

DOING BUSINESS IN THE CZECH REPUBLIC



1

2025

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PREFACE – HOLEC, DUDÁK, BARTŮŇKOVÁ ADVOKÁTI

HOLEC, DUDÁK, BARTŮŇKOVÁ ADVOKÁTI s.r.o. builds on the long-standing tradition of practice under the former name **HOLEC, ZUSKA & PARTNEŘI**. Following a partial generational transition in March 2025, the firm entered a new stage of development marked by continued growth and the addition of new partners. It remains among the leading Czech law firms advising both the private and public sectors.

Based in **Prague**, the firm provides comprehensive legal services across the full spectrum of commercial and public law. Its core practice areas include **M&A, corporate and commercial law, competition law, real estate, litigation and arbitration, labour law, public procurement and state aid, intellectual property and IT law**.

The firm represents **multinational groups, Czech subsidiaries of international corporations, major domestic companies, public institutions, and universities**. It regularly works alongside auditors and tax advisers on acquisitions, project finance, and public-sector mandates.

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1. Czech Republic – Overview

The Czech Republic lies in central Europe, bordered by Germany, Poland, Slovakia and Austria. Its population is ~10.9 million. The capital, Prague, has ~1.4 million residents. Other major cities include Brno, Ostrava, Plzeň and Olomouc.



It is a parliamentary democracy with an advanced, export-oriented economy integrated into the EU single market. Monetary policy is set by the independent Czech National Bank, which maintains the Czech koruna (CZK) as a stable, fully convertible currency. The average 2025 rate is **€1 = CZK 24.7** and **USD 1 = CZK 22.2**. Adoption of the euro is a political decision not expected in the near term, although the Czech Republic remains legally obliged to adopt the euro once convergence criteria are met.

The Czech Republic is a member of the EU, OECD, NATO, WTO, IMF, World Bank, WIPO, OSCE and the Council of Europe. Its legal framework aligns with EU norms. Capital, profit and dividend transfers are generally unrestricted, subject to EU law and anti-money-laundering regulations.

It participates in the Multilateral Investment Guarantee Agency (MIGA) and has signed more than 80 bilateral investment treaties and double-taxation avoidance treaties. The business environment is open, predictable, and one of the most developed among Central European economies.

2. Czech legal system

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The Czech Republic applies a continental civil-law system influenced by German and Austrian models. Legislation is codified and generally predictable, though frequent amendments require regular monitoring.

Private law, which represents the framework for doing business, is governed mainly by the **Civil Code (Act No. 89/2012 Coll.)** and the **Business Corporations Act (Act No. 90/2012 Coll.)**, in force since 1 January 2014. They replaced the former Commercial Code and are updated regularly to incorporate EU directives and current case-law.

All companies must ensure that their constitutive documents comply with the mandatory rules of the Business Corporations Act. Any conflicting clauses are void, and firms that never adjusted their memoranda or articles should update them without delay.

Key fields—civil, criminal, administrative, labour, and building regulation—are governed by separate procedural and substantive codes.

Only written legislation is an official source of law, but **Supreme Court** and **Constitutional Court** judgments are routinely cited for interpretation.

Czech law is largely harmonised with EU legislation. The legal hierarchy places the **Constitution** and **constitutional acts** at the top, then ordinary statutes, followed by implementing decrees and local ordinances.

The Czech Republic belongs to the **EU, OECD, NATO**, and other organisations including the **WTO, IMF, World Bank, WIPO, OSCE**, and the **Council of Europe**. Courts and administrative bodies interpret national legislation in line with these international commitments.

3. Judicial system / Dispute resolution

Judicial power is exercised by independent courts in a **two-instance system**: District Courts hear most cases at first instance, with appeals decided by Regional Courts; in more serious matters, Regional Courts act as courts of first instance and High Courts (in Prague and Olomouc) hear appeals. The Supreme Court and Supreme Administrative Court, both seated in Brno, serve as extraordinary appellate instances, while the **Constitutional Court** safeguards constitutionality and reviews final decisions violating fundamental rights. Ordinary litigation can be lengthy at first instance despite ongoing digitalisation, although recent amendments to the Civil Procedure Code are expected to improve efficiency.

Arbitration. Businesses frequently choose arbitration for speed and enforceability. Three permanent courts operate in the Czech Republic:

- Arbitration Court attached to the Economic and Agricultural Chambers (general competence under Act No. 216/1994 Coll.; awards final and enforceable in the Czech Republic and abroad).
- Exchange Court of Arbitration at the Prague Stock Exchange (disputes tied to trades on regulated markets and related capital-market transactions, if agreed by the parties).
- Arbitration Court of the Czech-Moravian Commodity Exchange Kladno (disputes from commodity-exchange trades).

Mediation. Act No. 202/2012 Coll. enables voluntary mediation in civil and commercial matters. Courts may suggest mediation; they retain jurisdiction and approve any settlement concluded under the act.

Sector ADR bodies. Several authorities resolve specific disputes:

- **Financial Arbitrator** for consumer disputes in financial services (payments, e-money, credit, building savings, life insurance, collective investment products).
- **Czech Telecommunication Office** for electronic-communications and broadcasting disputes involving consumers.

- **Energy Regulatory Office** for disputes under the Energy Act (access to transmission/distribution systems, renewable-energy purchase, green-bonus entitlements).
- **Czech Trade Inspection Authority** is the general ADR body for consumer disputes. Professional bodies with statutory competence (e.g., Czech Bar Association) may act as ADR entities in their sectors.

Consumer ADR procedure. A consumer may initiate ADR in writing, orally on the record, or using online form within **1 year** after first contacting the entrepreneur with the claim. The filing must show the consumer tried to resolve the matter directly. If ADR is chosen, the entrepreneur must cooperate and provide a statement **within 15 days** of notification. Court rights remain unaffected. ADR aims at **conciliation**; the proceeding is **free of charge** and should finish within **90 days** (up to **180 days** in complex cases). If no agreement is reached, court action remains available.

4. Establishing business presence

Foreign investors may conduct business in the Czech Republic under the same legal conditions as domestic entrepreneurs. They can found or co-found Czech companies, acquire existing entities, or operate through a branch.

The most common entry forms are a limited liability company (*společnost s ručením omezeným, s.r.o.*) or a branch of a foreign company. Establishment of a company typically takes **one to two weeks** with complete documentation. Incorporation requires a notarial deed (memorandum or founder's deed), confirmation of the company's seat, details of business activities, executive directors, and founders' capital contributions. Legal existence begins upon registration in the Commercial Register, generally processed within **5 working days** once filings are complete.

All acts performed between incorporation and registration must be retroactively approved by the founder(s). Registration is handled by the competent regional court once all statutory requirements—valid deed of foundation, payment of capital, right to use registered office, and trade licence—are met.

There are **no general restrictions** on foreign ownership or control. Exceptions apply to regulated sectors such as banking, insurance, energy, defence trade, and certain ICT or infrastructure activities subject to **foreign-investment screening** under Act No. 34/2021 Coll. (see new section "Foreign Direct Investment Screening").

Digitalisation now allows incorporation filings, licensing, and registry submissions through the state electronic portal using data mailboxes or electronic identification.

5. Foreign Direct Investment (FDI) Screening

Foreign investments in the Czech Republic are regulated by the **Act No. 34/2021 Coll., on the Screening of Foreign Investments**, as amended. The regime applies to all **non-EU investors** acquiring effective control or influence over a Czech entity, asset, or technology.

Scope and thresholds

A foreign investment includes any acquisition, directly or indirectly, of:

- **10 % or more of voting rights** or equivalent control in a Czech target;
- membership of the foreign investor, or of a person closely related to them, in a governing body of the target entity;
- the ability to **exercise effective influence** on management or operations;
- ownership or use of assets essential for national security or public order.

Certain sectors require **mandatory prior approval**, including defence and dual-use goods, critical infrastructure and information systems, critical energy, water, and transport assets, key communication networks, and technologies of strategic significance (semiconductors, AI, cyber-security). Other transactions may be **notifiable voluntarily**; the Ministry of Industry and Trade (MIT) retains a **“call-in” power for up to five years** after closing.

Procedure

Notifications are submitted to the MIT. The MIT may approve, approve with conditions, or prohibit the investment. Review periods vary - **90 days** if no security risk is identified, or **135 days** if a security risk is identified and the matter must be discussed and decided by the Government of the Czech Republic. In complex cases, the review period may be extended by up to **30 days**, and in situations specified by law — for example, when negotiating conditions for approval — the proceedings may be suspended. Transactions subject to mandatory screening must **not close** until clearance is granted (“stand-still obligation”).

Sanctions

Failure to comply with obligations may result in fines of up to 2% of the investor’s global turnover for breaching conditions or ignoring a prohibition order, and up to 1% of turnover for implementing an investment without required notification or consultation. In serious

cases, the Ministry of Industry and Trade may also order unwinding of the investment to protect national security or public order.

The Czech FDI regime operates within the **EU cooperation mechanism** under Regulation (EU) 2019/452, and in practice remains transparent and predictable. Investors are advised to conduct an **FDI self-assessment** early in the transaction process.

6. Forms of legal entities

Foreign companies may operate in the Czech Republic through a **branch** or by establishing a Czech legal entity. The most common company forms are **limited liability company (s.r.o.)** and **joint-stock company (a.s.)**—both capital corporations with statutory registered capital. Personal companies include the **general partnership (v.o.s.)** and **limited partnership (k.s.)**. The **co-operative (družstvo)** is also available.

Investors may also operate as **sole traders** under a trade licence or participate via a **silent partnership** (contractual agreement). EU forms recognised in the Czech Republic include the **European Economic Interest Grouping (EEIG)**, the **European Company (Societas Europaea, SE)**, and the **European Cooperative Society (SCE)**.

A branch

A branch of a foreign company is not a separate Czech legal entity. It acts on behalf of its foreign parent, which remains liable for all obligations arising from the branch's activities.

Branches may operate in the Czech Republic once they obtain a **trade licence** and are entered in the **Commercial Register**. The parent company's resolution establishing the branch must state its Czech address, business scope, and appointed branch manager.

Branches may engage only in activities consistent with those of the parent company. Their internal relations are governed by the parent's home law, but Czech law applies to local operations, taxation, and employment.

Under the **single-licence principle**, certain regulated entities from the EU/EEA (e.g. banks, insurers, investment firms) may operate directly in the Czech Republic without establishing a branch, provided the activity does not constitute a permanent establishment.

There are no restrictions on real-estate ownership by branches. A branch is subject to **Czech corporate income tax** on income generated in the Czech Republic.

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

The limited liability company (**společnost s ručením omezeným**, s.r.o.) is the most widely used corporate form in the Czech Republic. It is suitable for businesses with a limited number of shareholders and an active ownership structure, rather than purely investment-based participation. As a result, it remains the most common form for small and medium-sized enterprises and subsidiaries of foreign groups. It offers flexible governance, low capital requirements, and limited liability of members.

The company may be founded by a **single member** (founder's deed) or by **multiple members** (memorandum of association), both executed in notarial form. Each member participates through an **ownership interest** corresponding to the proportion of their capital contribution, unless otherwise provided in the memorandum. A member may hold multiple ownership interests, and the company may issue **common certificates (kmenový list)** representing freely transferable interests, though these are not tradable on regulated markets.

Ownership interests can be transferred between members without approval unless restricted by the memorandum; transfer to non-members usually requires approval of the general meeting. Transfers are effective against the company when a written agreement with verified signatures is delivered.

Key features:

- The company exists independently of its members, who are **not personally liable** for company debts beyond unpaid contributions recorded in the Commercial Register.
- **Minimum registered capital:** CZK 1. No reserve fund requirement.
- A **supervisory board** is optional unless required by the memorandum.
- The **general meeting** is the highest body; **executive directors (jednatelé)** act as the statutory body.
- **Audit requirement for 2025** arises if at least two of the following are met in the current and preceding accounting period: turnover > CZK 80 million, total assets > CZK 40 million, or ≥ 50 employees on average. From **1 January 2026**, an amendment to **Section 20(1) of Act No. 563/1991 Coll., on Accounting**, will take effect. The change in audit rules is closely related to the amended limits for dividing accounting entities into categories depending on assets, turnover, and number of employees. After that date, the obligation to have financial statements audited will apply only to **medium-sized and large accounting entities**, meaning companies exceeding at least two of the three limits below in two consecutive accounting periods: (i) assets exceeding CZK 120 million (to date CZK 40 million), (ii) turnover exceeding CZK 240 million (to date CZK 80 million) and (iii) number of employees (on average) exceeding 50. Small accounting

entities will newly be exempt from audit requirements. Public interest entities (e.g., banks, insurance companies, securities issuers) will continue to be subject to mandatory audits regardless of size category.

- **Financial statements** must be filed annually in the Commercial Register.

Before approving any profit distribution, directors must ensure compliance with three statutory tests under Czech law: the Balance Sheet Test, the Equity Test, and the Insolvency Test. The Balance Sheet Test requires that the distributable amount does not exceed the sum of current and past profits and freely distributable funds, reduced by mandatory allocations to reserves. The Equity Test ensures that, after the distribution, the company's equity remains at least equal to its registered share capital plus any non-distributable funds. If the balance sheet includes capitalized development costs, the distributable profit must be reduced by the unamortized portion of those costs. Finally, under the Insolvency Test, profit may not be distributed if doing so would cause or deepen the company's insolvency, either through inability to pay debts or over-indebtedness. Any resolution adopted in breach of these tests is void and without legal effect.

A joint-stock company (a.s.)

The **joint-stock company (akciová společnost, a.s.)** is the preferred form for large enterprises and investor-driven ventures. It is a capital corporation whose shareholders are not liable for its obligations.

The company's **registered capital** is divided into **shares**, which may be registered to a named holder or issued in **dematerialised (book-entered)** form through the **Central Securities Depository**. Physical bearer shares are no longer permitted. Shares are freely transferable unless the **articles of association** restrict transfers (they cannot exclude transferability entirely).

Minimum capital: CZK 2,000,000 or EUR 80,000 for companies keeping accounts in EUR.

Corporate governance:

A joint-stock company may operate under one of two systems:

- **Dualistic:** Board of Directors (statutory body) and Supervisory Board.
- **Monistic:** Administrative Board and Statutory Director.

Key features:

- Shareholders may be **natural persons or legal entities**; there is **no maximum number** of shareholders.
- Shareholders are **not personally liable** for company debts.

- The Commercial Register records capital amount, share classes and restrictions, and members of the elected bodies.
- Generally, no statutory reserve fund is required.
- Requirement to have annual financial statements **audited** follows the same rule for limited liability companies (s.r.o.).
- Property rights attached to shares (dividend, pre-emptive right, bond-subscription right, liquidation share) may be transferred separately if allowed by the articles.
- The issue price of shares may not be lower than their nominal value.

Czech joint-stock companies are widely used by foreign investors for projects requiring flexible ownership, capital-market access, or layered holding structures.

Partnerships (k.s. and v.o.s.)

General partnerships (veřejná obchodní společnost, v.o.s.) and limited partnerships (komanditní společnost, k.s.) are established in a similar manner as other business corporations. In a **general partnership (v.o.s.)**, all partners are personally, jointly and severally liable for the company's obligations in full. A **limited partnership (k.s.)** has two classes of partners:

- **General partners (komplementáři)** – personally, jointly and severally liable for all obligations.
- **Limited partners (komanditisté)** – liable only up to the unpaid amount of their registered contribution as recorded in the Commercial Register.

Both forms are governed by the Business Corporations Act and are rarely chosen by foreign investors, who typically prefer capital corporations (s.r.o. or a.s.) for limited liability and easier governance.

Liability

Shareholders of a **joint-stock company (a.s.)** are not liable for the company's obligations. Members of a **limited liability company (s.r.o.)** are liable only up to the unpaid amount of their registered capital contributions recorded in the Commercial Register.

Executive directors, board members, and other officers are obliged to perform their duties with **due managerial care** (*péče řádného hospodáře*). They are personally liable to the company for any damage caused by a breach of this duty, including negligent management, unauthorised distributions, or conflicts of interest.

The Czech Republic also recognises **criminal liability of legal entities** (Act No. 418/2011 Coll.). A company may be prosecuted for crimes committed to its benefit by its directors, employees, or other associated persons. Liability may be mitigated or avoided if the company proves it exercised adequate control and compliance systems to prevent the offence.

7. Data mailboxes (Databoxes)

Every company registered in the **Commercial Register** has a mandatory **data mailbox (datová schránka)**, an official government-provided e-mail box for official electronic communications communication operated by the Czech state. It serves for the secure delivery of documents between public authorities and businesses and replaces traditional paper correspondence.

Access credentials are issued to the company's statutory representative or authorised person. **Delivery is deemed effective 10 days after transmission**, even if the message is not opened, with full legal effect.

Since **1 January 2023**, data mailboxes have been automatically established not only for legal entities but also for most self-employed individuals and professional associations. Electronic submissions via data mailbox are accepted by courts, tax authorities, and administrative offices without a separate electronic signature.

Businesses must regularly monitor their mailboxes and may also use them for outgoing filings, company registration updates, or court communication.

8. Trade licensing

A company is not required to obtain a trade licence before its registration in the Commercial Register. The founder may choose whether to notify a trade (notification-only trades) or apply for a licensed trade before or after registration. If the company's business activity falls under the Trade Licensing Act (Act No. 455/1991 Coll.) and the company does not obtain a valid trade licence **within one year of incorporation**, the court may dissolve the company with liquidation, as it would be unable to perform its business activities.

(a) Notification-only trades

The Trade Licensing Office registers an entrepreneur once the statutory conditions are met. Notification trades include:

1. **Unqualified trades** – general production, trade and services not listed in Annexes 1–3 of the Act (e.g. manufacture, consulting, marketing, provision of various services).
2. **Craft trades** – activities requiring vocational training or experience (e.g. blacksmithing, carpentry, glassmaking).
3. **Regulated trades** – activities requiring formal professional qualifications (e.g. accounting, engineering, geological work).

(b) Licensed trades (koncese)

Certain activities—such as road transport, security services, and energy trading—require a licence granted by the Trade Licensing Office following an administrative review. Except for unqualified trades, every trade must be operated by a **qualified person** who meets education and experience criteria. A legal entity must appoint a **responsible representative** to ensure compliance.

Beyond the Trade Licensing Act, a number of other sectors require **special authorisations** issued by other regulators (banking, insurance, investment funds, energy, waste management, telecommunications, lotteries, arms trade, and liberal professions such as attorneys, auditors, or doctors). Membership in a relevant professional chamber may be mandatory for these regulated professions, but joining chambers of commerce is voluntary.

Licences are **not transferable** to third parties.

Note: Simply owning and renting out your own real estate is not considered a “trade” business activity in the Czech Republic, so no trade license is required for a company just managing its own property unless they also provide related services such as property management for third parties or short-term accommodation

9. Investment Incentives

The Czech Republic combines a strategic location in Central Europe, a highly skilled workforce, solid infrastructure, and a predictable legal environment. It remains one of the region’s most successful destinations for foreign direct investment.

Investment support is governed by **Act No. 72/2000 Coll., on Investment Incentives**, as amended. Incentives are administered by **CzechInvest**, the national investment and business development agency.

Between **1998 and 2023**, the Czech Republic issued **1,323 investment-incentive decisions**, with investors committing approximately **EUR 34 billion** and creating about **203,500 new jobs**. In **2024 alone**, CzechInvest supported **28 projects** worth nearly **CZK 60 billion** ($\approx$ EUR 2.4 billion), expected to generate more than **3,400 new jobs**.

Forms of support

Depending on project type and location, investors may obtain:

- **Corporate income tax relief** for up to **10 years**;
- **Cash grants** for capital investment, job creation, and employee training or retraining;
- **Transfer of land** with infrastructure at favourable prices;
- **Targeted support** for strategic, technology-intensive, or shared-service projects, including data and R&D centres.

Aid-intensity limits

State aid follows the **Regional Map of State-Aid Intensity** under EU law: generally, up to **25 %** of eligible costs (raised to **35 %** for medium and **45 %** for small enterprises). **Prague** remains excluded (0 %).

Current focus

Recent policy prioritises projects with **high added value**, strong **innovation or automation content**, and **export potential** that strengthen Czech competitiveness. Additional funding may be available through **EU operational programmes** administered by the **Ministry of Industry and Trade**.

10. Taxation

Corporate Income Tax

Czech tax legislation evolves frequently in line with EU directives and fiscal reforms. The **corporate income tax (CIT)** rate is **21 %** for tax periods beginning in **2024**. Special rates remain **5 %** for qualifying investment funds and **0 %** for pension companies.

Tax residency is based on either the company's **registered office** or its **place of effective management** in the Czech Republic. Residents are taxed on **worldwide income**; non-residents only on Czech-source income. A **permanent establishment (PE)** arises when a foreign entity has a fixed place of business (such as an office, branch, or workshop) or provides services in

the Czech Republic for more than **six months within any twelve-month period**, unless modified by an applicable double-tax treaty.

The **tax base** equals accounting profit adjusted for non-deductible or non-taxable items under the Income Taxes Act (No. 586/1992 Coll.). Expenses are deductible if demonstrably incurred to generate, secure, or maintain taxable income.

Typical **deductible expenses** include operating costs, wages, depreciation, reserves, provisions, interest, royalties, and management-service fees. **Non-deductible expenses** include entertainment, gifts, fines and penalties, and interest disallowed under thin-capitalisation rules.

Depreciation applies to assets used in business activities, with the method and approach chosen requiring consistent application throughout the asset's useful life. For the treatment of intangible assets and to determine the most appropriate depreciation method, it is advisable to consult a tax advisor, as requirements may vary and guidance can change over time. Certain assets may not be subject to depreciation.

Tax losses may generally be carried forward for a set period, and in certain cases, losses from recent years may also be carried back to previous taxable periods. The specific rules, timeframes, and limits applicable to these provisions are subject to change and should be confirmed with a qualified tax advisor.

The Czech Republic has implemented the **OECD Pillar Two global minimum tax** through **Act No. 416/2023 Coll.**, amended by **Act No. 316/2025 Coll.**, ensuring a **15 % minimum effective tax rate** for large multinational and domestic groups from 2024.

From 1 January 2023 to 31 December 2025, the Czech Republic applies a **windfall profits tax**. The tax is levied at 60 % on the defined excess profits of selected sectors (notably energy and banking). No legislation in force extends this tax beyond tax year 2025.

Personal Income Tax

Individuals with a **permanent home** in the Czech Republic or **physical presence exceeding 183 days** in a calendar year are Czech **tax residents** and taxed on **worldwide income**. Non-residents are taxed only on Czech-source income. Relief under **double taxation treaties** is available through tax credit or exemption.

Tax rates

Since **2024**, the Czech Republic applies a **two-rate system**:

- **15 %** on annual income up to **36 times the average annual wage**, and
- **23 %** on income above that threshold (CZK 1,676,052 for 2025).

Employers withhold tax on employment income. The employment tax base includes both the employee's gross pay and the employer's mandatory social-security and health-insurance contributions, which increases the effective burden above the nominal rate.

Social and health insurance contributions

- Employee: **11,6 %** of gross salary (7.1 % social + 4.5 % health).
- Employer: **33.8 %** of gross salary (24.8 % social + 9 % health).

The annual assessment base for social-security contributions is capped (approximately CZK 2,234,736 for 2025).

Non-residents

Income from employment performed in the Czech Republic for less than **183 days** in any twelve-month period is generally exempt if paid by a non-resident employer with no Czech permanent establishment, subject to treaty provisions.

Tax returns

The tax year is the calendar year. Personal income-tax returns must be filed in paper by **1 April** of the following year, electronically by **1 May** or by **1 July** if filed electronically or through a certified tax adviser.

Allowances and deductions are available for mortgage interest, pension and life-insurance contributions, and charitable donations. Standard allowances apply for the taxpayer, dependent spouse, and children.

Value Added Tax

The Czech VAT system follows EU VAT Directives and applies to the **supply of goods and services, import of goods, and intra-EU acquisitions** within the Czech Republic. Businesses must account for VAT on imports from third countries and on intra-EU purchases, with the right to deduct related input VAT. Certain transactions, such as **exports and intra-EU supplies**, are **exempt with credit**; others, such as **financial and insurance services** or **non-VAT-registered rent**, are **exempt without credit**.

Rates - since **1 January 2024**, there are **two VAT rates**:

- **21 %** – standard rate (most goods and services)
- **12 %** – reduced rate (basic foodstuffs, pharmaceuticals, books, periodicals, housing construction, selected medical and social-care services, and certain public utilities).

Registration

Entities must register for VAT when their **turnover exceeds CZK 2 million** in any 12 consecutive months. The application must be filed within **10 days** after the month in which the threshold was exceeded. Non-resident businesses have **no threshold** and must register immediately if they make taxable supplies in the Czech Republic (unless reverse-charge applies). Voluntary registration is permitted for those carrying out taxable activities in the Czech Republic.

Tax periods and filing

VAT returns and payments are due **within 25 days** after the end of each taxable period—normally a **month**, or a **quarter** for smaller taxpayers.

Control Statement (Kontrolní hlášení)

All VAT payers must file an electronic **Control Statement**, listing domestic taxable supplies, received supplies, and advance payments. It is submitted monthly (quarterly for quarterly VAT payers) together with the VAT return. Failure to submit or correct the statement can result in statutory fines.

The Czech tax administration accepts all filings electronically via the **financial administration portal** or data mailbox.

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Other Taxes

In addition to corporate, personal, and VAT obligations, several other taxes apply in the Czech Republic.

Excise (Consumer) Tax

Applies to mineral oils (fuels and lubricants), alcohol, beer, wine, tobacco products, and heated tobacco products manufactured in or imported into the Czech Republic. Rates are specific per unit (e.g., litre, kilogram). For tobacco, the tax combines a fixed and percentage component based on the retail price.

Energy Taxes

Introduced under EU environmental directives, energy taxes apply to the supply of electricity, natural gas, and solid fuels to end users. Taxpayers are usually suppliers or distributors.

Road Tax

The road tax applies in practice only to vehicles exceeding 12 tons. Passenger cars, buses, and lighter vehicles are exempt. The tax amount depends on the vehicle's type, type of bodywork, number of axles and maximum weight. The registered operator of the vehicle is responsible

for the tax, regardless of business use. Returns must be filed by **31 January** for the previous year.

Real Estate Tax

Applies to land and building and their components. The tax is payable annually by the property owner as of **1 January** of the tax year. Rates depend on location, property type, and municipal coefficients. Generally, taxes remain modest compared to Western Europe. From 2025, municipalities may increase coefficients to strengthen local budgets.

Real Estate Acquisition Tax had been abolished in 2020. Transfers of real estate are no longer subject to acquisition tax. Related income may still be subject to income tax, depending on holding period and exemptions.

Withholding Tax

Certain Czech-source payments (dividends, royalties, interest, leasing fees, and similar) are subject to **withholding tax of 15 % – 35 %**, depending on income type and recipient's residency. EU directives exempt qualifying intra-EU payments of dividends, interest, and royalties. Treaty rates apply automatically without prior approval. As of 2025, the Czech Republic has **double-taxation treaties with over 90 jurisdictions**.

Electronic tax communication now takes place primarily through **data mailboxes, online tax portal (Moje daně)**, and **mandatory electronic filing** of VAT, CIT, and payroll reports.

11. Labour Environment / Workforce

The Czech Republic has a skilled and educated labour force, particularly in technical and engineering fields. According to OECD and Eurostat data, the Czech Republic maintains a comparatively high share of science and technology graduates within the EU, particularly in engineering disciplines. English and German are commonly used in international or technical workplaces, especially in major cities.

Average wages continue to rise while remaining competitive within the EU. As of the **second quarter of 2025**, the **average gross monthly wage** reached **CZK 49,400** (approx. EUR 2,000), with significantly lower levels in regions outside Prague.

Employment relationships are governed by the **Labour Code (Act No. 262/2006 Coll.)**, as amended, which provides a high level of employee protection comparable to EU standards. The Code applies to all employment performed in the Czech Republic, including by foreign

employers, unless another governing law is agreed. Even in such cases, certain provisions of Czech law ensuring minimum employee protection still apply.

Employment relationship and termination – employment contracts must be in **writing** and specify at least the type of work, place of work, and commencement date. The **trial period** may not exceed **4 months** for ordinary employees and **8 months** for managerial staff. For **fixed-term contracts**, the trial period **must not exceed half** of the agreed duration of the employment.

Employment may end by either a mutual agreement, expiry of a fixed term, termination during the trial period, notice, or immediate termination (for serious breaches); for foreign nationals or stateless persons it also ends when their right to stay in the Czech Republic expires, upon a final expulsion judgment, or when their work or residence permit (including an employee card or blue card) expires. The general **notice period** is **one or two months** (based on the reason) and now begins **on the date the notice is delivered**, not the start of the following month (effective June 2025). Employers may terminate employment only for reasons expressly stated in the Labour Code (e.g. redundancy, poor performance, or misconduct, health reasons). Employees may resign for any reason or without a reason.

Severance pay for organisational terminations equals one month's average earnings (< 1 year of employment), two months' earnings (1–2 years), three months' earnings (> 2 years). In cases that the employment ends because the employee may no longer perform work due to occupational injury or disease or due to reaching the maximum permissible exposure (workplace health grounds), the minimum severance equals **12 months' average earnings**.

Working time and overtime – the normal working week is **40 hours**. Employers may order up to **150 hours of overtime** per year; additional overtime requires the employee's consent. Overtime is compensated by pay plus **25 % premium** or equivalent time off. For **managerial employees**, up to **416 hours** of overtime per year may be included in salary, for **non-managerial employees** up to **150 hours** of overtime per year may be included in salary.

Leave and public holidays – employees are entitled to **at least 4 weeks** of paid holiday per year. Additional entitlement may arise under collective agreements or company policies. There are **13 public holidays** in 2025.

Family-related leave – maternity leave is **28 weeks** (37 weeks for multiple births). Paternity leave is **2 weeks**. Parental leave is available to either parent until the child's **third birthday**, with a **state allowance** of up to **CZK 350,000** (CZK 525,000 for multiple births).

Sick pay – from the **first day** of sickness, the employer pays wage compensation at **60 % of average earnings** for up to **14 calendar days**; state benefits follow from day 15.

Minimum wage – as of **1 January 2025**, the **minimum monthly wage** is **CZK 20,800**. The former system of “guaranteed wage levels” for private-sector job categories was abolished in 2025, simplifying pay regulation. The minimum monthly wage in the Czech Republic is set to increase to **CZK 22,400** from 1 January 2026.

Remote work – or the so-called home office must be agreed **in writing**. Employers must reimburse demonstrable costs or pay a **flat allowance of CZK 4.80 per hour** (2025 rate), unless otherwise agreed.

Short-term work arrangements – from **1 January 2025**, agreements on work performance (**DPP**) are subject to social and health insurance once monthly income from one employer exceeds **CZK 11,500**. Reporting and coordination rules for multiple DPPs apply.

Collective relations and compliance – trade unions are common and may be established by at least three employees. Employers must consult unions in cases of restructuring or mass redundancies. Collective agreements apply to all employees of the company, regardless of union membership.

Whistleblowing & Corporate Compliance – the Act No. 171/2023 Coll., on the Protection of Whistleblowers, effective 1 August 2023, implements the EU Whistleblowing Directive. It is obligatory for **all employers with 50 or more employees** and for certain regulated entities regardless of size (e.g. financial institutions, AML-obliged entities) and requires employers to establish internal channels for reporting breaches of law.

The Czech labour environment offers EU-standard protection combined with flexible contractual tools, making it suitable for both large investors and smaller enterprises.

12. Consumer Protection

Consumer protection in the Czech Republic is largely shaped by **EU legislation**, including the Consumer Rights Directive, the **Unfair Commercial Practices Directive**, and the **Omnibus Directive (2022)**, all implemented into Czech law. The main domestic sources are the **Civil Code (Act No. 89/2012 Coll.)** and the **Consumer Protection Act (Act No. 634/1992 Coll., as amended)**. Together they ensure contractual fairness, clear information duties, bans on unfair terms, and liability for defects or misleading practices.

Key obligations for entrepreneurs

- Provide accurate and comprehensible information on product characteristics, prices, supplier identity, complaint procedures, and potential risks.

- Avoid unfair commercial practices, including misleading or aggressive advertising. Since 2015 the **burden of proof** that a practice is fair lies with the entrepreneur.
- Comply with **digital-content and platform rules** under the Omnibus Directive (2022), covering transparency of online reviews, price-personalisation, and the ranking of search results or offers.

Alternative Dispute Resolution (ADR) is covered above in Section 4.

Credit-information sharing

Creditors may share limited data on consumer solvency and payment discipline through licensed databases operated under agreements among at least ten credit providers (e.g., banks and consumer-loan companies).

Non-anonymous data may be stored for **up to three years** after an obligation ends. These databases help businesses assess consumer reliability while remaining subject to privacy and confidentiality safeguards.

Enforcement and trends

The Czech Trade Inspection Authority and other regulators actively monitor compliance. Current enforcement priorities include **digital-market transparency, hidden advertising, and cross-border e-commerce practices.**

13. Personal Data Protection

Personal-data processing in the Czech Republic is governed by **Regulation (EU) 2016/679 (General Data Protection Regulation – GDPR)** and by the **Czech Personal Data Processing Act (Act No. 110/2019 Coll.)**, which complements the GDPR.

Supervisory authority

The **Office for Personal Data Protection (Úřad pro ochranu osobních údajů – ÚOOÚ or DPA)** in Prague supervises compliance, handles complaints, and may impose administrative fines. The Office also represents the Czech Republic within the **European Data Protection Board (EDPB)**.

Key obligations for controllers and processors

- Process personal data lawfully, transparently, and for specified purposes.
- Maintain records of processing activities and apply appropriate **technical and organisational security measures.**

- Appoint a **Data Protection Officer (DPO)** where required (typically for public bodies or entities handling large-scale sensitive or monitoring data).
- Notify the ÚOOÚ and affected individuals of any **personal-data breach** without undue delay, generally within **72 hours**.
- Conclude written **data-processing agreements** with service providers handling data on the controller's behalf.

Transfers and cross-border issues – data may be freely transferred within the **EU/EEA**. Transfers to third countries are allowed only if the European Commission has issued an **adequacy decision** or if the parties use approved safeguards such as **Standard Contractual Clauses (SCCs)**.

Rights of individuals – individuals have the right to **access, rectify, erase** (“right to be forgotten”), **restrict**, and **port** their personal data, and to **object** to processing. Controllers must respond to such requests within one month.

Sanctions – the DPA may impose fines of up to **EUR 20 million or 4 % of worldwide annual turnover**, whichever is higher, in line with the GDPR.

Practical note – most Czech businesses align their compliance frameworks with EU standards; however, foreign investors should ensure Czech subsidiaries:

- review contracts for GDPR clauses,
- implement employee and customer-data policies in Czech and English, and
- verify whether their activities require DPO appointment or data-transfer documentation.

14. Real Estate

The Czech Republic has a mature and transparent real estate market with a well-developed legal framework for **ownership, leases, mortgages, easements, and registration**. The **Cadastral Register (katastr nemovitostí)**, administered by the Cadastral Office, is fully electronic and publicly accessible. Registration in the Cadastre is a condition for the transfer or creation of ownership and other real rights to real estate.

There are **no restrictions on foreign ownership** of real estate. Ownership transfers take effect retroactively as of the date the registration application is filed, once the entry is approved. Although the Cadastre provides a presumption of ownership, it can be challenged in court; therefore, **title due diligence** before acquisition remains essential.

Under the **Civil Code (Act No. 89/2012 Coll.)**, the principle of “**superficies solo cedit**” applies: a building is part of the land on which it stands. The landowner thus also owns the structure, unless the building and land were owned by different persons before **31 December 2013**. In those legacy cases, separate ownership continues until unified by transfer or other legal act.

Certain types of infrastructure (for example, cables, pipelines, and some roads) remain separate property under specific legislation. Where land and building ownership are divided, the owners enjoy **mutual pre-emptive rights**.

Real estate transactions generally require written **form with certified signature** for sale agreements, **registration of mortgages and easements** in the Cadastre, and compliance with **AML and beneficial-ownership disclosure** requirements.

15. Register of Contracts

Under **Act No. 340/2015 Coll., on the Register of Contracts**, certain entities that are publicly funded or controlled by the state must publish their private-law contracts in the public **Register of Contracts** administered by the Digital and Information Agency.

The obligation applies to the **Czech Republic**, regional and municipal authorities, state funds, public research organisations and universities, and **companies in which the state or a territorial authority holds a majority ownership or voting share**. Contracts concluded with such entities—regardless of their governing law—must be published in the Register to become effective.

Exemptions include, e.g., contracts with a value below **CZK 50,000** (excluding VAT); contracts performed mainly outside the Czech Republic; contracts for copyright works; and contracts with listed joint-stock companies that are majority-owned by the state or a municipality.

If a contract subject to publication is **not published**, it **does not take effect**. If it remains unpublished for **more than three months** after signing, it becomes **void from the outset**.

Entrepreneurs should therefore verify whether their counterparty is a “**liable person**” under the Act on the Register of Contracts before signing, since publication in the Register is a **condition of validity and enforceability**.

16. Register of the Beneficial Owners

Every company registered in the Commercial Register (and some other legal entities) must identify its beneficial owner and submit that data to the **Register of Beneficial Owners**, maintained by the registry courts under **Act No. 37/2021 Coll.**, as amended.

A “beneficial owner” is a natural person who ultimately owns or controls the company (legal entity) – usually someone who holds more than 25 percent of shares or voting rights, receives more than 25 percent of profits, or otherwise exercises decisive influence (or, if no such person can be identified, a senior manager as fallback).

Under the current statutory regime, only limited information is publicly visible (name, month and year of birth, country of residence, type of interest). Full records (including chains of ownership, legal basis, historical data) are accessible only to the entity itself and authorised authorities such as courts, tax offices, the Czech National Bank, and AML-obliged institutions.

Entities must maintain and correct their data and may submit updates electronically through the online portal. Failure to keep data accurate can lead to prohibition of dividend payments, administrative fines of up to **CZK 500 000**, or ineligibility to participate in public procurement.

In **August 2025**, the Czech **Supreme Court** ruled that the statutory regime allowing unrestricted public access to the register conflicts with EU law. The registration duty remains, but its enforcement is limited. Legislative reform is expected to restrict access so that only authorised entities or persons demonstrating a legitimate interest can view detailed records.

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17. M&A / Competition

Czech competition and merger control are administered by the **Office for the Protection of Competition (ÚOHS)** based in Brno. The Office enforces the **Act No. 143/2001 Coll., on the Protection of Competition**, which mirrors EU competition principles and is applied consistently with **Articles 101 and 102 TFEU**.

The Office’s responsibilities include:

- preventing and sanctioning **cartel agreements, abuse of dominant position**, and other anti-competitive conduct;
- supervising **mergers and acquisitions** to ensure they do not distort effective competition; and

- overseeing **public-procurement and concession** procedures to guarantee transparency and equal treatment.

Agreements or coordinated practices that restrict competition—such as price-fixing, market sharing, bid-rigging, or exchange of sensitive information—are **prohibited and void**. The Office may impose **finest up to 10 % of the offender's net turnover** and order corrective measures.

The Office encourages cooperation through a **leniency programme** and settlement procedure for undertakings that disclose cartel participation or admit liability.

Merger Control

Under **Act No. 143/2001 Coll., on the Protection of Competition**, the **Office for the Protection of Competition (ÚOHS)** must approve certain concentrations before they are completed. A **concentration** arises when:

1. two or more undertakings merge,
2. one or more undertakings acquire direct or indirect **control** over another undertaking,
3. an undertaking acquires all or part of another's business assets, or
4. a **full-function joint venture** is created.

Notification thresholds (as of 2025):

- the combined aggregate **Czech turnover** of all undertakings concerned exceeds **CZK 1.5 billion** (≈ EUR 60 million), and each of at least two undertakings concerned has Czech turnover above **CZK 250 million** (≈ EUR 10 million); or
- at least one undertaking concerned has **Czech turnover** above **CZK 1.5 billion** and at least one other undertaking concerned has **worldwide turnover** above **CZK 1.5 billion**.

Turnover is calculated on a group-wide basis and includes:

- (a) the undertakings concerned,
- (b) entities that will control or be controlled by them after the concentration, and
- (c) jointly controlled entities.

Procedure and timing

Notifications must be submitted to ÚOHS before implementation. Transactions subject to review cannot be closed until clearance is granted ("**stand-still**" obligation). The Office issues:

- a **Phase I** decision within **30 days** if no competition concerns arise; or
- opens **Phase II** (up to **5 months**) for complex cases.

Clearance may be granted with or without commitments. Failure to notify or closing before clearance may result in fines up to **10 % of worldwide turnover** and potential invalidity of the transaction.

The Czech merger-control framework is aligned with **EU practice**; ÚOHS cooperates closely with the **European Commission** and other national authorities within the ECN network.

Public (State) Aid

Since the Czech Republic's accession to the **European Union**, primary jurisdiction over **state aid** lies with the **European Commission** under **Articles 107–109 TFEU**. The **Office for the Protection of Competition (ÚOHS)** acts as a **national coordination and monitoring authority**, providing opinions to Czech ministries and other public bodies on compliance of proposed measures with EU state-aid rules.

As of **1 December 2012**, it is explicitly **prohibited for public authorities** to distort competition by granting undue advantages or discriminatory treatment to specific undertakings. ÚOHS supervises such conduct and may initiate administrative proceedings if a public entity's actions restrict or distort competition, for example through selective subsidies, preferential sales of assets, or unfair procurement practices.

ÚOHS also maintains an advisory and consultative role toward government agencies when designing **investment-support schemes** or **public-procurement procedures**, ensuring alignment with both Czech and EU competition law.

Abuse of Significant Market Power

In addition to the general Competition Act, specific rules apply to **retail chains** with substantial purchasing leverage. Abuse of market power is prohibited under Czech and EU competition law. The **Office for the Protection of Competition (ÚOHS)** monitors both the conduct of dominant companies and, under a separate law, large retail chains with significant bargaining power in the food sector. These rules prevent unfair trading practices or pricing behaviour that could distort competition or harm suppliers and consumers. Breaches can result in substantial fines or corrective measures, but such provisions generally concern only major players with strong market positions.

Sanctions, Leniency Programme

The **Office for the Protection of Competition (ÚOHS)** may impose financial penalties and other corrective measures for breaches of competition law, including fines of up to 10 percent of a company's global turnover or exclusion from public procurement in serious cases. To encourage self-reporting, ÚOHS operates a **leniency and settlement programme** allowing cartel participants who disclose evidence or admit liability to receive full or partial reductions of penalties, in line with EU practice.

18. Visas & Permits

The Czech Republic applies EU and national immigration law based primarily on **Act No. 326/1999 Coll., on the Residence of Foreign Nationals**, and related regulations. Short-term entry for up to 90 days in any 180-day period follows **Schengen** rules. Longer stays require a **long-term visa** or a **long-term residence permit**. Approved applicants receive a **visa for the purpose of collecting a residence permit (D/VR)** to enter the country and obtain their biometric card.

EU, EEA, and Swiss citizens enjoy the right of free movement and do not need a visa or work permit. For stays exceeding three months, they may register their residence and obtain a **registration certificate**, which facilitates administrative procedures, voting rights in local elections, and later permanent residence. Their family members have separate temporary-residence options under EU law.

Third-country nationals must hold a valid long-term visa or residence permit for work, business, or study. The main categories are:

- **Employee Card.** A combined residence and work permit issued for employment in a specific position. It is linked to a vacancy published by the Czech Labour Office and, in many cases, subject to embassy quotas. The card is valid for up to two years and may be extended.
- **Blue Card.** A residence permit for highly qualified professionals who have a university degree and meet the minimum salary threshold (at least 1.5 times the national average). It enables mobility within the EU and simplified family reunification.
- **Intra-Company Transferee (ICT) Card.** A residence permit for managers, specialists, or trainees transferred within an international group of companies. The ICT Card allows mobility between EU Member States for short-term assignments.

- **Business Residence.** Foreign nationals may obtain long-term residence for the purpose of business or self-employment, including participation in a Czech company. Residence is normally granted for up to two years and can be renewed.
- **Seasonal Work Visa.** A long-term visa valid for up to six months, available for employment in seasonal industries such as agriculture or tourism.

Several **government-sponsored migration programmes** support employers and investors. The most important include the **Qualified Worker Programme**, the **Highly Qualified Worker Programme**, and the **Key and Research Staff Programme**. These schemes allocate dedicated embassy quotas for approved employers and reduce processing times. In 2025, the **Digital Nomad Programme** was extended to cover selected IT and marketing professionals from listed non-EU countries.

Citizens of certain countries—including the **United States, United Kingdom, Canada, Japan, South Korea, Singapore, Australia, New Zealand, and Israel**—enjoy **free access to the Czech labour market** for limited categories of employment, though they still require the appropriate residence document for stays exceeding 90 days.

All long-term visa applications must be submitted in person at the competent Czech embassy or consulate abroad. Applicants must provide proof of accommodation, sufficient financial means, and comprehensive health insurance. After approval, the applicant collects a **D/VR entry visa**, travels to the Czech Republic, and completes biometric registration at the Ministry of the Interior within the prescribed period.

Since **20 September 2023**, foreigners may obtain comprehensive health insurance from **any authorised insurer**, ending the previous single-provider system. From **1 January 2024**, children under 18 holding long-term residence are automatically covered by the Czech public health-insurance system.

Certain embassies apply **annual quotas** for the number of applications accepted for employee-card or business-purpose residence. Investors and employers are advised to confirm current quota allocations and consider participation in a government migration programme to secure priority processing.

The Czech immigration system is stable, integrated with EU frameworks, and generally business-friendly, offering multiple routes for skilled professionals, entrepreneurs, and investors to reside and work in the country.

EU Entry/Exit System (EES)

From **October 12 2025**, the EU begins gradually introducing the new Entry/Exit System (EES) for travellers from third countries entering or leaving the Schengen Area (i) recording each traveller's name, date of birth, travel document details, and the date/time and place of entry

and exit, (ii) collecting **biometric data** — a facial image and fingerprints — from travellers entering for the first time and (iii) Automatically calculating and monitoring each traveller's stay to prevent overstaying the permitted duration.

European Travel Information and Authorisation System (ETIAS)

Similar to the situation in the US, Canada, Australia, and the UK, probably from Q4 2026 onwards, **nationals of visa-exempt third countries** who wish to travel to the Schengen Area for short stays will have to complete an online application before their trip, pay a small fee, and undergo a security and migration-risk check before receiving travel authorization.

19. Cybersecurity and Digital Compliance

Cybersecurity obligations are governed by the new **Act No. 264/2025 Coll.**, implementing the **EU NIS2 Directive**, effective **1 November 2025**. The Act extends regulation beyond critical infrastructure to include a wider range of “**essential**” and “**important**” entities across energy, transport, digital infrastructure, healthcare, finance, manufacturing, and ICT services.

Key obligations

- Establish and maintain a **risk-management system** covering technical and organisational security measures.
- Conduct **periodic security audits** and report significant incidents to the **National Cyber and Information Security Agency (NÚKIB)** within defined deadlines.
- Designate a **responsible officer** and maintain internal governance for cyber-risk oversight.
- Ensure security in **supply chains and outsourcing**, including contractual guarantees from ICT service providers.

Non-compliance can result in **administrative fines up to CZK 250 million** or **2 % of global turnover**, depending on severity.

Related digital-compliance measures include:

- **automatic establishment of data mailboxes** (since 2023) for nearly all legal entities and self-employed persons, now the default channel for official correspondence;
- mandatory **electronic filing** with tax, court, and trade authorities;
- integration with **electronic identification (eID)** and **trusted service** frameworks under EU eIDAS2.

Entities should prepare by mapping critical digital assets, updating internal security policies, and coordinating with group-level compliance programmes.

20. Intellectual Property Rights

Intellectual property (IP) protection in the Czech Republic is fully harmonised with **EU and international law**. Rights are enforced under Czech statutes, EU regulations, and multilateral conventions administered by **WIPO** and the **EU Intellectual Property Office (EUIPO)**.

Administration

The **Industrial Property Office (Úřad průmyslového vlastnictví – IPO)** in Prague is the national authority for patents, trademarks, industrial designs, and utility models. The **Ministry of Culture** oversees copyright and related rights.

Trademarks and designs

- National trademarks are registered with the **IPO** and valid for **10 years**, renewable indefinitely.
- Protection across all EU Member States can be obtained through an **EU trademark (EUTM)** filed with **EUIPO** in Alicante.
- Industrial designs may be registered nationally or as **Community designs** with EUIPO.

Patents and utility models

- Patents are granted by the IPO for up to **20 years** from the filing date, subject to annual renewal fees.
- European patents validated in the Czech Republic under the **European Patent Convention (EPC)** have the same effect as national patents.
- **Utility models** (“small patents”) offer simplified protection for technical solutions for up to **10 years**.

Copyright

Copyright protection arises automatically upon creation of a work under the **Copyright Act (Act No. 121/2000 Coll.)**. No registration is required. Related rights protect performers, producers, and broadcasters.

Enforcement

IP rights may be enforced before **civil courts**, the **IPO**, or through **customs and border-protection measures**. Infringement may result in injunctions, damages, and destruction of counterfeit goods. The Czech Republic applies EU rules on customs enforcement of IP rights and has an effective judicial framework for interim relief.

Practical note

Foreign investors are advised to register trademarks and key IP assets early, verify license chains, and include IP ownership clauses in employment and R&D contracts.

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