

# About Vistra Czech Republic

## Czech Republic

The Czech Republic is a landlocked country in Central Europe bordered by Germany to the northwest and west; Austria to the south; Slovakia to the east; and Poland to the northeast. Prague, the capital, is the largest city, with 1.3 million residents.

The official language is Czech however other European languages are spoken and especially English can be used for business transactions.

Although the country is part of the Schengen Area, EURO has not been adopted and the Czech crown remains the national currency. All major currencies are accepted for financial transactions.

The country is also a member of NATO, the OECD, the OSCE and the Council of Europe.

## Taxation

The corporate income tax in the Czech Republic is a flat rate of 19%. Tax on dividends is 15% but reductions can be obtained based on the double taxation agreements, EU directives or local rules.

Personal income tax is paid by employees and small businesses or so called self-employers. The personal income tax rate is a flat rate of 15% (22% for incomes over c. 1.4 million Czech crowns). Employers are obliged to deduct tax advances under a payroll deduction scheme. Self-employers pay tax advances themselves and file an income tax return every year to settle any differences between the amount due and amount advanced. It is possible to claim a tax exemption for a dependent child, dependent spouse etc.

The basic rate of Value Added Tax amounts to 21% and the reduced rate to 15%. The majority of goods and services are subject to the basic rate. The reduced rate applies to foods, medicines, printed matter, public transportation, undertaker services, water distribution, cultural activities, accommodation, constructions work and heat distribution. Financial services are exempt from VAT.

## Types of Companies

The Czech Republic regulates a few types of companies: partnership, branch office, limited liability company (SRO) and the joint stock company (AS), etc. The last two are the most popular.

- **Limited Liability Company**
  - Established by one or more individuals or legal entities;
  - Liable for its debts and obligations with its whole property;
  - Minimum capital of CZK 1. We recommend at least CZK 50,000 (approx. EUR 1,900).
- **Joint Stock Company**
  - Established by one or more individuals or legal persons;
  - Minimum share capital of CZK 2,000,000 (approx. EUR 77,500).
- **European company**
  - Minimum share capital of EUR 120,000;
  - Limited partnerships are also possible but currently are rarely used as there is no difference in tax treatment between the partners.

## Contact

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