

HOLEC, ZUSKA & Partneři



Doing Business in the Czech Republic

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Czech Republic – Overview

The Czech Republic is located in the heart of Europe, between Germany, Poland, Slovakia and Austria. Its population is approximately 10.5 million. The capital of the country is Prague (1.3 million) and other major cities include Brno, Ostrava, Plzen and Olomouc. Czech Republic is a parliamentary democracy and its economy has long been considered to be the most advanced from all other transition economies (after the breakdown of communism). Economic policies of the state are consistent and predictable. The Czech National Bank continues to maintain a strong and stable currency. Czech Republic is the member of the European Union, OECD, and NATO as well as of international organizations and institutions such as the WTO, IMF, WB, OSCE, and the Council of Europe. Czech legislation is fully compatible with EU standards. For the time being, Czech Republic maintains its own currency – the Czech koruna (1€ = approx. 26 Czech korunas (CZK) as of March 2010) – which is fully convertible. Czech Republic plans to join the Eurozone in the next decade (estimated 2015). All international transfers of profits or investment funding can be carried out without limitations. Czech Republic is a member of the Multilateral Investment Guarantee Agency (MIGA), which is a member of the World Bank Group established for the protection of investment. Czech Republic also signed a number of treaties with other countries on the protection of foreign investment and on the avoidance of double taxation. Czech Republic is an open economy with few limits on doing business.

HOLEC, ZUSKA & Partners

HOLEC, ZUSKA & PARTNERS is a general practice, middle-sized full service commercial law firm formed in 1990 by Pavel Holec, located in Prague, the capital of the Czech Republic. The firm provides its clients with an entire spectrum of consulting and legal services mainly in the business area. The firm's lawyers have extensive international experience and expertise in corporate and commercial law, general legal practice, employment law, insolvency and dispute resolution. We count among our client base a number of global corporations and their local subsidiaries and joint-venture enterprises, as well as major Czech corporations and Czech government units. Where multi-disciplinary advice is required, HOLEC, ZUSKA & Partners routinely co-operate with the Czech branches of the major auditing houses dealing with local, cross-border and international issues.

Czech legal system

The Czech legal system stems from and in many respects loosely copies the neighbouring German and Austrian legal systems. It is a civil “continental” law system which is characterized by a large number of laws and the underlying implementing regulation, which undergoes frequent changes. The largest structural changes of the legal system since socialism have already taken place and the system slowly begins to stabilize. Overwhelming majority of the legislation, specifically the older, pre-1989 law, has been successfully brought into full compliance with the applicable EU legislation. Principle areas of law and procedure are codified (Civil and Criminal Codes, Codes of Criminal, Civil and Administrative Procedure, Labour Code, Building Code etc.); the system of legal sources is hierarchical, forming a pyramidal structure of legal force within the legal system; only written law (legislature) is, at least in theory, recognised as source of law, although the so-called “judicature”, i.e. decisions of higher courts, is routinely used to clarify and interpret the written law.

Dispute resolution

Czech judicial system has been undergoing a long and painful modernization. While some its parts have already been modernized to provide a timely and quality service without major delays (such as the system of Commercial Registries, which was overhauled to do away with unnecessary formalities, and to deliver fast and effective registration of companies and registrations of the mandatory corporate acts, or the Insolvency Courts), it is especially the first instance courts that are grossly overloaded with case work. Litigation in Czech Republic, although improved, can take a long time, in many cases years, even in trivial matters. For these reasons, in commercial sphere at least, a system *commercial arbitration* courts had been established. The sole institutionalized arbitration court is the Arbitration Court attached to the Economic Chamber of the Czech Republic and Agricultural Chamber of the Czech Republic established in 1949. It is a chosen venue for a majority of local as well as cross-border and international disputes. The arbitration proceedings before the Arbitration Court are usually conducted in accordance with its Rules published in the official Commercial Bulletin unless the parties to the dispute have agreed otherwise. It is also the only permanent arbitration court with the general sphere of activity pertinent for the determination of property disputes in conformity with the Act No. 216 of 1994, Coll. of Laws. Its awards are final enforceable on national level as well as abroad. Czech Republic is a signatory to the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention).

Establishing business presence

The speed with which one can establish a business presence in the Czech Republic has increased in the recent years. Incorporating a simple limited liability company or a branch of a foreign company (which are usually the two most standard forms to start a business here) takes about a month or less. A company is incorporated by drawing up a notarial deed or signing a memorandum of association, which states the name of the new company, its seat, business activities, executive directors and the details of its founders and their capital contributions. A company starts to exist on the date of its registration into the Commercial Registry (usually completed in 5-10 days of filing). All acts undertaken between the moment of incorporation of the company and its registration (official start of its existence) need to be retroactively approved by the general meeting of the company (or its (sole) founder(s)).

Forms of legal entities

The Czech Commercial Code, which governs this particular field, recognizes the following types of legal forms:

- a branch of a foreign company (organizační složka)
- limited liability company (s.r.o.)
- joint-stock company (a.s.)
- limited partnership (k.s.)
- unlimited partnership (v.o.s.)
- co-operative (družstvo)

The capital corporations are a limited liability company and a joint-stock company, where the emphasis is on capital, which is mandatorily created (in the minimum amount prescribed by the law) when a company is formed. Capital corporations are by far the most popular company form used for doing business in the Czech Republic. Personal corporations - partnerships are unlimited partnerships and limited partnerships, where the emphasis is on the role of the partners in the operation of the company. Besides these legal entities, investors may also choose to undertake business as tradesmen (acting under trade licenses issued to them) or to participate in business activities of another in the form of a silent partnership (contractual arrangement).

Branch

A branch office of a foreign company **is not a Czech legal entity**, but functions as the representative of a foreign company and incurs obligations on the foreign company's behalf. Branches of foreign businesses may conduct business activities in the Czech Republic provided that they are registered in the Commercial Registry.

- A branch establishment is effected by a simple resolution made by the founder, including details about the founder, the branch's location in the Czech Republic, the scope of its business activities, and the appointment of its head (branch manager).
- The branch must obtain a business license from the Trade Licensing Office for its Czech business.
- The law under which the branch's parent entity was founded also apply to the branch's internal dealings as the branch office itself is not considered to be a separate legal entity and all liabilities incurred through the branch office are the liabilities of the "parent" entity.
- From January 2002, there is no restriction on acquisition of real estate through branch offices of foreign companies in the Czech Republic.

A branch is subject to corporate income tax on its Czech-generated income.

A limited liability company (s.r.o.)

This is the most common legal form of company for small and medium-sized businesses and subsidiaries of foreign parent companies. The company does not issue shares; each member (whether a legal entity or a natural individual) participates in the company through his "ownership interest" corresponding to proportion of member's contribution to the company's total registered capital. Corporate governance is much simpler than of a joint stock company: the *s.r.o.* does not have a separate board of directors as a collective body, and decision-making powers may be delegated to one or more designated persons – executive directors – by the members. The company may have maximum 50 members. The company may be founded by sole member. However, a limited liability company with a sole member may not be the sole founder of another Czech limited liability company.

A member can transfer his/her ownership interest in the company to another member, with the approval of the general meeting. The memorandum of association or the deed of incorporation may state that such approval is not necessary, or it may prohibit the transfer

to another member. A member can transfer his/her ownership interest to a person who is not a member, if expressly permitted to do so by the memorandum of association or deed of incorporation. The memorandum of association or deed of incorporation may stipulate that such transfer can only be made with the prior approval of the general meeting. If a company has a sole member, the ownership interest is always transferable to a third party. The transfer of an ownership interest becomes effective *for the contracting parties*, upon execution of the contract, and *for the company*, on the day an effective transfer agreement is delivered to it. The ownership interest may also be divided, unless the memorandum of association or the deed of incorporation states otherwise.

- Company exists independently of its members (owners), who are not liable for the debts and obligations of the company (its members are liable one and all for the debts and obligations of the company in the amount of total unpaid contributions as recorded in the Commercial Registry).
- List of members, amount of each member's investment contribution, and the names of the supervisory board (if established) members must be registered in the Commercial Registry as well.
- The minimum registered capital is CZK 200,000 (approximately € 7,700); each member must contribute at least CZK 20,000 (approximately € 770).
- A reserve fund must be created of 10% of the net profit in the first profitable year of operations to a maximum of 5% of registered capital. In addition, 5% of net profit after tax must be transferred to the reserve fund annually thereafter, until it reaches 10% of the registered capital.
- A Supervisory Board is only necessary if required by the Memorandum of Association (i.e. its appointment is at the discretion of the founder(s)).
- General meeting appoints executive directors to act as the statutory body of the company and to run the company.
- No need to appoint auditor unless at least two of the following criteria have been met in the given accounting period and the accounting period directly preceding: (i) yearly turnover exceeds CZK 80 million, (ii) total assets exceed CZK 40 million, (iii) at least 50 employees in average per year.
- Annual financial statements must be published.

A joint-stock company (a.s.)

A joint stock company is a capital corporation, the running of which involves the shareholders to a minimal extent. The registered capital of the company is divided into a certain number of shares, each with a specific nominal value. Shareholders of a joint - stock company may be legal entities and/or natural individuals. However, a joint stock company can only be founded by one person if that

person is a legal entity. There is no maximum number of shareholders. Capital stock is divided into a fixed number of transferable shares of fixed nominal value; shares may be registered shares (issued to a named shareholder) or bearer shares. Shares may be “certificated” (i.e. physical share certificates are issued either to the bearer or to a registered shareholder). They may also be in dematerialised form, uncertificated (book-entered) shares registered on the shareholder’s account at the Central Securities Depository (a special legal entity), for which physical share certificates are not issued.

In contrast to the other types of companies a share in a joint stock company is, as a general rule, freely transferable. Any shareholder can usually therefore freely transfer his/her/its share to any person or entity, without the consent of the other shareholders. Nevertheless, the articles of association may restrict, but not exclude, the transfer of registered shares, (e.g. by making the transfer subject to the approval of one of the company’s bodies).

- The company exists independently of its shareholders, who are not liable for the debts and obligations of the company.
- The amount of a registered capital and extent to which it was paid up, the number, class, type and nominal value of shares, restrictions applying to transferability of shares registered in name, the names and residential addresses of members of both the board of directors and the supervisory board must be registered in the Commercial Registry.
- The registered capital of a company established with a public offer of shares must be at least CZK 20,000,000 (approx. € 770,000), unless other statutory provisions stipulate a higher amount. The registered capital of a company established without a public offer of shares must be at least CZK 2,000,000 (approx. EUR 77,000).
- A reserve fund must be created of 20% of the net profit in the first profitable year of operations to a maximum of 10% of capital stock. In addition, 5% of net profit after tax must be transferred to a reserve fund annually thereafter, until it reaches 20% of the capital stock.
- Annual financial statements must be audited, if reaches at least one of the above criteria mentioned within the limited liability company section, and published.
- A company must have a Supervisory Board and a Board of Directors. Each body must have at least three members, appointed for terms not exceeding five years. Directors cannot be members of the Supervisory Board. The exception to the rule – the Board of Directors in the company with one shareholder is not obliged to have three members.
- The right to receive a dividend, the pre-emptive right to a share and interchangeable and prior – lien bonds subscription and the right to receive a liquidation share may be transferred separately from the share to which the rights are attached.
- A share’s issue price may not be lower than its nominal value.

Limited partnerships (k.s.) and unlimited partnership are formed in a similar fashion. As these forms are seldom used by incoming investors into the Czech Republic their particulars are not discussed within the limited space of this brief summary.

Trade licenses

In order to be registered in the Commercial Registry all types of the companies are required to obtain a trade license from a wide variety of trade licenses that are granted and operable on the basis of a simple notification – notification-only licenses. The *Trade Licensing Act* distinguishes between two forms of activities:

- a) *Notification-only business*. A notification-only business must be notified to the local Trade Licensing Office which issues an appropriate certificate (a “*živnostenský list*”) confirming that the stipulated conditions for the issue for the trade license have been met.
- b) *Licensed business*. Licensed businesses are those, which require a formal trade licence to trade (in Czech: “*koncesní listina*”), and the founders of the proposed business must submit an application to the Trade Licensing Office. This Office then commences a procedure to grant or refuse a licence.

There exist also a comparably broad area of so called *other business* that is no subject to business registration / licensing by the Trade Licensing Office, but subject to *miscellaneous licences (special permits and authorisations) issued by other authorities* (such as banking business, insurance business, securities, investment funds, pension funds, energy, telecommunication, so called free professions such as attorneys, auditors, medicine doctors, distribution of medicaments, mining activities, lotteries, energy business etc.).

In many cases a business requires several trade licences in order to undertake its activities. Prior to the incorporation of a legal entity in the Commercial Registry, the appropriate Trade Licensing Office must issue a certificate or trade licence to enable the application to be submitted for incorporation into the Commercial Registry. It may be advised to consider commencing the business with just those licences that are critical to set up business presence and easy to obtain and to complete the licensing process after the incorporation.

Neither a trade licence (nor the certificate itself) is transferable to third parties.

Investment Incentives

Czech Republic enjoys a strategic location within Europe, educated workforce, competitive infrastructure and developed real estate market and supplier base, and above all it is a safe investment environment. Czech Republic attracted the largest portion of foreign direct

investment from all transition economies since 1990. Czech Republic offers investment incentives for the manufacturing sector in compliance with Act No. 72/2000 Coll., as amended. Since its inception in 2000 until January 2010, the Czech Republic provided tax and other incentives to over 550 companies, covering investment in € totalling 18 093 million € and creating over 130 000 jobs. The state provides incentives (depending on the type of project) of up to 5 years of full (for new facilities) or partial (for existing facilities) corporate income tax relief, and other incentives related to job creation grants and workforce training and re-training costs compensation. The total amount of the investment incentives (with the exception of training and re-training grants) must not exceed 40% (50% in case of medium enterprises, 60% in case of small enterprises) of the investment made into long-term tangible and intangible assets.

Availability of these incentives, and conditions upon which they may be granted, as well as other financial support provided with the framework of EU funding, such as the Operational Programme Enterprise and Innovation (OPEI) or Human Resources and Employment, may be assessed upon request. Our firm has extensive experience with incoming investment and established a good working relationship with CzechInvest, the government agency for investment and business development, which evaluates the proposed investment plans before they are passed on for authorization by various other state bodies, and we will be glad to discuss potential plans with prospective investors upon request.

Taxation

Corporate Income Tax

The corporate income tax is set by the current legislation (which is subject to frequent changes as the development of economy warrants) at 19% for tax periods starting in 2010 and beyond. Tax residency of a legal entity is determined by its registered office (the seat of the company) or the place where it is effectively managed from in the Czech Republic. Czech tax residents are subject to taxes on their worldwide income. Tax non-residents are subject to tax generated on income in the Czech Republic. A tax residency arises also, besides forming a legal entity under the Czech law or establishing a branch of a foreign entity, via the so-called 'permanent establishments'; it is a taxable presence of a foreign entity trading, or rendering services in the Czech Republic, arising on the basis of assignment of an employee or permanent representative in the Czech Republic for at least six months, or by setting up an office, workshop, sales outlet – in general any fixed place of business - regardless of the six-month condition.

Personal Income Tax

The current fixed flat rate is 15% for calendar year 2010. Employees are subject to automatic tax withholdings from the start of their employment. The employment tax base is increased by the actual or hypothetical mandatory social security and health insurance contributions paid by the employer. Thus, the effective tax rate is actually higher than the nominal 15% flat rate. An employee's social security and health insurance contributions are calculated as 10% of their gross salary. Employers (companies) pay additional 31,5% of all employee's gross salaries to the Czech social security and health insurance authorities in 2010.

Generally, income from dependent activities paid by a foreign employer to a Czech tax non-resident is tax-exempt if the time spent on such activities does not exceed 183 days in any 12 consecutive calendar months. This tax exemption shall not apply to income from an activity performed via a permanent establishment. In case of expatriates, i.e. those who are not directly employed by a Czech legal entity, who are assigned to carry out a dependent activity under a service agreement, these must be registered as individual taxpayers with the local Tax Office.

Income is declared through a personal income tax return that is to be filed with the local Tax Office within 3 months after the end of the tax period (i.e. March), or six months if filed by certified tax advisor.

The system of taxation described above may be subject to modifications warranted by relevant Double Taxation Treaty, if in effect.

Value Added Tax

The Czech value added tax complies with the relevant EU VAT directives and is imposed on all taxable supplies within the Czech Republic and goods imported or acquired in the Czech Republic.

Taxable supplies within the Czech Republic include provision of services; delivery of goods; transfer and use of rights and transfer of real estate, buildings and structures; acquisition of goods from other EU member states, etc. Businesses are obliged to account for VAT on the import of goods from third countries. However, there is an entitlement to reclaim such input VAT connected with the import of goods. Businesses are also obliged to account for VAT upon acquisition of goods from other EU member states. Certain domestic services are VAT exempt without entitlement to reclaim input VAT (e.g., financial services, insurance services, rent paid to entities not registered for VAT purposes, etc.). Export of goods is VAT exempt.

Generally, services provided to an entity subject to tax with its place of establishment in another EU member state, or third country, are not taxable in the Czech Republic. The recipient of the services is obliged to account for VAT in the country of its establishment and there is also an entitlement to reclaim such input VAT connected with such services. On the other hand, businesses are obliged to account for VAT in terms of the reverse-charge principle once they acquire a service from a provider in another EU member state or third country.

Presently, there are two VAT rates: 20% applicable to most of the goods and services, and 10% to certain selected goods and services (including essential food, books, special healthcare products).

All entities (legal and natural) become obliged to register for VAT upon exceeding CZK 1,000,000 (approximately € 38,500) turnover in immediately preceding consecutive 12 months period.

Other Taxes

Besides the corporate, personal and VAT tax, the following taxes are also in effect:

Consumer tax - This tax applies to hydrocarbon fuels and lubricants, spirits and distilled liquors, beer, wine and tobacco products that are produced in or imported to the Czech Republic. The tax is calculated as a fixed amount per unit of the product concerned and is levied on the producer (importer). Tax levied on tobacco products is calculated as a combination of a fixed amount and a percentage of the selling price.

Energy Tax - The tax reform that came into effect on 1 January 2008 introduced a new type of indirect taxes implementing the relevant EU directives in the area of energy taxes. These taxes are levied on supplies of electricity, natural and other gases, and solid fuels (hereinafter referred to collectively as “energy”). The payers of energy tax are either suppliers of energy in the Czech Republic selling energy to end-users or operators of distribution or transmission systems. The tax on electricity is levied at the rate of CZK 28,30 per MWh. The tax on gas is levied at rates varying from CZK 0/MWh to CZK 264,80/MWh, depending on the type of gas, the purpose of its use and the date when the tax liability arises. The tax on solid fuels is levied at the rate of CZK 8.50/GJ.

Road tax - Road tax is payable on vehicles registered and operated for business purposes in the Czech Republic. The tax is calculated according to engine size for passenger cars or weight and number of axles for other commercial vehicles. The rates range from CZK 1,200

(on vehicles with engines up to 800 cm³) to CZK 50,400 (on heavy-duty vehicles over 36 tonnes) and the tax period is the calendar year. In 2008 a new system of reducing the tax rate depending on the date of initial registration of a vehicle was introduced.

Real Estate Tax - Real estate tax comprises a tax on land (land tax) and a tax on structures (building tax). Real estate tax is generally payable on an annual basis by the registered owner of the land or building(s), although in very specific cases the user or the lessee is the payer. All property owners must file tax returns with the relevant Tax Office by 31 January of the relevant tax period only for the first tax period (calendar year), and later only when the conditions relevant to tax assessment change. The tax is calculated taking into account the type, location and use of the land / building and various other factors.

Real Estate Transfer Tax - Unless a tax exemption applies, real estate transfer tax is charged at a uniform rate of 3% of the sale price of a property or of the usual market price, whichever is higher, and is payable by the seller (the buyer is the guarantor).

No local taxes have been introduced in the Czech Republic to date.

Labour Environment / Workforce

The Czech Republic has a large skilled and educated workforce, especially in technical sectors. According to the OECD, the Czech Republic is among the countries with the highest percentage of science and engineering students. Large majority of the workforce is able to communicate either in English or German.

Average gross monthly wages, while still lower than that in Western Europe, have grown in the recent years most from the entire CEE region. The average monthly salary (taking into account all occupations) reaches approx. € 800 in regions and up to € 1,200 in Prague. The availability of lower paid workforce in the regions outside Prague is significant.

The Czech labour environment generally copies conditions and statutory protection offered in the remainder of the EU. Employment contracts must be concluded in writing and must include minimum legal essentials.

Employment contracts may be terminated by mutual agreement, on the date of expiry of a definite -period employment contract, anytime during a maximum of 3-month trial period or upon grounds specified by the Labour Code, which are rather restricted. The termination

period for statutory-driven terminations is 2 months, and severance pay is provided to the terminated employees in the amount of at least 3 average monthly gross salaries.

The maximum weekly working hours is 40 hours. In extraordinary cases an employer may only require overtime work when there are serious operational reasons for it. When an employee is ordered to work overtime by his employer, such overtime may not be in excess of eight hours in individual weeks and a total of 150 hours in the calendar year. Overtime work in excess of this limit may only be performed in exceptional cases and on the condition that the employee consents to it.

Trade unions are a common occurrence in the Czech Republic; employers must consult certain steps with regard to mass redundancies and restructuring of companies prior to their being effected with trade unions, as well as with local Labour Offices. Collective agreement negotiated with trade unions and work and remuneration conditions contained therein apply to all, even non-unionised, employees of the company.

Real Estate

There are a number of legal restrictions preventing foreign nationals from acquiring real estate in the Czech Republic, and despite EU accession, pre-accession restrictions continue to apply to non-Czech citizens and those who have not official residency status in the country. For both business and private purposes, these restrictions can be easily circumvented by establishing a Czech legal entity, which acquires the property on behalf of its foreign founder. Foreign persons are in certain circumstances permitted to acquire real property in the Czech Republic. The rights to acquire a real property have:

- foreign persons with the Czech citizenship
- foreign persons with a valid residency permit for a citizen of a EU Member State
- foreigners – legal entities permitted to undertake a business in the Czech Republic or having established a branch here.

Other foreign persons are generally not permitted to acquire real property in the Czech Republic, although there are several exceptions, which include real estate acquired by inheritance, for diplomatic representation, or as a construction built by a foreign person on his/her own land etc.

The Czech Republic has a developed real estate market and real estate development sector. Law covering leases, rents, mortgages, encumbrances, title registration and title restrictions is stable and well developed. The Czech land registry system – local known as the Cadastre of immovable real estate property – is fully functional and reliable.

M&A / Competition

As elsewhere in Europe, mergers and acquisition in private sector are subject to review by the local antimonopoly office – in case of the Czech Republic this is the Office for the Protection of Competition located in Brno, which is charged with ensuring that market behaviour is in compliance with competition rules and benefits the consumers. The Office ensures the competitors to behave in compliance with the principles of competition law, interferes with practices distorting competition, e.g. cartel agreements, abuse of dominant position, etc., and at the same time, the Office offers businesses the possibility to remedy their illegal conduct which has not resulted in a significant impact on the market so far. The Office also supervises procedures of awarding public procurement and concessions, thus ensuring better transparency in public spending.

Under the Czech Competition Act No. 143/2001 Coll., as amended, notification is mandatory in case(s) where the transaction involves (i) a merger, (ii) an acquisition by one or more undertakings of direct or indirect control of another undertaking, (iii) an acquisition of all or part of the business assets of one undertaking concerned by another, (iv) a creation of a concentrative full-function joint venture and

- the combined aggregate turnover on the Czech market of all undertakings concerned exceeds CZK 1,5 billion (approximately € 61 million); and
- at least two of the undertakings concerned each have turnover on the Czech market exceeding CZK 250 million (approximately € 10.2 million); or
- at least one of the undertakings concerned has turnover on the Czech market exceeding CZK 1.5 billion (approximately € 61 million); and
- at least one other undertaking concerned has worldwide turnover exceeding CZK 1.5 billion (approximately € 61 million).

Under the Competition Act the aggregate (the combined) net turnover includes the net turnovers achieved by:

- (a) all the undertakings concerned,

- (b) persons, which will be controlling undertakings concerned after implementation of the given concentration and persons, which are controlled by the undertakings concerned,
- (c) persons controlled by the person, which will control the undertakings concerned after implementation of the given concentration, and
- (d) persons controlled jointly by two or more persons referred to in (a) to (c) above.

Public Aid

With the admission of the Czech Republic to the European Union, that jurisdiction passed onto the European Commission. The Office continues to function as a monitoring, coordinating and consulting body that advises governmental agencies on the handling of individual cases.

Abuse of Significant Market Power

From February 2010 (Act No. 395/2009 Coll.), retail chains with a turnover above CZK 5 billion (approximately € 203.3 million) are prohibited from abusing significant market power over their suppliers in the food and agriculture sectors. It does not cover cartel agreements or the abuse of a dominant position. The Office is responsible for supervising compliance with the legislation.

Visas & Permits

Travel to and business in the Czech Republic presents almost no difficulties for EU member states' citizens. Citizens of countries outside of EU are required to apply for visas to enter and stay in the Czech Republic. The following visas are required:

Short-term visa - issued as Schengen visa for stay in the Schengen area

1. Airport transit visa (visa "A")
2. Short-term visa for stay up to 90 days (visa "C")
 - for the purpose of tourism or a visit (invitation)
 - for the purpose of culture
 - for the purpose of sport
 - for the purpose of study
 - for the purpose of employment
 - for the purpose of scientific research
 - for the purpose of business journey
 - for the official/political purpose

Long-term visa - issued as national visa with Schengen visa properties (i.e. grants a possibility of stay in the Schengen area for a maximum of 90 days within a half-year)

1. Visa for a stay over 90 days (visa "D")

- for the purpose of employment
- for the purpose of entrepreneurship
- for the purpose of participation in a legal entity (managerial position)
- for the purpose of study
- for the purpose of scientific research
- for the purpose of family unification
- for the purpose of sport
- for the purpose of medical treatment

2. Visa for a stay over 90 days for the purpose of collecting a long-term or permanent residence permit

According to the so-called "90/180 rule," an alien can stay in the Czech Republic/Schengen area for a maximum of 90 days (3 months) within a half-year, counting from the first day of entry. After a 90 days long stay, it is necessary to travel out of the Czech Republic/Schengen area. You can return only in the next half-year. This rule does not pertain to aliens who: (1) are citizens of those countries with which the Czech Republic has concluded a bilateral visa free agreement before its entry into the EU (i.e. Argentina, Chile, Costa Rica, Croatia, Honduras, Israel, Malaysia, Panama, Republic of Korea, Singapore, Uruguay) – these aliens however need to travel out of the Schengen area after a 90 days long stay at least for one day; (2) stayed in the Czech Republic/Schengen area based on a Schengen visa and their subsequent stay will be based on a Czech national visa (these visas are issued only in exceptional cases); (3) will stay in the Czech Republic based on a long-term visa or long-term residency permit

An application for a visa for a stay over 90 days (type D or D+C) may be filed solely at a diplomatic mission of the Czech Republic. The diplomatic mission does not decide on the issue or refusal to issue the visa for a stay over 90 days. The visa for a stay over 90 days is issued by the alien police inspectorate (API) based upon the application of an alien who wishes to stay in the territory of the Czech Republic for a purpose requiring the stay in the territory of the Czech Republic for a period longer than 3 months. The API competent to assess the application for issue of a visa for a stay over 90 days is the API having jurisdiction over the place of residence stated by you. The visa for a stay over 90 days is affixed to the alien's travel document by the diplomatic mission on the basis of the relevant API's instruction. Any visa for a stay over 90 days referred to in this paragraph shall be always affixed as a multiple-entry visa.

A visa for a stay over 90 days – type D – allows its holder during its validity period a single transit through the territory of the Member States, i.e. only the first transit to the Czech

Republic (to the territory of the state which has granted the visa). A visa for a stay over 90 days is issued for the validity period stipulated in the API, but for not more than one year. A visa for a stay over 90 days – type D+C – allows its holder during the first three months of its validity free movement around all states of the Schengen Area, including the Czech Republic. After the expiration of the first three months of the validity of this visa, its holder may stay only in the territory of the Czech Republic throughout the period designated in it.

Furthermore, a visa for a stay over 90 days is issued to an alien for the purpose of collecting a permanent residence permit, a long-term residence permit for the purpose of family reunification or for the purpose of study or scientific research in the territory of the Czech Republic or for the purpose of submission of the application for a long-term residence permit granted by the Consular Section of the Ministry of Foreign Affairs. The visa for a stay over 90 days referred to in this paragraph is granted for 6 months and for the period of stay in the territory of the Czech Republic not exceeding 3 working days.

An application for a visa for a stay over 90 days shall be processed by the police within 90 days, in exceptionally complicated cases within 120 days of the submission date of the application.

An application for a visa for a stay over 90 days for the purpose of study or a pedagogic activity or for the purpose of scientific research shall be processed by the police within 60 days of the submission date of the application.

Particulars of a visa application may not be older than 180 days, except for the alien's travel document, civil register documents and photograph corresponding to his actual appearance, unless stipulated otherwise. All particulars, except for the travel document, must be in the Czech language (either in the Czech language or in a foreign language accompanied with a certified translation into the Czech language).

For the purposes of employment or entrepreneurial activities a foreigner will be required to seek a work permit or a trade license operate as a self-employed entrepreneur. These permits for non-EYU residents are tied to the issue of long-term visas, and once the visa has been granted the relevant applications and processes do not represent a major obstacle.

DISCLAIMER

“Doing Business in the Czech Republic” is not intended to be comprehensive, nor is intended to be a substitute for legal advice. Professional advice should be sought before applying the information to particular situations.

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