1. National Trade-related Legislation

Czech national legislation relies upon two corner-stones – two major constitutional regulations, specifically the Constitution of the Czech Republic and the Charter of Fundamental Rights and Basic Freedoms. Trade-related legislation and laws regulating associated obligations and other regulations rely upon the constitutional rules and must comply with them.

The legal system can be divided, in particular, into private and public law. Whereas private law regulates acts carried out by private individuals, typically contracting between private individuals (this category covers civil, commercial, family and labour law), public law deals primarily with the position and activities of state authorities and state power.

Commercial law is a set of private-law standards governing the position of entrepreneurs (businessmen) and relations among them, for example, establishing and functioning of business corporations and co-operatives, trading with securities, and the making of business obligations between entrepreneurs.

Labour law regulates relationships between employees and employers – particulars of the employment contract, conditions for notices of termination, etc.

Another categorisation of law is the division into national regulations, i.e. regulations passed by national law-makers, and international law whose authors and parties are the states themselves. Czech lawmakers, similar to Czech judges, are bound by international law and treaties. Legal standards promulgated by EU bodies are a special instance of international law, also binding upon the Czech Republic. In simple terms, hence, EU law is authoritative for interpretation of the other standards and Czech laws. If regulation contained in European legislation and in Czech laws conflict, the European law prevails in interpretation.

As regards the Civil law it is necessary to mention that the new Civil Code and the new Business Corporations Act became effective on 1 January 2014 and replaced the Commercial Code and the old Civil Code. The new laws

changed the Czech legal landscape and brought the following revolutionary changes.

The new laws:

- Emphasise the principle that contracts should be performed and significantly limit the reasons for the invalidity of contracts. In most cases, even if there is a reason for a contract to be declared invalid, it will be declared invalid only if a party to the agreement challenges it. Otherwise it will be deemed valid;

- Recognise the concept of a “trust” as an organisational separation of property which does not lead to the establishment of a separate legal entity;

- Restore the principle that was valid in Czechoslovakia until 1950 that a building is from a legal point of view a part of the plot of land on which it is built;

- Eliminate and unify the dual regulation of contracts and obligations that was contained in both the old Civil Code and the old Commercial Code and now is contained only in the Civil Code; and

- Cancel the Act on Lease and Sub-lease of Non-residential Premises. The strictness of the terms set out by this act (which had to be complied with for any lease agreement to be valid) was the most common reason for the invalidity of lease agreements of non-residential premises.

In the area of corporate law, the new laws have:

- introduced greater freedom and flexibility for shareholders to regulate their relationship and tailor their rights and obligations in relation to themselves and their companies. For example, a limited liability company may have different types of ownership interests which differ in terms of the rights and obligations that are attached to them, while a joint-stock company may issue different types of shares with different rights attached to them;

- permitted a company to pay a deposit dividend;
- allowed a joint-stock company to have a single-tier board;
- introduced the obligation for all joint-stock companies to have a website;
- cancelled the obligation for limited liability companies and joint-stock companies to have a reserve fund;
- decreased the minimum amount of registered capital for a limited liability company from approximately €6,700 to approximately €0.03 per member (e.g., the minimum amount of registered capital required for a limited liability company with two members is €0.06); and
- speeded up the registration of corporate changes in the Commercial Register and allowed for direct registration of such changes in the Commercial Register by Czech notaries.

The Business Corporations Act does not state which of its provisions are mandatory. Consequently it is in many cases unclear whether a particular provision of the Business Corporations Act is mandatory or whether companies are able to regulate a specific issue otherwise. In addition to the new Civil Code and the Business Corporations Act, trade will be affected by the following regulations:

- Act no. 455/1991 Coll., on Trade Licensing, as amended (the "**Trade Licensing Act**");
- Act no. 21/1992 Coll., on Banks, as amended (the "**Banking Act**");
- Act no. 370/2017 Coll., on Payment Systems, as amended (the "**Payment System Act**")
- Act no. 15/1998 Coll., on the Supervision of Capital Markets, as amended (the "**SCM Act**");
- Act no. 143/2001 Coll., on Protection of Economic Competition (the "**Competition Act**");

- Act no. 240/2013 Coll., on Investment Companies and Investment Funds (the “**Investment Companies and Investment Funds Act**”);
- Act no. 256/2004 Coll., on Capital Markets (the “**Capital Markets Act**”);
- Act no. 304/2013 Coll., on Public Registers of Legal and Natural Persons;
- Act no. 627/2004 Coll., on European Company;
- Act no. 307/2006 Coll., on European Cooperative Society;
- Act No. 418/2011 Coll., on Criminal Liability of Legal Entities (“**ACLLE**”);
- Act No. 40/2009 Coll., the Criminal Code;
- Act No. 141/1961 Coll., the Criminal Procedure Code;
- Act no. 91/2012 Coll., on Private International Law (the “**Private International Law Act**”).

1.1 Product Standards

As regards the regulation of product requirements, products can only be marketed if they are safe pursuant to law. A safe product is a product that, under ordinary or reasonably foreseeable conditions of use, does not present any hazards throughout a period of time stipulated by its manufacturer or throughout a period of time of customary useful life or the use of which represents only minimum hazard for the consumer in terms of safety and protection of health during its use. The product’s properties, its life cycle, composition, method of packaging, provision of instructions for installation and commissioning, availability, contents and clarity of the instructions manual, manner of use, including specification of the use environment, labelling, method of presentation and identification of warnings, maintenance and liquidation manual, clarity and scope of other details and information shall be furnished by the manufacturer; the details and information must always be in the Czech language.

A person settled in the EU that manufactured the product, authorised representative of an out-of-Europe manufacturer settled in the EU, importer of the product from countries outside the EU as well as other persons in the supply chain whose activities demonstrably affect the properties of the product are responsible for launching a safe product on the European market. The law defines all these persons as “manufacturers” and charges them with the obligation to market only safe products. Other persons in the supply chain on the EU market are in the position of distributors and are not allowed to distribute such marketed products in respect of which they know or can assume, based on their information and expertise, that they do not comply with the product safety requirements.

Furthermore, the law contains a number of other obligations of manufacturers and distributors such as attaching requisite documentation to products, including notification of the “residual risks”, monitoring safety of products already marketed, notification of hazardous products and co-operation with the supervisory authority. This shall mean an authority that is competent pursuant to a special regulation with respect to the character of a specific product. Unless a competent authority can be determined or if doubts arise during the determination, the Czech Trade Inspection Authority (“**CTIA**”) is the competent supervisory authority.

As regards more specific regulation and product requirements, the law defines “authorised products” – products that fall under various government orders or adapted EU regulations. The vast majority of them are subject to supervision by the CTIA (these are, for example, toys, construction products, medical devices, low-voltage electrical equipment, pressure equipment, machinery, personal protective equipment, metering devices, radio and telecommunications devices, aerosol dispensers, equipment and protective systems in explosive environments, elevators, recreational craft, etc.).

Before a product is marketed in the EU, thus including the Czech Republic, compliance with technical requirements stipulated in all regulations applicable to it must be carried out; the assessment is certified by a declaration of conformity and by affixing the CE marking on the product. The main responsibility for ensuring proper assessment and declaration of conformity of a product vis-à-vis the supervisory authority is on the

manufacturer and/or its importer for import from countries outside the EU. No further assessment of conformity is required for further movement of the authorised product across the EU market – even across borders of EU Member States. However, merchants need to apply expert care in order to prevent distribution of products manifestly not compliant with statutory requirements and, in particular, they should be concerned with proper certification of conformity on the product. This, inter alia, implies that the manufacturer or importer as well as the distributor of a product should know whether or not a product is subject to compulsory assessment of conformity because this determines whether or not it should bear a conformity mark. Furthermore, the law regulates a number of other obligations of manufacturers, importers and distributors in general terms and the scope of obligations can differ for various authorised products. Hence, regard needs to be taken also of how an applicable government order specifies the obligation in question within statutory limits.

Fundamental regulations in consumer protection in the Czech Republic

When selling merchandise, it is necessary to respect the fact that laws protect the rights of certain final customers who are at the end of the sales chain and, in particular, those who are individuals and use the merchandise for their own personal needs and not in order to carry on further trade activities. To protect these individuals, the law has introduced the notion of consumer protection. A consumer is everyone who, outside his/her business activity or outside independent conduct of his/her profession concludes a contract with an entrepreneur or negotiates with him/her in another manner. Only a person – an individual – can be a consumer.

Each act of the Czech Republic listed below regulates consumer protection.

i) Act No. 89/2012 Coll., Civil Code

Provisions on purchase contracts, especially the section about selling merchandise in shops, provisions on “consumer contracts”, contracts made remotely or outside commercial premises, regulation of liability for damage caused by defect of a product and a number of other provisions on protection of the weaker party are important for consumer protection.

ii) Act No. 634/1992 Coll., on protection of consumers, as amended

The law stipulates certain conditions for conduct of business significant for consumer protection when selling merchandise or products and when providing services, tasks of public administration in consumer protection and consumer authorisation, associations of consumers or other legal entities established for consumer protection. Examples of product selling obligations include the following: the requirement of honest sale, ban on unfair business practices, ban on discrimination of the consumer, notification obligations about properties and manner of use of products, proper information on the placing of complaints by consumers and formally correct complaint procedure (not the factual accuracy of the decision on a complaint – a court or an arbitrator is competent to rule upon these private-law disputes).

iii) Act No. 64/1986 Coll., on the Czech Trade Inspection Authority, as amended

This law regulates the position and role of the Czech Trade Inspection Authority, defining its competencies, including authorisation of its inspectors to carry on inspection activities.

iv) Act No. 102/2001 Coll., on general safety of products and on amendments to certain acts, as amended

The purpose of this law is to ensure (in line with the law of the European Union) that products that have been marketed or released for circulation are safe for consumers in terms of safety and protection of health. The act stipulates a general obligation of manufacturers and importers to market only safe products. Consumers are entitled to return dangerous products at the cost of manufacturers or distributors.

v) Act No. 526/1990 Coll., on prices

This law regulates, inter alia, the price negotiation process, the manner of attaching price labels on merchandise and possibilities administrative authorities have to regulate prices.

Product requirements can also be regulated by international, EU and national technical standards.

vi) Technical standards

Uniform European and international technical standards are one of the *sine qua non* conditions for free circulation of merchandise and services, in particular across the EU. They stipulate safety criteria, protect the environment and health, and protect consumers and manufacturers. Their use is voluntary but universally beneficial.

Czech technical standards can be either original (national) or adopted (European and international). Czech technical standards are not generally binding.

The Czech Republic is obliged to implement all European standards into its Czech National Standards system, typically within six months; however, it is not obliged to implement international standards. Adoption of international standards into the system of standards is governed by national needs.

Generally speaking, the Czech Trade Inspection Authority – CTIA – is the supervisory authority in this area.

Czech Trade Inspection Authority

The Czech Trade Inspection Authority (the “CTIA”) is the body that supervises, inter alia, the behaviour of merchants vis-à-vis consumers. The CTIA carries out inspections of legal entities and individuals selling or delivering products and merchandise on the internal market, providing services or developing other similar activities on the internal market or operating marketplace(s), unless another administrative authority carries out the supervision pursuant to special regulations.

CTIA inspects, for instance:

- compliance with conditions stipulated in order to ensure quality of merchandise or products (with the exception of food), including their safety, storage and transportation conditions;
- compliance with conditions stipulated by regulations and other relevant rules for the provision of certain services and operation of certain specific activities;
- whether or not products contain proper compulsory labelling or whether a prescribed certificate was issued or attached to them upon marketing of products,
- whether properties of authorised marketed products comply with the relevant technical requirements and the like;
- whether marketed products are safe;

As already mentioned above, the CTIA supervises compliance with obligations stipulated by the Consumer Protection Act in general, with the exception of supervision over statutory obligations in certain segments where other specialised authorities carry out supervision. This includes, without limitation, exceptions in the segment of:

- agricultural, food and tobacco products where the State Agricultural and Food Inspection carries out supervision;
- selling products and providing services that are regulated in the Public Health Protection Act where Regional Public Health Authorities carry out supervision;
- veterinary care where the State Veterinary Administration, Regional Veterinary Administrations and Municipal Veterinary Administration in Prague carry out supervision;
- firearms, ammunition and pyrotechnic products where the Czech Proof House for Arms and Ammunition carries out supervision;
- pharmaceuticals where the State Institute for Drug Control carries out supervision;

- supervision in regulation of advertising that is an unfair business practice where the Trades Licensing Offices carry out supervision;
- services of electronic communications and postal services where the Czech Telecommunications Office carries out supervision;
- compliance with obligations in personal data processing where the Office for Personal Data Protection carries out supervision.

1.2 Labelling Requirements

The law imposes requirements on products themselves and their quality and, at the same time, it also stipulates requirements as concerns labelling of merchandise, i.e. what details must be indicated on a product.

Sellers are obliged, in particular, to inform consumers properly about properties of products or about characteristics of provided services. This is important particularly for product properties that cannot be established at first sight but which might affect the use of the product. Sellers are also obliged to inform consumers about the manner of use and maintenance of products and about any potential danger that follows from improper use or maintenance of products as well as about risks associated with the provided service.

If it is necessary subsequently (given the product characteristics, the manner and time of its use), sellers are obliged to ensure that such information is contained in the attached written instructions manual and that such information is clear and straightforward. It is necessary to stress that the instructions manual must be in Czech. The above notification duties, however, relate only to products for which such information might be significant for consumers. Hence, they do not cover scenarios in which self-evident or generally-known facts are involved.

The law also stipulates which specific information a product must bear[1]. Sellers must ensure that products sold by them bear directly visible and clear labels,

- indicating the manufacturer or importer or, alternatively, supplier, and, if the character of the product or form of selling requires it, product name, information about weight or quantity or size or dimensions, other information needed for identification or use of a product (based on the nature of the product);
- also information about materials used in their main parts if shoes are concerned, with the exception of products that are not subject to labelling pursuant to an implementing regulation.

To label textile products, the Consumer Protection Act has introduced a new reference to a directly applicable regulation of the European Parliament and Council (EU) No. 1007/2011.

The law also stipulates that, if special rules or procedures need to be known and used for the use of a thing, sellers are obliged to inform consumers about these rules and procedures. Sellers are exempt from this obligation if these rules are generally known rules.

Indicating the above information might involve a number of difficulties that might render the merchandise incapable of being marked directly. Then, sellers are obliged to mark the merchandise with these details in another appropriate manner, for example, if it is absolutely impossible or unreasonable (given the character of the merchandise), sellers are obliged to disclose truthfully or document these details if requested to do so by a consumer or authorities supervising over compliance with the provisions of this law.

Furthermore, sellers are not allowed to remove or alter product labels or other information specified by the manufacturer, importer or supplier. This

[1] EU law which has to be implemented in the Czech Republic may be more specific: for example always requiring the name and contact details of the manufacturer and importer. This is the case, for example, in relation to toys, or electrical and electronic equipment. See the relevant EU sections for more information.

ban applies also to the notorious re-labelling of information such as expiry date and similar.

The laws pay special attention to selling used products. When selling used products (or altered products, products with defects or products whose usage properties are otherwise restricted), sellers must inform consumers about these facts clearly in advance. Such products must be sold separately from other products. In an establishment, in premises reserved for selling such products, no items that are not designed for selling can be stored.

Information about products and services must be indicated in Czech. Certain information can also take the form of pictograms that must be clear, legible and complete. When selling products that are marked by pictograms, however, sellers are obliged to explain or disclose their meaning in an appropriate way to consumers.

The law also refers to price information. Specifically, the law stipulates that sellers are obliged to inform consumers (in line with pricing regulations) about prices of sold products or provided services by marking a product clearly with a price tag or, alternatively, by disclosing information about product or service price in another appropriate manner. Sellers are, therefore, obliged to provide information to consumers when offering and selling merchandise so that the consumer can learn the price before he/she negotiates about purchasing merchandise unless the law stipulates otherwise, specifically:

- to attach the price to the merchandise which the seller applies at the moment of the offer, linked to the sold unit amount of merchandise and specified conditions;
- make available at a visible place information about the price using price lists;
- disclose the price in another appropriate manner;
- present an offer price list of parts and activities if the merchandise is composed of regular parts or activities on the basis of special requirements of the buyer; or

- disclose to the buyer a price estimate unless the price information can be disclosed in the above manners.

Price of a product is understood to mean the final offer price including any and all taxes, customs and fees.

The notification duty of the seller also includes complaints about products and services. Sellers are obliged to inform consumers properly about the scope, conditions and manner of exercising the rights from defective performance, along with information about the place where complaints can be made.

If any of the information presented on a product's packaging correspond to the definition of advertising, legislation governing advertising applies to it naturally including, without limitation, ban on misleading advertising or advertising promoting behaviour detrimental to health (messages reading, for example, “Drink twenty at once” for spirits). Furthermore, information on packaging, if it is advertising, should not, for example, jeopardize ethics, contain pornographic or violent elements or elements using the motive of fear (messages reading, for example, “If you do not buy – you will get sick”) in a generally unacceptable manner.

For the sake of completeness, when selecting information to be included on packaging, it is also necessary to consider standards about unfair competition – for example, not to include information on the packaging that would demean competition or to use the information on the packaging to provoke the risk of confusion with another product, service, manufacturer or distributor. Certain information on the packaging can be a copyrighted work and must be treated as such.

1.2.1 Food

Food labelling is specified in a very detailed manner. The primary reason is protecting interests of consumers, in particular, so that the consumer has sufficient information and may decide freely which kind of food he would prefer upon purchase.

Compulsory information on packaged food includes the following:

- name of food, list of ingredients, allergens, amounts of certain ingredients or groups of ingredients (only in stipulated cases), net amount of food, use by date or best before date;
- special conditions for preservation or use if required to maintain safety and quality (for example, temperature or a “use quickly after opening” notice for hermetically-sealed food that deteriorates fast after you open it). For food with use by dates, the conditions are always indicated;
- name or business name and address of operator in charge of information;
- in specified cases, country of origin or place of provenance;
- instructions for use for food that would be difficult to use without these instructions in a corresponding manner (it must be indicated in a way allowing for proper use);
- actual alcohol contents for beverages with alcohol contents higher than 1.2% by volume;
- nutrition information (not compulsory for certain foodstuffs specified by relevant regulation, for example, unprocessed non-compound products, water, including aerated and aromatised water, spices, herbs, salt, table sweeteners, coffee and coffee substitutes, foodstuffs with a packaging area smaller than 25 sq. cm and foodstuffs delivered by manufacturers in small amounts directly to final consumers or to local retail stores. These are also exempt from the obligation to indicate nutrition information),
- quality class (only in specified cases).

The Act on Food and the implementing regulation on food labelling are basic regulations in the Czech Republic for food labelling.

Other specific requirements that relate to individual specific groups of food products are indicated in implementing decrees to the Act on Food. Food

labelling requirements indicated in these regulations are fully compliant with EU labelling requirements.

1.2.2 Other special regulations

There are many special regulations, applicable always only for packages of certain types of merchandise. These include, for example, Decree No. 116/2002 on labelling of reusable packaging, Decree No. 442/2004 Coll., stipulating details for attaching energy labels to energy devices, Act No. 321/2004, on viticulture and wine-growing and on amendments to certain related acts, and Decree No. 417/2016 Coll., on certain manners of food labelling. For example, pharmaceutical products also have special labelling legislation.

1.3 Environmental Protection and Waste Treatment Requirements in Relation to Merchandise Sales

Due to specific properties and various risks of endangering the environment, waste requires special treatment. Basic rules for waste treatment are stipulated in the Act on Wastes and on amendments to certain other acts, as amended. Waste pursuant to the law needs to be sorted into individual types and categories, its use needs to be ensured preferentially and surrender of all wastes to a person in charge of accepting the same must also be ensured. Several ways of waste treatment exist:

- Making an agreement with a waste collection company (standalone collection containers);
- Integration into the system organised by the town (standalone collection containers, exceptionally – collection into bags);
- If very little waste is generated, the waste needs to be surrendered to junk yards or household waste recycling centres and a certificate on surrender of waste needs to be archived.

A merchant who markets products is obliged to indicate information about manner of use or removal of unconsumed parts of products in the

accompanying documents of a product, on a product's packaging, in the instructions for use or in another appropriate form. The person that manufactures products is obliged to manufacture these products in a way mitigating the emergence of unusable waste from these products, in particular, hazardous waste.

In this context, it is also desirable to note that only a legal entity or an individual with a trade licence that operates a facility for use or removal or collection or purchase of a specified type of waste is entitled to accept the waste into its ownership. At the same time, everybody is obliged to verify whether or not a person to which it surrenders waste is authorised to accept waste pursuant to the Act on Wastes. If this person fails to produce the authorisation the waste cannot be surrendered to it. Authorisation of companies can be verified also from lists of authorised companies available from the websites of Regional Authorities.

Dilution or mixing of wastes in order to comply with the criteria for their acceptance at a dump and mixing of individual hazardous wastes or mixing of wastes with other wastes is prohibited.

Obligations of waste producers are the following:

- to sort waste by types and categories;
- to ensure preferential use of waste;
- to transfer wastes it is itself unable to use or remove in line with the Act on Wastes and implementing regulations into the ownership of only a person authorised to accept the same;
- to verify hazardous properties of wastes and to treat the wastes in line with their actual properties;
- to collect wastes sorted by individual types and categories;
- to safeguard wastes against undesirable degradation, theft or leakage;
- to keep ongoing records of wastes and their treatment, to notify wastes and to send prescribed data to the competent administrative authority.

- to allow inspection authorities access to buildings, premises and facilities and, at their request, to present documentation and to provide true and complete information associated with waste treatment;
- to draft a waste management plan and to arrange for compliance with the plan if the conditions for its drafting have been met;
- to inspect effects of waste treatment to human health and the environment in line with special regulations and the waste management plan;
- to appoint a waste manager if they meet conditions for its appointment;
- to pay the fees for waste deposit disposed of in dumps;
- to treat hazardous waste only on the basis of the consent of a state administration authority with material and territorial jurisdiction, with follow-up changes in competencies.

Waste producers are responsible for waste treatment if they provide for waste treatment as authorised persons or before the waste is transferred into the ownership of the person authorised to accept the waste. The forwarder is responsible for waste transportation. Each authorised person that accepts wastes from waste producers into its ownership assumes the above obligations of waste producers.

1.3.1 Municipal waste producers

Municipal waste is understood to include all waste that is produced within the territory of a municipality by activities of individuals and that is marked as municipal waste in the Catalogue of Wastes, with the exception of wastes produced by legal entities or individuals licenced for business.

Waste similar to municipal waste includes all waste that is produced within the territory of a municipality by activities of legal entities or individuals licensed for business and that is marked as municipal waste in the Catalogue of Wastes.

Producers who produce waste classified as waste similar to municipal waste in the Catalogue of Wastes can use the system introduced by a municipality for municipal waste treatment on the basis of an agreement with the municipality. The agreement must be in writing and must always contain the agreed price for the service.

If a producer that produces waste similar to municipal waste joins the system for municipal waste treatment introduced by the municipality on the basis of a written agreement with the municipality, it is obliged to sort and classify the waste pursuant to the Catalogue of Wastes in line with the system introduced by the municipality. If the producer does not join the system introduced by the municipality for municipal waste treatment, it will remove hazardous and usable components from the waste and it will classify the remaining mixture of unusable types of wastes falling in the category of Miscellaneous waste under mixed municipal waste for the purposes of removal.

1.3.2 Take-back obligation

Certain entrepreneurs are required by the Act on Wastes to arrange for take-back; this means retrieval of used products from final consumers for reuse or removal.

This obligation applies to legal entities and individuals licensed for business that market only certain products listed in the Act on Wastes on the market of the Czech Republic. Such person must ensure through a legal entity or an individual licensed for business that sells the above products to final consumers (the “last seller”) that the final consumer is kept informed about the manner of take-back of these used products.

The Act on Wastes also contains special regulation for take-back of batteries and accumulators and take-back of discarded electrical and electronic equipment.

2. Currency Exchange and Regulations

Currency in the Czech Republic is the Czech crown (CZK) in nominal values of CZK 1, 2, 5, 10, 20, 50 (coins), 100, 200, 500, 1.000, 2,000, 5,000 (banknotes). Only banknotes and coins issued by the Czech National Bank are valid. The circulation of cash is governed by the Act on Circulation of Banknotes and Coins. Also EUR payments can be effected directly and commonly in large supermarket chains.

Czech law, in principle, does not limit payments of capital to and from the Czech Republic. There are no restrictions on Czech legal entities or individuals having their bank accounts abroad.

However, the law does include restrictions on payments; they involve, in particular, restriction of cash payments. Payers are obliged to make cashless payments for amounts in excess of CZK 270,000. This limit includes all payments in the Czech and foreign currencies carried out by the same payment provider to the same payment recipient in one calendar day. For purposes of this restriction, payments in foreign currencies are converted at the currently applicable exchange rate published by the Czech National Bank.

Under the Crisis Management Act, the Czech government may declare a state of emergency in foreign exchange management. During a state of emergency, financial operations between the Czech Republic and foreign countries may be restricted (e.g. deposits of funds abroad and payment operations to and from abroad). However, such restrictions may be imposed only in exceptional situations; to date, no such restrictions have been imposed, and none are expected in the future.

2.1 Money-laundering Regulations

Under Czech law, money laundering is regulated by Act no. 253/2008, on Certain Measures Against Legalisation of Proceeds from Crime and Financing of Terrorism (the “AML Act”), which implements EU directive no. 2005/60/EC. The AML Act stipulates certain obligations for financial institutions but also some other persons/entities dealing with transactions

(such as attorneys or notaries when handling escrow payments). For all transactions exceeding EUR 1,000, the AML Act stipulates an obligation to identify the client. If the value of the transaction exceeds EUR 15,000, a customer due diligence must be performed. The AML Act also stipulates a reporting obligation in respect of suspicious transactions (e.g. unusually large transactions, or transactions without apparent economic or visible lawful purpose).

Money laundering (or enabling of money laundering) is a crime which can be punishable by up to eight years of imprisonment (or up to five years, if the enablement of the crime arose through negligence). Companies can also be liable for this crime.

3. Common Payment Methods

Generally, payments (e.g. transferring money from an account) must be effected within one day – by close of business of the day following the day of making the money transfer order. Each bank, however, has its own definition of end of Bank / business day. Instructions accepted after the end of business will be processed on the following day. At the moment, the following payment methods are supported in the Czech Republic in addition to cash and cheque payments:

3.1 Payment Cards

Payment card payments are the most popular on-line payment method. The Czech Republic supports all most widespread card associations, including extensive support to additional functionalities, such as recurrent payments or pre-authorisation.

Advantages:

- one of on-line payment methods;
- fast processing of transactions with a receipt of acceptance of payment;
- high security;
- easy-to-use;
- 3D Secure.

3.2 Online Payment Buttons

This is a popular bank payment with a pre-defined money transfer order. Payments are effected on-line and always within a single banking institution.

Advantages:

- immediate payment of the amount;
- one-click payment;

- pre-defined money transfer order;
- eliminating defective entries in a money transfer order;
- payment from Internet banking.

3.3 Wire Transfers

Ordinary wire transfer is still a very popular payment method. The Czech Republic has its proprietary GoPay bank network (functional with major Czech banks) and, hence, regular wire transfers can provide fast confirmation on payment made (usually, within an hour).

Advantages:

- fast confirmation of payment;
- payment from Internet banking;
- popular payment method.

3.4 Mobile Payments

Mobile payments enable effecting payments from a personal mobile telephone. Payments are debited from the credit of a pre-paid card or are added to the phone bill (clients with a tariff). Mobile payments are very useful to pay small amounts. Payments can be entered any time with on-line guarantee of payment made.

Advantages:

- effecting payments from a personal mobile telephone;
- the amount is debited from a pre-paid credit or added to the invoice for services;
- useful for smaller amounts.

3.5 Electronic Purses

This is a beneficial alternative to current bank accounts and it is used in particular for payment of small and medium-sized amounts. This is a progressive on-line payment method that allows registered customers to effect on-line payments in a comfortable and safe way without the need to furnish personal and financial details.

Advantages:

- immediate payment of the amount;
- useful to pay small and medium-sized amounts;
- alternative to a bank account;
- easy-to-use.

3.6 Voucher Payments

Payments with vouchers offer cash payment or pre-payment for purchase of merchandise and services using a network of payment terminals. This a payment method with a pre-defined amount.

Advantages:

- for customers who do not use the Internet;
- high security;
- no need to be connected to the Internet;
- cash payment.

3.7 Other Payment Methods

The bitcoin (virtual currency) is attracting more and more fans globally and in the Czech Republic. The benefit of accepting bitcoins is immediate crediting

of a payment to an account and also easy exchangeability for any global currency.

In international commercial transactions, payment by letter of credit (L/C) is also a commonly accepted and practised method of payment. It is less frequently used within the EU, but quite common in overseas commercial transactions.

3.8 Cross-border Money Transfers

Cross-border money transfers can be carried out by indicating the international bank account number (IBAN) and the bank identifier code (BIC) of the account holder/recipient. For many European countries, the use of “SEPA” payments is possible. SEPA (Single Euro Payments Area) is a payment-integration initiative of the European Union for simplification of bank transfers denominated in euro and consists of 33 Member States (the 28 EU Member States, the four members of EFTA and Monaco). Within this area, conventional national money transfer formats are gradually being entirely replaced by the SEPA format. The purpose of this system is a fully automatic and therefore quicker processing of the money transfer order. For money transfers within the EU and EFTA countries, this method has the advantage of being not more expensive than national money transfers, provided that the amount to be transferred does not exceed EUR 50,000. Since August 2014, all bank transfers within the members of SEPA are to be made with the IBAN and, in case of cross-border transfers, with the BIC. Since February 2016, the BIC does not have to be stated anymore when making money transfers. Stating only the IBAN is sufficient.

Money transfer orders are increasingly placed by the account holder using either an automated teller machine (ATM) or online banking.

4. Appointment of Sales Agents / Representatives

4.1 Recruitment of Agents and Representatives

Czech law defines a sales agent as a person (legal entity or an individual) who undertakes, as an independent contractor, on the basis of an agency agreement, to carry on activities on a long-term basis aimed at making certain kinds of deals for the benefit and in the account of the principal. The agent makes these deals in its own name (and not in the name of the principal) and it is not authorised to carry out any juridical acts or accept consideration for and on behalf of the principal.

An agency agreement requires a written form. However, no-one who is allowed to bind the principal or the person with whom the deal is to be made can be a sales agent. The sales agent cannot be a member of any body of these persons or a trustee in bankruptcy or an insolvency trustee or a partner. Unless the agreement specifies a place or territory in which a sales agent is to conduct its activities in any greater detail, the agreement covers the entire territory of the Czech Republic. If a foreign person is the sales agent, the agreement covers similarly the entire country where that person is settled.

Sales agents are obliged to apply expert care, i.e. to attend carefully to and to follow the interests of the principal. This also involves a notification duty regarding all matters that it learns in connection with the discharge of its obligations or that are linked to the obligations, including information about a scenario when the agent is unable to carry on its activity. Sales agents are also obliged to keep documents about their activities that might be important to protect the principal‘s interests.

As an alternative to the first paragraph, a situation can occur in which the agency agreement stipulates that a sales agent can negotiate deals directly in the name of the principal. In this case, legislation on agency acts shall be applied. If such a contractual covenant exists, sales agents must use exclusively the business terms and conditions specified by the principal to make agreements unless they agree mutually to adopt a different procedure.

However, it is not ruled out for an agreement to contain both – for the agent to carry on only activities leading to making an agreement for certain deals and to negotiate other deals.

The guarantee of a sales agent for a third party complying with obligations that arise from the deal proposed to the principal for making or made in the principal's name is enforceable only if it agreed so in writing or if it was paid for assuming the liability.

The principal is obliged to inform the agent without undue delay whether it accepted, rejected or, alternatively, failed to perform the mediated deal. Information included in this chapter is applicable only in scenarios in which the sales agent is an independent contractor, a third party. If an employee carried out business activities, the relationship is governed by the Labour Code.

It is also possible to agree an "exclusive sales representation"; however, it needs to be agreed explicitly in the agreement. The principal is then obliged to use exclusively the specific sales agent for the territory in question or for the designated group of persons and the sales agent must not make deals for other persons except the principal or in its own account in the territory in question. Exclusive representation, however, does not prevent the principal from making deals on its own in the territory in question. If this happens, even if the principal agreed the deal on its own, the obligation to pay the agreed commission to the sales agent survives.

The principal is obliged to provide the sales agent with details required to perform the agreed obligations. This applies, in particular, to documentation to the subject matter of the deals. However, all support materials remain in the ownership of the principal and the agent is obliged to return them unless they have been used (given their nature) in the agency activities.

4.2 Commissions and Other Compensations

As a sales agency is an activity carried out for consideration, the principal is obliged to pay a commission for the provided services to the sales agent. Unless the parties have agreed a specific amount, the agent is entitled to a

commission corresponding to the customary amount in the place of its activities given the type of merchandise or services subject to the deal. The commission entitlement of the sales agent arises if the agent makes the deal or if the agent is an exclusive agent and the deal is made by a third party or by the principal in the territory covered by the exclusive agency. Commissions fall due on the last day of the month following the end of the quarter in which the entitlement arose, at the latest.

The legislation also assumes that a commission for a sales agent includes the expenses associated with his/her activities. If the agreement stipulated that expenses are reimbursed to the agent separately (i.e. in addition to the commission), the agent becomes entitled by law to their reimbursement only if he/she becomes entitled to a commission.

The law awards the right to a commission also to former sales agents within a reasonable time following the end of his agreement, if a deal managed to be made mainly thanks to his contribution.

5. Establishment of Sales Offices / Subsidiaries

5.1 Main Obligations and Other Considerations

The general rule for foreign legal entities is that they can conduct business in the Czech Republic on equal terms as domestic persons (however, exceptions and restrictions exist as well). As a rule, business activity can be commenced after registration in the Commercial Register. An alternative suitable for small as well as larger business (except for establishing an independent legal entity that will be controlled by the parent company) is to establish a branch (*registered branch*) in the Czech Republic. A registered branch can conduct business in the scope of registration in the Commercial Register but, generally speaking, it cannot acquire rights and obligations independently.

Establishing a branch does not mean that a new company is established, it is not an independent legal entity but, instead, an inseparable part of a foreign person. A branch, however, is obliged to keep accounting pursuant to the regulations of the Czech Republic and to pay taxes here as well.

Every registered branch has its own manager that manages it and that also plays the role of an authorised representative – he/she is responsible for proper operation and for compliance with Czech trade licensing regulations. The manager, therefore, covers the business interests of the foreign person in the Czech Republic. A registered branch can only have one manager, to be registered compulsorily in the Commercial Register, and he/she must be an individual. The manager is, by law, authorised to represent the foreign person in all matters, including representation before courts, administrative authorities and tax administration bodies.

5.2 Procedure

Even a foreign person with its registered office in the territory of a foreign country can establish a registered branch in the Czech Republic. First, such company needs to adopt a decision to establish a registered branch, obtain

authorisation for the conduct of business activities in the Czech Republic and, finally, it is necessary to file an application (including the relevant schedules) for registration of the registered branch in the Commercial Register.

The required annexes to the proposal for registration are the following: decision of the foreign person on establishment of a registered branch, extract from the Commercial Register in respect of the foreign company, constitutional acts (including amendments), consent of the owner of the real property with placement of registered office of the registered branch, Czech trade licence, an affidavit on good standing (bezúhonnost) and consent to registration in the Commercial Register, extract from the Criminal Registry records for the manager of the registered branch and his/her power of attorney for representation.

6. Incorporation of a Business

6.1 Types of Business Organisations

Business in the Czech Republic can be conducted by a variety of different entrepreneurial entities. These include entrepreneurs carrying out business alone (sole traders) and the following types of companies: limited liability companies (s.r.o.), joint-stock companies (a.s.), general commercial partnerships (v.o.s.) and limited partnerships (k.s.). Cooperatives also exist as a special legal form. Foreign entities can register to conduct business in the Czech Republic via a branch or a participation in Czech entities under the same conditions as the Czech entities. In addition, the following European forms of legal entities are allowed to operate in the Czech Republic: (i) a European Economic Interest Grouping, (ii) a European Company (Societas Europea), and (iii) a European Cooperative Society.

Below is a comparison of some of the most important aspects of two of the most common corporate structures used for doing business in the Czech Republic.

Comparison of limited liability company and joint-stock company

	Limited liability company	Joint-stock company
Basic characteristics	A limited liability company is the vehicle generally preferred by enterprises with a limited number of investors who plan to hold their investments in the company for the mid- to long-term. A limited liability company is typically used by small to medium-size enterprises.	A joint-stock company is the vehicle generally preferred by large enterprises and by enterprises who want to be listed on a stock-exchange.
Founding	A limited liability company may be founded by one or more legal entities and by one or more individuals, or by a combination of individuals and legal entities.	A joint-stock company may be founded by one or more legal entities and by one or more individuals, or by a combination of individuals and legal entities.
	A limited liability company may have an unlimited number of founders and an unlimited number of shareholders.	A joint-stock company may have an unlimited number of founders and an unlimited number of shareholders.
	The founders establish a	The founders or a sole founder

	Limited liability company	Joint-stock company
	company by means of executing a memorandum of association or, in the case of a sole shareholder, a founding deed – both in the form of a notarial deed.	establish the company with the execution of the articles of association in the form of a notarial deed.
	The company is created by its registration in the Commercial Register.	The company is created by its registration in the Commercial Register.
	Members of a limited liability company are registered in the Commercial Register.	Shareholders of a joint-stock company are not registered in the Commercial Register. However, if a joint-stock company has only one shareholder, it must be registered in the Commercial Register.
	The ban on chaining of limited liability companies was cancelled from 1 January 2014 (i.e. a limited liability company with a sole shareholder may, from that date, be the sole founder or the sole shareholder of another limited liability company).	The chaining of joint-stock companies has never been prohibited (i.e. a joint-stock company with a sole shareholder may be the sole founder or the sole shareholder of another joint-stock company).
Registered capital	The registered capital of a limited liability company is composed of the contributions made by its shareholders. The minimum contribution of each shareholder to the registered capital is CZK 1.	The registered capital of a joint-stock company is divided into a certain number of shares. The minimum registered capital of a joint-stock company is CZK 2 million. It is also possible to issue shares without a nominal value or with different values.
	Contributions to the registered capital of a limited liability company can be financial or in-kind.	Contributions to the registered capital of a joint-stock company can be financial or in-kind.
	The entire amount of the contribution premium, if applicable, and at least 30% of subscribed monetary contributions must be paid up before the filing of an application for the registration of the company in the Commercial Register.	The entire amount of the share premium, if applicable, and at least 30% of the nominal or accounting value of the subscribed shares must be paid up before the filing of an application for the registration of the company in the Commercial Register.
	Non-monetary contributions must be made before the company's registration in the	Non-monetary contributions must be made before the company's registration in the

	Limited liability company	Joint-stock company
	Commercial Register.	Commercial Register.
	A memorandum of association can stipulate that the shareholders have an obligation to make additional contributions outside the registered capital of the company. The size of such mandatory contributions is not limited by the Business Corporations Act. The shareholders can stipulate such limitation in the memorandum of association. To protect shareholders against unreasonable mandatory contributions, the Business Corporations Act introduces the right of any shareholder who did not agree to the mandatory contribution to exit the company. This right, however, may be excluded in the memorandum of association.	Unlike in the case of the regulation of a limited liability company, contributions "outside of the registered capital" are only voluntary and the duty to contribute may not be imposed on the shareholders. Such contributions can be made and are, in principle, based on an agreement between the shareholder and the company. It is, therefore, advisable to regulate the issue of contributions to the other capital funds in a joint-stock company in the company's articles of association.
Memorandum of Association (Limited Liability Company) **Articles of Association (Joint-stock Company)**	The regulation of a limited liability company is quite liberal and gives shareholders great freedom to change their rights and obligations vis-a-vis each other and the company.	The regulation of a joint-stock company is quite liberal and gives shareholders great freedom to change their rights and obligations vis-a-vis each other and the company.
	The Business Corporations Act allows for tens of deviations from the default wording of the law in areas relating for example to: • types of ownership interest in the company; • rights and obligations attached to an ownership interest in the company; • transferability of ownership interests in the company; • types of securities issued by the company; • conflicts of interest; • voting rights; • financial assistance; • distribution of profits – e.g. to whom it may be paid out;	The Business Corporations Act allows for tens of deviations from the default wording of the law in areas relating for example to: • classes / types of shares; • rights attached to shares; • transferability of shares; • types of securities issued by the company; • conflicts of interest; • voting rights; • financial assistance; • distribution of profit – to whom it may be paid out, fixed share, subordinated share, calculation of the share other than by reference to a share in the

	Limited liability company	Joint-stock company
	• general meeting – convening, per rollam decisions, quorums and required voting majorities, powers of the general meeting; • directors – number of directors, duration of their office, substitutes, requirement for directors to act jointly in order for their acts to be binding for the company; • custodian of the company; • information duties of the management; and • contributions to other capital funds of the company.	registered capital; • publication of accounts; • general meeting – convening, per rollam decisions, quorums and required majorities of votes, powers of the general meeting; • board of directors – number of directors, duration of their office, substitutes, requirement for directors to act jointly for their acts to be binding for the company; • custodian of the company; • information contained in the register of shareholders; and • management structure of the company.
	As the shareholders may agree in the memorandum of association on additional duties of a holder of a particular share in the company that pass with the transfer of that share to the buyer (including, for example, a duty to provide additional funds to the company), it is essential that a purchaser's due diligence includes a thorough review of the memorandum of association.	
Corporate bodies	The corporate governance of a limited liability company is simpler than that of a joint-stock company.	The corporate governance of a joint-stock company is more complex than that of a limited liability company.
		There are two possible corporate structures for a joint-stock company: (i) a dualistic structure (with board of directors and supervisory board), and (ii) a monistic structure (with a single director and an administrative board). The choice of the corporate structure must be stipulated in the articles of association. As the option to have a monistic structure was

	Limited liability company	Joint-stock company
		introduced from 1 January 2014, most of the joint-stock companies in the Czech Republic have a dualistic management structure.
	Corporate Structure The executive body of a limited liability company is made up of one or more executive directors. Executive directors are appointed and recalled by the general meeting. The law does not require a limited liability company to establish a supervisory board; however, a supervisory board can be established, provided that the memorandum of association so stipulates.	**Corporate Structure - Dualistic** The executive body of a joint-stock company is the board of directors. Members of the board of directors are appointed and recalled by the general meeting (or by the supervisory board if the articles of association so stipulate). The board of directors has three members, unless the articles of association stipulate a different number of members; the minimal number is one. A joint-stock company with a dualistic management structure must have a supervisory board, which is obliged to oversee the manner in which the board of directors exercises its powers and the manner in which the business of the joint-stock company is conducted. For this purpose, it has the right to examine all the records and documents of the joint-stock company (including the financial statements and minutes of the board of directors), to convene a general meeting of shareholders under certain circumstances, and to represent the joint-stock company in actions against members of the board of directors. The members of a supervisory board must act with the care of a diligent manager. The supervisory board has three members, unless the articles of association stipulate a different number of members; the minimum number is one.

	Limited liability company	Joint-stock company
		The supervisory board reviews the annual, extraordinary and consolidated financial accounts, and, if applicable, interim financial accounts and proposals for profit distribution and coverage of losses, and submits its comments to the general meeting. The supervisory board is entitled to convene a general meeting, if the interests of the company so require. In contrast to the old Commercial Code, the Business Corporations Act did not require joint-stock companies to have employee representatives elected as members of the supervisory board. An amendment to the Business Corporations Act, however, reintroduced this requirement and stipulates that companies with more than 500 employees must by 14 January 2019 have at least a third of the members of the supervisory board elected by employees.
		Corporate Structure - Monistic Alternatively, instead of a board of directors and a supervisory board, a joint-stock company may have an administrative board and a statutory director. The main advantage of this structure is that one person may manage a joint-stock company (if a single statutory director is also a chairman of the administrative board). The prevailing view among leading legal scholars is that the requirement to have at least one third of the members of the supervisory board elected by employees does not apply to companies with monistic corporate structure (i.e. one third of the members

	Limited liability company	Joint-stock company
		of the administrative board does not have to be elected by employees).
		Other corporate bodies – Monistic / Dualistic Structure: Entities of public interest (i.e. in particular, Czech legal entities whose securities have been accepted for trading on regulated markets, banks, insurance and reinsurance companies, pension funds, savings and credit cooperatives, investment firms, investment companies, investment funds and commercial companies or cooperatives or consolidated accounting units, if the average converted number of employees of such companies or units has exceeded 4,000 people during the previous accounting period) have a duty to establish an audit committee as another mandatory body of a joint-stock company. The members of the audit committee are appointed by the general meeting. The audit committee must have at least three members. The majority of the members of that committee must be independent and must have at least three years of practical experience in accounting or statutory audits. The audit committee shall, in particular (i) follow the procedures for compiling annual accounts and consolidated annual accounts, (ii) follow the efficiency of internal controls in the company, internal audit, and/or the systems of risk management, (iii) follow the process of statutory auditing of the annual accounts and consolidated annual accounts, (iv) assess the independence

	Limited liability company	Joint-stock company
		of statutory auditors and audit firms and, in particular, the provision of auxiliary services to the audited company, and (v) recommend auditors to the supervisory body and justify its recommendation.
Shareholders' rights	The rights of shareholders in a limited liability company are broadly similar to the rights of shareholders in a joint-stock company – see the right column.	Shareholders are entitled at the general meeting to inspect and approve the financial statements of a joint-stock company and the reports prepared by the board of directors and the supervisory board. At the general meeting, shareholders may appoint and recall the members of the board of directors (unless the articles of association stipulate that the supervisory board appoints the members of the board of directors) and the members of the supervisory board. No shareholder is entitled to receive any business-related information from the management of a company other than the reports and other information provided to all shareholders. Shareholders participate in the profits of the joint-stock company through dividends approved by the general meeting of shareholders. Dividends may only be paid when the general meeting has approved the payment of dividends on the basis of the company's economic performance, as set out in the annual statement. Unlike under the old Commercial Code, the Business Corporations Act allows the making of dividend prepayments (interim dividends) before the general meeting has decided to pay dividends. The interim

	Limited liability company	Joint-stock company
		dividends may be paid out only on the basis of interim financial statements which will confirm that the company has enough funds to distribute profit and in compliance with further rules stipulated by the Business Corporations Act as to which company funds may be used and to what extent. It is important to note that if the final end-of-year results would not make it possible to pay dividends, any interim dividends would have to be returned to the company. Dividends or interim dividends may not be paid out if it would render the company insolvent. The Czech Supreme Court's decisions, relating to payment of dividends under the old Commercial Code from which followed that financial statements on the basis of which a general meeting approves the payment of dividends may not be older than six months, are not applicable to payment of dividends under the Business Corporations Act. The prevailing view is that it is possible for a general meeting to approve the payment of dividends under the Business Corporations Act even on the basis of financial statements older than 6 months; however the dividend may be paid out only if the payment of the dividends would not cause an insolvency of the company. Further, the right to receive dividends can only be transferred separately after the decision of the general meeting on dividends has been taken. Unlike under the old Commercial Code, a reserve fund is no longer obligatory. Existing companies may

	Limited liability company	Joint-stock company
		dissolve their reserve fund. Minority shareholders holding shares whose total nominal value or number of shares amounts to 3 % of the registered capital (5 % in a joint-stock company with a registered capital lower than CZK 100 million, 1% in a joint-stock company with a registered capital higher than CZK 500 million) may request that the board of directors convene a general meeting with an agenda proposed by the minority shareholders. Each shareholder is also generally entitled to challenge a decision of the general meeting in court. All shareholders have a pre-emptive right under the Business Corporations Act to subscribe to newly-issued shares (if the shares are to be subscribed for monetary consideration – i.e. not in the case of in-kind consideration). Such pre-emptive right may not be limited or excluded in the articles of association. The pre-emptive right may be limited or excluded by a decision of the general meeting only on the grounds of an important interest of the company recognised by the general meeting of the joint-stock company.

6.2 Procedures for Setting up a Business

As already noted above, one possibility to conduct business in the Czech Republic is to set up one of the available legal entities or, more precisely, business corporations. Business corporations and co-operatives come to being in two stages. In the first stage, a company is founded and, in the second stage, it is created as a legal entity, upon registration in the Commercial Register. Founding a company does not mean that it exists

legally. Between its founding and creation, a company does not have its legal personality (it cannot acquire rights and obligations, either through its own acts or through acts of other persons) and its bodies do not exist either. Shareholders of a company play the role of its founders, not shareholders. Therefore, it is important to bear in mind that business corporations and co-operatives are not created until they are registered in the Commercial Register. It is not until that day that a founded company becomes a legal entity.

If someone (founders or any other persons) acts for and on behalf of a company before the company is created (incorporated), that person shall have rights and obligations in respect of such conduct (e.g. negotiations about making an employment contract between founders of a company and employees with respect to work to be carried out for the company, entering into a lease to lease premises in which the company will carry on its activity, etc.). If more persons act, their rights and obligations are joint and several.

In principle, founding and incorporating business corporations and co-operatives is a complex procedure entailing consecutive juridical and associated acts; it is usual for founders to delegate this activity to their legal counsels or attorneys who draft all required documents, manage the entire process of founding and incorporating a business corporation and who communicate with competent courts and authorities.

Founders, therefore, can authorise their general grantees or attorneys, using a special power of attorney, to found a corporation. However, the signature of the grantor – i.e. the founder – on the power of attorney needs to be notarised properly and the power of attorney is attached to the memorandum of association.

Acts to be carried out before a company is created

Before a company is created (incorporated) (i.e. before an application for registration of the company into the Commercial Register is made), the company must:

- **draft its memorandum of association** (founding deed)

If founded by more than one person, companies are founded by a memorandum of association signed by all founders. If a limited liability company or a joint-stock company is founded, the memorandum of association may take the form of a public deed. One type of public deed is a notarial deed. Juridical acts relating to the founding, creation, changing, dissolution or cessation of a business corporation require written form with notarised signatures, otherwise such acts are invalid. Invalidity does not have to be claimed before court because it is taken into consideration even without a petition. If a company is founded by a sole founder (the law admits that possibility for limited liability companies and for joint-stock companies), the memorandum of association is substituted with a founding deed that must take the form of a public deed.

- **obtain a trade licence.** Provided that the company is founded for business purposes, one must obtain either a trade licence or other business licence.

- **determine its registered office**. This can be situated also in an apartment provided that it does not disturb the quiet and order in the house. It is sufficient to indicate only the name of a municipality in the constitutive juridical act; the complete address of the registered office is registered in the Commercial Register.

- **document legal title for use of premises** in which the registered office of the person subject to registration is located unless such information is ascertainable from an information system (similarly to the object of activities). To document legal title for use of premises, it is sufficient to present a written declaration of the owner of the real property or the unit in which the premises are located or, alternatively, a declaration of the person authorised to dispose of the real property, apartment or non-residential premises otherwise suggesting that they consent to the placement of the registered office of the person. This declaration must not be older than three months and signatures on it must be notarised.

- **pay up contribution and appoint contribution manager**

A contribution is an expression in money of the value of the subject matter of contribution to the registered capital of a business corporation. For joint-stock companies, contribution is defined as the nominal or book-value of a share. In the memorandum of association or founding deed, founders must delegate the management of paid up or contributed subject matters of contributions or parts thereof to a specific individual. Managing contributions can also be delegated upon the founder or one of founders.

A petition for registration of a company into the Commercial Register must be filed with the competent registry court within six months (unless the memorandum of association stipulates a different period of time), at the latest, from founding a company; otherwise the same effects as upon withdrawal from an agreement occur. For co-operatives, all applicants for membership are deemed to have withdrawn their applications upon expiry of the period to no avail. A petition for registration of a company into the Commercial Register must be filed on a special form available at www.justice.cz. It can be filed as a paper document or electronically and it must be accompanied by documents certifying facts that should be registered in the public register and documents that are to be deposited into the Collection of Deeds in connection with this registration.

Direct registration by a notary is also possible. A notary shall effect registration into a public register after conditions for registration using remote access have been met. The law stipulates that a notary must discharge this obligation without undue delay following the filing of an application for registration.

Court fees for registration of a business corporation into the Commercial Register as at the effect of the New Civil Code amount to CZK 6,000; registration of a joint-stock company is subject to a court fee of CZK 12,000. This fee cannot be paid in duty stamps as the amount determined by law for the first registration of a company exceeds CZK 5,000; hence, it must be paid by a wire transfer to the relevant account of the registry court. The registry court must comply with the general period of five days to register a company in the Commercial Register.

From the date of registration of a company in the Commercial Register, the following associated periods of time start to run for companies:

- 8 calendar days to register with the District Social Security Administration provided that the company has employees;
- 8 days to register with healthcare insurance companies provided that the company has employees;
- 15 days to register with the tax administrator.

Czech registry courts no longer use any forms for registrations, changes or deletions; instead, they use exclusively electronic smart forms. Smart forms enable users to file petitions for registration, change or deletion of registered details in a clear and user-friendly manner. These forms can be used for most filings, including mergers, changes in legal form and the like.

A petition for registration is filed and registration in the public register is carried out in the Czech language. The applicant can, however, request that registration in a public register be made in any other foreign language.

6.3 Business Licences

Before registering in the Commercial Register (see below), both branches and companies must obtain a trade licence from a trade licensing office corresponding to the activities they intend to undertake, or some other form of business authorisation. For this purpose, they must appoint a responsible representative who is responsible for the company's compliance with the conditions of the trade licences. The appointment of a responsible representative is not required for any of the 80 general business activities covered by the so-called free trade licence. One responsible representative may be responsible for more than one trade licence of the company. On the other hand, one responsible representative may not perform this function on behalf of more than four entrepreneurs.

The company has the option to submit a single application to the trade licensing office; in such application it will apply for both (i) trade licence(s)

and (ii) registration with the tax office (for all types of tax, except for excise tax and some ecological taxes) along with the application for a trade licence.

7. Taxes

The main features of the Czech tax system are similar to systems in place in developed and, in particular, European countries. Income from taxes is distributed between indirect and direct taxes roughly equally. Legal entities pay advances on taxes and file tax returns with income tax settled in the following year.

7.1 Corporate Tax

The corporate tax rate for the tax year 2018 is 19%; no change to this rate is planned for now. The tax base is the profit (or loss) figure reported according to Czech Accounting Standards, adjusted for non-deductible expenses and non-taxable income, as set out in the Czech Income Taxes Act.

7.2 Value Added Tax

The value added tax principle says that tax is paid only on the price difference between inputs and outputs, i.e. on the amount by which the price of merchandise increases (the amount it adds to the value). An entity pays the price with this tax to suppliers and suppliers get paid for merchandise with this tax. Subsequently, they pay the difference between the received and paid tax to the national budget; alternatively, they can receive a tax refund. In the Czech Republic VAT law has been harmonised with the relevant EU Directives since 1 May 2004.

Delivery of merchandise, transfer of real property or provision of service for consideration by an individual or a legal entity conducting economic activities independently, with the place of performance in the Czech Republic, are subject to the value added tax.

The standard VAT rate is 21%, the reduced VAT rate has been 15%. A new second reduced VAT rate of 10% on medications, books and baby food is effective from 1 January 2015. A company is generally obliged to register for VAT if its turnover for VAT purposes during the previous 12 calendar months exceeds CZK 1 million (EUR 37,000). An entity may also be obliged to register for VAT if it purchases goods from other EU Member States or

certain services from abroad. Upon the acquisition of an enterprise from a seller who is VAT-registered, the buyer is also obliged to register for VAT, unless already registered. Voluntary VAT registration is possible. VAT group registration is possible.

7.3 Other Relevant Taxes

Stamp duties or other taxes on land transactions

A sale of real estate is subject to real estate transfer tax at 4% of the sale price or expert's valuation (whichever is higher). The buyer is primarily liable for the payment of the real estate transfer tax.

Other taxes on land or real estate

Companies and individuals who own property as at 1 January of the current year are subject to real estate property tax in that year. Two separate taxes are payable: tax on land and tax on buildings.

The tax base of plots of land (with the exception of arable land, hop fields, vineyards, gardens and orchards, meadowlands and pastures, commercial forests and ponds) is the actual area of the plot of land in square meters.

Capital duties or other duties on share capital

In the Czech Republic capital duty is not levied on share capital.

Business rates

No special business rates are levied in the Czech Republic.

Taxes imposed on employers (e.g. PAYE and social security obligations)

Social security contributions are payable to the Czech Social Security Office. Health insurance contributions are payable to the Czech Health Insurance Company with which the employee is insured.

The employer contributes 9% of the employee's gross income to the employee's health insurance and 25% of the employee's gross income to the social security system. The annual basis for the calculation of social security contributions is capped at a multiple of 48 times the officially published average national monthly salary (i.e. the annual cap on the gross salary is CZK 1,355,136 (approx. EUR 52,120) for the year 2017). After the income cap is reached, no further contributions have to be made. The cap on health care contributions was revoked in 2013 and such contributions are not capped.

Customs and Excise duties

Customs duties can be levied on imports from countries outside the EU. Excise duty is levied on "mineral oils" (i.e. fuel), spirits, beer, wine and tobacco. Rates of the excise duty differ according to the kind of goods.

R&D costs

Certain R&D costs may be claimed as a special tax allowance.

8. Employment

If a business decides to hire employees, it becomes subject to labour-law regulations. Labour law regulates legal relationships between employees and employers, relations of a collective nature associated with the conduct of dependent activities, certain legal relations before labour-law relationships are constituted, working conditions of employees, and protection of their health.

8.1 Employment Procedures

Although the previous rigid concept of employment law has been superseded, employment law in the Czech Republic is still very employee-protective.

Most provisions in the Labour Code are mandatory; however, parties to employment contracts may deviate from the Labour Code where the Labour Code does not so prohibit, or agree on a different arrangement if the wording of the Labour Code does not prescribe anything specific.

Obligatory contents for a valid employment contract:

- the type of work in which the employee will be engaged;
- the place where the work will be performed (municipality, organisational unit or other specified place); and
- the date on which the employee starts work.

In addition to the above, parties to an employment contract may agree on other conditions (e.g. that the employee be required to undertake business travel, that the employee not engage in competition with the employer after termination of the employment contract, etc.).

An employment contract must be concluded in writing. Even though a lack of written form does not render an employment contract invalid, an employer may be penalised by the relevant Work Inspectorate for a breach of its obligation to conclude written employment contracts with a fine of up to CZK

10,000,000 (app. EUR 370,000). Work Inspectorates are regional governmental authorities that supervise the fulfilment of the obligations arising from the labour law regulations.

If an employment contract does not contain information on the essential terms of the employment, the employer is required to notify the employee of such terms in writing at the latest within one month of commencement of the employment. The notification must contain detailed information on the following: the identity of the parties, a description of the work, the place of work, holiday entitlement, termination notice periods, and the amount of salary and the method of its payment, the weekly working hours and collective agreements. Non-compliance with this requirement does not render an employment contract invalid, but may result in penalties of up to CZK 300,000 (approx. EUR 11,000) being imposed on the employer by the appropriate Work Inspectorate.

Employment may be part-time or full-time and may be entered into for a fixed or an unlimited term. Employment is presumed to be entered into for an unlimited term unless the contract provides for a specific term.

8.2 Trial Period

An employment contract may provide for a trial period lasting three months, unless a shorter period has been agreed upon. For managers, such trial period can last six months. The trial period must be agreed upon in writing in order to be valid, and it may not be extended. During the trial period, the employment may be terminated for any reason or without any reason by either party. In such case, no notice period is required and the employment is terminated on day of the delivery of the notice in writing. A trial period must not be agreed longer than half of the agreed duration of the employment relationship.

8.3 Fixed-term Employment Contracts

The Labour Code contains restrictions on employers regarding the conclusion of an employment contract for a fixed term.

Fixed-term employment between the same parties can last for a maximum period of three years from the date of its commencement. Such period of fixed-term employment can be repeated two times, and each time for a maximum period of three years. An extension of the term of employment is considered to have the same effect as a repetition of the employment for a fixed-term period (i.e. an employment concluded for a period of up to three years can be extended two times, each time by a period of up to three years). This restriction also applies to any and all additional fixed-term employment agreed during the stated period between the same parties. On the other hand, the restriction does not apply if three years have elapsed since the termination of the previous fixed-term employment.

The Labour Code sets out three exceptions to the above-mentioned restriction. The first exception applies whenever a special legal regulation presumes that an employment can last only for a fixed term. The second exception applies to employees hired by a work agency for the purpose of being allocated to another employer. And the third exemption applies if on the employer's part there are serious operational reasons, or reasons arising from the special nature of the work, which would make it unreasonable to require an employer to propose establishing an employment relationship for an indefinite term with the employee who is to perform such work, provided that any alternative procedure followed is appropriate to such reasons and that the written agreement of the employer with the trade union sets out: a) a detailed specification of such reasons, b) the rules of the alternative procedure followed by the employer in contracting and repeating employment law relationships for a fixed term, c) the group of the employer's employees to whom the different procedure shall apply, and d) the period for which such agreement is made. The written agreement with the trade union may be substituted by an internal regulation only when there is no trade union active at the employer.

If an employer concludes fixed-term employment with an employee without the conditions being fulfilled and the employee notifies the employer in writing prior to the expiry of the agreed term that it insists on continuing the employment, then it follows that the employment is agreed for an indefinite period. A petition for a ruling on whether the above conditions have been

fulfilled or not can be submitted to a court by either party at the latest up to two months from the date on which the employment was due to end with the expiry of the agreed period.

8.4 Termination of the Employment Contract

Employment may be terminated by agreement, by notice or by immediate cancellation. Fixed-term employment also ends with the expiry of the period for which the employment was agreed (i.e. a fixed-term employment could also be terminated by any of the means stipulated below).

Termination by agreement

Employment may be terminated by agreement at any time and for any reason. The agreement must be in writing. If the employee so requests, the agreement must state the reasons for termination.

Termination by notice

Employment may be terminated by notice given by either the employer or the employee. The notice must be in writing and delivered to the other party; otherwise it is not taken into account. Whereas the employer may only serve notice on the employee for certain reasons prescribed by the Labour Code and the notice must clearly set out the reason for the termination, the employee may serve notice at will without stating the reason for termination.

A minimum notice period of two months is set for both employees and employers. The employer and the employee may agree on a longer notice period; however, such notice period must be the same for both parties. The notice period runs from the first day of the calendar month following the month in which the notice was delivered. In the event that the employee serves notice for reasons connected to the transfer of his employment relationship, the employment terminates no later than on the day preceding such transfer.

The employer may serve notice on the employee only for the following reasons, which must exist at the time when notice is given – otherwise the notice is invalid:

- the employer, or a part of it, winds up its business activities;
- the employer, or a part of it, relocates;
- the employee becomes redundant as a result of the decision made by the employer or its competent body to change its business or commercial objectives;
- if, according to a medical certificate, the employee is not allowed to perform his/her current work;
- if, according to a medical certificate, the employee has lost, for the long term, his/her capability to perform his/her current work due to his/her state of health;
- if the employee does not meet the prerequisites for an individual undertaking the type of work the employee is performing;
- if the employee seriously or constantly breaches working discipline (i.e. obligations that arise from his/her employment contract, from the internal rules of the employer or from other regulations that govern the employment of that employee), if there are reasons due to which the employment can be terminated immediately; or
- if the employee commits a gross breach of a "temporary unfitness to work regime due to sickness" during the first two weeks of such regime.

The law provides a protection period during which the employer may not serve notice on the employee. This protection applies to employees who are pregnant, on parental leave, on sickness leave, who permanently care for a child younger than three years or who are in military or civil service. The prohibition on serving notice does not apply if notice is served due to organisational reasons.

Immediate cancellation by the employer

An employer may cancel employment immediately only in exceptional cases, and only for the following reasons:

- the employee was definitely and validly sentenced for an intentional criminal act to an unconditional period of imprisonment of at least one year or for an intentional criminal act committed in connection with his work to an unconditional period of imprisonment of at least six months; or

- the employee commits a gross breach of working discipline (e.g. physically assaults another employee).

An employer may not terminate employment by immediate cancellation in relation to an employee who is pregnant or an employee who permanently cares for a child younger than three years of age. The employer may terminate employment with such employees, provided that there are grounds for immediate cancellation, by giving two months' notice. However, an employee on the first 28 weeks of parental leave (37 weeks in the case of a single mother or a mother of two or more children born at the same time) is protected against any form of termination.

Immediate cancellation by the employee

An employee may cancel employment immediately only in exceptional cases, and only for the following reasons:

- in the opinion of a medical expert, s/he cannot continue to perform the work specified in the employment contract without a serious threat to his/her health and the employer has not transferred him/her to another position or alternative work within 15 days of having been notified to that effect; or

- the employer is in default with payment of the employee's salary for more than 15 days.

The employee may immediately cancel employment only within a period of two months from the day on which s/he learnt of the grounds for immediate cancellation, but no later than one year after the day on which these grounds arose.

An employee who immediately terminates his/her employment shall be entitled to compensation for salary or public sector pay from the employer in the amount of the average earnings for the time corresponding to the duration of the notice period.

8.5 Collective Dismissal

Collective dismissal is the termination of the employment of a large number of employees within a 30-day period. A “large number” of employees is considered to be at least:

- 10 employees, if the employer employs between 20 and 100 employees;
- 10% of the employees, if the employer employs between 101 and 300 employees; or
- 30 employees, if the employer employs more than 300 employees.

At least 30 days before giving notice to individual employees, the employer is required to inform the competent trade union body or employee council of its intention. At the same time, the employer is required to enter into negotiations with these bodies on measures to avoid the collective dismissal or mitigate the negative consequences thereof for the employees, and in particular on the possibility of their employment in other suitable positions with the employer.

If there is no trade union body or employee council active at the employer, the employer is required to fulfil the above obligations in respect of each employee to whom the collective dismissal applies.

8.6 Health and Safety Issues

Safety and protection of health at work can be defined as statutory rules or measures designed to prevent any risks or damage to human health during the work process. Safety and protection of health at work is a set of all measures adopted by employers that are designed to prevent any risks or

damage to health or loss of lives of employees. Measures can be of technological, technical, legal, organisational or administrative nature.

The main principles of safety and protection of health at work include, in particular, the “risk analysis and management”, carrying out inspections of the status quo and functioning of measures involved in safety and protection of health at work with follow-up improvement of the status quo and removal of established discrepancies and defects. Employers and employees should always take precautionary measures to avoid the risks instead of solving consequences.

In the associated area of working conditions, employers are obliged, in particular, to create working conditions for employees that enable them to conduct work safely and to ensure preventive medical care for employees in line with special regulations. For example, employers are also obliged to ensure safe deposit of clothes and personal items that employees usually carry to work. As regards professional development, employers ensure training and introduction of employees, professional practice of graduates, perfecting and improving qualification of employees. As regards catering, employers are obliged to allow employees to eat in all shifts. Employers do not have this obligation vis-à-vis employees sent for a business trip. The obligation to allow for catering does not mean an obligation to ensure catering in a factory canteen, provision of food vouchers, etc. It means an obligation to create space and to offer time for eating at the workplace during breaks in work for eating and relaxation. As regards special work conditions, employers are obliged to ensure increased protection of employees with disability, female and minor employees.

General precautionary principles for safety and protection of health at work

When adopting and implementing technical, organisational and other measures to prevent risks, employers are obliged to rely upon general precautionary principles:

- to mitigate occurrence of risks;

- to remove risks at the source of their origin;
- to tailor working conditions to the needs of employees with a view of limiting the effect of negative impacts of work upon their health;
- to replace physically demanding works with new technological and work procedures;
- to replace dangerous technologies, manufacturing and work tools, raw materials and materials with those that are less dangerous or risky;
- to limit the number of employees exposed to risk factors of working conditions that exceed the maximum hygiene limits and other risks to the minimum number required for operation;
- to plan the conduct of risk prevention using technology, scheduling of work, working conditions, social relationships and impact of the working environment;
- to prefer instruments of collective protection over instruments of individual protection;
- to carry out measures leading to limiting leakage of pollutants from machinery and equipment;
- to issue appropriate instructions in order to ensure safety and protection of health at work.
- Employers are obliged to tailor the measures to changing realities, to inspect their efficiency and compliance and to ensure improvement of the condition of working environment and working conditions.

Employers are further obliged:

- not to allow employees to carry out prohibited work and work the demands of which do not correspond to their skills and health qualifications;

- to inform employees about the category to which the work carried out by them was classified; the law regulates work categorisation.

- to ensure sufficient and appropriate information and instructions for safety and protection of health at work for employees according to the requirements of work carried out by them, in particular, by informing them about risks, results of risk analysis and measures for protection against effects of these risks that pertain to their work and workplace;

- to ensure that employees of another employer carrying out work at workplaces of the employer have received suitable and reasonable information and instructions to ensure safety and protection of health at work and information and instructions about adopted measures, in particular, to combat fires, to provide first aid and to evacuate individuals in case of emergencies before they commence these works;

- to ensure that first aid is provided to employees;

- not to use a system of remuneration for work that exposes employees to increased risk of harm to health and the use of which would lead to jeopardising safety and health of employees while improving work results;

- to provide for compliance with the statutory smoking ban at workplaces;

- to organise staff training about legal and other regulations to ensure safety and protection of health at work that complement their professional qualifications and requirements for conduct of work, that relate to the work carried out by them and that relate to the risks which employees might be exposed to at the workplace at which the work is carried out, and to require and inspect their compliance on a continuous basis. Employers are obliged to organise training: 1) once an employee starts work; 2) if a change in a job position occurs; 3) if a change in type of work occurs; 4) when introducing new technology or changing manufacturing and work instruments or changing technological and/or work procedures; 5) in cases which have or might have material impact upon safety and protection of health at work. Employers are obliged to

determine the contents and frequency of training, method of verifying knowledge of employees and keeping documentation about completed trainings;

- to keep documentation about furnished information and instructions and about completed trainings to ensure safety and protection of health at work.

Rights and obligations of employees

Employees are entitled and obliged to engage in creating a safe working environment not harmful to health by implementing stipulated measures adopted by employers.

Employees are entitled:

- to safety and protection of health at work as well as to information about risks of work carried out by them and measures protecting them against its effects;
- to refuse to carry out work about which they maintain reasonable suspicion that it jeopardizes their life or health or the life or health of other individuals immediately and seriously;

Employees are obliged:

- to attend to their own safety, their health as well as safety and health of individuals directly affected by their acts or, possibly, omissions, during work, according to their possibilities;
- to attend trainings organised by employers that focus on safety and protection of health at work, including testing of their knowledge;
- to comply with legal and other regulations and instructions of employers to ensure safety and protection of health at work that they had been familiarised properly with, and to follow principles of safe conduct at workplace and information received from employers;

- to abide, during their work, by stipulated work procedures, to use stipulated work tools, means of transport, personal protective equipment and protective equipment and not to change them and exclude from operation wilfully;
- not to use alcoholic drinks and not to abuse other addictive substances at workplaces of employers and, during work hours, also outside these workplaces, not to enter workplaces of employers under their influence and not to smoke at workplaces and in other premises where also non-smokers are exposed to effects of smoking;
- to notify defects and drawbacks at the workplace that present or could present imminently and seriously a risk to safety or health of employees at work to their line managers;
- to notify any industrial injury to their line managers if their health condition allows them to do so, and an industrial injury of another employee or, alternatively, an injury of another individual to which employees stood witness, and to provide assistance when clarifying its causes;
- to undergo, if instructed to do so by an authorised manager appointed in writing by employers, testing for influence of alcohol or other addictive substances.

8.7 Workers' Compensation and Social Insurance

Workers' compensation

Employees are entitled to compensation for conduct of their work for employers in the Czech Republic. Compensation is an instrument companies use to try and limit certain negative manifestations of behaviour of employees, such as absence or fluctuation. Furthermore, it is a motivational instrument and an instrument for support of innovative approach and work responsibility. Find below basic forms of compensation.

Basic or fixed salary / wage, scale wage or contract-based salary

As a rule, it is linked to market relations of salaries of various professions as well as to how an organisation assesses the benefits, demands and requirements of certain professions and, alternatively, also long-term performance, experience or skills of individual employees. It is the guaranteed component of individual salary whose aim is to obtain and maintain employees and rate how exigent individual works are.

Salary component linked to appraisal of personal skills of employees

This salary component is paid, for example, as above-scale component or personal appraisal. It tends to rely upon assessment of longer-term work performance, skills and qualification, and it is awarded for longer period of time; however, it can also be withdrawn from employees on the basis of regular appraisal. The amount of the component can be determined either as percentage of the basic (scale) salary or as an absolute amount; organisations stipulate a maximum amount that this percentage can reach. Its aim is to encourage employees to increase their skills and qualification as well as to appreciate and stabilise high-performing company's employees.

Motivational or performance-related component

Employees are paid these components as performance-related compensation or bonus, commission, share in profit, task wage, etc. It is linked to individual performance of employees, performance of their work group or the entire plant. It is a variable wage component whose aim is to stimulate individual, group as well as overall performance of a company. Its share in relation to the basic or, overall, remuneration of an employee should rely upon their possibility to influence results of their work, their hierarchic position in an organisation and/or other factors.

Wage supplements

These are supplements that reflect extraordinary work conditions or jobs that mean increased requirements placed on employees.

Employee benefits

As a rule, they follow from the employment status in an organisation or position in the organisation's hierarchy. They comprise emoluments (items and services), financial contributions, price advantages provided to employees in order to improve their job stability and satisfaction, reinforce identification with the organisation, contribute to their development, relaxation, etc. In certain cases, these benefits can also be used to support motivation of individuals and teams (the "motivational” benefits).

The use and relative significance of individual forms of compensation depends upon the conditions and objectives of organisations as well as upon the position held by a specific employee. The overall compensation of an employee may, therefore, depend mainly upon qualification and other demands of their position, their individual skills, personal performance or performance of their work group. Requirements organisations have with respect to remuneration and its instruments project into longer-term remuneration tendencies. These include, without limitation:

- growing importance of remuneration based on knowledge and skills of employees or their development potential, relying, inter alia, upon models of job competencies
- growing importance of performance-related compensation – its expansion to most employees and dependence on performance of their personal goals, i.e. goals within their immediate control;
- differentiated share and different frequency of payment of motivational component depending upon significance and position of a specific job within hierarchy;
- growing importance of annual performance bonuses, in particular, for managers and specialists;
- expanding scale zones or, more precisely, joining scale grades;
- customised provision of employee benefits giving employees opportunity to tailor benefits to their needs;

- international standardisation of remuneration as a result of internationalisation of businesses and growing international employee mobility.[2]

Social Insurance

Pursuant to applicable regulations, social security is a system comprising premiums for pension insurance, contribution to state employment policy and sickness insurance, designed to pay expenses from the national budget in connection with pension insurance allowances (old-age pension, full disability and partial disability pension, widow‘s and orphan’s pension), the "unemployment benefit" paid to job applicants and sickness insurance allowances.

For employees in employment, unlike for self-employed individuals, participation in the insurance is not voluntary but it emerges by operation of law, subject to compliance with statutory conditions. Hence, it is necessary to file an application with the office competent in that matter for each employee, i.e. with the Czech Social Security Office (the “CSSO”). Employers file these applications for employees. The deadline for filing an application of a new employee for insurance is eight days following the start date of the employee’s employment (organisations with more than 25 employees can agree a different deadline with the competent branch office of the CSSO).

Employers calculate premiums from bases of assessment (gross wage) of individual employees and shall pay it as a one-off payment on the date that is determined for payment of wages for the relevant month. Unless a fixed pay day is determined, employers are required to pay premiums on the eighth day of the following month, at the latest. If employees are paid their income in foreign currencies, it will be converted to the Czech currency at the foreign exchange market rate determined by the Czech National Bank applicable on the last day of the calendar month for which the premium is due.

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[2] doc. Dr. Jan Urban, CSc., WAGE PRACTICE, Wolters Kuwler, 9.5.2013 – available from: http://www.mzdovapraxe.cz/archiv/dokument/doc-d41786v52757-formy-a-nastroje-odmenovani-zamestnancu/

Employers are obliged to notify any changes in details it indicated on the prescribed form in writing, within 8 calendar days following the date on which the change occurred. Employers can receive the prescribed form at the CSSO or, alternatively, it can be downloaded from the website. In particular, employers must inform the competent CSSO about the start date of an employee's employment, end date of employment of the employee and other stipulated details.

Information relating to social security of employees must be archived by employers for 10 calendar years unless the Pension Insurance Act or another regulation stipulate a longer period of time. If an employer ceases to exist without a legal successor before the 10-year period ends, it is obliged to provide for storage of the records and inform the CSSO about the place at which records shall be stored.

In connection with changes in sickness insurance, please note that employers are obliged to provide compensation of wage for business days for the first 14 days of temporary unfitness to work (quarantine) of their employees pursuant to Section 192 to 194 of the Labour Code. The method of calculation of compensation of wage and its payment is stipulated in the above provisions of the Labour Code.

Insurance premium payers

Both the employer and the employee pay the insurance premiums. The employer calculates and pays the premiums regularly each month on behalf of the employee along with its insurance as employer. For employers, the insurance is 25% from the basis of assessment, for employees, it is 6.5% from the basis of assessment, i.e. a total of 31.5% from the basis of assessment.

For organisations, a Statement of premiums and benefits paid is completed; it indicates the aggregate basis of assessment, reference number of employees and aggregate benefits paid to all employees. Employers deduct the aggregate benefits of sickness insurance paid to their employees from the premium employers are obliged to pay and they shall pay the difference to the account of the CSSO.

Health insurance for foreign employees

In connection with hiring foreigners, a question appears frequently about what the situation is around payment of health insurance and whether foreign employees are entitled to public health insurance or whether they have to take out a commercial health insurance product.

When hiring foreigners from EU/EEA countries or Switzerland without permanent residence in the Czech Republic, employers are obliged to announce their start date of employment to the competent health insurance company (and, hence, will register them to the public system of health insurance), including notification of inclusion in sickness insurance. For the months when a foreign employee is not employed or registered in the public system of health insurance, foreigners are obliged to take out commercial health insurance for foreigners.

As a rule, commercial health insurance is divided into two basic products, specifically, Essential and Urgent Care (also the Basic Health Insurance) and Comprehensive Health Insurance.

These two products differ mainly in terms of their scope and term – the Essential and Urgent Care is recommended for short-term stays (up to 90 days) and covers only urgent medical care for injuries, accident or direct threat to life. On the contrary, the Comprehensive Health Insurance has been designed as a product for long-term stays and covers both urgent medical care and preventive care.

For third-party foreigners, the obligation to register in the public health insurance system for employment with an employer with its registered office in the Czech Republic, or when obtaining permanent residence permit, applies *mutatis mutandis*. When terminating employment, foreigners without permanent residence must have commercial health insurance in place.

Minimum wages

The law in the Czech Republic stipulates that remuneration for work must not be lower than the minimum wage stipulated by state. From 1 January 2018, the minimum wage increased to CZK 12,000 per month.

9. Visas and Immigration Issues

9.1 Entry Procedures and Working Permits

In order for employers to be able to employ foreigners from countries outside the EU, the law requires that one of the following conditions is met:

- the foreigner is holder of a valid employee card; or
- the foreigner is holder of a card of intra-group assigned employee; or
- the foreigner is holder of a Blue Card; or
- the foreigner has a valid residence permit in the Czech Republic and the regional branch of the Labour Office issued a valid work permit to him/her.

At the same time, employers need to enter into a written employment contract or agreement for work activities or, alternatively, an agreement to agree a future agreement that implies an undertaking to enter into any of the above agreements.

Hiring nationals from the EU/EEA and Switzerland

According to the Employment Act, individuals who are nationals of countries of the EU/EEA or Switzerland, including family members of these nationals, have equal legal standing as nationals of the Czech Republic. Hence, these individuals are not subject to the obligation to have a valid work permit, a Blue Card or employee card. Specific requirement, however, applies to family members of EU nationals who would not be EU nationals themselves; they must present temporary residence permit for the purposes of employment (the Residence card of a family member of a Union citizen).

Scope and conditions of work permit

Third-party country nationals, however, are subject to an obligation to have a valid work permit for purposes of employment. Below we present the

differences of individual permits, including specific obligations of employers, in detail.

Employee card

The Act on the Residence of Foreign Nationals defines employee card (former Green Card) as a permit for long-term residence that enables the foreign national to reside in the Czech Republic for more than 3 months and, simultaneously, it enables the foreign national to carry on employment in the Czech Republic. This is a permit that covers residence as well as conduct of employment activities.

Employee card is issued directly for the job position that the foreign national applies for or for a job position for which the Ministry of the Interior issued a consent (a change in the job position or change in employer). The validity of the card, therefore, is linked to the term of the labour-law relationship; it can be issued for a maximum of two years with possibility of repeated renewal by up to two years.

Hiring a holder of employee card

A foreign national can apply for a specific job only if the job position is registered by the employer in the central records of jobs designed for employee cards. Employers, therefore, announce a job vacancy to the regional branch of the Labour Office in person or electronically and conditions required by law must be met (for example, that the weekly hours of work for the job position are no less than 15 hours). Subsequently, the job vacancy is registered in the central records automatically and, if the employer agrees, this job vacancy can be published in the records. Furthermore, the foreign national must apply for the job – this involves contacting the employer and executing the appropriate employment contract, agreement or agreement to agree a future agreement.

Card of intra-group assigned employee

A card of intra-group assigned / transferred employee is understood to mean a permit for long-term residence authorising a foreign national to stay in the Czech Republic for more than 90 days and to carry on employment as a

manager, specialist or employed intern under an intra-group staff transfer plan. Hence, this covers only positions of managers, specialists and interns and the “intra-group staff transfer" is the common condition of all three categories.

Intra-group transfer is understood to mean only temporary (not permanent) transfer of a foreign national in a multinational corporation from the parent company or other subsidiary within the holding with its registered office outside the EU to a registered branch or subsidiary with its registered office in the EU. This concerns, therefore, re-distribution of employees within multinational corporations into the EU vertically (from the parent controlling company to a subsidiary / plant in the EU) as well as horizontally (between two subsidiaries controlled by the same parent company in the holding).

In practice, it is necessary to watch out mainly for positions of managers and specialists and to assess correctly whether, in a specific case, it is necessary to apply for the card of an intra-group assigned employee (hence, whether the position is a position of manager or specialist) or for a standard employee card that has been used, to date, almost for all job positions and has been limited only by the group of countries. They are different forms with different schedules and a different legal title of the permit; that is why, the embassy might not accept a wrongly chosen application or the Ministry need not approve the accepted application to you.

Filing an application at the embassy

Both applications can be filed at embassies (the Embassy of the Czech Republic). The law does not specify the embassy; this means all embassies should accept applications of foreign nationals. The foreign nationals, therefore, need not file their applications only in their home country according to the law. As with employee cards, an embassy is just a sort of a mediator at which the application is filed; it is referred to the Czech Republic to the Ministry of the Interior that decides about it.

A major difference as opposed to employee cards is that, whereas for employee cards, a document certifying future employment relationship (agreement to agree a future employment contract, employment contract

with deferred commencement, etc.) needs to be presented, for intra-group transfers foreign nationals are obliged to present a letter of assignment containing particulars set out in the law and, furthermore, a proof of employment before the intra-group transfer. For interns, an agreement on professional preparation needs to be presented. For all positions, there is a new requirement – a proof of relationship within the business corporation needs to be presented for all positions – i.e. that companies are a controlling (parent) and controlled (subsidiary) companies or that they are controlled together by the same person (two subsidiaries of a single parent company).

The statutory period of time for handling the application for a card of an intra-group assigned employee is 90 days.

Blue Card

The EU's Blue Card also authorises a foreign national to long-term residence in the Czech Republic for employment. Again, the card is issued for a specific job position and, unlike the employee card, the qualifications demands placed on the foreign employee are much higher here (for example, completed higher education or higher expert education). The employment contract is made for a minimum of one year and the validity of the Blue Card is not more than two years and it can be renewed several times for not more than two years.

For a holder of a Blue Card to be able to get a post, the post / job position must be registered in the central records of vacancies reserved for Blue Cards. The procedure is similar to employee cards. Employers shall announce a job vacancy and, after the vacancy is registered in the central records, the foreign national must apply for that post and agree with the employer to enter into an employment contract. Furthermore, once the foreign national starts work, the employer must notify the regional branch of the Labour Office that the job vacancy has been filled with a Blue Card holder and the employer will also indicate the Blue Card number of the employee.

Work permit

Another possibility of employing a foreign employee is employment on the basis of a work permit that places no special requirements for qualification of an employee or for publication of a job vacancy; however, it can only be used by a limited type of employees. Work permits are issued to applicants for temporary jobs, holders of long-term residence permits for conducting business, applicants for short-term employment (up to 3 months), applicants for a secondment or exchange programmes, foreign nationals who are authorised to discharge tasks in connection with the activity of a legal entity (a partner or mandatory body) and foreign nationals who were assigned to the Czech Republic by their foreign employers under an agreement.

Work permit holders are employed as follows: first, employers are obliged to inform the regional branch of the Labour Office about job vacancies and they also declare their interest to hire foreign nationals with work permit. Foreign nationals subsequently apply for work permit for a specific job at the employer in question; the employer must grant its consent to hiring a foreign national. A work permit is issued for a maximum of two years and it can be renewed several times for up to two years.

Other obligations of employers

Employers are obliged to inform the Labour Office that a foreign national started work and also that a foreign national did not start work or that the labour-law relationship with a foreign national was terminated before the specific permit expires or also if the employer intends to change the position of the foreign national. If the foreign national failed to start work, the notification period of time is 45 calendar days following the date on which the application for the Blue Card was granted.

In addition to the notification duty, employers are also obliged to keep records and maintain documents in connection with foreign workers they employ. The records contain identification details of the workers, including the address of their permanent residence and correspondence addresses, passport information, details relating to work carried out by them, including information about education and about type and validity of obtained work

permit. Employers are obliged by law to archive documents that demonstrate legitimacy of the residence of the foreign employee in the Czech Republic for three years after the end of the labour-law relationship.

9.2 Temporary Visitor Visas

It is within the competencies of the Ministry of Foreign Affairs of the Czech Republic to issue short-stay visas. These visas are issued for stay in the Czech Republic / the Schengen area for up to 90 days and are issued as an airport transit visa (marked with the letter “A”) or short-stay visa (marked with the letter “C”), issued, for example, for travel, business trips, for medical reasons or also for a visit, study, training, internship, etc.

The obligation to obtain a short-stay visa applies also to individuals who are citizens or who have a residence permit in third countries outside the Schengen area and, at the same time, who do not have any bilateral agreement with the countries of the Schengen area about visa-free travel.

Applications can be filed at the embassy of the country of the Schengen area that is the only or the main destination. For visits covering several countries of the Schengen area, the main destination is the country with the longest stay. If the length of the stay in more countries of the Schengen area is the same, the main destination is the country in which the main purpose of travel is located (e.g. attendance at a conference). Unless the main destination can be determined pursuant to these criteria, applications are filed at the embassy of the country of the Schengen area whose borders are the first to be crossed. If the only or main destination is the Czech Republic, the application is to be filed at the embassy of the Czech Republic.

Applications can also be filed in the country whose citizen the applicant is or in which the applicant has a residence permit. Unless the embassy of the Czech Republic is located in this country, the application is filed at the embassy of the Czech Republic in another accredited country (frequently, a neighbouring country) with consular powers or at the embassy of another country of the Schengen area - if the Czech Republic entered into an agreement on representation with it.

If there are more consular offices of the Czech Republic in a single country (for example, a consular office at the embassy and general consulate(s)), applications are to be filed at the consular office in whose consular district the applicant resides. Applications can also be filed through a visa centre. Applications can also be filed through an accredited travel agency – please see the website of the embassies of the Czech Republic that use this service.

Applicants are required to attach the application form, passport, photographs, fingerprints, proof of purpose of travel, proof of accommodation, proof of sufficient financial means and travel health insurance to their applications.

10. Sales Promotion

For reasons of public interest, consumer protection and protection of economic competition, the law stipulates certain limits for the contents as well as form of specific advertising messages. The first section of this chapter, therefore, covers private-law regulation of advertising in Czech legislation.

10.1 Private-law Advertising Legislation

In private law, the Civil Code contains general regulation of advertising messages; it stipulates the conditions under which an advertising message is considered to represent “unfair competition”. The essence of unfair competition is that competitors get in conflict with good morals of competition by its conduct and such conduct is capable of causing harm to another person. The conduct is unlawful and the law awards remedies to the person whose right was jeopardised or infringed by unfair competition; the remedies include, without limitation, the possibility of claiming damages or the surrender of unjust enrichment received by the breaching party to the detriment of another person. Protection of private interest of the person that incurred allegedly an injury is at the forefront here. At the same time, the exercise of such protection depends upon the will of the person (that is why we talk about private-law legislation). Below we list examples of prohibited unfair competition practices.

Misleading advertising

The Consumer Protection Act stipulates that a business practice is misleading

- if a false piece of information is used in it;
- if an important piece of information is true in itself but can mislead the consumer given the circumstances and the context in which it had been used;
- if a businessman omits to mention an important piece of information which, subject to all circumstances, can be requested reasonably from

the businessman; omission is considered to include also indicating an important piece of information in an incomprehensible or ambiguous manner; or

- if the presentation of a product or service, including comparative advertising, or their marketing, causes confusion with other products or services or distinguishing marks of another businessman;
- unless the undertaking contained in the code of conduct which the businessman undertook to comply with is met, if it is a clear undertaking that can be verified and the businessman claims in the business practice that it is bound by the code.

Offering or selling products or services that infringe upon any intellectual property rights as well as storage of such products for their offering or selling and unauthorised use of any name protected pursuant to a special regulation in business dealings are also considered to be misleading business practice. The special regulation is the Act on Trademarks.

The Consumer Protection Act also regulates aggressive business practices. In connection with advertising, the law includes in this category, for example, a business practice that uses advertising to entice children directly to buy or to convince an adult to buy the offered products or services.

Comparative advertising

Comparative advertising is, with regard to statutory provisions, admissible if:

- it is not misleading;
- it compares only merchandise and service satisfying the same need or designed for the same purpose;
- it compares objectively one or more material, important, verifiable and characteristic properties of merchandise or services, including the price;
- it compares merchandise with designation of origin only with merchandise of equal designation;

- it does not demean the competitor, its position, its activity or its results or their identification or does not benefit from them in an unfair manner; and
- it does not offer merchandise or service as an imitation or reproduction of merchandise or service marked by trade mark of the competitor or its name.

Misleading labelling of merchandise and services, invoking the risk of confusion, free-riding on the reputation of the plant, product or services of another competitor, bribing, demeaning or interfering with trade secret also belong among banned unfair competition practices.

10.2 Public-law Advertising Legislation

Public-law advertising legislation is represented, in particular, by the Act on Regulation of Advertising along with other acts, such as the Consumer Protection Act, the Media Act and many more. As opposed to private-law legislation where protection of private interests of persons is important, public interest is more prominent here (that is why we talk about public-law legislation).

The general provisions of the Act on Regulation of Advertising (with the exception of special regulation of advertising for specific types of merchandise and services) apply to all advertising and they define the basic terms associated with advertising, including entities, their liability and transgressions. Generally, the Act stipulates that advertising for merchandise, services or other outputs or values the sale, provision or dissemination of which is in conflict with regulations is prohibited. Advertising supporting sale of drugs, arms prohibited by international treaties, merchandise promoting movements directed at restraining the rights and freedoms of people or pharmaceuticals not registered with the competent supervision authority can definitely be classified under such cases.

Equally, it is prohibited to promote activities that are allowed in general terms but for which the entity does not have the requisite authorisation. We can

classify promotion of banking services provided by an entity without a banking licence under this category, for example.

The Act mentions explicitly advertising of lotteries and other similar games that had not been permitted or notified pursuant to a special regulation. This category of prohibited advertising can also include advertising of imitations of original merchandise, such as branded clothing, DVDs, etc.

Also, advertising that is unfair business practice pursuant to a special law is prohibited. In this context, the Act on Regulation of Advertising refers, in particular, to provisions of the Consumer Protection Act that cover misleading and aggressive business practices. Also, comparative advertising can be classified here. In the case of comparative advertising, the Act on Regulation of Advertising refers to specific provisions of the Civil Code (see above).

Below, we indicate details about individual types of prohibited advertising:

Advertising in conflict with good morals

As regards good morals, advertising must not, in particular:

- contain any discrimination for reasons of race, sex or nationality or attack religious or national feelings;
- jeopardize the morality, diminish human dignity in a generally unacceptable manner;
- contain elements of pornography, violence or elements using the motive of fear;
- attack political conviction.

In this context, it is also appropriate to note that advertising is not regulated only by regulations but also in other-than-legal manner. The Code of Advertising is an important document in this context; it stipulates ethical rules for entities operating in or using advertising. In many respects, the rules stipulated by the Code of Advertising go far beyond legal regulation of advertising.

Also, advertising must not support behaviour damaging health or jeopardizing safety of persons or property as well as behaviour damaging interests in the protection of the environment.

Hidden and subliminal advertising, product placement

Subliminal advertising influences subconsciousness. Very frequently, recipients of subliminal messages are incapable of even noticing it on a conscious level. The Act on Regulation of Advertising permits this type of advertising messages explicitly but not unconditionally; it resolves this by reference to the Act on Operation of Radio and Television Broadcasting that stipulates that products can only be placed in shows as follows:

- in cinematographic works, films and series developed for television broadcasting or for audio-visual media-on-request services, in sports and entertainment shows, provided that these are not children shows; or
- if no payment is provided but, instead, only certain merchandise or services are provided gratuitously, in particular, props or prizes for competitors with the prospect of including them in the show.

The Act also places increased requirements on shows in which the product is placed because it stipulates that

- their contents and broadcasting timing must not be influenced so as to affect the editorial responsibility and independence of operator of television broadcasting;
- they must not prompt to purchase or lease of merchandise or services, in particular, by including special notice of the merchandise or services in order to promote them;
- they must not highlight the placed product inappropriately.

In addition, a show containing product placement must be marked distinctly at the beginning, at the end and also following the advertising break, as a show containing product placement.

Unsolicited advertising

At the most general level, unsolicited advertising is understood to cover bulk sending of unsolicited paper mail and, nowadays, predominantly electronic junk mail. In terms of contents, unsolicited advertising need not be just unsolicited mail containing advertising offers; indecent, offensive or menacing messages, hatred-inciting messages, messages with pornographic contents or messages that depart otherwise from the rules of general human politeness are also considered incorrect, inadmissible and unlawful. Act No. 480/2004 Coll., on certain services of information society and on amendments to certain acts (the Act on Certain Services of Information Society), as amended, mentions messages of that type; it prohibits sending of electronic mail in order to disseminate commercial messages if

- it is not marked clearly and distinctly as a commercial message;
- it hides or conceals the identity of the sender in whose name the communication is effected; or
- it is sent without a valid address to which the recipient could send information that it does not wish to receive any further commercial information from the sender directly and efficiently.

It is important to note that commercial messages can be sent using electronic means (electronic mail, text messages, etc.) only with a prior consent of the recipient. If, however, an individual or a legal entity obtains electronic contact details and consent in connection with selling a product or a service, it can only use the electronic mail contact provided that the customer has a clear and distinct opportunity to withdraw its consent to such use of its electronic mail contact simply, gratuitously or for the account of the individual or legal entity.

Overall, advertising legislation is relatively complex and it is subject to regulations from private and public law alike. To conclude, it is necessary to note that in general terms the law does not distinguish between various types of online/offline marketing or its potential other forms.

11. Basic Information About New Aspects on Investment Rules and Regulations as Well as Country Risk Portfolios

The Czech currency (Czech *koruna*) is fully convertible. Since November 2013, the Czech National Bank (CNB) has intervened to weaken the Czech currency relative to the euro, and to prevent deflation. In late 2016, the CNB stated that the return to a conventional monetary policy was planned for mid-2017. This was fulfilled. The CNB, however, pointed out that it would be prepared to mitigate any excessive fluctuations in the currency exchange rate with its instruments.

The CNB is responsible for overseeing and administering foreign exchange policy. Guidelines for exchange controls are set out in the Foreign Exchange Act. There are no restrictions on nonresidents for holding local currency. The Czech koruna is convertible without any restrictions on foreign currency, including day-to-day and business transactions. Nonresidents, including individuals and local branches of foreign firms, may repatriate the koruna in a foreign currency or transfer profit/funds abroad without restriction. Dividends, Interests, Royalties and Technical service fees for nonresidents are subject to a 15% withholding tax.

Although exceptions may occur, no special government approval is required for most types of foreign investments in general.

11.1 Investment Incentives

The government offers economic incentives, in line with EU law, to encourage investments in certain industries and regions. Under Act No. 72/2000 Coll., on Investment Incentives, investors who place or expand their investments in the Czech Republic can recieve support in the form of investment incentives.

In the Czech Republic, investment incentives are provided in the form of corporate income-tax relief for 10 years, cash grants of up to CZK 300,000 for job creation, cash grants of up to 50%of training costs for training and retraining and cash grants of up to 10% of eligible costs for the purchase of

fixed assets. The last incentive mentioned is only accessible for strategic investment projects which must be (among other requirements) approved by the Czech Government.

Supported areas are the manufacturing industry, technology centres and business support services centres. The applicant must submit documentation for an investment incentive grant in paper form and at the same time in electronic form, in the specified technical data medium, or in electronic form only, to the respective organisation established by the Ministry of Industry and Trade.

Below is a table setting out the minimum requirements which must be fulfilled within three years after the issuance of a decision to grant investment incentives.

<table>
<tr><th colspan="2">Investment project</th><th>Min. number of new jobs</th><th>Min. amount of investment in assets (in CZK mil.)</th></tr>
<tr><td colspan="2">Manufacturing industry</td><td>20</td><td>50-100
at least half in new machines</td></tr>
<tr><td colspan="2">Technology centres</td><td>20</td><td>10
at least half in new machines</td></tr>
<tr><td rowspan="3">Business support service centres</td><td>Software development
Data centres</td><td>20</td><td rowspan="3">none</td></tr>
<tr><td>Shared-services centres
High-tech repair centres</td><td>70</td></tr>
<tr><td>Call centres</td><td>500</td></tr>
</table>

Strategic investment project	Min. number of new jobs	Min. amount of investment in assets (in CZK mil.)
Manufacturing industry	500	500 at least half in new machines
Technology centres	100	200 at least half in new machines

It is planned that in the future investment incentives are going to focus on support of projects with higher added value. The new investment incentives legislation will be effective from 2019; thus, it does not apply to any applications submitted before the new law comes into effect. It is expected that R&D centres and business support services centres will be provided with cash grant financial support for each job created and for training anywhere in the Czech Republic. Cash grants on capital investment for strategic investment in R&D and high-tech repair centres will increase to 20 per cent of eligible costs.

The requirement for the minimum number of new jobs created should be set by government regulation, allowing for flexibility and the ability to respond to the situation on the labour market. If the unemployment rate is low, the condition of jobs created would be lower or none and vice versa (mainly in the manufacturing industry). Also, long-term EU residents and employees with part-time contracts will be counted towards new jobs.

11.2 Public Procurement Regulation

Public procurement is regulated by Act No. 134/2016 Coll., on Public Procurement, as amended (the “PPA”). The PPA harmonises the respective EU Directives. In line with this legislation, the fundamental principles of public procurement are transparency and proportionality, equality and non-discrimination, including non-discrimination of foreign suppliers based in another EU Member State or even in a non-Member State, if it is a contracting party to an international treaty on public procurement concluded with the Czech Republic. These principles represent the key points from which the legislation must be interpreted and from which the conduct of interested bodies is examined by the respective state authorities and courts regarding its legality.

Special rules apply to (i) purchases in defence and security sectors, (ii) ″sector-purchasing” bodies performing any of the relevant activities in connection with gas, heat, electricity, water supplies, traffic, postal services, mining and the operation of specific facilities (i.e. airports, ports, etc.).

12. Useful Contacts

Office of the Government of the Czech Republic
Nabrezi Eduarda Benese 4
118 01 Praha 1
Phone: (+420) 224 002 111
Email: posta@vlada.cz
Web: www.vlada.cz

Ministry of Foreign Affairs of the Czech Republic
Loretanske namesti 101/5
118 00 Praha 1
Phone: (+420) 224 181 111
Email: epodatelna@mzv.cz
Web: www.mzv.cz, www.czech.cz

Ministry of Industry and Trade
Na Frantisku 32
110 15 Praha 1
Phone: (+420) 224 851 111
Email: posta@mpo.cz
Web: www.mpo.cz

Ministry of Finance
Letenska 15
118 10 Praha 1
Phone: (+420) 257 041 111
Email: podatelna@mfcr.cz
Web: www.mfcr.cz

CzechTrade (Trade Promotion Agency)
Dittrichova 21
128 01 Praha 1
Phone: (+420) 800 133 331
Email: info@czechtrade.cz
Web: www.czechtrade.cz

General Customs Office
Budejovicka 7
140 96 Praha 4
Phone: (+420) 261 331 111
Email: podatelna@cs.mfcr.cz
Web: www.celnisprava.cz

Czech Statistical Office
Na Padesatem 81
100 82 Praha 10
Phone: (+420) 274 051 111
Email: infoservis@czso.cz
Web: www.czso.cz

Czech National Bank
Na Prikope 28
115 03 Praha 1
Phone: (+420) 224 411 111
Web: www.cnb.cz

Prague Stock Exchange
Rybna 14
110 05 Praha 1
Phone: (+420) 221 831 111
Email: info@pse.cz
Web: www.pse.cz

The Czech Private Equity and Venture Capital Association
28. rijna 12
110 00 Praha 1
Phone: (+420) 724 342 395
Email: info@cvca.cz
Web: www.cvca.cz

Economic Chamber of the Czech Republic
Freyova 27
190 00 Praha 9

Phone: (+420) 266 721 300
Email: office@komora.cz
Web: www.komora.cz

Confederation of Industry of the Czech Republic
Freyova 948/11
190 05 Praha 9
Phone: (+420) 225 279 111
Email: spcr@spcr.cz
Web: www.spcr.cz

Association of Czech Entrepreneurs
Marie Cibulkové 394/19
140 00 Praha 4
Phone: (+420) 602 458 032
Email: www.spzcr.cz

Association for Foreign Investment
Stepanska 11
120 00 Praha 2
Phone: (+420) 224 911 751
Web: www.afi.cz

American Chamber of Commerce
Dusni 10
110 00 Praha 1
Phone: (+420) 222 329 430
Email: amcham@amcham.cz
Web: www.amcham.cz

British Chamber of Commerce
Londynska 506 / 41
120 00 Prague 2
Phone: (+420) 224 835 161
Email: info@britcham.cz
Web: www.britishchamber.cz

Wirtschaftskammer Österreich
Krakovska 7
111 21 Praha 1
Phone: (+420) 222 210 255
Email: prag@wko.at

Canadian Chamber of Commerce
Narodni 1009/3
110 00 Praha 1
Czech Republic
Email: info@gocanada.cz
Web: www.gocanada.cz

German-Czech Chamber of Industry and Commerce
Vaclavske namesti 40
110 00 Praha 1
Phone: (+420) 224 221 200
Email: info@dtihk.cz
Web: http://tschechien.ahk.de/cz/

French-Czech Chamber of Commerce
IBC, Pobrezni 3
186 00 Praha 8
Phone: (+420) 224 833 090
Email: info@ccft-fcok.cz
Web: www.ccft-fcok.cz

Japanese Chamber of Commerce and Industry
Hradcanska Office Center, Building B, 6th Floor
Milady Horakove 109/116
160 00 Praha 6
Phone: (+420) 233 350 445
Email: info@nihonshokokai.cz
Web: www.nihonshokokai.cz

JETRO
Na Prikope 1096/19

117 19 Praha 1
Phone: (+420) 222 312 978
Web: www.jetro.go.jp

Italian-Czech Chamber of Commerce and Industry
Husova 159/25
110 00 Praha 1
Phone: (+420) 222 015 300
Email: info@camic.cz
Web: www.camic.cz

International Chamber of Commerce
Freyova 82/27
190 00 Praha 9 – Vysocany
Phone: (+420) 257 217 744
Email: icc@icc-cr.cz
Web: www.icc-cr.cz/cs

Korea Business Centre
Skretova 12
120 00 Praha 2
Phone: (+420) 245 005 650
Email: kotra@kotra.cz
Web: www.kotra.cz

Netherlands Chamber of Commerce
Ceskomoravska 2420/15
190 00 Praha 9
Phone: (+420) 257 474 740
Email: nlchamber@nlchamber.cz
Web: www.nlchamber.cz

Nordic Chamber of Commerce
Vaclavske namesti 51
110 00 Praha 1
Phone: (+420) 774 123 370
Email: info@nordicchamber.cz

Web: www.nordicchamber.cz

Swiss-Czech Chamber of Commerce

Jankovcova 1569/2c

170 00 Praha 7

Phone: (+420) 222 516 614

Email: info@hst.cz

Web: www.hst.cz

13. Web Resources

https://www.czechinvest.org/en

https://www.coi.cz/

www.businessinfo.cz/

www.mfcr.cz/

www.ipodnikatel.cz/

https://www.epravo.cz/

www.cssz.cz/cz

www.mzv.cz/