Doing Business in the Czech Republic

PKF

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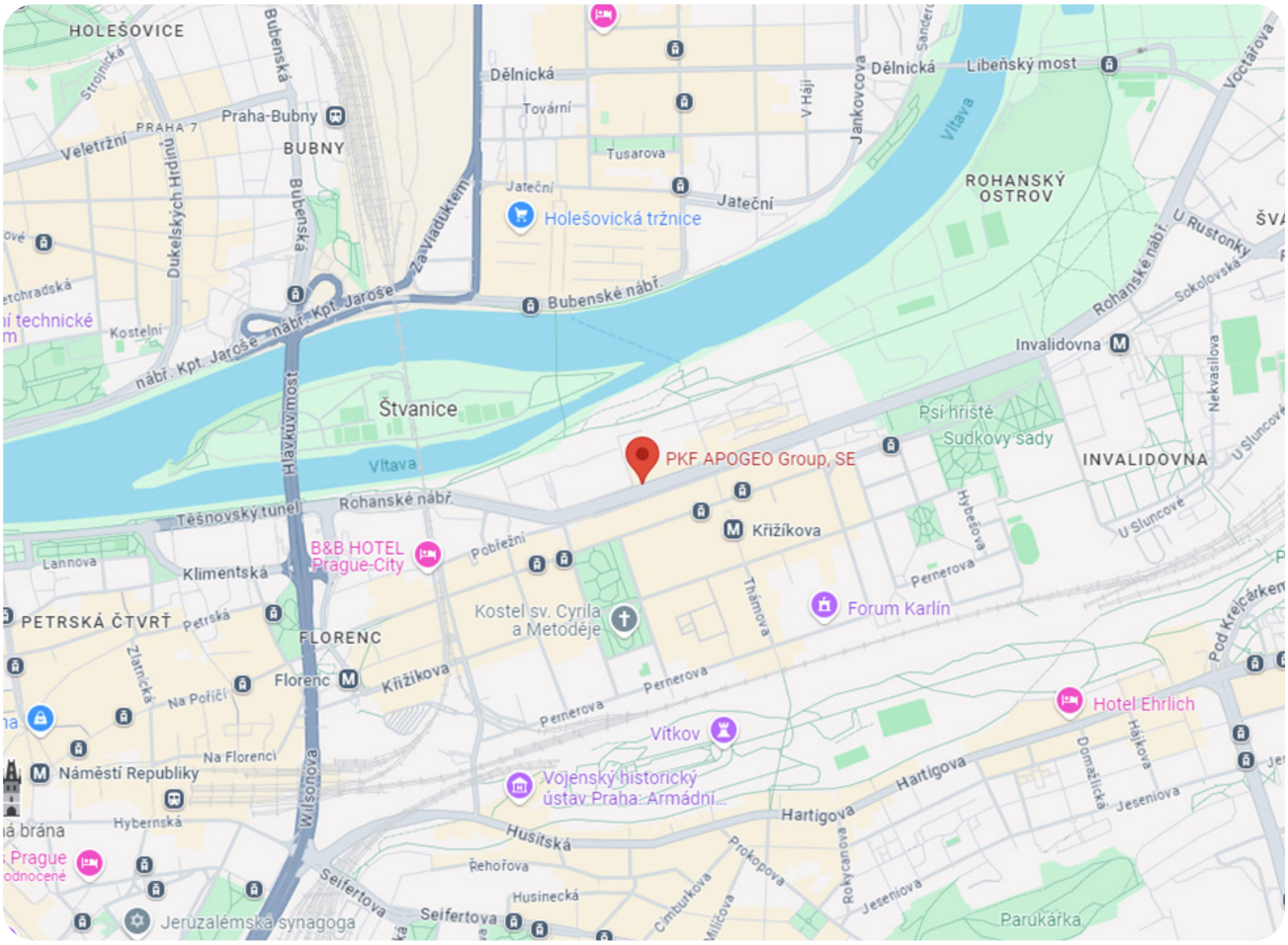


Foreword

Welcome to the PKF APOGEO guide on ‘Doing Business in the Czech Republic’. This publication provides an up-to-date overview of the key considerations for foreign and local businesses operating in the Czech Republic.

As a member of the European Union (EU) with a central location in Europe, the Czech Republic has evolved into a dynamic hub for commerce, industry and innovation. Its stable economy, skilled workforce and favourable tax regime make it a compelling destination for investors. The government has recently introduced several reforms, including a new corporate tax rate and updates to the VAT structure, designed to streamline business operations and enhance economic competitiveness.

PKF APOGEO, part of the PKF Global network, offers comprehensive services in:

- Taxes
- Accounting
- Expert institute and valuation
- Strategy and M&A
- Audit
- Forensic audit
- Payroll and HR
- Smart office and companies
- ESG and compliance
- Public procurement
- System and software solutions
- Family office.

We hope you find this publication informative and useful in guiding your business decisions in the Czech Republic. Should you require any further advice or specialised services, PKF APOGEO is here to support you.

Demographic and Environmental Overview

A Profile of the Czech Republic

The Czech Republic, a landlocked nation in Central Europe, shares its borders with Poland to the north, Germany to the west, Austria to the south and Slovakia to the east. It is divided into 14 regions, with Prague serving as the capital. The official language is Czech, and the country's currency is the Czech koruna (Kč, CZK).

The Czech Republic separated from Slovakia on 1 January 1993 and has since become one of the most stable and prosperous nations in Central Europe. It is a member of the OECD (since 1995), NATO (since 1999) and the EU (since 2004).

Economic Summary

The Czech Republic has been a part of the EU since 1 May 2004. From that point forward, the Czech market has been fully accessible to both current and new EU Member States, with no restrictions on businesses operating from within the EU. Foreign investors value the Czech Republic for its strategic location in Central Europe, well-developed infrastructure, economic stability, specialised expertise and adaptable workforce.

The Czech economy had been growing for six consecutive years before 2020. However, the global COVID-19 pandemic led to a GDP contraction of -5.6% in 2020. In 2021, GDP rebounded with 3.3% growth, followed by a 2.4% increase in 2022. In 2023, the economy saw a slight decline, with GDP dropping by -0.4%.

Regulatory Bodies and Exchange Controls

In the Czech Republic, various regulatory and supervisory authorities are responsible for overseeing market activities and ensuring compliance with regulations across different sectors. These institutions play a key role in maintaining competitiveness, consumer protection, financial market stability and the efficient operation of critical industries such as energy, telecommunications, banking and capital markets. Below are some of the main regulatory bodies in the Czech Republic and their respective roles.

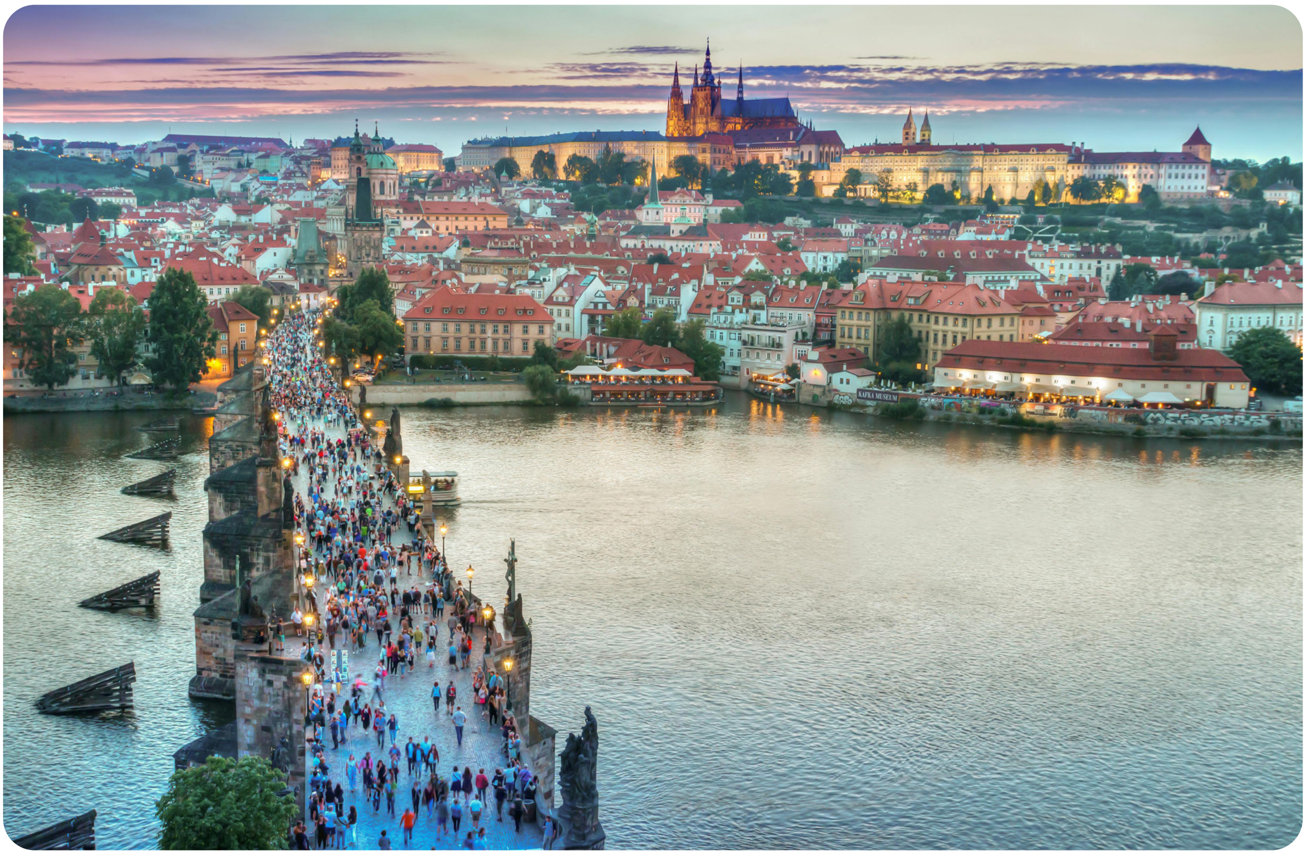
- **The Ministry of Finance** oversees the broader public financial management, including state budget, tax laws, public procurement and, in collaboration with the ČNB (see below), monetary policy and exchange controls.
- **The Czech National Bank (ČNB)** acts as the regulator of financial markets, overseeing the banking system, ensuring the stability of the financial sector and protecting the rights of depositors. It also supervises payment systems, capital markets and foreign exchange.
- **The Office for the Protection of Competition (ÚOHS)** aims to promote and protect competition in the market. Its goal is to maximise economic efficiency by ensuring a competitive market environment.
- **The Energy Regulatory Office (ERÚ)** is responsible for overseeing the energy market. Its aim is to ensure consumers receive energy at an appropriate quality, quantity and price, while promoting sustainable energy practices.

- **The Czech Securities Commission (KCP)** (merged with the Czech National Bank) ensures the proper functioning of capital markets, regulating securities markets, protecting investors and transforming investments in securities.
- **The Czech Telecommunications Office (ČTÚ)** regulates the telecommunications market, including legal regulation, supervision and management of telecommunications and postal services in the country.
- **The State Institute for Drug Control (SÚKL)** is responsible for the regulation, control and supervision of pharmaceutical products, including drugs, medical devices and alcohol used for medical purposes.
- **The Public Procurement Office** sets the rules for public procurement processes, ensuring transparency and fair competition in the awarding of government contracts.
- **The Czech Television and Radio Council (RRTV)** supervises and regulates broadcasting, granting licences to radio, television and other electronic media broadcasters.

These authorities work together to maintain the stability and proper functioning of the Czech market, ensure compliance with laws and protect the interests of consumers and investors.

Czech Republic Today

Today, the Czech Republic stands as a thriving and resilient economy within the EU, known for its economic stability and industrial strengths. Prague, the capital, continues to be a central hub for business, culture and tourism in Central Europe. The country has successfully transitioned from a manufacturing-based economy to one that integrates advanced technology, engineering and innovation, especially in automotive, electronics and IT sectors. Despite the challenges posed by the COVID-19 pandemic, the Czech Republic remains a preferred destination for foreign investment due to its skilled labour force, favourable business environment and strategic location. Additionally, the country plays an active role in international organisations and aligns its policies with EU standards.



Consumer Protection and Special Industries

Intellectual and Industrial Property Rights

As a member of the World Intellectual Property Organization (WIPO) and the Madrid System, the European Patent Organisation (EPO), the European Union Intellectual Property Office (EUIPO) and a signatory to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the Czech Republic ensures robust protection for intellectual property (IP). The country's IP system operates under market economy principles, safeguarding trademarks, copyrights and other intellectual creations through well-established legislation such as the Copyright Act and the Trademark Act.

The Industrial Property Office (ÚPV) is the authority responsible for handling IP claims, ensuring that businesses and individuals can register and protect their intellectual property rights efficiently. Trademark registration, for example, is a straightforward process that can be completed online, providing a high level of convenience for rights holders. Intellectual property rights can also be registered at both national and EU levels, ensuring broader protection across Member States.

In addition to intellectual property, the Czech Republic provides extensive protection for industrial property rights, covering inventions, technical solutions and product designs. Like intellectual property, these rights are managed by the ÚPV. Industrial property rights, including patents, utility models and industrial designs, are critical for protecting innovations in sectors such as manufacturing, engineering and technology.

Businesses can secure exclusive rights to their inventions and designs, ensuring that competitors cannot use or reproduce their creations without authorisation. The Czech Republic's adherence to international treaties, such as the Paris Convention and the Patent Cooperation Treaty (PCT), allows companies to protect their industrial property on a global scale, enhancing their competitive position in international markets.

Consumer and User Protection

Rights under the General Law

In the Czech Republic, consumer protection primarily arises from contracts, whether written or verbal. Under general contract law, a distinction is made between consumer contracts and other types of contracts, particularly regarding the obligations of the parties and how disputes are handled. This distinction ensures that consumers are provided with enhanced protections compared to standard commercial agreements.

Specific Consumer Protection Legislation in the Czech Republic

The Czech Republic has several laws specifically aimed at protecting consumers, aligning with EU regulations. These laws provide consumers with various rights, including the ability to withdraw from contracts, return goods and file complaints. The Consumer Protection Act (Act No. 634/1992 Coll.) is the key piece of legislation governing these rights.

Right to Return Goods

Consumers in the Czech Republic have the right to return goods purchased through distance contracts (such as online purchases) within 14 days without needing to provide a reason. The goods must be returned in an undamaged condition, and consumers are entitled to a full refund. This right does not apply to certain products, such as customised items, perishable goods or sealed items that have been unsealed (for hygiene reasons, e.g. cosmetics and food).

Internet Sales and Distance Contracts

The Czech Republic follows EU directives on 'distance contracts', which apply to sales made outside the seller's premises, such as internet sales. Consumers have the right to cancel these contracts within 14 days of receiving the goods, without justification. Sellers must clearly inform consumers of this right, and failure to do so extends the cancellation period to 12 months.

Consumer Complaint Resolution

If consumers in the Czech Republic encounter issues with goods or services, they have two main options: (i) contact the Czech Trade Inspection Authority (*Česká obchodní inspekce,* ČOI), which oversees consumer rights enforcement; or (ii) pursue legal action through the courts. In either case, it is recommended that consumers first notify the other party of the problem and allow a reasonable time (typically 30 days) for the issue to be resolved.

Czech Trade Inspection Authority

The Czech Trade Inspection Authority (ČOI) is responsible for handling consumer complaints and enforcing consumer protection laws. It provides a mechanism for resolving disputes involving smaller amounts without the need for court involvement. Consumers can file complaints online or through the ČOI's physical offices. The ČOI investigates the complaint and mediates between the consumer and the business to resolve the issue. This process is generally quicker and less formal than court proceedings.

Small Claims Courts for Consumer Rights

For more significant disputes, the Czech Republic offers small claims courts, which handle consumer disputes under a certain financial threshold. Cases involving amounts below CZK 10,000 are often resolved in these courts, providing consumers with a quicker resolution process. For higher value disputes, consumers must take their case to the general civil courts. In either case, the courts can order remedies such as the return of goods, a refund or a price reduction, but they do not typically award general compensation for damages. For compensation claims, consumers would need to pursue a separate action in the civil courts.

In conclusion, the Czech Republic provides a robust system of consumer and user protection, supported by a combination of EU-aligned legislation and local enforcement bodies, ensuring that consumers can exercise their rights efficiently and effectively.

Legal Framework for Business

According to the Czech Commercial Code (Act No. 90/2012 Coll., on Business Corporations), foreign investors are entitled to establish joint-stock companies, limited liability companies and branches in the Czech Republic. Foreign investors can also establish liaison offices, which are often used as a means of entering the Czech market, in line with the applicable legal provisions.

Accounting Regulations in the Czech Republic

Accounting and auditing practices in the Czech Republic must comply with the Czech Accounting Act (Act No. 563/1991 Coll.). To ensure effective oversight and auditing standards, the Czech National Accounting Council (*Národní účetní rada*) and the Audit Oversight Authority (*Rada pro veřejný dohled nad auditem*) oversee accounting and auditing standards and their application.

Czech companies are required to maintain statutory books and prepare individual or consolidated financial statements in accordance with Czech Accounting Standards (CAS). Larger companies or companies listed on the stock exchange must prepare their financial statements based on International Financial Reporting Standards (IFRS), in compliance with EU regulations. The application of these standards ensures transparency and harmonisation with international practices.

Accounts Controls in the Czech Republic: Statutory Audits

The statutory requirements for corporate financial reporting, accounting and auditing in the Czech Republic are governed by the Act on Accounting (Act No. 563/1991 Coll.) and the Act on Auditors (Act No. 93/2009 Coll., as amended). These laws outline the preparation, publication and auditing of financial statements, aligning with both national and international standards, particularly those issued by the International Federation of Accountants (IFAC).

The Czech Republic, through its Audit Oversight Authority (*Rada pro veřejný dohled nad auditem,* RVDA), has adopted auditing standards in line with International Standards on Auditing, as required by EU legislation. The RVDA is the central body responsible for ensuring public oversight of auditors and auditing practices in the Czech Republic.

Legal Framework and Auditing Standards

The Czech auditing framework incorporates the following international standards:

- **International Standards on Auditing (ISA)**: These standards are applied in the independent auditing of historical financial information. Auditors are required to obtain reasonable assurance to base their opinions on whether the financial statements are free from material misstatements due to fraud or error.
- **International Standards on Review Engagements (ISRE)**: These standards apply to reviews of financial information, including interim financial statements, providing limited assurance to users about the reliability of this information.
- **International Standards on Assurance Engagements (ISAE)**: These are applied to assurance engagements that are not covered by audits or reviews of historical financial information.
- **International Standards on Related Services (ISRS)**: These standards cover services other than assurance engagements, such as agreed-upon procedures, where the auditor does not provide assurance to users.

Mandatory Audit Requirements in the Czech Republic

In the Czech Republic, statutory audits are required for companies that meet specific size thresholds, as outlined by the Accounting Act. Companies must have mandatory audits if they exceed at least two of the following criteria for two consecutive financial years:

- total assets exceed CZK 40 million;
- annual net turnover exceeds CZK 80 million;
- the company employs more than 50 employees.

Publicly listed companies, financial institutions such as banks and insurance companies, and large corporations are required to undergo mandatory annual audits. The audits are conducted by auditors who are licensed by the Czech Chamber of Auditors (*Komora auditorů České republiky*, KACR), which also regulates and oversees the auditing profession in the country.

Public Oversight and Compliance

The RVDA ensures compliance with auditing standards and oversees the activities of auditors. The Czech auditing standards are harmonised with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board (IAASB). Auditors in the Czech Republic are also required to comply with the Code of Ethics for Professional Accountants, ensuring the integrity and transparency of financial reporting.

In conclusion, the Czech Republic has a robust statutory audit framework that ensures high-quality financial reporting in line with both national and international standards. This system provides transparency and trust for investors, regulators and the public.

Content of Financial Data to be Published: Annual Accounts

In accordance with the Czech Accounting Act (Act No. 563/1991 Coll.) and the applicable tax legislation, all resident companies and Czech branches of foreign entities are required to keep statutory accounting records based on Czech Accounting Standards (CAS). These records must be maintained for a period of 10 years. The Czech Republic is harmonising its accounting framework with IFRS, particularly for companies listed on the stock exchange, in compliance with EU regulations.

According to article 13 of the Czech Accounting Act, companies are required to maintain the following legal books when using the double-entry bookkeeping method:

- journal ledger
- general ledger
- inventory ledger.

Additionally, the Business Corporations Act (Act No. 90/2012 Coll.) mandates the maintenance of the following legal books for different types of companies:

- resolution book (for joint-stock companies)
- managers’ resolution book (for limited liability companies)
- shareholders’ register
- general assembly meeting minutes book.

These statutory books must be certified by a notary before the start of a new fiscal year. In general, the fiscal year follows the calendar year, but companies may opt for a different fiscal year if approved by the Ministry of Finance. A company's accounting can be managed by a shared service centre abroad, and electronic servers can also be located outside the Czech Republic. However, all original documents and records must be readily available for inspection or upon any statutory request.

It is mandatory for statutory books to be kept in the Czech language and presented in Czech koruna (CZK). Dual-language records are permitted, but the Czech version takes precedence in case of discrepancies. Legal books must be printed as hard copies unless the company is registered with the Czech e-invoicing or e-bookkeeping systems, which allow for digital storage and submission of records.

Legal Audit Limits

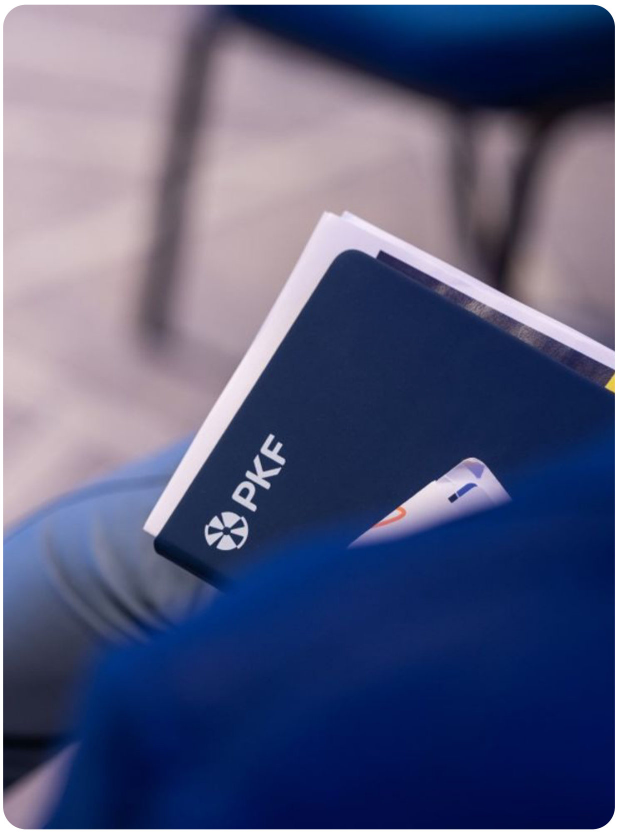
As mentioned above, in the Czech Republic, the requirement for statutory audits is governed by the Accounting Act (Act No. 563/1991 Coll.) and the Act on Auditors (Act No. 93/2009 Coll., as amended). Companies are subject to mandatory audits if they meet specific criteria based on their size, turnover and workforce. These audits are intended to ensure the accuracy of financial reporting and compliance with national and international standards, particularly for larger entities.

To determine whether a company is subject to a mandatory audit, it must exceed at least two of the following three criteria for two consecutive financial years:

- total assets exceed CZK 40 million;
- annual net turnover exceeds CZK 80 million;
- average number of employees is more than 50 during the financial year.

If a company exceeds these thresholds, it must have its financial statements audited by an independent auditor, who is registered with the Czech Chamber of Auditors (*Komora auditorů České republiky*, KACR).

In addition to large companies, public interest entities (such as banks, insurance companies and companies listed on the stock exchange) are required to undergo mandatory audits regardless of their size. These entities are also subject to more stringent reporting and auditing requirements, in line with EU regulations.



The statutory audit must be conducted according to International Standards on Auditing, which have been adopted in the Czech Republic. The audit's main objective is to provide an independent opinion on whether the company's financial statements give a true and fair view of its financial position and comply with Czech Accounting Standards (CAS) or, where applicable, IFRS.

In summary, statutory audits in the Czech Republic are required for companies that meet certain size thresholds or operate in regulated sectors. These audits ensure transparency, accuracy in financial reporting and compliance with legal requirements.

Forms of Business Organisations

Setting up a Czech Company

Foreign investors looking to establish a business in the Czech Republic have several options available to them. The key corporate legal framework is governed by the Civil Code and the Business Corporations Act. The main legal entities through which business operations can be carried out in the Czech Republic include:

- limited liability companies (s.r.o.)
- joint-stock companies (a.s.)
- limited partnerships (k.s.)
- unlimited partnerships (v.o.s.)
- European companies (SE)
- branches
- cooperatives
- sole proprietorships.

All of the above legal entities, as well as branches and foreign sole proprietors from non-EU or non-EEA (European Economic Area) countries, must register in the Czech Commercial Register before starting their business activities.

Setting up a company in the Czech Republic is neither costly nor time-consuming. For instance, a limited liability company that is not subject to specific regulatory requirements can be established and operational within a month. In cases of sole shareholders, the minimum required registered capital is just CZK 1.

The most common business types are limited liability companies and joint-stock companies, which are briefly described below. In addition to the national legal forms, businesses can also be established under one of the European legal forms, which facilitates potential M&A opportunities, such as relocating a company's seat between Member States. Interestingly, the Czech Republic hosts the highest number of Societas Europaea (SE) entities among all EU/EEA Member States.

Purchasing Shares in an Existing Company

In the Czech Republic, there is no requirement to inform any central authority about share transfers to foreign investors. However, the acquisition of an existing company or part ownership typically requires thorough due diligence, careful tax planning and well-structured contractual terms to protect the buyer's interests and minimise potential legal risks.

Share Transfers in Limited Liability Companies (s.r.o.)

To complete a share transfer in a limited liability company (*společnost s ručením omezeným*, s.r.o.), a specific procedure must be followed. The share transfer agreement must be notarised, and the transfer must be approved by the general meeting of shareholders, usually requiring a majority vote. Additionally, the new share transfer must be registered and announced in the Commercial Register (*Obchodní rejstřík*). Any restrictions on share transfers to third parties or other shareholders can be stipulated in the company's articles of association.

In the Czech Republic, share transfers are generally exempt from value added tax (VAT), provided the shares are not classified as goods or services for VAT purposes. However, the sale of shares may be subject to income tax depending on the length of ownership and the legal status of the seller. If shares are held for more than three years by individuals, the capital gain is typically exempt from tax.

New shareholders in an s.r.o. may be liable for any unpaid debts of the company, including taxes and public levies, but this liability is limited to the unpaid portion of their contribution to the registered capital.

Share Transfers in Joint-Stock Companies (a.s.)

In a joint-stock company (*akciová společnost*, a.s.), share transfers are generally simpler. If the shares are in bearer form and certificates have been issued, the transfer occurs by endorsement and handing over the certificates. If no certificates have been issued, the transfer is recorded in the company's share ledger. Unlike limited liability companies, there is no need for the notarisation of the share transfer agreement, and registration in the Commercial Register is not required.

Joint-stock companies cannot restrict the transfer of shares unless explicitly stated in the articles of association, and this usually applies only to shares not traded on the stock exchange. In cases where the company is concerned about the solvency of the transferee or where payment has not been made for the shares, the company can reject the transfer.

The transfer of shares in joint-stock companies is exempt from stamp duty and other related fees. Moreover, if shares are held by an individual for more than three years, any gain from the sale is exempt from capital gains tax. If a corporation sells shares, 100% of the gain can be exempt from tax under certain conditions. Additionally, VAT does not apply to the transfer of shares, provided the shares have been held for a period of at least two years.

Unlike limited liability companies, shareholders in joint-stock companies are not personally liable for the company's unpaid taxes or other liabilities. However, the legal representatives (e.g. board members or directors) of a joint-stock company may be personally liable for unpaid taxes or fiscal liabilities that cannot be recovered from the company. This liability extends to both current legal representatives and those who held office at the time the fiscal obligation arose.

Purchasing Real Estate Property in the Czech Republic

Foreigners, including non-EU citizens, are generally allowed to purchase land and property in the Czech Republic in their own names without significant restrictions. The process is regulated by the Civil Code (Act No. 89/2012 Coll.) and other related laws. However, properties that are located in military zones or classified as agricultural or forest land may be subject to additional regulations and restrictions. Foreigners are not restricted in urban areas, and properties located within municipalities are freely available for purchase.

To acquire the title of a property, the buyer must submit an application to the local cadastral office (*Katastrální úřad*) where the property is located. The office conducts the necessary checks to ensure that all legal conditions are met, including verifying the property's status. Once the verification is complete, the transfer of ownership is recorded in the land register (*Katastr nemovitostí*). During the transaction, evidence of the payment of the full purchase price is generally required by the seller, but this does not need to be presented to the cadastral office.

The transfer of property is subject to a property acquisition tax, which was set at 4%, but this tax was abolished in 2020. There is also an annual property tax, which is collected by the local municipality where the property is located. The property tax rate varies depending on the type of property and its location, typically ranging from 0.2% to 0.5% of the property's assessed value. Newly built properties may receive partial exemptions, depending on local municipal regulations. Property values are reassessed periodically for tax purposes.

Foreigners who acquire property in the Czech Republic may resell or rent out the property, and the proceeds can be transferred out of the country without restrictions. Different regulations apply when a property is purchased for business purposes, and legal advice may be required to navigate the process.

Legal Framework

Ownership rights in the Czech Republic are enshrined in the Czech Civil Code, which guarantees that any person, including foreigners, is entitled to own property. Restrictions on ownership by foreigners are limited and apply primarily to specific types of land, such as agricultural and forest land, which may be subject to conditions under the Act on the Protection of Agricultural Land.

Property Registration Process

In the Czech Republic, the process of registering property is handled by the cadastral office. Unlike some European countries where a public notary is responsible for the transfer, in the Czech Republic, the buyer and seller typically sign a purchase agreement in the presence of a notary or legal representative, but the actual transfer of ownership is completed by the cadastral office. The presence of both parties is not required for the registration, as the transaction can be authorised by a power of attorney. The notary ensures that the agreement meets all legal requirements, but the property transfer is formally recorded in the land register by the cadastral office.

After the transaction is processed, the cadastral office issues proof of ownership, which is registered in the land register. Ownership is officially transferred when the property is recorded in the land register, and all contractual obligations, including full payment, are fulfilled.

Restrictions and Exceptions

In general, there are no significant legal restrictions on property ownership by foreigners in the Czech Republic. However, certain limitations exist for agricultural and forest land, which may require specific approvals or conditions. Additionally, properties located near military zones or in areas deemed strategically important may be subject to restrictions. These restrictions are outlined in specific laws, such as the Act on Protection of Military Zones, but such cases are relatively rare and mostly affect rural or undeveloped areas.

In conclusion, the Czech Republic offers a favourable environment for foreign property investment, with relatively few restrictions on ownership. The process is transparent, and the legal framework provides strong protections for property owners, making the Czech Republic an attractive destination for both personal and business-related real estate investments.

Taxation

The Czech Tax System

The Czech Republic offers a competitive corporate tax environment within the EU. The Czech corporate tax legislation is clear, objective and aligned with international standards, including EU directives and OECD guidelines. Taxation plays a significant role in the Czech economy, contributing to both public revenues and the country's overall business-friendly environment.

The standard corporate income tax rate in the Czech Republic is 21%, which is comparable to other EU countries and competitive for attracting foreign investment. Additionally, specific tax incentives are available for certain sectors, such as research and development, to further stimulate economic growth and innovation.

The Czech tax system is structured to ensure transparency and predictability for both domestic and foreign businesses, making it an attractive destination for companies looking to establish operations in Central Europe.

Corporate Tax

Corporations in the Czech Republic are required to pay advance corporate income tax based on their estimated annual profits. As of 2024, the corporate income tax rate has increased to 21% from the previous 19%. Advance corporate income taxes are calculated on a quarterly basis and are offset against the final tax liability determined in the corporate income tax return at the end of the year. Any overpayment of advance tax can be refunded or used to offset other tax obligations.

Entities Liable for Corporate Income Tax

- Capital companies (e.g. joint-stock companies, limited liability companies)
- Cooperatives
- Public economic enterprises
- Economic enterprises owned by associations and foundations
- Joint ventures.

Companies with their legal or business headquarters located in the Czech Republic are considered tax residents and are subject to corporate tax on their worldwide income. Non-resident companies, on the other hand, are taxed only on income derived from activities within the Czech Republic. The legal seat is defined in the company's incorporation documents, while the business seat is the place where business operations are primarily conducted.

Dividend Withholding Tax

For resident corporations, a 15% withholding tax is levied when dividends are paid out to shareholders. Dividends paid from one Czech resident company to another resident company are generally exempt from withholding tax under certain conditions. However, non-resident corporations are also subject to a 15% withholding tax on the profits distributed to foreign shareholders, unless reduced by a tax treaty.

This structure ensures consistency in the corporate tax system and aligns with international tax standards in the EU.

Personal Income Tax

In the Czech Republic, personal income tax is levied on both residents and non-residents, with residents being taxed on their worldwide income, and non-residents taxed only on income earned within the country. The standard personal income tax rate is 15% on most types of income, with a higher rate of 23% applied to income exceeding a specified threshold, which in 2024 is set at approximately CZK 1.7 million annually.

Taxable Income for Residents

- Employment income from domestic or foreign sources
- Self-employment income, including business profits
- Capital income, such as interest, dividends and royalties
- Rental income from properties located both inside and outside the Czech Republic
- Other income, including winnings and proceeds from the sale of property.

Taxable Income for Non-Residents

Non-residents are taxed only on income sourced from within the Czech Republic, which includes:

- Employment income for work performed in the Czech Republic
- Rental income from Czech properties
- Dividends, interest and royalties earned in the Czech Republic, subject to withholding taxes.

Allowances and Deductions

Czech tax residents can claim a variety of allowances and deductions to reduce their tax base, including:

- Basic personal allowance: CZK 30,840 (in 2024)
- Spousal allowance (for spouses with low income)
- Deductions for mortgage interest, pension contributions and life insurance.

Non-residents, however, are typically not entitled to these personal allowances or deductions unless they are residents of another EU/EEA country and derive at least 90% of their worldwide income from Czech sources.

Social Security and Health Insurance

In addition to income tax, employees and self-employed individuals must contribute to social security and health insurance. These contributions are calculated as a percentage of income, with the employer and employee sharing the cost. The total contributions for employees are approximately 45% of gross salary (with around 34% covered by the employer and 11% by the employee).

The Czech tax system is relatively straightforward, with rates and allowances set to support both domestic and international workers. Residents benefit from various deductions, and progressive tax rates ensure higher earners pay more.

Non-Resident Income Tax

Non-residents in the Czech Republic are subject to tax on income earned within the country. Non-resident income tax is levied on specific income sources such as employment, business profits and rental income derived from Czech-based activities. Non-residents are generally taxed at a flat rate of 15% on most types of income, while certain income, like royalties or technical services, may be subject to a 35% withholding tax if paid to entities in non-treaty countries.

Taxable Income for Non-Residents

- Employment income earned from work performed in the Czech Republic
- Income from business activities carried out through a permanent establishment in the country
- Rental income from Czech real estate
- Dividends, interest and royalties, depending on applicable tax treaties.

Non-residents who receive income from Czech sources must ensure they comply with local tax regulations. Where applicable, they may benefit from reduced tax rates or exemptions based on double taxation treaties the Czech Republic has signed with numerous countries. These treaties are designed to prevent the double taxation of the same income and often reduce withholding tax rates on dividends, interest and royalties.

Withholding Tax on Non-Residents

For non-resident corporations, withholding tax on dividends is generally 15%, but this may be reduced or exempt under applicable tax treaties. If no tax treaty is applicable, the rate can be 35% for certain types of income paid to entities in non-cooperative jurisdictions.

It is important for non-residents to check whether their country of residence has a tax treaty with the Czech Republic, as this can significantly impact the tax obligations on income earned in the country.

Wealth Tax

Currently, there is no wealth tax in the Czech tax system. Instead, taxation in the Czech Republic focuses on personal income, corporate income and indirect taxes such as VAT and excise duties. The country's tax system has undergone significant reforms and is now aligned with EU regulations.

Inheritance and Gift Tax

The Czech Republic does not currently impose a specific inheritance or gift tax. However, these types of transfers may still be subject to other forms of taxation. As of 2014, the Czech inheritance and gift tax was abolished, and any income derived from gifts or inheritance is now taxed under the personal income tax system.

Inheritance

An inheritance is generally exempt from income tax in the Czech Republic if it is from a close relative (such as a spouse, parent or child). For more distant relatives or unrelated parties, the value of inherited assets may be subject to income tax in certain cases, but the vast majority of inheritances are tax-free.

Gifts

Gifts received from close family members (e.g. spouses, parents, children) are typically exempt from income tax. However, gifts received from non-family members or distant relatives may be considered taxable income and subject to a flat income tax rate of 15% (or 23% for higher incomes exceeding a set threshold). The value of the gift must be declared as part of the recipient's income tax return.

International Considerations

If an individual inherits property or receives a gift from abroad, there may be provisions for avoiding double taxation through international treaties, such as deducting any tax paid in a foreign country from the amount owed in the Czech Republic.

This simplified system replaced the more complex inheritance and gift tax, aligning with broader tax reforms in the country.

Value Added Tax

In the Czech Republic, value added tax (VAT) is levied on the sale of goods and services, as well as on imported goods and services. As of 1 January 2024, significant changes have been introduced to simplify the VAT system. The two reduced VAT rates of 10% and 15% have been consolidated into a single 12% reduced rate, while the standard VAT rate remains at 21%. These adjustments are part of broader tax reforms aimed at streamlining VAT compliance and improving the fiscal environment.

VAT Rates

- Standard rate: 21% (applicable to most goods and services)
- Reduced rate: 12% (now applies to items such as food, books and medical supplies, following the consolidation of previous reduced rates).

VAT Liability

VAT is charged on a wide range of activities, including commercial, industrial, agricultural and professional services. Liability arises when goods are delivered, services are performed or an invoice is issued. For imports, VAT becomes due when customs clearance is completed.

Input and Output VAT

VAT incurred on purchases (input VAT) is offset against VAT charged on sales (output VAT). If the output VAT exceeds input VAT, the difference is payable to the tax office. If input VAT is greater, the excess can be carried forward or refunded.

VAT Exemptions

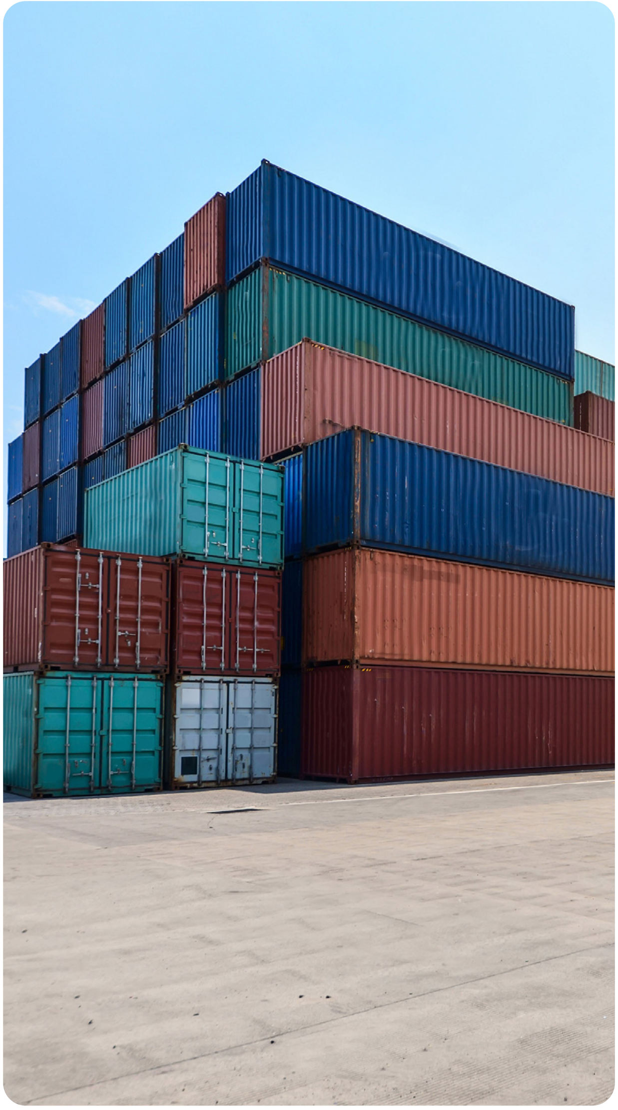
Certain activities are VAT-exempt, including:

- exports of goods to non-EU countries;
- financial and insurance services; and
- healthcare and education services.

Reverse Charge Mechanism

For services provided by non-resident suppliers, the reverse charge mechanism applies, requiring the recipient of the services in the Czech Republic to account for VAT instead of the foreign supplier. This mechanism helps simplify VAT collection on cross-border services.

These changes to the VAT structure reflect the government's efforts to streamline tax rates and boost compliance in 2024.



Capital Transfer Tax and Stamp Duty

In the Czech Republic, there is no specific capital transfer tax on the sale or transfer of assets such as real estate. However, certain transfers, particularly real estate transactions, are subject to stamp duties or administrative fees, which are relatively minimal compared to other countries.

Stamp Duty (Administrative Fees)

Stamp duty or administrative fees are charged primarily in relation to official documents, registrations and property transactions. While there is no comprehensive stamp duty system in the Czech Republic, fees may be incurred when filing legal documents, such as when transferring real estate ownership or registering a company. These fees vary depending on the type of transaction but are generally much lower than typical stamp duty charges in other jurisdictions.

Real Estate Transfer

While the Czech Republic previously had a real estate acquisition tax (typically set at 4% of the property value), this tax was abolished in 2020. Currently, real estate transfers are not subject to a capital transfer tax. However, property transactions must still be registered with the cadastral office, and an administrative fee is applied for this service. Additionally, if the seller is a business, VAT may apply to the sale of new properties.

Special Taxes

Excise Taxes

Excise taxes in the Czech Republic are applied to specific goods and are charged once at the point of production, importation or first sale. Excise tax is applied to the following categories:

- Petroleum products, such as motor fuels, heating oils and lubricants
- Tobacco products and alcohol, including cigarettes, cigars, spirits and beer
- Energy products, including electricity, natural gas and solid fuels
- Automobiles: Certain luxury or high-emission vehicles may be subject to additional environmental taxes.

These excise taxes are collected in addition to VAT and are designed to target specific sectors that generate higher social or environmental costs.

Bank and Insurance Transactions Tax

Banking and insurance transactions are generally exempt from VAT under EU regulations. Banks and insurance companies may still be subject to corporate income taxes on their profits, and VAT applies to their purchases of goods and services, which is considered a non-recoverable cost.

Property Taxes

Real estate in the Czech Republic is subject to an annual property tax, which applies to both land and buildings. The tax rates vary based on the type and location of the property. For buildings, the tax rate is based on the square metre area, while for land, it is calculated based on the size and classification of the plot. Local municipalities have some flexibility in setting property tax rates within the national framework.

Environmental and Motor Vehicle Taxes

The Czech Republic has introduced environmental taxes on the registration and operation of vehicles. Owners of cars with higher emissions are required to pay additional motor vehicle taxes. The tax rates depend on the engine size, vehicle weight and emission standards. Vehicles used for business purposes are generally subject to annual road taxes, with different rates applied to passenger and freight vehicles.

Communication and Digital Services Taxes

The Czech Republic does not currently impose a special communication tax. However, telecom services are subject to the standard VAT rate of 21%, and the government has considered the introduction of new digital taxes aimed at large technology companies providing electronic communication services, including streaming and social media platforms.

Import Duties

In the Czech Republic, as part of the EU, import duties and VAT on imports are regulated by the EU's customs policies and apply uniformly across all Member States. Imports into the Czech Republic are subject to customs duties, VAT and, in some cases, excise taxes depending on the nature of the goods.

VAT on Imports

For VAT purposes, any importation of goods into the Czech Republic is considered a taxable transaction. VAT is applied to imports at the same rates as for domestic supplies, ensuring equal treatment between imported and locally produced goods. The standard VAT rate is 21%, with reduced rates of 12% and 10% applicable to specific goods such as foodstuffs and books.

The VAT base for imports includes:

- the customs value of the goods;
- any customs duty or excise taxes paid; and
- other costs incurred up until the goods are registered, such as transport and insurance.

Customs Duties

Customs duties are determined by the Common Customs Tariff (CCT), which applies to imports from non-EU countries. Goods imported from EU countries are not subject to customs duties, as the Czech Republic is part of the EU's customs union. For imports from outside the EU, the applicable duty rate depends on the type of goods and their country of origin.

For goods imported from countries with which the EU has free trade agreements (FTAs), lower or zero customs duties may apply, provided the necessary certificates (such as the EUR.1 certificate) are provided as proof of origin.

Special Import Rules

- **Inward processing relief (IPR)**: Allows for the suspension of customs duties and VAT on goods that are imported temporarily for processing or re-export.
- **Outward processing relief (OPR)**: Enables goods temporarily exported outside the EU for repair or processing to be re-imported with reduced duties.
- **Temporary imports**: Goods brought into the Czech Republic for temporary use may be exempt from import duties and VAT, provided they are re-exported within a set time frame.

Excise Duties

Certain goods, such as alcohol, tobacco and energy products, are subject to excise duties in addition to VAT and customs duties. These are levied at specific rates depending on the product type and quantity.

Trade with the EU

Goods imported from other EU Member States are not subject to customs duties due to the EU's single market and customs union. VAT is charged based on the 'reverse charge mechanism', meaning that businesses declare both input and output VAT on their VAT return.

These provisions ensure fair taxation and regulation of imported goods, aligning the Czech Republic with broader EU trade and customs policies.

Tax on Insurance Premiums

Benefits from insured property are exempt from personal income tax provided that the property is used exclusively for the taxpayer's personal use. In the case of use of the property for business purposes, it is then decisive whether it was included in the business property at the time of the loss or whether it was rented.

Social and Healthcare Insurance

In the Czech Republic, social security contributions are shared between the employer and the employee, with a total contribution of 34% of an employee's gross salary. This is broken down as follows:

- 25% is paid by the employer; and
- 9% is paid by the employee.

These contributions cover various benefits such as pensions, sickness insurance and health insurance.

Social Security Contributions

- **Employer**: 25% of gross salary, consisting of 24.8% for social insurance and 0.2% for unemployment insurance.
- **Employee**: 9% of gross salary, including health insurance (4.5%) and social security (4.5%).

Health Insurance

In addition to social security contributions, employees and employers are required to make health insurance payments. The employer contributes 9% and the employee contributes 4.5%.

Payroll Taxes

Employers are responsible for withholding income tax and social security contributions from employees' salaries. The income tax rate is 15% for most employees, with an increased rate of 23% applied to earnings exceeding the threshold of approximately CZK 1.7 million per year (as of 2024). These taxes and contributions are reported and paid by the employer on a monthly basis through payroll systems.

Unemployment Insurance

Unemployment insurance is included in social security contributions. The employer contributes 0.2% towards unemployment benefits, while the employee does not contribute separately to unemployment insurance.

All these contributions are deducted from the employee's salary before they receive their net wages.

Local Taxes

Digital Services Tax

The Czech Republic introduced its own digital services tax (DST), which applies to revenues generated from digital services within the country. These services include digital advertising, the sale of user data, digital marketplaces and platforms where users interact. The DST rate is set at 5% and applies to companies whose global revenues from digital services exceed €750 million and whose Czech revenues from taxable digital services surpass CZK 100 million annually. The tax is primarily targeted at large multinational digital service providers, regardless of their tax residence status.

Stamp Duty

In the Czech Republic, stamp duties (or administrative fees) are applied to various legal and administrative documents, such as property transfers, company registrations and other official filings. The rates are relatively low and vary depending on the document type. The Czech Republic mainly applies stamp duty to property transactions and certain legal documents.

Real Estate Tax

Real estate tax in the Czech Republic applies to both buildings and land. The tax rates differ based on the type and location of the property:

- For land, the tax rate is 0.2% to 0.75% of the land's assessed value.
- For buildings, the rate is based on the area (CZK per square metre), typically ranging from CZK 2 to CZK 10 per square metre, with municipalities having the authority to adjust the rates within the national framework.

This tax is paid annually and is usually divided into two instalments, with payments due in May and November.

Labour Law

An Outline of Employment Law

Employment in the Czech Republic is primarily governed by the Labour Code (Act No. 262/2006 Coll.) and other relevant legislation, including the Employment Act and Trade Unions Act. The Labour Code defines the relationship between employers and employees and applies to all workplaces in the Czech Republic, except for specific exceptions noted within the law (such as military personnel and certain public officials).

The primary institution responsible for labour issues is the Ministry of Labour and Social Affairs (MPSV), which oversees labour regulations, employment rights and social security. Labour disputes are resolved by specialised labour courts.

The Czech Labour Code covers a broad range of employment issues, including:

- **Individual employment regulations**: Rules for establishing and terminating employment relationships.
- **Employment contract**: An employment contract must specify the job description, place of work, start date and salary.
- **Working time**: The standard working time is 40 hours per week, with provisions for reduced working hours and overtime compensation.
- **Salary**: Employers must comply with minimum wage requirements, currently set by government decree, and ensure timely payment.
- **Holidays**: Employees are entitled to a minimum of four weeks of paid leave per year, with additional provisions for public holidays.
- **Military service**: Employees called for military service are entitled to job protection.
- **Maternity and parental leave**: Mothers are entitled to 28 weeks of maternity leave, with fathers eligible for paternity leave and parents for parental leave.
- **Equality**: Czech law prohibits discrimination in employment based on gender, age, nationality or other protected characteristics.
- **Termination of employment**: Termination rules include notice periods, severance pay and the protection of employee rights in cases of wrongful dismissal.

Collective Employment Regulations

- **Trade unions**: Trade unions are allowed to represent employees in negotiations with employers, and employees have the right to join or establish trade unions.
- **Collective bargaining agreements**: These agreements regulate wages, working conditions and other benefits at the collective level.
- **Collective dismissals**: Specific rules apply to mass lay-offs, requiring prior notification to the authorities and negotiation with employee representatives.

The Czech Republic's labour laws are aligned with EU labour standards and provide comprehensive protection for workers, while also allowing flexibility for employers. Disputes arising from employment relationships are generally resolved through mediation or the courts.

Recruitment

In the Czech Republic, employees typically undergo a probation period as part of their employment contract. According to the Czech Labour Code, the probation period can last up to three months for regular employees and up to six months for managerial positions. During this period, either the employer or the employee can terminate the contract without stating a reason or giving notice. However, the conditions of employment, such as job title, working hours, salary and working conditions, must be clearly outlined in a written contract at the time of hiring.

Employment Contract

The employment contract must include:

- job description and tasks;
- working hours (standard is 40 hours per week);
- salary and payment terms;
- leave entitlement (employees are entitled to at least four weeks of paid leave annually);
- notice periods in case of contract termination; and
- other terms such as probationary periods and overtime pay.

Working Hours and Overtime

In the Czech Republic, the standard working week is 40 hours. Any work performed beyond this is considered overtime and must be compensated with additional pay. Overtime is limited to eight hours per week and a maximum of 150 hours per year unless otherwise agreed. Employees who work overtime are entitled to extra pay of at least 25% over their normal hourly rate, or they can be compensated with time off.

Public Holidays and Paid Leave

The Czech Republic recognises 13 public holidays, all of which are paid days off. In addition to these, employees are entitled to a minimum of four weeks of paid annual leave, with some employers offering more based on seniority or company policy.

Home Office and Remote Work

Remote work, or working from home, is allowed under Czech law. Employers and employees must agree on the conditions of remote work, including working hours and any compensation for equipment used.

Employment for Foreigners

Foreign nationals wishing to work in the Czech Republic must obtain a work permit and a residence visa. The process typically takes several weeks and requires the employer to first verify that the position cannot be filled by a Czech or EU citizen. Once granted, foreign workers can start their employment under the same conditions as local employees.

Salary Payments

Salaries are typically paid on a monthly basis. In most cases, wages are paid in Czech koruna (CZK), but for certain roles, especially in international companies, wages can be paid in foreign currencies.

Fixed-Term Contracts

Employment contracts can be for a definite or indefinite period. Fixed-term contracts can be renewed, but only under specific conditions outlined in the Labour Code. There is no restriction on the number of renewals, but they must meet the legal criteria for temporary employment.

This regulatory framework ensures fair treatment of employees while providing flexibility for employers in managing their workforce.

Standard Regulations for Employment Contracts

Under the Czech Labour Code (Act No. 262/2006 Coll.), employment contracts are typically established for an indefinite period, ensuring long-term job security for employees. However, fixed-term contracts are also permitted under certain conditions. These contracts are allowed when there is an objective reason, such as the completion of a specific project or seasonal work.

Definite-Term Employment Contracts

A fixed-term employment contract in the Czech Republic must be in written form and should specify the duration or condition under which it terminates. These contracts can be established for a period of up to three years and can be renewed only twice consecutively. If the contract is renewed more than twice or exceeds the three-year limit, the contract is automatically converted into an indefinite-term contract, requiring standard notice periods for termination.

Both fixed-term and indefinite-term employees must be treated equally according to the principle of equal treatment. Employers cannot discriminate against employees on a fixed-term contract simply because their contract is not permanent.

Types of Employment Contracts Requiring Written Form

- **Fixed-term employment contracts.**
- **Part-time employment contracts**: Part-time contracts apply to employees working less than the standard 40-hour workweek. These employees must not be treated differently from full-time employees unless there is a justifiable reason.
- **Remote working contracts**: Employees working from home or other locations must have written contracts specifying their working conditions.
- **On-call contracts**: These contracts apply to workers who are available to work on an on-demand basis.

Full-Time and Part-Time Employment

In the Czech Republic, a full-time working week is 40 hours. A part-time employment contract applies when an employee works fewer than 40 hours per week. Part-time employees are entitled to the same rights and benefits as full-time employees, unless there are legitimate reasons for differentiation (e.g. proportionate wages or benefits based on hours worked). Discrimination against part-time employees is prohibited.

Overall, these regulations ensure that both fixed-term and indefinite-term employees are treated fairly under Czech labour law, with clear protections and conditions for all types of employment.

Visas and Work and Residence Permits

In the Czech Republic, all foreign nationals seeking employment must obtain a work permit or employee card, depending on the duration and type of employment. These permits are issued by the Ministry of the Interior and the Labour Office. The process also involves obtaining a residence permit, which allows the foreign national to live and work in the Czech Republic.

Evaluation Criteria for Granting Work Permits

The Czech Republic's work permit process includes several requirements:

- **Labour market test**: The employer must demonstrate that no suitable Czech or EU citizen is available for the position. The position must be advertised to local workers for a minimum period before a foreign national can be hired.
- **Special categories**: Highly qualified workers, such as those in IT or other specialised professions, can apply for a blue card, which provides both work and residence permits under simplified conditions.
- **Minimum salary requirement**: The foreign national's salary must meet the minimum wage requirements, which are determined based on the type of job and qualifications.

Work Permits and Employee Cards

Foreign nationals from outside the EU must apply for either a work permit or an employee card to work in the Czech Republic. An employee card serves as both a work and residence permit and is valid for positions requiring higher qualifications.

Applications for work permits can be submitted from outside the Czech Republic via the relevant Czech consulate in the applicant's country of residence or citizenship. Once the application is approved, the foreign national will be issued a work visa and can enter the Czech Republic.

Residence Permits

In addition to the work permit, foreign nationals must also obtain a residence permit for long-term stays in the Czech Republic. The work permit or employee card often serves as a dual-purpose document, acting as both the work and residence permit. The applicant must register their residence with the local Foreign Police within 30 days of arrival.

Documents Required for Work Permit Applications

- Application form;
- Proof of job offer from the employer;
- Valid passport;
- Proof of accommodation in the Czech Republic;
- Health insurance covering the duration of stay; and
- Proof of qualifications and experience, where applicable.

Additional documentation, such as criminal records, may be required depending on the applicant's country of origin.

Special Considerations

For certain highly skilled professions, such as engineers or IT professionals, blue cards and ICT (intra-company employee transfer) cards offer streamlined processes for work and residence permits. These categories may have different application requirements and benefits, such as faster processing and easier family reunification.

In most cases, the processing time for work permits and residence permits can take several weeks to a few months, so it is advisable for the employer and employee to begin the application process well in advance of the expected start date of employment.

The Czech Republic's labour laws ensure that foreign workers are integrated into the workforce with protections and rights comparable to Czech citizens.

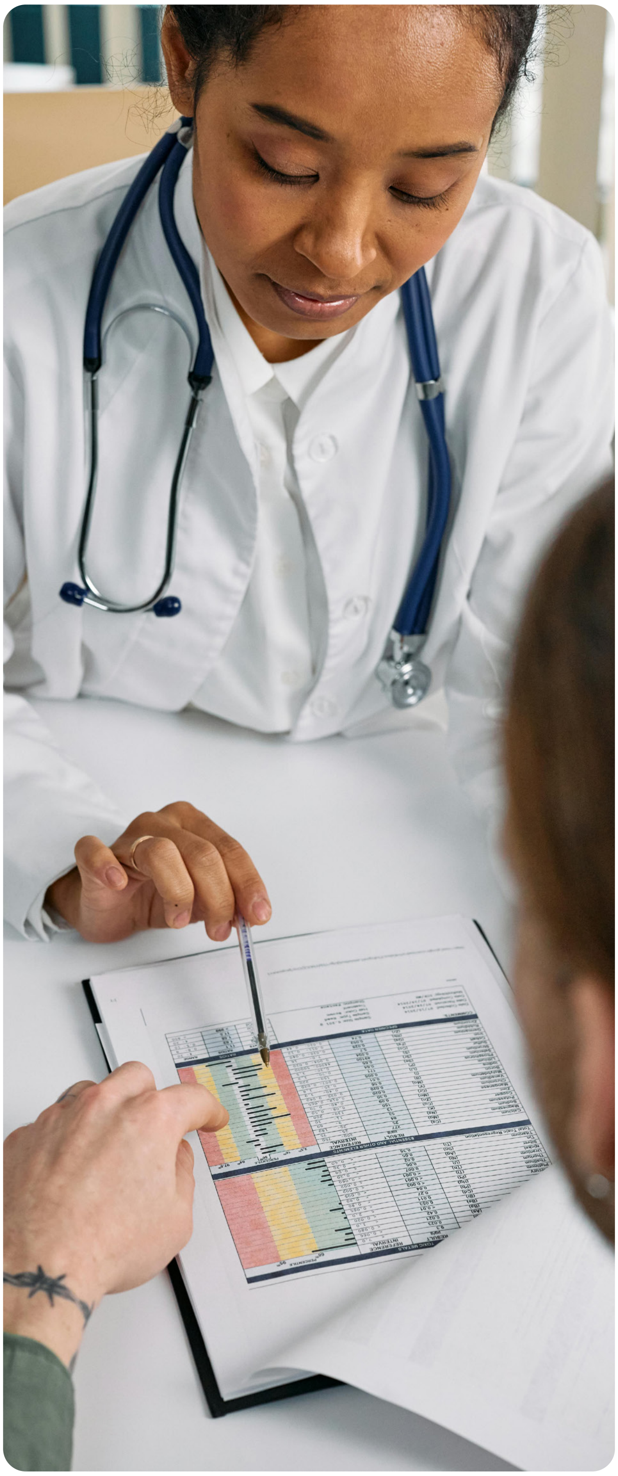
Social Security

The Czech social security system is managed by the Czech Social Security Administration (CSSA) and covers three main branches: pension insurance, sickness insurance and unemployment insurance. It provides support for various life risks, including old age, sickness, disability and unemployment. Employers, employees and the state contribute to the system to ensure comprehensive coverage.

Social Security Insurance Branches

The Czech social security system is divided into several branches, which include:

- **Pension insurance**: Covers old-age pensions, disability pensions and survivors' pensions. Employees must contribute to the system for a certain period (typically 35 years) to qualify for full pension benefits. The pensionable age is gradually increasing based on the year of birth, with a target retirement age of 65 years for most workers.
- **Sickness insurance**: Provides benefits in cases of illness, maternity or temporary incapacity. Employees are entitled to sickness benefits if they are unable to work due to health reasons, and maternity leave benefits are available for 28 weeks (or longer in some cases).
- **Unemployment insurance**: Available to employees who have lost their jobs involuntarily. To qualify, the individual must have worked and paid unemployment contributions for at least 12 months in the last two years. Unemployment benefits are calculated as a percentage of the individual's previous salary and are available for a limited period.



General Health Insurance

Health insurance in the Czech Republic is compulsory for all residents, including foreign nationals who are employed in the country. It covers medical treatments, hospital stays and medication. Both employees and employers contribute to health insurance premiums. The employee pays 4.5% of their gross salary, while the employer contributes 9%.

Social Security Contributions

Social security contributions in the Czech Republic are shared between employers and employees:

- **Employee contributions**: 6.5% of gross salary (including pension and sickness insurance).
- **Employer contributions**: 24.8% of gross salary, covering pension, sickness and unemployment insurance.

A contribution ceiling is applied to higher incomes. In 2024, the maximum assessment base for contributions is set at CZK 1,935,552 annually. Any earnings above this threshold are not subject to additional social security contributions.

State Support and Subsidies

The Czech government does not directly subsidise social security premiums. However, contributions are mandatory, and the system is structured to ensure benefits for retirees, the unemployed and those on sick leave. The state guarantees minimum pension levels and provides additional benefits for low-income retirees.

Social security premiums are paid monthly and are deductible from taxable income. Employers are responsible for calculating and remitting both their own and their employees' contributions to the CSSA.

This structure ensures that both employers and employees contribute to the sustainability of the Czech social security system, with support mechanisms in place for periods of illness, unemployment and retirement.

Prevention of Occupational Hazards

Occupational health and safety in the Czech Republic is primarily governed by the Labour Code (Act No. 262/2006 Coll.) and Act No. 309/2006 Coll. on Ensuring Additional Conditions of Occupational Health and Safety. These regulations aim to protect workers by outlining the obligations of employers to ensure safe working conditions, prevent occupational hazards and improve overall workplace safety. The Czech legislation follows the standards set by the EU and aligns with international practices for health and safety in the workplace.

Employer Responsibilities

Employers in the Czech Republic are required to:

- **Perform risk assessments**: Employers must regularly evaluate and mitigate risks associated with workplace hazards. This includes assessing dangerous work processes, toxic materials and equipment.
- **Implement safety measures**: Based on risk assessments, employers are obliged to adopt preventative measures, provide safety equipment and implement procedures to protect employees from occupational hazards.
- **Appoint safety officers**: In high-risk industries, employers are required to appoint safety specialists or contract certified safety experts. This ensures compliance with health and safety protocols and continuous monitoring of the work environment.
- **Provide health checks**: Employers must arrange periodic health examinations for employees, especially those working in hazardous or physically demanding jobs. This helps monitor the health status of workers exposed to risks and ensures they are fit for the work assigned.

Hazard Classification

The Czech health and safety regulations categorise workplaces into low-risk, medium-risk and high-risk industries. Each classification comes with different levels of employer responsibilities. High-risk industries, such as mining, construction and chemical manufacturing, are subject to stricter safety standards and more frequent inspections by the Labour Inspectorate.

Emergency Preparedness and Safety Plans

Employers must also develop emergency plans for workplace accidents or potential hazards. These plans should detail procedures for dealing with fires, chemical spills, machinery accidents and other emergencies, ensuring quick and effective responses to protect employees.

Government Oversight and Enforcement

The State Labour Inspection Office is responsible for enforcing occupational health and safety laws. It conducts regular inspections and can impose fines on companies that fail to meet the required safety standards. Employers are also subject to strict reporting obligations for workplace accidents and must work closely with government authorities to improve safety conditions where necessary.

Impact on Employers and Employees

The regulations significantly increase employer obligations, leading to additional operating costs related to safety improvements, staff training and compliance monitoring. However, these measures align the Czech Republic with EU-wide directives and aim to create a safer work environment that benefits both employees and employers by reducing accidents and improving overall productivity.

While implementation of these laws is ongoing, the Czech Republic's occupational health and safety regulations represent a comprehensive approach to workplace safety, ensuring that businesses operate within international standards while protecting worker welfare.

E-Business Legal Framework

Civil and Commercial Regulations

Under Czech law, the execution of contracts via electronic means is legally effective if a qualified electronic signature is used in accordance with the Electronic Signature Act (Act No. 227/2000 Coll.). Contracts signed with a qualified electronic signature have the same legal validity as those executed in paper form. However, certain contracts, such as collateral agreements or contracts requiring notarisation, cannot be executed solely through electronic signatures. In such cases, statutory requirements for formality, such as notarisation, must still be complied with.

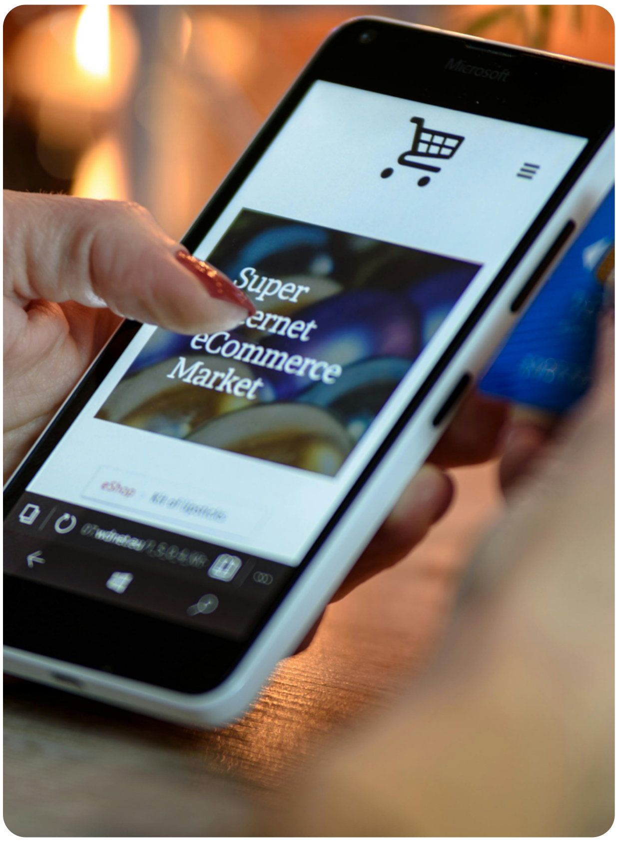
Key Legislation

1. **Electronic Signature Act (Act No. 227/2000 Coll.)**: Governs the use of secure and qualified electronic signatures, establishing their legal equivalence to handwritten signatures.
2. **Act on Certain Information Society Services (Act No. 480/2004 Coll.)**: Implements EU directives related to e-commerce and includes provisions on the obligations of service providers, protection against unsolicited commercial communications and data protection in the digital marketplace.

Main Areas of Regulation

- **Obligations and liabilities of service providers**: E-Business providers must adhere to transparency requirements and ensure they meet consumer protection standards when operating online platforms or services.
- **Prevention of unsolicited commercial communications**: The law prohibits unsolicited electronic marketing (spam), unless the recipient has provided prior consent.
- **Personal data protection**: E-Businesses must comply with the General Data Protection Regulation (GDPR), ensuring the protection and privacy of personal data for individuals using their services.

This framework ensures that electronic commerce in the Czech Republic operates within a secure and regulated environment, promoting trust between businesses and consumers while aligning with EU standards.



The Information Society Services and E-Commerce Act (LSSI)

In the Czech Republic, the provision of information society services and e-commerce is regulated primarily by Act No. 480/2004 Coll., on Certain Information Society Services, ensuring compliance with EU directives.

- **Scope**: Covers online services such as e-commerce platforms, digital communication tools and other electronic service providers, ensuring compliance with transparency and consumer protection standards.

- **Commercial communications**: Requires prior consent for unsolicited messages, clear identification of commercial content and easy opt-out mechanisms for recipients.
- **Service provider liability**: Hosting providers are not liable for illegal content unless aware and failing to act. Providers of caching and conduit services are also protected if they do not modify transmitted content.
- **Cookies and tracking**: Requires user consent for non-essential cookies, in line with GDPR and the ePrivacy Directive.
- **Transparency**: Obligates service providers to disclose their identity, contact details and terms and conditions.

Enforcement is overseen by the Office for Personal Data Protection (ÚOOÚ) and the Czech Trade Inspection Authority (CTIA), with penalties for non-compliance. The law aligns with EU standards, providing a robust framework for digital commerce and communications.

Protection of Personal Data

In the Czech Republic, the protection of personal data is primarily governed by the GDPR, which applies across all EU Member States, and the Act on the Protection of Personal Data (Act No. 110/2019 Coll.). These laws set the framework for how businesses and organisations must collect, process, store and protect personal data.

Key Principles of Personal Data Protection

- **Lawfulness, fairness and transparency**: Personal data must be processed lawfully, fairly and in a transparent manner, ensuring that individuals understand how their data will be used.
- **Purpose limitation**: Data can only be collected for specified, explicit and legitimate purposes and must not be further processed in a manner incompatible with those purposes.
- **Data minimisation**: Only data that is necessary for the purposes should be collected and processed.
- **Accuracy**: Personal data must be kept accurate and up to date.
- **Storage limitation**: Personal data must be stored for no longer than necessary for the purposes for which it was collected.
- **Integrity and confidentiality**: Appropriate security measures must be in place to protect personal data from unauthorised or unlawful processing, accidental loss, destruction or damage.

Obligations of Data Controllers and Processors

- **Consent**: Individuals must provide clear and explicit consent for their personal data to be processed, except where another lawful basis for processing applies (e.g. performance of a contract).
- **Data subject rights**: Individuals have the right to access their personal data, request corrections, object to processing or request deletion (right to be forgotten).
- **Data breach notifications**: In case of a data breach, companies must notify the ÚOOÚ within 72 hours and inform affected individuals if the breach poses a significant risk to their rights.

Enforcement

The ÚOOÚ is the regulatory body responsible for overseeing compliance with data protection laws in the Czech Republic. The authority has the power to issue fines and sanctions for non-compliance, with penalties under GDPR reaching up to €20 million or 4% of a company's global annual revenue, whichever is higher.

This framework ensures strong protection of personal data while promoting transparency and accountability among businesses handling sensitive information.

Intellectual and Industrial Property Rights and Domain Names

In the Czech Republic, intellectual and industrial property rights are protected under several key laws and regulations. The Industrial Property Act and the Copyright Act (Act No. 121/2000 Coll.) are the primary legal frameworks safeguarding patents, trademarks, designs and copyrights.

- **Patents, utility models, trademarks and industrial designs**: These are protected under the Industrial Property Act. Patents protect inventions, utility models protect technical solutions and industrial designs protect the appearance of a product. Trademarks protect brand identifiers such as logos and names.
- **Copyrights**: Protected under the Copyright Act, which covers literary, artistic and scientific works, ensuring the protection of authors' rights over their creations. This includes software, music, literature and other creative works.
- **Geographical indications**: Geographical indications and designations of origin are protected through the EU's regulations, as the Czech Republic adheres to EU-wide intellectual property standards.

Additionally, general provisions under the Civil Code address unfair competition, providing further protection to intellectual property by preventing misuse or unauthorised use of trademarks, designs or other intellectual property elements in a manner that constitutes unfair competition.

The Czech Republic is a member of international conventions such as the World Intellectual Property Organization (WIPO), ensuring that local laws are aligned with global standards for intellectual property protection.

Appendix

Reference Websites

Data Protection Authority (Office for Personal Data Protection)	www.uoou.cz
Czech Tax Authorities (Financial Administration)	www.financnisprava.cz
Czech Association of Accounting and Business Administration	www.komora-ucetnich.cz
Czech Office for Standards, Metrology and Testing (ÚNMZ)	www.unmz.cz
Bank of the Czech Republic	www.cnb.cz
Czech Ministry of Industry and Trade	https://www.mpo.cz/en/
Czech Social Security Administration (CSSA)	https://www.cssz.cz/en

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