



DOING BUSINESS IN THE CZECH REPUBLIC

ABL

LEGAL SOLUTIONS
ACROSS BORDERS

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Contents

Foreword



1. The Czech Republic: Country Profile

3

1.1. Population

3

1.2. Language

3

1.3. Currency

3

1.4. Legal System

3



2. Economy and Investment

4

2.1. Economic Climate

4

2.2. Investment Opportunities

4



3. Conducting Business in the Czech Republic

6

3.1. Business Entities

6

3.2. Setting Up a Business and Capital Requirements

7

3.3. Branches of Foreign Companies

8



4. Taxation

9

4.1. Taxation of Corporations

9

4.2. Taxation of Individuals

9

4.3. Withholding Taxes

10

4.4. Valued Added Tax (VAT)

10

4.5. Other Taxes and Incentives

10



5. Employment and Social Security

12

5.1. Work and Residence Permits

12

5.2. Hiring Local Employees

14

5.3. Termination of Employment

14

5.4. Social Security System

15

Foreword

This publication was prepared by Hartmann, Jelínek, Fráňa & Partners Ltd., and Nypl Novák Kavalírova & Partners, two independent members of ABL. It has been designed as a guide to assist foreign businesses and entrepreneurs by answering questions they may have when planning their first venture into the Czech market.

Located in Prague, Hartmann, Jelínek, Fráňa & Partners Ltd. is a Czech business law firm specializing in mergers and acquisitions and corporate, commercial, criminal, media, sports, and constitutional law.

Nypl Novák Kavalírova & Partners, based in Hradec Králové, provide comprehensive legal services to Czech and foreign companies in most major areas of law, with a focus on commercial, taxation, and finance law.

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1. The Czech Republic: Country Profile

The Czech Republic is a relatively small, unitary state located in central Europe. Part of Czechoslovakia until January 1993, the Czech Republic is one of two successor states emerging from the peaceful “Velvet Divorce”; the other state was the Slovak Republic. Although under Communist rule from 1948 to 1989, the country can now boast a highly developed economy; and it was the first former Eastern Bloc state to acquire this status. Today, the Czech Republic is a member of all regionally relevant international organizations guiding political, humanitarian, and economic development. Its membership includes among others the Visegrád Group, the Organisation for Economic Co-operation and Development (OECD), the North Atlantic Treaty Organization (NATO) and, of course, the European Union (EU).

1.1. Population

According to the 2015 census, the population of the Czech Republic is approximately 10.5 million people. The capital city, Prague, accommodates over 1.3 million inhabitants, making this historical yet vibrant city the largest in the country. With a total area of almost 79,000 square kilometers (km²), comparatively similar to Ireland or Austria, the population density currently stands at approximately 134 people per km².

1.2. Language

Czech, from the family of Slavic languages, is the country's official language. The Czech language is closely related to Slovak; these two are in fact mutually intelligible.

1.3. Currency

Despite being part of the EU since 2004, the official currency of the Czech Republic remains the Czech koruna (also known as Czech crown; sign: Kč;

code: CZK). The koruna has been the official national currency since 8 February 1993, when it replaced the previously used Czechoslovak koruna.

Although the Czech Republic is bound by its EU membership to convert to the Euro upon fulfilling the criteria defined in the Maastricht Treaty on the Functioning of the European Union, the Czech government presently does not have a set target date to adopt the Euro. Additionally, as indicated by the Eurobarometer poll, Czech public opinion largely favors keeping the Czech koruna as the official currency.

1.4. Legal System

The Czech legal system belongs to continental legal systems, specifically the Germanic branch, and is largely harmonious with EU requirements.

The basic characteristics of the Czech legal system include the following:

- Written law recognized as the formal source of law
- Hierarchical system of legal sources
- Codified principle areas of law and procedure

The Czech Republic's Constitution defines the nation as a state with a sovereign, unitary, and democratic rule of law based on respect for the rights and freedoms of man and citizen. The Constitution, adopted by the Czech National Council on 16 December 1992, is a constitutional act which comprises the constitutional order of the Czech Republic together with other constitutional acts including the Charter of Fundamental Rights and Basic Freedoms.



2. Economy & Investment

Following the collapse of communism in 1989, the Czech Republic can boast one of the most stable and prosperous markets in central Europe. Its market economy is closely integrated with that of the EU, with Germany as the country's main export market.

2.1. Economic Climate

The Czech Republic practices open-market policies, and low tax rates encourage the development of a dynamic private sector. Furthermore, the country's economic policy is considered consistent and predictable. The Czech National Bank has maintained the stability of Czech currency stability since 1991.

Another point of interest is that the Czech gross domestic product (GDP) grew by 4.2% in the first half of 2015, placing the Czech Republic among the fastest growing economies in Europe. The Czech economy is dominated by the service sector, which constitutes about 60% of labor force, followed by the industry sector with 37%. The country's principal industries include motor vehicles, metallurgy, machinery and equipment, glass, and armaments.

As of April 2016, the unemployment rate is approximately 6.4%. The unemployment rate from 1990 to 2016 averaged to 5.65%. The all-time high unemployment rate was 9.69% in January 2004.

The most considerable present and future challenges to the Czech economy include concerns about corruption, slow growth in Eurozone markets, an aging population, and structural reform in the healthcare and pension sectors.

2.2. Investment Opportunities

Despite occasional reports of corruption, The Czech Republic has succeeded in creating and maintaining a stable and attractive climate for investment. Its attractiveness to investors is built on several factors; namely:

- A convenient central location in proximity both to consumption and production zones
- EU membership
- Advanced transport and infrastructure links to both western and eastern Europe
- A highly educated workforce with exceptional engineering skills
- Low labor costs compared to western Europe
- Offers of support for inward investment by the Czech government



Thanks to these factors, the Czech Republic has been exceptionally successful at attracting foreign direct investment (FDI). Per capita, the Czech Republic's FDI stock exceeds that of any other central or eastern European country. Additionally, the government agency CzechInvest is actively promoting the Czech Republic as a destination for high-tech investment.



3. Conducting Business in the Czech Republic

This chapter's purpose is to provide a general introduction to the diverse business entities operating in the country. As suggested in the previous sections, the Czech Republic is a particularly suitable country for both foreign investors and business start-ups.

Czech company legislation is essentially governed by the Czech Civil Code and the Business Corporations Act; both became effective in January 2014. In general, foreign individuals and legal entities can conduct business in the Czech Republic under the same conditions, and to the same extent, as their Czech counterparts. Consequently, foreigners wishing to conduct business in the Czech Republic have the choice of either establishing a branch office registered in the Czech Republic or setting up a Czech company.

3.1. Business Entities

The Czech law acknowledges the legal forms of companies listed below.

Limited Liability Company

(s.r.o.; "společnost s ručením omezeným" in the Czech language)

This is the most common type of company in the Czech Republic, as it is popular with both small- and medium-sized businesses. A Limited Liability Company has a separate legal status from its shareholders, who are jointly and severally responsible for the company's liabilities only up to the amount of their unpaid capital contribution. Profits and losses are divided according to the capital contribution; however, the shareholders may stipulate differently in the company's Articles of Association. This type of company does not issue shares to the public.

The corporate governance of a Limited Liability Company is comparatively simple. There is no board of directors; the executive body consists of one

or more executive directors, with the exact number stated in the company's Founder's Deed or the Memorandum of Association. Executive directors are appointed by the general meeting or the sole shareholder. An executive director usually represents the company independently but this can be stipulated otherwise. Finally, the establishment of a supervisory board is not required by Czech law.

Joint-stock Company (a.s.; "akciová společnost" in the Czech language)

The Joint-stock Company is usually the preferred form for large companies. As with the Limited Liability Company, a Joint-stock Company has a separate legal status from its shareholders, and shareholders are only liable up to the amount of their capital contribution. In addition, Joint-stock Company can issue shares to the public.

Unlike the Limited Liability Company, a Joint-stock Company is required to have a board of directors and a supervisory board. The members of the board of directors are elected by the general meeting. Their role is to decide on all matters not reserved for the general meeting or the supervisory board, whereas the supervisory board monitors the activities of the board of directors and the overall operations of the Joint-stock Company. Nevertheless, alternative corporate governance may be stipulated in the company's Articles of Association; instead of the aforementioned boards, there can be an administrative board and a single director.

Limited Partnership (k.s.; "komanditní společnost" in the Czech language)

A Limited Partnership must consist of at least one general partner and at least one limited partner who are either individuals or legal entities. Whereas the general partners are liable unlimitedly for the partnership liabilities, the limited partners are jointly and severally liable only to the extent of their unpaid contribution.

General Commercial Partnership

(v.o.s.; “veřejná obchodní společnost” in the Czech language)

A General Commercial Partnership can be established by two or more partners; these can be individuals or legal entities. The partners jointly and severally share an unlimited responsibility for the liabilities of the partnership.

Furthermore, due to Czech membership in the EU, an additional three supranational types of legal entities may operate in the Czech Republic:

- European Economic Interest Grouping (EEIG)
- European Public Limited Liability Company (Societas Europea [SE])
- European Cooperative Society (SCE)

3.2. Setting Up a Business and Capital Requirements

In general, companies have legal status and are established by virtue of their registration in the Commercial Register at the Ministry of Justice. The Commercial Register is accessible to the public (www.justice.cz) and maintained by the Registry Courts. The application to register the company must be submitted within six months of its incorporation unless stated otherwise in the company's founding document.

The following are the basic requirements for the two most popular types of business entities, the Limited Liability Company and the Joint-stock Company.

- The Limited Liability Company is established either by the sole founder, who is either an individual or a legal entity, via the Founder's Deed (“zakladatelská listina” in the Czech language) or via the Memorandum of Association (“společenská smlouva”), which is concluded between partners (several entities or individuals). In any case, the company statement must be executed in the form of a notarial deed. It is interesting to note that the minimum registered capital for Limited Liability Company is a mere Kč 1 (one Czech koruna).



- The Joint-stock Company is established by the company's Articles of Association ("stanovy" in the Czech language) by one or more shareholders (individuals or legal entities) in the form of a notarial deed. The minimum registered capital for a Joint-stock Company is Kč 2,000,000 and at least 30% of the registered capital must be paid before filing the application for registration of the company in the Commercial Register.
- Additional steps before registering include opening a special bank account for the required monetary contributions and obtaining a trade license from a Trade Licensing Office corresponding to the intended activities of future company (or some other form of business authorization).

3.3. Branches of Foreign Companies

The branch office is a popular form for foreign companies as it allows them to operate legally in the Czech Republic. Although not a Czech legal entity, a branch office is regulated by Czech law and must be recorded in the Commercial Register. For instance, there is no basic capital required, and the branch office is subject to corporate income tax.

A branch office generally functions as the representative of a foreign company. This specific position obligates the restriction of the branch office's business activities; the branch office can only conduct business which corresponds to that established by its founders. Influence of the parent entity and its laws can be further seen in the branch's internal dealings. Despite being legally dependent on the foreign company, branch offices have their own independent management.



4. Taxation

The main characteristics of the Czech Republic's tax system are similar to systems in most developed countries, especially in Europe. Tax revenues are collected at roughly the same degree from direct and indirect taxes.

Taxes in the Czech Republic can be classified as direct and indirect. Direct taxes are levied directly on taxpayers at the expense of their income. Indirect taxes are also levied on taxpayers, but their income is not reduced, and the tax is transferred to another entity.

The tax system in the Czech Republic is categorized as follows:

Direct taxes

- Income tax
 - Personal income tax
 - Legal corporate income tax
- Property tax
 - Road tax
 - Immovable property tax
 - Tax on the acquisition of immovable property

Indirect taxes

- Value Added Tax (VAT)
- Excise taxes
 - Tax on mineral oils
 - Tax on alcohol
 - Tax on beer
 - Tax on wine and intermediate products
 - Tax on tobacco products
- Environmental taxes
 - Tax on natural gas
 - Tax on electricity
 - Tax on fossil fuels

Income taxes in the Czech Republic are regulated by Act No. 586/1992 Coll, On Income Taxes. It therefore applies to both physical persons and legal entities.

4.1 Taxation of Corporations

The taxpayers of the corporate income tax are business companies, cooperatives, and associations, as well as government entities, mutual funds, sub-funds of stock companies, pension company funds, and trust funds. The tax base is the difference by which the income exceeds the expenses (costs). This is based on the result of economic activities (profit or loss) reported in the accounts for the tax period, usually a calendar year. The tax rate is linear; since 2010, it is 19% of the tax base excluding funds that pay 5%, respectively 0%.

4.2 Taxation of Individuals

Individuals are payers of the personal income tax. The following types of income are subject to personal income tax:

- Income from employment (occupation)
- Income from independent activities (business)
- Income from capital assets
- Rental income
- Other income

A separate tax base is calculated for each area. These individual tax bases are summed in the tax return and taxed at a uniform tax rate of 15%. In 2014, the Czech government established the so-called "Solidarity Tax," an increase amounting to 7% that applies only to income from the individual's employment with a business or self-employment.



The payers of both personal and corporate income taxes are subject to some common provisions. The Income Tax Act distinguishes between tax residents and tax non-residents of the Czech Republic. In principle, it requires tax residents to pay taxes in the Czech Republic on all income. The application takes into account the agreement on avoidance of double taxation. Non-resident taxpayers pay taxes in the Czech Republic imposed only on income earned in that territory. A tax return is filed by taxpayers within three months after the end of the tax reporting period. Taxes are also payable within that period.

4.3 Withholding Taxes

The Income Tax Act also characterizes a “special tax rate” in the form of withholding tax at a rate of usually 15%; for finance leases, it is 5% of the consideration. The tax is applied on income from capital, winnings (unless exempted), royalties, or agreements on work performance. This tax must be withheld and paid by the taxpayer so that the taxpayer receives the already taxed income.

4.4 Value Added Tax (VAT)

The Czech Republic’s VAT is compliant with relevant EU regulations. It is imposed on most taxable transactions in the Czech Republic as well as imported goods. The basic tax rate is currently 21%; the first reduced tax rate is 15%, and the reduced tax rate is 10%. Taxable transactions are subject to the tax rate applicable on the day the tax obligation arises. Taxpayers, who have the obligation to register, are those whose annual turnover exceeds Kč 1 million. The tax entity may also register voluntarily, without exceeding the turnover. The tax is paid on a monthly or quarterly basis. The vast majority of goods and services in the Czech Republic are currently subject to

the basic rate of tax. Transactions subject to reduced VAT rates are explicitly listed in the annexes of Act no. 235/2004 Coll., On Value Added Tax. The first reduced tax rate is imposed mainly on food, medical devices, books, and newspapers.

4.5 Other Taxes and Incentives

Road tax

The road tax is imposed on motor vehicles and their trailers registered and operated in the Czech Republic if they are used for business purposes. Regardless of whether they are used for business, vehicles with an MPW of at least 12 tons, intended exclusively for goods transport and registered in the Czech Republic, are subject to this tax. Vehicles used exclusively for personal use are tax exempt.

Tax rates are determined as fixed annual amounts. The tax base for passenger cars is the engine capacity (displacement) in centimeters squared (cm²), from €48 to €168. For other vehicles, the annual tax rate is based on the number of axles and the maximum permissible weight (maximum €2,000 for 3 axles over 36 tons).

Immovable property tax

Taxes on immovable property are imposed on lands and buildings registered in the Land Registry. The tax is regulated by Act No. 338/1992 Coll., On Tax On Immovable Property. This tax applies to owners of all real estate property in the Czech Republic regardless of its purpose. The tax period is the calendar year, where the decisive is the state as of 1 January of each year. The tax return is filed by 31 January, and if there is no change, it is not filed in subsequent years.

Tax on the acquisition of immovable property

The statutory measure of the Senate, No. 340/2013 Coll., On the Acquisition of Immovable Property, became effective on 1 January 2014. In the case of an acquisition of ownership through purchase or exchange, and the transferor and the transferee in the purchase or exchange contract agree that the taxpayer is the transferee, the taxpayer is primarily the transferor of property right to immovable property. If the taxpayer is the transferor, the transferee is the guarantor. In other cases of onerous acquisition of ownership rights to immovable property, the taxpayer is always the transferee, and the concept of liability does not apply. The tax rate is 4% of the tax base, or the acquisition value minus the deductible expenditure. The acquisition value is the agreed price, comparative tax value, or determined price (valuation).

Excise taxes

Excise taxes are consistent with the relevant EU directives. Excise taxes are imposed on mineral oil, alcohol, beer, wine and intermediate products, and tobacco products. The tax period is the calendar month. The tax becomes payable when these goods are put into free tax circulation; ie, when they leave a registered tax warehouse. Excise taxes are classified as indirect taxes that are introduced either by the state to regulate the prices of certain commodities on the market, or to increase government budget revenues. Excise taxes can also serve as an effective means to reduce the demand for harmful products, since the excise tax in the Czech Republic accounts for more than 50% of the taxed goods.

Taxpayers are the manufacturers and operators of so-called tax warehouses. Taxpayers are then the buyers of the product because the tax is included in the price of the product. Since 2006, the administration of excise taxes is carried out by the Customs Office.





5. Employment and Social Security

5.1. Work and Residence Permits

Residence and work performance of foreigners in the Czech Republic are governed by Act No. 326/1999 Coll., On the Residence of Foreigners in the Czech Republic; and Act No. 435/2004 Coll., On Employment. Citizens of the EU and other countries, except for those from certain third countries, are allowed to temporarily reside in the Czech Republic without a visa (see the *List of states* below). Other foreign nationals must apply for a short-term or long-term visa.

Third-country nationals can apply for several types of stays in the Czech Republic. These include:

- Long-term stay, for the purpose of family reunification or studies in the Czech Republic
- Employee card, a long-term residence permit entitling foreign nationals to stay for a period exceeding three months and the performance of the job for which the employee card was issued
- Blue card, for a third-country national who intends to reside in the territory for a period exceeding three months and will be employed in a position requiring high qualifications
- Permanent residence

EU citizens may apply for permanent or temporary residence in the Czech Republic; however, the certificate of residence is not a condition of legal residence for a citizen of the Czech Republic.

Citizens of EU member states and their families are not considered foreigners under the Employment Act, which provides same legal status as that of the citizens of the Czech Republic. Also, the citizens of Norway, Lichtenstein, Iceland, and Switzerland, including family members, have this legal status.

List of states

The following is a list of third countries whose nationals are subject to visa requirements in the member states of the EU, which are governed by Regulation (EC) No. 539/2001 as amended by Regulation (EC) No. 2414/2001 and Regulation (EC) No. 453/2003 (ie, in the Schengen countries).

- | | |
|----------------------------|--------------------------------|
| • AFGHANISTAN | • COSOVO |
| • ALGERIA | • CUBA |
| • ANGOLA | • DEMOCRATIC REPUBLIC OF CONGO |
| • ARMENIA | • DJIBOUTI |
| • AZERBAIJAN | • DOMINICAN REPUBLIC |
| • BAHRAIN | • ECUADOR |
| • BANGLADESH | • EGYPT |
| • BELARUS | • EQUATORIAL GUINEA |
| • BELIZE | • ERITREA |
| • BENIN | • ETHIOPIA |
| • BHUTAN | • FIJI |
| • BOLIVIA | • GABON |
| • BOTSWANA | • GAMBIA |
| • BURKINA FASO | • GEORGIA |
| • BURUNDI | • GHANA |
| • CHAD | • GUIANA |
| • CAMBODIA | • GUINEA |
| • CAMEROON | • GUINEA-BISSAU |
| • CAPE VERDE | • HAITI |
| • QATAR | • INDIA |
| • CENTRAL AFRICAN REPUBLIC | • INDONESIA |
| • CHINA | • IRAN |
| • COMOROS | • IRAQ |
| • CONGO | • IVORY COAST |

- JAMAICA
- JORDAN
- KAZAKHSTAN
- KENYA
- KIRIBATI
- KUWAIT
- KYRGYZSTAN
- LAOS
- LEBANON
- LESOTHO
- LIBERIA
- LIBYA
- MADAGASCAR
- MALAWI
- MALDIVES
- MALI
- MARSHALL ISLANDS
- MAURITANIA
- MICRONESIA
- MONGOLIA
- MOROCCO
- MOZAMBIQUE
- MYANMAR
- NAMIBIA
- NAURU
- NEPAL
- NIGER
- NIGERIA
- NORTH KOREA

- OMAN
- PAKISTAN
- PALESTINIAN NATIONAL AUTHORITY
- PAPUA NEW GUINEA
- PERU
- RUSSIAN FEDERATION
- RWANDA
- SÃO TOMÉ AND PRÍNCIPE
- SAUDI ARABIA
- SENEGAL
- SIERRA LEONE
- SOLOMON ISLANDS
- SOMALIA
- SOUTH AFRICA
- SOUTH AFRICA
- SRI LANKA
- SUDAN
- SURINAME
- SWAZILAND
- SYRIA
- TAJIKISTAN
- TANZANIA
- THAILAND
- THE PHILIPPINES
- TOGO
- TONGA
- TUNISIA
- TURKEY
- TURKMENISTAN

- TUVALU
- UGANDA
- UKRAINE
- UZBEKISTAN
- VIETNAM
- YEMEN
- ZAMBIA
- ZIMBABWE



5.2. Hiring Local Employees

Legal relations that arise in the performance of dependent work between employers and employees are labor-legal relations. These are governed in the Czech Republic by Act No. 262/2006 Coll., The Labour Code. The basic labor-legal relationships include employment and contracts to perform work outside employment, agreement on work activity, and agreement on work performance.

The basic features of dependent work include its relationship of superiority of the employer and inferiority of employee on behalf of the employer, according to the instructions of the employer, at the expense and responsibility of the employer. An employee performs work for the employer personally, and for this work the employee is entitled to a wage, salary, or remuneration (according to the type of the labor-legal relationship).

The employee is always a specific person (citizen) who is committed to the performance of dependent work in the basic labor-legal relationship. The employee must meet the labor-legal eligibility criteria laid down by the Civil Code. These include the condition of having reached of 15 years of age and the completion of compulsory education for the performance of the work in the labor-legal relationship.

For some groups of employees, the Labour Code contains specific provisions, the purpose of which are to either ensure their lawful protection (eg, juvenile employees, graduates, employees with disabilities, female employees, male or female employees caring for a child of a certain age), or to take into account their special status (eg, domestic employees).

5.3. Termination of Employment

Employment, according to the Labour Code, is established most frequently by an employment contract or, in special cases by election or appointment, which must be made in writing no later than the day of commencement of employment. In the contract, the employer and employee are obliged to agree on the nature, location, and start date of work. Employment may be contracted for a definite or indefinite period. The employee is entitled to annual leave (or its proportional part) of at least four weeks. The employee has a legislatively guaranteed minimum monthly wage (Kč 9,900 for the year 2016, or about €400) and, according to employee rating, a so-called "guaranteed wage." The employment contract may be terminated by agreement upon the end of employment, which includes dismissal of the employee, immediate termination in the event of serious misconduct of the employee or by the employer, termination of the agreed period of employment, or notice by the employer. The employee is entitled to severance pay in the amount equal to his average earning up to three times the average of the earnings, depending on the length of employment.

In addition to the employment contract, the employer and employee have the opportunity to conclude one of the agreements on work performed outside employment, or agreement on work activity and work performance. Both types of agreements must be documented in writing, and must their notice. The employee is not entitled to holiday or severance pay under these agreements.

The agreement on work activity may be drawn, provided that the work is performed on an average up to one-half of the weekly working time. This agreement must specify the work, its scope, and the time period for which the agreement is valid (a definite or indefinite period).

The agreement on work performance may be drawn if the envisaged scope of work for which the agreement is entered into does not exceed 300 hours in a calendar year. If the employer makes more such agreements with the same employee in that calendar year, the range of work tasks is cumulative and cannot exceed the specified 300 hours. The agreement must stipulate the period for which the agreement is valid, define the work task, and state the expected scope of work.

5.4. Social Security System

The Czech Republic's social security system includes a basic compulsory pension and medical insurance. Within the framework of the system, apart from social security premiums, a contribution to the state employment policy is collected.

The social security system is funded on a continuous basis. This means that expenditures on benefits in the relevant period are covered by revenue from insurance premiums collected during that period. Funding legislation is contained in Act No. 589/1992 Coll., On Premiums for Social Security Contribution to the State Employment Policy. Premiums are paid by employees, employers, and the self-employed. The employer bears all responsibility for establishing the correct amount of premiums to be paid by both the employee and the employer, and for their timely payment. The employer deducts the premiums to be paid by the employee from the employee's wage and returns it, along with its premium, in a single amount. The amount of the premium is 6.5% of the employee's gross wage and 25% of the employer's gross earnings (2.3% for health insurance, 21.5% for pension insurance, and 1.2% for the state employment policy).



Taxable income of the self-employed is reduced by expenses incurred to generate, assure, and maintain such income; the base for this contribution is 50% of the difference between revenues and expenditures.

The basic substantive regulation that governs entitlements from the basic compulsory pension insurance for the old age, invalidity, and death of the employee is Act No. 155/1995 Coll., On Pension Insurance. Participation in basic pension insurance is upon compliance with certain compulsory conditions.

Legal entitlement to pension is granted upon compliance with the statutory conditions. The basic pension insurance is economically guaranteed by the state. The principle of merit in the pension insurance is reflected, to a limited extent, in the simultaneous application of the principle of social solidarity, the existence of reduction limits by which the inclusion of higher income is limited in a prescribed manner and causes a decrease in the relative level of pension with rising incomes creditable for pension insurance purposes.

The basic pension insurance scheme provides for the following allowances:

- Retirement pension (payable at age 65 for men and age 62 to 64 for women according to the number of children raised)
- Full disability pension
- Partial disability pension
- Widow's and widower's pensions
- Orphan's benefit

The sickness insurance system is intended for self-employed persons, to whom it provides cash health insurance benefits in cases of so-called short-term social (emergency) events. These may include the temporary inability to work due to illness, injury or quarantine; care for a family member; pregnancy and maternity; and child care. Under the Health Insurance Act, the citizenship of the insured is irrelevant.

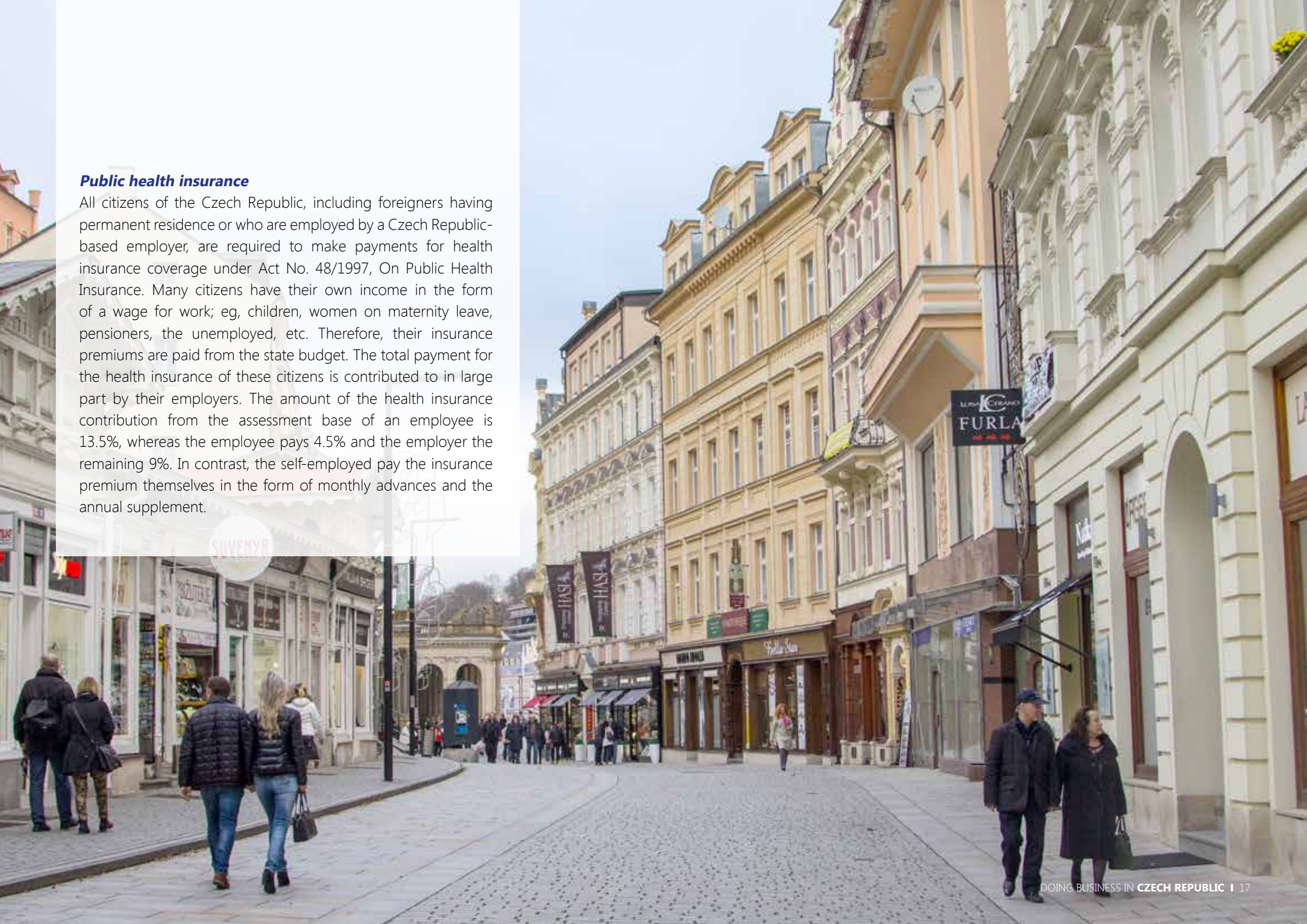
Sickness insurance participants include employees and self-employed persons. Employees are obliged to participate in the sickness insurance scheme. Health insurance for the self-employed is voluntary.

Four types of cash benefits are provided under the sickness insurance scheme, namely:

- Sickness benefit from the 15th calendar day of temporary incapacity to work; calendar days 4 to 14 are paid to the employee by the employer in the form of the so-called wage compensation
- Financial maternity benefit
- Nursing allowance
- Compensatory allowance for pregnancy and maternity

Public health insurance

All citizens of the Czech Republic, including foreigners having permanent residence or who are employed by a Czech Republic-based employer, are required to make payments for health insurance coverage under Act No. 48/1997, On Public Health Insurance. Many citizens have their own income in the form of a wage for work; eg, children, women on maternity leave, pensioners, the unemployed, etc. Therefore, their insurance premiums are paid from the state budget. The total payment for the health insurance of these citizens is contributed to in large part by their employers. The amount of the health insurance contribution from the assessment base of an employee is 13.5%, whereas the employee pays 4.5% and the employer the remaining 9%. In contrast, the self-employed pay the insurance premium themselves in the form of monthly advances and the annual supplement.





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