is paid to the Registrar Court, and files the requested documents into the Collection of Documents ("Sbírka listin"). The whole process is safer, more convenient, faster and usually cheaper for the applicant, because in the case of founding companies with simple founding documents, no court fee is paid if the entry in the Commercial Register is made by a notary, and the notary's fee is also lower.

## B. Creation of a Business Corporation

Commercial companies and cooperatives are merely “founded” up to the date of registration in the Commercial Register. Only on this day will the company be created, i.e. become a legal entity. If the articles of association or articles of incorporation do not specify the period for which the company is established, it is valid that it is established for an indefinite period.

The application for registration of the company or cooperative in the Commercial Register must be submitted to the relevant Registrar Court no later than six months (unless the articles of association stipulate a different period) from the foundation of the company, otherwise the same effects as in case of withdrawal from the contract apply.

According to the Act on Public Registers<sup>2</sup>, the proposer of the entry is obliged to document that the person to whom the entry relates will have a trade or other authorization for the activity, which is to be entered in the public register as a subject of activity or business, no later than on the date of entry. This does not apply if this fact can be ascertained from the public administration information system.

The proposer is also obliged to document the legal reason for the use of the premises in which the seat of the person to whom the entry is concerned is located, unless this information is known from the information system, as in the case of the subject of the activity. A written statement from the owner of the property or unit where the premises are located, or a statement from a person authorized to dispose of the property, apartment or non-residential premises in any other way, that they agree with the location of the person’s seat, is sufficient to prove the legal reason for using the premises. This declaration must not be older than three months and the signatures on it must be officially verified.

A proposal to register a company in the commercial register must be submitted on a special form, which is available on the [www.justice.cz](http://www.justice.cz) server. It can be filed in paper or electronic form, and must be supported by documents about the facts to



Commercial companies and cooperatives are merely “founded” up to the date of registration in the Commercial Register. Only on this day will the company be created, i.e. become a legal entity.

<sup>2</sup> Act No. 304/2013 Coll. Act on Public Registers of Legal and Natural Persons, available in English in a non-consolidated version here: <https://www.zakonyprolidi.cz/translation/cs/2013-304?langid=1033>.

be entered in the public register and documents that are included in the Collection of Documents (“Sbírka listin”) in connection with this registration.

A so-called direct registration by a notary is also possible. The notary will make the entry in the public register after meeting the conditions for entry of the required recorded facts by remote access. The law requires the notary to fulfill this obligation without undue delay after submitting the application for registration.

The Registrar Court must comply with the general deadline of five working days to register the company or the cooperative in the Commercial Register. In the event that the Registrar Court does not make a direct entry within this period or does not decide on the matter by resolution, the fiction of the entry begins to run and the actual implementation of the entry, i.e., the transfer of data to the database, must take place within the legal period of two days from the day when the fiction of entry occurred. The Registrar Court will register the company or cooperative on the date specified in the proposal for registration, but no earlier than on the date of its execution. If the Registrar Court decides on registration by resolution, the registration shall be carried out until the date of legal effect of such resolution.

After the registration has been carried out, the decision by which the Registrar Court authorized the registration of the company cannot be annulled, nor can it be claimed that the company has not been established. A declaration of invalidity of the company can only be sought, and only in cases provided for by law.

## 2.2. CAN A FOREIGN NATIONAL ESTABLISH A COMPANY?

Yes, a citizen of any country can establish a business corporation in the Czech Republic; the fees and the process are the same for foreigners as for Czech citizens. However, foreigners may encounter difficult conditions when establishing a business corporation.

They must present a valid criminal record extract from their home country and all documents must be translated. Foreigners may also encounter officials who do not speak English or any other language than Czech. It is therefore recommended to bring an interpreter with you for visits to the authorities. The second option to solve possible complications is to buy an already-established, so-called “ready-made,” company.

## 2.3. CAN A FOREIGN NATIONAL BE A MANAGER/DIRECTOR OF A COMPANY?

Yes, foreigners can be directors and partners of all Czech business corporations, including LLCs and stock corporations. A permanent residence permit is not a necessary condition for the participation of a foreign national, natural person, or legal person in the bodies of Czech commercial companies.



If a foreigner is to be a director of a Czech company, it is necessary to attach an official extract from the criminal record of the state of which the foreigner is a national, and an official translation of the extract from the foreign criminal record into Czech prepared by a court translator to the application for registration of the company in the Commercial Register. If a foreigner has a permanent residence permit in the Czech Republic, it is not necessary to obtain an extract from the criminal record of the state of which he/she is a national. For foreigners with permanent residence in the Czech Republic, a Czech extract from the criminal record is sufficient.

## 2.4. WHAT IS THE REGISTRATION FEE TO ESTABLISH A COMPANY AND WHAT ARE OTHER MANDATORY EXPENSES ASSOCIATED WITH ESTABLISHING A COMPANY?

Court fees for registering a business corporation (with the exception of a stock corporation) in the Commercial Register amount to CZK 6,000.

The court fee for the first registration of a stock corporation in the Commercial Register is CZK 12,000.

Court fees up to CZK 5,000 can be paid by stamp (“kolek”) or payment to the bank account of the relevant court. A court fee that exceeds CZK 5,000 cannot be paid in stamps. The fee must, therefore, be paid by bank transfer to the account of the relevant Registrar Court. You can pay the fees for the registration made by a notary directly at the notary.

If the registration is made by a notary, then the fees are:

- CZK 2,700 for the first registration of a person in the public register, with the exception of a stock corporation or an association; or
- CZK 8,000 for the first registration of a stock corporation in the public register.

Proceedings in matters of the public register are exempt from fees, if the entry concerns a legal person:

- whose bankruptcy or impending bankruptcy is being resolved in insolvency proceedings in which a bankruptcy decision has already been issued;
- and its registration of data on an association, branch association, trade union, international trade union, employers’ organization and international employers’ organization, in the public register or its changes; or
- its deletion or registration in the public register or its change.

Registration of the fact in the public register by a notary is also exempt from fees. In addition, the execution of the entry by a notary is exempt from a fee. The entry of a fact in the Commercial Register by a notary on the basis of a notarial entry on the founding

legal proceedings on the establishment of an LLC, which contains only the mandatory requirements prescribed by the Civil Code and the Act on Business Corporations, and according to which the deposit obligation is to be fulfilled by payment in money.

## 2.5. WHAT INFORMATION ABOUT A FOUNDER(S)/OWNER(S) OF A COMPANY SHALL BE PROVIDED IN BY LAW, AND WILL THIS INFORMATION BE AVAILABLE TO THE PUBLIC?

The following shall be entered in the Commercial Register:

- name (“obchodní firma”) and headquarters or residence;
- subject of activity or business, or definition of the person’s purpose;
- legal form of a legal entity;
- date of establishment (and dissolution) of the legal entity;
- identification number of the legal entity;
- birth dates (and in the non-public section also birth numbers “rodné číslo”) of any natural persons involved in any body of the company;
- the name and composition of the statutory body, the way of acting on behalf of a legal entity;
- name and composition of the control body;
- data on the authorized representative (“prokurista”)<sup>3</sup>, if he/she is appointed, and the way in which he/she acts on behalf of the legal entity;
- the amount of the share capital of an LLC or a stock corporation and, in the case of a stock corporation, the extent of its repayment;
- the amount of each associate’s deposit, if registration of these persons in the Commercial Register is envisaged according to another law, and the extent of fulfilling the deposit obligation;
- information on the initiation of proceedings for the dissolution of the business corporation; and
- other information, a stipulated in the Act on Public Registers of Legal and Natural persons.<sup>4</sup>

<sup>3</sup> A “prokura” is an institute based on Section 450 of Act No. 89/2012 Coll., the Civil Code. It is a special type of power of attorney that authorises the “prokurista,” authorized representative, to perform legal acts that occur in the operation of a business, or a commercial establishment or a branch of a commercial establishment in proxy of the business owner. Thus, the power of attorney also authorises those acts for which a power of attorney would otherwise be required. The authorized representative exercises his/her rights due care.

<sup>4</sup> Act No. 304/2013 Coll. Act on Public Registers of Legal and Natural Persons, available in English in a non-consolidated version here: <https://www.zakonyprolidi.cz/translation/cs/2013-304?langid=1033>.



In the case of an **LLC**, specifically:

- the name and registered office or the address of the place of residence, or where applicable, also the place of residence, if it differs from the address of the place of residence, of its associates;
- the amount of each associate's share;
- the designation of the share;
- if an associate can own more shares, the name of the type of share and a description of the rights and obligations associated with it, at least with a reference to the Articles of association stored in the Collection of Documents, if the Memorandum of association regulates several types of shares; and
- an indication that a master certificate has been issued for the share.

In the case of a **stock corporation**:

- the number, form, and nominal value of shares or information that the company issues shares that do not have a nominal value (no-par value shares) and in what number;
- information on whether the shares will be issued as a security or a book-entry value paper or will be immobilized;
- the name of the type of shares and a description of the rights and obligations associated with them, at least by reference to the Articles of association stored in the Collection of Documents, if the company has issued shares of different types, and any restrictions on the transferability of registered shares; and
- if the company has a single shareholder, the name and seat or address of the place of residence, or also the place of residence, if different from the address of the place of residence, of this shareholder are entered.

## 2.6. WHAT ARE THE REGISTRATION PROCEDURES FOR THE TWO MOST DESIRABLE LEGAL ORGANIZATIONAL FORMS FOR FOREIGN NATIONALS?

### A. LLC

An LLC is founded by one or more associates by making a contribution of the associates to the company's share capital and signing a Memorandum of incorporation, which must be in the form of a notarial deed.

If only one person establishes the company, he/she signs the deed of incorporation, which must also be notarized.

However, an LLC is created – fully established only by registration in the Commercial Register, which usually takes several working days from the submission of the application for deposit to the relevant Registrar Court.

The minimum deposit is CZK 1.

The court fee for registering an LLC in the Commercial Register amounts to CZK 6,000.

**Price list of notarial acts:**

- Drafting of the notary record of the establishment of a “simple” LLC, if it contains only the mandatory details required by law: CZK 2,000 (in other cases, according to the amount of the share capital).
- Notarization of the certificate for registration in the Commercial Register: CZK 1,000.
- Fee for registration in the Commercial Register: CZK 300.
- Extract from the criminal record: CZK 100.
- Official verification of the signature on the consent to the location of the headquarters: CZK 70.
- Extract from the real estate register: CZK 100.
- Official verification of the signature on the executive’s statement: CZK 70.
- Alternatively, additional fees for more complex cases of setting up an LLC.
- Other costs associated with establishing an LLC:
  - The court fee is not paid for a “simplified” LLC; if it is a “simplified” LLC, you will also pay a court fee of CZK 2,700.
  - Business registration - depending on the type of company, approx. up to CZK 1,000.
  - Bank fee - depending on the selected bank, approx. up to 1,000 CZK.

## B. Stock Corporation

A stock corporation can be established by several founders or even by a single person – natural person, legal entity, or the state. For the establishment itself, it is necessary to adopt the statutes in the form of a notarial entry, and the creation of a stock corporation, as well as other corporations, then takes place by registration in the Commercial Register.

The minimum amount of share capital for a stock corporation is CZK 2,000,000 (or EUR 80,000) and it can be made up of monetary and non-monetary deposits. It is sufficient to repay at least 30% of this amount at the time of establishment.

The notary’s remuneration for drawing up the founding document depends on the amount of the share capital. With a minimum share capital of CZK 2,000,000, the remuneration amounts to CZK 12,800 without value-added tax (VAT). The notary’s remuneration for drawing up other documents amounts to CZK 1,000 to CZK 2,000 without VAT, depending on the level of difficulty.

The court fee for registering a stock corporation in the Commercial Register is CZK 12,000; the notary fee is CZK 8,000.

### **Translation of documents:**

All necessary foreign documents should be translated by a certified/judicial translation (“úřední/soudní překlad”). Many translating companies are certified to carry out such a translation, the only difference between a regular translation without the certification is the cost. The typical cost of an official translation from Russian or Belarusian to Czech ranges from CZK 300 – CZK 700 per page.

## **2.7. REQUIREMENTS FOR THE LEGAL ADDRESS OF A COMPANY. IS IT POSSIBLE TO HAVE A LEGAL ADDRESS IN AN APARTMENT? WHICH DOCUMENTS HAVE IT BE SUBMITTED TO THE REGISTRATION POINT WILL DO IT THE LEGAL ADDRESS?**

A company can have its legal address anywhere. A virtual office (“virtuální sídlo”)<sup>5</sup> is also permitted. However, for a company to have its legal address in an apartment, certain limitations apply.

- To place the seat in an apartment, there must be a legal reasoning for using the premises. The apartment can be directly owned by the entrepreneur or owned by a third party, but then the apartment owner’s consent is required for the use of the apartment. If the apartment is owned by several co-owners, the consent of all co-owners is required. In the case of an apartment that is in the cooperative apartment regime, it is necessary to request approval from the board of directors of the housing cooperative (“bytové družstvo”), which must be in accordance with the approved statutes of the cooperative. An apartment owned by spouses requires the other spouse’s consent to the location of the company’s headquarters.
- All such consents must be in writing with notarized signatures. Without proving a legal reason, it will not be possible to register the residence in the apartment in the relevant register.
- Other conditions for the location of the seat in the apartment are that the seat does not disturb the peace and order in the house and that the business object does not conflict with the nature of the apartment and the range of possibilities in the apartment.

---

<sup>5</sup> A virtual office is a lease of an address to a legal entity for the purpose of registering it in the Commercial Register (or trade register for the natural persons - entrepreneurs) as the customer’s registered office. The legal entity does not use the premises, it only serves for the purpose of the public registers, and for the subsequent forwarding of correspondence that reaches the legal entity at the registered office address.

## 2.8. WHAT ARE THE REQUIREMENTS FOR THE NAME OF A COMPANY?

“Obchodní firma” is the name under which the entrepreneur is registered in the Commercial Register.

An entrepreneur may not have more than one business name.

Every form of business names has a statutory addendum indicating its legal form (e.g. s.r.o. or a.s.). This addendum is legally part of the company’s business name.

Above all, a business name must not appear deceptive and must not be interchangeable with another (even phonetically), within the entire state, and the addendum indicating the legal form is not sufficient for differentiation. Generally binding legal regulations do not specify how many letters a business name must contain.

- For example, Švarc s.r.o. and Schwarz s.r.o. cannot exist at the same time
- If several businesses of several entrepreneurs are combined in a business group, their business names may contain identical elements.

## 2.9. HOW LONG DOES IT TAKE TO REGISTER A COMPANY? IS IT POSSIBLE TO SUSPEND AND OR EXTEND THE REGISTRATION TERM, AND IF SO, UNDER WHICH CIRCUMSTANCES?

If the proposal contains all the required details and is supplemented by documents that confirm the veracity of the data, the Registrar Court will usually make a record within five (5) working days of submission. The Registrar Court then sends a notice of registration, which is supplemented with an extract from the Commercial Register. The entire establishment of the company usually takes about one (1) month.

The process of setting up a company can be sped up by registering the company with a notary and not a court, because in practice, notaries tend to be faster. An online form on the website of the Czech Chamber of Notaries can be used for a smooth and swift establishment of an LLC.<sup>6</sup>

## 2.10. WHAT ARE THE REASONS THE GOVERNMENT CAN DELAY THE REGISTRATION OF A COMPANY?

If the document does not meet the formal requirements or if it is submitted by a person who is not authorized to do so, the Registrar Court will reject the application for registration. In such a case, the proposal must be submitted once again.

---

<sup>6</sup> <https://www.nkcr.cz/sro-online-informace>.

## 3. Operation of a Company

### 3.1. POST-REGISTRATION COMPANY OPERATIONS

#### 3.1.1. What are the Necessary Steps to Make a Company Operational after its Registration (Opening Bank Account, Other)? Are there Legal Requirements for How Such Steps Shall Take Place?

Mandatory steps after the establishment of the company by its registration in the Commercial Register:

##### 1. Application for registration at the Tax office:

After successful registration in the Commercial Register, it is necessary to submit an application for registration of income tax and other taxes. Registration is submitted to the Tax office relevant to the company's headquarters. The deadline for submission is 15 days. In addition to the corporate income tax, which is an essential obligation for companies, companies may also be subject to registration for other taxes. In particular, it concerns road tax for company vehicles and VAT registration if the turnover exceeds CZK 1 million per year. After registration, the company must, of course, file a legal entity tax return every year and pay taxes and deposits on them.

The amount of corporate income tax is 21% for the year 2024 and is deducted from the profit achieved. If the general meeting approves the payment of the profit to the partners, the profit is taxed at 15% withholding tax.

##### 2. Employees – tax office, health insurance company, district social security administration, labor office

If the company has employees, it is still necessary to register the company at the tax office as a payer of income tax from dependent activity and functional benefits, or income tax collected at a special rate. The taxpayer is obliged to apply for registration to the tax administrator no later than 15 days after the obligation to withhold tax arises. Within eight (8) days of the establishment of the company, it is necessary to report the employees to the relevant health insurance companies and Czech social security administration ("Česká správa sociálního zabezpečení") within the same period. The company must also report the employee to the labor office. The creation, vacancy or occupation of a job is reported to the labor office within 10 days.

##### 3. Bookkeeping and filing of documents in the Registrar Court's Collection of Documents

Registration of a company in the Commercial Register creates an obligation to keep accounts. In the case of an LLC, it must be double-entry accounting; simplified tax records cannot be maintained. Most companies deal with bookkeeping with the help of an external supplier.

The company must send current documents to the Collection of Documents. Financial statements, annual reports, profit distribution, or loss settlement proposals (if this is not part of the financial statements), reports on relationships between connected persons (if this is not part of the annual report), and reports from the auditor and verification of the financial statements (if the company has an obligation to verify the financial statements).

The financial statement must be drawn up and approved by the company within 6 months after the end of the accounting period. Related to this is the obligation to hold a general meeting at least once a year. If the general meeting approves the regular accounting closing, it must be held no later than six (6) months after the last day of the accounting period.

#### 4. Collect the Digital Data Box (“datová schránka”) regularly

As soon as the company is registered in the Commercial Register, the Ministry of the Interior, represented by the Czech Post, will set up the company’s Digital Data Box. The statutory body or member/members of the statutory body (or the head of the organizational unit of a foreign legal person registered in the Commercial Register) of the legal person for which the data box was set up, will receive access passwords to their permanent residence addresses (to their own hands without the possibility of alternative delivery). After creating the Digital Data Box, the company is obliged to check and collect it regularly. Email notifications for newly arrived messages in the Digital Data Box can be set. Various authorities then send their requests to the company via the Digital Data Box.

#### 5. Designation of company seat and place of business

The company also has the obligation to mark the seat and place of business with a business name and an identification number (IČ).

The name of the company, its registered office, ID number and information on registration in the Commercial Register (including file marks) must be stated on orders, business letters, websites and invoices.



As soon as the company is registered in the Commercial Register, the Ministry of the Interior, represented by the Czech Post, will set up the company’s Digital Data Box. ... Various authorities then send their requests to the company via the Digital Data Box.

## 6. Obligatory webpage

The law stipulates that a stock corporation must have a website. Stock corporations are obliged to publish and inform the general public about the state of the company, for which access is provided free of charge.

LLCs are not obliged to have their own website; if they do, however, they must publish their basic information. Basic information about a company (LLC or stock corporation) include:

- Name of the company;
- Address of the company or address of business;
- Identification number;
- Details on registration to the Commercial Register, including file number; and
- Details on registration to any other public records list, if applicable.

## 3.2. WHAT ARE THE LIMITATIONS ON ACTIVITIES FOR THE TWO MOST DESIRABLE TYPES OF COMPANIES?

### LLC

Certain restrictions occur if the company is founded by a single natural person who is both a partner and an executive.

- Every signature must be an officially certified signature, unless it is a normal business relationship under usual conditions.
- An executive is limited in the same business as the company, unless the partners give him permission to do so; the manager is obliged to inform them in writing.

### Stock Corporation

A member of the board of directors cannot be a member of the supervisory board at the same time.

A member of the board of directors may not conduct business in the company's business, not even for the benefit of other persons, nor may he/she be a member of the statutory body of a company with a similar business (such a restriction does not apply in the case of a concern).

Other restrictions may be established by a decision of the general meeting of the stock corporation. If a member of the board of directors notifies the competent body of the company in writing of a violation of the prohibition of competition in advance or as soon as it occurs, and the latter does not disagree with it, this is not a violation of this prohibition.



### 3.3. CAN A COMPANY RECEIVE A GRANT OR DONATION (TAX-EXEMPT) FROM A LOCAL NON-GOVERNMENTAL ORGANIZATION (NGO) OR FROM A FOREIGN ORGANIZATION? IF YES, WHAT IS THE LEGAL PROCEDURE AND PRACTICE?

Yes, every legal entity can accept a donation or a grant - a special purpose donation. However, if a legal entity wants to deduct such a donation from taxes, the following conditions must be met (which differ from the conditions for deducting a donation for natural persons):

- They must be donations made to municipalities, regions, state organizational units, or legal entities based in the Czech Republic or on the territory of the European Union (EU), Norway, and Iceland:
  - For this group of recipients, the donation must be used to finance science and education, research and development, education, the police, fire protection, to support and protect youth, to protect animals and their health, for social, medical, ecological, humanitarian, charitable purposes, religious (only for registered churches), physical education and sports, or a donation to political parties and movements.
- A donation can also be used to eliminate the consequences of a natural disaster that occurred in the territory of the Czech Republic, the EU, Norway, or Iceland.
- The value of an individual donation is at least CZK 2,000.
- A maximum of 5% can be deducted from the tax base (i.e., already reduced by tax losses from previous years or research and development expenses).
- If a donation is made to secondary schools and upper secondary schools for the acquisition of material or equipment or the repair and modernization of equipment used for practical teaching, or to universities and public research institutions, the tax base can be reduced by a maximum of an additional 5%.

### 3.4. SPECIAL TERMS, REQUIREMENTS, AND LIMITATIONS FOR CARRYING OUT SPECIFIC TYPES OF ACTIVITIES AS A FOREIGN COMPANY

The business of foreign persons is governed by the same conditions as Czech persons. There are three (3) listed ways in the Business Corporations Act in which any person – in this case, foreign person – can enter the Czech market:

- by establishing a new Czech legal entity, or by establishing a branch of its foreign legal entity (“odštěpný závod, formerly “organizační složka”), which is then registered in the Commercial Register;
- by participating in the business of a Czech legal entity; and
- by transferring the registered office to the Czech Republic.



The second and third options are used marginally, as most companies choose to establish their own enterprise. Foreign companies, unless they are directly required by law to do business in the form of a stock corporation (for example, in the case of insurance and financial services), most often choose between establishing a Czech LLC and establishing a branch plant.

## 1. Legal Consultations and/or Representation on Russian or Belarusian Law (not the Law on the Country of Relocation)

A foreign company (“zahraniční společnost”), according to § 35s and further of the Act on Advocacy<sup>7</sup>, may provide legal services in the Czech Republic only if:

- It has its registered office or a branch of its business in one of its home states;
- Its partners are only Czech attorneys or European attorneys - other natural persons who are authorized to provide legal services in one of the EU Member States;<sup>8</sup>
- Its business is solely the provision of legal services;
- The foreign company or a branch of its undertaking is registered in the Commercial Register under special legislation; and
- Legal services are provided only by Czech attorneys or established European attorneys.

Only an attorney or an established European lawyer who is a shareholder of a foreign company may be entered in the Commercial Register as a statutory body of the foreign company or the head of its organizational unit. Only a lawyer or an established European lawyer may be entered in the Commercial Register as a proxy of a foreign company.

A foreign company may employ attorneys, established European attorneys, and junior attorneys.

Applicable provisions of the Act on Advocacy shall apply appropriately to the foreign company. And unless provides otherwise, the provisions of the Corporations Act<sup>9</sup> and cooperatives shall apply to a foreign company.

Each associate of a foreign company who is liable for its debts with all of his/her property (an unlimited liability associate) shall be insured against the liability of the foreign company for damage arising in connection with the provision of legal services in the Czech Republic from the date of registration of the foreign company or its organizational unit in the Commercial Register.

---

<sup>7</sup> Act No. 90/2012 Coll., available in a non-consolidated version in English here: <https://www.zakonyprolidi.cz/translation/cs/2012-90?langid=1033>.

<sup>8</sup> This means that Russian and Belarusian lawyers can work in this foreign company and provide legal advice on the legislation of their countries and international law, but they cannot be partners of the company.

<sup>9</sup> Act No. 90/2012 Coll. Company and Cooperative Societies Act (Corporations Act), available in English in a non-consolidated version here: <https://www.zakonyprolidi.cz/translation/cs/2012-90?langid=1033>.

A foreign company which has no unlimited liability associate shall, from the date of its registration or the registration of its organizational unit in the Commercial Register, be insured against liability for damage arising in connection with the provision of legal services in the Czech Republic in a manner analogous to that of an LLC under this Act; a foreign company which has at least one unlimited liability partner in addition to other partners shall be insured.

The foreign company shall submit to the Czech Bar Association a true copy or a certified copy of the insurance policy insuring the associates of the foreign partnership or insuring the foreign partnership, or a document issued by an insurance company or a foreign insurance company or other competent person, attesting to the existence, in terms and scope, of adequate insurance for the members of a foreign company or insurance for a foreign company, until the end of the calendar year in which it was entered in the list of foreign companies and, in addition, always until the end of the calendar year preceding the calendar year to which the insurance relates, as well as at any other time if the Czech Bar Association so requests.

*For more on the restrictions applicable to foreign national individuals, see “Volume II” of this Guide.*

## 2. Other Consultations (for Example, on Proposal Writing) and Analytical Work (Research)

There are no legal requirements for setting up a business for legal-related consultation work other than the possible liability of non-professional advice.

*For more on the restrictions applicable to foreign national individuals, see “Volume II” of this Guide.*

## 3. Psychological Support

In the Czech Republic, the provision of psychological support (“psychologické poradenství”) is a trade.<sup>10</sup> This trade can be carried by a self-employed person or a through a business company. There are no special legal requirements for setting up a company to carry out the trade of providing a psychological support.

*For more on the restrictions applicable to foreign national individuals, see “Volume II” of this Guide.*

## 4. Accounting

In the Czech Republic, accounting (“účetnictví”) is a trade.<sup>11</sup> This trade can be carried by a self-employed person or a through a business company. There are no special legal requirements for setting up a company to carry out the trade of accounting.

*For more on the restrictions applicable to foreign national individuals, see “Volume II” of this Guide.*

---

10 2nd appendix to the Act No. 455/1991 Coll.Trade and Business Licensing Act, available in English in a non-consolidated version here: <https://www.zakonyprolidi.cz/translation/cs/1991-455?langid=1033>.

11 2nd appendix to the Act No. 455/1991 Coll.Trade and Business Licensing Act, available in English in a non-consolidated version here: <https://www.zakonyprolidi.cz/translation/cs/1991-455?langid=1033>.

## 4. Internal Management and Contractual and Labor Relations

4.1. WHAT ARE THE INTERNAL MANAGEMENT BODIES OF THE TWO MOST DESIRABLE FORMS OF COMPANIES? ARE FOREIGN NATIONALS RESTRICTED FROM BEING MEMBERS OF THESE MANAGEMENT BODIES? CAN AND FOREIGN NATIONAL BE A DIRECTOR OF A COMPANY? ARE THERE LAW REQUIREMENTS ON THE NUMBER OF MEMBERS PER MANAGEMENT POINT?

### LLC

An LLC can have four (4) types of bodies:

#### 1. Associates (“společníci”)

- The associates are the owners of the company, and they hold their appropriate shares.

#### 2. General meeting (“valná hromada”)

- The general meeting is the supreme body of the company. It includes all shareholders. It takes place at least once a year and is convened by the company’s executive.
- The general meeting decides on the basic issues of the company, such as the distribution of profit or dividends, a change of name or the dissolution of the company.

#### 3. Executive/Executives (“jednatel/jednatelé”)

- The statutory body of a company is an executive (or multiple executives) who represents the company externally. He/she takes care of the business management of the company - acts on behalf of the company, signs contracts, hires employees and decides on financial matters. Associates may also become executives.

#### 4. Supervisory Board (“dozorčí rada”)

- The supervisory board is a non-mandatory body at the company performs a control function - supervises the activities of executives, accounting documentation and management of the company’s assets. Once a year, it submits a report on its activities to the general meeting.
- Executives or other persons who act on behalf of the company (e.g. procurator, liquidator or insolvency administrator) cannot become members of the supervisory board.

There are no restrictions on foreigners regarding their membership in the bodies of LLCs.

The number of officials for any body is not limited by law.

## Stock Corporation

A stock corporation has three (3) governing bodies prescribed by law:

### 1. Board of Directors (“představenstvo/správní rada”)

- In the case of a monist system, the statutory body is the board of directors, and the supervisory board is not elected. The board of directors manages the company and acts on its behalf, ensuring business management.
- For members of the board of directors or board of directors, participating in a business in the same field and therefore being a competition, is prohibited.
- If the company decides on a dual system, the company’s statutory body is the board of directors, and next to it, the supervisory board.
- The number of board members is primarily determined by the articles of association. If the articles of association do not determine the number of members of the board of directors, then in accordance with the law the board of directors has three members. The minimum number of members of the board of directors is not determined by law, therefore the board of directors can have only one member.

### 2. Supervisory Board (“dozorčí rada”)

- It is established only in the dualistic management system and supervises the performance of the board of directors’ powers by:
  - dismissing and summoning members of the Board of directors.
  - checking the state of the stock corporation and its annual reports.
  - reviewing the financial statements and the profit distribution proposal.
- A member of the Supervisory board may not be a member of the Board of directors at the same time.

### 3. General meeting (“valná hromada”)

- The highest body of the company, it is made up of shareholders.
- It takes place at least once a year.
- It is capable of quorum if the shareholders present have shares with a nominal value of at least 30% of the share capital.
- It decides by a majority of the votes of the shareholders present.
- It decides on changes to the articles of association, the amount of the share capital, approves the financial statements and the distribution of profit.
- It elects the statutory bodies and the supervisory board.

There are no restrictions on foreigners regarding their membership in the bodies of LLCs.

The number of officials for any body is not limited by law.

#### 4.2. IS A COMPANY REQUIRED TO HAVE MINIMUM PAID STAFF? IF YES, WHAT IS THE REQUIREMENT?

The Czech Republic does not have regulations specifying paid staffing levels. Accordingly, a business entity is free to retain the number of staff that meets its needs and is within its financial resources.

#### 4.3. CAN THE COMPANY'S MANAGEMENT (DIRECTOR AND ACCOUNTANT) CARRY OUT THEIR WORK FREE OF CHARGE?

Yes. In a number of smaller companies, it is quite common in practice for members of their statutory, control, and other bodies to perform their functions without the right to remuneration. Typically, this will be a company with only one person - sole proprietorships in which the managing director and associate are the same person. There are no minimum wage requirements.

#### 4.4. CAN A COMPANY ONLY HAVE CONTACTORS/ CONSULTANTS?

Yes. Companies are not obliged to have employees, and any company can enter into a cooperation agreement with external workers. However, service contracts should not be used to avoid the employment relationship and to conceal employment. In some cases, this form of employment is considered illegal as it prevents the contractor from benefiting from the advantages and securities provided to employees by law. The employer can face a fine of up to CZK 10,000,000.

Such an illegal situation is when

the self-employed person performs activities for only one employer, the employee is subordinate to the employer and the work is performed on behalf of the employer according to his/her instructions for a wage, salary or remuneration for work during working hours and at the employer's workplace, or at another agreed place.

#### 4.5. WHAT ARE THE LEGAL REQUIREMENTS WHEN A LABOR CONTRACT IS MANDATORY?

The law does not stipulate the mandatory conclusion of an employment contract. Whether the employment relationship will be ensured by an employment contract or an agreement on the performance of work or an agreement on work activities depends on the agreement of both parties, the internal regulations of the employer and the convenience of the employment contract or agreement for the given employment relationship.

#### 4.6. CAN A COMPANY HAVE VOLUNTEERS? IF YES, IS A COMPANY REQUIRED TO HAVE A WRITTEN AGREEMENT WITH A VOLUNTEER?

Volunteering is an activity that a person performs for the benefit of others without the right to financial gain.

In the case of mutual assistance between natural persons or between a person and a business corporation, company, organization, even one that does not have accreditation, an oral civil law contract is sufficient to run a volunteer activity.

However, if the volunteer service is provided for an accredited organization, the procedure is then according to the Act on Volunteer Service.

The law regulates the conditions under which the state supports volunteer service organized according to this law and performed by volunteers without the right to remuneration.

Only organizations that obtain accreditation from the Ministry of the Interior for a specific project are governed by this law.

The law introduces individual terms and conditions in volunteering

Voluntary service, according to the law, is:

- assistance to the unemployed, the socially weak, the disabled, the elderly, members of national minorities, immigrants, persons serving prison terms, drug addicts, persons suffering from domestic violence, as well as assistance in caring for children, youth and families in their free time;
- assistance in natural, ecological or humanitarian disasters, in the protection and improvement of the environment, in the care of the preservation of cultural heritage, in the organization of cultural or fundraising charity events for the above persons; or
- assistance in the implementation of development programs and within the operations, projects and programs of international organizations and institutions, including international non-governmental organizations.

#### 4.7. WHAT IS THE MINIMUM SALARY FOR EMPLOYEES REQUIRED BY LAW?

The minimum wage is the lowest permissible amount of remuneration for work in an employment relationship.

The minimum wage should protect employees from poverty and at the same time enable them to live at a level of modest material consumption and social contacts. With the beginning of 2024, the minimum wage has increased to CZK 18,900 per month gross at a working time of 40 hours per week. In 2024, the minimum hourly wage increases to CZK 112.50. The minimum hourly wage refers to a set weekly working time of 40 hours.

## 5. Reporting Requirements and Government Inspections

### 5.1. WHAT ARE THE REPORTING REQUIREMENTS FOR THE TWO MOST DESIRABLE TYPES OF COMPANIES?

All business corporations, including LLCs and stock corporations, must send up-to-date documents to the Commercial Register's Collection of Documents.

The mandatory documents include:

- Founding legal proceedings (Memorandum of association, Deed of association, Articles of incorporation, certificate of the course of the founding meeting of the cooperative, or other founding legal proceedings depending on the form of the legal entity);
  - After each change, the Collection of Documents must be updated with the newly valid full text.
- A decision on the appointment, election, or dismissal or proof of other termination of function of persons who are members of the statutory body, or other persons who may bind the legal entity (e.g., head of spin-off plant);
- Annual reports or annual financial reports;
- Regular, extraordinary, and consolidated financial statements, if they are not part of the annual report or annual financial report, if the law governing the accounting of persons stipulates the obligation to deposit them in a Collection of Documents and if their preparation is required by another law;
  - The financial statement must be drawn up and approved by the company within six (6) months after the end of the accounting period. Related to this is the obligation to hold a general meeting at least once a year. If the general meeting approves the regular accounting closing, it must be held no later than six (6) months after the last day of the accounting period.
- Annual reports;
- Proposals for profit distribution or loss settlement (if this is not part of the financial statements);
- Related party reports (if not included in the annual report);
- Reports from the auditor and verification of the financial statements (if the company is required to verify the financial statements);
- A decision on the dissolution of a legal entity, a decision canceling a decision on the dissolution of a legal entity, a decision on the transformation of a legal entity, a decision on the annulment of a decision on the transformation of a legal entity, a court decision on the invalidity of a legal entity, a final re-



port on the progress of liquidation and a court decision on the appointment of a guardian to a legal entity, a decision on the cancellation of a trust fund, proof of another reason for the termination of trust fund administration, a decision that the assets of the trust fund will be transferred to another trust fund or to the ownership of a legal entity;

- Conversion project, and if the conversion project has been published in a way that allows remote access in accordance with the law governing the conversion of commercial companies and cooperatives, the obligation to deposit the conversion project in the Collection of Documents arises only together with the proposal for registration, the certificate for the cross-border conversion of the commercial company or cooperative and the opening balance sheet of the successor company commercial companies or cooperatives;
- Notice of cancellation or disapproval of the conversion project, if it was canceled or disapproved after its establishment;
  - This applies similarly to the notice of cancellation or non-approval of the merger agreement or change of legal form.
- A court decision declaring the conversion project invalid or the resolution of the general assembly or member meeting that approved the conversion project invalid;
- An expert's opinion on the valuation of a non-monetary contribution when establishing an LLC or a stock corporation or when increasing their basic or foundation capital, an expert's opinion on the valuation of assets in the case of conversions of commercial companies and cooperatives, and an expert's opinion on the valuation of property in the case of the acquisition of the assets of a stock corporation from the founders in accordance with of the Act governing the legal relations of commercial companies and cooperatives;
- Court decisions issued pursuant to the law governing the settlement of bankruptcy, imminent bankruptcy and discharge of debts of natural and legal persons in relation to a registered person, a trustee or assets in a trust fund, namely:
  - resolution on initiation of insolvency proceedings;
  - resolutions on preliminary measures;
  - a bankruptcy decision or other decision on an insolvency proposal;
  - resolution on the declaration of bankruptcy and approval of the final report;
  - resolution on authorization of reorganization and resolution on approval of the reorganization plan and its changes; and
  - resolution terminating the insolvency proceedings.



- A report on the relations between the controlling person and the controlled person and between the controlled person and the persons controlled by the same controlling person, if it is not part of the annual report, and an expert's report on its review;
- A court decision ordering the execution of a decision by affecting the debtor's participation in a business corporation, as well as a court decision on stopping the execution of the decision, notification of the initiation of enforcement, an enforcement order to affect the share of a partner in the company, as well as a decision to stop the enforcement or a notification that the enforcement has ended differently than stopping;
- A decision regarding the enforcement of a decision or execution by affecting the sale of a business corporation's plant or part of it;
- A court decision on the invalidity of a decision of a body of a legal entity;
- Proof of purchase of a plant according to the provisions of the Civil Code on the purchase of a plant;
- The decision of the general meeting that employees do not have to pay the entire issue price of subscribed shares or can acquire them under other favorable conditions; and
- In the case of a legal entity that has moved its registered office abroad, proof of registration in the appropriate records of the destination country, whose law governs this person, if the law of the destination country requires such registration.

Documents in PDF format are to be sent electronically to the Register court that keeps the person's file by one of the following methods:

- Digital Data Box;
- E-mail;
- Through online submission to the Collection of Documents ; or
- Through the ePodatelna online application.

If the company in question does not comply with the obligation to deposit documents in the Collection of Documents, it may be called upon by the Registry court to submit the documents, and if the call is not obeyed, the company may be penalized by the Registry court with an administrative fine of up to CZK 100,000. In extreme cases, the situation may even be considerate a criminal offence. In such a case, members of a statutory body or associate could face a sentence of up to two years or a ban on activity. The company itself may be fined according to its financial circumstances.

## 5.2. DOES THE LAW ESTABLISH REQUIREMENTS FOR PUBLICIZING INFORMATION IN THE REPORTS? IF YES, WHAT INFORMATION SHALL BE MADE PUBLIC? IF INFORMATION IS NOT MADE PUBLIC, IS IT POSSIBLE TO REQUEST DISCLOSURE OF SUCH INFORMATION AND IF SO, TO WHOM THIS REQUEST SHALL BE ADDRESSED AND ARE THERE LIMITATIONS IN TERMS OF DISCLOSURE OF SUCH INFORMATION?

Yes, the law mandates that companies publicize several information in the Commercial Register, in the Collection of documents and on their website, as stated above.

There is an Act on Free access to Information<sup>12</sup> that allows the public to request disclosure of information, but only of public entities. This Act cannot apply to information of private entities, such as LLCs or stock corporations.

## 5.3. UNDER WHICH CIRCUMSTANCES CAN GOVERNMENT AUTHORITIES INSPECT ACTIVITIES OF/REQUEST INFORMATION FROM COMPANIES? WHAT IS THE SITUATION WITH STATE INSPECTIONS IN PRACTICE?

Many public authorities are authorized to control the activity and possibly demand information from business corporations. These include:

### Financial Office – “Finanční Úřad”

Through the so-called tax audit, the tax office regularly checks whether the entrepreneur fulfills his/her tax obligations. If the company pays taxes properly, has no tax deductions, and the business does not appear suspicious, a tax audit is unlikely. The risk of a random inspection is minimal, and even if a tax inspection can come to any entrepreneur, it mostly focuses on the problematic ones.

Tax officials are not obliged to inform entrepreneurs about the inspection in advance, but in practice this happens several days in advance. Information on rights and obligations during tax audits can be found on the website of the financial administration.<sup>13</sup>

### Czech Trade Inspection – “Česká Obchodní Inspekce”

However, this control does not apply to all entrepreneurs, but only to those who do business in the field of sales and purchases. Among the most common reasons for the inspection are errors in the terms and conditions, incorrect product descriptions or the absence of instructions, and last but not least, non-compliance with contracts, prices and other conditions.

---

<sup>12</sup> Act No. 106/1999 Coll. Act on Free Access to Information, available in English in a non-consolidated version here: <https://www.zakonyprolidi.cz/translation/cs/1999-106?langid=1033>.

<sup>13</sup> <https://financnisprava.gov.cz/en/index>.

Inspectors of the Czech Trade Inspection can impose a block fine of up to CZK 5,000 on the spot to an inspected person for less serious offences, and by law they can impose a fine of up to CZK 50,000,000 in administrative proceedings. More information about the inspection of the Czech Trade Inspection can be found on their website.<sup>14</sup>

## Trade Office – “Živnostenský Úřad”

Controls focus in particular on whether the entrepreneur complies with the subject of a specific activity within the framework of his/her trade license. However, the Trade Office can also check the obligation to label alcohol, the obligation to label tobacco products, the obligation to comply with prohibitions on the sale of these products, and also whether the entrepreneur lists everything required by law on his/her website. Other frequent mistakes by entrepreneurs include failure to mark the establishment or failure to announce the start or end of business operations at the establishment.

A fine of up to CZK 1,000,000 can be imposed for breaching the obligations arising from the Trade Act, and in the event of a serious breach, entrepreneurs are also threatened with the cancellation of their trade license. If the entrepreneur does not agree with the result of the inspection, he/she can file an objection within 15 days from the date of delivery of the report.

## State Office of Labor Inspection – “Státní Úřad Inspekce Práce”

The State Office of Labor Inspection supervises compliance with the Labor Code and the Employment Act. Inspections are most often focused on employers who illegally employ foreigners or on illegal employment in the form of the so-called “black market” system. The labor inspectorate also checks compliance with working hours, breaks, remuneration and protective work equipment. On the contrary, he/she is not authorized to deal with the satisfaction of individual employee claims against the employer, such as wage recovery.

Companies employing foreigners can also be inspected by the foreign police in case of suspicion. They are mainly interested in work and residence permits.

## Czech Social Security Administration – “Česká Správa Sociálního Zabezpečení”

Another check that entrepreneurs must be prepared for is that from the Czech Social Security Administration, which looks at accounting records and checks whether entrepreneurs make social insurance payments. The control may also concern whether employers keep records of pension insurance, reporting and notification obligations or the correct determination of the assessment bases associated with sickness insurance.

---

<sup>14</sup> <https://www.coi.cz/en/for-business/>.

## State Agricultural and Food Inspection – “Státní zemědělská a potravinářská inspekce”

The State Agricultural and Food Inspection is subordinate to the Ministry of Agriculture, and in 2023 alone, it carried out more than 49,000 inspections. Inspectors regularly check retail establishments, catering establishments, food factories, large warehouses, primary production, but also other places, such as customs warehouses or transport. Inspectors can issue fines of up to millions of crowns. The powers of inspectors are described in the Act on the State Agricultural and Food Inspection. More information available on their website.<sup>15</sup>

## Hygiene Station – “Hygienická stanice”

Inspections by the hygiene station are connected to all types of workplaces, whether in reference to schools, restaurants, or even the production of drinking water and cosmetics. Employees of the hygiene station carry out supervision in the field of health at work, hygiene of food and items of common use, epidemiology, general and communal hygiene and hygiene of children and adolescents. In most cases, inspections are unannounced. In case of non-compliance with hygiene rules, entrepreneurs face fines of millions.

## OSA - Copyright Protection Association and Intergram – “Ochranný Svaz Autorský” and “Nezávislá Společnost Výkonných Umělců”

All entrepreneurs who play music in their establishments must pay, in addition to the concessionaire fee, a license fee to the collective administrators of copyright works, i.e. the organizations OSA and Intergram. The amount of the fee depends on the size of the municipality, the number of establishments and also the equipment on which the music is played.

These organizations have a relatively large number of inspectors, hundreds of inspections are carried out every month. If the inspection finds that the entrepreneur is playing music but not paying fees, an additional period to conclude a retroactive license agreement will be allowed. If the entrepreneur does not resolve the situation within the extended period, OSA will begin to demand double the originally assessed license fee from him.

## Customs Administration – “Celní správa”

The customs administration checks, for example, imported and exported goods, checks whether funds and valuables exceeding the value of EUR 10,000 are being transported across the external borders of the EU, or whether goods infringing intellectual property rights are being handled in any way on the territory of the Czech Republic, and a number of others. More about customs checks can be found on their website.<sup>16</sup>

---

<sup>15</sup> <https://www.szpi.gov.cz/en/default.aspx>.

<sup>16</sup> <https://celnisprava.gov.cz/en/Pages/default.aspx>.

## 6. Opening a Bank Account for a Company

### 6.1. REQUIREMENTS FOR OPENING A BUSINESS ENTITY BANK ACCOUNT

A business account (“podnikatelský účet”) is a type of bank account that is intended for natural or legal persons running a business. It is used to process financial transactions related to business.

A business account is mandatory for all legal entities (LLCs and stock corporations, among others) and for organizations operating in the public sector, foundations, churches, etc. For business corporations, a business account is necessary primarily for accounting and the tax office.

For several other professions, such as lawyers, notaries, executors, and others, a business account is also mandatory.

Self-employed people (i.e. natural persons running a business) are not obliged to open a business account, but it can also bring benefits to them, especially as it allows for the separation of money from private life and business (and the financial authority does not have access to movements on a private account when reporting a business account) or easier application for a business loan.

### 6.2. WHAT DOCUMENTS ARE REQUIRED AND WHAT IS THE PROCEDURE OF OPENING A BANK ACCOUNT FOR A COMPANY? ARE THEY THE SAME IN ALL BANKS? ARE THERE PREFERRED BANKS FOR OPENING SUCH BANK ACCOUNTS, AND IF SO, WHY ARE THEY PREFERRED?

To set up a business account for a business corporation, banks may require:

- Proof of the existence of a business corporation (e.g. certificate of incorporation or extract from the Commercial Register), which confirms the granting of an IČO – the Personal identity number;
- Identity card of the person acting, or two pieces of identity card, for example passport and identity card or residence permit and, where appropriate, a notarized power of attorney if acting on the basis of a power of attorney;
- The latest valid version of the articles of association or memorandum of association or notary record;
- An extract from the register of beneficial owners or another document proving the ownership structure, if it is not listed in one of the above (it can be, for example, the last audited annual report);
- Affidavit of the client’s activity;

- Declaration of tax residency / official document issued by the tax administrator; and
- Possibly other documents.

A basic deposit is also a common condition, which will vary according to the turnover on the account.

In the case of opening a business account for a foreign legal entity, banks also require a trade certificate, an extract from the Commercial Register of the country where the company was founded, or a memorandum of association or a deed of association if the company is not yet registered. All documents must be submitted in an officially certified into Czech, or with an apostille. The above are typical conditions for the necessary documents to be delivered, but each bank has its own conditions set differently and therefore it is necessary to negotiate directly with the selected bank. With most banks these days, a business account can be arranged simply online. In addition to enticing clients, various banks provide special offers. An up-to-date comparison table of the offers can be found, for example, [here](#).

### 6.3. WHAT ARE THE RESTRICTIONS AND SPECIAL RULES FOR RECEIVING FUNDS FROM FOREIGN SOURCES ACCORDING TO ANTI-MONEY LAUNDERING AND COUNTERING TERRORISM FINANCING LEGISLATION?

Anti-money laundering legal regulations establish obligations for institutions on the financial market, but also for some other entities that work with money or other property values. This mainly concerns the limitation of cash transactions and the introduction of the obligation to identify the client and his/her control, monitoring of suspicious transactions, the obligation to report them to the relevant authorities, and keeping records of all transfers of funds.

#### Obligated Persons

“Obligated persons” are defined in § 2 of the Act on Certain Measures against the Legalization of Proceeds of Crime and Terrorist Financing.<sup>17</sup> These include, but are not limited to:

- banks;
- a savings and credit union;
- a central depository and persons working with book-end securities records;
- a person authorized to provide investment services;
- a person authorized to carry out the administration of an investment fund or a foreign investment fund, a legal entity that manages property in a man-

<sup>17</sup> Act No. 253/2008 Coll., Act on Certain Measures against the Legalization of Proceeds of Crime and Terrorist Financing, available in English in a non-consolidated version here: <https://www.zakonyprolidi.cz/translation/cs/2008-253?langid=1033>.

ner comparable to the management of an investment fund and a pension company;

- a person authorized to provide payment services or issue electronic money;
- a person authorized to provide leasing, guarantees, loans or money loans or to trade with them;
- a person authorized to mediate savings, leasing, loans or money loans;
- an insurance company, reinsurance company, insurance broker;
- a person who buys debts or receivables or deals with them;
- a person authorized for exchange activity;
- a person providing consultancy services for entrepreneurs;
- a person providing money brokerage services;
- a person providing valuables storage or safe deposit box rental services;
- a person who buys or sells real estate;
- in some cases, a real estate agent;
- an auctioneer in activities related to the auction of immovable property;
- an auditor or tax advisor;
- a bailiff, notary, or attorney in some cases;
- a person authorized to trade in used goods or to mediate such trades or to accept things as a pledge;
- a person providing services related to a virtual asset;
- trustee, insolvency administrator, restructuring administrator;
- a dealer in precious metals or precious stones in some cases; and
- some foreign legal or natural persons.

The obliged person is obliged to assess the risks of legalization of proceeds from criminal activity and financing of terrorism that may arise in the context of the provision of its services or its activities.

The obliged person is obliged to prepare a written assessment of the risks of legalization of proceeds from criminal activity within 60 days from the date of becoming an obliged person, depending on the types of business and business relationships in which the obliged person acts.

In particular, the following factors should be considered:

### **Riskiness of the client**

The obliged person evaluates whether he/she knows the client from previous transactions, whether the client is acting on his/her own account or through an agent, and



whether he/she is trying to conceal his/her identity. The complexity of the client's ownership structure is also a relevant factor.

The obliged person is obliged to check whether the client is a politically exposed person and whether he/she is not a person against whom the Czech Republic or the EU applies sanctions.

### The riskiness of the given business relationship

The obliged person evaluates, in particular, the purpose, regularity, and duration of the business relationship, the value, and the method of carrying out the business. It assesses the origin of the client's funds, and if the client declares the origin of the funds (for example, as winning cash in a casino, receiving a cash gift, or receiving an inheritance), he/she has the right to demand proof of these claims with relevant documents.

### Geographic risk

The obliged person should also assess the geographical risk factor. Special attention should be paid to situations where the client originates or the object of the trade has been or is to be transferred or provided in connection with the trade from a country that is included in the list of geographical risk countries (i.e., a country that has been identified in credible sources as a country with a significant level of corruption or other criminal activities or a country that has been subject to sanctions, embargoes or similar restrictive measures imposed by, for example, the EU, or the United Nations and others).

### Failure to complete the trade

As indicated above, the obliged person is obliged to refuse to carry out a transaction or conclude a business relationship in the event that the client refuses to submit to identification or identification cannot be carried out, refuses to provide relevant documents, authorization to act on behalf of another person, or does not provide the necessary cooperation during the inspection.

The obliged person will also refuse to carry out the transaction in situations where he/she has doubts about the veracity of the information provided to him by the client or about the authenticity of the submitted documents. Trade will not take place even with a politically exposed person, if the origin of the property used in the trade is unknown.

### Duty to report suspicious business

If the obliged person discovers a suspicious transaction in connection with his/her activity, he/she is obliged to report this fact to the Financial Analytical Office without undue delay from such discovery by registered letter or orally in the protocol.

Suspicious trade is generally understood to be a trade that is carried out under circumstances that give rise to suspicions of an attempt to legalize proceeds from criminal activity or that the funds used are intended to finance terrorism, or the trade is linked to the financing of terrorism.

Obligated persons must also train employees who may encounter suspicious transactions in the course of their work at least once a year

Failure to fulfill obligations is a misdemeanor and punishable.

More information directly on the website of the Financial Analysis Office here: <https://fau.gov.cz/en>.

In connection with anti-money laundering measures, a daily limit for cash payments of a maximum amount of CZK 270,000 is set.

This limit applies not only to business transactions in the purchase and sale of goods and services, but also to the provision of monetary gifts, loans and their repayment. The law explicitly stipulates the obligation of the recipient to refuse payment in cash above the specified limit. Payment providers are obliged to transfer amounts exceeding CZK 270,000 without cash.

#### **6.4. IS IT NECESSARY TO OPEN SEVERAL BANK ACCOUNTS IF PAYMENTS TO THE BANK ACCOUNT ARE MADE IN DIFFERENT CURRENCIES (FOR EXAMPLE LOCAL, EUR, AND USD)? ARE THEY THE SAME IN ALL BANKS? WHICH BANKS ARE PREFERRED?**

Opening a business account for each currency separately is not mandatory but recommended due to unnecessary currency conversion fees. Various banks, such as ČSOB, offer special multi-currency business accounts. It is also possible to use the services of companies, such as Revolut.

#### **6.5. ARE THERE PENALTIES OR OTHER REQUIREMENTS WHEN THERE ARE NO BANK TRANSACTIONS WITH BANK ACCOUNT? ARE THEY THE SAME IN ALL BANKS? WHICH ARE BANKS PREFERRED?**

Terms and conditions for business accounts can vary significantly depending on which bank the account is held with. With some banks, a fee for not using cards or for an inactive account may be set as part of the terms and conditions. Furthermore, some banks charge one-time fees for opening an account, some banks offer opening an account for free, and others require a regular monthly fee for maintaining the account. For exact information, please contact the specific preferred bank, as general information applicable for all or most banks is not publicly available.

## 7. Taxation of a Company

### 7.1. WHAT ARE THE BASIC TAXATION RULES FOR THE TWO MOST DESIRABLE LEGAL FORMS OF COMPANIES?

#### LLC and Stock Corporations

The basic corporate income tax rate in 2024 is 21%<sup>18</sup> (a lower tax rate applies to income from investment funds and pension companies). The basic income tax rate for a company is 6% higher than the 15% income tax for self-employed persons.

All income is subject to income tax. In practice, this means that all profit from the activity of the LLC or stock corporations (the amount after deducting expenses from income) is taxed.

Associates of a company pay out a share of the profit, the amount becomes their income, and they must tax it with personal income tax (at the already mentioned rate of 15%).

Likewise, you cannot avoid double taxation if you are an employee of your own LLC or stock corporation and pay yourself a salary. As an employee, in addition to the 15% income tax, you will also pay social and health insurance, just like any other salary.

As a self-employed person, you only tax your income (after deduction of expenses) once. In an LLC or a stock corporation, taxes are always paid first by the company and then by the natural person who receives income from the company.

#### VAT

VAT is a tax on goods or services that you sell as part of your business. When it comes to paying VAT, it does not matter if you do business as a self-employed person or as an s.r.o. Other criteria are important.

You can become a VAT payer voluntarily (you must register) or you are obliged to do so if:

- your turnover for 12 consecutive months exceeds CZK 2 million;
  - “Turnover per year” does not mean turnover per calendar year, but turnover for 12 consecutive months at any time during the calendar year (for example, from March 2023 to February 2024). Therefore, as an entrepreneur, keep an eye on your turnover for the previous 12 months every month months.
  - Turnover means the sum of any payments you receive or invoice as part of your business — regardless of whether the invoice is actually paid. You are also required to pay VAT on outstanding invoices.

---

<sup>18</sup> Until January 1, 2024, the tax rate for companies was 19%.

- Both payments subject to VAT and payments that are exempt from VAT are included in the total turnover. You do not pay VAT on those, but they have an effect on the emergence of mandatory payment.
- If your turnover exceeds CZK 2 million, you must notify the tax authority by the 15th day of the month following the month in which the turnover was exceeded. In other terms: If your total turnover exceeds the set limit in September, you are required to register as a VAT payer by October 15. Failure to do so can result in a heavy fine from the tax office.
- you purchase goods from the EU worth over CZK 326,000 within 12 consecutive months;
- you receive or provide a service across borders (even outside the EU); or
- you take over the business after a deceased person who was a VAT payer.

## 7.2. IS THERE A SIMPLIFIED TAX REGIME FOR SMALL BUSINESSES? IF SO, WHICH COMPANIES QUALIFY? WHAT ARE THEIR TAX OBLIGATIONS AND WHICH REPORTS DO THEY NEED TO FILE?

The Czech legal code classifies accounting entities into four groups.<sup>19</sup> The categorization of accounting units depends on three criteria, which are assets, turnover and the number of employees - the decisive factor is exceeding two of the three criteria.

Accounting unit	Total assets	Annual total turnover	Average number of employees
Micro	CZK 9 million	CZK 18 million	10
Small	CZK 100 million	CZK 200 million	50
Medium	CZK 500 million	CZK 1 billion	250
Large	Over 500 CZK million	Over CZK 1 billion	over 250

### Duties of micro accounting entity

- It is not subject to a mandatory audit.
- It can prepare financial statements in an abbreviated form. Which items make up the abbreviated Balance Sheet for a micro accounting unit is defined in Decree 500/2002 Coll., § 3a, paragraph 2, letter b.
- It is not required to publish a Profit and Loss Statement.
- It is not required to compile a Statement of Cash Flows, a Statement of Changes in Equity.

<sup>19</sup> Act No. 563/1991 Coll. Accounting Act, available in English in a non-consolidated version here: <https://www.zakonyprolidi.cz/translation/cs/1991-563?langid=1033>.

## Obligations of a Small Accounting Entity

For small accounting entities, the obligations related to the financial statements depend on whether they are subject to a mandatory audit or not. When assessing the obligation to have certified financial statements by an auditor, the limits that applied even before the amendment to the Accounting Act are based on:

- Total assets of CZK 40 million.
- Annual total net turnover of CZK 80 million.
- Average number of employees 50.

Stock corporations and trust funds are audited if they meet one criterion, other companies if they meet two criteria (at the balance sheet date and for the previous accounting period).

### Unaudited small entity:

- Can prepare financial statements in an abbreviated form.
- It is not required to publish a Profit and Loss Statement.
- It is not required to compile a Statement of Cash Flows, a Statement of Changes in Equity.

### Audited small entity:

- Compiles financial statements in full.
- Prepares the annual report.

## Obligations of a Medium Accounting Entity

- It is subject to a mandatory audit.
- Compiles financial statements in full.
- Compiles a Cash Flow Statement, a Statement of Changes in Equity.
- Prepares the annual report.

## Obligations of a Large Accounting Entity

- It is subject to a mandatory audit.
- Compiles financial statements in full.
- Compiles a Cash Flow Statement, a Statement of Changes in Equity.
- Prepares the annual report.

## 7.3. WHICH INCOME IS TAX EXEMPT AND UNDER WHICH CIRCUMSTANCES?

There are two types of non-taxable income: tax-exempt income and non-taxable income.

### A. Income Exempt from Tax

Income exempt from income tax belongs to the category of income that is subject to income tax, i.e. subject to tax, but at the same time exempt from it. The use of these tax-advantaged regimes can be an important tool for tax optimization.

Although these incomes are subject to tax, they are subject to a special regime:

- Taxpayers are not required to submit a tax return (unless they have other income at the same time).
- No tax expenses (or property depreciation) can be applied to exempt income. Expenses for them can never reduce the remaining taxable income, which is a certain disadvantage; therefore, it is necessary, if the taxpayer has both taxable income and exempt income, to register expenses (costs) separately for each income group, although this can often be difficult as a certain expenditure may be related to several types of income.

The Czech legal system recognizes over 120 exempt types of income, the majority of which are income from the personal, non-profit, and state sectors, such as:

- Additional earnings for employees up to CZK 6,000 per year.
- Heritage.
- Scholarships from state budgets or contributions from associations or trade unions.
- Compensation for property or non-property damage, compensation and insurance benefits except for compensation for loss of income or for damage to things that are part of business property.
- Occasional (or “casual”) income up to CZK 50,000.

### Occasional Income (“příležitostný příjem”)

Occasional (or “casual”) income of up to CZK 50,000 per year is not subject to taxation. It can be irregular and intermittent income from activities, such as tutoring, cleaning the house, selling fruit, vegetables, eggs grown by you, or occasionally renting movable things (computer, car).

Occasional (or “casual”) income is understood as:

- activities that you carry out on an occasional basis (for example, for a work contract (“smlouva o dílo”));
  - With the exception of royalties, even occasional ones. The taxpayer must always tax copyright income.

- occasional rental of movable property;
- agricultural production, unless you operate it as entrepreneurs;
- activity and income of beekeepers;
- under certain conditions, income from the sale of real estate;
- under certain conditions, income from the sale of movable property;
- income from the sale of securities, if one has owned them for at least three (3) years;
- rewards for donating blood and blood derivatives;
- service entitlements and housing allowance for professional soldiers, members of the armed forces, etc.;
- fulfillment of maintenance obligations; and
- others.

Occasional income cannot be the income based on any trade license, however low the income may be.

The wages of employees are of course subject to personal income tax. Nevertheless, we find some items with them that simply cannot be bought. These include allowances for temporary accommodation of up to CZK 3,500 per month, as well as allowances for supplementary pension insurance, including state support. Interest on deposits is also not taxed, including those from the state allowance for building savings (not only for employees). In addition, non-alcoholic beverages, which are freely provided at the workplace, are also exempt from tax.

A special chapter in the area of tax issues is people who work, for example, as au pairs. The income of people who essentially work for rent and board is tax-free.

## B. Non-taxable Income

Non-taxable income are parts of the tax base can be deducted from the tax base, including:

- gratuitous transactions (gifts);
- interest on loans to finance housing needs (from building savings, mortgage loans, loans granted by a building society, bank in connection with a building savings loan or mortgage loan);
- contributions to supplementary pensions, pension insurance, and supplementary pension savings;
- private life insurance premiums;
- membership fees paid to a trade union; and
- payments for examinations verifying the results of further training.



## 7.4. WHAT ARE THE TAX OBLIGATIONS FOR INCOME RECEIVED FROM ECONOMIC ACTIVITIES?

The basic corporate income tax rate for the tax year 2024 is 21%. The tax is calculated as the product of the tax base reduced by items reducing the tax base and deductible items from the tax base rounded down to whole thousands of CZK and the tax rate, which is 21%, in the case of a basic investment fund 5% and in the fund of a pension company or a pension insurance institution with the exception of a pension company or similar company managing funds similar to pension insurance funds 0%.

The tax rate effective on the first day of the tax period or the period for which the tax return is filed is used to determine the tax.

The tax period for corporate income tax is:

- the calendar year;
- the financial year;
- the period from the decisive date of the merger or division of the business corporation or the transfer of assets to a shareholder until the end of the calendar year or financial year in which the conversion or transfer of assets became effective; or
- the accounting period if this accounting period is longer than 12 consecutive months.

From 2024, companies that have the majority of transactions in foreign currency can keep accounts in the functional currency (i.e. EUR, USD, GBP). It follows from this that these companies can fill in the corporate income tax return in their functional currency and pay tax in this currency.

Unrealized exchange rate differences are tax ineffective. Only realized exchange operations are subject to taxation of income from legal entities, so if a company has, for example, a receivable in EUR, it is not obliged to deliver exchange rate gains in the event of a strengthening of the EUR.<sup>20</sup>

---

<sup>20</sup> The obligation to pay corporate income tax is governed by Act No. 586/1992 Coll., on income taxes, as amended for the relevant tax period (hereinafter referred to as the "Act on Income Taxes").

## 7.5. WHAT ARE THE TAXES DUE ON EMPLOYEE SALARIES AND SELF-EMPLOYED PERSONS SALARY FEES?

### A. Employees

The following is taxed:

- wages (“mzda”, meaning the income of employees of private employers);
- salary<sup>21</sup> (“plat”, meaning the income of employees of the state, municipalities or contributory organizations (“příspěvkové organizace”);
- other income of the employee from the employment relationship, which are:
  - remuneration from the agreement;
  - compensation for wages, salary or remuneration from the agreement;
  - on-call remuneration;
  - severance pay, or similar benefits provided to the employee in connection with termination of employment;
  - monetary benefits of a loyalty or stabilization nature provided to the employee in connection with employment; or
  - other rewards.

The law recognizes three types of cases where payroll deductions can be applied:

- cases where the law so provides;
- on the basis of agreements on deductions from wages; and
- for the payment of membership fees by a member of a trade union.

For each employee, the state receives a double contribution for health insurance and a double contribution for social insurance.

Employers are responsible for paying social security contributions for their employees. This includes contributions to sick-

<sup>21</sup> Regarding taxes, the same rules apply to income from wages and from salaries, so the term “salary” will be used interchangeably here.



Employers are responsible for paying social security contributions for their employees. This includes contributions to sickness insurance, pension insurance and state employment policy.

ness insurance, pension insurance and state employment policy. A total of 31.3% of a worker's gross wages is paid for social insurance - 6.5% by the employee and 24.8% by the employer. This insurance is paid every month.

In addition, the employer is obliged to pay health insurance for his employees. Of the employee's gross wages, 13.5% is paid for health insurance, of which 9% is paid by the employer and 4.5% by the employee. This insurance is also paid monthly.

Employers must also pay an advance income tax on behalf of their employees, which is 15% of the income from work.

The basic deduction that will be reflected in your salary is deductions from personal income tax and insurance premiums for social and health insurance as well as pension insurance. These deductions, which are applied preferentially, turn your gross pay into your net pay. All other deductions are related to this net salary. Therefore, the net salary is essentially the employee's gross salary (100%) – (income tax (15%) – all tax discounts deducted in advance) – social security paid only by the employee (6.5 %) – health insurance paid only by the employee (4.5 %).

## B. Self-employed Persons

The income tax rate for self-employed persons, as well as legal entities, is set at 21% of the tax base as of 2024. The taxes of two or more entrepreneurs who have business together are not mutually affected.

**C L I F F O R D  
C H A N C E**

**ICNL**  
INTERNATIONAL CENTER  
FOR NOT-FOR-PROFIT LAW

[www.cliffordchance.com](http://www.cliffordchance.com) | [www.icnl.org](http://www.icnl.org)