

Setting up a business in the Czech Republic

2025



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Over the last decade, the Czech Republic (“CR”) has become an attractive country for foreign investors. This is due to several factors, including a modified flat tax rate, an educated workforce with relevant business and technological skills, a friendly business environment, and the country’s favourable location between Western and Eastern Europe.

Current Czech private law imposes relatively few formal rules regarding corporate governance, and contains new measures that simplify the process of carrying on business in the CR.

Investors – both foreign and Czech – can obtain investment incentives to support the introduction or expansion of production in manufacturing, technological research and IT development. Businesses that set up in the CR can also obtain financial support from EU structural funds. The country is a member of the EU, OECD, WTO, NATO, OSCE and the Schengen Area.



Choice of legal entity

A foreign company can carry on business in the CR either by establishing a registered subsidiary company or by registering an organisational unit ("Branch"), which is considered an extension of the foreign company.

There are six basic types of business companies available in the CR: general partnership, limited partnership, limited liability company, joint-stock company, European company, and European economic interest grouping. The limited liability company and the joint-stock company are the most popular types.

Subsidiary having a form of limited liability company	Branch
Minimum 1 founder (either a natural or legal person).	Entrepreneur (EU or non-EU).
Foundation documents in the form of a notarial deed. The approximate cost of the notarial deed is EUR 170. If the foundation documents contain only mandatory legal requirements and the contribution to the registered capital is paid up in cash, the approximate cost of the notarial deed is EUR 85 ("basic foundation alternative").	Established by a decision of the foreign company in written form (a less formal process). If the Branch is to be registered by a public notary, the decision must be in the form of a notarial deed. The approximate cost for the notarial deed is EUR 170.
Limited liability at the subsidiary level.	The foreign company retains direct liability for its branch.
A separate legal entity entitled to contract in its own name and on its own behalf.	No legal capacity under Czech law; it only acts as a representative of the foreign entity.
Need to obtain relevant trade license certificate(s). The approximate cost for the trade license certificate is EUR 45.	
The approximate cost for the court to register the subsidiary is EUR 250. The approximate cost for the public notary to register the subsidiary is EUR 190. If the basic foundation alternative is pursued, the approximate cost for the public notary to register the subsidiary is EUR 70.	The approximate cost for the court to register the branch is EUR 250. The approximate cost for the public notary to register the branch is EUR 190.
Need to register ultimate beneficial owners ("UBO"). The approximate cost for the court to register UBO is EUR 170. The approximate cost for the public notary to register UBO is between EUR 75 and EUR 130.	Ultimate beneficial owners are not registered.
Directors do not need to be CR nationals.	The head of a branch does not need to be a CR national.
Minimum registered capital CZK 1 (approximately EUR 0.04).	No registered capital.
30% of each monetary contribution and 100% of all non-monetary contributions to the registered capital have to be paid up prior to incorporation. Registered capital has to be paid up in full within 5 years from incorporation.	N/A

Subsidiary having a form of limited liability company	Branch
Annual financial statements and report on relations must be prepared. The financial statements must be audited if two of the following apply: annual turnover is more than EUR 3.2 million; total value of assets is more than EUR 1.6 million; or the average annual number of employees exceeds 50 in the two immediately preceding accounting periods. If the financial statements must be audited, the subsidiary is obliged to draw up an annual report.	Annual financial statements must be prepared. The financial statements must be audited if two of the following apply: annual turnover is more than EUR 3.2 million; total value of assets is more than EUR 1.6 million; or the average annual number of employees exceeds 50 in the two immediately preceding accounting periods. If the financial statements must be audited, the Branch is obliged to draw up an annual report. No report on relations is required.
Corporation tax on worldwide profits and gains (21%).	Corporation tax on profits and gains from sources in the CR (21%).
Can benefit from double taxation treaties.	Double taxation treaties not applicable.
Intra-group transactions require arm's-length terms.	N/A
Trading losses can be offset against the profits for the accounting period.	Trading losses can appear in parents' accounts and are subject to domestic tax laws.

Income Tax

The tax system in the CR is similar to that in other OECD countries. Business entities are subject to a profit tax, while the distribution of profits to individuals is also included in the tax base of individual taxpayers together with the individual's income from other sources.

The main law regulating income taxation is the Income Taxes Act, and it covers individuals as well as legal entities.

Personal income tax and corporate income tax apply to resident taxpayers on their worldwide income.

The personal income tax system applies a flat rate to all earned income and income from other sources of 15%. Any income exceeding the threshold of CZK 1,676,052 (approx. EUR 67,000) is subject to a tax rate of 23%.

The statutory corporate tax rate is 21%. Investment funds are subject to a corporate tax rate of 5%.

The fiscal year is the calendar year. Corporate taxpayers may decide to have a fiscal year different from the calendar year. Income tax returns need to be filed and tax liabilities need to be paid within three months of the fiscal year end; although this can be extended for another three months if the return is prepared and submitted under a power of attorney by an authorised tax advisor.

Employment

Employment relations are regulated by the Labour Code and other legal regulations such as the Act on Employment, the Act on Collective Bargaining, and the Act on Ensuring other Health and Safety Protection Conditions at work.

Dependent work can only be performed in a labour relationship. Hidden employment, where a B2B relationship with an independent contractor is intended to obscure factual employment, is prohibited.

Employees are protected against discrimination on the grounds of sex, sexual orientation, racial or ethnic origin, nationality, citizenship, social origin, gender, language, state of health, age, religion or belief, property, marital and family status and relationship or family responsibilities, political or other opinions, membership and activities in political parties or political movements, trade union organisations or employers' organizations.

Employees have minimum statutory rights (please see below for a basic overview of working conditions).

In general, a foreigner must obtain a work permit and a residence permit, an employee card, a blue card or an intra-company employee transfer card before starting work. Certain exceptions apply. EU citizens do not need a work permit or residence permit. Employing foreigners without the relevant permits or in breach of the permits issued is considered to be the facilitation of illegal work.

The employer must deduct income tax advances and social security and health insurance contributions for its employees. The personal income tax system applies a flat rate of 15% to all earned income. Yearly income exceeding the threshold of CZK 1,676,052 (approx. EUR 67,000) is subject to a tax rate of 23%.

Basic overview of working conditions:

Employment agreement	Written employment agreement stipulating at least the type of work, place(s) of work and start date.
Employment for definite period	Max. 3 years, renewable twice (max. 9 years in total).
Trial period	Max. 4 months for ordinary employees and max. 8 months for managerial employees. The trial period cannot be subsequently extended.
Minimum monthly salary	CZK 20,800 (approx. EUR 830) in 2025.
Weekday working hours	40 hours per week.
Maximum overtime hours	8 hours per week, 150 hours per year (up to 416 hours overtime if agreed with the employee).
Minimum paid leave	160 hours (20 business days) per year.
Sick days paid by the employer	60% of (adjusted) average earnings in the first 14 calendar days of sickness (for working days only); then employees are compensated for each calendar day by the social security body as follows: 60% of (adjusted) average earnings from the 15 th until the 30 th day of sickness, 66% of (adjusted) average earnings from 31 st day of sickness, 72% from the 61 st day of sickness.
Social security and health insurance	34% of the employees' gross salaries paid by the employer.
Termination of the employment contract by notice	Employers may terminate the employment only for reasons stated in the Labour Code (e.g., organisational changes). Employee may terminate the employment for any reason or without stating a reason.
Notice period	Two months (starting on the day the notice is delivered to the other party).
Redundancies	Salary for the two-month notice period plus severance pay amounting to up to three months' average earnings depending on the length of employment (duration of employment up to 1 year – average monthly earnings; from 1 to 2 years – twice average monthly earnings; more than 2 years – three times average monthly earnings).
Employee's liability for damages	The maximum liability for damage is 4.5 times the employee's average monthly earnings in the case of negligent conduct. In the event of damage caused intentionally or under the influence of alcohol or drugs, the employee's liability is unlimited.
Non-compete clause	Max. 1 year of post-employment commitment with compensation of at least half of the employee's monthly average earnings.

Commercial Contracts

The CR has a civil law system. Contractual relations are regulated in the CR by the Civil Code, which covers the complex treatment of Commercial Contracts. EU legislation applies in the CR.

CR and EU competition law prohibit anti-competitive behaviour (e.g., price fixing) where there is an appreciable effect on trade in the CR and/or between EU Member States.

Overseas companies should be aware of any industry-specific laws that apply to their businesses, e.g., WEEE Regulations (electrical goods), REACH and CLP Regulations (chemical products) and the Financial Services related directives (financial products). Often, these laws are based on EU legislation and are relatively consistent across the EU.

Foreign Investment

Under Czech law, non-EU foreign direct investments are subject to mandatory clearance by the Ministry of Industry and Trade in order to prevent a gain of control over certain strategic sectors or access to sensitive technology and information. Likewise, mandatory screening applies to non-EU foreign direct investments that may threaten the security or internal or public order of the CR.

Foreign direct investments in certain sensitive sectors, such as arms, certain dual-use goods, critical infrastructure, and universal services are always subject to prior approval of the Ministry of Industry and Trade.

Foreign direct investments that are not subject to approval may be reviewed ex-post. The Ministry of Industry and Trade may initiate a screening proceeding up to five years after the completion of the foreign direct investment, with the possibility of retroactively restricting or annulling the investment. In order to obtain legal certainty, the foreign investor may apply to the Ministry of Industry and Trade for a voluntary consultation on the contemplated investment.

Real Estate

Most companies setting up in the CR prefer to rent either serviced offices or conventional office space rather than buy property.

The lease of serviced offices is generally more flexible.

They are ready-to-go (furnished, fully-equipped and entirely managed by a facility management company) and can be rented for very short periods. There is no initial capital outlay.

Leases of non-residential premises are usually for 5-10 years, often with a break clause after five years, and upwards-only rent reviews based on the annual changes in either the Czech Consumer Price Index or the European Harmonised Index of Consumer Prices.

Tenants usually prefer to fit-out the leased premises themselves, which is done at their own cost, although typically the landlord will contribute by allowing a rent-free period or by bearing the tenant's fit-out costs (fully or partially). The tenant is responsible for restoring the premises at the end of the lease, unless agreed otherwise. The landlord usually requires collateral security, including a cash deposit of usually three months' rent, as well as service charges and/or a bank or parent company guarantee.

Data Protection/Privacy

Organisations processing personal data (which include employee data and business contact data) need to comply with the General Data Protection Regulation (GDPR).

Such organisations are obliged to process personal data only in accordance with the specific purpose of the processing and for no longer than is necessary to fulfil that purpose. They must also determine the legal basis for their processing and provide the data subjects with all required information regarding the processing of their data.

A breach of the GDPR may be subject to significant administrative sanctions.

Organisations must also ensure that their processing and use of personal data complies with the data protection principles. These include obligations of transparency, accountability, privacy protection, and data quality, minimization and security. The GDPR also restricts transfers of data out of the EEA unless prescribed compliance measures are taken.

Intellectual Property

Czech law protects all traditional types of intellectual property, such as copyright, trademarks, designs, patents or trade secrets, and in this area is largely harmonized with EU law.

Brand names, logos and other signs such as colours or shape of goods, among others, may be

registered as trademarks. This can also be done on an EU-wide basis through the EU trademark scheme. Furthermore, the CR is a part of the Madrid System (of international trademark registration).

Designs can also be protected through design registration in the CR or on an EU-wide basis.

Patent protection in the CR can be obtained based on a national patent application filed with the Czech IP Office or a European patent application filed with the European Patent Office. The CR has not yet ratified the Agreement on the Unified Patent Court.

Literary, artistic or scientific works, and rights related to them, are protected by copyright law without registration. Copyright protection also covers software or databases if these fulfil the conditions for copyright protection. Czech law further provides *sui generis* rights to databases.

Business Model Design

Alongside the legal challenges, whatever the nature of your international ambitions, the planning process involves answering some key questions:

- Is internationalisation a feasible option, and are you ready for it?
- What is your internationalisation strategy, and how will you prioritise which markets to target?
- What business model will be most effective for driving profitable growth?
- Will you require business partners, and how do you plan to find them?
- What will your penetration strategy be for your selected markets?
- How will you build the infrastructure and operating model required to support your move into the new markets?
- How will you execute the plan and implement the business model?

Contact us

If you would like further information on setting up business in the CR, please e-mail our Set up Desk at new.company@twobirds.com and we will contact you within 24 hours.

This summary gives general information only as at August 2025 and is not intended to provide a comprehensive analysis.

It should not be used as a substitute for the legal or other professional advice that should be obtained in specific circumstances.

What clients say

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The team is very competent, and their expertise is their strength. They provide speedy and complete information, advice and options to resolve issues in an effective and low-cost manner.

Legal 500 EMEA, 2024

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A professional and effective labour law team that provides valued support to our business. We distinguish them for their substantive support and for their discipline in complying with our corporate rules of cooperation.

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