



ATLAS
BY BNP PARIBAS

CASH MANAGEMENT

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BNP PARIBAS

The bank
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The Czech Republic is a high-income country of 10.6 million people with a GDP of €212bn in 2020. It has been a NATO member since 1999. A member of the European Union since 2004, the country remains outside the Eurozone, even though macroeconomic fundamentals are sound enough to join it.

Before the COVID-19 outbreak, the Czech Republic benefitted from stable fiscal and external positions (twin surpluses and low public debt), and almost full employment over the last decade. As an open economy with close industrial integration into the EU, notably Germany, Czech Republic was particularly exposed to the recession experienced in western Europe during the COVID-19 outbreak. Timely fiscal and monetary support was implemented in 2020, as the country has the leeway to do it (low public debt, at 30% of GDP before the pandemic). Potential growth remains constrained by the decline in the working age population, and future economic development will rely on the ability to boost labour productivity. Inflation is hovering around the 3% upper limit of the central bank's target. This has triggered monetary policy tightening and, in turn, exchange rate appreciation. The institutional environment is solid. Nonetheless, like neighbouring countries, 'Euroscepticism' and anti-immigration sentiment has gained traction.

Summary

BNP Paribas presence

BNP Paribas is well-established in Czech Republic with a business centre in Prague that provides comprehensive service and product offerings across cash management and trade finance. These include cross-border and cross-currency pooling and intercompany position reporting.

Currency

Currency

- The Czech Republic uses the Czech Koruna (CZK).

Exchange rates

	2015	2016	2017	2018	2019	2020
Exchange rate: CZK per USD	24.599	24.440	23.376	21.730	22.932	23.21

Source: IMF, International Financial Statistics, June 2021.

Central Bank

- The Czech central bank is the Česká Národní Banka (CNB – www.cnb.cz).

Bank accounts

Resident / non-resident status

- A company is generally considered resident in the Czech Republic if its place of effective management is located there.

Bank accounts for resident entities

	Within CZECH REPUBLIC	Outside CZECH REPUBLIC
Local Currency	Permitted without restriction, fully convertible.	Permitted without restriction, fully convertible.
Foreign Currency	Permitted without restriction, fully convertible.	Permitted without restriction, fully convertible.

Bank accounts for non-resident entities

	Within CZECH REPUBLIC	Outside CZECH REPUBLIC
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Local Currency	Permitted without restriction, fully convertible.	Permitted without restriction, fully convertible.
Foreign Currency	Permitted without restriction, fully convertible.	Not applicable.

Lifting fees

- Per-item based charges are applied on payments between resident and non-resident accounts.










BNP Paribas Cash Management Capabilities

Collections




Cash collections	✓
Cheque collections	✓
Direct debit collections	✓
Domestic incoming transfers	✓
Virtual IBAN	●
Virtual accounts	●
International incoming transfers	✓
Card acquiring	✓

Payments

Cash withdrawals	✓
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Cheque payments	
Direct debit payments	
Domestic outgoing transfers	
Commercial cards	
Virtual cards	
International outgoing transfers	
SWIFT gpi	
Real-time international payments through BNP Paribas' network	
Card issuing	

Channels

Local e-Banking	
Global e-Banking - Connexis	
SWIFT/ host to host	

Payments & collections

Market overview

Electronic credit transfers are commonly used by companies to make supplier, payroll and tax payments. The use of debit cards is increasing rapidly; they have become the most widely used cashless instrument, by volume (credit transfers are the most widely used cashless instrument in value terms). Contactless card payments are growing in popularity: contactless payment card or mobile payments were used 1.05 billion times in 2020, compared to 919 million times in 2019. Google Pay, Apple Pay and MasterPass, are widely used mobile payments services.

Electronic banking services are available from most banks. There is no national electronic banking standard in Czechia; most banks use MultiCash and Gemini alongside proprietary systems. Transaction and balance reporting, automated end-of-

day sweeping, and some transaction initiation services are available on a domestic and cross-border basis.

Online and mobile banking is offered by the country's leading commercial banks. In 2020, 70% (68% in 2019) of all individuals used the internet for online banking.

Payment Systems

CERTIS	Type	<ul style="list-style-type: none"> • Real-time gross settlement.
	Participants	<ul style="list-style-type: none"> • 49 direct. • CERTIS has six third-party systems.
	Transaction types processed	<ul style="list-style-type: none"> • All CZK denominated payments.
	Operating hours	<ul style="list-style-type: none"> • 24 hours a day.
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> • High-priority payments are settled on a same-day basis. Low-priority items may be settled next-day. • Interbank payment cut-off time = 16:00 CET.
	System holidays	<ul style="list-style-type: none"> • CERTIS is closed on all Czech bank holidays. • Czechia bank holidays are: • 2nd half 2021: 28 September, 28 October, 17 November, 24–26 December. • 2022: 1 January, 15, 18 April, 1, 8 May, 5, 6 July, 28 September, 28 October, 17 November, 24–26 December.

Credit transfers

- Credit transfers are used by companies to pay salaries and suppliers, and to make tax and treasury payments.
- High-value and urgent domestic credit transfers can be settled in real time via CERTIS.
- High-value and non-urgent EUR-denominated credit transfers (within the euro zone) can also be settled in real time via TARGET2 (accessed via parent-group branch networks).
- Low-value and non-urgent CZK-denominated credit transfers can be settled through CERTIS. Same-day settlement for low-priority items is not guaranteed.
- SEPA credit transfers can be settled via STEP2 (accessed via parent group-branch networks). Twenty-one banks in Czechia participate in the SEPA credit transfer scheme.
- Cross-border credit transfers in domestic and foreign currencies can be processed via SWIFT and settled through correspondent banking and bank branch networks.
- The Czech Post Office also offers a cross-border transfer service in foreign currencies.
- The CNB has launched a nationwide instant fund transfer system. There are currently 12 participants. The Instant Payments scheme allows individuals to transfer up to CZK 400,000 in real time, 24 hours a day, seven days a week.
- The European Payment Council's SCT Inst scheme (a pan-European 24/7 instant payment scheme for SEPA credit transfers) enables the transfer of funds (the maximum threshold value is EUR 100,000) to another account in less than ten seconds. SCT Insts are not available in Czechia at present.
- EBA Clearing and Italy's SIA Group have developed and implemented a pan-European platform for instant EUR payments called RT1. It is fully compliant with the SCT Insts scheme and is in line with the ISO 20022 global messaging standards for instant payments.
- TIPS is a pan-European service for the settlement of instant payments in central bank money. The service enables payment service providers and ACHs with access to TARGET2 to offer fund transfers 24/7, 365 days a year. TIPS is aligned with SCT Insts. It is primarily focused on EUR payments but is technically capable of settling payments denominated in other currencies.

Direct debits

- Direct debits are used for regular payments, such as utility bills.
- Direct debits can be initiated electronically or via a paper format.
- Same-day settlement is available for intrabank debits. Interbank debits can take five working days.
- Direct debits are settled via CERTIS.
- SEPA CORE and B2B SEPA direct debit schemes are available in Czech Republic and can be settled on a same-day basis via STEP2.
- The SIPO (Centralized Collection of Household Payments) service enables a single direct debit payment for all regular household bills. SIPO is managed by the Czech Post Office.

Cheques

- The cheque is not a common cashless payment instrument. Used for low-value transactions, its use is in rapid decline.
- Cheques are truncated into electronic items before being settled via CERTIS.
- Cheques can also be processed via a bank's internal network if the [cheque](#) is issued and deposited at the same bank or can be presented to the drawee bank on a collection basis before being settled via CERTIS.

Card payments

- Card payments, particularly via debit card, are increasingly popular, especially for retail transactions.
- Debit card transactions increased 20.3% and 17.7% in volume and value terms in 2019, to 1,151.1 million transactions, with a value of CZK 716.9 billion. In contrast there were 121 credit card transactions, with a value of CZK 90.7 billion, a 7.6% increase in volume terms but a 10.6% fall in value terms on 2018 figures.
- There were 11 million debit cards and 2.1 million credit cards in circulation at the end of September 2020. There are over 12.8 million cards with contactless payment functionality in circulation.
- Contactless card payments are growing in popularity: contactless payment card or mobile payments were used 1.05 billion times in 2020, compared to 919 million times in 2019.
- Visa and MasterCard-branded debit cards are the most widely issued.
- Visa and MasterCard-branded credit cards are the most popular. American Express and Diners Club credit cards are also available.
- All cards issued are SEPA-compliant with EMV chips.

ATM/POS

- There were 5,529ATMs in Czechia at the end of September 2020.
- There were 266,138POS terminals in Czechia at the end of September 2020.
- Czechia has five ATM and POS networks.
- All ATMs and POS terminals are EMV-compliant.

Electronic wallet

- Single-purpose electronic wallet schemes are available in Czech Republic for use on transport networks and for mobile phone payments.
- Mobile payment schemes, including Google Pay and MasterPass, are available.

Market overview

Interest payable on credit balances

- Interest-bearing current accounts are permitted for residents and non-residents.

Demand deposits

- Demand deposits are permitted for residents and non-residents.

Time deposits

- Time deposits are available in CZK, EUR and USD for terms ranging from one night to over one year.

Certificates of deposit

- Domestic banks issue CZK-denominated certificates of deposit for terms ranging from two weeks to five years.
- The minimum investment is CZK 50,000.

Treasury (government) bills

- The Ministry of Finance and the CNB issue Treasury bills with terms ranging from three to 12 months.
- The minimum investment is CZK 1 million.
- There is an active secondary market.

Commercial paper

- Domestic commercial paper is not widely issued. It is available in CZK with terms of one month to one year.

Money market funds

- Money market funds are available.

Repurchase agreements

- Repurchase agreements are issued by the CNB and are available with maturities of two weeks.

Banker's acceptances

- Banker's acceptances are not commonly used in the Czech Republic.

BNP Paribas Trade Finance Capabilities

Trade payments

Documentary credits	✓
Documentary collections	✓

Guarantees

Bank guarantees	✓
Standby letters of credit	✓

Supply chain management

Receivables	✓
Payables	✓
Inventory	✓

Trade channels

Connexis Trade	✓
Connexis Supply Chain	✓
SWIFTNet Trade for Corporates	●
Connexis Connect	✓
Connexis Guarantee	●
SWIFTnet Supply Chain	●

- BNP Paribas offers targeted support for the trade finance needs of large corporations headquartered in, or operating in Czech Republic. The bank's trade centre has been operational since 2008 and includes a trade manager and 2 trade officers, supported by a centralised trade back office in Bulgaria. BNP Paribas' trade finance solutions and services in Czech Republic are differentiated by the bank's relationship management-based approach, the strength of its expertise, and ongoing commitment to delivering best-in-class services.

International trade

General trade rules

- As a member of the EU, Czech Republic follows the EU customs code and applies all associated regulations and commercial policies.
- Trade with countries in the European Economic Area (EEA) and Switzerland is exempt from tariffs and other controls.

Trade agreements

- The EU has trade agreements in place with over 30 countries.
- The EU is currently in free trade negotiations with a number of countries, including the Association of Southeast Asian Nations (ASEAN), Australia, Indonesia, Mercosur (the Southern Common Market), Uruguay, and the USA. The EU-UK Trade and Co-operation Agreement came into force on 1 May 2021.

Imports / exports

Imports	Cars and vehicle parts	Broadcasting equipment	Office machinery/ parts	Computers	Packaged medicines
Primary Import sources	Germany (27%)	China (12%)	Poland (9%)	Slovakia (5%)	
Exports	Cars and vehicle parts	Computers	Broadcasting equipment	Office machinery/ parts	
Export markets	Germany (31%)	Slovakia 7%)	Poland (6%)	France (5%)	

Import / export volumes

		2016	2017	2018	2019	2020
Exports	- goods USD m	130,600	145,848	161,089	156,104	148,814
	- services USD m	24,246	27,341	30,605	30,440	26,103
Imports	- goods USD m	120,515	134,956	151,710	145,623	136,336
	- services USD m	19,841	21,855	25,065	25,806	21,616
Current account as % GDP		+ 1.6	+ 1.5	+ 0.5	+ 0.4	+ 3.6

Source: IMF, International Financial Statistics, June 2021.

Trade finance - Imports

Documentation

- Documentation is not required for imports from within the EU, although a commercial invoice should be supplied.
- The following documentation is typically required in order to import goods into Czech Republic from outside the EU:
 - customs declaration
 - commercial invoice
 - bill of lading
 - packing list
 - certificate of origin (in certain cases).

Import licences

- Import licences are required for agricultural products with quantitative restrictions, in accordance with the EU's Common Agricultural Policy.
- Import licences with quotas are required for certain steel products from Kazakhstan and Russia and for certain textiles and apparel products from Belarus and North Korea.

Import taxes and tariffs

- Tariffs are set according to the EU customs code for all imports from outside the EU, with higher tariffs for agricultural imports.
- There are currently eight free zones operating in Czech Republic.

Financing requirements

- None.

Risk mitigation

- None.

Prohibited imports

- Czech Republic prohibits the import of certain items in line with EU regulations and UN Security Council resolutions.

- Specific imports are prohibited in order to protect fauna and flora, for health and safety or moral reasons, and/or for national security.

Trade finance - Exports

Documentation

- Documentation is not required for exports from within the EU, although a commercial invoice should be supplied.
- The following documentation is usually required in order to export goods from Czech Republic outside the EU:
 - customs declaration
 - commercial invoice
 - bill of lading
 - packing list
 - certificate of origin (in certain cases).

Export licences

- Export licences are required for agricultural products in accordance with the EU's Common Agricultural Policy.
- Certain armaments require a security licence before export.

Export taxes and tariffs

- None.

Financing requirements

- None.

Risk mitigation

- Czech Republic has implemented the EU directive on export credit insurance.
- The Export Guarantee and Insurance Corporation (EGAP), the Czech Republic's export credit agency, provides state-supported export credit insurance.
- Export credit insurance is also available from private insurance companies.
- Export financing is available from the state-owned Czech Export Bank and from CSOB, the country's largest commercial bank.

Prohibited exports

- Czech Republic prohibits the export of certain items in line with EU regulations and UN Security Council resolutions.

Regulatory requirements

Reporting regulations

- Financial account data, income balance data, and data on a selected range of services is gathered by the CNB from a sample of representative companies and institutions.
- A sample of representative companies are surveyed on inward and outward direct investments, and on securities transactions between residents and non-residents.
- Information on transactions between resident and non-resident companies, on transactions on residents' accounts held abroad, and on bonds issued abroad is submitted by selected companies.
- Data on other current account transactions is collected by the Czech Statistical Office (CZSO – www.czso.cz).
- Information on transactions resulting from foreign trade may also be demanded by the CNB and Ministry of Finance.

Exchange controls

- Restrictions apply to foreign investment in specific industries (Czech airlines, national lotteries and real estate).
- Financial loans from resident insurance companies to non-residents are subject to restrictions, if the assets represent over 5% of their technical reserves (10% when the non-resident is from within the EU), as are loans from resident private pension funds to non-residents (apart from the governments and central banks of [OECD](#) member countries).

Resident / non-resident

- A company is considered resident if its registered office or place of effective management is located in Czech Republic.
- When a company is resident in both Czech Republic and another country, double taxation treaty provisions should be referred to in order to determine residency.

Tax authorities

- Financial Administration (including Specialised Tax Office).
- Customs Administration of Czechia (Czech CA).
- General Financial Directorate (GFD).
- Appellate Financial Directorate (AFD).
- General Directorate of Customs (GDC).
- Ministry of Finance of the Czech Republic (MFCR).

Tax Year/filing

- The tax year generally corresponds to the calendar year, but may be changed to any period of 12 consecutive calendar months by notifying the financial authorities accordingly.
- 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. A 10-month filing deadline may be possible where the taxpayer has foreign-source income.
- Two or four advance payments of tax are required, depending on the previous year's tax liability.
- Consolidated returns are not permitted; each company must file a separate return.

Financial instruments

- Generally, the corporate income tax base is determined on the basis of the accounting result if the Czech Income Taxes Act does not stipulate otherwise.
- The acquisition price of a share that is not revalued to the fair value (e.g. a significant influence) is tax-deductible up to the amount of the income from the sale.
- The exemptions under the implemented EU Parent-Subsidiary Directive are applicable.

Interest and financing costs

- In addition to potential limitations arising from thin capitalisation and transfer pricing rules, where interest is accrued on a loan from an individual rather than a corporate entity, the interest will generally not be deductible for tax purposes until it is paid.

Foreign exchange

- There are no specific taxes around foreign exchange transactions but please contact your tax advisor.

Advance tax ruling availability

- Advance rulings may be obtained in certain cases provided by law, particularly for advance pricing agreements, the utilization of losses when there has been a significant change to the shareholding structure of R&D projects. The rulings are binding and effective for a maximum period of three years. Binding rules also are available on the allocation of profits to a permanent establishment (PE).

Capital gains tax

- Income from the sale of assets generally is included with other taxable income and taxed at the regular corporate income tax rate.
- 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. An exemption applies when the seller is an EU/EEA resident company that has an eligible legal form and that holds at least 10% of the company sold for an uninterrupted period of at least 12 months; the same treatment applies when the seller is a Czech company selling an investment in an EU/EEA resident company. The capital gains participation exemption for sale of shares in non-EU/EEA resident subsidiaries is subject to the same requirements as for the participation exemption for dividends.

Withholding tax (subject to tax treaties)

Payments to:	Interest	Dividends	Royalties	Other income
Resident entities	0%/15%	0% - 15%	None	None
Non-resident entities	0%-15%/ 35%*	0%-15%/ 35%*	0%-15%/ 35%*	0%-15%/ 35%*

- Dividends paid to a non-resident are subject to a 15%/35% withholding tax, unless the rate is reduced under an applicable tax treaty. A 35% rate applies where dividends are paid to a resident of a non-EU or non-EEA jurisdiction with which the Czech Republic does not have a tax treaty or a tax information exchange arrangement (TIEA).
- 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 un-interrupted period of at least 12 months. The exemption also applies to dividends paid to a parent company from the EEA or Switzerland.
- Dividends paid to a resident that do not qualify as exempt are subject to a 15% withholding tax.
- Interest paid to a non-resident is subject to a 15%/35% withholding tax, unless the rate is reduced under a tax treaty or exempt under the EU Interest and Royalties Directive (or a similar measure for the EEA or Switzerland). A 35% rate applies to interest paid to a resident of a non-EU or non-EEA jurisdiction with which the Czech Republic does not have a tax treaty or a TIEA.
- 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 generally are subject to a 15% withholding tax, unless the rate is reduced under a tax treaty (if the conditions for the application of a reduced rate are fulfilled) or exemption is available under the EU interest and royalties directive (or a similar measure for the EEA or Switzerland). A 35% rate applies where royalties are paid to a resident of a non-EU or non-EEA jurisdiction with which the Czech Republic does not have a tax treaty or a TIEA.
- Income paid to a non-resident for technical services rendered in the Czech Republic (there is no taxation if the services are provided abroad) is subject to a 15% withholding tax (35% if the payment is made to a resident of a non-EU or non-EEA jurisdiction with which the Czech Republic does not have a tax treaty or a TIEA). The rate may be further reduced by an applicable tax treaty (if the conditions for the application of a reduced rate are fulfilled). The tax generally is precluded under Czech tax treaties 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 104 jurisdictions through 90 double tax treaties and 14 TIEAs.
- Czechia, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, has 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 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 also covers information about which entities do business in a particular jurisdiction and the business activities each entity engages in. The information is collected by the country of residence of the MNE group, and then be exchanged through exchange of information supported by such agreements as the

MCAA. First exchanges under the MCAA started in 2017–18 on 2016 information. There are currently 102 signatory countries.

Thin capitalisation

- Thin capitalisation 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.
- The EU anti-tax avoidance directive interest expense deductibility rules have been transposed into Czech law and apply alongside the thin capitalisation rules as from tax years beginning on or after 1 April 2019. Under these rules, “excess borrowing costs” on loans (related and third party) are deductible up to 30% of tax earnings before interest, tax, depreciation and amortisation (EBITDA), with any non-deductible amount carried forward to future tax periods and deductible subject to the same EBITDA restrictions.

Transfer pricing

- Czechia has transfer pricing rules that apply to transactions between related parties according to arm’s-length principles. (For a definition of related parties, see Interest deduction limitations.) If prices in a transaction involving related parties differ from current market prices and the difference cannot be justified, the market prices are used for tax purposes. Advance pricing agreements may be obtained from the tax authorities.
- Certain companies are required to attach an appendix to the income tax return that lists and summarises all related-party transactions that took place during the tax year.

Stamp duty

- There is no stamp duty.

Cash pooling

- No specific tax rules apply to cash pooling in Czech Republic. However, the areas which need to be specifically considered in the matter of cash pooling are thin capitalisation, transfer pricing and withholding taxes.

Financial transactions / Banking services tax

- No specific transactions or banking services taxes are applicable in Czech Republic.

**All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2021 (www.deloitte.com).*



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