



ASSOCIATION FOR
FINANCIAL
PROFESSIONALS

Underwritten by



CASH AND TREASURY MANAGEMENT COUNTRY REPORT

CZECH REPUBLIC

Executive Summary

Banking

The Czech central bank is the Czech National Bank (CNB). Bank supervision is performed by the CNB.

Balance of payment statistics are collated using a survey-based system managed by the CNB.

Resident entities are permitted to hold fully convertible domestic and foreign currency bank accounts domestically and outside of the Czech Republic (Czechia). Non-resident entities are also permitted to hold fully convertible domestic and foreign currency bank accounts within Czechia.

Czechia has eight majority Czech-owned banks, 14 majority foreign-owned banks and 11 credit unions. There is a significant foreign banking presence in Czechia – 22 foreign banks have also established branches in the country while 15 have representative offices.

Payments

Czechia's only national payment system is CERTIS.

The most important cashless payment instrument in Czechia, in terms of both volume and value, is the electronic credit transfer. The use of direct debits and card payments is increasing, especially in the retail sector. However, individuals still generally prefer to make payments with cash. In addition, the Czech Post Office (Czech Post) can provide payment facilities similar to those offered by banking institutions.

Liquidity Management

Czech-based companies have access to a variety of short-term funding alternatives. There is also a limited range of short-term investment instruments available.

Cash concentration is the more common technique used by Czech companies to manage company and group liquidity. Of the available techniques, zero-balancing is the most commonly used.

Notional pooling is available in Czechia. However, it is less commonly used than cash concentration. It can be difficult to obtain inter-company cross-guarantees in Czechia, limiting the offering of multiple entity notional pooling to larger banks.

Trade Finance

Czechia applies the European Union (EU) customs code and all its associated regulations and commercial policies. All trade is free from restriction between Czechia and its fellow European Economic Area (EEA) member states.

© January 2017, AFP Country Profiles.

The material provided by PNC Bank, National Association (PNC), the Association for Financial Professionals (AFP) and AFP's contracted information supplier is not intended to be advice on any particular matter. No reader should act on the basis of any matter provided by PNC and AFP and AFP's contracted information supplier and third party suppliers in this document without considering appropriate professional advice. PNC, AFP and AFP's contracted information supplier expressly disclaim all and any liability to any person in respect of anything and of the consequences of anything done or omitted to be done by any such person in reliance upon the contents of this document.

The information provided is frequently subject to change without notice. The data and software are provided "AS IS" without any express or implied warranty of any kind including, without limitation, warranties of non-infringement, merchantability, or fitness for any particular purpose. PNC, AFP, and AFP's contracted information provider do not represent or warrant the information contained in this printed report, on this web site or on referred sites or sites accessible via hypertext links is complete or free from error and expressly disclaim and do not assume any liability to any person for any loss or damage whatsoever caused by errors or omissions in the data or software, whether such errors or omissions result from negligence, accident, quality, performance of the software, or any other cause.

All rights reserved. No part of the material provided by PNC, AFP and AFP's contracted information supplier and third-party suppliers may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of AFP and its contracted supplier.

PNC's International Services

PNC can bring together treasury management, foreign exchange, trade finance and credit capabilities to support your international needs in a coordinated and collaborative way.

International Funds Transfers

International Funds Transfers to over 130 countries in USD and foreign currency can be accessed through PINACLE®, PNC's top-rated, online corporate banking portal.

Multicurrency Accounts

Set up demand deposit accounts that hold foreign currency instead of U.S. dollars. These accounts offer a simple and integrated way to manage and move money denominated in more than 30 currencies, including offshore Chinese Renminbi. You can easily view deposit and withdrawal details through PINACLE.

PNC Bank Canada Branch ("PNC Canada")

PNC Bank, through its full service branch in Canada, can help you succeed in this important market. PNC Canada offers a full suite of products including payables, receivables, lending, and specialized financing to help streamline cross border operations.

Multibank Services

PNC's Multibank Services provide you with balances and activity for all your accounts held with PNC and other financial institutions around the world. PINACLE's Information Reporting module can give you a quick snapshot of your international cash position, including USD equivalent value, using indicative exchange rates for all your account balances. You can also initiate Multibank Transfer Requests (MT101s), and reduce the time and expense associated with subscribing to a number of balance reporting and transaction systems.

Establish accounts in foreign countries

Establishing good banking relationships in the countries where you do business can simplify your international transactions. PNC offers two service models to help you open and manage accounts at other banks in countries outside the United States.

- PNC Gateway Direct comprises an increasing number of banks located in many European countries and parts of Latin America. PNC's team will serve as a

point of contact for setting up the account helping with any language and time barriers and will continue to serve as an intermediary between you and the bank you select. You can access reporting and make transfers via PINACLE.

- PNC's Gateway Referral service can connect you to a correspondent banking network that comprises more than 1,200 relationships in 115 countries.

Foreign Exchange Risk Management

PNC's senior foreign exchange consultants can help you develop a risk management strategy to mitigate the risk of exchange rate swings so you can more effectively secure pricing and costs, potentially increasing profits and reducing expenses.

Trade Services

PNC's Import, Export, and Standby Letters of Credit can deliver security and convenience, along with the backing of an institution with unique strengths in the international banking arena. PNC also provides Documentary Collections services to both importers and exporters, helping to reduce payment risk and control the exchange of shipping documents. We assign an experienced international trade expert to each account, so you always know your contact at PNC and receive best-in-class service. And PNC delivers it all to your computer through advanced technology, resulting in fast and efficient transaction initiation and tracking.

Trade Finance

For more than 30 years, PNC has worked with the Export-Import Bank of the United States (Ex-Im Bank) and consistently ranks as a top originator of loans backed by the Ex-Im Bank both by dollar volume and number of transactions.¹

Economic Updates

Receive regular Economic Updates from our senior economist by going to pnc.com/economicreports.

(1) Information compiled from Freedom of Information Act resources.

PNC and PINACLE are registered marks of The PNC Financial Services Group, Inc. ("PNC").

Bank deposit and treasury management products and services are provided by PNC Bank, National Association, a wholly-owned subsidiary of PNC and **Member FDIC**. Lending products and services, as well as certain other banking products and services, may require credit approval.

In Canada, bank deposit, treasury management, equipment financing, leasing and lending products and services are provided by PNC Bank Canada Branch. PNC Bank Canada Branch is the Canadian branch of PNC Bank, National Association. Deposits with PNC Bank Canada Branch are **not** insured by the Canada Deposit Insurance Corporation.

Foreign exchange and derivative products are obligations of PNC Bank, National Association. Foreign exchange and derivative products are **not** bank deposits and are **not FDIC insured**, nor are they insured or guaranteed by PNC or any of its subsidiaries or affiliates.

This AFP Country Report is being provided for general information purposes only and is not intended as specific legal, tax or investment advice or a recommendation to engage in any other transactions and does not purport to be comprehensive. Under no circumstances should any information contained herein be used or considered as an offer or a solicitation of an offer to participate in any particular transaction or strategy. Any reliance upon this information is solely and exclusively your own risk.

©2017 The PNC Financial Services Group, Inc. All rights reserved.

Contents

Executive Summary	2
PNC's International Services	4
Financial Environment	9
Country Information	9
Geographical Information	9
Business Information	9
Country Credit Rating	10
Economic Statistics	11
Economics Table	11
Sectoral Contribution as a % of GDP	12
Major Export Markets	12
Major Import Sources	12
Political and Economic Background	13
Economics	13
Interest Rate Management Policy	13
Foreign Exchange Rate Management Policy	13
Major Economic Issues	13
Politics	14
Government Structure	14
Major Political Issues	14
Taxation	16
Resident/Non-resident	16
Tax Authorities	16
Tax Year / Filing	16
Corporate Taxation	16
Advance Tax Ruling Availability	17
Thin Capitalization	18
Transfer Pricing	18
Capital Gains Tax	18
Stamp Duty	18
Withholding Tax (Subject to Tax Treaties)	19
Tax Treaties/Tax Information Exchange Agreements (TIEAs)	20
Sales Taxes/VAT (including Financial Services)	20
Financial Transactions/Banking Services Tax	21
Cash Pooling	21
Real Estate Tax	21
Payroll and Social Security Taxes	21
Cash Management	22
Banking System	22
Banking Regulation	22
Banking Supervision	22

Central Bank Reporting	22
Exchange Controls	23
Bank Account Rules	24
Anti-money Laundering and Counter-terrorist Financing	24
Banking Sector Structure	25
Major Domestic Banks	25
Overall Trend	25
Payment Systems	27
Overview	27
High-value	27
Low-value	28
Payment and Collection Instruments	29
Overview and Trends	29
Statistics of Instrument Usage and Value	29
Paper-based	29
Checks	29
Paper-based Credit Transfers	30
Electronic	30
Credit Transfer	30
Direct Debits	31
Payment Cards	31
ATM/POS	31
Electronic Wallet	32
Liquidity Management	33
Short-term Borrowing	33
Overdrafts	33
Bank Lines of Credit/Loans	33
Trade Bills – Discounted	33
Factoring	33
Commercial Paper	33
Bankers’ Acceptances	34
Supplier Credit	34
Intercompany Borrowing, including Lagging Payments	34
Short-term Investments	34
Interest Payable on Bank Account Surplus Balances	34
Demand Deposits	34
Time Deposits	34
Certificates of Deposit	34
Treasury (Government) Bills	34
Commercial Paper	35
Money Market Funds	35
Repurchase Agreements	35
Bankers’ Acceptances	35

Liquidity Management Techniques	35
Cash Concentration.....	35
Notional Pooling.....	35
Trade Finance	36
General Rules for Importing/Exporting	36
Imports	37
Documentation Required.....	37
Import Licenses	37
Import Taxes/Tariffs	37
Financing Requirements.....	37
Risk Mitigation.....	37
Prohibited Imports.....	37
Exports	38
Documentation Required.....	38
Proceeds	38
Export Licenses	38
Export Taxes/Tariffs	38
Financing Requirements.....	38
Risk Mitigation.....	38
Prohibited Exports.....	38
Information Technology	39
Electronic Banking	39
External Financing	40
Long-term Funding	40
Bank Lines of Credit/Loans.....	40
Leasing	40
Bonds	40
Private Placement	40
Asset Securitization / Structured Finance	40
Government Investment Incentive Schemes / Special Programs or Structures	41
Useful Contacts	42
National Treasurers' Association.....	42
National Investment Promotion Agencies	42
Central Bank.....	42
Supervisory Authority	42
Payment System Operator.....	42
ATM/POS Network Operator	42
Banks.....	42
Stock Exchange	42
Ministry of Finance	42
Ministry of Economy.....	42
Chamber of Commerce.....	42
Bankers' Association.....	43

Financial Environment

Country Information

Geographical Information

Capital	Prague
Area	78,867 km ²
Population	10.64 million
Official language	Czech
Political leaders	Head of state — President Milos Zeman (since March 8, 2013). Head of government — Prime Minister Bohuslav Sobotka (since January 17, 2014).

Business Information

Currency (+ SWIFT code)	Czech koruna (CZK)
Business/Banking hours	08:00-17:00 (Mon-Fri)
Bank holidays	2017 — April 14, 17, May 1, 8, July 5, 6, September 28, October 28, November 17, December 24-26. 2018 — January 1, March 30, April 2, May 1, 8, July 5, 6, September 28, October 28, November 17, December 24-26 2019 — January 1, April 19, 22, May 1, 8, July 5, 6, September 28, October 28, November 17, December 24-26 <small>Source: www.goodbusinessday.com</small>
International dialing code	+ 420

Country Credit Rating

FitchRatings last rated Czechia on October 14, 2016 for issuer default as:

Term	Issuer Default Rating
Short	F1 +
Long	A +
Long-term rating outlook	Stable

Source: www.fitchratings.com, January 2017.

Economic Statistics

Economics Table		2010	2011	2012	2013	2014
GDP per capita	(USD)	19,623	21,424	19,567	19,746	19,475
GDP	(CZK billion)	3,954	4,023	4,042	4,077	4,261
GDP	(USD billion)	207	227	206	208	205
GDP volume growth*	(%)	+ 2.3	+ 2.0	- 0.9	- 0.5	+ 2.0
BoP (goods, services & income) as % GDP		- 3.3	- 1.8	- 0.9	- 0.3	+ 0.4
Consumer inflation*	(%)	+ 1.4	+ 1.9	+ 3.3	+ 1.4	+ 0.3
Population	(million)	10.55	10.61	10.55	10.55	10.54
Unemployment	(%)	9.0	8.5	8.6	7.7	7.7
Interest rate (local currency MMR)[†]	(%)	1.30	1.19	0.98	0.45	0.36
Exchange rate[‡]	(CZK per USD)[†]	19.098	17.696	19.578	19.571	20.758

		2015		2016		
		Q4	Year	Q1	Q2	Q3
GDP per capita	(USD)	-	17,249	-	-	-
GDP	(CZK billion)	-	4,472	-	-	-
GDP	(USD billion)	-	182	-	-	-
GDP volume growth*	(%)	+ 4.3	+ 4.2	+ 2.7	+ 3.6	NA
BoP (goods, services & income) as % GDP		-	+ 0.9	-	-	-
Consumer inflation*	(%)	+ 0.2	+ 0.3	+ 0.4	+ 0.2	NA
Population	(million)	-	10.54	-	-	-
Unemployment	(%)	4.5	5.1	4.4	3.9	4.0
Interest rate (local currency MMR)[†]	(%)	0.29	0.31	0.29	NA	NA
Exchange rate[‡]	(CZK per USD)[†]	24.717	24.599	24.547	23.944	24.213

*Year on year. †End period. ‡Official rate.

Sources: *International Financial Statistics*, IMF, December 2016 and 2015 Yearbook.

Sectoral Contribution as a % of GDP

Agriculture - 2.5%

Industry - 37.5%

Services - 60.0% (2015 estimate)

Major Export Markets

Germany (32.4%), Slovakia (9.0%), Poland (5.8%), UK (5.3%), France (5.1%), Austria (4.1%)

Major Import Sources

Germany (30.0%), Poland (9.0%), China (8.3%), Slovakia (6.6%), Netherlands (5.0%), Austria (4.1%)

Political and Economic Background

Economics

Interest Rate Management Policy

Czechia's base interest (repo) rate is set through the Czech National Bank (CNB). Its main objective is to maintain price stability, defined as keeping headline inflation (i.e. the consumer price index) at a percentage point above or below 2%. Interest rates are set at monthly meetings of the CNB's Bank Board.

Foreign Exchange Rate Management Policy

The exchange rate is classified as free floating. It is subject to supply and demand in the foreign exchange market; however, the CNB may intervene to contain volatile swings in the exchange rate.

Major Economic Issues

Czechia enjoyed a relatively smooth process of economic integration with the European Union (EU) after accession in 2004, experiencing strong GDP growth, increased foreign investment, lower unemployment and low inflation. However, as a result of the global slowdown, GDP growth fell to 3.1% in 2008 before contracting by 4.8% in 2009. The economy bounced back, with 2.3% and 2.0% GDP growth in 2010 and 2011 respectively, before contracting again in 2012 and 2013, by 0.9% and 0.5% respectively. GDP then grew again in 2014 and 2015 by 2.0% and 4.2% respectively. At the same time, the unemployment rate increased from 5.4% in 2008 to 8.6% in 2012 before falling to 5.1% in 2015. There have been fluctuations in the country's budget deficit in recent years; the deficit increased from 2.7% in 2011 to 3.9% in 2012 and then falling back to 1.2% in 2013, before increasing again in 2014 to 1.9% and then falling to 0.4% 2015. Economic difficulties among its trading partners have impacted Czechia's export-driven economy (the main pillar of which is its car industry), and it has not been immune to tightening liquidity conditions as a consequence of the high level of foreign ownership and European integration in the banking sector.

Czechia intended to join the Exchange Rate Mechanism (ERM) II in 2009, but it failed to meet the joining criteria as a result of its budget deficit. The government has yet to name a new target date for joining the ERM II and eurozone.

In recent years, the Czech government implemented a package of measures aimed at controlling the budget deficit. These included changes to entitlements, family benefits and pensions, as well as a reduction in personal income tax and an increase in indirect taxation. Further cuts in government expenditure have since been implemented, in addition to public sector pay freezes, in an attempt to rein in the deficit.

Politics

Government Structure

Political power resides mainly with the Parliament of the Czech Republic and cabinet under the terms of its constitution ratified in 1992.

The national government is based in Prague. The Czech Republic formally separated from the Slovak Republic in 1993. The country adopted Czechia as its formal short name in July 2016.

Czechia is divided into 13 regions and the capital city of Prague, within which there are also local municipal and district councils.

The president is the head of state, but exercises limited executive power.

Executive

At national level, the executive is headed by the prime minister. The prime minister forms a government from the parliament and is accepted by the president.

The current government, which took office in January 2014, is a coalition of the center-left Social Democrats, the liberal ANO 2011 movement, and centrist KDU-CSL.

President Milos Zeman was directly elected as head of state in January and took office on March 8, 2013. The president must be elected with a majority of the vote and so the election went to a second round held on January 25-26. The president is elected for a five-year term. The next presidential election is scheduled for January 2018.

Legislature

At national level, the legislature has two houses.

The 200-member Poslanecka Snemovna, or Chamber of Deputies, is elected no later than every four years by proportional representation.

The 81-member Senat, or Senate, is elected for six-year terms by simple majority voting. One-third of the seats are contested every two years.

The next election to the Chamber of Deputies is scheduled for October 2017, while the next election to the Senate is scheduled for October 2018.

International Memberships

Czechia is a member of the EU, joining in 2004. It is also a member of the Council of Europe, the Organisation for Economic Co-operation and Development (OECD), the Bank for International Settlements (BIS), the North Atlantic Treaty Organization (NATO) and the World Trade Organization (WTO).

Major Political Issues

Founder of the left-wing Party of Civic Rights and former Social Democrat Prime Minister, Milos Zeman was elected as President in the Czech Republic's first ever direct presidential election

held in January 2013; acquiring 55% of the vote in a run-off against Foreign Minister Karel Schwarzenberg in the second round held on January 25-26, 2013.

Jiri Rusnok was appointed prime minister of a caretaker cabinet by President Zeman in June 2013 following the resignation of Petr Necas, the leader of the center-right coalition government composed of the Civic Democrats, Public Affairs party and TOP 09, over a bribery scandal. Parliament was dissolved after the new government lost a parliamentary confidence vote in August 2013. The subsequent election, held on October 25-26, 2013, was inconclusive. The center-left Social Democratic Party won just over 20% of the votes compared to the 18% vote share won by the liberal ANO 2011 movement. The Civic Democrats saw their share of the vote collapse to 7%. An agreement to form a center-left coalition government between the Social Democrats, the ANO 2011 movement, and centrist KDU-CSL was eventually signed on January, 7, 2014. Bohuslav Sobotka, leader of the Social Democrats, subsequently became prime minister on January 17, 2014. Sobotka is in favor of increasing government spending.

One of the key political issues in Czechia in recent years has been its integration into the EU and, in particular, its ambition to join the single currency. Successive governments proposed economic and fiscal reforms aimed at adopting the euro, but the political instability in recent years made pursuing these policies difficult.

The country's former president, Vaclav Klaus, signed off on the Lisbon Treaty on EU reform which thus entered into force in December 2009. However, he insisted on the inclusions of a footnote allowing Czechia to opt out from the Charter of Fundamental Rights. On February 20, 2014, the new PM Bohuslav Sobotka formally withdrew Czechia's request for an opt-out.

Czechia initially opted against signing a deal on closer EU fiscal union, which initially entered into force within the eurozone on January 1, 2013. However, in March 2014, the new center-left government announced its intention to join the inter-governmental Fiscal Compact; the Senate approved accession to the Fiscal Compact in August 2014 but approval from the Chamber of Deputies is still pending.

Former President Klaus also refused to ratify a permanent EUR 500 billion eurozone bailout fund, i.e. the European Stability Mechanism, which was inaugurated on October 8, 2012 to replace the EFSF. Under its new president, Milos Zeman, Czechia was the last of the EU's 27 member states to ratify this addendum to the Lisbon Treaty on April 23, 2013. Since July 1, 2013, the EFSF has been prohibited from engaging in new financing programmes or new loan facility agreements.

In April 2016, the Czech government announced its formal request to the United Nations (UN) to add the short form name, Czechia, to its geographical database. The new name was registered with the UN on July 11, 2016.

In 2016, the leaders of the Visegrad (V4) countries, i.e. Czechia, Hungary, Poland and Slovakia, advocated amendments to the EU's current migration policy and refused to accept asylum seekers in accordance with the EU quota system. V4 leaders have also called for EU reform in the wake of the UK's Brexit vote.

Taxation

Resident/Non-resident

A company is considered resident if its registered office or place of effective management is located in Czechia.

Tax Authorities

Financial Office (including Specialized Financial Office for selected tax subjects); Customs Office; General Financial Directorate; Appellate Financial Directorate; Customs Directorates; and Ministry of Finance.

Tax Year / Filing

The tax year generally corresponds to the calendar year, but may be changed to any 12 consecutive calendar months by notifying the financial authorities.

The deadline for filing the tax return is the first day of the fourth month after the end of the taxable period. The deadline may be extended to the first day of the seventh month if the tax return is prepared and submitted by a registered tax advisor under a power of attorney. The power of attorney must be filed with the financial office by the original tax return filing deadline. A three-month extension to file a return may be granted at the discretion of the tax authorities. The deadline for companies that are subject to statutory audits is automatically extended to the first day of the seventh month after the end of the taxable period.

Two or four advance payments of tax are required, depending on the previous year's tax liability.

If the taxpayer is an audited company or is in possession of a "data box," the tax return must be filed electronically.

Consolidated returns are not permitted; each company must file a separate return.

Corporate Taxation

Resident companies are subject to taxation on their worldwide income at a rate of 19%. A rate of 5% applies to the profits of investment funds, and mutual funds (including qualified investor funds) and a 0% rate applies to pension funds (with certain exemptions).

Non-resident companies are only taxed on Czech-sourced income, and are generally subject to the same taxation rules as residents. Proceeds from the transfer of shares in a Czech tax-resident company are always treated as Czech-sourced income regardless of the tax residency of the transferor/transferee. Czech tax law, however, requires that certain types of income of non-resident companies be subject to withholding tax, even though withholding is not required when payments of a similar type of income are made to Czech tax residents.

Investment incentives are available in certain circumstances and include 10-year tax relief, job creation grants, grants for retraining employees and property-related incentives. Additional deductions of R&D costs also may apply.

Ten per cent of gross taxable income arising in Czechia (other than that subject to withholding tax) and paid to non-residents must be withheld by resident payers as 'securing tax'. A reduced rate of 1% applies to the income of non-residents derived from the sale of financial instruments (securities and derivatives). The securing tax withheld generally serves as a tax advance payment for the final tax liability of the foreign recipient of the Czech-sourced income. If the non-resident recipient of such taxable income does not meet the obligation to file a tax return in Czechia, the securing tax can be used to offset the non-resident's final tax liability in Czechia. A securing tax liability may be eliminated if the recipient company is located in a country with which Czechia has a double taxation treaty. Furthermore, securing tax does not apply to recipients who are either EU tax residents or tax residents of other countries in the European Economic Area (EEA).

There is no surtax or alternative minimum tax.

Losses may be carried forward for five years. The carryback of losses is not permitted. Several anti-abuse provisions govern the utilization of tax losses; for example, tax losses may not be deducted when there has been a substantial change in the composition of the persons participating in the equity or control of the company, unless 80% of income is generated by the same activity for which the tax loss was assessed.

Czechia has implemented the EU Parent-Subsidiary Directive. Generally speaking, if a parent company holds at least a 10% share for at least 12 consecutive months in another company (a subsidiary), the distributions of profit are exempt from tax in Czechia. Similarly, any gain or loss from the transfer of participation in a subsidiary is also tax-exempt.

Advance Tax Ruling Availability

A taxpayer may request an advanced tax ruling in certain cases which are stipulated by law. The most common rulings are:

- the method of establishing transfer prices;
- determination of a research and development deduction; and
- the possibility of utilizing tax losses carried forward.

The binding ruling is effective for a maximum period of three years.

Permanent establishments of non-residents may negotiate with the financial authorities regarding the method of assessing their tax base relating to taxable income derived from Czech sources. However, the agreement is generally non-binding.

Thin Capitalization

Thin capitalization rules apply to loans and credits from a related party and to loans/credits from an unrelated party where a related party is obliged to grant a corresponding loan/credit to the unrelated party (“back-to-back financing”). The proportion of loans/credit to equity must not exceed 4:1 (6:1 if the debtor is a bank or an insurance company). Financing expenses related to loans/credits where the interest or the maturity is contingent on the profit of the debtor are non-deductible.

Under the current Czech thin capitalization rules, parties are deemed to be related when one company directly or indirectly participates in another company’s capital or voting rights, or when one company participates in the capital or voting rights of both companies, whereby that company has a holding of at least 25%. Parties are also related by having the same personnel participating in their management or supervision. Parties may be deemed to be related if they entered into an agreement with the intention to decrease their tax liability.

Transfer Pricing

Czechia’s transfer pricing rules apply to transactions between related parties according to the arm’s-length principle.

Certain companies are required to attach an appendix to the income tax return that lists and summarizes all related party transactions that took place during the tax year.

Capital Gains Tax

Capital gains are subject to corporate income tax. Capital gains chargeable to corporate income tax are generally calculated by deducting the cost from the disposal proceeds.

Capital gains from the disposal of a shareholding in a subsidiary by a parent company may be exempt from corporate income tax under the local implementation of participation exemption.

If a foreign owner sells an investment in a company based in Czechia, gains will be subject to tax as part of the aggregate tax base, regardless of the buyer’s residence, unless otherwise provided in an application tax treaty. The exemption applies when the seller is a company having an eligible legal form that is an EU tax resident (including Czechia) that holds at least a 10% interest in the sold company for an uninterrupted period of 12 months. The participation exemption for non-EU resident companies on capital gains is applicable under the same requirements as apply to the participation exemption for dividends.

Stamp Duty

There is no stamp duty.

Withholding Tax (Subject to Tax Treaties)

Payments to:	Interest	Dividends	Royalties	Other income	Branch Remittances
Resident companies	None	0% / 15%	None	None	NA
Non-resident companies in the EU/EEA, and non-residents outside the EU/EEA with a valid tax treaty or TIEA	0-15%	0-15%	0-15%	0-15%	None
Non-residents outside the EU/EEA without a valid tax treaty or TIEA	35%	35%	35%	35%	None

Dividends paid to a non-resident are subject to a 15%/35% withholding tax, unless the rate is reduced under an applicable tax treaty. The standard rate is 15%, with the 35% rate levied on income paid to a tax haven (i.e. a jurisdiction that has not concluded a tax treaty or an agreement for the exchange of information on tax issues with Czechia).

Under the EU parent-subsidiary directive, dividends paid by Czech company to a parent company located in another EU member state are exempt from withholding tax if the parent company maintains a holding of at least 10% of the distributing company for an uninterrupted period of at least 12 months. The exemption also applies to dividends paid to a parent company from Iceland, Norway or Switzerland.

Interest paid to a non-resident is subject to a 15% withholding tax, unless the rate is reduced under a tax treaty or exempt under the EU interest and royalties directive. The standard rate is 15%, with the 35% rate levied on income paid to a tax haven (i.e. a jurisdiction that has not concluded a tax treaty or an agreement for the exchange of information on tax issues with Czechia).

Taxpayers from EU/EEA member states are allowed to file a tax return at year end to deduct costs related to interest payments.

Royalties paid to a non-resident are subject to a 15% withholding tax, unless the rate is reduced under a tax treaty or exemption is available under the EU interest and royalties directive. The standard rate is 15%, with the 35% rate levied on income paid to a tax haven (i.e. a jurisdiction that has not concluded a tax treaty or an agreement for the exchange of information on tax issues with Czechia).

Income paid to a non-resident for technical services rendered in Czechia is subject to a 15%/35% withholding tax that is generally precluded by a tax treaty (although the treaty with India allows a 10% withholding tax) or if a service permanent establishment (PE) is created (generally after six months of rendering services in the Czech territory). In the latter case, no withholding tax applies, but the PE is taxable on a net basis at 19%.

Tax Treaties/Tax Information Exchange Agreements (TIEAs)

Czechia has exchange of information relationships with 103 jurisdictions through 89 double tax treaties and 14 TIEAs (www.eoi-tax.org, January 2017).

On January 27, 2016, Czechia, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, signed a multilateral co-operation agreement with 30 other countries (“the MCAA”). Under this multilateral agreement, information will be exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE).

With Country-by-Country reporting, tax administrations of jurisdictions where a company operates will have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It will also cover information about which entities do business in a particular jurisdiction and the business activities each entity engages in. The information will be collected by the country of residence of the MNE group, and will then be exchanged through exchange of information supported by such agreements as the MCAA. First exchanges under the MCAA will start in 2017-2018 on 2016 information.

Other signatory countries are:-

- Australia, Austria, Belgium, Chile, Costa Rica, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Malaysia, Mexico, Netherlands, Nigeria, Norway, Poland, Portugal, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland and United Kingdom.

Sales Taxes/VAT (including Financial Services)

The registration threshold for VAT is CZK 1 million, i.e. all taxable entities with supplies exceeding this amount for 12 consecutive months are obliged to register for VAT. If a person performs only VAT-exempt supplies, the obligation to register for VAT does not arise.

There is no registration threshold for non-established entities (entities without a permanent place of business) and branches. These entities must register for VAT upon receiving their first provision of taxable supplies in Czechia. The reverse charge mechanism applies as a general rule for business-to-business services. However, certain exceptions apply.

The standard VAT rate is currently 21% and reduced rates are 0%, 10% and 15%. The reduced VAT rates apply to a restricted list of goods and services.

VAT is levied on imported goods at the same rates as domestic goods. Exporting goods to non-EU countries is an exempt supply.

VAT exemption applies to specific types of supplies. Financial and insurance services are VAT-exempt without the right to VAT recovery.

As from 2016, taxable entities must submit local sales/purchases reports that will enable the authorities to match sales with purchases. Taxpayers also must report supplies received from other EU member states and even supplies for private purposes, for which only an internal document usually is issued.

Financial Transactions/Banking Services Tax

No specific transactions or banking services taxes are applicable in Czechia.

Cash Pooling

No specific tax rules apply to cash pooling in Czechia. However, the areas which need to be specifically considered in the case of cash pooling are thin capitalization, transfer pricing and withholding taxes.

Real Estate Tax

A real estate tax is levied on the occupation of real property or plots of land. The rate depends mainly on the size of the land (including paved surfaces as a special type of land).

The only transfer tax is real estate transfer tax at a rate of 4%.

Payroll and Social Security Taxes

There is no payroll tax payable by employers.

Under Czech law, Czech legal entities and branch offices of foreign entities are required to make contributions to the Czech social security and health insurance systems to the amount of 34% of the gross remuneration of all locally employed employees subject to the Czech social security system (9% to the state health insurance funds and 25% to the state social security funds).

The mandatory contributions are fully deductible for corporate income tax purposes provided that they are paid before the end of the first month of the following taxable period.

The amount of social security and health insurance contributions made by the employee is 11%.

All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2017 (www.deloitte.com).

Cash Management

Banking System

Banking Regulation

Banking Supervision

Central bank

The Czech central bank is the Czech National Bank (CNB). It is based in Prague and its authority as an independent institution derives from the 1993 Czech National Bank Act and its amendments.

Within Czechia, it is the banker to the government and to other banks. It issues currency, sets monetary policy, manages the payment system, regulates the banking sector and generally supports Czech government economic policy, though it does maintain its independence.

The main objective of the CNB is to maintain price stability.

Other banking supervision bodies

Bank supervision is performed by the CNB, which is also responsible for supervising securities firms, insurance companies, pension funds, credit unions, bureaux de change and payment system institutions.

The CNB's Insurance Companies Regulation and Supervision Department and its Capital Market Regulation and Supervision Department were replaced on January 1, 2008 by the Financial Market Supervision Department, the Licensing and Enforcement Department and the Financial Market Regulation and Analyses Department (now the Financial Market Regulation and International Co-operation Department).

Central Bank Reporting

General

Czechia replaced mandatory central bank reporting requirements in January 2008, with a survey of selected subjects as the means of collating balance of payment statistics.

What transactions – listed

The CNB gathers financial account data, income balance data, and data on a selected range of services from companies and institutions selected to report. The Czech Statistical Office gathers data on other current account transactions.

Transaction data is collected in the following categories:

- Transfers between resident and non-resident entities.

- All transactions on residents' accounts held abroad.
- Any bond issuance abroad.

The CNB and the Ministry of Finance can request further supporting documentation for any transactions resulting from foreign trade.

Data is collected on direct investments, financial credits from non-residents, foreign securities and associated collections, and financial market operations.

Whom responsible

The resident entity selected as part of a representative sample of companies is ultimately responsible for the transmission of the required information.

The CNB collects data on inward and outward direct investment via annual surveys, on portfolio investment via monthly reporting by a sample of brokers and bonds issued by Czech residents abroad, and through quarterly surveys of selected non-bank institutions covering financial loans, trade credits, foreign direct investment, accounts abroad and future debt service payments.

Quarterly data must be submitted within 75 days of the end of the quarter, while monthly data must be submitted within 6 weeks of the end of the month.

Additional reporting for liquidity management schemes

At present, there are no additional reporting requirements.

Exchange Controls

Exchange structure

The Czech koruna has a floating exchange rate arrangement; its exchange rate is determined by supply and demand in the open market. The CNB may intervene to control any volatile swings in the exchange rate.

Czechia has not yet set a date for adoption of the euro (EUR) or participation in the ERM II (European Exchange Rate Mechanism).

Exchange tax

There is no exchange tax.

Exchange subsidy

There is no exchange subsidy.

Forward foreign exchange market

There are no restrictions on forward foreign exchange markets.

Capital flows

Ministry of Finance approval is required for foreign investment from outside the EU in the air transport sector (when it exceeds 49% in an airline), and in lotteries.

Loans, interest and repayments

Restrictions apply to financial loans from resident insurance companies to non-residents, if the assets cover over 5% of their technical reserves (10% if the non-resident is from within the EU), and from resident private pension funds to non-residents (other than the governments and central banks of OECD member countries).

Royalties and other fees

There are no restrictions.

Profit remittance

There are no restrictions.

Bank Account Rules

Resident entities are permitted to hold fully convertible domestic and foreign currency bank accounts domestically and outside of Czechia.

Non-resident entities are permitted to hold fully convertible domestic and foreign currency bank accounts within Czechia. Non-residents are also permitted to hold domestic currency accounts outside of Czechia.

To open a bank account, a company must supply a copy of its registration documents along with the appropriate account opening documentation.

Anti-money Laundering and Counter-terrorist Financing

- Czechia has enacted anti-money laundering legislation, including legislation implementing the first three EU anti-money laundering directives, and counter-terrorist financing legislation (Measures Against Legalisation of Proceeds from Criminal Activity Act 61 of 1996, as amended; Articles 251 and 251a of the Criminal Code, as amended; Act 284 of 2004; the Law on International Sanctions 2006; Act 253 of 2008 and Act 254 of 2008). Legislation implementing the fourth EU Directive has been drafted.
- Czechia is a member of the Council of Europe MONEYVAL Select Committee, which is an associate member of the Financial Action Task Force (FATF), and observes most of the FATF+49 standards.
- Czechia has established a financial intelligence unit (FIU), the Financial Analytical Unit (FAU-CR), which is a member of the Egmont Group.
- Account opening procedures require formal identification of the account holder. Natural persons are identified with reference to a valid verified identification card while legal persons are identified with respect to their registration documentation.
- Financial institutions are required to identify the persons acting on behalf of the legal entity as well as the beneficial owner.
- Customers must also be identified when entering an agreement to open a safety deposit box or storing valuables in a bank's own safety box.

- When a third party holding a power of attorney represents a customer in a transaction, both the customer and the third party must be identified by the financial institution and a copy of the authority to represent must be provided.
- Financial institutions must maintain the validity of customer information so that the level of risk can be assessed.
- Individuals must be identified where the regular amount of premium of life insurance due annually reaches EUR 1,000 or there is a one-off premium of EUR 2,500.
- Financial institutions in the broadest sense are required to report suspicious transactions to the FAU-CR within five days of the transaction taking place.
- All financial and credit institutions have to identify customers performing transactions exceeding EUR 1,000.
- Individuals sending or receiving financial instruments or commodities of high value by mail exceeding EUR 10,000 across the country borders in a single action or multiple actions aggregating thereto over twelve months, must declare this to the customs authorities.
- Individuals entering or exiting the EU must declare currency of EUR 10,000 to the customs authorities.
- Records must be kept for 10 years after the completion of the transaction or the termination of the transaction.

Data as at January 2017.

Banking Sector Structure

Major Domestic Banks

Bank	Total assets (USD million) December 31, 2015
Ceska Sporitelna	38,561
Ceskoslovenska obchodni banka (CSOB)	38,430
Komerčni banka	35,827
UniCredit Bank Czech Republic and Slovakia	22,917
Raiffeisenbank	10,046
J&T Banka	6,223
MONETA Money Bank	5,627

Source: www.accuity.com

Overall Trend

Czechia has 22 banking institutions, including five building societies. Of these, eight are majority-Czech owned credit institutions (two of which - the Czech Export Bank and Czech-Moravian

Guarantee and Development Bank - are state-owned) and 14 are majority foreign-owned. There are also 11 credit unions. There is a significant foreign banking presence in Czechia - 22 foreign banks have established branches in the country and 15 have representative offices.

There are three main domestic banks, providing the full range of banking services to corporate clients - Československá obchodní banka (CSOB), Česká Sporitelna (Czech Savings Bank) and Komerční banka.

The country's four largest banks together hold 60% of the banking sector's total assets.

Numerous international cash management banks operate in Czechia, either through an established branch, an acquisition of a local bank or through partnerships with third-party banks.

Most domestic banks are now under foreign ownership following privatization in the 1990s. The largest domestic bank, CSOB, is owned by KBC, the Belgian bancassurance group. Austria's Erste Bank acquired Česká Sporitelna in 2000, while France's Société Générale acquired a majority share in Komerční banka in 2001. Zivnostenska banka, meanwhile, was purchased by Italy's UniCredito Group in 2003 and merged with HVB Bank Czech Republic to form UniCredit Bank Czech Republic in November 2007. UniCredit Bank Czech Republic and UniCredit Bank Slovakia then merged in December 2013 to form UniCredit Bank Czech Republic and Slovakia.

The CNB revoked the license of Russian-owned ERB Bank in October 2016, citing exposure violations with regard to bond investments, poor risk management, and lack of controls.

Payment Systems

Overview

Czechia's one main national payment system is Czech Express Real-Time Interbank Gross Settlement (CERTIS). Operated by the CNB, CERTIS is the country's real-time gross settlement system and processes all CZK-denominated payments in the Czech Republic, regardless of value or format. This means that collecting banks must electronically convert any paper-based instruments such as checks before they can be cleared via CERTIS.

EUR-denominated payments can be processed by either the Euro Banking Association's (EBA) clearing systems or, like other foreign currency payments, bilaterally between banks.

High-value

Name of system	CERTIS
Settlement type	Real-time gross settlement
Settlement cycle	<p>Payments can be submitted from 17:00 CET while settlement takes place from midnight. Payments are settled in real time with immediate finality.</p> <p>High-priority payments must be settled on a same-day basis. Low-priority transactions are not always settled on the same day.</p>
Links to other systems	NA
Payments processed	All payments denominated in CZK.
Currency of payments processed	CZK
Value and other limits to processing	There are no value thresholds.
Operating hours	24 hours per day
System holidays	The system is open on all Czech business days.
Cut-off times	<p>Customer payments = 15:30 CET</p> <p>Interbank payments = 16:00 CET</p>
Participants	46 direct participants; licensed banks and the CNB participate directly. Other institutions participate indirectly via direct participant banks. CERTIS also has six ancillary systems (“third parties”).
Access to system	<p>Access is through the telecommunications network.</p> <p>CERTIS operates the browser-based CERTIS Information System (CERTIS-IS), which provides information on current balances, individual payments and queued payments to CERTIS participants. Meanwhile, the CERTIS Data Security System (CERTIS-DSS) enables electronic signatures and data encryption, and the CERTIS Message Transfer System (CERTIS-MTS) enables the electronic submission and processing of data without intervention from the CNB.</p>
Future developments	As there is currently no date planned for joining the eurozone, there are no plans as yet for Czechia to migrate to TARGET2.

Low-value

Low-value payments are processed by CERTIS.

Payment and Collection Instruments

Overview and Trends

The most important cashless payment instruments in Czechia are electronic credit transfers, the use of which has grown with the increased adoption of electronic and internet banking. Direct debits and card payments are increasing rapidly, especially in the retail sector.

Since January 1, 2008, all debit cards issued by banks in the Netherlands have been Single Euro Payments Area (SEPA)-compliant. The country's banks have offered pan-European SEPA credit transfers (SCTs) for EUR-denominated payments since January 28, 2008. SEPA direct debits (SDDs) have been available since November 2, 2009. SEPA migration is to be finalized for EUR-denominated payments outside the eurozone by October 31, 2016.

In January 2016, a Revised Directive on Payment Services (PSD2) entered into force. The overall objective of the PSD2 is to increase the competition on the European Union payment market, facilitate innovative payment services and ensure that payment services are safe and offer complete consumer protection. The directive is to be incorporated into the EU members' national laws and regulations by January 2018.

Statistics of Instrument Usage and Value

	Transactions (million)		% change 2015 / 2014	Traffic (value) (CZK billion)		% change 2015 / 2014
	2014	2015		2014	2015	
Checks	0.54	0.36	- 33.3	33.91	21.98	- 35.2
Debit card payments	415.97	503.81	21.1	316.14	352.79	11.6
Credit card payments	67.74	99.61	47.0	55.49	79.38	43.1
Credit transfers	571.35	1,515.30	165.2	35,647.87	162,983.12	357.2
Direct debits	141.92	78.22	- 44.9	538.63	484.34	- 10.1
E-money payments	8.81	0.81	- 90.8	1.86	2.72	46.2
Other payment instruments	0.99	0.71	- 28.3	122.15	53.97	- 55.8
Total	1,207.31	2,198.82	82.1	36,716.04	163,978.31	346.6

Source: ECB Payment Statistics, September 2016.

Paper-based

Checks

Usage of checks is not widespread, as is the case in other Central and Eastern European countries,

and is expected to cease in the next few years. Private checks and bank checks (bankers' drafts) can be used generally to withdraw money from a bank account to make a payment between individuals, but most companies do not issue or accept checks for payment.

Most checks are truncated into electronic items by the collecting bank before processing through CERTIS.

There are two other check clearing procedures:

- the bank's internal network is used to process checks drawn on and paid into the same bank;
- checks are presented to the drawee bank on a collection basis and settled through CERTIS.

Paper-based Credit Transfers

Paper-based credit transfers are still used among small companies and consumers, though electronic credit transfers are rapidly replacing paper-based ones. These are cleared via CERTIS.

Electronic

Credit Transfer

Credit transfers are the main form of payment instrument used by companies to pay suppliers and salary payments. They are also used for tax and benefit payments.

Domestic and cross-border electronic credit transfers in EUR can be made using the Europe-wide, SEPA-compliant, XML-based credit transfer format.

High-value

High-value and urgent credit transfers are processed through CERTIS. They are generally used by companies and investors to settle financial obligations. All payments settled through CERTIS are done so with immediate finality. High-priority payments must be processed on the same day. Customer and interbank payments must be received by 15:30 and 16:00 local time respectively.

For high-value credit transfers in euro within the EU, payments can be executed across the pan-European TARGET2 RTGS system. Due to the high degree of foreign investment in the Czech Republic, most larger Czech banks can access TARGET2 or the EBA's EURO1 clearing system through their parent bank's network.

Cross-border credit transfers in other currencies can be made via a combination of SWIFT connectivity, correspondent banking relationships and branch network capabilities.

Czech Post also offers a cross-border cash-based money transfer service for foreign currencies, subject to international postal regulations. A domestic money transfer service is also offered with one of the Czech Republic's commercial bank's internal systems used for transferring funds.

Low-value

Standing orders are particularly used by customers to pay utility bills.

Non-urgent and low-value credit transfers are processed through CERTIS however low-priority payments are not guaranteed to be settled on a same-day basis.

Low-value cross-border transfers can be processed through Czech banks' indirect access (via parent banks) to the EBA's STEP1 or STEP2 systems and through banks' traditional correspondent banking relationships or networks via SWIFT.

EBA Clearing and Italy's SIA Group (which already serves as a technical operator for STEP2) have agreed to develop and implement a pan-European real-time infrastructure for instant EUR payments by the fourth quarter of 2017. The service will align with the ISO 20022 global messaging standards for instant payments.

Direct Debits

Direct debits are increasingly used for regular, low-value household bill payments. Direct debit authorization can be initiated either in paper-based form or electronically.

Intrabank direct debits are settled the same day while interbank direct debits can take as long as five working days to be settled. Direct debits are processed as low-priority payments in CERTIS.

SEPA Direct Debit (SDD) CORE and B2B services have been available since November 2, 2009, enabling cross-border EUR-denominated direct debits to be made. The EBA has been processing SDD payments in STEP2 since the launch of the SDD schemes on that date.

The SIPO (Centralized Collection of Household Payments) service is offered by Czech Post. A SIPO is a single direct debit contract enabling all regular utility bills to be paid from a bank account in one aggregate cashless payment.

Payment Cards

Use of payment cards continues to increase in Czechia, though their usage is still relatively limited. Approximately 9.2 million debit cards and 2.1 million credit and charge cards were in circulation at the end of September 2016.

All debit cards and most credit cards are issued in affiliation with Visa or MasterCard. American Express and Diners Club credit cards are also in circulation.

All payment cards in circulation should now be SEPA-compliant EMV chip payment cards.

ATM/POS

Both ATM machines and electronic POS terminals are increasingly common. At the end of March 2016, Czechia had 4,572 ATMs and 147,551 EFTPOS terminals. All ATMs and POS terminals in Czechia should now be EMV chip-compliant.

Five ATM and EFTPOS networks currently exist in Czechia; the networks are interoperable. Česká Sporitelna and CSOB both run proprietary networks.

Electronic Wallet

Payment cards with an e-purse function conforming to common electronic purse standards have been issued since 2004. At the end of 2014, there were approximately 420,810 payment cards with an e-purse function in circulation. Since 2015, transport companies and other small e-money issuers in Czechia have no longer been obliged to report this information.

Numerous single-purpose e-purse cards are available, most of which are used issued by public transport and mobile phone companies.

An online e-purse scheme is also in operation.

Liquidity Management

Short-term Borrowing

Overdrafts

Both resident and non-resident entities can arrange overdrafts which are typically arranged as revolving lines of credit.

Fees (commitment fees and arrangement fees) and charges are negotiable. Additional penalties may be charged for unauthorized extensions over the agreed overdraft.

Banks will usually charge interest at a margin on Pribor (Prague interbank offered rate).

Bank Lines of Credit/Loans

Resident and non-resident entities can arrange short-term bank loans denominated in local and foreign currency from local and foreign banks. Loans with terms of one week to one year are most common.

Fees (commitment fees and arrangement fees) and charges are negotiable.

Banks will usually charge a floating rate of interest at a margin on Pribor.

Trade Bills - Discounted

Discounting trade bills are not a common form of short-term financing used by companies in Czechia.

In most cases, the borrower will borrow through the use of discounted trade bills with periods of six months or less.

Factoring

Factoring is available and growing in Czechia, mostly as a disclosed service.

The factoring of export proceeds is available if certain conditions are met, namely, an exporter must have access to uncovered free credit, payment under the contract must not exceed 180 days, and the exports in question must be shipped to a country where factoring is available.

Commercial Paper

The domestic commercial paper (CP) market has been slow to develop; however, some of the larger foreign brokerage banks will trade CP on the secondary markets.

CP must be placed through a licensed securities broker. Maturities range from one month to one year with no minimum requirement for an issue. Currently, there is no rating system used for CP.

Bankers' Acceptances

Bankers' acceptances are rarely used.

Supplier Credit

Companies negotiate the rate of interest between each other. Supplier credit is generally offered for no more than three weeks after the invoicing bill.

Intercompany Borrowing, including Lagging Payments

Czech or foreign groups are permitted to establish intercompany loans, but these are seldom used as a form of short-term financing due to problems with company indebtedness.

Short-term Investments

Interest Payable on Bank Account Surplus Balances

Interest-bearing current, or checking, accounts are available to both resident and non-resident entities.

Demand Deposits

Interest-bearing demand, or sight, deposit accounts are available to both resident and non-resident entities.

Time Deposits

Time deposits are popular short-term investment instruments in Czechia. Banks offer them for terms from one day to over a year, although terms up to 90 days are most common.

Certificates of Deposit

Certificates of deposit (CDs) are not commonly used as investment instruments in Czechia. They are available usually in maturities from two weeks to five years, with maturities of up to one year most common. The minimum denomination for a CD is CZK 50,000.

Treasury (Government) Bills

Treasury bills (T-bills) are issued by the CNB and the Ministry of Finance and are an important short-term investment instrument for companies.

The CNB issues T-bills with maturities of up to nine months. The Ministry of Finance issues T-bills with maturities of one month to one year. T-bills are sold at weekly auctions in denominations of CZK 1 million. There is a popular secondary market for T-bills.

Commercial Paper

The domestic CP market has been slow to develop and is not commonly used for short-term investment. Where available, commercial paper is usually available in maturities ranging from one month to one year.

Money Market Funds

Money market funds are available in the Czech Republic.

Repurchase Agreements

The CNB is the only institution that offers repurchase agreements (repos), and only banks with accounts at the CNB may deal with them. Repos usually have two-week maturities, although shorter terms are occasionally involved.

Bankers' Acceptances

Bankers' acceptances are rarely used.

Liquidity Management Techniques

Cash Concentration

Cash concentration is the more common technique used by Czech companies to manage company and group liquidity. Of the available techniques, zero-balancing is the most commonly used. Single currency cash concentration is possible between multiple entities while cross-currency cash concentration is only possible within the same legal entity.

Both resident and non-resident bank accounts can participate in a cash concentration structure located in Czechia. However, central bank reporting requirements may need to be met and itemized charges apply on transactions between resident and non-resident bank accounts.

Notional Pooling

Notional pooling is available from the leading cash management banks in Czechia for single and multiple legal entities.

Single currency notional pooling is possible between multiple entities. However, because it can be difficult to obtain inter-company cross-guarantees in Czechia, the provision of multiple entity notional pooling tends to be limited to larger banks. Notional pooling structures for multiple entities are subject to arm's length transfer pricing and thin capitalization rules.

Cross-currency notional pooling is restricted to within the same legal entity.

Notional pooling is available to non-residents, but infrequently used. This is because interest payments to parent companies are subject to thin capitalization rules.

Trade Finance

General Rules for Importing/Exporting

A member of the EU, Czechia follows the EU customs code and all associated regulations and commercial policies apply.

All trade with other countries in the EEA is free from tariffs and other controls.

The EU has also established trade agreements with a number of other countries as well as with other regional trade blocs.

Nine free zones are currently operating in Czechia.

Imports

Documentation Required

Imports originating outside the EU will normally need to be accompanied by a commercial invoice, a customs declaration, a bill of lading and a packing list. A certificate of origin may also be required.

Imports originating inside the EU do not require formal supporting documentation, although a commercial invoice should normally be supplied.

Import Licenses

Various textiles and clothing imports from Belarus and North Korea, various steel products from Kazakhstan and Russia, and certain agricultural imports (listed in the Common Agricultural Policy – CAP) require licenses with quota restrictions.

Import Taxes/Tariffs

As a member of the EU, Czechia applies the common customs code to all imports originating from outside the EU. In general terms, the EU customs code applies higher levels of tariffs on agricultural imports.

Financing Requirements

There are no particular financing requirements for imports.

Risk Mitigation

Czechia does not operate a national risk mitigation program for importers.

Prohibited Imports

Czechia prohibits various imports in line with EU regulations and UN Security Council resolutions. Imports are prohibited for safety and moral reasons, to preserve wildlife, and to protect national security.

Exports

Documentation Required

Exports to countries outside the EU will normally need to be accompanied by a commercial invoice, a customs declaration, a bill of lading and a packing list. A certificate of origin may also be required.

Exports to countries within the EU do not require formal supporting documentation, although a commercial invoice should normally be supplied.

Proceeds

There are no restrictions on the use of export proceeds.

Export Licenses

Various agricultural products (listed in the CAP) require export licenses.

A security license is required for exporting certain armaments.

Export Taxes/Tariffs

The Czech Republic does not levy taxes or tariffs on exports.

Financing Requirements

There are no particular financing requirements for exports.

Risk Mitigation

Export financing is provided by the state-owned Czech Export Bank and the largest commercial bank, Československá obchodní banka (CSOB).

The Export Guarantee and Insurance Corporation (EGAP) provides state-supported credit insurance for exports. Private export credit insurance is also an option.

Prohibited Exports

Czechia prohibits various exports in line with EU regulations and UN Security Council resolutions.

Information Technology

Electronic Banking

The majority of Czech companies have access to electronic banking services and their usage is routine. There is no bank-independent standard for electronic banking, but the local version of MultiCash and domestically-developed Gemini (by BSH Praha) are the most common electronic banking packages. A full range of electronic banking services is available, from daily transaction and balance reporting, to domestic and international payment information and initiation.

Though internet banking is still primarily geared toward retail customers, most corporate electronic banking services offer internet features or browser-based components.

The leading commercial banks also provide SMS/mobile phone banking services that allow clients to access accounts via their cell phones.

External Financing

Long-term Funding

Bank Lines of Credit/Loans

Medium and long-term financing is both available in the form of bank loans. Syndicated loans are a popular way of securing large-value long-term credit. Mortgage loans have also been a popular method of long-term financing over the past decade in the wake of low interest rates, though the housing market peaked in 2007 and has cooled in the wake of the global financial crisis.

Bank loans can be arranged by both domestic and foreign-based companies in both domestic and foreign currency.

Bank loans denominated in domestic currency are usually arranged at a margin to Pribor.

Leasing

Leasing is a popular form of longer-term finance for Czech companies. It is used to finance a range of underlying assets, the nature of which determines the term of the lease contract. The Income Taxes Act No.586/1992 does set out specific schedules for depreciation. Typically, vehicle leases are available for terms of five years, computer equipment over four years, machinery leases up to ten years and property leases for longer, often up to 50 years.

Leases can be set floating rates of interest adjusted every three months. They can be arranged as an operating lease (where maintenance costs are covered by the leasing company) or as a finance lease.

Bonds

Bond issuance is a popular method of long-term financing due to the lack of suitable alternative investment instruments in Czechia.

Maturities usually range between three to five years, but some larger companies can issue bonds with up to 15 year maturities.

Private Placement

The private placement of bonds is not normally practiced in Czechia.

Asset Securitization / Structured Finance

Asset-backed bonds, such as mortgage bonds in CZK, have been issued in Czechia since 1995.

Government (Agency) Investment Incentive Schemes / Special Programs or Structures

The EU's structural funds are available to finance infrastructural development. However, with the growth in size of the EU, the funds available for such investment have to be distributed to more countries. Funds are also available through the European Investment Bank and the European Investment Fund.

Useful Contacts

National Treasurers' Association

Czech Treasury Association — www.czechtreasury.cz

National Investment Promotion Agencies

CzechTrade - National Trade Promotion Agency — www.czechtradeoffices.com

CzechInvest - Investment and Business Development Agency — www.czechinvest.org

Central Bank

Czech National Bank — www.cnb.cz

Supervisory Authority

Czech National Bank — www.cnb.cz

Payment System Operator

Czech National Bank — www.cnb.cz

ATM/POS Network Operator

Bank Card Association — www.bankovnikarty.cz

Banks

Komerční banka — www.kb.cz

Ceská Sporitelna — www.csas.cz

Ceskoslovenska obchodni banka — www.csob.cz

Stock Exchange

Prague Stock Exchange — www.pse.cz

Ministry of Finance

Ministry of Finance — www.mfcr.cz

Ministry of Economy

Ministry of Industry and Trade — www.mpo.cz

Chamber of Commerce

Czech Chamber of Commerce — www.komoracz.eu

Bankers' Association

Czech Banking Association — www.czech-ba.cz