

FORMS OF BUSINESS ACTIVITIES IN THE CZECH REPUBLIC

Czech or foreign natural persons or legal entities can perform business activity in the Czech Republic if they comply with the Czech law. The condition is generally the issuance of a Czech trade licence regulated by the Trade Licensing Act or another specific permit regulated by a number of specific acts, depending on the type of business activity. The exception from this condition applies to entrepreneurs from another EU member state in case of temporarily provision of services based on the trade licenses issued in such member state.

NATURAL PERSONS AS ENTREPRENEURS

A natural person or entrepreneur is, according to Czech law, a person who conducts business on the grounds of a trade licence, a person who conducts business using a special licence, or a person who practises agriculture and is registered according to a special regulation. Citizens of other countries are allowed to conduct business in the Czech Republic under exactly the same conditions and to the same extent as Czech citizens, unless the law says otherwise. For this purpose, the term “foreign person” applies to a natural person whose permanent residence is outside of the Czech Republic. Therefore, it is the permanent residence, and not the citizenship, that is decisive here. Visa are required in certain cases.

CONDUCTING BUSINESS WITH A TRADE LICENCE

According to the Trade Licensing Act (Act No. 455/1991 Coll.), the business activity is conducted systematically, individually, using one’s own name, on one’s own responsibility, with a view to make profit and under the conditions laid down under this law. The different professions requiring a trade licence are listed in appendices 1- 4 of the Trade Licensing Act.

The Trade Licensing Act differentiates between notifiable trades, where the licence is granted once the agreed conditions are met and the Trade Office is notified, and concessionary trades, which require state permission – i.e. the granting of a concession; this is not accorded automatically. Notifiable trades are further divided into skilled, restricted, and free trades. Every natural person who is considering pursuing a trade must meet a set of general conditions, including being 18 years old and above, having legal capacity, and being a person of good character. In the case of restricted, skilled, and concessionary trades, a natural person is additionally obliged to meet special conditions – a professional qualification or other competence as defined by the law for each profession. In case of non-compliance with these special conditions, a natural person is obliged to conduct a trade through the intermediary



of a responsible representative, who is obliged to meet both the general and the special conditions pertaining to the given type of trade. Access to the Trade Register is free and available online at www.rzp.cz.

CONDUCTING BUSINESS USING A SPECIAL LICENCE

The different business objects for the given category are the professions listed in Section 3 of the Trade Licensing Act, and which are exempt from its provisions. First and foremost, this applies to professional services (doctors, advocates, expert witnesses, auditors, tax advisers, dentists, etc.). Conditions for each of these professions are specifically defined by separate laws.

PRACTICE OF AGRICULTURE

The third type of natural persons encompasses persons who practise agriculture and who are registered under a special regulation – the Agriculture Act (Act No. 252/1997 Coll.). Agriculture includes forestry and water resource management. An agricultural entrepreneur is any person who practises agriculture for profit and meets the agreed conditions, including being at least 18 years of age, having legal capacity and Czech or EU citizenship – all other natural persons need permanent residence in the Czech Republic and a certification of a basic knowledge of the Czech language.

LEGAL ENTITIES

The Act on Business Corporations recognises the following types of business entities:

- limited liability companies
- joint-stock companies

- general partnerships
- limited partnerships
- co-operatives
- Societas Europaea (European companies)
- European Economic Interest Grouping (EEIG).

The Czech Civil Code recognises also other forms of legal entities, such as trust and associations, which can also perform business activity, but this should not be the main purpose of their existence.

A Czech legal entity is an entity that has its registered office in the Czech Republic. Commercial companies are formed in two stages. The first stage involves founding the company and the second stage involves establishing it as a legal person, as of the date of its entry in the Commercial Register. The Commercial Register is maintained by the courts. Only after registration in the Commercial Register is the company entitled to commence its business activity in the Czech Republic. Access to the Commercial Register is free and available online at www.justice.cz.

BRANCH OFFICE

A branch office is merely an organisational unit of the founding company and it is not regarded as a separate legal entity and does not have its own legal capacity. It is an entity legally dependent on its head office, although it has an independent management and their own accounts. The branch office must be registered in the Commercial Register and the founder must appoint a director of the branch office, who acts on behalf of the founding company, but this is only in relation to matters concerning the branch office.

In case of commencement of any business activity in the Czech Republic (i.e., continuous business activity carried out independently and aimed at generating a profit) it is important to ensure that the respective trade licenses or other permits in the Czech Republic are obtained and registration with the Czech Commercial Register is performed.

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