

CZECH REPUBLIC

Czech Republic - Civil Law

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Incorporating a company in Czech Republic

Czech Republic taxes

If you want to do business in Czech Republic, this article explains the tax laws for a LLC which is the most common company structure in Czech Republic.

CZ imposes corporate tax on a worldwide basis. The usual approximate percentage for income remitted, from our research, and this is not personal tax advice, is 19%. Czech Republic may have exclusions and other available benefits to transfer in foreign earned profits. Taxes are low in Czech Republic because the effective corporate tax rate is 19%. This ranks Czech Republic as 64th overall with regards to CIT globally.

The valued added tax rate in Czech Republic is 21.00%, that ranks Czech Republic as 155th overall with regards to VAT taxation rate internationally. In terms of other taxation, an employer will contribute 34% to the equivalent of a social security fund and an employee will contribute 11%. The overall complexity of the tax system is high. This is measured by average time to comply with a country's labor tax requirements is as it is 217 hours. Contributing to this is the number of yearly labor tax payments, which is 2 in CZ.

Thin cap rules are officially enacted. This refers to any sort of restrictions on companies' debt-to-asset ratios. Dividends paid by resident entities to other resident entities are subject to a 15% final withholding tax. An exemption may apply if parent company owns at least 10% of shares of the payer in an uninterrupted period of 1 year. Dividends received from foreign entities are subject to a special tax of 15%. However, a participation exemption may apply if recipient holds at least 10% of shares of the subsidiary in an uninterrupted period of 1 year, payer is a legal entity similar to a LLC or Joint Stock company resident of EU or other jurisdiction where CZ has concluded a tax treaty with, and profits of subsidiary were taxed at an income tax rate of at least 12%. Dividends are payments of company earnings, voted by the board, to a particular class of shareholders. Dividends can be one of the following cash payments, shares of stock, or other property. Capital Gains are usually subject to CIT. A participation exemption may apply if they are met the aforementioned conditions. A capital gains tax is levied on the profits that a corporation or natural person realizes when they sell a capital asset for a price that is higher than the purchase price.

The interest withholding tax rate is estimated at 15%. Which means that the relevant tax authorities expects companies to pay tax on at least 15% of interests remitted abroad. The dividends withholding tax rate is 15%. This means that the taxman expects LLC's to withhold 15% of dividend payments abroad. The royalties withholding tax rate is 15%. This means that the tax authorities expects relevant legal entities to withhold 15% of payments abroad on royalties. A withholding tax exemption may apply, on dividends paid to EEA and Switzerland if the conditions of the participation exemptions are met, and on interests and royalties under the EU interest/royalties directive. Withholding taxes may be reduced under tax treaties. Payments to residents of tax havens may be subject to an increased rate of 35%. There is no known tax on wealth in Czech Republic. There are inheritance, transfer and real property taxes in CZ. There are popular and well known R&D initiatives that provide breaks on taxation in Czech Republic.

The above is not tax or legal advice for your individual facts and circumstances. Incorporations.io can point you to an accountant in Czech Republic who can give you the proper advice and help you need. Click the free consultation button above.

The vat rate in Czech Republic is 21% which ranks 155 in the world.

- ✘ Patent box
- ✔ RND credit
- ✘ Wealth tax
- ✔ Estate tax
- ✔ Transfer taxes

- 97 Tax treaties
- 19% Offshore Tax
- 19% Corp rate
- Loss carryback years

Czech Republic Legalese

For starters, the law in Czech Republic is civil law law. You will want to get some local advice as to how to best structure a company in Czech Republic. Electronic signatures are permitted.

The country code CZ is for Czech Republic and the most common legal entity type in Czech Republic is a LLC.

The amount you'll have to wait is about 5-30 Days to incorporate a LLC in CZ. The types of consideration you can use to fund your business is frequently CZK legal currency.

. One is typically not permitted to change the jurisdiction.

There must be at least 1 shareholder. This makes it possible for you to own a LLC in CZ by yourself. Corporate Shareholders are encouraged, which means you can have a corporate shareholder. Foreign ownership is permitted, up to 100% of the total equity of the company.

A company is only required to have one director. Moreover, corporate directors are not permitted. Directors data is typically not exposed publicly. There is a requirement to have annual meetings of shareholders.

A registered agent is normally required, which means the company will have to pay a fee on a yearly basis, for a legal services company which can receive litigation or other legal process on behalf of the company. However, a corporate secretary is another cost you will need to incur.

There is a no requirement to file annual returns. This won't exempt the legal entity or the individual shareholder from different tax or reporting obligations elsewhere and one would be wise to pay for personal advice on your personal tax obligation. However, there is oftentimes a requirement to have these accounts audited.

Overall we think Czech Republic is a good option and have given it a score of 71 as an IO score, using the Incorporations.IO proprietary formula.

- ✓ **Directors not disclosed in a public registry**
- ✓ **Shareholders not disclosed in a public registry**
- ✗ **Redomiciliation permitted**
- ✓ **Registered office required**
- ✗ **Corporate director permitted**
- ✓ **Local Secretary not required**
- ✓ **Local Director not required**
- ✓ **Electronic signature**

- 1 Shareholders required**
- 1 Directors required**
- 5-30 Days to form**



CZECH REPUBLIC

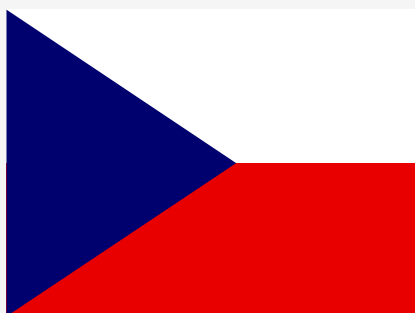
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Country Info



🚩 National Flag of

česká republika (ces)

Česká republika (slk)

\$ Currency

CZK

☎ Area Code

+420

🏛 Capital

Prague

📍 Region

Eastern Europe

🗣 Native Languages

Czech

Slovak