

PETERKA PARTNERS

YOUR CEE LAW FIRM

Czech Republic Slovakia Ukraine Bulgaria
Poland Romania Belarus Hungary

Ukrainian Desk

The Ukrainian Desk of PETERKA & PARTNERS is the main contact for Ukrainian business people wishing to expand their businesses outside Ukraine.

We act as a bridge from Ukraine to our experts in the EU countries of the CEE region who advise on all aspects of corporate, commercial, tax, employment, immigration, and intellectual property law, as well as provide tailor-made solutions in almost any field of law to meet the expectations of the clients.

If you are considering starting, or relocating, your business to the Czech Republic, this brochure will provide you with valuable information concerning corporate and tax matters.

You will find here information on the:

- forms of the businesses that can be operated in the Czech Republic, with basic information on their establishment and operation
- basic aspects of taxation of natural persons and legal entities in the Czech Republic

Should you need any help in starting your business in Europe or in relocating your business from Ukraine to CEE countries, do not hesitate to contact us. Our team is ready to help you.

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AVAILABLE STRUCTURES

(i) Self-employed individual, (ii) Business company, or (iii) Branch

The most common type of company and also the easiest to establish/operate is a limited liability company (LLC). An LLC can be established by one or several shareholders. An LLC must have at least CZK 1 of registered capital, a registered office in the Czech Republic, and at least one executive director appointed and registered in the Czech Commercial Register.

Unlike a company, a branch is a form of formal representation of a foreign company in the Czech Republic. A branch is not considered a legal entity, and any actions taken by it are considered to be taken on behalf of its founder, e.g., a foreign company. A branch must be registered in the Czech Commercial Register and comply with other requirements (licensing).

Each of the above-mentioned structures can be an employer, i.e., it may employ employees in the Czech Republic.

LICENCES FOR CONDUCTING BUSINESS

A trade licence must be obtained if any of the above structures is used. A trade licence is granted by a Trade Licensing Office. In a number of cases, only general conditions are required to be met in order to obtain a trade license (free trades). For conducting certain qualified activities, a specific professional ability or practice is required (craft trades, professional trades, permitted trades). Subject to compliance with all statutory requirements, obtaining a trade licence is a quick process (usually a few days).

WHO CAN BE FOUNDER OR SHAREHOLDER OF A COMPANY IN THE CZECH REPUBLIC

An individual or entity can be the founder or the shareholder of a company, including foreign ones, regardless of their nationality or place of incorporation. A foreign individual is not required to obtain a residence permit in the Czech Republic in order to be a founder or shareholder of a Czech company.

Access to the Commercial Register is freely available on the internet at www.justice.cz.

ACTING ON BEHALF OF COMPANY OR BRANCH, REPRESENTATION

Each LLC must have at least one executive director (an individual-natural person or a legal entity) who may act on its behalf in all matters. If more executive directors are appointed, they may act individually or jointly. For a branch, a director of the branch (only an individual-natural person) must be appointed.

Third-country nationals appointed as executive directors or directors of a branch, who are EU citizens, are exempted from the requirement to obtain a residence permit in the Czech Republic. Nationals of other countries appointed as executive directors or directors of a branch must apply for a temporary residence for the purpose of business before they are registered with the Czech Commercial Register.

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TAXES

The **Corporate income tax** rate is 19%. No minimum amount of tax is set. The tax base is accounting profit adjusted for items specified by the Czech Income Tax Act. In most cases, the tax period is a calendar year or financial year (up to the decision of the taxpayer).

There is no tax consolidation in the Czech Republic. Each company within a group is taxed individually. It is not possible to off-set losses against the profits of another group company.

A **withholding tax** is applied to certain types of income earned by Czech tax residents and to a number of Czech-sourced types of income earned by Czech tax non-residents. The tax rate is 15 percent. However, the withholding tax rate applicable to the Czech sourced income of Czech tax non-residents may be reduced by a relevant Double Taxation Treaty. For income from Czech sources paid to taxpayers who are tax residents of countries that are not EU and EEA members, did not conclude a DTT with the Czech Republic, and did not conclude a bilateral agreement on exchange of information, the withholding tax rate is increased to 35 percent.

No withholding tax is applied to dividends if the payer and recipient qualify as a subsidiary and a parent company within the meaning of the EU Parent Subsidiary Directive.

Personal income tax rates in the Czech Republic are 15%, and 23% on income in excess of CZK 1,867,728 (approximately EUR 76,500) in 2022.

Indirect taxes. The Czech VAT system applies EU VAT rules. The standard VAT rate is 21%. Reduced 15% and 10% VAT rates apply to selected goods and services. The registration threshold for VAT purposes is CZK 1 million (approximately EUR 41,000) within the preceding 12 calendar months. Taxable persons below such threshold may apply for voluntary VAT registration.

Indirect taxes. The Slovak VAT system applies EU VAT rules. Standard VAT rate is currently 20%. A reduced 10% VAT rate applies to selected products. Registration threshold for VAT purposes is EUR 49,790 within the preceding 12 calendar months. Taxable persons below such threshold may apply for voluntary VAT registration.

There is a standard system of **excise taxes** imposed on selected commodities such as beer, wine, spirits, tobacco products, mineral oil, liquid petroleum gas and methane, natural gas, electricity, and coal..



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