



2025 **DOING** **BUSINESS IN** **CZECH** **REPUBLIC**

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www.asbgroup.eu



prague@asbgroup.eu



ABOUT ASB GROUP

We are a group of companies specializing in delivering professional, high-quality services in the fields of **accounting, tax advisory, payroll and HR management, transaction advisory, and corporate services**. With over 20 years of experience, we have established ourselves as a reliable partner for businesses across various industries, including real estate, retail, chemical manufacturing, technology, and private equity.

Our operations are focused in the Central European Four (CE4) region, with **offices strategically located in the Czech Republic, Poland, Slovakia, and Hungary**. In total, we operate seven offices across these four countries, enabling us to provide localized expertise while maintaining a regional perspective.

We take pride in supporting our clients by offering **tailored solutions** that address the complexities of their business environments. By combining a deep understanding of local markets with international standards, we ensure compliance, optimize operations, and deliver value to businesses of all sizes.

Our commitment to professionalism and client-centric services has made us a **trusted partner** for companies seeking reliable support in navigating the dynamic economic landscape.

**CZECH
OFFICE**



Employees
120+

**POLISH
OFFICE**



Employees
270+

**SLOVAK
OFFICE**



Employees
40+

**HUNGARIAN
OFFICE**



Employees
20+

COMPANY FORMATION



LEGAL ENTITIES

In the Czech Republic, foreign investors and entrepreneurs have several options for establishing their business presence. Among the most common forms are the Společnost s ručením omezeným (s.r.o.), which is similar to a limited liability company, the Akciová společnost (a.s.), akin to a joint-stock company, and the Odštěpný závod, or branch office.

Each type offers distinct advantages and regulatory frameworks that cater to different business needs and scales of operation. Below is an overview table that highlights key aspects of these entities to aid in determining the most suitable structure for your business based on legal requirements, liability, management, and capitalization.

Feature	Limited Liability Co. (s.r.o.)	Joint-Stock Company (a.s.)	Branch Office (odštěpný závod)
Definition	A legal entity with one or more members whose liability is limited up to the amount of their unpaid contributions to the company's capital	A legal entity where capital is divided into shares owned by shareholders, suitable for larger companies and can be publicly traded	A legally dependent extension of a foreign company that conducts business activities under its own name but does not have legal personality
Legal Personality	Separate legal entity	Separate legal entity	Legally part of the parent company
Minimum Capital	CZK 1	CZK 2,000,000	No minimum capital required.
Liability	Members are liable up to the amount of their unpaid contributions to the company's capital.	Shareholders' liability is limited to the value of their shares; no liability beyond their investment.	Parent company fully liable for operations and obligations
Management	Managed by one or more executives, appointed by the members	Dualistic management structure (Board of Directors and Supervisory Board) or a monistic structure (Administrative Board)	Managed by a branch manager, appointed by the parent company
Suitability	Preferred by small to medium-sized businesses seeking flexibility and less regulatory burdens	Suitable for entities needing structured governance and the ability to raise funds through public or private equity	Ideal for foreign companies testing market presence in the Czech Republic before deciding on incorporation
+ Pros	Simple setup and management, lower administrative costs	Ability to raise capital through public/private offerings; structured governance. Provides greater corporate prestige	No capital required, quick setup, and parent company control over operations
- Cons	Limited fundraising capabilities, less prestige than larger entities	Stricter regulatory requirements, costly setup and operation	Dependency on parent company, limited operational autonomy

COMPANY FORMATION

OPTIONS FOR FOREIGN BUSINESS ENTRY INTO THE CZECH MARKET

Foreign businesses looking to establish a presence in the Czech Republic have two primary avenues: setting up a brand-new company from scratch or acquiring an already established ready-made company, known as a shelf company. Both routes are viable and are well-regulated under Czech law, ensuring that foreign entities can operate on equal legal footing with local businesses. Here is a detailed look at both options.

OPTION A: ESTABLISHING A NEW COMPANY

Overview: A new company is officially formed once it is registered in the Commercial Register. The process involves several critical steps, from legal documentation to banking arrangements.

Key Steps:

- 1) **Legal Documentation:** Draft and sign the Articles of Incorporation with the assistance of a Czech notary in the form of a notarial deed, along with other necessary legal documents such as Affidavits from new Executives/Board Members confirming their eligibility for office, PoAs etc.
- 2) **Registered Address:** Secure a physical address for the company, supported by a lease agreement or landlord consent to use the premises.
- 3) **Banking Arrangements:** Open a special bank account for depositing the registered capital as outlined in the Articles of Incorporation.
- 4) **Registered Capital:** Deposit the Registered Capital into the newly opened bank account.
- 5) **Incorporation:** File for registration within six months of the notarial deed, attaching statutory documents such as the Commercial Register Extract of the Founder/Parent Company; landlord consent to use the premises; bank confirmation on payment of registered capital; and Affidavits from new Executives/Board Members.
- 6) **Registration to Taxes:** Once the company is registered, it is obligated to register for Corporate Income Tax.
- 7) **Trade License:** Depending on the company's activities, it is required to apply for the respective trade license.

Timeline: The establishment of a new company can take anywhere from two weeks to over two months. The most challenging and time-consuming part is usually arranging the bank account due to the full KYC process, which may further delay incorporation.

Cost: Starting from approx. CZK 12,500 or EUR 500 (excluding the registered capital and/or any advisory fees)



**Advantages:**

- **Full Control and Customization:** Tailors the company structure and governance to meet specific business needs without any unwanted corporate history.
- **Brand Image:** Provides the opportunity to build a corporate image from scratch, aligning closely with the parent company's values and market strategy.

Considerations:

- **Time and Complexity:** The process is intricate and demanding, requiring coordination with local legal, accounting, and banking services.
- **Identification Delays:** The lack of a registration number (IČO) can cause delays in related agendas that require company identification.
- **Initial Costs:** Potentially lower than purchasing a shelf company, but initial setup costs including legal fees are substantial.

OPTION B: ACQUIRING A SHELF COMPANY

Overview: A shelf company is a pre-registered entity that has not engaged in any business activities, enabling a quick operational start-up.

Key Steps:

- 1) **Finding a Reputable Provider:** Identify a firm that is well-established in the market with a solid reputation and a proven track record.
- 2) **Legal Documentation:** Handle PoAs, Affidavits from new Executives/Board Members, or Commercial Register Extracts of the buyers.
- 3) **Corporate Changes:** Agree on and implement required corporate changes.
- 4) **Transaction Completion:** Sign the Share Purchase Agreement and register the changes in the Commercial Register.

Timeline: While gathering and processing the legal documentation, which often needs to be apostilled, can be time-consuming, the actual transfer can be completed within two to five days once prepared.

Cost: Typically starting from approx. CZK 40,000 or EUR 1,600 depending on the provider.

ACCOUNTING



ACCOUNTING & RECORD-KEEPING

The system is based on double-entry bookkeeping, Czech accounting rules are determined by the Ministry of Finance and are based upon the National Accounting Standards.

- mostly consistent with the International Financial Reporting Standards, IAS
- minor differences in a few areas such as financial leasing and valuation of fixed assets
- Publicly traded companies must apply IFRS, as governed by the relevant EU directive, for their books of account and for preparing financial statements.

Accounting Regulation Body

- Ministry of Finance of the Czech Republic

Tax Year

- The Amendment to Law on Accountancy allows taxpayers to keep accounts in another fiscal period than the calendar year. The fiscal tax year must have 12 consecutive months. Individual taxpayers follow the calendar year.

Accounting Reports

- Companies must annually submit Financial Statements (Balance Sheet, Profit and Loss Statement and Notes to Financial Statements) in the Czech language and currency in the Collection of Deed.
- Furthermore, companies obliged to have an audit must prepare a statement of cash flows and a statement of equity changes.

The company is obliged to undertake annual closing for each accounting period within:

- by the date of submission of the corporate income tax return (generally within three months after the end of the year or within six months if the tax return is prepared by a tax advisor)
- within six months after the end of the year for the purpose of the annual general meeting

Statutory audit and financial statements incl. annual report required if **one** (for Joint Stock Companies) **two** (for Limited Liability Companies) of following conditions are fulfilled during previous and current accounting period:

- turnover exceeded CZK 80 mil.
- the total gross value of assets exceeds CZK 40 mil.
- avg no. of employees exceeds 50

TAXATION



INCOME TAXES

CORPORATE INCOME TAX

- Czech tax residents are taxed on their worldwide income.
- Czech tax non-residents are taxed on their Czech-sourced income.
- The taxable period is generally one (calendar) year, the same as the accounting period.
- Deadlines for filling CIT return: within three/six months following the end of the taxable period.

Taxation rates on particular corporate incomes:

21% taxation for corporate incomes

21% capital gains of legal entities

5% - income of certain investments, mutual funds, pension funds

15% withholding tax on dividends, interests paid abroad by Czech debtor and royalties paid abroad by Czech licensee. Dividends can be **tax exempt** if the mother company is an EU tax resident and if it holds at least 10% share for at least 12 subsequently following months.

35% withholding tax for non-resident of EU or EEA or resident of a state without treaty for avoiding double-taxation or treaty for Exchange with country of debtor or for any other beneficial owners who are not able to declare its tax residency in EU or EEA.

The withholding-tax rate may 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 2025, the Czech Republic has concluded double-taxation treaties with more than 90 countries.

PERSONAL INCOME TAX

Tax rate

- Since 2021, the Czech Republic has returned to progressive taxation.
- Gross income **up to the 36-fold of an average salary** (the threshold for 2025 is CZK 1,676,052), will be taxed at rate of **15%**.
- Gross income **exceeding the 36 multiple of an average salary** (the threshold for 2024 is CZK 1,676,052), will be taxed at rate of **23%**.

Insurance paid from employee's salary

- Employees pay insurance from their gross salary monthly: 4.5% health insurance + 7,1% social insurance.
- Employers bears insurance costs on employee's salary as well: 33,8% social and health insurance.
- A maximum assessment base applies to social security. For the taxable period 2025, the limit is set at CZK 2,234,736. However, there is no maximum limit applicable to health insurance.



VALUE ADDED TAX

At the moment of sale or receipt of any payment (as stipulated in the contractual documentation), the obligation to issue an invoice or a tax document arises.

VAT rates

- a standard rate of 21% for most goods & services
- reduced rate 12% for food, construction services, social care (if not VAT exempt), public transports, books, some of medical and baby goods, some services (like food in restaurants, cultural events, etc.)

Compulsory Registration: if the turnover exceeds CZK 2 million (approx. EUR 80 thousand) in 12 consecutive months

VAT taxable period: quarterly/monthly depending on the turnover (the new company has a monthly period)

VAT payers are obliged to submit VAT returns and control statements on a monthly/quarterly basis (and an EU sales list if a taxpayer carries out intracommunity supplies).



OTHER TYPES OF TAXES

EXCISE DUTIES

On ethyl alcohol, beer, wine and intermediates, mineral oils and tobacco products.

ROAD TAX

For trucks over 3.5 tons only.

REAL ESTATE TAX

Paid by owner, amount depends on size and location.

PAYROLL



TAX & SOCIAL SECURITY

The tax year runs from 1st January to 31st December.

Income Tax

Monthly income tax contributions must be paid by the 20th day of the following month.

Calculation Example

- **Tax allowances** = 0 (no children, no wife/husband without a taxable income)
- Therefore, basic tax allowance only totals **2,570 CZK** per month.

Employees tax

- **15%** (individual income tax) calculated for gross salary up to **139,671 CZK**.
- **23%** for the incomes above the **139,671 CZK**.

Social Security

Monthly social security contributions must be paid by the 20th day of the following month. The typical penalty awarded for late submission and payment of tax and social security contributions are:

- **Social and Health Insurance:** 0.05% per day
- **Tax Office:** Repo rate of a Czech National Bank + 14%

Tax and Social Security Requirements

MANDATORY SOCIAL SECURITY CONTRIBUTION RATES	MANDATORY HEALTH INSURANCE CONTRIBUTION RATES
Employee: 7,1%	Employee: 4,5%
Employer: 24,8%	Employer: 9%

Pension Scheme: The employer can contribute to an individual employee pension account up to CZK 50,000 per year. This amount is tax deductible for the employer and is not considered as a benefit in kind for the employee (therefore no subject for further taxation). Individual employee accounts can be opened by a registered bank fund only.

A company must be licensed to make any tax and/or social security filing on behalf of a client, a power of attorney must be signed by the client.



Reporting

Monthly

- Social Insurance Authorities
- Health Insurance Authorities

Quarterly

- Calculations of the insurance against labor accidents for Kooperativa Insurance Company

Yearly

- Income tax statement of account for annual wages/salaries and withholding tax statement
- Employers employing more than 25 employees on average within calendar year are obliged to employ disabled persons in accordance with Section 81 (1) of the Employment Act, in the amount of 4% of the total number of their employees.
- Pension sheets with overview of each employee's income no later than by 31. 5.

New Employees

When an employee is hired, they must be registered with local authorities within eight days of starting the new job, this applies to expat new starts as well.

If the new start is an expat, they will be required to provide the following:

- Passport or any form of ID
- Signed working contract
- Working permit – Only expats from out with the EU need to provide this, EU citizens only have to provide mandatory registration plus authorized confirmation in which country the employee is registered for Social and Health Insurance (can only be insured in one EU country).

EU citizens - no working permit is required, only mandatory registration and authorized confirmation in the country the employee is registered for social and health insurance (you can only be insured in one EU country).

Key Legislative Authorities

Social Authority:

- Česká Správa Sociálního Zabezpečení - Geographical location no longer depends on a company registered seat. The local jurisdiction depends on the work load of each social security office.

Health Authority:

- There are seven independent insurers and it is the right of the employee to choose their insurer with the main health authority being VZP: <https://www.vzp.cz/>.

Tax Office:

- Geographical location depends on a company registered seat.

Leavers

Redundancy payments are free of social and health insurance contribution. Typical redundancy scheme is 2 (termination notice) +3 (redundancy payment). Final payment has to be done within a regular salary payment date.

Entitlement for redundancy is paid only in case of termination by the employer for organizational reasons.

In the case of termination by the employee, there is not entitlement for redundancy.

Redundancy Payments:

- Employment shorter than 12 months: 1-month salary
- Employment for 12-24 months: 2-month salary
- Employment for more than 24 months: 3-month salary
- Social and health insurance authorities must be notified when an employee leaves the company.



It is legally acceptable in the Czech Republic to provide employees with an online payslip, provided the employee has given written approval beforehand.

Theoretically, it is mandatory to make payments to employees and authorities from an in-country bank account, but it has to be denominated into the correct equivalent of CZK and you can charge bank charges to the authority.

Reports

1. 2023 to extend the statutory deadline for archiving employee payroll and other accounting records related to pension coverage. Employers will now be required to archive these documents for up to 45 calendar years following the year to which the documents relate, instead of the previous 30 years.

Payslip Example

Local language example

TEST Company a.s.		IČ:29130000			ZP: Všeobecná zdravotní pojišťovna					
Os. čís.	Zaměstnanec	Období Leden 2025	Výpl. stf.	Tarif	Průměr DNP	Průměr	Dovolená nárok:	Dovolená čerpání:	Dovolená zůstatek:	
900011	Ing. Doe Jane			51 226,00	2 476,43	353,24	407,25	0	07,2:	
		Hod/dny	Od - do	Sazba	Koruny	Dny			Koruny	
001 Základní mzda		108,5/			30 741	933 MZDA NA ÚČET			31 704	
008 Svátek tarifem		4,5/			1 275	945 Penzijní fond - srážka zaměš			960	
209 Příspěvek na stravování					1 500					
212 Doplátek hodin nad úvazek		19,5/			5 525					
450 Přípl. za práci o víkendu		6/			212					
651 Prémie					458					
Hrubá mzda:		39 711	Základ ZP:	39 711	Úhm příjmu:	39 711	Daň:	5 970	Čistá mzda:	31 704
Hrubý příjem:		39 711	Základ SP:	39 711	ZP firma:	0	Daň. sleva:	2 570	K výplatě:	0
Odprac. hodiny:		113,00	ZP prac.:	1 787	SP firma:	0	Daň. zvýhod.:	0		
Neodprac. hodiny:		0,00	SP prac.:	2 820	Základ daně:	39 711	Daň po slevě:	3 400		

English language example:

Test Payslip			ID: 11111111		HI: Všeobecná zdravotní pojišťovna					
Pr.		Month:	Payroll	Basic	Average	Holiday				
number:	Name of Employee:	xx	dept.:	salary:	earning:	last year bal.:	entitlement:	taken:	balance:	
XXXX	Ing. Doe Jane	2022		35 000,00	202,71	27	197	56	168	
		Hours/days	From - To	Rate	CZK	CZK				
Basic Wage		152 /19			33 250	Net Pay on Bank Account				
Basic Salary for Overtime		4/			875					
Overtime 25%		4/0,5			203					
Work on Statutory Holiday		8/1			1 750					
Stat. holiday 100% extra pay		8/			1 622					
Tax deduction					2 570					
Premium for Sat/Sun 10%		32/4			649					
Night shift premium 10%		45/5,63			912					
Monthly gross salary:		39 261	Health ins. base:	39 261	Tax base:	39 261	Calculate tax:	5 895	Tax payment:	3 325
Taxable incomes:		39 261	Social ins. base:	39 261			Tax allowance:	2 570	Netto salary:	31 617
Worked hours:		164,00	Health ins. EE.:	1 767			Tax allowance - child:	0	Cash payment:	0
Non-worked hours:		0,00	Social ins. EE.:	2 788						

Legend:

- Basic salary = basic salary for a full worked month
- Average earnings = amount for calculation holidays and surcharges – changes quarterly
- Basic Wage = Basic salary / scheduled shifts hours per month * worked hours
- Basic Salary for Overtime = Basic salary / scheduled shifts hours per month * worked hours as overtime
- Overtime = Average earning * 25% * worked hours as overtime
- Work on Statutory Holiday = Basic salary / scheduled shifts hours per month * worked hours during Public holiday
- Stat holiday 100 extra pay = Average earning * 100% * worked hours during Public holiday
- Premium for Sat/Sun 10% = Average earning * 10% * worked hours on Sat/Sun
- Night shift premium 10% = Average earning * 10% * worked hours during night hours (22-6)
- Holiday = Average earning * hours of vacation
- Sickness – Allowance = Reduction levels as per legislation from the Average earning.

The calculation of Netto salary is = Monthly gross salary – Health ins. EE (4,5% of Gross) – Social ins. EE (7,1 % of Gross) – Tax payment



EMPLOYMENT LAW

Holiday Accrual / Calculations

Most employees are legally entitled to paid holidays/annual leave. A worker's statutory paid holiday entitlement is a minimum of 20 days/160 hours. This is refunded by the employer and calculated from an average salary from a previous quarter.

Maternity Leave

Maternity leave entitlement is 28 weeks (37 weeks at twins, triplets etc.) and starts 6-8 weeks before giving birth. There is no cost bear by the employer, the mother cannot be dismissed and her working contract cannot be terminated.

Parental leave is available up to three years of child age, fully subsidized by the State, the mother cannot be dismissed and her working contact cannot be terminated.

Paternity Leave

The paternity benefit is a sickness insurance benefit aimed at providing financial security for economically active citizens when they lose short-term earnings due to illness or maternity.

The paternity allowance is payable for 14 days in connection with the care of a newborn child to the child's father or to the insured person (male or female) who has taken the child into care in lieu of parental care on the basis of a decision by the competent authority. From 1 December 2022, it is also payable to the father whose child is stillborn or dies within 6 weeks of the date of birth and must be taken within six weeks of birth or date of placement. During their absence, new fathers will receive as much as 70% of their salary.

Sickness

The first 14 days of sickness are refunded by the employer, however the employer will only refund working days out of the 14 days.

The employer refunds 60% of a taxable income.

National Service

There is no compulsory national service in the Czech Republic.



EMPLOYEE BENEFITS

The annual exemption limit for non-cash employee benefits has increased to CZK 23,278.50 for 2025. This is an increase of CZK 1,295 compared to 2024.

At the same time, there is an additional category of employee benefits that are not included in the above limit. These are health promotion benefits (e.g., rehabilitation allowances in a medical facility, above-standard medical care of the Canadian Medical type), for which the income tax exemption limit of CZK 46,557 applies as of 1 January 2025.

The limits for contributions to superannuation and products of a similar type remain the same, at 50,000, and do not count against the previous limit.

The cash meal allowance for one shift is exempt from income tax (and thus from insurance contributions) on the part of the employee up to 70% of the upper limit of the meal allowance provided for a working trip lasting 5 to 12 hours and set for a salaried employee, i.e. an employee referred to in Section 109(3) of the Labour Code. As of 1 January 2025, the amount is CZK 123.90 (70% of CZK 177).

Expenses

Company Car:

- A company car is also available for private purposes.
- 1 % A vehicle that is neither low-emission nor zero-emission.
- Rate already in force 0,5 % Vehicle category M1, M2, N1 - low emission (vehicle must not exceed a CO2 emission limit of 50 g/km and 80% of the emission limits for air pollutants in real operation).
- Already applicable rate 0.25% A vehicle that uses only electricity or hydrogen as a fuel source or another vehicle that has no CO2 emissions, i.e. is zero-emission.

Car Mileage:

- Fuel used for private consumption can be deducted from a net salary directly on the payroll. Please note these payments are subject to VAT.

General expenses calculated based on travel insurance forms are tax exempt.



VISAS & WORK PERMITS

EU citizens can work in the Czech Republic without a work permit, however most nationals from other countries require a work permit to work in the country legally. It is also necessary to have a valid visa should a non-EU citizen wish to work in the Czech Republic; however, they must obtain a work permit before applying for a visa.

Some foreigners are exempted from requiring a work permit, including citizens of EU and EEA countries and citizens of Switzerland.

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PETR STUDNIČKA
Managing Partner



PETRA RYCHNOVSKÁ
Partner



TOMÁŠ NOVÁK
Partner



DAN LEDVINKA
Group Commercial Director



KATEŘINA NOVÁKOVÁ
Accounting Team Director



MICHAL KOZDERA
Tax Director



KLÁRA JANOVSKÁ
Head of Corporate Services



KLÁRA COWAN
Group Payroll Director



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Business.

LET'S TALK BUSINESS

ASB CZECH REPUBLIC

V Celnici 1031/4
110 00 **Prague 1**
Czech Republic
+420 224 931 366
prague@asbgroup.eu

ASB POLAND

Złote Tarasy - SKYLIGHT ul.
Złota 59
00-120 **Warszawa**
Poland
+48 22 222 33 55
warsaw@asbgroup.eu

Tadeusza Kościuszki 71
87-100 **Toruń**
Poland
+48 56 644 90 10
torun@asbgroup.eu

MidPoint71, Powstańców
Śląskich 9
53-332 **Wrocław**
Poland
+48 71 757 15 00
wroclaw@asbgroup.eu

Zbożowa 7
09-410 **Płock**
Poland
+48 24 352 89 99
plock@asbgroup.eu

ASB SLOVAKIA

Laurinská 18
811 01 **Bratislava**
Slovakia
+421 254 641 187
bratislava@asbgroup.eu

ASB HUNGARY

Maros utca 12
1122 **Budapest**
Hungary
+36 30 280 2220
budapest@asbgroup.eu