

SETTING UP A BUSINESS IN CZECH REPUBLIC

CORPORATE LAW
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HOW DOES IT WORK

Most businessmen start by forming up a company, as companies offer protection from liability in case of business failure.

Simple limited liability companies can be established within days with registered capital as low as CZK 1, sizeable businesses and start-ups with greater ambitions are established as joint-stock companies with registered capital of CZK 2,000,000 at minimum.

Small businesses such as translators, teachers, IT consultants or plumbers can be run by self-employed persons with trade licences.

Trade licenses are issued upon request at any trade licensing office or even electronically. The application has different conditions if you are citizen (i) of the EU, EEA and Switzerland or (ii) third countries.

● WHAT TO DO

To complete the application for a trade licence for a self-employed person, it is necessary to have (i) full legal capacity, (ii) residence permit in the Czech Republic, (iii) clean record in relation to the business (which is proven by an extract from the criminal record issued by the home state), and (iv) consent to do business from the owner of the building where you want to have a registered office of your business. In the case of trades licences where particular education or other special qualifications are required (such as lawyers and medical doctors), you must prove these as well.

● DOING BUSINESS THROUGH A COMPANY

To establish a company, it is ideal to visit any notary or law firm which will help you with the set up. Trade licence(s) are required for doing business through a company as well, but these can be obtained via "responsible person", not the owner / shareholder directly. You need to have consent of the owner of the building

where you want to have a registered office and set-up a special bank account for the company.

To set up a company, it is advisable to discuss the business plan and division of responsibilities in the newly formed company between the founders. **There is no single model suitable for every case and it is better to go for a tailor-made solution from the very start.**

Although the main shareholder is often the principal person acting for the company, you may want to have broader list of people acting as directors; the requirements for these persons are similar to those you need for a trade licence.

● TAXES

The principal taxes in the Czech Republic are (i) income tax and (ii) value added tax (VAT / DPH). There is a range of other taxes connected with special activities, e.g. road tax, if you have a car, consumption tax, if you sell beer or wine, or real estate tax, if you own real estate. Social security and health insurance is considered as tax-like payment by many and it should be watched carefully as well.

You will soon find out that taxes, even those officially payable every year, are paid normally in quarterly arrears (income tax) or even monthly (VAT / DPH).

Czech Republic is considered a country with relatively low taxation (15% for self-employed persons, 19% for companies, 21% basic VAT rate), but the system is complicated, financial authorities strict and there is no better advice than to hire reliable and clever tax advisor.