



How to make your investment in the Czech Republic more successful









Key Data

Habitants:	10,46 Million
Area:	78 867 km ²
Density of population:	132 per km ²

Biggest cities:

1. Prague (Capital)	1,24 Million
2. Brno	0,37 Million
3. Ostrava	0,31 Million

Member in EU since 1.5.2004

Member in Schengen countries since 21. 12. 2007





Trade CZ- Turkey

	2018	2019	2020
Export CZ to Turkey(bil CZK)	47,7	44,2	53,8
Import from Turkey into CZ (bil CZK)	37,4	38,4	37,7
Trade - result (bil. CZK)	-10,4	-5,8	-16,2

Trade EU-Turkey

	2018	2019	2020
Export EU to Turkey (mil. EUR)	69 184,7	68 265,1	69 857,2
Import from Turkey into EU (mil. EUR)	66 883,9	69 811,4	62 550,5
Trade result (mil. EUR)	-2 300,8	1 546,3	-7 306,7





EUR/CZK





Czech Republic: key macroeconomic indicators

Sources:

CZSO, Ministry of Labour and Social Affairs of the CR, CNB, Ministry of Finance of the CR and Czech Hydrometeorological Institute
(the data will be updated to the first working day of months, as follows: January, February, March, April, July and October)

Indicator		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Real economy indicators											
GDP	%	1,8	-0,8	0,0	2,3	5,4	2,5	5,2	3,2	3,0	-5,8
Exports of goods and services	%	9,1	4,2	0,3	8,7	6,2	4,3	7,3	3,8	1,5	-6,9
Imports of goods and services	%	6,7	2,6	0,1	10,0	7,0	2,8	6,3	5,8	1,6	-6,8
ILO general unemployment rate	%	6,7	7,0	7,0	6,1	5,0	4,0	2,90	2,20	2,00	2,60
Average gross nominal wages ¹⁾	%	2,5	2,5	-0,1	2,9	3,2	4,4	6,8	8,1	7,9	3,1
CZK/EUR	avg.	24,586	25,143	25,974	27,533	27,283	27,033	26,330	25,643	25,672	26,444
CZK/USD	avg.	17,688	19,583	19,565	20,746	24,600	24,432	23,382	21,735	22,934	23,196
State budget balance/GDP	%	-3,5	-2,5	-2,0	-1,8	-1,4	1,3	-0,1	0,1	-0,5	-6,5
General government debt/GDP	%	39,7	44,15	44,42	41,85	39,70	36,58	34,24	32,06	30,05	37,81
Average gross monthly wage	CZK	24 455	25 057	25 035	25 768	26 591	27 764	29 638	32 051	34 578	35 662



The Czech tax system includes the following taxes:

- Income tax
- VAT
- Consumption tax (tobacco, alcohol, gasoline)
- Real estate tax
- Road tax
- Ecological/energy tax





Taxation in the Czech Republic

The tax system in the Czech Republic is very complicated. To get a first insight here are some basic information:

Income Tax

Natural Persons whose domicile or normal residence is within the Czech Republic are subject to Czech income tax on their worldwide income.

Natural Persons who have neither domicile nor normal place of residence in the Czech Republic are subject to tax only on their Czech earnings.

Income tax is levied on a yearly basis.

For natural persons the income tax is linear : 15% (+7%).

No municipality tax, no local taxation.

Health & social insurance





Corporate Income Tax

Corporations that have their seat or management in the Czech Republic are subject to the Czech Republic corporate income tax on their worldwide income.

Corporations that have neither their seat nor management in the Czech Republic are liable to corporate income tax only on their domestic income.

- The Corporate income tax is also levied on a yearly basis.
- The tax rate is 19%
- No municipality tax, no trade tax.
- Dividends distributed by a Czech corporation are subject to withholding tax (WHT) at a percentage of 15%.





Practical issues for foreign investors considering the entrance in the Czech Republic

- Withholding tax for dividends 15% (in case of Turkey 10%)
- Taxation in case of selling the whole business (company) in the Czech Republic
- Withholding tax for interest paid by the Czech company 15% (in case of Turkey 10%)

Services provided by foreign Parent company to the Czech subsidiary:

- Permanent establishment if any long – term activity in the Czech Republic
- Consultants active in the Czech Republic are basically obliged to tax their income in the Czech Republic
- Withholding tax 15% for any services provided by foreign company in the Czech Republic



VAT = indirect tax, calculated based on realized inputs and outputs

- No connection with profit/loss realized by taxpayer.

Main principles:

- VAT from inputs can be claimed based on the assumption that the relevant supplies are used for economic activities of taxpayer (i.e. for realizing of taxable supplies/outputs).
- It is possible that claiming of VAT from some kinds of inputs is prohibited (based on local rules of relevant EU country) e.g. entertainment, refreshment in case of the Czech Republic.
- VAT payer is obliged to add/charge the VAT from its supplies (outputs) based on relevant legislation and kind of supply in question.





VAT rates

- Usually 3 different rates (the Czech Republic: 21%, 15% and 10%).
- Lower rate is used for some kinds of goods (e.g. food) and services (e.g. building services - only flats and houses).
- VAT rates are not the same within EU.

Zero rate (0%) - used in the following cases:

- Supplies realized by local VAT payer but a place of taxable supply in question is outside the Czech Republic e.g. delivery of goods from the Czech Republic to other EU member state (customer = VAT payer in some EU country except the Czech Republic) >> Czech VAT = 0%.
- VAT free supplies in general
 - ✓ Some kinds of services, e.g. bank services, post services etc.
 - ✓ Companies providing of these VAT free services cannot claim the VAT from their inputs.



VAT filing in the Czech Republic

- On a monthly or a quarterly basis
- Deadline for filing of VAT return: 25th day of the month following the relevant taxable period (i.e. 25th February for VAT return for January, 25th April for VAT return for 1st quarter etc.)
- Payments of the VAT: deadline = deadline for filing





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- We provide advisory services for more than 150 clients from various business areas e.g. manufacturing of consumer electronics, real estate, wholesale and retail sale of goods, research and development, with a focus on software, financial services, manufacturing components and software for the automotive and aerospace industry, etc.
- Our clients are companies that are part of multinational groups with parent companies such as Germany, UK, Netherlands, USA, Turkey, China, Taiwan, etc. and also purely Czech companies





Thank you!

Welcome to the Czech Republic

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