

DOING BUSINESS

IN THE CZECH REPUBLIC



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for doing
business

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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 90 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in the Czech Republic has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at May 2017.

We look forward to helping you do business in the Czech Republic.

2 – BUSINESS ENVIRONMENT

GEOGRAPHY



Source: Google Maps, 2012

Location:	Central Europe
Total area:	78,867 square kilometres
Population:	10.58 million
Population density:	134 inhabitants/square kilometre
Ethnic groups:	Czech (96.0%), Slovak (1.4%), Ukrainian (0.5 %), Polish (0.4%), Vietnamese (0.3 %), German (0.2%), Russian (0.2 %), Hungarian (0.1%), others (0.9 %)
Religions:	Roman Catholic (10.4%), other religions (10.4%), atheists and citizens without religious affiliation (34.5%), non-declared (44.7%)
Urbanisation:	More than 70% of the population lives in urban areas
Capital city:	Prague (population: 1.280 million)
Official language:	Czech
Currency:	Czech crown (CZK) = 100 halers.

LEGAL AND POLITICAL SYSTEM

According to common juridical literature, the Czech Republic's legal system is a 'continental' one and belongs to the 'Germanic' legal culture. It is based on written law.

The Czech Republic is a pluralist multi-party parliamentary representative democracy, where the prime minister is the head of government.

The central state is divided into the classical three powers, namely:

- Legislature – the parliament of the Czech Republic
- The executive – the president and the government
- The judiciary – the courts of general jurisdiction (civil and criminal), administrative courts and the Constitutional Court.

There are other central bodies which enjoy a high degree of independence from the central government and therefore cannot be associated with any of the three classical powers – the Czech National Bank, the Supreme Auditing Office and the Ombudsman.

MEMBERSHIP OF INTERNATIONAL ORGANISATIONS

The Czech Republic has been a member of the European Union since 1 May 2004. Moreover, on 21 December 2007, the Czech Republic entered into the Schengen Zone.

The Czech Republic also has memberships in other international organisations, such as the UN, NATO, WTO, Council of Europe, OECD, UNESCO, UNICEF and WHO.

MACROECONOMIC INDICATORS

GROSS DOMESTIC PRODUCT AND ECONOMIC GROWTH

The Czech Republic's economy belongs to the group of developed, high-income countries.

Gross domestic product (GDP) increased in 2016 by 2.7 % and amounted to CZK 4,657 billion (approximately EUR 172 billion) in current prices.

UNEMPLOYMENT

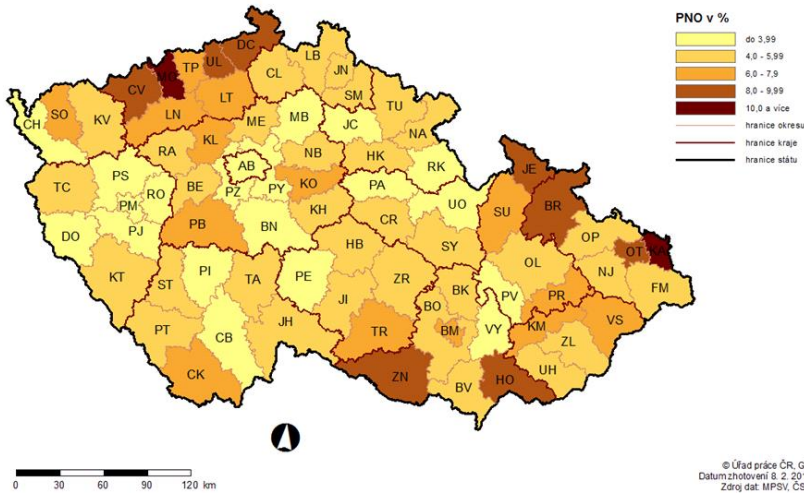
The unemployment rate in 2016 was around 4.7%.

There are significant differences between individual regions. The lowest rate of unemployment is consistently in Prague, the capital of the Czech Republic, and Middle Bohemia region at approximately 3 %, whilst the highest rate of unemployment is in former centres of heavy industry, running at approximately 10%.

TABLE 2

Unemployment by region, Source: Labour Office compiled as at 8 February 2017

UNEMPLOYMENT IN THE DISTRICTS IN THE CZECH REPUBLIC BY 31.1.2017 IN %



AVERAGE WAGES

The average nominal monthly salary in the third quarter of 2016 amounted to CZK 27,220 (approximately EUR 1008). This represents a growth of 4.5 % compared with the previous period.

INFLATION RATE

The inflation rate in 2016 was 0.7%, which represents an increase of 0,4 % compared with 2015.

PUBLIC FINANCES

In 2016 the general government budget surplus reached CZK 61.8 billion (EUR 2.3 billion).

CURRENCY

Czech crown (CZK or Kč) is fully convertible.

The Czech Republic has not entered the Exchange Rate Mechanism (ERM) II.

The US dollar and euro exchange rates (the monthly average as published by the Central bank in April 2017 on www.cnb.cz) are 25.020 CZK/USD and 26.824 CZK/EUR. During the period November 2013 to March 2017 CZK/EUR exchange rate was about 27 to 27.5 because of monetary exchange interventions by Czech National Bank.

3 – FOREIGN INVESTMENT

The Czech Republic is one of the most successful transition economies in terms of attracting foreign direct investment (FDI).

TABLE 3
Foreign direct investment



The most important investors are the Netherlands, Germany, Austria and Luxembourg. Sectoral structure of FDI in the Czech Republic remains relatively unchanged compared to the previous year. The largest recipient sector in 2015 was sector of real estate services, financial services and engineering. Data for 2016 are not published.

INVESTMENT INCENTIVES

Investment incentives are designed for foreign, as well as Czech, investors are aimed at the introduction and expansion of production capacity in manufacturing and for projects in the area of strategic services centres and technological centres.

TAX HOLIDAYS

Tax holidays for companies provide full or partial relief from income tax up to ten years. Tax relief is terminated when the company has reached the maximum permissible state aid allocation.

GRANTS FOR WORK CREATION

Available per work position created in regions of the country with at least 25 % higher unemployment than the national average or in the subsidized industrial zones grants up to CZK 300,000, approximately EUR 11,100).

GRANT FOR TRAINING AND RE-TRAINING

This support can provide up to 50% of the costs of training or re-training employees in the regions of the country with at least 25 % higher unemployment than the national average or in the subsidized industrial zones.

AID IN THE FORM OF PROVISION OF PREPARED LAND AT A DISCOUNT

The transfer of land or land with infrastructure owned by the state or its organisational bodies or municipalities at discounted price is possible.

REAL ESTATE TAX EXEMPTION

Exemption can be granted up to 5 years with approval of the municipality.

GRANT FOR INVESTMENTS COSTS

This support can provide up to 12.5 % of the investments costs in manufacturing or technology centres.

More detailed information about incentives may be obtained in English at Czech Invest – www.czechinvest.org.

EU FUNDS

Applicants can draw the subsidies from European structural and investments funds.

Basic information about funds may be obtained at www.strukturalni-fondy.cz, www.mpo.cz, www.czechinvest.org.

4 – SETTING UP A BUSINESS

A foreign person may opt for various types of business in the territory of the Czech Republic. Investors are obliged to follow Czech legal regulations during the execution of their business activities.

TYPES OF BUSINESS

ENTREPRENEUR – NATURAL PERSON

The Act to Regulate Trades allows a foreign natural person to undertake business in the territory of the Czech Republic under the same conditions as those that have to be met by a resident of the Czech Republic. Trade can be carried out by an entrepreneur – a natural person or through an authorised representative.

A foreign natural person, who is a citizen of a European Union (EU) country, the European Economic Area (EA) or Switzerland, is not required to submit a residence permit valid for the territory of the Czech Republic.

A residence permit (visa for business purposes) for the territory of the Czech Republic is required with other natural persons.

A foreign natural person has to make an entry in a commercial register the day they are authorised to carry out business in the territory of the Czech Republic. This does not apply to foreign persons from the EU or EEA.

OVERSEAS BRANCH (‘ORGANIZACNI SLOZKA’)

A foreign person may establish a branch of their organisation in the territory of the Czech Republic. A foreign legal entity is authorised to carry out business in the territory of the Czech Republic upon entry of its organisation’s branch into the commercial register.

The organisation’s branch is not an independent legal entity.

The foreign legal entity must appoint an authorised representative who meets conditions for carrying out trade.

The foreign legal entity is represented by the manager of its branch (in matters regarding this organisation’s branch) in contact with third parties.

Only profits made in the territory of the Czech Republic are subject to income tax in cases where a permanent establishment has been created. A different method of tax assessment can also be agreed with a tax office.

BUSINESS COMPANIES

The Act on Business Corporations differentiates between several types of company used for business:

- An unlimited liability company
- A limited partnership company

- A limited liability company
- A joint-stock company
- A Co-operative association
- A Capital interest – dormant partnership
- An European company, European cooperative company

The most frequent types of business are limited liability companies and joint-stock companies.

A foreign person may be a member of a Czech company with a registered seat in the Czech Republic.

The company is a legal entity established on the day it is entered into the commercial register. In contact with third parties, it is represented by a statutory body. The legal entity carries out trade through an authorised representative.

LIMITED LIABILITY COMPANY ('S.R.O.')

A limited liability company is a company whose base capital is created by members' contributions. The minimum base capital is CZK 1.

The limited liability company can also be established by a sole person. A limited liability company can have a sole member as the only founder, or the sole member of another company.

The company guarantees the company's obligations with all of its assets.

The members take a share in the profits according to the ratio of their contributions to the base capital, unless specified otherwise by the Memorandum of Association.

Company is represented by one or more executives.

The company's profit is subject to corporate income tax.

JOINT-STOCK COMPANY ('A.S.')

A joint-stock company can be established by one person (legal entity or individual). The base capital must be at least CZK 2 million or EUR 80,000 if the company keeps its accounts in EUR. The company's base capital is divided into a certain number of shares.

The company guarantees its obligations with all of its assets. A shareholder is not held liable for the company's obligations.

A shareholder is entitled to a share in the company's profit (dividend) approved by a general meeting.

Shareholders form a general meeting which is the supreme body of the company. The general meeting takes place at least once a year, no later than within six months of the last related financial period.

The joint-stock company can have either monistic or dualistic structure of management. Monistic structure means, that company's body includes besides general meeting, a statutory director and a board of trustees. In dualistic structure in addition to the general meeting, the company's body includes a board of directors and a supervisory board.

The company's profit is subject to corporate income tax.

UNLIMITED LIABILITY COMPANY ('V.O.S.')

An unlimited liability company is a company in which at least two people carry on the business under the same corporate name. Both a legal entity and a natural person can be its members. Members guarantee the company's obligations jointly with their assets. The law does not prescribe an obligation to create a base capital.

Profit or loss is divided among members according to the Memorandum of Association.

The members are a statutory body.

The unlimited liability company is tax transparent, i.e. itself is not subject to income tax as a legal entity. The profit of the unlimited liability company is subject to income tax on the individual members under the scope of their tax returns.

LIMITED PARTNERSHIP COMPANY ('K.S.')

A limited partnership company is a mixed type of Limited Liability Company and unlimited liability company, combining features of both. At least one limited partner and one general partner must found the limited partnership company. The minimum contribution for a limited is to be set in the Memorandum of Association.

Profit is divided among partners according to the Memorandum of Association.

Only general partner is a statutory body.

Unless the Memorandum of Association provides otherwise, the profit and loss is being split in half between the limited partnership company and general partners. General partners further divide the profit equally, while each partner is entitled to profit amounting 25% of fulfilled deposit obligation. Part of the profit assigned to limited partnership company is after taxation divided between the limited partners according to their shares. Limited partners do not bear the risk of loss.

The limited partnership company is tax transparent with regard to the general partner according Czech tax rules, i.e. general partners' profit is subject to income tax as part of their tax returns. Limited partners' profits are taxed as the company's income in the form of corporate income tax, and the limited partners may be subsequently paid shares in profit.

5 – LABOUR

EMPLOYMENT LAW

Employment relations are regulated by the labour code – law no. 262/2006 Coll.

Employment arises from:

- 1) An employment contract
- 2) Exceptionally by appointment.

Specified employment contract requirements are the:

- Agreed type of work for which the employee is taken on
- Place or places of conducting the work
- First day of employment.

Employment may end when there is:

- Agreement – closed in writing
- Notice – this must be given in writing and delivered to the other party; employment ends upon conclusion of the notice period, which must be the same for both parties, amounting to at least two months and running from the first day of the month following the delivery of the notice to the other party
 - The labour code sets further conditions for notice given by an employer:
 - The employer can only give the employee notice for reasons named in the labour code: so-called organisational changes (dissolution or relocation of the employer, redundancy of the employee providing a claim for a redundancy payment of at least 1–3 times the average monthly salary, where the amount of redundancy payment is dependent on the length of the employment – up to one year = one average monthly salary, up to two years = two times the average monthly salary, two years and more = 3 times the average monthly salary), an employee's incapacity due to health, an employee not fulfilling the expectations or requirements for the performance of work, unsatisfactory work results and breaching work behaviour, breach of the medical regime.
 - The reason for the notice must be factually determined
 - The employer cannot give the employee notice when the employee is in the protected period. The protected period is when the employee is: pregnant or on maternity/parental leave, unable to work (apart from breach of medical regime), released to perform a public duty
- Immediate discontinuation – where the employer does not adhere to the principle of employment due to a gross breach in work behaviour or for the employee, when the employer does not pay a salary within 15 days after it is due (in this case the employee has the right to receive a severance pay)
- Cancellation in the trial period – this must be delivered in writing within the trial period. It is not possible to give notice to the employee during the first 14 days of incapacity for work
- Upon completion of the agreed period – where employment for a fixed period of time ends. It continues if the employee, with the knowledge of the employer, continues with the work and hereby it was agreed to change employment to a non-fixed time period

- Upon the decision to cancel a foreigner's residence permit or the ending of the period for which the work permit was issued, or deportation
- Death of the employee.

Agreements for work undertaken outside of employment (which must be finalised in writing):

- Agreement for conducting work – the extent of the work does not exceed 300 hours in the calendar year
 - Up to the amount of CZK 10,000 (approximately EUR 370) per month, this is not liable for social security and health insurance. Notice period is 15 days.
- Agreement for working activities – the extent of the working period may not exceed on average half the established weekly working hours and where the notice period is 15 days.

VACATION

The time for annual leave is at least four weeks. In the so-called business sphere, it is possible to extend an employee's claim to leave by days and weeks.

REMUNERATION

The minimum salary is set by the government and since 1.1.2017 amounts to CZK 11,000 (approximately EUR 407) monthly, or CZK 66/hour.

For overtime work, the extra payment should be at least 25% of the average salary, unless the employer allows the employees to use the overtime for extra vacation. The employee is entitled to an extra payment of 10% of the average salary for work on weekends.

Within the work contract it is possible to negotiate wages which already take overtime work into account. For employees, it may be agreed to include a maximum of 150 overtime hours per calendar year in their wages; for managers, it is 416 overtime hours per calendar year.

EMPLOYING PEOPLE WITH DISABILITIES

Every employer who employs more than 25 people has an obligation to employ people with disabilities. The mandatory proportion is 4%. The employer may meet this obligation by:

- Employment under an employment contract
- Purchasing products or services from employers who have more than 50% of employees with a disability
- A levy to the state budget.

EMPLOYEES FROM ABROAD (FOREIGNERS) AND THE EUROPEAN UNION (EU)

Employees from the EU, EEA and Switzerland (also their family members) do not need work permits.

Employees from all other countries must obtain a work permit and residence visa for employment purposes before commencing work.

Foreigners can work in the Czech Republic:

- Based on the employment permission
 - The request for a work permit - the employer discuss with the relevant branch of the Employment Office the intention to employ foreigners, including the number of foreigners, type of work and the period of performance of this work.
 - A foreigner must apply for a work permit in written form usually before the arrival to the Czech Republic.
 - A work permit may be issued by a branch of the Employment Office for the work position, which was reported as available and can not be filled due to the required qualification or lack of available labour force.
- Based on the employment or blue cards issued by the Ministry of the Interior.

SOCIAL SECURITY AND HEALTH INSURANCE

An employee pays a contribution for social security and health insurance of 11 % of the gross salary (including non-monetary benefits). Employers participate in contributions with an additional 34 % of the gross salary.

A foreign employee working in the Czech Republic for a Czech company or for a registered office of a foreign employer is obliged to participate in the social security and health insurance in the Czech Republic unless otherwise exempt according to EU regulations or bilateral social security treaties.

Owners, managing directors of a limited liability company, limited partners of a limited partnership company and members of the bodies of legal entities starting 2012, must also participate in social security and health insurance.

In 2017, the maximum base amount for social security is set at CZK 1,355,136 (approximately EUR 50,190). Maximum base amount for health insurance is not set; the health insurance contribution is assessed from the whole amount of the gross salary.

TABLE 5

Rates of statutory insurance

TYPE OF INSURANCE	CONTRIBUTION – EMPLOYER	CONTRIBUTION – EMPLOYEE
Health care insurance	9.0%	4.5%
Pensions	21.5%	6.5%
Unemployment	1.2%	0.0%
Sickness	2.3%	0.0%
Total	34.0%	11.0%

BENEFITS OF SICKNESS INSURANCE

For the first 14 calendar days of sickness, an employee receives a refund of wages from the employer. The refund is provided just for the working days, starting from the fourth working day of the sickness. The refund is limited in the same way as benefits from sickness insurance.

An employee is entitled to benefits from sickness insurance starting from the 15th calendar day of the sickness, counted in calendar days. Sickness insurance is handled by the social security system.

STATUTORY INSURANCE RESPONSIBILITIES OF THE EMPLOYER FOR INJURY FROM WORK ACCIDENTS OR ILLNESS CAUSED BY WORK

The principle of statutory insurance is the right arising from law for insurance from the employer so that the relevant insurer will recompense an employee disabled by a work injury or an illness from work and damages to the extent of the employer's responsibility as stated by the labour code.

6 – TAXATION

The Czech tax system, newly created in 1993 and valid since then, includes direct taxes (income, property), indirect taxes (consumption) and other obligatory payments (health insurance and social security contributions).

The system has been, and still is being, modified by tax regulations. Important changes have related to the accession of the country to the EU in 2004 and harmonisation of the national legislation with EU law. The tax law was recently subject to extensive amendments due to the new provisions of civil and commercial law which came into effect on 1 January 2014.

Applicable Taxes:

- Income Tax
- Value Added Tax
- Excise Duties (on fuels, spirit, tobacco, beer and wine)
- Road Tax
- Environmental Taxes (on electricity, natural gas and coal)
- Real Estate Transfer Tax
- Real Estate Tax

TAX ADMINISTRATION

Tax administration and collection is performed by the 14 tax offices, according to the residency of a company or individual subject to tax, and by Specialized Tax Office instituted for selected entities. Appeal Financial Directorate acts as a single first-level appellate body for the whole territory of the Czech Republic. Supreme tax authority, the General Financial Directorate, is subordinate to the Ministry of Finance.

A decision of the Appeal Financial Directorate may be reviewed by the administrative courts. A decision of the regional administrative court could be reviewed by the Supreme administrative courts. However, the court decision is binding only with regards to each particular case and does not create a precedent. The appeal or litigation has no dilatory effect, which can cause problems as the court procedure may take several years.

STATUTE OF LIMITATION

The tax authorities can assess the tax in the period of three years. Certain actions (e.g. tax inspection, filing of supplementary tax return by the taxpayer) might prolong this period. With respect to income tax, the assessment period of the tax year in which a tax loss incurred ends with the assessment period of the last tax year to which the respective tax loss may be carried forward. The maximum assessment period may however never exceed 10 years.

TAX PENALTIES

Czech tax regulation differentiates three sanctions in the event of non-compliance:

- a fine – if the taxpayer files the tax return with a delay of more than 5 working days - 0.05% of the tax liability or 0.01% of the tax loss per each day of delay, up to the maximum of 5%
- a penalty – due if an additional tax liability is assessed by the tax authority . It amounts to 20% of the increased tax amount or 1% in the case of a reduction of tax loss.
- a late payment interest- amounts to annual rate set by the Czech National Bank on the first day of the relevant calendar half-year increased by 14%.

The tax authorities can assess a procedural fine in some cases up to CZK 500,000, e.g. while failure to comply with the registration or reporting obligation, failure to keep VAT evidence, failure to file in electronic form.

Since January 2016 arise new duty for all VAT payers to declare each individual invoice over CZK 10,000 in VAT control statement to the tax office. Fines or filing it with delay or not to file it at all, or not to correct it tax office are from CZK 1,000 to CZK 500,000.

Generally, the burden of proof shall be borne by the taxpayer, i.e. he is obliged to prove the information stated in his tax return. If he fails to do so, the tax office may adjust the tax base and assess sanctions.

Criminal proceedings against the taxpayer may be initiated in the case of intentional tax evasion amounting to at least CZK 50,000 (approx. EUR 1,800).

REGISTRATION OF SALES

All sales of goods and services received in cash, by card, cheque, bill of exchange, luncheon voucher or by similar means (“cash-paid revenues”) must be on-line registered. Sales paid by bank transfer are not subject to this electronic registration.

In May 2017 accommodation, food services, retail trade and wholesale are under this duty, but it is planned for all business activities partly until March 2018, the rest until June 2018.

AVOIDANCE OF DOUBLE TAXATION

One of the tax system principles is the superiority of international treaties over national law. The Czech Republic has ratified about 87 treaties for avoidance of double taxation. A summary of selected treaties and taxation of dividends, interest and licence duties generated from sources in the Czech Republic, is set out in the table below.

TABLE 6

Treaties and taxation dividends, interest and licence fee duties

STATE	DIVIDENDS**	INTEREST**	LICENCE FEE**
Australia	5% for share of min. 20%, otherwise 15%	10%	10%
France*	0% for share of min. 25%, otherwise 10%	0	10%/ 5%/ 0%
Ireland*	5% for share of min. 25%, otherwise 15%	0	10%
Italy*	15%	0	5%/0%
Japan	10% for share of min. 25%, otherwise 15%	10%	10%/0%
Canada	5% for share of min. 10%, otherwise 15%	10%	10%
Cyprus*	0% for share of min. 10%, otherwise 5%	0	10%/0%
Luxembourg*	0% for share of min. 10%, otherwise 10%	0	10%/0%
Hungary*	5% for share of min. 25%, otherwise 15 %	0	10%
Germany*	5% for share of min. 25%, otherwise 15%	0	5%
The Netherlands*	0% for share of min. 25%, otherwise 10%	0	5%
Poland*	5%	5%	10%
Austria*	0% for share of min. 10%, otherwise 10%	0	5%/0%
Russia	10%	0	10%
Slovak Republic*	5% for share of min. 10%, otherwise 15%	0	10% /0%
Switzerland*	5% for share of min. 25%, otherwise 15%	0	10%
United States	5% for share of min. 10%, otherwise 15%	0%	10%/0%

* If certain conditions are met, the Council Directive on the common system of taxation in the case of parent companies and subsidiaries can be used. (See below)

** Maximum tax rate in the source country

The treaties ratified in the last two decades avoid the double taxation mainly by means of foreign tax credit. The older treaties used to exempt the foreign income from taxation in the Czech Republic.

DIRECT TAXES – PERSONAL INCOME TAX

Natural persons (individuals) with permanent home in the Czech Republic, or those staying in the country for more than 183 days in the calendar year, are subject to tax in the Czech Republic. Such individuals are considered to be tax residents in the Czech Republic and are subject to taxation on their worldwide income.

Natural persons who do not fulfil the above-mentioned conditions, or are considered to be tax residents of another country according to the double taxation treaty signed by the Czech Republic, are only taxed on the income generated from sources in the Czech Republic (limited tax liability).

Following types of income are subject to tax:

- Income from employment
- Income from self-employment activities
- Income from capital assets
- Rental income
- Other income.

Capital gains from sale of certain assets held for non-business purposes are exempt from tax, e.g.:

- Income from the sale of shareholding in limited liability company or cooperative if owned longer than five years
- Income from the sale of securities if owned longer than three years
- Income from the sale of a family house or apartment, if the taxpayer has been living there for two years prior to the sale
- Other real estate, if possessed by the taxpayer for longer than five years.

Employment income of non-residents performing activities in the Czech Republic for and under instruction of a foreign employer not having a permanent establishment in the Czech Republic for less than 183 days during any 12-month period is exempt from tax.

Generally, tax base of employment income is the gross salary increased by the health insurance and social security contributions paid by the employer (see above). Income tax is withheld from the employment income by the employer who further pays it to the tax office.

For the purpose of determining the tax base of business or rental income, it is possible to deduct either the real amount of expenses or a lump sum amount, calculated as a percentage (30– 80 %) of the taxable income, based on the kind of business activity. There is limitation of the lump sum expenses as defined in the table below.

BUSINESS ACTIVITY	LUMP-SUM RATE	MAXIMUM AMOUNT OF EXPENSES
Agriculture, craft trade	80%	CZK 800,000 (EUR 29,630)
Trade license activity	60%	CZK 600,000 (EUR 22,222)
Rental income	30%	CZK 300,000 (EUR 11,111)
Independent personal service	40%	CZK 400,000 (EUR 14,815)

Generally, the tax loss arising from business and other self-employment activities or the renting and leasing of property may be carried forward for the following five years. A set-off with income from employment is not permissible.

If certain conditions are met, the tax base of individuals can be decreased by special tax deductions. The most usual tax deductions are interests on mortgages or loans from building societies, paid private pension or life insurance contributions, gift aid etc. Furthermore, it is possible to reduce the final tax liability by tax allowances. For instance, there are allowances for taxpayers with children, for taxpayers paying kindergarten or those sharing household with a spouse without income, receiving disability support pension or being seriously disabled. Moreover, there is a basic tax allowance for all taxpayers amounting to 920 EUR per year.

Personal income is subject to a flat-rate tax of 15%.

Since the calendar years 2013, there is an additional tax of 7% applicable to the sum of gross employment income and tax base from business activities exceeding the threshold of approximately EUR 50 190 in a year. If applicable, the taxpayer is obliged to file a tax return.

The income tax return must be submitted within three months (or six months when represented by a tax) following the end of the calendar year. The tax is due on the last day of the deadline for filing the tax return. The tax is usually prepaid by means of advance payments.

Apart from personal income tax, natural persons must also pay social security contributions and health insurance premiums. Social security contributions and health insurance premiums are to be paid from the employment income (see above) and from the self-employment activities (see below).

Since 2015 a personal income taxpayer must report to the tax administrator every income which exceeds the amount of CZK 5,000,000 (EUR 185,185) in a tax period and is exempted from tax. This applies, for example, to exempted income on the sale of ownership interests and shares, real estate, etc. Penalties for non compliance can reach up to 15% of the unreported income.

CORPORATE INCOME TAX

This tax applies to all income generated by legal entities.

Legal entities with seat or place of effective management in the Czech Republic are considered tax residents and are subject to corporate taxation on their worldwide income. Unlimited Liability Company (v.o.s.) and also partly limited partnership company (k.s.) are considered to be tax transparent. Profit of v.o.s. is being taxed within the tax returns of individual members. The same rule applies in case of the profit of general partners of k.s.

A limited tax liability applies to non-resident legal entities – only income generated from sources in the Czech Republic is subject to the corporate income tax. This mainly applies to permanent establishments of foreign nationals in the Czech Republic.

TAX RATE

The tax rate is 19%. The tax rate for basic investment fund is 5%.

TAX YEAR

The taxable period is the calendar or financial year (always starting on the first day of a month).

TAX RETURN

The tax return must be filed within three or six months (if the taxpayer is represented by a tax advisor or if an audit is mandatory) after the balance-sheet date. Further prolongation of the deadline may be granted at the discretion of the tax authority.

The tax is due on the last day of the deadline for filing the tax return. If there is an overpayment, a separate request for a refund of the overpayment must be filed. Advance payments for income tax on a quarter or half-year basis must be paid by those taxpayers whose tax liability for the preceding tax period exceeded CZK 30,000 (approximately EUR 1,111).

IMPLEMENTATION OF EU DIRECTIVES

With respect to corporate taxation, the Czech Republic has implemented the following EU directives:

- Directive on the common system of taxation applicable to mergers, divisions, partial divisions, transfers of assets and exchanges of shares concerning companies of different Member States and to the transfer of the registered office of an SE (European company) or SCE (European Cooperative society) (2009/133/EC)
- Directive on the common system of taxation applicable in the case of parent companies and subsidiaries (2011/96/EC)
- Directive on a common system of taxation applicable to interest and royalty payments (2003/49/EC).

INCOME FROM THE TRANSFER OF SHARES

Generally, capital gains upon the transfer of shares are subject to corporate income tax.

In cases where a shareholding company, which is a tax resident in the Czech Republic or in the EU, Switzerland, Norway, Iceland or Liechtenstein sells shares in a subsidiary with seat in the Czech Republic or in the EU, Switzerland, Norway, Iceland or Liechtenstein income arising from the transfer is exempt from tax upon meeting certain conditions, i.e. qualifying legal form of both companies and minimum shareholding (10%) for a period of 12 months.

Capital gains from transfer of shares in non-EU companies might also be tax exempt if the analogous legal form and holding requirement is fulfilled, if there is a double taxation treaty between the Czech Republic and the country of residence of the subsidiary and the subsidiary is subject to corporate tax of at least 12% in its home country.

PAYMENT OF PROFIT TO/FROM ABROAD

Profit distributions and liquidation proceeds are subject to withholding tax of 15%. The rate may be modified by a relevant double taxation treaty. Starting 2013 the withholding tax of 35% shall be applied on these payments if the recipient is a tax resident of a non-EU/EEA Member State with which the Czech Republic doesn't have a valid and effective double taxation treaty or a tax information exchange agreement.

Profit distributions between a shareholding company and its subsidiary with seat in the Czech Republic, the EU, Switzerland, Norway or Iceland are exempt from taxation. Conditions for the tax exemption are qualifying legal form of both companies and uninterrupted holding of a minimum of 10% for a period of 12 months.

Profit distributions received from subsidiaries from other countries might be tax exempt upon similar conditions, if there is a double taxation treaty with the respective state and the subsidiary is subject to corporate income tax at the minimum rate of 12% in its home country.

The exemption may not be exercised if the subsidiary or parent company is exempt from legal entity income tax or a similar tax; or may choose exemption or similar relief from legal entity income tax or a similar tax, or is subject to legal entity income tax or a similar tax at a rate amounting to 0 %.

The transfer of a profit held by a domestic branch to its foreign headquarters is not subject to any withholding tax, nor any other restriction (e.g. branch tax).

TAX LOSSES

Tax losses may be carried forward for the subsequent five-year period. A tax loss cannot be offset against future profits if there has been a significant change both in the structure of the shareholders with direct participation in the capital or control (a change of more than 25% of the equity) and in the subject of business (less than 80% of earnings come from the same activities as in the past).

If a taxpayer ceases to exist due to a business restructuring and the tax loss is taken over by its successor, such tax loss may be offset only against future profits of the successor attributable to the income from the same activities as performed by the ceased company. Should there be any doubts in determination of such profits, it is possible to apply for an advance ruling subject to an administrative fee of CZK 10,000 (approximately EUR 370).

No loss carry-back is available in the Czech Republic.

PRICES BETWEEN RELATED PARTIES

'Related parties' are considered to be companies (or individuals) connected by direct or indirect participation on the capital or voting rights of at least 25% or subject to common management or control. Related parties are deemed to be also parties where a person participates in the management or control of another person, or two persons are subject to management or control by a common person, or parties who entered into legal relationship primarily for the purpose of tax base reduction or increase of tax losses.

The OECD's Transfer Pricing Guidelines are not binding in the Czech Republic, but are generally accepted. If prices between related persons differ from the common market price, the tax office may adjust the tax base. Such tax base adjustment is treated as a deemed profit distribution if the counterparty is a taxpayer other than resident of another EU/EEA Member State or Switzerland.

It is possible to apply for a binding opinion on a price arranged between related parties. Such advance pricing agreement is charged at CZK 10,000 (approximately EUR 370).

Since 2015 the tax authorities require the taxpayers exceeding at least one of following criteria (assets CZK 40,000,000, turnover CZK 80,000,000, 50 employees) to lodge the mandatory annex to the corporate income tax return which specifies the details of transactions to each relate entity.

INTEREST

Interest on loans and credits as well as related costs (fees, costs for securing the loan etc.) from related parties are tax non-deductible if the total of loans from related parties is more than four times (six times for banks and insurance companies) the amount of the equity. The same applies to financial costs the amount or maturity of which is dependent upon the profit of the debtor.

Such non-deductible interest is treated as a deemed profit distribution if paid to a taxpayer other than resident of another EU/EEA Member State or Switzerland.

DEPRECIATION ACCORDING TO TAX LAW

Depreciation periods for fixed tangible assets are set out by the Act on Income Tax as shown in the table below.

TABLE 7

Depreciation for fixed tangible assets

DEPRECIATED GROUP	DEPRECIATION PERIOD (YEARS)	TYPE OF FIXED TANGIBLE ASSETS
1	3	PC and other office technology, some agricultural machinery
2	5	Furniture, motor vehicles, machinery and equipment
3	10	Special technical equipment
4	20	Utilities equipment (water and gas pipes etc.)
5	30	Buildings, constructions, flats, water works
6	50	Hotels, administrative buildings, supermarkets, historical or cultural heritage sites

In the first year of depreciation, taxpayers may choose one of the following depreciation methods – either the straight-line method or accelerated method. Depreciation of certain assets might be increased by up to 20% in the first year. The law sets time-scheduled depreciation for some items, e.g. 240 months for machinery part of photovoltaic power stations.

Fixed intangible assets are generally amortised over the time period in which the right for use exists or contracted period or over the period defined in the Income Tax Act. For example, software can be depreciated over 36 months, the set-up costs for 60 months and other intangible assets for 72 months.

Land and works of art are not depreciated.

Low-value tangible fixed assets with an acquisition value below CZK 40,000 (approximately EUR 1,481) and low-value intangible assets with an acquisition value below CZK 60,000 (approximately EUR 2,222) are depreciated in accordance with the accounting law.

LEASING

The Act on Income Tax recognises two types of leasing – financial and operational leasing. In the case of financial leasing, ownership of a leased item is expected to be transferred to the leaseholder after termination of the lease contract.

The costs of financial leasing qualify as an expense for tax purposes upon the meeting of four conditions. The most notable is that the lease period has to be at least the same as the tax depreciation period (the lease period for assets classified in the 2nd to 6th depreciation group is reduced by 6 months).

For financial leasing from abroad, a withholding tax of 5% is applied to the leasing payment. For operational leasing from abroad, a withholding tax of 15% is applied according to the Income Tax Act. Both rates may be modified in accordance with an applicable double taxation treaty. Starting 2013 the withholding tax of 35% shall be applied on income from operational leasing paid to the tax resident of a non-EU/EEA Member State with which the Czech Republic doesn't have a valid and effective double taxation treaty or tax information exchange agreement.

WITHHOLDING TAX

Certain types of income are taxed by means of a withholding tax. Withholding tax is deducted from gross income not taking into account any related costs.

Regardless of whether the income is paid to a resident or a non-resident taxpayer, the withholding tax must be paid at the time when the payment is made. With respect to certain types of income, tax must be withheld when the payable against the recipient of the income is accounted for.

TABLE 8

Withholding tax rates

	WITHHOLDING TAX*
Dividends, Settlement shares, liquidation proceeds	15%
Interest on term deposits of natural persons	15%
Rent from a financial lease paid to non-residents	5%

*The rate is modified in accordance with any double taxation treaty which may exist.

Starting 2013 the withholding tax rate of 35% is applied on certain types of income if paid out to the tax resident of a non-EU/EEA Member State with which the Czech Republic doesn't have a valid and effective double taxation treaty or tax information exchange agreement.

EU or EEA tax residents with specific types of income, from which tax was withheld, are allowed to submit an income tax return and claim expenses corresponding to the respective income. In such case, withholding tax credited as an advance payment and the tax overpayment is refunded.

INCOME OF NON-RESIDENT TAXPAYERS FROM SOURCES WITHIN THE CZECH REPUBLIC

With respect to non-resident taxpayers, only the income from sources within the Czech Republic is subject to taxation. A detailed list can be found in the Section 22 of the Czech Income Tax Act.

Source income includes income from:

- Activities of a permanent establishment
- Employment in the territory of the Czech Republic
- Technical, business or other consulting, managerial or agency activities in the Czech Republic
- The use or sale of real estate in the Czech Republic
- An independent activity carried out in the Czech Republic
- The activities of artists and athletes carried out in the Czech Republic
- A sale of shares in companies having seat in the Czech Republic
- Income from the sale of a business establishment located in the territory of the Czech Republic.

Permanent establishment of a non-resident may exist if there is a fixed place of business in the Czech Republic, or if there is a construction site or services rendered in the Czech Republic for a period of more than 6 months in any 12-month period. The same applies if there is a dependent agent of a non-resident acting on behalf of him in the Czech Republic.

When income is received from Czech tax residents or Czech permanent establishments of tax non-residents, source income also includes:

- Fees for the use of industrial property rights, software, know-how
- Fees for the use of copyrights
- Profit distributions, settlement shares, liquidation proceeds
- Interest on credits and loans
- Income from the use of tangible assets in the Czech Republic
- Directors' fees
- Income from lotteries, competitions and sport events
- Alimony payments and pensions
- income derived by a shareholder/member of a company in connection with a reduction of registered capital
- income from settlement of a receivable acquired by assignment
- sanctions from contractual and non-contractual obligations
- income from a trust fund
- gratuitous income.

The tax on this income is collected either through a withholding tax (final taxation) or through a tax return. For certain types of income, taxpayers from the EU and EEA can opt for filing a tax return and credit the withholding tax as an advance payment.

OTHER DIRECT TAXES

ROAD TAX

This tax applies to motor vehicles registered and operated in the Czech Republic for profit-making activities. For personal automobiles, it varies according to the capacity of the engine (at rates from CZK 1,200/EUR 44 up to CZK 4,200/EUR 156). Total weight and number of axles is decisive in the case of freight vehicles (at rates from CZK 1,800/EUR 67 up to CZK 50,400/EUR 1,867). These basic rates can be decreased or increased depending on vehicle age.

REAL ESTATE TAX

Real estate (ie land and buildings) is subject to real estate tax. The basis for taxation for land is the surface area of the land in square metres. In the case of the tax on buildings, the basis for taxation is the actual built-up construction area in square metres. There are various tax rates for open areas, agricultural land and buildings. The municipality may influence the amount and exemption of tax depending on valid by-laws.

Paid real estate tax is considered as a tax expense for the calculation of income tax.

INHERITANCE TAX, GIFT TAX

As of January 2014 the inheritance tax and gift tax were abolished and were integrated into the Income Tax Act.

Income from inheritance is tax exempt from income tax for both individuals and legal entities.

For individuals, the acceptance of a gift is subject to income tax at 15% except where such income is exempt. Most common exemptions include gifts among related persons in the direct or collateral line (parents, children, siblings, uncles etc.)

Gifts among legal entities are newly subject to corporate income tax at 19% at the beneficiary. Tax exemption applies e.g. to gifts received by public-benefit entities used for public benefit.

REAL ESTATE ACQUISITION TAX

A transfer of real estate is subject to a real estate acquisition tax. Since 1.10.2016 the real estate acquisition tax is always paid by the new owner.

The basis for the calculation of the tax is the purchase price, or so called comparative tax value whichever is higher. The comparative tax value of the real estate is based either on a publicly available average local prices subject to certain adjustments or on an expert opinion. The rate is flat and set at the level of 4%.

When paid, real estate acquisition tax is considered a tax expense for the calculation of income tax.

VALUE ADDED TAX (VAT)

The local VAT law system is governed by the Council Directive 2006/112/EC.

TAX RATE

There are three VAT rates in the Czech Republic – a basic rate of 21% for most goods and services, a first reduced rate of 15%, mainly for food products and a second reduced rate of 10% for baby formula, medicaments and books.

VOLUNTARY REGISTRATION

Domestic entities as well as foreign entities planning to perform taxable transactions with a right for input VAT deduction in the Czech Republic may apply for registration for VAT voluntarily.

MANDATORY REGISTRATION – REGISTRATION OF DOMESTIC ENTITIES

An entrepreneurial entity or entrepreneur with their registered office or place of business in the Czech Republic becomes mandatorily a taxpayer, if e.g. turnover of CZK 1,000,000 (approximately EUR 37,037) during a period of no more than 12 previous consecutive months is achieved.

REGISTRATION OF FOREIGN ENTITIES (COUNTRIES WITHIN THE EU AND OUTSIDE)

Foreign entities are obliged to register in the Czech Republic, for example:

- upon their first supply of goods or services taxable in the Czech Republic unless the recipient of the supply is liable for tax
- upon their first tax-exempt delivery of goods from the Czech Republic to another EU Member State.

SPECIAL VAT REGISTRATION (WITHOUT INPUT VAT DEDUCTION) - PERSON IDENTIFIED FOR VAT

A (domestic and foreign) person not registered for VAT purposes in Czech Republic according to the previous paragraphs might become liable to pay VAT on intra-Community acquisition of goods from another EU Member State or on services received from a person established outside the Czech Republic. Such person is obliged to file an application for special VAT registration and to file a tax return only for those tax periods in which VAT liability arises. Due to the fact that it is not registered as an ordinary taxable person, it is not obliged to charge VAT on domestic supplies, nor has the right to deduct input VAT.

VAT COMPLIANCE OBLIGATIONS

A registered person is obliged to file a tax return and to pay the due tax within 25 days after the last day of the tax period. The ordinary tax period is the calendar month. As of the third year after VAT registration the tax period may be changed to calendar quarter when certain conditions are met, e.g. turnover not exceeding CZK 10,000,000 (approximately EUR 370,370).

Generally, the EC sales list on intra-Community supplies of goods and services must be filed within 25 days after the end of the calendar month.

The VAT Control Statement which is list of all received and provided supplies over CZK 10,000 (approximately EUR 370) must be filed within 25 days after the end of the calendar month.

SUBJECT TO VAT

The following transactions are subject to VAT:

- The supply of goods and services
- The import of goods from outside the EU by any person
- The acquisition of goods from another Member State (intra-Community supplies)

EXEMPT SUPPLIES

Transactions which are exempt from VAT might be split among those with and without right to deduct input VAT. The later mentioned include e.g. financial services, insurance, postal services, public radio and television broadcasting and the transfer and rent of real estate.

Certain tax-exempt real estate transactions may be optionally charged with tax resulting in deduction of input VAT.

Export of goods outside EU is VAT exempt with the right to deduction of input VAT. Supply of goods to another EU Member State is VAT exempt with the right to deduction of input VAT if such goods are dispatched or transported from the Czech Republic and the buyer is registered to VAT in the other Member State.

DEDUCTION OF TAX ON PURCHASES

Tax can be deducted from purchases if the purchased goods and services are used for carrying out economic activities.

The right to deduct tax on purchases cannot be claimed in the case of expenses for representation.

However, no input VAT deduction may be claimed as far as the purchases are used for supplies exempt from tax without the right to a deduction.

ADVANCE PAYMENTS

Advance payments are subject to VAT in the period in which they are received. Supplier is obliged to issue a tax document confirming the receipt of payment.

REAL ESTATE AND VAT

The transfer of buildings, apartments and non-residential premises might be exempt from VAT if five years have passed from the date of issue of the first occupancy permit approval or occupancy permit approval after the significant change or the date of their first usage. The transfer of related plot of land is subject to the same tax treatment.

The transfer of land without any structure (e.g. building, utility networks) and without a building permit and is mandatorily exempt from VAT without any option to tax.

The construction of buildings, apartments and non-residential premises is generally subject to the basic rate of 21%, though the construction of apartments under 120 square meters and family houses under 350 square meters is subject to a reduced rate of 15%.

GROUP REGISTRATION

From 2008, group registration is possible. Intra-group transactions are not subject to tax. Consequently, group registration might result in cash flow advantages and in some cases even savings on tax liability.

A group for VAT purposes consists of persons related either by capital (40% shareholding) or control (common management). One representative member is responsible for meeting all compliance obligations for the entire group.

VAT REFUNDS

Foreign taxable persons not registered for VAT purposes in the Czech Republic can receive refunds of Czech input VAT. The rules for the refund of VAT are set out in the provisions of the Council Directive 2008/9/EC and Thirteenth Council Directive 86/560/EEC.

VAT is refunded upon an electronic application filed by the foreigner from the EU with its home-state tax authority. The application must be filed in the Czech language by 30 September of the year following the year in which VAT was payable, or in which the VAT upon import was assessed. The request must include the electronic copy of original invoices or the original documents issued for an import, if the tax base on such documents is higher than 250 EUR for hydrocarbon oils and 1,000 EUR for other kinds of purchased supplies.

A taxable person from a non EU-Member State must file an application in the Czech language and send it to the Tax Office Prague 1 by 30 June of the year following the year in which VAT was payable or in which the VAT upon import was assessed. The application must include the original invoices, original documents issued for an import, as well as a list of the relevant invoices, including a certificate of VAT registration of the person from its home-country.

The tax office has the right to reject a request for a VAT refund if the non EU-Member State in which the foreigner is registered does not refund the foreign VAT to Czech taxable persons in a reciprocal manner (In fact VAT can be refunded to Switzerland, Norway and Makedonia).

INTRASTAT

Persons registered to VAT who engage in intra-Community transactions (dispatch/arrival of goods to/from other EU Member States) are obliged to report these transactions monthly if the threshold of CZK 8 million (approximately EUR 296,296) for dispatch or arrival is exceeded in one calendar year.

EXCISE TAX

This tax applies to the consumption of five specified groups of goods – hydrocarbon fuels (petroleum oils), alcohol and alcoholic beverages, wine, beer, cigarettes and tobacco products. The tax is paid by the manufacturer or importer of these goods. They may be sold under a suspension arrangement. Then, tax liability is paid as soon as the goods are released for free circulation.

Excise tax is set as a fixed amount per unit of goods.

The customs office administers excise tax.

ENERGY TAX

On 1 January 2008, the Czech Republic introduced tax on the supply of electricity, gas and solid coal on the basis of the relevant European Union law.

Taxpayers are the suppliers of the energy products in the Czech Republic to the end consumer or to operators of distribution or transmission grids. Taxpayers are also persons who used non-taxed energy products in a different manner than for tax-exempt purposes.

The customs office administers energy tax. The tax period is the calendar month and a tax return must be submitted by the 25th day of the following month. The tax is payable within the same period.

Exemption from energy tax is possible dependent upon the purposes of energy product use (ecologically efficient energy, combined production of electricity and heat, public transport etc.).

HEALTH INSURANCE AND SOCIAL SECURITY OF SELF-EMPLOYED PERSON

A self-employed person is obliged to pay general health insurance contributions and social security contributions. The obligation to pay general health insurance contributions arises on the date when entrepreneurial activities start.

The annual assessment base for general health insurance contributions and social security contributions is 50 % of the profit (the difference between income and expenses of the entrepreneurial activity).

There is a maximum annual assessment base of CZK 1,355,136 (approximately EUR 50,190) for the calculation of social security contributions. Maximum assessment base for general health insurance contributions is not set. There is also a minimum assessment base which is different for general health insurance contributions (CZK 169,422) and social security contributions (CZK 84,696 or CZK 33,888).

CONTRIBUTION RATES

The contribution rates for self-employed persons are set out in the following table.

TABLE 9

Self-employed contribution rates

GENERAL HEALTH INSURANCE	SOCIAL SECURITY *	SICK-LEAVE INSURANCE – VOLUNTARY
13.5 %	29.2 %	2.3 %

* Includes old-age pension insurance contributions and unemployment benefit contributions.

A self-employed person is not obliged, but may opt to pay contributions for sick-leave insurance.

7 – ACCOUNTING & REPORTING

Accounting is governed by the Accounting Act and related regulations (decrees on accounting and Czech accounting standards).

ACCOUNTS

A natural person/ entrepreneur with a turnover of more than CZK 25,000,000 (approximately EUR 925,926) and persons registered in the commercial register (e.g. local corporations and branches of foreign entities) must keep accounts.

The accounting period can be the calendar year or a financial year which differs from the calendar year. Accounts must be kept in the Czech currency and in the Czech language. In addition, receivables, liabilities, shares, securities, and cash or accounts in foreign currencies must simultaneously be stated in a foreign currency.

Each accounting unit must prepare a mandatory chart of accounts i.e. an overview of the accounts which it uses. The mandatory basic structure of a chart of accounts is set out in decrees on accounting for the various types of accounting units (entrepreneurs, non-entrepreneurial entities, banks, insurance companies, government organisations).

CLOSING OF BOOKS

As of the balance sheet date, entrepreneurs submit a financial statement – a balance sheet, a profit and loss report and an appendix. The appendix contains supplementary information on the balance sheet and profit and loss report and details on the accounting methods used, as well as gives a specification of the content of the entries in the balance sheet and profit and loss report, and liabilities to the government. For accounting units exceeding at least two of following criteria - assets CZK 100,000,000 or turnover CZK 200,000,000 or 50 employees - it must also contain a cash flow statement.

The financial statement is a mandatory appendix of a tax return.

Business corporations are obliged to make public their annual reports, financial statements, and audits of financial statements by including them in the collection of documents with the registration court within the deadlines set by law.

AUDITS

A business corporation is subject to statutory audit if it has:

- Assets of more than CZK 40,000,000 (approximately EUR 1,481,841)
- Turnover of more than CZK 80,000,000 (approximately EUR 2,962,962)
- An average number of employees greater than 50.

Joint-stock companies are obliged to conduct an audit if at least one of these criteria is fulfilled in the year for which the closing of books is being prepared, and in the preceding year. For other types of business corporations, co-operatives, branches of foreign entities and natural persons keeping double-entry accounting, an audit is mandatory if at least two of the three conditions are fulfilled for two consecutive accounting periods.

Audited business corporations must prepare an annual report.

INTERNATIONAL ACCOUNTING STANDARDS

Consolidating accounting units which issue securities registered on a regulated market in EU Member States are obliged to use International Accounting Standards for financial statements. Other consolidating units have the choice of applying International Accounting Standards for their financial statements.

However, the application of International Accounting Standards does not affect the assessment of taxes because income tax must be calculated in accordance with the Czech accounting and tax regulations.

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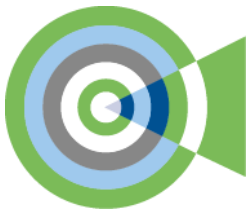
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