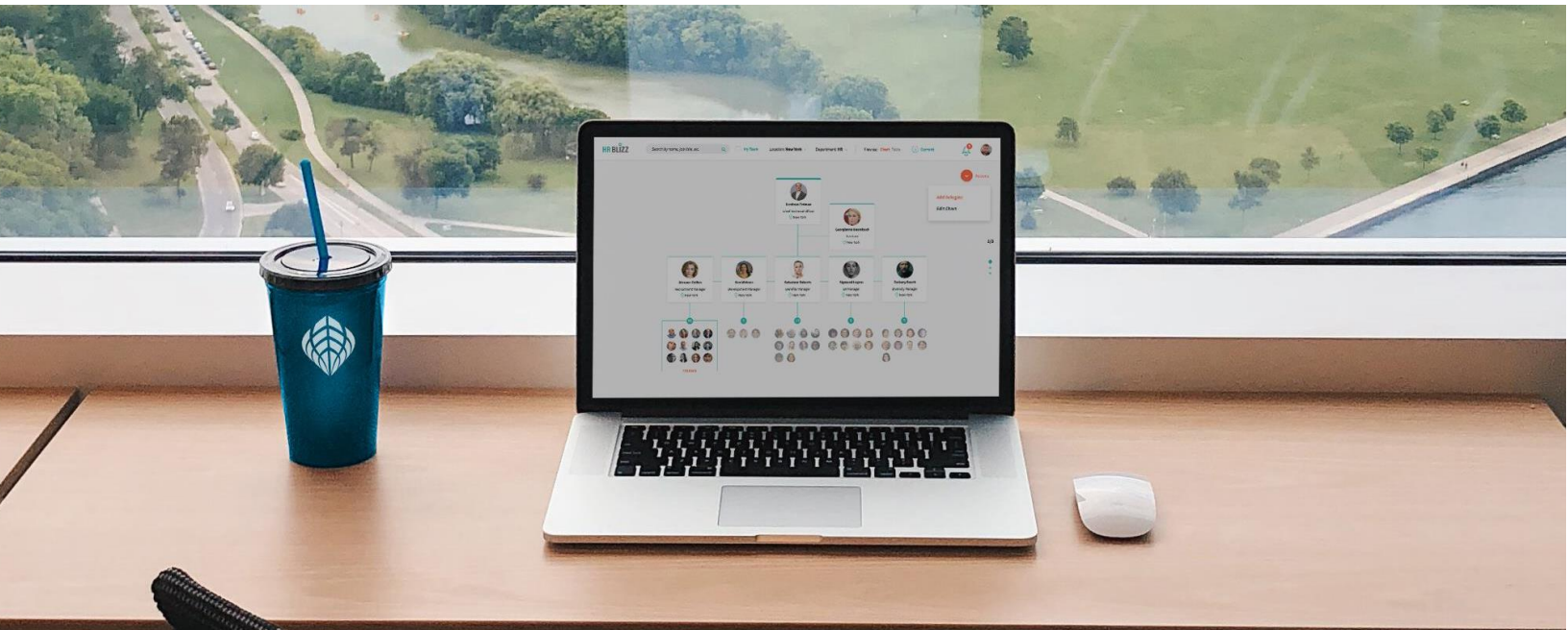




Simplifying Employment
Tasks Worldwide

Payroll & Tax Highlights

2020 Global Payroll Country Guide for Czech Republic



CZECH REPUBLIC



14 December 2020



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Mercans at a Glance

140+

Countries

20

Years of Success

500+

Specialists

5k+

Customers Worldwide

97%

Client Retention Rate

1.5X

Annual Revenue Growth

25k+

Largest Single Payroll

2.5M+

Pay Slips per Annum

0

Security Breaches

Number one for outsourced payroll services, we are endorsed by international authorities.



Mercans has the highest industry quality and IT security certifications.





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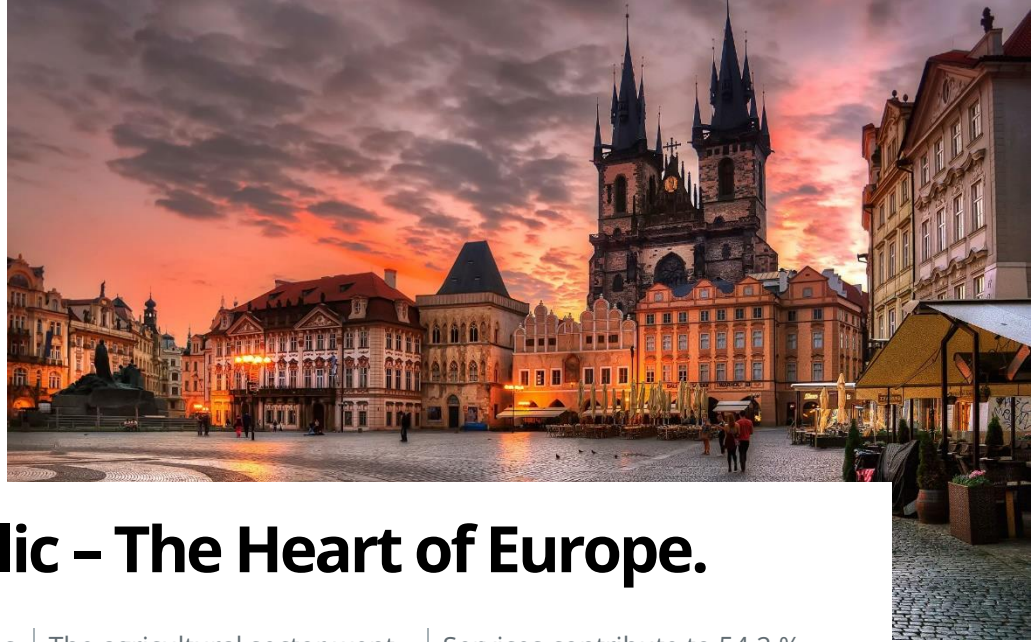
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Czech Republic – The Heart of Europe.

The Czech economy continues to grow on the back of strong fundamentals: strong domestic demand, sustained job creation and growing tax revenues and exports. However, slowing global trade dynamics, particularly in Czech export markets, alongside a shortage of workforce continued to weigh on growth, which was expected to fall to 2.6 % in 2019 from 2.8 % a year earlier. Government spending and household demand on the back of rising revenues should support economic activity in the near term. According to the updated IMF forecasts from April 14th 2020, due to the outbreak of the COVID-19, GDP growth is expected to fall to -6.5 % in 2020 and pick up to 7.5 % in 2021, subject to the post-pandemic global economic recovery.

The agricultural sector went through a serious crisis in the 1990s and remains highly subsidized. In 2019, it accounted for 2 % of the country's GDP and employed 2.8 % of the labor force. The main agricultural products are sugar beet, potatoes, wheat, barley and poultry.

Industry accounts for 32.2 % of GDP and employs 37.7 % of the labor force. Growth in performance has been accompanied by an increase in the productivity of the labor force. The automotive sector is by far the largest industry, with companies like Skoda (owned by Volkswagen). Since 2005, foreign investors such as Toyota and PSA have also started producing cars in the Czech Republic. Czech cars are also the backbone of exports, which comprise as much as 80 % of the total.

Services contribute to 54.2 % of the GDP and employ nearly 60 % of the active population. The tourism sector maintains its pace of sustained growth, with the number of international arrivals to Prague rising to 5.07 million in January-September 2019 (up by 1.7 % on the year).

Unemployment rate was estimated to have fallen to a near record low of 2 % in 2019; however, labor shortages put constraints on future growth. However, the IMF expects this trend to be heavily affected by the negative economic impact of the COVID-19 pandemic, the rate being currently estimated to increase to 7.5 % in 2020 and decrease slightly to 6 % in 2021. Czech population is ageing and declining; however, the share of high-skilled workers in the labor force is rapidly rising.

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Doing Business in the Czech Republic

The Czech Republic is a Central European state bordered by Germany (west), Austria (south), Slovakia (east) and Poland (northeast). The state system is a multi-party parliamentary representative democracy with the Prime Minister as the head of government. The President as the formal head of state with some limited executive powers, is directly voted by general elections. The Parliament is bicameral with the Chamber of Deputies (200 members) and the Senate (81 members). The Czech Republic is a member of many international organizations such as United Nations (1993), NATO (1999), European Union (2004) etc.

Main industries of the Czech Republic are engineering (mainly automotive), chemical industry, food industry, metallurgical industry, energy industry and construction industry. The country's economic policy is consistent and predictable. A strong and independent central bank (the Czech National Bank) has maintained an extraordinary degree of currency stability since 1991. The Czech koruna is fully convertible at an exchange rate of approx. 26.50 CZK/EUR as of July 2020.

The Czech Republic has concluded agreements for the avoidance of double taxation. No limitations exist concerning the distribution and expatriation of profits by Czech subsidiaries to their foreign parent companies.

An open investment climate has been a key element of the Czech Republic's economic transition. The country's investment grade ratings from international credit-rating agencies and its early membership in the OECD testify to its positive economic fundamentals.



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Basic Facts

| | |
|--|---|
| Official State Name | Czech Republic |
| Population | 10.6 million |
| Capital | Prague |
| Major Languages | Czech, Slovak |
| Currency | Czech Koruna (CZK) |
| Main Industries & Export Articles | Engineering, electronics, motor vehicles, metallurgy, machinery, chemicals, pharmaceuticals. |
| GDP Growth | 0.3 % |
| Internet Domain | .cz |
| International Dialing Code | +420 |
| Dates & Numbers | dd.mm.yyyy. A comma is used for the decimal separator, and long numbers are written with a comma (999.999.999,00) |

Entity Registration & Incorporation Requirements

Establishing Business Presence

Foreign legal entities may conduct trade activities under the same conditions and to the same extent as Czech entrepreneurs. They are allowed to become founders or co-founders of a company, or may join an existing Czech company. Foreign companies may operate in the Czech Republic either by establishing a Czech company or by establishing a branch. The speed with which one can establish a business presence in the Czech Republic has increased in the recent years. Incorporating a simple limited liability company or a branch of a foreign company (which are usually the two most standard forms to start a business here) takes about a month or less. A company is established by drawing up a notarial deed or signing a memorandum of association, which states the name of the new company, its seat, business activities, executive directors and the details of its founders and their capital contributions. A company starts to exist on the date of its registration into the Commercial Register (usually completed in 5-10 days of filing). All acts undertaken between the moment of establishment of the company and its registration (official start of its existence) need to be retroactively approved by the general meeting of the company (or its (sole) founder(s)). The registration in the Commercial Register is



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carried out by a court if the all statutory requirements for the formation the new company have been met (validly executed deed of foundation, payment of registered capital, legal title to use its registered office, and others). As there are no general restrictions on foreign investment, foreign persons can operate a business under the same conditions and in the same extent as Czech persons (with a few exemptions in sectors such as banking or trading in military equipment).

Business Setup Steps Checklist

1. Check the uniqueness of the company's name in the database of the Ministry of Justice's Website (www.justice.cz). *Agency - Ministry of Justice*
2. Notarize Articles of Association and Lease Agreement: The notary prepares the articles of association according to the founders' requirements, and the notary is responsible for the compliance of the contents of the company's articles of association with Czech law. Notaries require (1) an affidavit from the company managers (2) building lease agreement, or ownership extract from the Real Estate Register, for the premises of the company's headquarters before executing the articles of association. *Agency - Public Notary*
3. Obtain confirmation of the administrator of the capital contribution of the company, along with the confirmation of the bank that the capital contribution is held in the company's special bank account. Until the company is registered, the paid-in capital is blocked in the special bank account. Banks typically require notarized articles of association to open a corporate bank account. *Agency - Bank*
4. Register with the Trade Licensing Office and obtain extract of the trade license. Required for registration is (1) application (2) memorandum of association if the company has been founded but not yet established (i.e. registered with the Commercial Register) (3) proof of legal use of premises (i.e. a notarized copy of the premises lease agreement) (4) proof of payment of the administrative fee. <http://www.rzp.cz/elpod.html>. The Trade License Office must complete the registration process within 5 working days from the day when all required documents were submitted, and typically does so in 1-2 days. After the completion of the registration process, the Trade License Office issues the excerpt of the trade license register which is either picked-up personally by the applicant at the Trade License Office, delivered by post mail, or delivered to an electronic data box. *Agency - Trade License Office*
5. Register in the Business Registry of the Regional Commercial Court through a notary by submitting (1) application (2) notarized articles of association (3) notarized lease of the premises in which company headquarters are located (4) a confirmation from the administrator of the contributions into the company's registered capital confirming that each founder paid up at least 30 % of his or her monetary capital contribution and that



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the total paid up capital contribution is at least CZK 1 (5) a confirmation from the relevant bank that the capital contributions are held in the company's special bank account for the registered capital (6) biographic data on the company managers/executive, to the relevant court administering the register. This can be done in person or through a notary. *Agency – Business (Commercial) Registry of the Regional Commercial Court*

6. Register for income tax and VAT: The deadline for income tax registration is 15 days from the company incorporation. Other deadlines are (1) Withholding tax and payroll tax registration: 8 days (2) VAT obligatory registration: 15 days following the end of month in which the conditions are met, or in certain cases, within 15 days following the date when the company automatically becomes a VAT payer (3) VAT voluntary registration: submit the registration at any time. Upon submitting the application for income tax registration, the company receives a tax identification number (same number as for the VAT and the income tax). *Agency – Tax Office*
7. Register beneficial owners with the local registry court. As of 1 January 2018, a limited liability company has to register its beneficial owner in the respective registration court. The application has to be filed with a specific form. It can either be submitted in electronic form, or it can be printed and sent to the Registry Court in paper form. After filling in and saving the form, the user also gets a unique identifier for the real owner. The completed form must be addressed to the local court of registry - in which district the registered entity is located. The court has a time limit of 5 business days for the registration. Until the end of year 2018, there was no administrative / court registration fee; however, since 2019 the registration for legal entities that are registered in the commercial register is subject to administrative registration fee of CZK 1,000. For other entities and trusts, the registration is free. More information is accessible through: <https://issm.justice.cz/>
8. The company must register for the social security registration (which is referred to in Czech law as “the Register of Employers”) within 8 days of the date when the first employee starts work. Application for the Register of Employers may be submitted either online through a data box or in person. After the registration is completed, most of the further documents which are required by the Social Security administration may be submitted online through a data box or a different online platform. The application form is available on the following website: <http://www.cssz.cz/cz/tiskopisy/nemocenske-pojisteni.htm>
9. The company must register for the health insurance registration within 8 days of the date when the first employee starts work. It is possible to do so online, although each health insurance company has its own website. Applications can be submitted through the data box, or in person. the most common (state-owned) Health Insurance Provide in the Czech Republic: <http://www.vzp.cz/platci/tiskopisy/prihlaska-a-evidencni-list->



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[zamestnavatele http://www.vzp.cz/platci/tiskopisy/hromadne-oznameni-zamestnavatele](http://www.vzp.cz/platci/tiskopisy/hromadne-oznameni-zamestnavatele)

Forms of Legal Entities

The Czech Act on Business Corporations, recognizes the following legal entities:

| Type | Czech equivalent | Required Capital | Required Founders | Financial liability |
|----------------------------------|--|------------------|-------------------|--|
| Limited Liability Company | společnost s ručením omezeným – „s.r.o.“ | CZK 1 | 1 | Partners have limited liability to the extent of their unpaid contribution |
| Joint Stock Company | akciová společnost – „a.s.“ | CZK 2 Mio | 1 | Shareholders are not personally liable for the company's obligations |
| Limited Partnership | komanditní společnost – „k.s.“ | CZK 0 | 2 | Unlimited for General Partners Limited for Special Partners |
| Unlimited Partnership | veřejná obchodní společnost – „v.o.s.“ | CZK 0 | 2 | Unlimited liability |
| Cooperative | družstvo | CZK 0 | 3 | Members are not personally liable for the cooperative's obligations |

For limited liability companies and joint-stock companies the emphasis is on capital whilst for limited partnerships and an unlimited partnerships the emphasis is on the role of the partners. General partners have unlimited liability for the partnership's obligations whilst special partners have limited liability to the extent of their unpaid contribution. The cooperative is also a recognized type of corporation.

Besides these legal entities, investors may also choose to undertake business as **tradesmen** (acting under trade licenses issued to them) or to participate in business activities of another in the form of a **silent partnership** (contractual arrangement). Finally, also the European forms of legal entities may operate in the Czech Republic, i.e. a **European Economic Interest Grouping**, a **European Company** (Societas Europea) and a **European Cooperative Society**.

Branch

A branch office of a foreign company **is not a Czech legal entity**, but functions as the representative of a foreign company and incurs obligations on the foreign company's behalf. Branches of foreign businesses may conduct business activities in the Czech Republic provided



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that they obtain a business license and mostly also their registration in the Commercial Register is required. (This rule applies with some exemptions in behalf of the companies from EU member states, e.g. banks having their registered office in an EEA member state may operate in the Czech Republic without establishing a branch, under the single license principle, provided that the performance of such activities does not have the character of permanent economic activity).

- A branch establishment is effected by a simple resolution made by the founder, including details about the founder, the branch's location in the Czech Republic, the scope of its business activities, and the appointment of its head (branch manager).
- The branch must obtain a business license from the Trade Licensing Office for its Czech business.
- Branch offices are only allowed to engage in business activities which correspond to those of the founder.
- The law under which the branch's parent entity was founded also apply to the branch's internal dealings as the branch office itself is not considered to be a separate legal entity and all liabilities incurred through the branch office are the liabilities of the "parent" entity.
- From January 2002, there is no restriction on acquisition of real estate through branch offices of foreign companies in the Czech Republic.
- A branch is subject to corporate income tax on its Czech-generated income.

Limited Liability Company (s.r.o.)

This is the most common legal form of company for small and medium-sized businesses and subsidiaries of foreign parent companies. Corporate governance is much simpler than of a joint stock company: the s.r.o. does not have a separate board of directors as a collective body, and decision-making powers may be delegated to one or more designated persons – executive directors – by the members. The company may be founded either by means of a founder's deed by one entity (whether an individual or a legal entity) or a memorandum of association concluded by several entities or individuals. Such founder's deed or memorandum of association must be executed in the form of a notarial deed. Under the Act on Business Corporations, each member (whether a legal entity or a natural individual) participates in the company through his "ownership interest" corresponding to proportion of member's contribution to the company's total registered capital. This rule may be modified by a memorandum of association.

A limited liability company may have more than one type of ownership interest, to which different rights and obligations attach. A shareholder may hold more than one ownership interest (provided that the founder's deed or the memorandum of association allows it). A limited liability company does not issue shares. However, the company may issue specific certificated securities representing ownership interest called common shares (kmenový list) in respect of ownership interests whose transfer is not restricted or conditional. Common shares



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may be transferred to a third party, but not offered to the public or admitted to trading on a regulated market.

A member can transfer his/her ownership interest in the company to another member, without the approval of the general meeting, unless the memorandum of association or the deed of incorporation state that such approval is necessary. A member can transfer his/her ownership interest to a person who is not a member only with the approval of the general meeting. The memorandum of association or deed of incorporation may stipulate otherwise. If a company has a sole member, the ownership interest is always transferable to a third party. The transfer of an ownership interest becomes effective for the contracting parties, upon execution of the contract (but not before the consent was given, if needed), and for the company, on the day an effective transfer agreement with officially verified signatures is delivered to it. The ownership interest may also be divided, unless the memorandum of association or the deed of incorporation states otherwise.

- Company exists independently of its members (owners), who are not liable for the debts and obligations of the company (its members are liable one and all for the debts and obligations of the company in the amount of total unpaid contributions as recorded in the Commercial Register).
- List of members, amount of each member's investment contribution, and the names of the supervisory board (if established) members must be registered in the Commercial Register as well.
- The registered capital of a company is composed of the contributions made by the members. Each member must contribute at least CZK 1. No reserve fund must be created.
- A Supervisory Board is only necessary if required by the memorandum of association (i.e. its appointment is at the discretion of the founder(s)).
- General meeting appoints executive directors to act as the statutory body of the company and to run the company.
- No need to appoint auditor unless at least two of the following criteria have been met in the given accounting period and the accounting period directly preceding: (1) yearly turnover exceeds CZK 80 Mio, (2) total assets exceed CZK 40 Mio, (3) at least 50 employees in average per year.
- Annual financial statements must be published in the Collection of documents of the Commercial Register.

Joint-Stock Company (a.s.)

The legal form of a joint-stock company is usually used for establishing of large companies. A joint-stock company is a capital corporation, the running of which involves the shareholders to a minimal extent. Shareholders of a joint-stock company may be legal entities and/or natural individuals. There is no maximum number of shareholders. The registered capital of the



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company is divided into a certain number of shares; either into a fixed number of shares with a fixed nominal value, or into shares which value differs from the number of issued shares.

Shares may be registered shares (issued to a named shareholder) or bearer shares. Shares may be “certificated” (i.e. physical share certificates are issued either to the bearer or to a registered shareholder). They may also be in de-materialized form, uncertificated (book-entered) shares registered on the shareholder’s account at the Central Securities Depository (a special legal entity), for which physical share certificates are not issued. As of January 1, 2014, certificated bearer shares are no longer allowed and existing certificated bearer shares must be either immobilized (physically deposited) in a bank or exchanged for uncertificated (book-entered) shares.

In contrast to the other types of companies a share in a joint stock company is, as a general rule, freely transferable. Any shareholder can usually therefore freely transfer his/her/its share to any person or entity, without the consent of the other shareholders. Nevertheless, the articles of association may restrict, but not exclude, the transfer of registered shares, (e.g. by making the transfer subject to the approval of one of the company’s bodies).

- The company exists independently of its shareholders, who are not liable for the debts and obligations of the company.
- The amount of a registered capital and extent to which it was paid up, the number, class, type and nominal value of shares, restrictions applying to transferability of shares registered in name, the names and residential addresses of members of both the board of directors and the supervisory board must be registered in the Commercial Register.
- The registered capital must be at least CZK 2 Mio or EUR 80,000 (for companies which are allowed by a special law to keep their accounts in EUR).
- A reserve fund does not have to be created in principle.
- Annual financial statements must be audited, if reaches at least one of the above criteria mentioned within the limited liability company section, and published.
- A joint-stock company does have a Supervisory Board and a Board of Directors, or alternatively, it can have an Administrative Board and a single director. The choice lies on the articles of association.
- The right to receive a dividend, the pre-emptive right to a share and interchangeable and prior-lien bonds subscription, the right to receive a liquidation share and other similar rights provided by the articles of association may be transferred separately from the share to which the rights are attached.
- A share’s issue price may not be lower than its nominal value.

Partnerships (k.s. and v.o.s.)

Limited partnerships (k.s.) and unlimited partnership (v.o.s.) are formed in a similar fashion as other business corporations. An unlimited partnership is a company whose partners are personally jointly and severally liable for the company’s obligations in full. A limited partnership



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is a company in which two types of members participate; i.e. limited partners (komanditisté) and unlimited partners (komplementáři). Each limited partner is jointly and severally liable for the obligations of the company up to the unpaid amount of his/her capital contribution, as registered in the Commercial Register. Unlimited partners are personally jointly and severally liable for the company's obligations in full. As these legal forms of companies are seldom used by incoming investors into the Czech Republic their particulars are not discussed within the limited space of this brief summary.

Trade Licensing

In order to be registered in the Commercial Register all types of the companies are required to obtain a trade license from a wide variety of trade licenses that are granted and operable on the basis of a simple notification-only license. The Trade Licensing Act distinguishes between two forms of activities:

- **Notification-only business.** A notification-only business must be notified to the business license department of any municipal office in the Czech Republic (the "Trade Licensing Office") which issues an appropriate certificate (a "živnostenský list") confirming that the stipulated conditions for the issue for the trade license have been met. Business activities classified as "notification-only business" are the following types:
 - unqualified trades (production, trade and services other than those listed in Annexes 1 to 3 of the Trade Licensing Act – e.g. consulting services);
 - craft trades (e.g. foundry, blacksmithing, grinding and etching of glass, leatherworking); and
 - regulated trades – necessary professional qualifications (e.g. geological work, accounting consultancy, engineering etc.).
- **Licensed business.** Licensed businesses are those, which require a formal trade license to trade (in Czech: "koncesní listina"), and the founders of the proposed business must submit an application to the Trade Licensing Office. This Office then commences a procedure to grant or refuse a license.

Except for the unqualified trades a trade must be carried out by a qualified person possessing certain educational and practice requirements depending on the type of the trade. In the case of a legal person, it shall appoint its so-called "responsible representative" who is responsible for the due carrying out of a trade and fulfilling trade license regulations.

Data Mailboxes

Each company registered in the Commercial Register has a data mailbox which is an electronic storage space created by operation of law. The system of data mailboxes is operated by the state. Once the data mailbox has been created, access data are generated and delivered to the authorized person (e.g. statutory body of a company). Its purpose is to enable the official



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electronic delivery of documents, particularly from the public authorities to the entrepreneurs and vice versa. It is important for a company to log in to its data mailbox regularly as a message is deemed to have been delivered to it after 10 days from the day on which such message was placed in the data mailbox by the relevant public authority.

Audit Requirements

The obligation to keep accounts in line with Czech accounting legislation applies to accounting units, as legal entities having a registered office in the Czech Republic, foreign entities, if they are doing business in the Czech Republic or carrying on another activity under specific legislation, physical persons - entrepreneurs specified in the law, trust funds and other investment funds.

The entities with securities traded on a regulated market within the European Union must use International Financial Reporting Standards as adopted by the EU (IFRS) for bookkeeping and the preparation of financial statements instead of Czech accounting rules. Consolidating entities and their subsidiaries can voluntarily use IFRS for bookkeeping and the preparation of their individual and consolidated financial statements.

The Czech accounting system is based on the double-entry bookkeeping and is largely consistent with the International Financial Reporting Standards with certain minor difference regarding, for example, financial leasing and depreciation of fixed assets.

The amendment to the Accounting Act effective from January 1st 2016 introduces a new division of accounting units into micro, small, medium and large accounting units. This division has an impact on the different obligations when maintaining the accounting, preparing the financial statements or publishing financial information.

| Company | Net turnover (CZK) | Net assets (CZK) | Employees | Criteria |
|---------------|--------------------|------------------|-----------|---------------------|
| Micro | 18 Mio | 9 Mio | 10 | 2 of 3 not exceeded |
| Small | 200 Mio | 100 Mio | 50 | 2 of 3 not exceeded |
| Medium | 1 Bio | 500 Mio | 250 | 2 of 3 not exceeded |
| Large | above 1 Bio | above 500 Mio | above 250 | 2 of 3 exceeded |

The methodology of statutory audits is governed by the Business Corporations Act No.90/2012 Coll., as amended, Act No. 563/1991 Coll. on Accounting, as amended, and Act No. 93/2009 on Auditors, as amended. A statutory audit includes the audit of the financial statements for a particular accounting period. This is usually a calendar year. A statutory audit is always required



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for large and medium companies. Small companies qualify for the statutory audit based on the following criteria:

- legal form of joint-stock company and at least one of the below criteria is fulfilled as at the balance sheet day of the current and immediately preceding accounting period
- other small companies if at least two of three of the below criteria are fulfilled as at the balance sheet day of the current and immediately preceding accounting period.
- Criteria:
 - net assets CZK 40 Mio
 - net turnover CZK 80 Mio
 - employees headcount 50

Companies that have issued securities traded on regulated stock exchanges in EU member states (e.g., shares, bonds) should apply the International Financial Reporting Standards when preparing their annual financial statements and consolidated financial statements. However, for calculation of corporate income tax, the accounting result must be calculated based on the Czech Accounting Standards and unaffected by the International Financial Reporting Standards.

Financial Statements

Financial statements under Czech accounting regulations are compiled at the balance sheet date, which could be the calendar or business year, and consist of:

- balance sheet
- profit and loss statement
- notes explaining and supplementing the information contained in the balance sheet and the profit and loss statement
- medium and large entities must also include a cash-flow statement and statement of changes in equity.

Accounting units that are obliged to have their accounts verified by an auditor must also prepare an annual report.

New Hires

Please see Chapter Employment Law, Section [Employment Contracts](#).

Banking

The Czech Republic is bound to adopt the euro in the future and to join the Eurozone once it has satisfied the euro convergence criteria by the Treaty of Accession since it joined the European Union (EU) in 2004. The Czech National Bank, a member of the European System of Central Banks, regulates the Czech koruna and does not participate in European Exchange Rate



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Mechanism II (ERM II). The Exchange rate remains stable with approx. 26.50 CZK/EUR as of July 2020. Normal banking hours are from 09:00 until 17:00, though this can vary a lot between banks and different parts of the country, Monday through Friday.

Working Hours

The Czech Republic has a five-day standard working week (Monday – Friday). Normal business hours are between 8 am and 6 pm, and work between 10 pm and 6 am is considered night work. Maximum working hours cannot exceed 40 hours per week. An employee is entitled to a daily rest break of at least 30 minutes after six hours of continuous work, an uninterrupted rest period of 11 hours between two consecutive work days, and an uninterrupted rest period of 35 hours in a week. Hours worked in excess of the normal working hours count as overtime, which cannot exceed 8 hours in a week and 150 hours in a year.

Labor Law

The Czech Labor Code, Act No. 262/2006 Coll. (“Code”) effective as of January 1st 2007, is the principal legislative act governing employment relations in the Czech Republic. The Code reflects the achieved level of social and economic relationships in the Czech Republic and corresponds to international trends of employment law developments, including various concepts existing under EU labor law related Directives. Other relevant legislative acts include, in particular, the Act on Employment (Act No. 435/2004 Coll. As amended), the Act on Collective Bargaining (Act No. 2/1991 Coll. as amended) and a number of Decrees relating to the Code. The Czech Civil Code, Act No. 89/2012 Coll. (“Civil Code”), effective as of January 1st 2014, is also generally applicable to labor-law relationships.



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Tax & Social Security

Tax

The system of taxation described below is derived from the Czech tax legislation effective on January 1st 2020. The legislation is subject to frequent amendments and changes. Taxpayers in the Czech Republic are subject to the following taxes in 2020:

| Tax | Tax Rate |
|------------------------------------|---|
| Corporate income tax | 19 % standard corporate income tax rate; 5 % corporate income tax rate applies to basic investments funds; 0 % corporate income tax rate applies to pension funds Withholding tax rates are 5 %, 15 %, 35 % (for more information see "Corporate Income Tax") |
| Personal income tax | Flat tax rate of 15 % for calendar year 2020, the solidarity contribution of 7 % applies to high-earning individuals |
| Value added tax (VAT) | 10 % (certain books, infant food, certain pharmaceuticals), 15 % (food, eating services, certain books, certain pharmaceuticals, special healthcare products) and 21 % (most goods and services). |
| Excise tax | Levied on petrol and petrol derivatives, alcohol (beer, wine and spirits) and tobacco |
| Energy tax | Levied on supplies of electricity, natural and other gases, and solid fuels. |
| Road tax | CZK 1,200 – CZK 4,200 (cars), CZK 1,800 – CZK 50,400 (trucks) when used for business purposes |
| Real estate tax | According to type, location and purpose of use of the real estate |
| Real estate acquisition tax | Flat tax rate of 4 % |

All Czech tax residents are subject to income taxes on their worldwide income, while Czech tax non-residents are taxed only on their income from Czech sources.

An individual is a Czech tax resident if he/she has his/her permanent address in the Czech Republic (i.e., a place where an individual has his/her home and circumstances indicate his/her intention to dwell there permanently) or has "a usual residence" in the Czech Republic (i.e., the individual's total number of days spent in the Czech Republic is equal to or greater than 183 days per calendar year).

A legal entity is tax resident of the Czech Republic if its registered office or place of effective management is in the Czech Republic.



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Corporate Income Tax

In general, taxation legislation is subject to frequent changes as the development of economy warrants. The corporate income tax is set at rate of 19 % for calendar year 2020 (the same rate is applicable since 2010). For certain types of legal entities specified in the income tax legislation (investment funds, pension funds), special 5 % or 0 % corporate income tax rate applies. Tax residency of a legal entity is determined by its registered office (the seat of the company) or the place where it is effectively managed from in the Czech Republic. Czech tax residents are subject to taxes on their worldwide income. Czech tax non-residents are subject to tax generated on income in the Czech Republic. A tax residency arises also, besides forming a legal entity under the Czech law or establishing a branch of a foreign entity, via the so-called 'permanent establishments'; it is a taxable presence of a foreign entity trading, or rendering services in the Czech Republic, arising on the basis of assignment of an employee or permanent representative in the Czech Republic for at least six months in any 12 consecutive calendar months, or by setting up an office, workshop, sales outlet – in general any fixed place of business - regardless of the six-month condition.

The tax base of the corporate income tax is generally calculated as the difference between income and expenses according to Czech accounting rules, with further adjustments for tax purposes by non-deductible costs and non-taxable revenues and other non-accounting adjustments. In general, all expenses incurred to generate, ensure and maintain taxable income are deductible if documented by the taxpayer, subject to limits specified in the corporate income tax law and in special legislation.

Tax deductible items typically include: operating expenses, salary costs, tax depreciation, tax deductible reserves and provisions, interest (maybe subject also to special rules), royalties and management service fees, etc. Tax non-deductible items typically include: entertainment expenses, gifts and donations, fees paid to members of company statutory and other bodies, non-contractual fines and penalties, interest on credits and loans under thin capitalization rules etc.

The tax depreciation may be applied for tangible fixed assets valued at more than CZK 40,000 and for intangible fixed assets valued at more than CZK 60,000, if it has an operational life of more than one year. Assets may be depreciated for income tax purpose either under the linear or accelerated depreciation method. Once a method is chosen, it must be applied over the entire life of the asset. Some assets (such as plots of land, artwork, etc.) are not eligible for depreciation.

Tax losses may be carried forward for maximum of 5 years. The carry-back of losses is not permitted. Losses cannot be offset against the profits of another group company. Several anti-abuse provisions govern the utilization of tax losses; for example loss relief may be restricted where there has been a significant change (more than 25 %) in the ownership structure of persons or entities directly participating in the equity/share capital of the control of the loss



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making company or if a merger was carried out. A taxpayer can ask the tax authorities to confirm the applicability of the losses carried forward.

More information in Section Corporate Income Tax Detail

Personal Income Tax

Individuals with a permanent address in the Czech Republic, or physically present in the Czech Republic for more than 183 days during a particular calendar year, are deemed to be Czech tax residents and are taxed on their worldwide income in the Czech Republic (tax relief under the double tax treaties by tax credit or exemption may apply).

Taxable income includes earnings from dependent activities including benefits in-kind, income from business activities, and income from capital, rent and other sources. In general, taxable income consists of all income regardless of whether it is monetary or non-monetary. General taxable income is defined as the difference between actual gross income and allowable expenses incurred in obtaining the income. The current fixed flat rate is 15 % for calendar year 2020. Employees are subject to automatic tax withholdings from the start of their employment. The employment tax base is increased by the actual or hypothetical mandatory social security and health insurance contributions paid by the employer. Thus, the effective tax rate is actually higher than the nominal 15 % flat rate. An employee's social security and health insurance contributions are calculated as 11 % of his or her gross salary. An employer pays additional 33.8 % of the employee's gross salary to the Czech social security and health insurance authorities.

Generally, income from dependent activities paid by a foreign employer to a Czech tax non-resident is tax-exempt if the time spent on such activities does not exceed 183 days in any 12 consecutive calendar months. This tax exemption shall not apply to income from an activity performed via a permanent establishment. In case of expatriates, i.e. those who are not directly employed by a Czech legal entity, who are assigned to carry out a dependent activity under a service agreement, these must be registered as individual taxpayers with the local Tax Office.

Income is declared through a personal income tax return that is to be filed with the local Tax Office within 3 months after the end of the tax period (i.e. at the latest by end of March), or six months if filed by certified tax advisor.

In 2013, a solidarity contribution was introduced. It applies only to high-earning individuals and only on employment income and self-employment tax base. The solidarity contribution represents a contribution amounting to 7 % of the employment income or self-employment tax base over the range exceeding 48 times the average salary within the calendar year (CZK 1,672,080 for 2020).

Deductions are granted for mortgage interest, life and supplementary pension insurance and gifts. Personal allowances are available to the taxpayer, his/her spouse and children;



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nevertheless, there are limitations if the lump-sum expense option is applied or in the case of pensioners.

Value Added Tax

The Czech value added tax complies with the relevant EU VAT directives and is imposed on all taxable supplies within the Czech Republic and goods imported or acquired in the Czech Republic.

Taxable supplies within the Czech Republic include provision of services; delivery of goods; transfer and use of rights and transfer of real estate, buildings and structures; acquisition of goods from other EU member states, etc. Businesses are obliged to account for VAT on the import of goods from third countries. However, there is an entitlement to reclaim such input VAT connected with the import of goods. Businesses are also obliged to account for VAT upon acquisition of goods from other EU member states. Certain domestic services are VAT exempt without entitlement to reclaim input VAT (e.g., financial services, insurance services, rent paid to entities not registered for VAT purposes, etc.). Export of goods is VAT exempt. Generally, services provided to an entity subject to tax with its place of establishment in another EU member state, or third country, are not taxable in the Czech Republic. The recipient of the services is obliged to account for VAT in the country of its establishment and there is also an entitlement to reclaim such input VAT connected with such services. On the other hand, businesses are obliged to account for VAT in terms of the reverse-charge principle once they acquire a service from a provider in another EU member state or third country.

Presently, there are two VAT rates: 21 % applicable to most of the goods and services, and 15 % or 10 % to certain selected goods and services (including essential food, books, special healthcare products, medical and social care, certain buildings for residential living, etc.).

All entities (legal and natural) become obliged to register for VAT upon exceeding CZK 1 Mio turnover in immediately preceding consecutive 12 months period. The registration application must be submitted within 15 days after the month during which the turnover was exceeded. For non-resident businesses, there is no registration threshold, but they must register as a VAT payer if they either make any supply subject to Czech VAT (unless the liability to declare and pay VAT is shifted to the recipient of the supply), or supply goods from the Czech Republic to another EU member state. Voluntary registration is possible if a company renders (or will render) taxable supplies in the Czech Republic. Foreign entities or individuals who do not have a registered office, place of business or fixed establishment in the Czech Republic are obliged to register with immediate effect for Czech VAT if they make a taxable supply within the Czech Republic subject to Czech VAT. The return must be filed and the tax paid within 25 days after the end of the taxable period. The taxable period is primarily a calendar month; however, the taxpayer may apply for calendar quarter depending particularly on his taxpayer's turnover for the previous calendar year.



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As of January 1st 2016 the VAT payers have to submit a VAT-Control-Statement. It has to be submitted monthly (in some cases quarterly) and, similar to tax returns, electronically on an e-form. Transactions which shall be declared in the VAT-Control-Statement are domestic taxable supplies or receipt of advance payment, domestic acquisition of goods/services or providing of advance payment and some transactions with investment gold. If none of these transactions is carried out in the respective period, VAT-Control-Statement shall not be submitted.

Nevertheless the obligation to submit a VAT return is not affected. Failure to submit the VAT-Control-Statement is subject to a fine imposed by the tax administrator. (For more details please see: <http://www.financnisprava.cz/en/taxes/VAT-Control-Statement>).

Consumer/Excise Tax

This tax applies to mineral oils (including fuels and lubricants), spirits and distilled liquors, beer, wine and its intermediate products, tobacco products, heated tobacco products and raw tobacco that are produced in or imported to the Czech Republic. The tax is calculated as a fixed amount per unit of the product concerned and is levied on the producer (importer). Tax levied on tobacco products is calculated as a combination of a fixed amount and a percentage of the selling price.

Energy Tax

The tax reform that came into effect on January 1st 2008 introduced a new type of indirect (environmental) taxes implementing the relevant EU directives in the area of energy taxes. These taxes are levied on supplies of electricity, natural gas and certain other gases, and solid fuels (hereinafter referred to collectively as "energy"). The payers of energy tax are either suppliers of energy in the Czech Republic selling energy to end-users or operators of distribution or transmission systems. The tax on electricity is levied at the rate of CZK 28.30 per MWh. The tax on gas is levied at rates varying from CZK 0/MWh to CZK 264.80/MWh, depending on the type of gas, the purpose of its use and the date when the tax liability arises. The tax on solid fuels is levied at the rate of CZK 8.50/GJ.

Road Tax

Road tax is imposed on entities that use vehicles. Road tax is payable on vehicles registered and operated for business purposes in the Czech Republic. The tax is calculated on an annual basis according to engine size for passenger cars or weight and number of axles for other commercial vehicles. The rates range from CZK 1,200 (on vehicles with engines up to 800 cm³) to CZK 50,400 (on heavy-duty vehicles over 36 tons). The tax rate may be reduced or increased depending on the date of initial registration of a vehicle. Freight vehicles weighing up to 12 tons with an electric or hybrid engine, or running on LPG (liquefied petroleum gas), CNG (compressed natural gas), or E85 are exempt from the road tax. The tax return must be filed by January 31st of the next year.



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Real Estate Tax

Real estate tax comprises a tax on land (land tax) and a tax on structures (building tax). Real estate tax is generally payable on an annual basis by the registered owner of the land or building(s) based on the situation as of 1 January of the relevant tax year, although in very specific cases the user or the lessee is the payer. All property owners must file tax returns with the relevant Tax Office by January 31st of the relevant tax period only for the first tax period (calendar year) and later only when the conditions relevant to tax assessment change. The tax is calculated taking into account the type, location and purpose of use of the real estate and various other factors. Generally, real estate taxes are calculated according to size of the property rather than based on its market value. Agricultural land is taxed based on its value. Consequently, real estate taxes in the Czech Republic are not as significant as they may be in other countries. The rate of land tax is CZK 0.2 per square meter, subject to building plots for which it differs from CZK 2 to CZK 10 per square meter depending on the location of the real estate (i.e. the rate of CZK 2 is further multiplied by coefficients determined by the municipalities). However, from January 1st 2012, paved areas (generally, land covered by a flat structure) used for business is subject to increased tax rate of CZK 1 per square meter (agriculture) or CZK 5 per square meter (other business activities). This applies to e.g. parking lots, platforms, certain roads, etc. Building and unit tax is calculated according to the registered built area.

Real Estate Acquisition Tax

Unless a tax exemption applies, real estate acquisition tax is charged at a uniform rate of 4 % either of the sale price of a property or of 75 % 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 real estate), whichever is higher. The tax is payable by the transferee (buyer). Certain transactions are exempt from real estate acquisition tax; namely mergers and demergers, transfers of property from the state and first transfers of newly constructed buildings, etc. The transfer tax return must be delivered to the Tax Administration Office and the payment of the transfer tax must be made within three months of the registration of the transfer in the Land Register (the month in which the registration is completed is not included in this three-month period).

Under the Czech taxation system, withholding tax does not represent a special type of tax, but rather a manner of its collection. Actually it is an income tax levied on certain types of payments such as operating lease payments, copyright fees, dividends, royalties, profit shares and other related distributions. Withholding tax rate ranges from 5 % to 35 % depending on the type of income and residency of the recipient. The payer of withholding tax is the payer of the income which is subject to the withholding tax. Dividends, royalties or interest paid to a company seated within the EU can be exempt from withholding tax according to the implemented EU directives. Withholding tax rate may be reduced under a double taxation treaty concluded between the Czech Republic and the country where the recipient of the



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payment is a tax resident. As of July 2020, the Czech Republic has concluded double-taxation treaties with more than 80 countries. The exemption under the treaty applies automatically and it is not subject to notification or approval of tax authorities.

The **Inheritance and Gift Taxes** are abolished as of January 1st 2014. The income from inheritance and/or donations is subject to income tax. Inheritance is broadly tax exempt. Gifts are exempt if donated between certain family members.

No **local taxes** have been introduced in the Czech Republic to date, however a municipality may introduce some local fees (e.g. fee for disposal of municipal waste, fee for special use of public spaces, spa, recreational stay or accommodation capacity fee, etc.).

Corporate Income Tax Detail

Corporate income tax is levied on income from the worldwide operations of Czech tax residents and on Czech-source income of Czech tax non-residents. Czech tax residents are considered to be entities with their registered office or place of effective management in the Czech Republic. The tax base is calculated from the accounting profit/loss shown on the relevant financial statements prepared according to the Czech Accounting Act and Czech accounting standards and is further adjusted by non-deductible costs and non-taxable revenues and other non-accounting adjustments. The accounting period/tax period can be either calendar year or fiscal year.

The standard rate of corporate income tax is 19 %. For basic investment funds special 5 % corporate income tax rate applies; for pension funds 0 % corporate income tax rate applies.

| | |
|-----|--|
| +/- | Accounting profit/loss before tax (as shown in the taxpayer's financial statements prepared in accordance with the Czech Accounting Standards) |
| + | Non-deductible costs |
| +/- | Difference between accounting and tax depreciation |
| - | Non-accounting adjustments - tax-deductible costs not booked |
| - | Non-taxable income or income not subject to corporate income tax |
| + | Non-accounting adjustments - taxable income not booked |
| | Adjusted Tax Base |
| - | Accumulated tax losses carried forward from previous years (tax losses from previous 5 years may be utilized) |
| - | Gifts to charities (up to 10 % of the tax base) |
| - | R&D allowance of up to 100/110 % of certain expenses incurred in connection with research and development projects |
| | Tax base adjusted for gifts, R&D allowance and tax losses |
| X | Tax rate/100 |
| | Tax before tax relief |
| - | Tax relief (e.g. granted investment incentives) |



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Final tax

Tax-Deductible Costs

The list of tax-deductible costs is similar to those common in other countries. Generally, costs are tax-deductible if incurred in order to generate, assure and maintain taxable income (for instance, tax depreciation of assets, purchased material and services, wages and salaries including social security and health insurance contributions paid by the employer, etc.).

In the case of some costs, there are further conditions stipulated by the Czech Income Tax Act limiting their deductibility; for example, some costs are deductible only when paid by the end of the relevant tax period (e.g. contractual penalties). Some other costs are tax deductible only up to the related revenues (e.g. assignment of receivables).

Depreciation of Fixed Assets

Tax depreciation is different for tangible and intangible assets. The Czech Income Tax Act sets forth the definition of tangible assets and intangible assets.

Tangible assets are any buildings/constructions and movable assets with an input price above CZK 40,000 whose useful life exceeds one year (moveable assets). Land is not depreciated for tax purposes. Tangible assets are divided into six depreciation categories with different depreciation periods. Examples of the classification of tangible assets by depreciation category is shown in the following table.

| Depreciation Category | Minimum depreciation period (in years) |
|---|--|
| computers and office equipment, measuring and control devices, etc. | 3 |
| cars, buses, machinery and equipment, lorries and tractors | 5 |
| metal structures, motors, metal products, machinery and equipment for the metals industry, ships, lifts, cranes, electric motors, ventilation and cooling units, etc. | 10 |
| electric mains, gas and oil pipelines, water mains, pillars, chimneys | 20 |
| buildings (factories), bridges, roads, tunnels, water works, cableways | 30 |
| buildings (hotels, administration/business/shopping centers) | 50 |

Intangible assets with an acquisition price above CZK 60,000 and with an expected useful life longer than one year are also a subject to tax depreciation.



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If the purchase agreement stipulates a period during which the intangible assets can be utilized, the annual tax depreciation is calculated as the input price divided by the period agreed in the contract. In other cases, straight-line monthly depreciation is applied for the following periods:

- Audio-visual works are depreciated over at least 18 months.
- Software and results of research and development are depreciated over at least 36 months.
- Other intangible fixed assets are depreciated over at least 72 months.

EU Directives

Four EU directives have been implemented in Czech income-tax law (parent/subsidiary directive, merger directive, royalties/interest directive and savings directive).

Participation Exemption

Capital gains or dividends derived from qualifying subsidiaries are tax exempt. 10 % participation in capital and 12-month holding test applies. Other specific conditions set by the law also have to be met.

Withholding Tax

Certain types of payments such as dividends, interest or royalties are subject to withholding tax. Withholding tax rate ranges from 5 % to 35 % depending on the type of income. The payer of withholding tax is the person/entity that pays the income which is subject to the withholding tax. The list below gives examples of income that is subject to the withholding tax.

| | |
|------|---|
| 15 % | royalties, operating lease payments, copyright fees, dividends, other related distributions, etc. paid to a non-resident of the Czech Republic without a Czech permanent establishment |
| 5 % | financial lease payments paid to a non-resident of the Czech Republic without a Czech permanent establishment |
| 35 % | royalties, operating lease payments, copyright fees, dividends, profit shares and other related distributions, etc. paid to Non-EU/EEA residents from jurisdictions that do not have a Double Tax Treaty or Exchange of Information Treaty in force with the Czech Republic |

Dividends, interest or royalties paid to qualifying EU/EEA/Swiss company are exempt from the withholding tax (specific rules apply).



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Furthermore, the withholding-tax rate can also be reduced under a double taxation treaty concluded between the Czech Republic and the country where the recipient of the payment is a tax resident. As of January 1st 2016, the Czech Republic has concluded double-taxation treaties with 84 countries.

Tax-Deductible Allowances

Research and development cost allowance: Up to 100% or 110 % of costs associated with the projects of research and development and incurred in a given tax year can be deducted from the tax base as a special tax allowance (this means that these costs are in fact deducted twice for tax purposes – once as a normal tax-deductible cost and then as a special tax allowance). The following costs can be included in the tax allowance:

- Direct costs (e.g. personnel costs of research and development engineers, consumed material, etc.)
- Tax depreciation of fixed assets used for R&D activities
- Other operating costs directly related to realization of R&D activities (telecommunications fees, electricity, water, gas, etc.)

This allowance does not apply to the costs of purchased services. Costs already supported from other public sources are also not eligible for this tax allowance.

The non-utilized allowance (e.g., due to tax loss in current year) can be carried forward for three subsequent years.

Accumulated tax losses carried forward from previous years: Losses incurred in the tax period can be carried forward for five subsequent tax periods. There are additional restrictions for utilization of accumulated tax losses if the company's ownership structure changes by more than 25 % or the company is merged or subject to another type of restructuring. In such case, the "same business" test applies which compares the activities of the company before the change of control or the merger and the activities generating revenues after the change of control or the merger. In case of doubts, the taxpayer may apply the Tax Office for a binding ruling whether the tax loss may be utilized in given year.

Charitable donations: The tax base may be decreased by gifts donated for specific purposes set forth by the Income Tax Act (social, health, education, etc.). The maximum reduction is 10 % of the tax base reduced by deductible allowances, the R&D allowance and utilized tax losses.

Investment incentive tax-relief: Companies that have received a Decision to Grant Investment Incentives can claim tax relief up to the maximum amount of state aid (i.e., the specific percentage of state aid is applied to the total amount of eligible investments. The maximum level of permissible state aid is 25 % in all regions in the Czech Republic except Prague (with permissible state aid 0 %).



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Investors may receive either partial (for investors who expand their existing business activities in the Czech Republic) or full tax relief (for investors who are newly commencing their business activities in the Czech Republic). Both kinds of tax relief can be utilized during ten consecutive tax periods.

Full tax relief is almost equal to the value of the tax liability for the relevant tax period (tax relief does not cover tax derived from interest income). The aim of partial tax relief (i.e., for expansion projects) is to offset the tax above the “base tax”. Partial tax relief in the relevant tax period is equal to the difference between the tax liability for the period for which tax relief will be claimed (adjusted by certain items and interest income) and the “base tax” liability (“base tax” is adjusted by the sector price-inflation index). The “base tax” liability is the higher tax liability shown in one of two tax periods immediately preceding the tax period for which tax relief may be claimed for the first time, i.e., in which general and special conditions were fulfilled. The “base tax” liability is calculated using the tax rate valid in the taxable period of the tax-relief calculation.

Strategic Investor (high-volume investment projects) can receive cash subsidy for acquisition of long-term tangible and intangible assets.

Transfer Pricing Rules

Czech tax legislation contains the general arm’s length principle. It is compatible with the OECD Transfer Pricing Guidelines.

A taxpayer can apply with the respective Tax Office for a binding advance pricing agreement (APA).

The Czech tax legislation does not prescribe any obligation to maintain any transfer pricing documentation. Nevertheless, it is highly recommended that the documentation is prepared as it can be used as a valuable evidence during a tax audit.

The Czech legal entities which participate in transactions with related parties are obliged to file a separate disclosure form on “Overview of Transactions with Related Parties” together with the corporate income tax return.

Tax Administration

Generally, taxpayers must file tax returns within three months following the end of the tax period. Czech legal entities that are required to prepare audited financial statements or whose tax return is signed by a registered tax advisor must file their tax returns within six months following the end of the tax period. In certain cases (e.g., a merger), the statutory period for submission of the tax return is reduced.



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Corporate income-tax liability (i.e., the difference between the sum of the advance tax payments paid during the relevant tax period and the total tax liability) is payable by the deadline for submission of the tax return. If the reported tax liability exceeds the statutory threshold, the taxpayer is obliged to pay advance tax payments on a quarterly (if the last known corporate income tax liability exceeded CZK 150,000) or half-yearly basis (if the last known corporate income tax liability was between CZK 30,000 and CZK 150,000). If the last known corporate income tax liability is less than CZK 30,000, no advance payments are required. If the tax is not reported and paid correctly and the Tax Office discovers this during a tax audit, then the Tax Office assess additional due tax (or lower tax loss) and levy a penalty (fine) and a late-payment interest to the taxpayer. The penalty is calculated as 20 % of the additionally assessed tax or 1 % of a reduced tax loss, and the late-payment interest is calculated as the repo rate of the Czech National Bank effective as of the first day of each half year increased by 14 %.

Social Security

The income of an employee is subject to the Czech mandatory social security and health insurance contributions (both employee and employers parts) unless otherwise exempt according to EU regulations or bilateral social security treaties (e.g. granting of an A1 certificate/certificate of coverage).

The amount of social security and health insurance contributions is determined on the basis of the wages paid to employees and is divided into an overall employer (33.8 %) and employee (11.0 %) part and calculated from the same assessment base. The employer must always withhold the social security and health insurance contributions from the wage upon each payment of salary. The employer is responsible for payment of both the social security and health insurance contributions, as well as responsible for giving notification of paid salaries to the health insurance and social security authorities.

Health Insurance

The health insurance contribution is divided into an employer (9.0 %) and employee (4.5 %) part and calculated from the same assessment base.

Pension Insurance

The pension insurance contribution is divided into an employer (21.5 %) and employee (6.5 %) part and calculated from the same assessment base.

Unemployment Insurance

The unemployment insurance contribution is paid only by the employer and is 1.2 % of the assessment base.



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Sickness/Accident Insurance

The unemployment insurance contribution is paid only by the employer and is 2.1 % of the assessment base.



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Payroll

Employers must register in the employer registry and provide notifications on the hire or termination of employees. This is done by filing a “Registering an employer in the employer register” form with the DSSA, within eight days of commencing commercial activities. Employers must also notify the DSSA of new starters and leavers within eight days of starting or leaving.

Employers must at least pay wages in monthly installments. Shorter frequencies are allowed, but not less frequently. Employers must provide all employees with a statement indicating the pay rate, grade and pay date, on an employees' hire date and whenever their pay changes. They must provide employees with pay slips monthly, which will itemize wages and deductions. Wages must be made in legal tender and must be rounded up. In the absence of an agreement, wages must be paid at the workplace during working hours.



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Employment Law

The Czech Labor Code, Act No. 262/2006 Coll. ("Code") effective as of January 1st 2007, is the principal legislative act governing employment relations in the Czech Republic. The Code reflects the achieved level of social and economic relationships in the Czech Republic and corresponds to international trends of employment law developments, including various concepts existing under EU labor law related Directives. Other relevant legislative acts include, in particular, the Act on Employment (Act No. 435/2004 Coll. As amended), the Act on Collective Bargaining (Act No. 2/1991 Coll. as amended) and a number of Decrees relating to the Code. The Czech Civil Code, Act No. 89/2012 Coll. ("Civil Code"), effective as of 1 January 2014, is also generally applicable to labor-law relationships.

The main sources of the labor law are three acts:

- Act No. 262/2006 Coll., the Labor Code, as amended ("as a.")
- Act No. 2/1991 Coll., the Collective Bargaining Act, as a.
- Act. No. 435/2004 Coll., the Employment Act, as a.

However, the area of labor law is governed by other important regulations, such as:

- Act No. 309/2006 Coll., the Act Stipulating Further Requirements for Health and Safety at Work, as a.
- Act. No. 251/2005 Coll., the Labor Inspection Act, as a.
- Act. No. 73/2011 Coll., the Labor Office Act, as a.
- Act No. 187/2006 Coll., the Sickness Insurance Act, as a.
- Act No. 329/2011 Coll., on benefits for people with disabilities, as a.
- Act No. 589/1992 Coll., on social security insurance and state employment policy, as a.
- Act No. 48/1997 Coll., on public health insurance, as a.
- Act No. 592/1992 Coll., on premiums for general health insurance, as a.
- Act No. 326/1999 Coll., on the Residence of Aliens in the Territory of the Czech Republic, as a.
- Act No. 118/

Entitlement to Work

For residents no employment permission is needed. For non-residents the following applies:

- foreigners from EU, Switzerland and EEA and their family members do not need the Employment permit neither the Residence permit
- foreigners from third parties (except some special categories of employees) need:



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- **Work Permit** – in cases of seasonal work, for holders of a long-term residency permit for the purpose of business or applicants for international protection etc.
- **Employee Card** - for long-term residence in the territory of the Czech Republic where the purpose of the foreign national stay (longer than 3 months) is employment
- **Blue Card** - for a long-term stay involving the performance of a highly skilled job

Employment Contract

Employment contracts must be concluded in writing with the following minimum mandatory content:

- place of work
- starting date of employment
- type of the work

Employees have to be informed in writing about their duties and rights, such as holiday entitlement, wage and payment dates, working hours, job description, notice period, information about collective agreements, etc., within one month after concluding an employment contract if such information is not stated in the contract.

Regular Employment

There are two types of regular employment contracts in the Czech Republic:

- **Employment Contract for a definite period** - generally, it can be concluded for a maximum of 3 years and it is possible to conclude only 3 such contracts in a row (3x3 years)
- **Employment Contract for an indefinite period** - an employment relationship shall last for an indefinite period unless a definite period has been expressly agreed

Work Outside Employment Relationship

Furthermore, an employee may perform work outside employment relationship on the ground of two agreements:

- **Agreement to complete a job/Agreement on work activity** - the scope of work for which an agreement is concluded may not exceed 300 hours in one calendar year. Employees are social and health insurance payers if their income exceeds CZK 2,500 per month.
- **Agreement to perform work/Agreement on work performance** - the scope of work shall not exceed a maximum of one half of determined weekly working hours (20



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hours). Employees are social and health insurance payers only if their income exceeds CZK 10,000 per month.

In both of the above described contract types the employer is not obliged to schedule the working hours and the contracts have to be executed in writing.

Probationary Period

In regular Czech employment contracts, the probationary period, with the maximum of 3 consecutive months for regular employees and up to 6 consecutive months for chief officers, may be concluded. A probationary period may not be longer than one half of the agreed period of the employment relationship and must be agreed in writing on the day of commencement of employment at the latest.

Termination of Employment

Employment relationship may be terminated with the Czech employee:

- by agreement between the parties in writing
- by notice of termination
 - the notice of termination shall be made in writing and delivered to other party
 - the employee may give his employer notice of termination for any reason or without stating a reason
 - the employer must specify the reason based on a list of reasons provided by the law
 - Czech law prohibits giving notice to an employee during the protection period (while the female employee is pregnant or is on maternity leave, the employee is unfit for work, the employee is released to exercise a public office, etc., given that other conditions are met)
- by immediate termination only for reasons specified in Labor Code
- by termination within a probationary period
- on the expiry of agreed period in case of employment contract for a definite period
- upon death of the employee

In some specific cases, an employee is entitled to severance pay upon termination of employment.

Notice period: Where notice of termination has been given, the employment relationship will come to an end upon the expiry of the notice period. The notice period must be the same for both the employer and the employee, shall be at least 2 months and can be extended only by agreement between the employer and the employee in writing. The notice period shall start to run on the first day of the calendar month following delivery of the notice.



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An employer may serve a notice only from the reasons stipulated in the Labor Code (Labor code in English - http://www.mpsv.cz/files/clanky/3221/Labour_Code_2012.pdf). An employee whose employment relationship is terminated by notice given by his/her employer for one of the reasons given by law - section 52 a) to c) of the Labor Code or by agreement for the same – organizational – reasons is entitled to receive the severance payment depending on the length of employment (one, two or three average monthly earnings depending on whether employment has lasted less than 1 year, from 1 to 2 years or more than 2 years). An employee whose employment relationship is terminated by notice given by his/her employer for the reasons stated in section 52 d) of the Labor Code or by agreement is entitled to receive severance pay in the amount of at least twelve times his/her average monthly earnings.

Working Hours

The length of standard weekly working hours shall be 40 hours per week. As a rule, working hours are distributed over the five-day working week. The length of a shift may not exceed 12 hours.

- The maximum weekly working time is 40 hours (without overtime work).
- The maximum weekly working time of employees who work underground or in a three-shift or non-stop operation is 37.5 hours (without overtime work).
- The maximum weekly working time of employees who work in a two-shift operation is 38.75 hours (without overtime work).
- The maximum weekly working time of employees under age 18 is 40 hours within all labor law relationships (max. 8 hours per day).
- The employer decides on work schedules after consulting the competent trade-union organization. As a rule, working time shall be scheduled over five working days per week.
- Regardless whether the working time is evenly or unevenly scheduled, the length of one shift (without overtime work) should not exceed 12 hours. The same applies to a flexible schedule of working time.
- The employer shall schedule working time in such a manner that the employee has one uninterrupted rest period of a minimum of 35 hours during each week (employees under 18 have a minimum rest of 48 hours). For employees over 18 years of age, the rest period may be reduced to a minimum of 24 hours under condition that in the period of 2 weeks the total rest period will be 70 hours.

In practice, employers tend to allow their employees greater flexibility for organizing their own working time by introducing forms of flexible working hours, which could prove to be a significant motivating factor. Flexible working hours may be set up as a flexible working day, week or maximum twenty six-week balancing period (within this period, an employee should reach his/her standard weekly working time, e.g. 40 hours, in average). Only the relevant collective agreement may extend such period to a maximum period of 52 consecutive weeks.



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In case of the uneven schedule of working time, the length of one shift may not exceed 12 hours. Employees are obliged to be at their workplace at the beginning of their working time and to leave the workplace only after their working has ended. Labor Code, Sec 79-87

Overtime Work

Overtime work may be performed only exceptionally. Outside the frame of normal weekly working hours, an employer may order no more than 8 hours of overtime work within an individual week and 150 hours of overtime work within 1 calendar year.

For overtime work, an employee is entitled to his or her salary for work done (attained salary) and to a premium of at least 25 % of his or her average earnings, unless the employer and the employee have agreed that instead of the premium for overtime work the employee will take compensatory time off (i.e., time off in lieu of premium pay) for the overtime hours worked.

If the employer does not give the employee the compensatory time off within 3 months after performing the overtime work, or within another agreed period, the employee is entitled to the premium mentioned above, in addition to his or her regular salary.

Average weekly overtime may not exceed 8 hours in a period that may not exceed 26 consecutive weeks. It can be increased to 52 consecutive weeks based on CBA. Labor Code Sec 93.

Night Work

Night work means work performed during night time. Nighttime is the time between 10 pm and 6 am. An employee doing night work is entitled to the wages and a premium in the amount of at least 10 % of the average earnings for his work at night.

Working Time at night may not exceed 8 hours in a period of 24 consecutive hours; if this is not possible, the employer is required to schedule weekly work time in such manner that the average length of shift does not exceed 8 hours in a maximum period of 6 consecutive calendar months. This is with regards to 5 days work week. Labor Code Sec 94.

Breaks

Employees are entitled to a break of at least 30 minutes for lunch and rest after six hours of continuous work. A work break for meal and rest shall not be provided at the start and the end of working hours. Breaks for meal and rest breaks (i.e. work breaks) shall not be included in the working hours.



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Daily Rest time may be reduced to up to 8 hours within 24 hours of successive employees, provided that the subsequent rest is extended by the period of reduction of such rest in continuous operations, uneven working hours and overtime.

In such a case of reduction, the employer may only schedule the working hours of employees so that the continuous weekly rest period is at least 24 hours; a continuous weekly rest period of at least 70 hours shall be granted over a period of 2 weeks. Labor Code Sec 88.

Daily Rest: Rest of at least 11 hours between the end of one shift and the beginning of the next shift. Labor Code Sec 90.

Weekly Rest: An employer is required to provide at least 35 consecutive hours of rest between shifts. If work permits, a continuous rest of the week shall be determined for all employees on the same day and so that it falls on Sunday. In the case of technological processes that cannot be interrupted, the employer may only schedule the working hours of employees so that the continuous weekly rest period is at least 24 hours; a continuous weekly rest period of at least 70 hours shall be granted over a period of 2 weeks. Labor Code Sec 92.

Public Holidays

The Czech Republic currently has 12 statutory public holidays, which are not included in the minimum holiday entitlement, including:

- January 1st : New Year's Day (Restoration Day of the Independent Czech State)
- Easter Monday (floating holiday)
- May 1st : Labor Day
- May 8th : Liberation Day
- July 5th : Day of Slavonic Apostles Cyril and Methodius
- July 6th : Anniversary of the Martyrdom of Jan Hus
- September 28th : Day of Czech Statehood
- October 28th : Day of Founding the Independent Czechoslovak State
- November 17th : Day of the Struggle for Freedom and Democracy
- December 24th : Christmas Eve
- December 25th : 1st Christmas Day
- December 26th : 2nd Christmas Day

Where an employee performs work on a public holiday, he shall be entitled to his normal wage plus compensatory rest or an additional pay corresponding to the 100 % of his average earnings. The compensatory time off to be availed latest by the end of the third calendar month after the public holiday on which the employee worked, or within another agreed period. Upon availing compensatory time off, the employee is entitled to compensatory wage in the number of his average earnings. Act on National Holidays, No. 245/2000 (as amended); Labor Code, No. 262/2006 (as amended).



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Leaves

Annual Leave

Each employee is entitled to a minimum of four weeks' holiday per the calendar year. The employee is entitled to a proportional part of annual leave for every month of his employment with the same employer and this proportional part equals one-twelfth of annual leave for every calendar month of employment

The employee who under his continuous employment with the same employer performed work for this employer for at least 60 days in one calendar year is entitled to leave per such calendar year, or to its proportional part in the case that his employment did not last continuously for the entire calendar year.

If an employee is granted leave in several parts, at least one part must be at least 2 weeks in total, unless the employee and the employer agree on a different length of the leave taken.

Leave should be availed in the same year in which it is accrued. Where leave cannot be taken in the year in which it has been accrued, the leave can be availed latest by the end of the subsequent calendar year. Employees are entitled to compensation of wages or salary for untaken leave only in the case of termination of employment.

If the employee falls on a holiday during a holiday on a day that is otherwise his / her normal working day, he/she is not included in the holiday. If the employer has determined compensatory time off for overtime work or a public holiday so that it would fall within the period of leave, the employer is obliged to determine compensatory time off for another day. Labor Code Sec 212-223.

Parental Leave

Parental leave must be granted to employees on request. Parental leave can be taken at any time from the end of maternity leave (for mothers) or the date of birth (for fathers). It can last at a maximum until the child reaches three years of age. Labor Code, No. 262/2006 (as amended).

Maternity Leave

Female employees are entitled to 28 weeks' maternity leave (37 weeks for multiple births). A female employee shall go on her maternity leave, as a rule, at the beginning of the sixth week before the expected childbirth (confinement), but no earlier than the beginning of the eighth week before the expected confinement. If a female employee has taken less than six weeks of maternity leave before the childbirth because the child was born earlier than the date determined by her doctor, she is entitled to her maternity leave as of the day when she started



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to take it until the expiry of the period as stated. If a female employee has had less than six weeks of maternity leave before her confinement for some other reason, she shall be entitled to 22 weeks of maternity leave as of the childbirth, or to 31 weeks if she gives birth to two or more children at the same time. If a child is stillborn, the female employee is entitled to maternity leave of 14 weeks. Labor Code, No. 262/2006 (as amended). Labor Code, No. 262/2006 (as amended).

Paternity Leave

Czech law does not contain any specific right to paternity leave. Fathers are entitled to take parental leave from the date of birth of the child. In some cases, they are entitled to receive maternity benefits, if they care for the child and those benefits are not paid to the mother. Fathers are also entitled to an optional leave of 10 consecutive or non-consecutive working days, at the same time that the mother is taking her initial parental leave. Labor Code, No. 262/2006 (as amended).

Child Care Leave

An employee can be absent from work for caring for a child younger than ten years of age and for providing care to a sick family member. Further, if an employee caring for a child under 15 years of age, or another dependent person, requests shorter working hours or some other reasonable adjustment to the weekly working hours, the employer must comply with the request, unless serious operational reasons prevent it from doing so. Labor Code, No. 262/2006 (as amended).

Maternity and Parental Leave for Foster Parents

The right to maternity or parental leave and related payments applies to female or male employees if these employees have taken a child into their care and are in the position of substituting parental care (including adoption, child custody, and guardianship). A female employee is granted maternity leave of 22 weeks from the day she takes a child into her care (31 weeks for two or more children), though this leave cannot extend beyond the child's first birthday. Parental leave is the same as for birthparents.

Military Leave

Employees are entitled to leave during their military training. The leave is paid by the military. Because military service is not compulsory in the Czech Republic, this provision only applies to persons who volunteer for the military training, and its practical impact is marginal.

Election to Office Leave

When an employee is elected to public office, the employer is required to permit the employee to assume public office and grant him or her unpaid leave not exceeding 20 days per year.



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Personal Leave

Governmental Decree No. 590/2006 Coll. sets out a list of events for which an employee must be granted time off. These include medical examinations, weddings and the birth of a child, as well as deaths and funerals within the immediate family. In addition, employers must grant their employees leave for the performance of work at a public office and other duties of public interest if employees cannot perform these activities outside working hours.

Sick Leave

If an employee becomes incapable of work due to sickness or injury, the employer must pay sickness benefits from the fourth to the 14th day of work incapacity (employees are not entitled to benefits for the first three days). The sickness benefit is equal to 60 % of the employee's average wage. During the first 14 days of an employee's inability to work, employers are permitted to check that the worker is following a physician's instructions. If employees violate the prescribed regimen, employers can reduce sick benefits or, in the case of a gross breach, refuse to pay them at all. The government pays sick benefits from the 15th day of work incapacity.

Remuneration

An employee is entitled to his/her wages and a premium (bonus) payment of at least 25 % of average earnings for overtime work (or unpaid time off in lieu of such premium payment). The Labor Code allows to take into account, when negotiating salary, an agreed scope of overtime for all employees. Such agreed salary may reflect overtime work in a maximum scope of 150 hours of overtime per calendar year for ordinary employees and for managerial staff within the total scope of overtime work (roughly 416 hours a year).

An employee is entitled to his/her wages and paid time off (one hour of work on a holiday = one hour of time off) for his/her work on a public holiday. If an employee and his/her employer so agree, instead of time off such employee may receive (in addition to his/her wages) a premium (bonus) payment for work on a public holiday in the amount of at least his/her average earnings (100 %). There are currently 13 public holidays in the Czech Republic which are paid with standard wages if a public holiday falls on a working day and an employee does not work).

The premium (bonus) payment for work on Saturdays and Sundays and for work at night is 10 % of average earnings unless agreed otherwise.

The premium (bonus) payment for work in arduous and hazardous conditions is 10 % of minimum rates (see the next point below).



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Minimum Wage

Czech Republic rises the national minimum monthly wage from January 1st 2020 by CZK 1,250 to CZK 14,600, which means increase by 9.37 %. Czech Republic has minimum wage, determined by a governmental decree and no worker in Czech Republic should be paid less than this minimum pay rate. The governmental decree defines 8 work groups, which are set up based on complexity, liability and strenuous of work and have different level of minimum hourly and monthly wage. The highest minimum Czech wage rate applies for example in administrative, economic, operational and administrative activities for the following scope of work “determining the business, business and financial strategy of an organization, conducting financial operations on the financial and capital markets, coordinating financial and other activities, and balancing the resources and needs of the organization.”

Work group 1: Kitchen assistant, seamstress, warehouseman - handling of goods up to 15 kg, shop assistant, cleaning lady, parcel delivery and other unskilled work.

Work group 2: Craftsman or worker on site, warehouse worker - handling of objects over 15 kg, garbage or ambulance, tobacconist, caretaker or janitor and security guard, car driver, simple food cook, maid, inspector and sorter in packing centers, packing line operator, etc.

Work group 3: Bricklayer or plumber, plumber and heating engineer - easier work, electric or heat appliance repairman, barber and hairdresser, salesman, cook - common types of hot meals, cashier, waiter or bartender, computer worker - database, tables etc., accountant, invoice - simpler work, car mechanic, metro driver, car driver over 9 seats or over 3.5 t, nurse, dental instrument, butcher at slaughterhouse, etc.

Work group 4: General nurse, midwife, plumber, heating engineer - more complicated work, guide - interpreter, organizer, negotiation with foreign partners, accountant - all agenda about wages, handyman of simple equipment and buildings, chef specialist - demanding menu, tailors in model and custom production, car mechanic - diagnostics and elimination of defects in electronics, drivers on side lines, etc. Seventh and eighth grade of employees in the public sphere.

Work group 5: Bus driver for more than 16 persons, master, dispatcher, paramedic, personnel and payroll accountant - providing agenda, market researcher, tax expert - dealing with tax office, calculation, large property manager, programmer, IT manager, support for company employees, teacher in kindergarten, instructor in driving school, designer of buildings or simple assemblies, etc.

Work group 6: Sales Officer - international business relations, pricing, sales organization, programmer (development, system component design) and network administrator (more demanding tasks), IT system designer, independent designer of large and demanding buildings, etc.



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Work group 7: Financial expert, marketing expert, IT expert, programmer - development of new programs and systems, teaching at university, doctor, dentist, pharmacist etc.

Work group 8: Financial and sales director, financial and capital market broker, demanding creative system work, etc.

Trade Unions

The Czech Republic operates on the principle of free establishment and competition of trade unions. Establishment of a trade union is not mandatory in companies. The minimum number of employees needed to establish a trade union is three. The role of trade unions in the Czech Republic is still largely perceived as social – there is no history of large-scale strikes or lockouts. The number of registered union members is steadily decreasing.



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Immigration

Visa

For citizens outside the EU the following visas are required:

Short-term Visa

Schengen visa for transit or stay in the Schengen area.

- Airport transit visa (visa "A") allows its holder passing through the transit areas of the airport during a stop-over or transfer.
- Short-term visa for stay up to 90 days (visa "C"), e.g. for the purpose of
 - tourism, health & spa tourism, medical treatment
 - business journey, conference, cultural or sport event
 - employment or other profit-generating activity
 - study, internship or scientific research, training
 - a visit (based on an official invitation verified by an Alien Police Inspectorate)
 - official/political purpose
 - other

A short-term (Schengen) visa is issued by a diplomatic mission of the Czech Republic or of another Schengen state and entitles its holder to stay in the territory of the Czech Republic/Schengen area for the period indicated in the visa. Usually uniform visas are issued, allowing the holder to circulate in the entire Schengen area (whereas visas with limited territorial validity are issued exceptionally).

According to the so-called "90/180 rule," an alien can stay in the Czech Republic/Schengen area for a maximum of 90 days within any period of 180 days immediately preceding each day of stay. After a 90 days long stay, it is necessary to travel out of the Czech Republic/Schengen area. This rule does not pertain to aliens who: (1) are citizens of those countries with which the Czech Republic has concluded a bilateral visa free agreement before its entry into the EU (i.e. Argentina, Chile, Costa Rica, Honduras, Israel, Malaysia, Panama, Republic of Korea, Singapore, Uruguay) – these aliens however need to travel out of the Schengen area after a 90 days long stay at least for one day; (2) stayed in the Czech Republic/Schengen area based on a Schengen visa and their subsequent stay will be based on a Czech national visa (these visas are issued only in exceptional cases); (3) will stay in the Czech Republic based on a long-term visa or long-term residency permit.

In addition to the above, special short-term visas for seasonal work are issued by a diplomatic mission of the Czech Republic. Visas for seasonal work may be issued with validity for the entire Schengen Area or with limited territorial validity for selected member states. However, such



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visas do not constitute the right to work on the territory of the Czech Republic. That is why when applying for short-term visa for seasonal work a foreigner is among others obliged to attach already issued employment permit to his application for visa or to refer to reference number of his application for employment permit already submitted.

Long-term Visa

Long-term visa is issued as national visa with Schengen visa properties (i.e. grants a possibility of stay in the Schengen area for a maximum of 90 days within any 180 days). The long-term visa (visa "D") is a national visa for a stay over 90 days.

Visa for a stay over 90 days is issued to an alien for a purpose requiring a stay of more than 3 months, e.g. for the purpose of:

- entrepreneurship, investment and creating new jobs;
- study, internship, pedagogic activity;
- scientific research;
- family reunification (till long-term residence permit is granted);
- sport, culture;
- medical treatment;
- official/political purpose;
- seasonal work;
- a visit (invitation); or
- other (except employment, since that is subject to Employee Cards and Blue Cards) and is granted for the validity period stipulated, but for not more than 1 year.

Furthermore, a visa for a stay over 90 days is issued to an alien for the purpose of collecting a respective residence permit (such as Blue Card, Employee Card, long-term residence permit for different purposes such as family reunification, study or scientific research), or for the purpose of submission of the application for a long-term residence permit granted by the Ministry of Foreign Affairs. The visa for a stay over 90 days referred to in this paragraph is granted for 6 months and for the period of stay in the territory of the Czech Republic not exceeding 60 days or 30 working days in case of a stay for the purpose of submission of the application for a long-term residence permit granted by the Ministry of Foreign Affairs.

A visa for a stay over 90 days – type D allows its holder during its validity a free movement around all states of the Schengen Area, including the Czech Republic. The entire period spent on the territory of Schengen states other than the territory of the permit issuing state shall not exceed 90 days within any period of 180 days.

An application for a visa for a stay over 90 days (category D) may be filed solely at a diplomatic mission of the Czech Republic abroad. The diplomatic mission does not decide on the issue or refusal to issue the visa for a stay over 90 days. The visa for a stay over 90 days is issued by the



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Ministry of Interior of the Czech Republic, based upon the application of an alien who wishes to stay in the territory of the Czech Republic for a purpose requiring the stay in the territory of the Czech Republic for a period longer than 3 months. The visa for a stay over 90 days is affixed to the alien's travel document by the diplomatic mission based on the instructions of the Ministry of Interior of the Czech Republic.

An applicant for a long-term visa is obliged to undergo an interview if the diplomatic mission calls him/her to it. In the case an alien is applying for a long-term visa for the purpose of conducting business, he/she must always attend the interview.

An application for a visa for a stay over 90 days shall be processed by the Ministry of Interior of the Czech Republic within 90 days, in exceptionally complicated cases within 120 days of the submission date of the application. An application for a visa for a stay over 90 days for the purpose of study or a pedagogic activity or for the purpose of scientific research or seasonal work shall be processed within 60 days of the submission date of the application.

Particulars of a visa application may not be older than 180 days, except for the alien's travel document, civil register documents and photograph corresponding to his actual appearance, unless stipulated otherwise. All particulars, except for the travel document, must be in the Czech language (either in the Czech language or in a foreign language accompanied with a certified translation into the Czech language).

Residency & Work Permit

Travel to and business in the Czech Republic presents almost no difficulties for EU member states' citizens. Since December 21st 2007, the Czech Republic is a member of the Schengen Agreement, which ensures cross-border movement of visitors without the need for additional visas or authorization, once initial entry has been made. Employees from these countries do not require work permits, provided they have a travel document or an identity card. The EU principles of free movement apply also to their family members. Citizens of countries outside of EU are required to apply for work permits, such as so called "Employee Cards" or "Blue Cards" or "Intra-Company Employee Transfer Cards", or visas to enter and stay in the Czech Republic.

A Blue Card is a residence and working permit and enables the holder to reside in the territory of the Czech Republic on a long-term basis for the purpose of employment in a position requiring a high level of professional skill.

An Employee Card is a new type of long-term residence permit for the purpose of employment and replaces the visa for a stay of over 90 days for the purpose of employment as well as the long-term residence permit for the purpose of employment and a Green Card, which is no longer issued. An Employee Card is most often issued for the duration of the employer-employee relationship but not for more than 2 years, with an option to repeatedly extend its validity.



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An Intra-Company Employee Transfer Card is a new type of long-term residence permit as well. An Intra-Company Employee Transfer Card is an authorization where the purpose of residence of the foreign national is to perform work in the position of manager, specialist or employed intern to which the foreign national has been transferred. The Intra-Company Employee Transfer Card is issued for the duration of transfer to the territory of the Czech Republic, but only to a maximum of 3 years for a manager and specialist and for 1 year for an employed intern. For purposes of an Intra-Company Employee Transfer Card an intra-company transfer has the meaning of the temporary transfer of an employee of a multinational company from a functioning section of a multinational company in a country that is not a member state of the European Union to a functioning section of the company located in the Czech Republic.

For the purposes of employment or entrepreneurial activities a foreigner will be required to seek a work permit or a trade license operate as a self-employed entrepreneur. An application for residence permit for the purpose of conducting business shall be submitted also by an alien willing to stay in the territory of the Czech Republic as a statutory body or a member of the statutory body of a business corporation. These permits for non-EU residents are tied to the issue of long-term visas, and once the visa has been granted the relevant applications and processes do not represent a major obstacle.



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We are a borderless people engagement enabler, driven by technology and innovation. We deliver bespoke human capital management services and global payroll solutions to empower businesses across 110+ countries regardless of their organizations' size and their industry. We pride ourselves on being global people experts with a striking local presence, committed to making your teams happy, and ensuring the consistent and sustainable growth of your organization.

Local Presence. Regional Strategy. Global Success

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A Revolutionary Service Delivery System

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Mercans cloud-based SaaS Products, HR Blizz™ & Mesaar™, combine the performance of proprietary technologies with a human touch. Cost-effective, they are fully-compliant self-service tools, packed with smart built-in features for your peace of mind. All your data are integrated into single interfaces accessible from everywhere and on any device.

Trailblazing Cloud-Based SaaS Products

HR Blizz & Mesaar, our Software-as-a-Service platforms, both propose a preconfigured API integration capability with all the major global HRMS platforms, including SuccessFactors, Workday, Oracle HCM, and MS Dynamics. All Mercans systems and processes are GDPR compliant, ISO 9001, 20000, 27001 certified, and SOC 1 and SOC 2 audited. A registered Finpro expert, Mercans is also a member of the Global Payroll Association and the Global Payroll Management Institute.



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