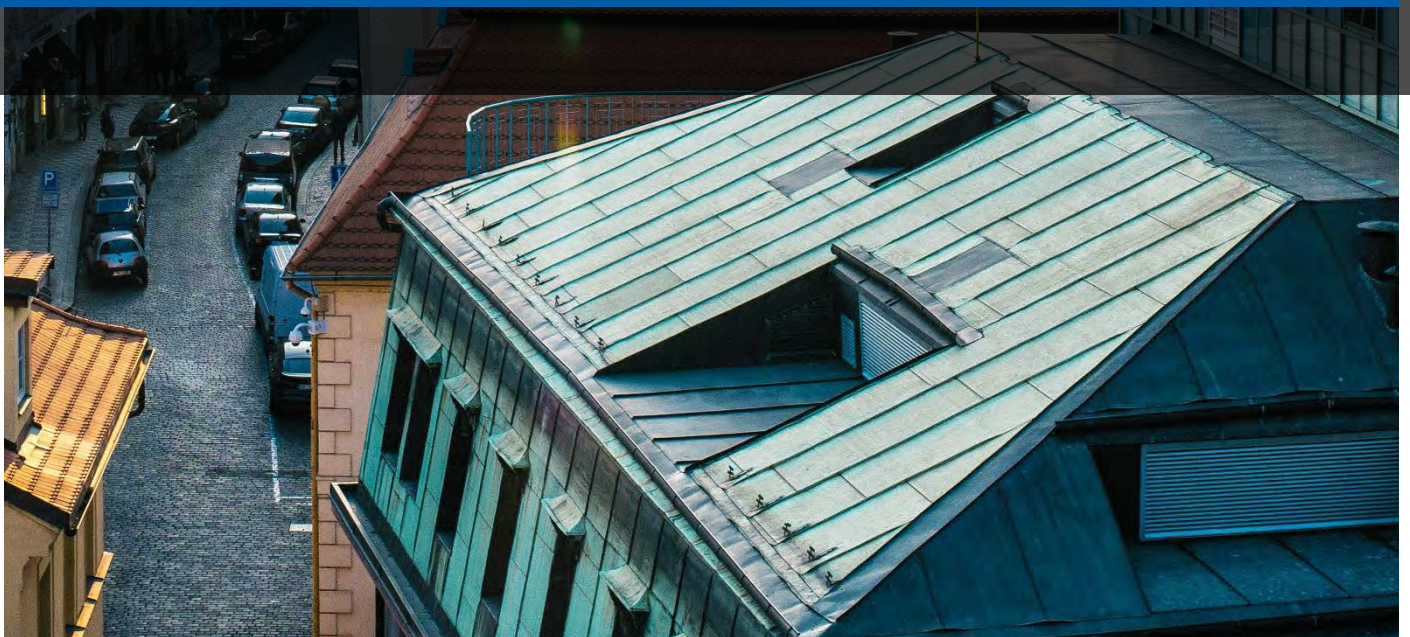




Company formation in the Czech Republic



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LEGAL FORMS OF BUSINESS, MINIMUM CAPITAL, CONTRIBUTION

General Partnership (Veřejná obchodní společnost | v.o.s.)



A General Partnership is a company in which at least two persons carry out business activities under a common business name and bear joint and several liabilities for the obligations of the partnership with all their property. There is no requirement of a minimum registered capital, nor for the minimal contribution.

Limited Partnership (Komanditní společnost | k.s.)



A company in which one or more partners are liable for the partnership's liabilities up to the amount of their unpaid contributions (limited partners), and one or more partners are liable for the partnership's liabilities with their entire property (general partners).

The minimum contribution of the limited partner should be set in the Articles of Association. Again, there is no requirement of a minimum registered capital.

Limited Liability Company (Společnost s ručením omezeným | s.r.o.)



This is the most common form of doing business in the Czech Republic. The company exists independently of its members, and it may be established either by one person, a natural or legal person, or by two or more persons (the maximum number of persons is not set).

According to the Business Corporations Act, the minimum contribution of each shareholder is in the amount of CZK 1. The minimum registered capital is not set in the legislation, so it is derived from the amount of minimum contribution of a shareholder (for a Limited Liability Company with one shareholder the minimum registered capital is CZK 1).



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A Limited Liability Company is liable for the breach of its obligations with all its assets, while shareholders guarantee for the breach of the obligations of the Limited Liability Company only up to their committed but unpaid contributions to the registered capital registered with the Commercial Register.

Joint Stock Company (Akciová společnost | a.s.)



The company may be established even by a sole founder. A Joint-Stock Company may be formed by a private agreement to subscribe for all shares, or by a public call for the subscription of shares.

The minimum registered capital required is CZK 2,000,000 or EUR 80,000.

Cooperative (Družstvo)



The purpose of a Cooperative is to undertake business activities or to ensure the economic and social or other benefits of its members.

A Cooperative is a community of an indefinite number of persons, but it shall have at least 3 members.

The Business Corporations Act does not set out the amount of minimum registered capital or minimum contribution.

Branch (Odštěpný závod)



Foreign companies may conduct business in the Czech Republic provided that they have their business or branch offices located in the Czech Republic, registered with the Czech Commercial Register.

No minimum registered capital or contribution is required.

Other forms of business

There are other 3 legal forms of business - entities primarily regulated by EU regulations - which are legally binding for all EU Member States:

- European Company (or "SE", Societas Europaea)
- European Cooperative Society
- European Economic Interest Group



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MINIMUM DOCUMENTATION AND INCORPORATION TIME

The most important document required when establishing a company in the Czech Republic is the Articles of Association / Foundation Deed adopted in the form of a notarial deed.

Other documents required are subject to circumstances. Usually the following documents are also required:



an affidavit of an executive director on his ability to perform on a position of statutory body of the company



a declaration on registered capital payment



a consent with the provision of a registered office address (from office landlord)

Incorporation time varies based on company type. For example: the establishment of a capital company could be finished within 10 working days, while the establishment of a partnership is generally less time consuming, and it could be completed in 5 working days.



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SHAREHOLDERS AND COMPANY'S BODIES



Common setups

In the following table we present an overview of possible setups of shareholders and other company's bodies **in the most used legal forms of business:**

Common setups	Limited Liability Company	Joint Stock Company	Limited Partnership	General Partnership
Shareholders	Natural person(s) or legal entity(ies)	Natural person(s) or legal entity(ies)	At least 2 natural persons or legal entities	At least 2 natural persons or legal entities
Company's bodies	Executive Director(s) Supervisory Board (voluntarily) Sole shareholder or General Meeting	General Meeting Monistic system: Managing Board Dualistic system: Supervisory Board, Board of Directors	The statutory body - all of the general partners. The Articles of Association may specify that the statutory body is formed of just some of the General Partners or one of them.	The statutory body - all of the Shareholders. The Articles of Association may specify that the statutory body is formed of just some of the Shareholders or one of them.

Special requirements

Foreigners who will form the statutory body have to prove their clean criminal history by obtaining and submitting the criminal background check from the state of citizenship or long - term residency.

If the shareholder should be a legal person, the proof of its existence (excerpt from commercial register) shall be required.

GENERAL OVERVIEW OF CORPORATE TAXES



Both corporate income tax residents and tax non-residents are subject to Czech corporate income taxes. A corporation is a tax resident if it is incorporated or managed and controlled from the Czech Republic. Tax residents are taxed in the Czech Republic on their worldwide income while tax non-residents only on their Czech-source income.

The taxable income is calculated on the basis of the accounting profits. As a general rule, expenses incurred on obtaining, ensuring and maintaining the taxable income are tax deductible.

19% is the general (standard) rate of corporate income tax rate in the Czech Republic

5% is the lowered corporate income tax rate that applies to basic investment funds

0% corporate income tax rate applies to pension funds



The tax period may be a calendar year or a fiscal year. The taxpayer has the obligation to calculate the tax due in the corporate income tax return (self-assessment). The time-limit for corporate income tax return filing is three or six months depending on certain conditions.

Advance tax payments are paid semi-annually or quarterly depending on the amount of the last known tax liability.

Struggling with corporate taxes? Get them all sorted:

- Tax registrations, compliance and filings
- Tax advisory and transactions
- Employee taxation, non-resident tax and global mobility services

Sit back and let your problems get solved

INVESTMENT INCENTIVES



Czech and foreign legal entities, as well as natural persons engaged in business activities in the Czech Republic, can apply for investment incentives. The supported areas include:



manufacturing industry



technology centres (R&D)



production of strategic products for the protection of life and health



strategic service centres

When meeting the conditions, investment incentives can be provided in the form of:

- corporate income tax relief for a period of 10 years
- financial support for acquisition of tangible fixed assets up to 10% of the eligible costs
- cash grant for job creation
- cash grant for training of employees

OTHER ASPECTS

Liability for damages caused by the statutory bodies

It is very important for the statutory body to act with due care and diligence when performing their role in a company. If the statutory body fails to comply with due care and diligence, it is liable for damages sustained by a company.

Unfortunately, the liability could not be limited in any way (for example by an agreement with a company etc.).

In order to protect the statutory bodies, insurance companies in the Czech Republic provide a commercial insurance option, meant to insure against damages caused by the decisions of statutory bodies.

Disclaimer

Please note that our publications have been prepared for general guidance on the matter and do not represent a customized professional advice. Furthermore, because the legislation is changing continuously, some of the information may have been modified after the publication has been released. Accace does not take any responsibility and is not liable for any potential risks or damages caused by taking actions based on the information provided herein.

COMPLEX CORPORATE AND SECRETARIAL SERVICES IN THE CZECH REPUBLIC

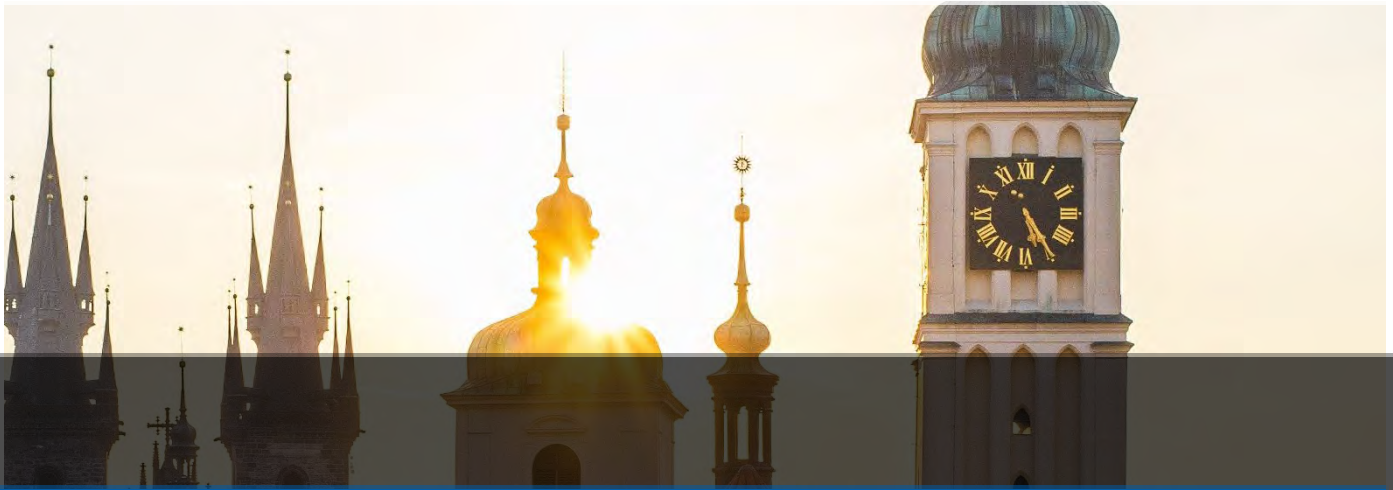


In order to help companies that are new to the Czech market, we have developed a wide range of services, covering the go-to-market research, tailored incorporation and necessary administrative support for the business launch, followed by a full package of accounting, tax, payroll outsourcing and consultancy services.

Our service portfolio offers:

- Go-to-market services: Market research, risk analysis and solution-defining consultancy
- Consultancy on legal frameworks and local compliance risk exposure
- Support by evaluation of business start-up costs
- Company establishment and registration in the Czech Republic
- Corporate and administrative services for a new-to-market company, consultancy on the operational structure
- Due diligence on acquisitions and mergers, other transactions
- Research and definition of potential incentives and statutory framework
- Arrangement of required licences, opening of bank accounts
- Accounting and payroll services
- Tax registrations, tax compliance and filings, tax advisory and transaction services
- Domiciliation services: provision of company seat, data box administration services, professional reception desk, full-range secretarial and administrative support, short term lease of fully equipped office premises
- Processing changes in the legal status of companies
- Maintenance of all statutory records
- Organisation of executive meetings
- Communication with third parties
- Representation in front of the Czech statutory authorities
- Liquidation of Czech legal entities

Get all your company needs sorted



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Accace is a proactive consultancy and outsourcing partner who bridges the gap between needs and solutions. Combining smart and streamlined technology with a holistic approach, we provide an all-round care to clients and consider their matters as our own. With over 800 experts and more than 2,000 customers, we have vast experience with facilitating the smooth operation and growth of small to large-scale, global businesses.

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