

„BUSINESS IS NOT EMPLOYMENT“

Basic information about doing business in the Czech Republic

BUSINESS is defined by the law as a systematic activity carried out by an entrepreneur independently, on his own behalf and on his own responsibility for the purpose of making a profit.

Continuous activity – repetitive activity.

Independent activity – you organise your own work and pay for your own costs (e.g. tools or space for your business).

Making a profit – you get paid for your activities, not in the form of a salary, but you issue an invoice.

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EMPLOYMENT – a contractual employment relationship between an employee and an employer.

! ATTENTION ! BUSINESS IS NOT A JOB. BE CAREFUL TO MEET ALL THE NECESSARY REQUIREMENTS OF A BUSINESS TO AVOID VIOLATING CZECH LAWS. In the event of an inspection by the Labour Inspectorate you could face a heavy fine.

Methods of doing business in the Czech Republic (the central administrative authority is the Ministry of Industry and Trade):

- *on the basis of a trade license – business of a natural person.* Trade business is the most common form, regulated by the Trade Licensing Act.
- *on the basis of special permissions, e.g. in the form of a "participation in a legal entity" (a company or cooperative) – the business of a legal entity.*

! BEWARE OF THE SCHWARZSYSTEM! – This is a situation where a person formally acts as a self-employed businessman, but in reality has only one customer for his/her services/goods. If this customer acts as if he is the employer of businessman - telling him what to do, supplying him with tools or materials that the businessman uses in his business, providing him with a workplace and work tools, this may be a shvarcsystem and circumventing the law!

In the Czech Republic, you can engage in activities that are not directly prohibited by law or excluded from business activities. *You can do business if you are of legal age, legally competent, criminally blameless, or if you meet other conditions that are given for a specific area of activity (professional competence, length of experience).*

To start a business, you need a trade licence. You can obtain it after filling in a registration form at the trade licensing office or at the Czech POINT of the Czech Post (selected branches). At the same time you need to pay an administrative fee of CZK 1,000.

- Required documents:
 - Identification card.
 - Proof of payment of the administrative fee.
 - Residence permit in the Czech Republic.
- Also may be required:
 - Criminal record extract (issued by the competent authority of the country of which the foreigner is a citizen, max. 3 months old), including a certified translation.
 - A statement from the property owner that they agree to locate the business on the property.
 - If professional competence is required, you must also provide a confirmation or certificate of professional competence.



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Projekt "Centrum na podporu integrace cizinců v Ústeckém kraji" reg. č. CZ.12.01.02/00/24_022/0000077 je financován OP AMIF a MV ČR.

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Proof of your business is an extract from the Trade Register. You are assigned an IČO - IDENTIFICATION NUMBER, under which you act.

Reporting the establishment of a trade - business (within 8 days):

1, Health insurance company - assigns you to the category of OSVČ, so called self-employed person - for the purpose of paying health insurance. Every entrepreneur must pay health insurance (the minimum amount for 2025 is set at CZK 3,143.

2, District Social Security Administration - for pension insurance. The minimum amount for 2025 is set at CZK 4,759.

You will receive a letter from both the health insurance office and the Social Security Office setting out your insurance premiums (or you may be asked to collect them in person at the office). Insurance premiums must be paid every month, including the month in which you set up your business.

3, Tax Office - for tax payments. You will fill in the **Registration form for natural persons**. You will then be assigned a DIČ - tax identification number. You will receive a notification in writing by post.

! ATTENTION ! - EACH YEAR YOU MUST SUBMIT THE SO-CALLED. TAX RETURN - you pay income tax in the amount of 15% and account for the advance payments (The basis is a summary of the amount of the tax base with the health insurance company and a summary of income and expenses with the District Social Security Administration).

IT'S NOT POSSIBLE TO RUN A BUSINESS JUST TO HAVE A RESIDENCE PERMIT. YOU WILL ALWAYS HAVE TO PROVE YOUR INCOME.

In the Czech Republic, a foreigner may conduct a business also with a different type of residence than the purpose of the business, but he/she must always fulfil the original purpose of his/her residence. For example, if you have been granted residence on the basis of studies, you must continue to study.

If you want to change your purpose of residence to business, you can apply if:

- you hold a valid long-term residence permit - but only after 5 years of residence in the Czech Republic,
- you hold a valid residence permit for the purpose of family reunification - but only after 3 years of residence in the Czech Republic, or if you have reached the age of 18.

They can do business in the Czech Republic under the same conditions as Czech citizens:

- Citizens of a Member State of the European Union or another Contracting State to the Agreement on the European Economic Area or citizens of the Swiss Confederation.
- Third-country nationals on a long-term visa for business purposes - but you must prove that you have the means to stay for the purposes of the long-term visa.
- Persons with permanent residence in the Czech Republic.

MORE INFORMATION ABOUT DOING BUSINESS IN THE CZECH REPUBLIC CAN BE FOUND HERE: www.mpo.cz, www.businessinfo.cz, www.mpsv.cz, www.mfcr.cz, www.cssz.cz, www.mzcr.cz



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