

MOORE STEPHENS



Doing business in the Czech Republic 2017

Moore Stephens Europe

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Introduction

The Moore Stephens Europe *Doing Business In* series of guides have been prepared by Moore Stephens member firms in the relevant country in order to provide general information for persons contemplating doing business with or in the country concerned and/or individuals intending to live and work in that country temporarily or permanently.

Doing Business in the Czech Republic 2017 is intended to assist organisations that are considering establishing a business in the Czech Republic either as a separate entity or as a subsidiary of an existing foreign company. It will also be helpful to anyone planning to come to the Czech Republic to work and live there either on secondment or as a permanent life choice.

Unless otherwise noted, the information contained in this Guide is believed to be accurate as of 1 March 2017. However, general publications of this nature cannot be used and are not intended to be used as a substitute for professional guidance specific to the reader's particular circumstances.

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1. The Czech Republic at a glance

Geographical location and population

The Czech Republic has an area of 78 864 km². It is located in the geographical heart of Europe, and is bordered by Poland to the north, Slovakia to the east, Austria to the south and Germany to the west.

The population of the Czech Republic is 10.6 million (as of 31 December 2016). Prague, the capital, is the largest city, with a population of 1.27 million. Other major urban centres include Brno, Ostrava, Plzeň, Liberec and Olomouc.

Language, climate

The official language of the Czech Republic is Czech, which is a member of the western Slavic group of languages.

The climate is continental, with mild, sometimes hot summers and frequently cold winters; rainfall is generally moderate.

History, politics & government

The modern Czech Republic (*Česká republika*) consists of the historical territories of Bohemia and Moravia, plus a small part of Silesia. Originally a small duchy around Prague, under the Přemyslid dynasty and their successors, Bohemia became a powerful state and was elevated to a kingdom in 1212. Although formally a part of the Holy Roman Empire from 1002, it was only after the battle of Mohács in 1526 that Bohemia became integrated into the Hapsburg monarchy. It was the Bohemian revolt, which commenced with the famous Defenestration of Prague in 1618, that sparked off the Thirty Years' War. During the 19th century, Bohemia, now part of the Austro-Hungarian Empire, became that Empire's most industrially advanced region. Increasing nationalist sentiment culminated in the establishment of the Czechoslovak Republic (consisting of the Czech lands and Slovakia) in 1918, following the collapse of the Empire after its defeat in World War One. After 1934, Czechoslovakia remained the only full democracy in the whole of Central and Eastern Europe, but after the Munich agreement of 1938, was progressively occupied and annexed by Nazi Germany (although a puppet state was established in Slovakia). After the end of the World War Two, the Communist party seized power in a coup d'état in 1948 and imposed Soviet-style Communism on the country. The Prague Spring in 1968, in which a partial liberalisation of the Communist regime began, led to an invasion by Warsaw pact forces in August 1968. In 1989, in the so-called Velvet Revolution, the Communist régime collapsed and democratic rule was restored. On 1 January 1993, Czechoslovakia was peacefully dissolved into the two constituent states –the Czech Republic and Slovakia. The Czech Republic became a member of the European Union in 2004 and of NATO in 1999.

The Czech Republic is a parliamentary republic, in which the President as Head of State has certain reserved powers. The President may serve no more than two consecutive terms. Until 2013, the President was elected by a joint session of the two houses of Parliament, but in 2013 saw the first direct election, in which Miloš Zeman, of the centre-left Party of Civic Rights (SPOZ), was the victor. The head of government is the Prime Minister. This post is currently held by Bohuslav Sobotka, leader of the Czech Social Democratic Party. The next general election is scheduled for autumn 2017.

The Czech Parliament is bicameral. The lower house, the Chamber of Deputies, consists of 200 members elected every four years from 14 constituencies under the party-list system of proportional representation. The upper house, the Senate, is also directly elected and comprises 81 members, elected for six-year terms, in thirds every two years, in single-member constituencies in a two-round majority system.

Currency, time zone, weights & measures

The currency of the Czech Republic is the Czech crown, the *koruna*, ISO symbol (CZK). At the time of going to press (late June 2017), the *koruna* was quoted at 1 EUR = CZK 26.530 and at 1 USD = CZK .25.082. At the beginning of April 2017 the Czech National Bank decided to end the exchange-rate commitment. The discontinuation of the use of the exchange rate as an additional monetary policy instrument means that the *koruna* exchange rate will move according to supply and demand on the foreign exchange market. Experts do not expect higher exchange rate changes in the following year.

2. Doing business

Main forms of business organisation

The basic provisions governing business obligations and other specific aspects of doing business in the Czech Republic are set out in the Act of Corporations (*Zákon o obchodních korporacích*) and in the Civil Code (*Občanský zákoník*).

The main types of business entity are as follows.

The limited-liability company

This form of company, known in Czech as the *společnost s ručením omezeným*, abbreviated to *s.r.o.*, is broadly equivalent to the German GmbH or the English private limited company (Ltd). It has a minimum share capital of CZK 1 and may be incorporated by one or more persons, both legal entity or an individual. As its name implies, its members are liable for the company's debts only to the extent of any unpaid share capital. There is no restriction on foreign members or foreign directors. The company may have one or more directors, who together make up the executive board, and may at its discretion also appoint a supervisory board. Each shareholder may transfer his share to another shareholder unless the company's articles makes such a transfer conditional upon consent of the company board.

The joint-stock company

This form of company, known in Czech as the *akciová společnost*, abbreviated to *a.s.*, is broadly equivalent to the German AG or the English public limited company (plc). The a.s. is the only type of company that may offer its shares to the public. It has a minimum share capital of CZK 2 million or 80 thousand EUR, at least 30 % of which must be paid up. Banks and insurance companies have a minimum capital requirement of CZK 500 million. The company's internal organisation can be dualistic (board of directors plus supervisory board) or monistic, where the management board acts as the company's supervisory body and the statutory director as the company's statutory body. The board consisting of at least one director, and a supervisory board, also comprising at least one member. There is no requirement for members or directors be resident in the Czech Republic or be Czech nationals. The minimum number of shareholders is one and there is no maximum number of shareholders. As from 1 January 2014, it is no longer be mandatory for employees to be represented on the supervisory board.

The general partnership

Known as the *veřejná obchodní společnost*, abbreviated to *v.o.s.* in Czech, this is formed by two or more persons carrying on business under a common name. Partners may be legal persons or natural persons. The partners have unlimited joint and several liability for the partnership's debts.

The limited partnership

This type of partnership (*komanditní společnost, k.s.*) is formed by two or more natural or legal persons. At least one of the partners must be a general partner, with unlimited liability for the debts of the partnership. At least one partner must be a limited partner, liable for the partnership's debts only to the extent of his unpaid contributions to the partnership capital, as recorded in the Commercial Register.

Other entities

Mention should also be made of the cooperative (*družstvo*), which may be formed by a minimum of three members to undertake business activities for the economic or social benefit of their members. Members are not liable for the obligations of the cooperative. A cooperative has no minimum prescribed registered capital.

Since January 2014, Czech legislation allows the allocation of assets to a new entity – the trust fund (*svěřenský fond*) – similar to the Anglo-Saxon trust and modelled on the Québec trust (*fiducie*).

European Economic Interest Groupings and European Companies (SEs) may also be established in the Czech Republic. The Czech Republic currently has the greatest number of SEs in the whole of the European Union.

Foreign companies may establish a branch in the Czech Republic. A branch is not a separate legal person but must be registered in the Commercial Register.

Labour relations & working conditions

The Czech Republic has a skilled and educated labour force. Labour relations and working conditions are set in Labour Code (*Zákoník práce*) and government decrees. The maximum working week is 40 hours. The standard working week is Monday to Friday.

The statutory minimum wage is CZK 66.00 per hour (2017 rate). The average annual salary in 2016 was CZK 29 320. An employee is entitled to holiday pay and to a minimum of 20 days' paid annual leave a year (if working full-time). From 2017 the Czech Republic has 14 public holidays a year.

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Employees are free to join or not to join a trade union. According to the OECD database of trade union density, about 12.7 % of eligible employees were members of a trade union in 2013. There is no single nationwide trade-union confederation, but the largest is the ČMKOS (*Českomoravská konfederace odborových svazů*).

In 2016, the average unemployment rate was 3.5 %.

Employees and employers make social security contributions (see Chapter 9).

Work permits, residence permits, visas etc.

Foreigners from outside the European Union wishing to work in the Czech Republic need to have a valid work permit issued by the Labour Office (*Úřad práce*) and a residence permit to live in the Czech Republic.

3. Finance and investment

Business regulation

Intellectual property, trademarks and copyrights are protected in the Czech Republic under the Copyright Act (*Autorský zákon*).

Banking & finance

The Czech National Bank (*Česká národní banka* – CNB) is the central bank of the Czech Republic. The CNB regulates monetary policy, banking supervision and the financial markets.

Share trading is carried out on the Prague Stock Exchange (*Burza cenných papírů Praha*), which was founded in 1861 but reopened in its present form in 1993. It operates two markets – SPAD for large and medium investors, and module auctions for smaller investors. The Exchange is owned by CEESEG Aktiengesellschaft – Wiener Börse AG.

Exchange controls

The Czech Republic does not operate exchange control, so funds may flow freely into and out of the country. Certain statistical reporting is, however, necessary.

Incentives to investment

The Czech Republic offers a variety of investment incentives under various conditions. Investment incentives include:

- Income tax relief (see Chapter 6)
- Exemption from property tax (see Chapter 8)
- Employment subsidies for job creation
- Training and retraining of employees
- Financial support for the acquisition of assets

For some projects, subsidies from EU Structural Funds may also be available.

4. The accounting and audit environment

Accounting regulations

Czech accounting legislation is harmonised to a great extent with EU law. Nevertheless, the tax and accounting legislation differ considerably.

The contents of financial statements are prescribed by law and must be drawn up according to Czech generally accepted accounting standards. Czech accounting differs slightly from International Financial Reporting Standards (IFRS). For instance, a leased asset is to be shown in the lessor's balance sheet.

Annual financial statements must consist of a statement of financial position (balance sheet), statement of income and notes to the financial statements. A statement of cash flows and statement of changes in equity are mandatory for companies that have obligatorily audited financial statements. Annual financial statements are published in the Commercial Register, and must be filed together with the company tax return at the relevant local tax office.

Since 1 January 2016, the Accounting Act defines four categories of accounting entities:

Table 1

| | Micro | Small | Medium-Sized | Large |
|-----------------------------|---------|------------------|--------------------|-----------|
| Net assets | ≤9 mln | >9 mln ≤100 mln | >100 mln ≤500 mln | >500 mln |
| Annual turnover | ≤18 mln | >18 mln ≤200 mln | >200 mln ≤1000 mln | >1000 mln |
| Average number of employees | ≤10 | >10 ≤50 | >50 ≤250 | >250 |

Note: mln = million. All currency units are CZK.

Micro, small, medium-sized and large accounting entities are those that meet at least two of the above criteria.

Under the Czech Accounting Directives and the Accounting Act (*Zákon o účetnictví*) the controlling entity is obliged to prepare consolidated financial statements where the group of companies on a consolidated basis exceeds two of the three following criteria:

- Net assets CZK 100 million
- Turnover of CZK 200 million
- 50 employees

A small group is not obliged to prepare consolidated financial statements (except in the case of public-interest entities).



Companies traded on the stock exchange have to use IFRS, as modified by EU law.

Since 1 January 2016, Accounting Directives and the Accounting Act newly regulate not only double-entry bookkeeping, but also simple accounting for certain small entities.

Accounting records must be kept in the Czech language and in Czech crowns.

Audit requirements

The financial statements, consolidated financial statements and annual reports must be audited, in accordance with the Act on Accounting, by an independent auditor where prepared by:

- Large and medium-sized accounting entities
- Small accounting entities – joint-stock companies that in the current and the previous accounting period meet at least one of the following criteria:
 - total net assets CZK 40 million
 - net turnover CZK 80 million per annum
 - average number of employees 50
- Other small accounting entities that in the current and the previous accounting period meet two of the above criteria.

Micro accounting entities are not obliged to have financial statements audited.

A newly established company may even have its first financial year's statements audited if it is likely that it will soon become a large or a medium-sized company.

Regardless of the above criteria, any accounting unit may have to undergo a statutory audit if this is a requirement under other legislation. Audits of financial statements are conducted under International Auditing Standards.

Publication and archiving

Companies must publish annual financial statements in the Collection of Deeds at the Commercial Register. Audited companies publish an annual report containing financial statements, a report on relations and an auditor's report.

Accounting records must be archived for a minimum period of between five and 30 years depending on the type of document. Records relating to tax must remain available in respect of those taxable periods in relation to which the statute of limitations has not yet expired.

5. Overview of the tax system

Main taxes

- Corporate income tax (*daň z příjmů právnických osob*)
- Personal income tax (*daň z příjmů fyzických osob*)
- Value added tax (VAT) (*daň z přidané hodnoty*)
- Customs duties (*cla*)
- Excise duties (*spotřební daně*)
- Immovable property tax (*daň z nemovitých věcí*)
- Real estate acquisition tax (*daň z nabytí nemovitých věcí*)
- Road tax (*silniční daň*)
- Environmental tax (*ekologická daň*)

The Czech Income Tax Act (*Zákon o daních z příjmů*) regulates both the taxation of corporate bodies and individuals.

The regional tax office is determined by the company's headquarters or residence of the taxpayer. A specialised Tax Office (STO) has nationwide jurisdiction for large taxpayers making a significant contribution to tax revenue (turnover exceeding CZK 2000 million).

The frequency of tax audits depends on the place of a taxpayer's residence – commonly, tax audits take place more often in smaller towns and municipalities.

Appeals

Taxpayers have the right to appeal against decisions of the tax authorities arising from tax audits and leading to an increase in their tax liability. Appeals must be made in writing to the authorities within the period relevant to the decision (this is usually 30 days). Taxpayers who remain dissatisfied with the appeal decision may then appeal to the courts.

6. Taxes on business



Corporate income tax

Nature and scope

Corporate bodies are subject to corporate income tax, which is governed by the Income Tax Act (*Zákon o daních z příjmů*) and related legislation.

Resident companies are taxed on their worldwide income and non-resident companies only in respect of their Czech-source income.

Definition of residence

A company is considered to be resident in the Czech Republic if it has its legal 'seat' (registered office) or its place of effective management there.

Taxable persons

Companies and other corporate bodies (including mutual funds) are subject to corporate income tax. The treatment of partnerships is mixed. In a general partnership, only income subject to a final withholding tax is taxed at the partnership level; other income is taxed in the hands of the individual partners. In a limited partnership, the limited partner's or partners' shares are subject to corporate income tax whereas the general partners' shares are taxed at the level of those partners.

Taxable period

The taxable period corresponds to the accounting period, which is the calendar year by default. Companies wishing to adopt an accounting period other than the calendar year must first notify the tax authorities and do so at least three months before the intended commencement date of the new period.

Taxable income

The taxable profit is based on the profit before tax as recorded in the income statement, and is adjusted for exempt income and non-tax-deductible items.

Exempt income

Exempt income most notably includes certain dividends, capital gains and certain gratuitous income.

Capital gains

Capital gains are generally taxable as income. However, gains derived from the disposal of shares qualifying for the participation exemption (see under 'Dividends' below) are exempt in turn.

Deductions

All expenditure incurred in generating, securing and maintaining taxable income is normally deductible for tax purposes.

Depreciation

According to Czech GAAP, asset depreciation must correspond to the expected useful life of the asset. Under the Income Tax Act, fixed assets are divided into six depreciation groups, each with its own depreciation period, and tax depreciation is independent of the date of acquisition and of the age of the asset. Companies may also choose not to take depreciation in any accounting period. Tax depreciation can thus considerably diverge from accounting depreciation, especially if accelerated depreciation is available for tax purposes.

Generally speaking, the rate of depreciation does not simply correspond to the inverse of the depreciable period, since the rate applied in the year of acquisition is generally lower and the rate in subsequent years generally higher than the rate that would apply if depreciation were taken uniformly.

Table 2 shows six categories of asset and the corresponding (straight-line) rates of depreciation under the default method.

Table 2

| Depreciation category | Description of asset | Depreciation period (years) | First-year rate (%) | Rate in subsequent years (%) |
|-----------------------|--|-----------------------------|---------------------|------------------------------|
| 1 | IT and office equipment, some horticultural and agricultural machinery | 3 | 20 | 40 |
| 2 | Motor vehicles, aircraft, some machinery | 5 | 11 | 22.25 |
| 3 | Heavy machinery | 10 | 5.5 | 10.5 |
| 4 | Pipelines, power lines, light buildings | 20 | 2.15 | 5.15 |
| 5 | Other buildings, bridges | 30 | 1.4 | 3.4 |
| 6 | Office buildings, hotels, shopping centres | 50 | 1.02 | 2.02 |

Companies that predominantly derive agricultural or silvicultural income and are the first owners of machinery used in those activities may apply a different set of rates for assets in Classes 1 to 3. Similarly, companies that are the first owners of water-purification equipment may apply a different set of rates to assets in those categories. Furthermore, yet another set of rates (increasing the first-year rate at the expense of subsequent-year rates, but not in the case of motor vehicles) may be adopted for Classes 1 to 3 by companies that are the first owners of those assets.

A special depreciation régime applies for tangible fixed assets used for the production of electricity from solar power.

Finally, companies may opt for accelerated depreciation, which is calculated according to a formula, the result of which is to produce a modified version of reducing-balance depreciation.

Intangible assets may be amortised at a uniform straight-line rate over their estimated useful life if they cost over CZK 60,000 to acquire. Purchased goodwill (the difference between the purchase price of a going concern and the aggregate book values of its assets) may also be depreciated on a monthly basis (equivalent to 180 months).

Bad and doubtful debts

Provisions against bad and doubtful debts are deductible to varying extents, according to the age of the debt.

For debts that arose before 1 January 2014, the deduction may not exceed 20% of a debt of no more than CZK 200 000, provided that it is more than six months overdue. If the debt exceeds CZK 200 000, prescribed steps must have been taken towards recovering the debt. A greater percentage is progressively deductible as the overdue period extends, 100% being the maximum once the debt is three years or more overdue.

In the case of debts that arose in 2014, a deductible provision of 50% of the debt may be created when the debt is more than 18 months overdue, rising to 100% when the debt is more than 36 months overdue.

For debts that have arisen after 31 December 2014, a deductible provision of 50% of the debt may be created when the debt is more than 18 months overdue, rising to 100% when the debt is more than 30 months overdue.

Non-deductible expenses

Expenditure not deductible for tax purposes includes:

- Corporate income tax itself; however, immovable property tax and immovable property transfer tax are deductible (if these were paid)
- Expenditure incurred in generating non-taxable income
- Entertaining expenses (including meals with customers)
- Certain non-contractual benefits-in-kind
- Expenditures paid for other taxpayers

Dividends

Dividends received from other resident companies are generally taxable, but subject to a final withholding tax (see under 'Withholding taxes' below) and thus not included in taxable profits.

For substantial corporate shareholdings, however, there is a participation exemption. In the case of dividends from other Czech-resident companies, the exemption applies where:

- The recipient company has held at least 10% of the distributing company's share capital for an uninterrupted period of at least 12 months immediately before the distribution and
- The distributing company is resident in the Czech Republic and subject to Czech corporate income tax

The holding-period requirement may also be satisfied post facto provided that the minimum-holding requirement is satisfied at the date of the distribution.

With regard to foreign dividends, the participation exemption applies where:

- The recipient company takes one of the forms listed in the EU Parent-Subsidiary Directive (2011/96/EU) and has held at least 10% of the distributing company's share capital for an uninterrupted period of at least 12 months immediately before the distribution
- The distributing company is resident in the European Union, takes one of the forms listed in the EU Parent-Subsidiary Directive (2011/96/EU) and is subject to a corporate income tax as listed in the Directive and is unable to opt for exemption from that tax

Where the distributing company is resident outside the European Union, the participation exemption applies where:

- The recipient company has held at least 10% of the distributing company's share capital for an uninterrupted period of at least 12 months immediately before the distribution and
- The distributing company must have a legal form comparable to a Czech a.s., s.r.o. or cooperative, be resident in a jurisdiction with which the Czech Republic has concluded a double tax treaty (for which see Appendix 1) and be subject to a corporate income tax at an effective rate of at least 12%

Interest and royalties

Interest and royalties received from domestic or foreign sources are taxable at the ordinary rate of corporate income tax. Where the payer is resident in the Czech Republic, there is no withholding tax. The exemption applies on the similar conditions as in case of dividends, however the recipient of interest or royalties has to file an application with the tax office in advance.

Group taxation

Czech law does not provide for any special regime for groups of companies. Thus, there is no facility for transferring losses or for consolidated filing.

Losses

Losses may be carried forward for a maximum of five years and may be set off against capital gains as well as ordinary income. There is no carry-back of losses. A change of ownership affecting more than 25% of the registered share capital or voting rights will result in a forfeiture of unrelieved losses unless the company derives at least 80% of its income in the relevant period from activities identical to those performed in the period in which the loss was incurred.

Capital losses, however, are generally not deductible, except for losses arising from the sale of shares not representing a controlling or significant holding.

Thin capitalisation

Interest payable is generally deductible if the rate is no greater than arm's length and is incurred with respect to taxable income. However, financing costs (interest and related expenses) of loans from related parties are not deductible to the extent to which the debt-equity ratio exceeds 4:1 (6:1 in the case of banks and insurance companies). Any excess interest may, subject to a relevant double tax treaty, be recharacterised as a dividend.

Transfer pricing

Transfer-pricing rules require prices between related parties (wherever the other party is resident) to be at arm's length. Where they are not, and the taxpayer cannot adduce valid economic reasons, the appropriate adjustments will be made.

Where a Czech company pays an above arm's length price to a related party resident outside the European Economic Area, the excess is reclassified as a dividend subject to the appropriate rate of withholding tax.

Czech law does not prescribe what methods must or may be used to arrive at arm's length prices, but the tax authorities generally follow OECD guidelines.

There are no mandatory requirements for transfer-pricing documentation, but Decree D-334 sets out recommendations, broadly in line with the EU Code of Conduct on Transfer Pricing Documentation.

Taxpayers may apply to the tax authorities for binding rulings on the appropriateness of the methods they use to derive arm's length prices.

An annex to the corporate income tax return has been introduced effective from 2014 to include an overview of transactions with related parties. The annex has to be completed by companies meeting at least one of the following criteria:

- Assets in excess of CZK 40 million
- Net turnover exceeding CZK 80 million
- An average number of employees exceeding 50

and who have:

- Carried out a transaction with a related party located abroad or
- Shown a loss in their tax return and, at the same time, carried out a transaction with a related party (in the Czech Republic or abroad) or
- Have received or will receive investment incentives in the form of tax relief and, at the same time, have carried out a transaction with a related party.

If the company has recorded a loss in its tax return or has or will receive investment incentives, it must complete this annex for all related parties involved in these transactions. In other cases the company will only return foreign transactions.

Czech tax authorities are paying increasing attention to transactions with related parties.

Controlled foreign company (CFC) rules

The Czech Republic has no CFC legislation.

Other anti-avoidance legislation

With respect to the implementation of the OECD's BEPS Action Plan into Czech law, more strict regulation in this area can be expected in the future. It is also the case that most of the provisions of the EU Anti-Tax Avoidance Directive (ATAD) must come into force by the end of 2019, and will result in more restricted opportunities for the tax deductibility of interest, the use of hybrid structures or other more aggressive forms of tax planning. For transfer of tax residence, exit taxation (i.e. taxation of gains in cross-border transactions and by transfer of tax residency) is under consideration.

Withholding taxes on outbound payments

Dividends

Dividends paid to resident companies and individuals are subject to a final 15% withholding tax.

Dividends paid to non-resident persons are subject to withholding tax of either 15% or 35%. The 35% rate applies where the recipient is resident outside the European Economic Area or in a jurisdiction that has neither a double tax treaty nor a bilateral agreement for tax information exchange with the Czech Republic.

For dividend payments to companies within the European Economic Area (including Liechtenstein) and Switzerland, there is no withholding tax where the recipient company has held at least 10% of the share capital of the Czech distributing company for an uninterrupted period of at least 12 months immediately preceding the distribution. The same procedure is applied when profits are distributed from companies from the European Economic Area or Switzerland to a parent company from the Czech Republic. It is possible for the holding-period requirement to be satisfied *post facto*. Dividend payments in this connection extend to excess interest and transfer prices recharacterised as dividends.

These rates may be reduced under a double tax treaty.

Interest

As with dividends, interest paid to a resident natural person is subject to a final withholding tax of 15%, whereas where paid to a resident legal person, it is free of withholding tax.

Similarly, interest payable to non-resident persons is subject to withholding tax of 15% or 35%. The 35% rate applies where the recipient is resident outside the European Economic Area or in a jurisdiction that has neither a double tax treaty nor a bilateral agreement for tax information exchange with the Czech Republic.

For interest payments to companies resident within the European Economic Area (including Liechtenstein) or in Switzerland, there is no withholding tax where the beneficial owner of the interest is an associated company. A company is associated with the paying company where one of them has had a direct holding of at least 25% in the share capital of the other or a third person has had a direct holding of at least 25% in both for an uninterrupted period of at least two years immediately preceding the payment. It is possible for the holding-period requirement to be satisfied *post facto*. A decision of the tax administrator is necessary to certify the tax exemption.

Royalties

The same rules apply to royalties as to interest payments.

Other income

Payments for rents payable to foreign persons are subject to withholding tax at either 15% or 35%. The same rules apply in respect of the 35% rate as apply in respect of dividends, interest and royalties, namely that the 35% rate applies where the recipient is resident outside the European Economic Area or in a jurisdiction that has neither a double tax treaty nor a bilateral agreement for tax information exchange with the Czech Republic. There is no exemption corresponding to the Parent-Subsidiary or Interest and Royalties Directives, but tax treaties may reduce the applicable rate in certain cases.

Double taxation relief

Foreign taxes paid abroad are generally deductible as expenses in the year following the year in which they were paid, unless a tax treaty provides otherwise or unless the tax relates to income that is exempt from corporate income tax in the Czech Republic. Tax treaties usually provide exemption by way of credit, although in the case of business income, treaties often exempt this.

Tax incentives

Major investment

A number of tax incentives exist under varying conditions for companies making large-scale investments in the Czech Republic. Criteria for a qualifying investment may be its value in monetary terms or the number of new jobs that it creates. Incentives are available for investment in manufacturing industry, technological centres or strategic service centres.

Manufacturing industry: Minimum investment in long-term tangible and intangible assets in the amount of CZK 50 million in regions with high unemployment, of which at least CZK 25 million must be invested in new machinery, or in other regions CZK 100 million, of which at least CZK 50 million must be invested in machinery. At least 20 new jobs must be created.

Technological centres: A minimum of CZK 10 million must be invested and at least 20 new jobs created; at least CZK 5 million must be invested in machinery.

Strategic services: The number of new jobs that must be created depends on the type of industry and the type of strategic service. Software developers and data centres must create 20 new jobs, shared services centres and repair centres 70 new jobs, call centres 500 new jobs.

Where these criteria are satisfied, the company receives full relief from any resulting additional liability to corporate income tax, by comparison with the higher liability of the two years preceding the investment. If the investing company is new, it qualifies for full exemption from corporate income tax for its first 10 years.

The maximum aid amount is 25% of total eligible costs depending on the regional map of aid intensity.

The territory of the city of Prague is excluded from the possibility of receiving investment incentives.

Effective from 2015, a recipient of investment incentives that later undergoes a reconstruction but still complies with the requirements of the Act on Investment Incentives, will no longer have to return the funds received in the form of tax credit. Moreover, it may, before the reconstruction takes place, apply for consent to pass the relevant reliefs and obligations to the successor company.

New recipients of investment incentives may waive their rights to draw the associated tax credits.

Research and development

Expenditure on approved research and development projects qualifies for a 'superdeduction' of 200% of eligible costs (mostly wage costs, social and health insurance costs and asset depreciation); or 210% if expenditure exceeds the previous year's.

Vocational education of students

The costs of vocational on-the-job training are eligible for a deduction of CZK 200 per hour per trainee.

The acquisition of assets for use in providing vocational training may qualify for a superdeduction of 150% or 210%.

Disability credit

Companies may receive a tax credit of CZK 18 000 or CZK 60 000 for each disabled employee (based on the average headcount), depending on the degree of disability.

Rate of corporate income tax

The rate of corporation income tax in 2017 is 19% (unless a final withholding tax applies).

Returns, assessment and payment

A corporate tax return must normally be filed (together with the annual financial statements) no later than the first day of the fourth month following the end of the taxable period (hence by 1 April in most cases). If the company concerned is subject to statutory audit or a tax adviser is involved, the deadline is extended to the first day of the seventh month (hence by 1 July in most cases).

A self-assessment system operates in the Czech Republic.

Payment of tax

Unless their final tax liability in the previous year exceeds CZK 30 000, companies need not make advance payments of their current year's liability in instalments.

Companies whose tax liability in the previous year exceeded CZK 30 000 but did not exceed CZK 150 000 make two advance payments each of 40% of the previous year's liability. These instalments are due by the 15th day of the sixth and twelfth months of the company's accounting period, hence normally by 15 June and 15 December. Companies whose liability exceeded CZK 150 000 must pay four equal instalments each of 25% of the previous year's liability, no later than the 15th day of the third, sixth, ninth and twelfth months of the accounting period, hence normally by 15 March, 15 June, 15 September and 15 December.

Any balance of tax payable must be remitted together with the tax return.

Overpayments of tax will be refunded with 30 days of the taxpayer company's application.

If the tax return is overdue by more than five working days, a penalty of 0.05% of the tax due (or 0.01% of the tax loss) is imposed for each day of the delay, but limited to the greater of 5% of the tax due or of the tax loss) and CZK 300 000.

Failure to pay tax due for more than five working days incurs a daily penalty at the annual repo rate stated by the Czech National Bank valid for the first day of the relevant calendar half-year, enhanced by 14% (as of 31 March 2017, by 14.05%).

Value added tax

Value added tax (VAT) as regulated by the European Union is generally charged on the supply of goods or services where the place of supply is in the Czech Republic, no matter whether the customer is a private person or a business. It is thus a multi-stage tax charged at each stage of the product cycle but is ultimately borne by the end-user (final consumer). It is also levied on imports of goods from outside the European Union. The overall framework of the tax is the competence of the European Union, as legislated in the VAT Directive (2006/112/EC) and associated Directives and Regulations. These allow Member States several options in application of the tax, not the least of which is the power to set rates (within certain broad parameters).

As elsewhere in the European Union, supplies may be taxable, exempt (with or without the right to VAT deduction) or outside the scope. Exempt supplies with the right to deduct are sometimes referred to as 'zero-rated'. Businesses making exclusively taxable or zero-rated supplies generally qualify for full deduction of input VAT (the VAT they have incurred making supplies). Businesses making exclusively exempt supplies without the right to deduct do not qualify for deduction of input VAT. Businesses making a mixture of exempt supplies without the right to deduct and taxable or zero-rated supplies may fully deduct only the input VAT directly incurred on making the taxable or zero-rated supplies. Partial deduction will be available for overheads and other indirect costs.

VAT in the Czech Republic is governed by the Value Added Tax Act (*Zákon o dani z přidané hodnoty*), which is in conformity with the EU VAT Directive (2006/112/EC).

Following the introduction throughout the European Union of new place-of-supply rules for electronically supplied services, telecommunication services and radio and television broadcasting services provided to non-taxable persons on 1 January 2015, the locally competent tax office for MOSS in the Czech Republic is situated in Brno.

Taxable entities

Businesses ('taxable persons') charging VAT to their customers are liable to report and pay this VAT to the Czech tax authorities. Any VAT incurred in the course of the taxable person's taxable activity (e.g. charged by the taxable person's suppliers), can in principle be deducted or set off against the VAT due. Only the net amount must be paid to the tax authorities. If there is a balance of deductible VAT, the amount is in principle recoverable from the tax authorities (but see below). Consequently, the real burden of VAT falls on the final consumer, with the intervening business effectively acting as a collecting agent for the tax authorities.

Although most taxable persons are businesses and most businesses are taxable persons, a taxable person is any person independently carrying on an economic activity. The definition of 'economic activity' is quite wide, so that on occasion, even persons not carrying on a business in the generally understood sense of the word may have to charge and pay over VAT.

VAT rates and exemptions

The standard rate of VAT in the Czech Republic is 21%. There is also a first reduced rate of 15% and a second reduced rate of 10%.

The first reduced rate applies, *inter alia*, to:

- Most foodstuffs
- Certain passenger transport
- Most books, newspapers and magazines
- Admission to cultural events
- Hotel accommodation

- Catering services and
- Medical and dental care (where not exempt)

The second reduced rate applies, *inter alia*, to:

- Initial and continuing infant nutrition
- Selected pharmaceutical products
- Printed books, books for children, sheet-music

When the place of supply of goods or services is deemed to be outside the Czech Republic, no Czech VAT should be charged. This is, for example, the case for most types of services supplied to foreign businesses and intra-EU supplies. This is also the case with exports of goods from the European Union to third countries.

Although no VAT is charged, a taxable person who is fully established in the Czech Republic may in principle still normally deduct VAT incurred for the purpose of these activities ('exemption with the right to deduct'). There are also other exempt transactions, such as supplies of land, insurance, certain legal services as well as postal, financial, educational and health services, which do not carry the right to deduct. In other words, the taxable person making these exempt supplies cannot deduct or recover the VAT he has incurred on his purchases and expenses related to this activity ('exemption without the right to deduct').

Registration

Anyone who is liable to pay VAT to the Czech tax authorities and any taxable person 'established' in the Czech Republic (whether based in the Czech Republic or having a fixed establishment there from which taxable transactions are carried out) must in principle register for VAT purposes and obtain a VAT identification number. The Czech identification number consists of the letters CZ followed by a nine or twelve-digit number.

Foreign taxable persons with a fixed establishment for VAT purposes in the Czech Republic must register in the same way as a Czech taxable person.

Foreign taxable persons without a fixed establishment in the Czech Republic from which taxable transactions are carried out should only register for Czech VAT purposes if they carry out taxable activities in the Czech Republic for which they are liable to pay Czech VAT (i.e. where there is no application of the reverse charge, which makes the customer liable for payment of the tax due). This can, for example, be the case where the taxable person:

- Makes intra-EU acquisitions of goods from other Member States
- Makes local supplies of goods or services to non-taxable persons or
- Carries on a property business (selling or letting immovable property) in the Czech Republic

Registration thresholds

The small-business registration threshold in the Czech Republic is CZK 1 million (by reference to the VAT-exclusive turnover in the previous 12 months). This threshold applies only in the case of Czech taxable persons. Taxable persons not established in the Czech Republic who make taxable supplies there must register no matter what the value of their transaction(s).

The distance-selling threshold (for taxable persons selling into the Czech Republic) is CZK 1 140 000 (approx. EUR 42 175). The registration threshold for non-taxable persons making intra-EU acquisitions in the Czech Republic is CZK 326 000 (approx. EUR 12 060).

VAT returns and other statements

The standard return period is one calendar month. Businesses whose turnover in the previous calendar year did not exceed CZK 10 million (or is unlikely to exceed that amount in the current year) may apply for a quarterly return period.

Returns must be filed no later than the 25th day of the month following the end of the return period, which is when payment is also due. VAT returns must be filed electronically.

If there is an excess of input tax over output tax for a period, the excess is normally refunded within 30 days.

If taxable persons supply goods or provide selected services to another EU Member State, then they have an obligation to submit an EC sales list in addition to their VAT return. The EC sales list must be submitted no later than the 25th day of the month following the end of the return period, but in the case of goods, on monthly basis.

INTRASTAT reporting is compulsory for taxable persons performing intra-EU transactions related to the supply or acquisition of goods. Such transactions must be electronically reported to customs authorities on a special form; the reporting period is a calendar month. Transactions under the threshold of CZK 8 million do not need to be reported.

From 1 January 2016, almost all taxable persons must submit a VAT control statement with their VAT return. A VAT control statement contains basic information on taxable supplies provided and received. In the case of companies, the VAT control statement must be submitted no later than the 25th day of the month following the end of the return period. Individuals must submit a VAT control statement monthly or quarterly, according to their reporting period.

VAT grouping

Related parties may form a VAT group. Parties are related if one directly or indirectly holds at least 40% of the share capital or voting rights in the other or the same party directly or indirectly holds 40% of the share capital or voting rights in both. Parties may also be related if they share the same management.

Blacklist of taxable persons

The VAT Act contains measures in the fight against tax evasion, including the introduction of an 'unreliable taxpayers' register. If a supplier is identified as an unreliable payer and does not pay tax on his outputs, the tax authorities may enforce a claim for the tax on his customers. It can be anticipated that customers will endeavour not to deal with taxable persons on the blacklist, which will reduce the risk of tax evasion. According to information from the General Financial Directorate, the following situations are among those considered as from January 2013 to be serious breaches of VAT obligations, triggering a possible entry in the register:

- Where tax exceeding CZK 500 000 had to be assessed or additionally assessed by other means (i.e. substitute means not drawing on the taxpayer's documents)
- Where the taxpayer has not paid the amount demanded under a 'securement' order within the specified time
- Where the tax authorities record VAT arrears of at least CZK 500 000 for a period of at least three consecutive calendar months.

Electronic recording of sales

As of 1st December 2016, selected businesses that accept cash must keep an electronic record of sales in the form of immediate electronic reporting of cash transactions to the tax authorities.

Businesses become subject to the electronic recording of sales gradually, as follows:

- 1st Phase – as of 1 December 2016 – accommodation and food services
- 2nd Phase – as of 1 March 2017 – retailers and wholesalers
- 3rd Phase – as of 1 March 2018 – other activities except those slated for the 4th phase (e.g. liberal professions, transport, agriculture)
- 4th Phase – as of 1 June 2018 – selected crafts and production activities.

7. Personal taxation

Personal income tax

Territoriality and residence

Individuals are subject to personal income tax. If they are resident for tax purposes in the Czech Republic, they are liable in respect of their worldwide income, whereas non-residents are liable in respect of their Czech-source income only.

An individual is considered to be resident in the Czech Republic if the individual has his or her permanent home or habitual abode there. Physical presence for 183 days or more in a calendar year is sufficient to establish a habitual abode.

The family unit

There is no joint taxation of married couples or other types of household. Each taxpayer forms a separate taxable person. However, collaborating individuals (a spouse or other persons living in one household and as of 2015 also a family member taking part in the operation of the family business) can share in the joint income but are still taxed separately.

Taxable income

Personal income tax is charged on:

- Employment income
- Business income
- Investment income
- Rental income
- 'Other' income

Taxable income is computed separately for each type of income and the result aggregated together. Certain types of investment income may, however, be subject to a final withholding tax and thus not be aggregated in the total taxable base.

Taxable period

The normal taxable period is the calendar year

Exempt income

Exempt income includes alimony payable under law and prizes not exceeding CZK 10 000. For exempt capital gains, see below.

Income from employment

Income from employment includes all forms of remuneration in cash and in kind from an employment relationship, past, present or future. Fees paid to managers and directors of limited-liability companies are classed as employment income, as is the income of a limited partner in a limited partnership.

It is a feature of Czech law that not only are an employee's social security contributions not deductible in computing taxable income but also that the employer's contributions are included in the employee's taxable income.

Benefits-in-kind

Although all benefits-in-kind are in principle taxable, a wide range of benefits is exempt. Exempt benefits include:

- Reimbursement of business travel (if within the stipulated limits)
- Employer's contributions to an employee's supplementary pension funds and private life insurance not exceeding CZK 50 000 per year
- Vocational training fees
- Free works canteens and catering
- The value of temporary accommodation not exceeding CZK 3500 per month

A further range of benefits is exempt if provided out of a special fund for employee welfare financed by the employer from post-tax income. These include recreational and healthcare facilities, workplace nurseries and loans at favourable rates of interest for housing or in case of financial difficulties.

Where benefits are taxable, they are normally valued at market value. The value of a company car is the greater of 1% of the acquisition cost of the vehicle and CZK 1000 per month, plus the cost of employer-provided fuel for private use.

There are no deductions for expenses in employment.

Salary tax

Employers are required to deduct income tax and social security contributions from salary payments.

Business and professional income

This category of income includes income from farming, trade or business and the liberal professions, as well as the profit shares of partners in a general partnership and of general partners in a limited partnership.

Taxable income is computed in one of two ways. For businesses registered in the Commercial Register or having an annual turnover exceeding CZK 25 million, double-entry bookkeeping under the accrual method is compulsory. Such individuals compute their income and deductible expenses under the same rules that apply to companies (see Chapter 6). In other cases, income and expenditure are computed on a cash basis.

In principle, all expenditure incurred in deriving taxable income is deductible. For depreciation, see Chapter 6.

Taxpayers operating on the cash basis may choose between deducting actual allowable expenditure or claiming a standard, lump-sum deduction, as follows:

Table 3

| Type of business | Deduction as % of turnover |
|---------------------------------------|----------------------------|
| Agriculture or industry | 80 (max. CZK 800 000) |
| Other activities requiring a licence | 60 (max. CZK 600 000) |
| Non-licensable business or profession | 40 (max. CZK 400 000) |
| Hire or leasing of business assets | 30 (max. CZK 300 000) |

A loss may be deducted from rental income or other income. Any excess may be carried forward for up to five years.

Investment income

Dividends

Dividends from Czech companies are normally paid under deduction of 15% withholding tax (see Chapter 6), which is final.

Interest

Interest from securities and savings accounts is also subject to a final 15% withholding tax.

Royalties

Royalties are normally taxable as business and professional income.

Rental income

Taxable income from the rental of movable or immovable property may be reduced by actual expenses incurred or by a lump-sum 30% deduction (max. CZK 300 000: see Table 3 above). A loss may be deducted from business and professional income or other income. Any excess may be carried forward for up to five years.

Other income

Other taxable income includes non-exempt capital gains, but is exempt to the extent that does not exceed CZK 30 000.

Capital gains

Capital gains are in principle taxable as income, but there are some important exceptions.

Gains on the sale of immovable property are exempt if the taxpayer has held the property for at least five years. In the case of the taxpayer's main residence, the gain is exempt if it has been such for at least two years preceding the sale.

Gains from the sale of portfolio shareholdings are exempt after a holding period of three years. Income not exceeding CZK 100 000 per year is exempt.

Deductions and allowances

Several types of private expenditure qualify for a deduction against taxable income.

Mortgage interest

The first CZK 300 000 per year of interest payable on a loan to purchase the taxpayer's main residence is deductible.

Pension contributions

Contributions paid to the state supplementary pension fund or to private pension funds are deductible up to a maximum of CZK 24 000. The same holds for life-assurance premiums.

Social security contributions (see Chapter 9) are not deductible, it will be recalled.

Charitable etc. donations

Donations to charitable, cultural, educational and scientific bodies are deductible provided that the total value of deductions is the greater of CZK 1000 and 2% of taxable income before donations. The maximum deduction that may be claimed is 15% of taxable income.

Personal allowances

The taxpayer's personal circumstances are recognised through a system of tax credits rather than allowances. The main allowances are shown in Table 4.



Table 4

| Type of credit | Amount (CZK) |
|--------------------|-----------------------|
| Personal | 24,840 ⁽¹⁾ |
| Spouse | 24,840 ⁽²⁾ |
| Partial disability | 2,520 |
| Full disability | 5,040 |
| Severe disability | 16,140 |
| Study | 4,020 ⁽³⁾ |
| Child (per child) | 13,404 ⁽⁴⁾ |

(1) Not available against pension income

(2) Provided that the spouse's taxable income does not exceed CZK 68 000 (the credit is CZK 49 680 if the spouse is severely disabled)

(3) The student must be no older than 26 (28 in the case of a doctorate)

(4) For the 2nd child the amount of the credit is CZK 19 404, for the 3rd and each additional child the credit is CZK 24 204

It is also possible to claim a credit for placement of a child in a pre-school. The tax credit may be applied in the amount of expenses actually incurred, up to a maximum of CZK 11 000.

Taxpayers receiving pension income are also eligible for the personal credit. Pensions themselves are exempt up to an amount of CZK 396 000.

Rate of tax

There is a single, flat rate of tax of 15%. However, from the year 2013, there is a surtax of 7% on that part of taxable income from employment or a business or profession exceeding forty-eight times the annual average salary. This amount is CZK 1 355 136 in 2017.

Returns and administration

Returns

Taxpayers receiving employment income and no more than CZK 6000 from all other sources are not obliged to file a tax return. Other taxpayers must do so if their aggregate income exceeds CZK 15 000. Tax returns must normally be filed by 1 April. Where a tax adviser is involved or the taxpayer has a business that is subject to statutory audit, the deadline is extended to 1 July.

As of 2017, an employee can decide to file a tax return for 2016 in a simplified version.

Assessment and payment

The taxpayer makes a self-assessment and pays the balance of any tax due at the same time as filing the return. Where there has been an overpayment, the tax authorities must make a refund within 30 days of the taxpayer's application. The tax authorities have three years in which to challenge the taxpayer's self-assessment.

Inheritance and gift taxes

Since the abolition of inheritance and gift taxes in 2014, amounts received by way of inheritance or gift are in principle subject to income tax. Inheritances are generally tax-exempt, however, and gifts are exempt if passing between certain family members and between persons living in the same household for a period at least one year before the gift was made.

Moreover, gifts up to an annual value of CZK 15 000 are generally exempt from income tax. Gifts made to persons abroad are generally subject to 15% withholding tax unless the relevant double tax treaty provides otherwise.

Wealth tax

There is no wealth tax in the Czech Republic.

8. Other taxes

Immovable property tax

Owners of land and buildings are liable to an annual immovable property tax. Except for agricultural and forestry land, which is valued at its average market price, the tax is based on the area, potential for development and location of the land (more precisely, the local authority in whose territory it is located), or in the case of buildings, floor space and local-authority area. The rate may be set as a percentage of the average price or at a set amount per square metre. Local authorities may increase these rates by a coefficient of between 2 and 5. There is a broad range of exemptions, to which local authorities may add to a certain extent.

Since 1 May 2015 exemption is possible from immovable property tax in respect of investment incentives. The exemption may be granted for up to five years, subject to the consent of the local authority. The amount of the exemption is determined by the local authority.

Immovable-property acquisition tax

The transfer of immovable property for a consideration is charged at a rate of 4% of the higher of:

- The purchase price of the property and
- 100% of the comparative tax value (usual market price determined by a statutory expert or calculated based on guidelines, taking into account the location, size and type of the immovable property)

As from 1 November 2016, the person liable to the tax is the acquirer (previously, it was the transferor by default, the acquirer only by mutual agreement). Certain transactions (e.g. a company reconstruction) are not subject to this tax. There is no deemed transfer of the underlying land when the shares of a company owning immovable property are transferred.

Road tax

Road tax is charged on motor vehicles and their trailers registered and operated in the Czech Republic (vehicles), if used for business purposes.

The annual tax rate is based on the engine size of a passenger car and the number of axles and the overall load of a lorry. The tax ranges from CZK 1200 to 4200 for a passenger car and from CZK 1800 to 50 400 for a lorry. The tax base may be reduced by up to 48% depending on the age of a car. Further tax reliefs apply for lorries in some circumstances.

The tax period is the calendar year. Tax returns for road tax must be filed by 31 January of the calendar year following the tax year.

Customs duties

The Czech Republic is a member of the European Union, and hence customs duty under the Common Customs Code (Regulation (EC) No 450/2008) are imposed on the importation into the Czech Republic of goods from outside the European Union. There are no customs duties on the movement of goods within the European Union.

Excise duties

The Czech Republic levies excise duties on alcoholic beverages, tobacco and tobacco products and energy products (hydrocarbon oils, natural gas, coal and coke, and electricity).

Environmental tax

Energy taxes are charged on supplies of natural gas, solid fuels and electricity. The persons liable are suppliers delivering products to end-consumers and operators of distribution or transmission systems. Also liable are entities that use energy for other than tax-exempt purposes.

9. Social security contributions

Employers and employees

Social security contributions are payable to four distinct funds, as follows:

- The pension fund
- The sickness fund
- The unemployment fund
- The health insurance fund

The contributions are charged on the employee's gross income. The ceiling for contributions for all funds except health insurance is forty-eight times the average annual salary (CZK 1 355 136 in 2017). There is no ceiling on health contributions.

As noted in Chapter 7, employees' contributions are not deductible from their taxable income and the employer's contributions are added to taxable income as equivalent to a benefit-in-kind. Employer contributions are, however, deductible for corporate tax purposes.

Rates are as shown in Table 5.

Table 5

| Fund | Employer (%) | Employee (%) | Total (%) |
|-----------------------------|--------------|--------------|-------------|
| Pension insurance fund | 21.5 | 6.5 | 28.0 |
| Sickness insurance fund | 2.3 | 0 | 2.3 |
| Unemployment insurance fund | 1.2 | 0 | 1.2 |
| Health insurance | 9.0 | 4.5 | 13.5 |
| Total | 34.0 | 11.0 | 45.0 |

Self-employed contributors

The self-employed pay the combined rate of employer and employee contributions, but on a tax base of their own choosing. This may, however, not be less than the higher of:

- 50% of their taxable professional or business income and
- 50% of twelve times of the average annual salary (CZK 169 392 in 2017) for health contributions and 25% of twelve times of the average annual salary (CZK 84 696 in 2017) for the other contributions

The 2.3% contributions to the sickness insurance fund are not compulsory for the self-employed.

The ceiling for social security contributions by the self-employed is CZK 1 355 136 in 2017.

10. Moore Stephens in the Czech Republic

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Moore Stephens also has offices in Brno, České Budějovice, Domažlice, Jindřichův Hradec and Plzeň.

Appendix 1: double tax treaties

Comprehensive double tax treaties

The Czech Republic has comprehensive double tax treaties with the following countries:

| | | |
|---------------------------------|-------------------------|----------------------|
| Albania | India | Philippines |
| Armenia | Indonesia | Poland |
| Australia | Iran | Portugal |
| Austria | Ireland | Romania |
| Azerbaijan | Israel | Russia |
| Bahrain | Italy | Saudi Arabia |
| Barbados | Japan | Serbia ² |
| Belarus | Jordan | Singapore |
| Belgium | Kazakhstan | Slovakia |
| Bosnia Herzegovina ² | Kuwait | Slovenia |
| Brazil | Latvia | South Africa |
| Bulgaria | Lebanon | South Korea |
| Canada | Liechtenstein | Spain |
| Chile | Lithuania | Sri Lanka |
| China | Luxembourg | Sweden |
| Columbia | Macedonia | Switzerland |
| Croatia | Malaysia | Syria |
| Cyprus | Malta | Tajikistan |
| Denmark | Mexico | Thailand |
| Egypt | Moldova | Tunisia |
| Estonia | Mongolia | Turkey |
| Ethiopia | Montenegro ¹ | Ukraine |
| Finland | Morocco | United Arab Emirates |
| France | Netherlands | United Kingdom |
| Georgia | New Zealand | United States |
| Germany | Nigeria | Uzbekistan |
| Greece | North Korea | Venezuela |
| Hong Kong | Norway | Vietnam |
| Hungary | Pakistan | |
| Iceland | Panama | |

¹ The treaty concluded with the former Republic of Yugoslavia (Serbia and Montenegro) applies.

Double tax treaties: air transport and shipping

The Czech Republic has double tax treaties with the following jurisdictions covering profits from air transport only.

| | |
|---------|------|
| Algeria | Iraq |
|---------|------|

Double tax treaties: estates, gifts and inheritances

The Czech Republic has agreements covering taxes on estates, gifts and inheritances with the following countries.

| | |
|---------|----------|
| Austria | Slovakia |
|---------|----------|

Agreements on mutual administrative assistance

The Czech Republic has separate agreements on mutual administrative assistance in tax matters with the jurisdictions outside the European Union shown in the following table. Within the European Union, administrative assistance (except in relation to VAT) is guaranteed under EU Directive 2010/24/EU and in respect of VAT under Council Regulation 904/2010/EU. Several of the Czech Republic's double tax treaties also contain provisions for mutual administrative assistance.

| | | |
|---------|------------------------|-------------|
| Andorra | British Virgin Islands | Isle of Man |
| Aruba | Cayman Islands | Jersey |
| Bahamas | Cook Islands | Monaco |
| Bermuda | Guernsey | San Marino |

Social security agreements

The interaction of national social security systems within the European Economic Area is governed by EU Regulations which also extend, by agreement (and with some differences), to Switzerland. The Czech Republic has pre-existing bilateral agreements with some of these states. These have largely been superseded by the EU Regulations, but may be applied where, occasionally, they give a more beneficial result. The following non-EEA countries have social security agreements with The Czech Republic, the terms of which differ from case to case.

| | | |
|---------------------------------|------------|---------------|
| Australia | Japan | Serbia |
| Bosnia Herzegovina ¹ | Macedonia | South Korea |
| Canada | Moldova | Turkey |
| Chile | Montenegro | Ukraine |
| India | Québec | United States |
| Israel | Russia | |

¹ The agreement concluded with the former Socialist Federal Republic of Yugoslavia applies

Appendix 2: Moore Stephens around the world

Moore Stephens is represented in 104 countries and has correspondent firms in another eight.

| | | | |
|------------------------|--------------------|----------------|----------------------|
| Albania | Dominican Republic | Liechtenstein* | Serbia |
| Argentina | Ecuador | Lithuania | Seychelles |
| Australia | Egypt | Luxembourg | Sierra Leone |
| Austria | El Salvador* | Macedonia | Singapore |
| Azerbaijan | Finland | Malaysia | Slovakia |
| Bahamas | France | Malta | South Africa |
| Bahrain | Germany | Mauritius | South Korea |
| Bangladesh | Gibraltar | Mexico | Spain |
| Belgium | Greece | Moldova | Sri Lanka* |
| Belize | Guernsey | Monaco | Suriname |
| Bermuda | Honduras | Mongolia* | Sweden |
| Bolivia | Hong Kong | Morocco | Switzerland |
| Brazil | Hungary | Netherlands | Taiwan |
| British Virgin Islands | India | New Zealand | Tajikistan* |
| Bulgaria | Indonesia | Nigeria | Thailand |
| Burundi | Iraq | Norway | Tunisia |
| Cambodia* | Ireland | Oman | Turkey |
| Canada | Isle of Man | Pakistan | Uganda |
| Cayman Islands | Israel | Panama* | Ukraine |
| Chile | Italy | Paraguay | United Arab Emirates |
| China | Japan | Peru | United Kingdom |
| Colombia | Jersey | Philippines | United States |
| DR Congo | Jordan | Poland | Uruguay |
| Costa Rica | Kazakhstan | Portugal | Venezuela |
| Croatia | Kenya | Qatar | Vietnam |
| Cyprus | Kuwait | Romania | Yemen |
| Czech Republic | Latvia | Russia | Zambia |
| Denmark | Lebanon | Saudi Arabia | Zimbabwe* |

* denotes a correspondent firm only

For more detail, see www.moorestephens.com under 'Locations'.

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