



Limited Liability Company Formation in the Czech Republic



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WHAT IS A LIMITED LIABILITY COMPANY | LLC?

LLC Basics

A limited liability company (in Czech: **Společnost s ručením omezeným | s.r.o.**) is the most common form of business in the Czech Republic. This company exists independently of its shareholders, and it may be formed either by one person (a natural or legal person) or more persons (the maximum number of persons is not set).

Main Advantages

- **Simple company formation**
- **Minimum contribution requirements** - the minimum contribution of **each shareholder** is in the amount of CZK 1
- **Wide scope of business** - suitable for the vast majority of business activities and plans, multiple investors can be easily involved
- **Easy transferability of shares**
- **Simple organizational structure**
- **Limited liability** - shareholders are liable only up to the amount of their outstanding contribution to the company's registered capital as recorded in the Commercial Register
- **Tax optimization**

Organizational Structure

Supreme Body	General meeting ; or Sole shareholder who exercises the powers of the General Meeting
Statutory Body	One or more executive directors
Supervisory Board (optional)	Optional body which supervises the executive directors, various documents, and accounts

INCORPORATION PROCEDURE

The procedure consists of the following steps:



Adopting the Memorandum of Association / Foundation Deed by the Notary Public



Arranging consent to the provision of the company's registered office address



Registering the necessary trade licences

- either before or after the registration of the company in the Commercial Register



Opening a bank account for contribution payments

- This applies if the contribution is more than CZK 20,000; otherwise, the contribution can be paid to the contribution administrator



Registration of the company in the Commercial Register of the competent District Court

1 – 2 WEEKS

The incorporation time is approximately 1-2 weeks after receiving the incorporation documentation.



Wish to open an LLC in the Czech Republic? Get it done through our eShop.

HOW WE CAN HELP YOU



We will prepare all the necessary documents and advise you on the formalities (e.g., notarisation, legalisation).



We will incorporate the company and proceed with all the steps under the powers of attorney granted to us.



Once the company is duly incorporated, **we will guide you through all the necessary steps and registrations** and help you with them.

What documents are required from you?

- **A written consent of the provision of the registered office address** (we can arrange this for you)
- Documents relating to **the appointment of the statutory body**
 - Criminal records of the appointed executive directors
 - Personal data of the appointed executive directors
- **Extracts from the Commercial Register** of shareholders or/and executive directors, if they are legal persons



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OVERVIEW OF OBLIGATIONS AFTER INCORPORATION



- Registration of the necessary **trade licenses** (if not completed as a part of the incorporation process)
- **Registration of Corporate Income Tax** within 15 days from the day the company is registered in the Commercial Register.
- **VAT registration** if the annual turnover exceeds 2,000,000 CZK. If the annual turnover is below this amount, VAT registration can also be done voluntarily.
- **Ultimate Beneficial Owner (UBO) registration** – business corporations must register their beneficial owners in the Register of Beneficial Owners without undue delay once the company is duly incorporated. If a company fails to do so, sanctions may be imposed against them.
- **Insurance registration** - employers must notify the competent office of the Czech Social Security Administration of the date of commencement or termination of an employment relationship within 8 days of it occurring.
- **Personal income registration** – employers must also register with the local tax office for withholding income tax within 15 days of commencing an employment relationship.
- **Opening a bank account** – company must open a current bank account after its incorporation.



Need assistance with ultimate beneficial owner registration? Get it sorted easily



FREQUENTLY ASKED QUESTIONS

Does an executive director of an LLC have to be of Czech nationality?

No, the executive director can be of any nationality.

Can we incorporate the LLC remotely or is your personal presence required?

All but one of the steps can be arranged remotely by a power of attorney. The only step that requires personal presence is the opening of a current bank account once the company is duly incorporated.

Is personal presence required for opening a current bank account?

Yes, the personal presence of the person who will be authorised to use the bank account (usually the executive director) is necessary. This is due to European legislation which sets strict conditions on KYC and compliance policy.

What is an Ultimate Beneficial Owner (UBO)?

The beneficial owner is every natural person who directly or indirectly owns more than 25% of participation in the capital or voting rights in the company; or who is entitled to a share of profit exceeding 25%; or who exercises actual control over the company on other grounds. Other grounds may refer to a partnership agreement, for example.

What is the time limit for registering the UBO after the incorporation, and what are the sanctions in case the UBO is not registered or is registered improperly?

Czech law does not provide a precise time limit for the registration of UBO, however, it states that the registration should be made without undue delay. In practice, this usually means within two weeks after the incorporation.

Companies that fail to register the UBO without undue delay may face the following consequences:

- Profits will not be paid out
- Shareholders will not be allowed to vote in the general meeting
- A fine of up to CZK 500,000 may be imposed
- Bank accounts may be blocked, problems with auditors may arise, and overall loss of credibility may ensue

What is a Data Box?

The Data Box represents a secure and state-guaranteed electronic communication portal, which can be used to communicate with authorities, courts or other entities, including private entities. It is a kind of e-mail box established upon the registration of each company. As part of our service, we can manage your Data Box and keep you informed of messages received and other necessary actions.

What is the corporate income tax for limited liability companies?

Corporate income tax is levied at a standard rate of 19%.

What is a director's service contract on performance, and is a company obliged to conclude it with its executive directors?

The essence of this contract is to regulate the rights and obligations of the company and the members of the statutory body in their mutual relationship. In practice, this contract is usually concluded, but it is not obligatory. If the director's service contract is not concluded, the relationship between the statutory body and the company is governed by the provisions of the Czech Civil Code.

OTHER FORMS OF BUSINESS*

**This list is not exhaustive*

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



A joint-stock company is another form of business whose share capital consists of shares which are represented by securities. The company may be established by a sole shareholder. It may be formed by a private agreement to subscribe to all shares, or by a public offering.

Features of a Joint-Stock company:

- High share capital requirements - CZK 2,000,000 or EUR 80,000
- More complex and costly administration
- Shareholders are not liable for the company's debts or obligations
- Suitable form of business for a large number of shareholders

Branch



A branch (in Czech: odštěpný závod) is a part of a company located in a different country from the parent or founding company. It is an economically and functionally independent part of the parent company, which is registered in the Commercial Register. It has its own registration number, registered office and its own accounts.

Features of a Branch:

- Short establishment period and no liquidation requirements
- No share capital
- Easy administration

It does not have legal personality (e.g., all agreements must be concluded through the parent company).

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COMPLEX CORPORATE AND SECRETARIAL SERVICES IN THE CZECH REPUBLIC

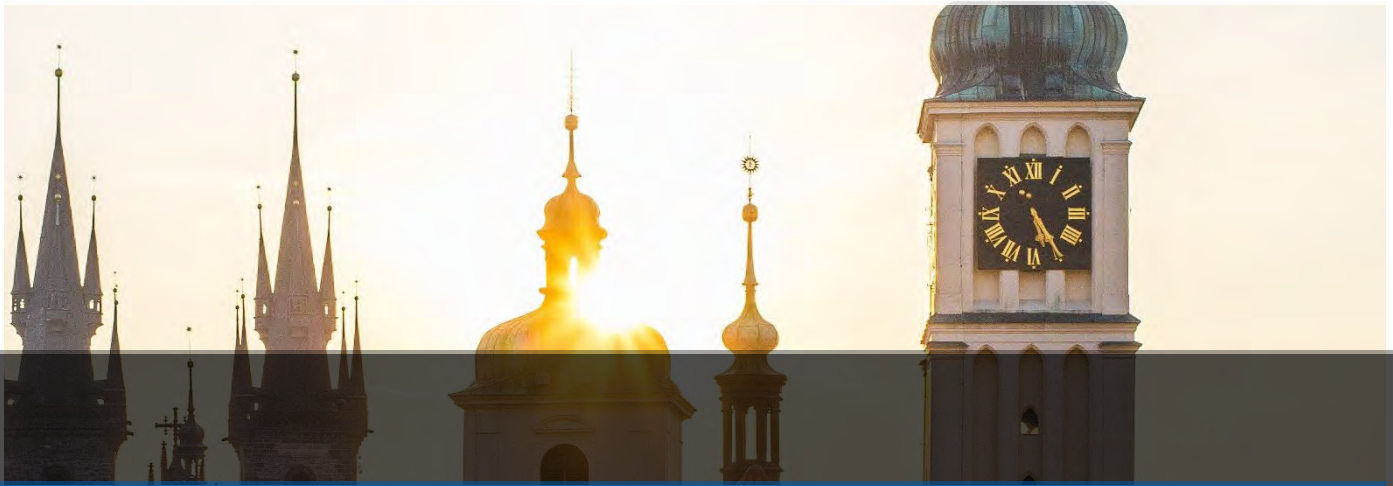


In order to help companies that are new to the Czech market, we have developed a wide range of services, covering the go-to-market research, tailored incorporation and necessary administrative support for the business launch, followed by a full package of accounting, tax, payroll outsourcing and consultancy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