



Lex Mundi European Union: Accession States Tax Guide

CZECH REPUBLIC Prochazka Randl Kubr

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A. General information

The Czech Republic has a democratic political system with independent legislative, executive and court powers. It has been a member of the EU since 1 May 2004 and is a signatory to a number of international treaties that take precedence over national legislation. Real GDP growth in 2006 was 6.1% (according to the Czech Statistical Office). The current account deficit has declined to around 3% of GDP, as demand for Czech products in the European Union has increased. Inflation has a downward sloping tendency; the Czech Statistical Office's estimate for 2006 is 1.9%. Output growth should be strengthened by the intensified restructuring among large enterprises, improvements in the financial sector, and effective use of available EU funds.

The country's accession to the EU opened the door to structural reforms. The Czech Republic also intends to adopt the Euro in the near future.

The Czech Republic has a highly fragmented government sector. The structure of the public sector is composed of a central government, local governments, extra-budgetary funds and health insurance companies.

The tax system of the Czech Republic includes both direct taxes (i.e. income, real estate, road, inheritance and gift) and indirect taxes (i.e. value-added, excise and customs duties). The compound (non-consolidated) tax quota in 2006 amounts to 37.4% of GDP. Tax revenues arise almost equally from direct and indirect taxes. Nevertheless, the current tendency at present is toward an increase of the direct tax portion while decreasing the indirect tax portion.

B. Corporate income taxation

1. Which are the taxable entities?

Under Czech tax law, corporations (legal entities) are generally subject to corporate income taxation. Based on the legal form, we can distinguish between private companies and capital companies. Private companies, i.e. general commercial partnerships (veřejná obchodní společnost or v.o.s.) and limited partnerships (komanditní společnost or k.s.) are generally not subject to corporate income tax. Nevertheless, for limited partnerships the corporate income tax is calculated from the tax base reduced by that part of it which has been distributed to the unlimited partners. Capital companies are generally liable for corporate income tax; they include joint-stock companies (akciová společnost or a.s.), limited-liability companies (společnost s ručením omezeným or s.r.o.) and cooperatives (družstvo).

For tax purposes, Czech tax residency is essential. Companies having their seat or place of management in the Czech Republic are treated as Czech tax residents and are subject to Czech corporate income tax on their worldwide income.

Foreign entities (Czech tax non-residents) are generally subject to Czech tax on the income that they generate in the Czech Republic. The extent to which a foreign entity is liable to pay Czech tax is determined by the extent of activities undertaken or related to the Czech Republic.

By carrying out activities in the Czech Republic foreign companies can create a taxable presence, a so-called **permanent establishment**. The presence may not lead to the registration of a Czech branch, but such presence requires a foreign entity to be registered with the Tax Office for tax purposes. Czech law sets out the conditions for creation of a permanent establishment. An applicable double-taxation treaty may modify these conditions. The permanent establishment is subject to Czech income tax only on income that is attributable to this permanent establishment in the Czech Republic.

Companies without a Czech permanent establishment can be subject to Czech taxation on Czech-source income, e.g. royalties, dividends, interest. Double-tax treaties may reduce or eliminate Czech taxation.

2. How is the taxable income determined?

General tax base

Tax liability is based on the accounting result, which is adjusted by items increasing the tax base (e.g. non-deductible tax expenses) and by items decreasing the tax base (e.g. non-taxable revenues, various deductions); afterwards, it is also adjusted by exempted income. The accounting result which has been calculated based on the Czech accounting rules is decisive.

Tax-deductible expenses are generally defined as expenses incurred to generate, maintain, and/or assure taxable income. The Czech Income Taxes Act allows deductions for all normal operating expenses and most tax payments other than the corporate tax itself. Accounting depreciation charges for low-value fixed assets, as well as travel expenses up to the statutory limits and lease payments, are generally deductible. The most important non-deductible expenses include directors' fees, representation expenses, etc.

Generally, companies may deduct charitable donations of up to 5% of their tax base up to an amount of CZK 2,000.

Czech legislation differentiates between **depreciation for tax purposes and for depreciation for accounting purposes**. Tax depreciation is calculated from the acquisition cost using either a straight-line or accelerated method over the designated period. Rates and depreciation periods are determined based on the type of asset. Under both depreciation methods, depreciation in the year of purchase is less than in the following years. A company may choose which method to apply to each new asset; but once made, the choice cannot be altered.

It is possible to interrupt tax depreciation on qualifying assets, i.e. effectively defer the tax depreciation to a later period, preferably one in which a tax charge arises.

Separate tax base

A separate tax base generally includes income (revenues) in the form of dividends, shares in profits, settlement shares, liquidation shares or similar payments (in amounts which include any tax withheld abroad), if such payments are from abroad and the recipient is a Czech resident or the Czech permanent establishment of a Czech non-resident.

Withholding tax base

Certain income (e.g. dividends, shares in profit) is subject to withholding tax (See Section B 6).

3. What are the applicable tax rates?

The general rate of corporate income tax is 24%; however, tax rate of 5% shall apply to an investment fund, a unit trust and a pension fund.

Tax rate of 15% shall apply to a separate tax base (see above).

Different withholding tax rates are applied on the relevant income (See Section B 6).

4. Are capital gains taxed separately?

The Czech Income Taxes Act does not provide for separate taxation of capital gains. Capital gains from the sale of stocks and shares are fully taxable within the corporate income tax base, and their acquisition value (purchase price) is generally considered as a tax-deductible expense up to a value not exceeding the amount of the revenues from a sale of such stocks and shares (in some cases, the entire purchase price can be considered as a tax-deductible expense).

5. May losses be carried back or forward and to what extent?

Losses incurred in one period may be carried forward against profits made within the following five taxable periods. In case of a substantial change of ownership, the carry-forward period is subject to the same activity test (it has to be proved that at least 80% of the company's revenues in periods after the substantial change of ownership was generated by the same activity that was being carried out before the substantial change in the period for which the tax loss was assessed).

6. Are there any withholding taxes and at which rates?

Withholding taxes shall apply to income arising from sources in the Czech Republic and **accruing to non-resident taxpayers** (except income attributable to Czech permanent establishment) in the following tax rates:

- 25% on e.g. intellectual property royalties, remuneration for members of statutory bodies, income from leasing;
- 15% on e.g. dividends, parts of liquidation surpluses, income of members of companies and certain similar income;
- 1% on income (rental, lease charge) from financial leasing.

With exception of the withholding tax rates above, the withholding tax rates shall be as follows for incomes originating from sources in the Czech Republic and accruing to taxpayers, regardless whether they are Czech tax residents or non-residents:

- 15% shall apply to profit shares, dividends or certain similar income;
- Special rates for specified individual's income (10%, 15%, 20% or 25%).

These withholding tax rates may be reduced or eliminated by Double-Tax Treaties, the Parent-Subsidiary Directive or by the Interest and Royalty Directive.

7. Are there any preferential group taxation rules in force?

Czech implementation of the **Parent-Subsidiary Directive** (90/435/EEC) into the Czech Income Taxes Act provide for tax exemption of dividends paid between parent companies and their subsidiaries.

Dividends paid to a parent company in the EU or in Switzerland from a subsidiary incorporated in the Czech Republic, as well as dividends received by a parent company incorporated in the Czech Republic from a subsidiary that is a tax resident in another EU member state are tax exempt, provided that the conditions stipulated by Czech implementation of the Parent-Subsidiary Directive are met (i.e. the parent company is a company which has a specified legal form and has a minimum holding of 10% in another company's registered capital – subsidiary's capital – for at least 12 consecutive months; however, the 12 months' holding condition can be fulfilled subsequently).

As a result of the implementation of the EC intra-company **Interest and Royalty Directive** (2003/49/EC), applicable to interest and royalty payments made between associated companies of different Member States, interest and royalties shall generally be exempt from withholding tax in the source state, as long as the following conditions are met: the recipient is a company established in the respective EU Member State and has a specified legal form; it has held a qualified share of 25% of the registered capital of the paying company for at least 24 months; it is a beneficial owner of the interest or royalties; the interest or royalties are not attributable to a permanent establishment of the recipient in the Czech Republic or in a third country (i.e. a non-EU Member State).

Following the transitory provisions, royalties will be exempt from withholding tax as of 1 January 2011, whereas interest is exempt from taxation as of 1 May 2004, as long as the above-mentioned conditions are met.

Furthermore, in compliance with the Czech Income Taxes Act, the exemption of royalties and interest from withholding tax may only be claimed if the taxpayer has obtained – in advance – a formal acknowledgement of the exemption from the relevant Czech Financial Office.

8. Which are the anti-avoidance rules currently in force?

Czech tax law does not provide for controlled foreign company legislation (CFC legislation). But transactions may be challenged on the basis of general tax principles, i.e. the substance-over-form principle and the economic ownership approach, as well as the arm's length principle.

In general, transactions between related parties must be at **arm's length**. When the price agreed between related persons differs from the price that would be agreed in a normal business relationship, under the same or similar conditions between unrelated persons, the tax authority adjusts the tax base, unless satisfactory justification of the different pricing is given and substantiated. Such difference in prices could be treated as dividends, unless a relevant double-tax treaty provides otherwise. The Czech Republic, as an OECD member state, follows the OECD Transfer Pricing Guidelines.

If a Czech entity has a loan from a related party, **thin capitalization rules** can limit the tax deductibility of interest costs. The maximum debt-to-equity ratio for related-parties debts is 4:1 (or 6:1 in the case of banks and insurance companies), i.e. interest payments on the portion of a related-party loan exceeding the recipient company's equity by four times is tax non-deductible for the recipient. Interest paid to foreign related entities on loans that exceed the permitted limits could be treated as dividends, unless a relevant double tax treaty provides otherwise.

9. Which are the main administrative requirements to comply with the local tax authorities?

Generally, a calendar year, a fiscal year or an accounting period (if this period is longer than 12 months) can be considered as a tax period for companies.

Corporate income tax return must be filed within three months following the end of the tax period. A three-month extension of the filing deadline is available to taxpayers represented by a registered tax advisor. This three-month extension is automatically granted to taxpayers subject to a statutory audit. At the discretion of the tax authorities, additional extensions of up to three months may be added to the deadline for the filing of the tax return, upon application of the company.

Tax advances are payable quarterly or semi-annually, depending on the last known tax liability. Late payments or incorrect filings may be subject to a penalty.

10. With which countries have double taxation conventions already been concluded?

(see Appendix 2)

As of 9 January 2006, the Czech Republic has concluded double-taxation conventions (“DTC”) with 70 countries, and it has already signed a DTC with Jordan (10 April 2006), Georgia (23 May 2006) and updated its DTC with Austria (8 June 2006).

11. Are there any special laws providing tax incentives to certain taxable entities?

The system of investment incentives in the Czech Republic is set up differently for various types of investment projects. Investment incentives are offered to Czech and foreign investors alike. Support may be granted in the form of a tax relief or as a possibility to decrease the tax base.

The purpose of these incentives is to support the launch or expansion of production in the manufacturing and industrial sectors, and projects in the area of business support services or research and development. There are also programmes to support smaller-scale projects in regions worst-affected by unemployment. Furthermore, financial support for the creation of new jobs and for the training and re-training of employees may also be granted.

C. Individuals

1. Which are the taxable persons?

In general, taxation of income depends on the tax residency of the individual. Tax residency is determined by Czech law, superseded by the provisions of any applicable double-tax treaty.

An individual is resident in the Czech Republic if he has his domicile or habitual place of abode there, or if he is present in the Czech Republic for more than 183 days in a calendar year. Individuals who are resident in the Czech Republic (residents) are subject to an unlimited income tax liability for their worldwide income (i.e. income from domestic and foreign sources). Czech tax non-residents are generally taxable only on income which is considered as Czech-source income.

2. How is the taxable income specified?

Resident taxpayers are taxable on income arising from the following sources:

- dependent (employment) activities
- business and independent (professional) services
- other (i.e. investment of capital, rentals and leasing and other income)

Basically, all income leading to an increase in the taxpayer’s property is taxable, unless it is explicitly exempt. In general, taxable income is defined as the difference between actual revenues and related expenses incurred.

Deductions when computing the tax base from employment income include mandatory health insurance and social security contributions paid by the employee or withheld from his or her employment income. For other categories of income, deductions may be either a fixed (lump sum) percentage of revenues or the actual amount of expenses incurred in obtaining the revenues.

Each individual is eligible to apply several tax exemptions, e.g. standard personal tax exemption, tax exemption for a dependent spouse or for each dependent child.

3. What are the applicable tax rates?

Income tax is computed on the aggregate net income from all income categories at progressive rates that are established in four tax brackets and range from 12% to 32% (see Appendix 1).

Tax law provides for several tax allowances and tax abatements (bonuses) depending, for example, on the taxpayer's family or social status.

Please note that specified income may be taxed within separate tax base (tax rate of 15% or 20%) or withholding tax base (See Section B 6).

4. Are capital gains taxed separately?

In general, capital gains in the Czech Republic are taxed as income from companies and individuals. Capital gains are not taxed separately. There is a tax exemption for transferring shares in a company if the shares are held for at least five years; other requirements of the Czech Income Taxes Act must be met as well. If the shares are represented by securities, this time-test is only six months.

5. May losses be carried forward or back?

Generally, losses from business and independent (professional) activities and losses from rental activities may be set off against other income categories, but not against employment income. Remaining losses may be also carried forward up to five years.

Nevertheless, losses incurred in other categories (i.e. dependent activities and other activities) may neither be set off nor carried forward.

D. Capital

In outline, which are the main taxes on capital, if any?

Real estate tax is levied on Czech real property, i.e. land, including forests and lakes, as well as buildings. There are also exemptions.

Rates for land tax are determined either as a percentage of the official price (0.75% for arable land and gardens or 0.25% for permanent grasslands, commercial forests and ponds) or as a CZK per square meter (CZK 1.00 in the case of building land or CZK 0.10 for built-on areas and other areas). Standard rates of building tax are determined by a set amount of CZK per square meter (from CZK 1 to CZK 10 in case of buildings for business activity) of built-up area or adjusted floor area. The standard tax rate shall be multiplied by the coefficient allocated to particular communities (city, town or village) according to their population size.

Real estate transfer tax is levied on the transfer of immovable property (land and buildings) located in the Czech Republic. The tax base is the value of the consideration given for the transfer (e.g. the purchase price) or the value assessed by an expert, whichever is higher. The tax rate is 3%.

Generally, transfers of immovable property within mergers are tax exempt. Contributions of immovable property into the registered capital are tax exempt provided that the participation in company is held for at least five years.

Inheritance and gift tax is imposed on acquisitions of property by inheritance or on the gratuitous acquisition of property (i.e. without consideration). The taxation is unlimited if either the testator/donor or the beneficiary (or both) is a resident of the Czech Republic at the time of the transfer. Real estate located outside of the Czech Republic is not subject to inheritance tax.

Progressive tax rates apply depending upon the recipient's degree of relationship to the testator/donor and the value of property transferred. The tax rates range from 0.5% to 40%. For transfers by reason of death, the tax rate is reduced to one-half of the appropriate regular rate. Inheritance among persons related in a direct line and spouses is exempt from tax.

E. Indirect taxes

In outline, which are the main indirect taxes, if any?

Value added tax (VAT) is levied at all levels of the supply of goods and services. The general VAT rate is 19%. A reduced rate of 5% applies to certain goods and services, e.g. food stuffs, pharmaceuticals, books, equipment for handicapped persons, cultural and sports activities, housing construction and scheduled passenger transport services. For VAT purposes, it is decisive that the place of taxable supply is in the Czech Republic.

The Czech VAT system is fully harmonized with that of the EU legislation.

Excise duties are levied on hydrocarbon fuels (mineral oils), spirits, beer, wine and on tobacco products. Excise duties are non-recurring taxes and are payable by the seller, who passes on these costs to the customer. Excise duties rates are stipulated by a fixed amount of CZK per unit, except for cigarettes, where a combination rate is stated as fixed amount and percentage of the final retail price.

Customs duties apply to imports, as set out in the EU tariff schedules. There are no customs duties on exports.

Stamp duties are levied on numerous legal transactions during administrative or court proceedings. Court fees vary between 1% and 4%, whereas the minimum and maximum fees are stipulated or are levied as fixed amounts. Administrative fees are usually levied as fixed amounts.

F. Other duties

In outline, are there any other taxes, if any?

Social security and health insurance contributions

As an EU member the Czech Republic's social security and health insurance legislation is in accordance with the Coordination Rules (1408/71/EC).

Participation in the social security system is generally constituted by employment, entrepreneurial activities or voluntary participation. The rates of social security insurance are 8% for an employee

and 26% for an employer; the rate for an entrepreneur is 29.6%, and the tax rate for persons voluntarily participating is 28%.

The assessment base is closely related to the personal income tax base for individuals (for dependent activities). Nevertheless, persons with voluntary participation can settle the amount of assessment base. For entrepreneurs the assessment base is determined as 50% of their tax base from independent activities. There is a maximum limit for the assessment base for entrepreneurs.

Participation in the health insurance system is obligatory for employees, entrepreneurs and persons with permanent residence in the Czech Republic. Voluntary participation is not possible. The assessment base is the same as for social security contributions as stated above (including potential maximum limit for entrepreneurs).

Contributions to public health insurance amount to 13.5% of the basis of assessment. One-third of these contributions are paid by the employee while two-thirds are paid by the employer.

Road tax is of marginal importance. It can be significant, however, for transporters who have many cars for business activities.

In respect of the implementation schedule for **environmental taxes** (according to EU requirements), the Czech Republic should apply coal and energy taxation with effect from 1 January 2008.

G. Enforcement- Litigation procedure

1. In outline, which are the existing measures in order to ensure compliance with the tax legislation?

Procedural tax issues are regulated by the Administration of Taxes Act and other tax laws.

Tax accessories are any penalties, increases of tax, costs arising from tax administrative proceedings, interest and fines imposed under any tax law. Tax accessories, except fines, follow the course of events of the tax to which they are attached (unless in his decision the tax administrator provides otherwise).

If the taxpayer fails to pay the due amount of the tax by the due date, he is in arrears. In this case, a default interest and a penalty may be imposed (with effect from 1 January 2007). The default interest is calculated as the Repo Rate of the Czech National Bank plus 14 percent. This interest may be charged for a maximum of five years of default. A penalty of 20 percent (or 5 percent for a decrease of the tax loss) is imposed, if the Financial Authority makes the tax assessment. If the tax base and tax is assessed additionally on the basis of an additional tax return, this penalty is not imposed.

Other late payment penalties were imposed till December 2006.

Any taxpayer who fails within the prescribed time-limit to fulfil the non-monetary obligations following from any tax act, may be fined recurrently by the tax administrator up to a maximum of CZK 2 million. The fine may be imposed recurrently if a previous imposition of a fine did not lead to an improvement and the illicit situation continued. The amount of the fine imposed depends on seriousness of failure.

If a tax debtor does not pay tax arrears due, including any arrears in respect of fines imposed, within the statutory time-limit, the tax administrator may commence exaction of tax arrears.

2. What is on average the duration of the litigation procedure for the final resolution of tax disputes?

There are not many time limits stipulated by law for tax procedures. According to the practice of the courts, a tax audit should be finished within three years. Nevertheless, this time limit relates only to Financial Offices and the Financial Directory. For proceedings before the courts, the related procedures can take several years.

Based on the above, it is not possible to determine an average duration for litigation procedures since it depends on a number of factors, including the complexity of the problem.

INCOME TAX RATES – general tax base

Tax Base (in CZK) Individuals		Income Tax (in CZK) Individuals	Corporations
from	to		
0	121,200	CZK 14,544 + 19% of the excess over 121,200	24%
121,200	218,400	CZK 33,012 + 25% of the excess over 218,400	
218,400	331,200	CZK 61,212 + 32% of the excess over 331,200	
331,200	and more		

LIST of DTC AGREEMENTS as of 1 January 2007

Withholding-tax rates under Czech double-tax treaties (%)				
Country	of	Dividends	Interest	Royalties
Albania		5/15 ¹	5	10
Australia		5/15 ⁴	10	10
Austria		10	0	0/5
Azerbaijan		15	15	25
Belarus		10	0/5 ⁶	10
Belgium		5/15 ¹	10	5/10 ¹⁶
Brazil		15	10/15 ⁸	15/25 ¹⁷
Bulgaria		10	0/10 ⁶	10
Canada		5/15 ²	0/10 ⁶	0/10 ¹⁷
China		10	0/10 ⁶	10
Croatia		5	0	10
Cyprus		10	0/10 ⁶	0/5 ¹⁷
Denmark		15	0	0/5 ¹⁷
Egypt		5/15 ¹	0/15 ⁶	15
Estonia		5/15 ¹	0/10 ⁶	10
Finland		5/15 ¹	0	0/1/5/10 ¹²
France		10	0	0/5 ¹⁷
Germany		5/15 ¹	0	5
Greece		15	0/10 ⁶	0/10 ¹⁷
Hungary		5/15 ¹	0	10
Iceland		5/15 ¹	0	10
India		10	0/10 ⁶	10
Indonesia		10/15 ⁴	0/12.5 ⁶	12.5
Ireland		5/15 ¹	0	10

Withholding-tax rates under Czech double-tax treaties (%)			
Country of recipient	Dividends	Interest	Royalties
Israel	5/15 ⁵	0/10 ⁶	5
Italy	15	0	0/5 ¹⁷
Japan	10/15 ¹	0/10 ⁶	0/10 ¹⁷
Kazakhstan	10	0/10 ⁶	10
Korea	5/10 ¹	0/10 ⁶	0/10 ¹⁷
Kyrgyzstan	0	0	0
Labuan (IBC)	10	5/15	12
Latvia	0/10 ¹	12 ⁶	10
Lebanon	5	0	5/10 ¹⁶
Lithuania	5/15 ¹	0/10 ⁶	10
Luxembourg	5/15 ¹	0	0/10 ¹⁷
Macedonia	5/15 ¹	0/10 ⁶	10
Madeira (IBC)	10/15	10	10
Malaysia	0/10 ¹¹	0/12 ⁶	12
Malta	5	0	5
Mexico	10 ²	0/10 ⁶	10 ¹⁷
Moldova	5/15 ¹	5	10
Mongolia	10	0/10 ⁶	10
Morocco	15	15	25
Netherlands	0/10 ¹⁰	0	5
Nigeria	125/15 ²	0/15 ⁶	15
Norway	5/15 ¹	0	0/5 ¹⁷
Philippines	10/15	10	10
Poland	5/1 ⁴	0/10 ⁶	5
Portugal	10/15 ⁹	0/10 ⁶	10
Romania	10	0/7 ⁶	10
Russia	10	0	10
Singapore	5	0	10
Slovakia	5/15 ¹	0	10
Slovenia	5/15 ¹	0/5 ⁶	10
South Africa	5/15 ¹	0	10 ⁵
Spain	5/15 ¹	0	0/5 ¹³
Sri Lanka	6/15 ¹⁴	0/10 ⁶	0/10 ¹⁷
Sweden	0/10 ¹	0	0/5 ¹⁷
Switzerland	5/15 ¹	0	10 ¹⁵
Tajikistan	0	0	0

Withholding-tax rates under Czech double-tax treaties (%)			
Country of recipient	Dividends	Interest	Royalties
Thailand	10	0/10 ⁶	5/10/15 ⁷
Tunisia	10/15 ¹	0/12 ⁶	5/15 ¹⁷
UAE	5 ¹⁰	0	10
UK	5/15 ¹	0	0/10 ¹⁷
Ukraine	5/15 ¹	0/5 ⁶	10
United States	5/15	0	0/10 ¹⁷
Uzbekistan	10	0/5 ⁶	10
Venezuela	5/10 ⁵	0/10 ⁶	12
Vietnam	10	0/10 ⁶	10
Yugoslavia	5/15 ¹	0	10
Non-treaty countries	15	0/15 ³	25

¹ The lower rate applies to an entity that owns at least 25% of the payer.

² The lower rate applies to an entity that owns at least 10% of the payer.

³ Interest on mutual deposits with banks in the inter-bank market and interest on deposits of insurance companies with banks are exempt from tax. The 15% rate applies to other interest.

⁴ The lower rate applies if the receiving company owns at least 20% of the payer.

⁵ The 5% rate applies if the receiving company owns at least 20% of the payer.

⁶ The 0% rate applies to interest paid to (or by) the government (or stipulated institutions) subject to further conditions.

⁷ The 5% rate applies to royalties for copyrights; the 10% rate applies to royalties for patents and trademarks; the 15% rate applies to other royalties.

⁸ The 10% rate applies to loans and credits provided by a bank for a minimum period of ten years related to the sales of industrial equipment or a project, installation thereof, equipment of industrial or scientific units and/or related to public work.

⁹ The lower rate applies if the receiving company owns continuously for two years, preceding the payment of dividends, at least 25% of the payers and if the dividends are paid after December 31st 1996.

¹⁰ The 0% rate applies to a dividend paid to the government of the contractual state (or any governmental institution) or to a company that is at least 25% state owned by the contractual state.

¹¹ The 0% rate applies to a dividend paid by a tax resident of Malaysia to a Czech tax resident that is the real owner of the dividend.

¹² The 0% rate applies to royalties for copyrights, the 1% rate applies to royalties for finance lease of equipment, the 5% rate applies to royalties for operating lease of equipment and for the use of (or right to use) software, the 10% rate applies to other royalties.

¹³ The lower rate applies to copyrights exclusive of royalties for cinematographic films and films or tapes for television broadcasting. The higher rate applies to other royalties.

¹⁴ The lower rate applies to dividends paid by a tax resident of Sri Lanka to a Czech tax resident.

¹⁵ The treaty provides for a rate of 10%, but a protocol to the treaty provides that the rate is 5% until Swiss domestic law imposes withholding tax on royalties.

¹⁶ The lower rate applies to patents, trademarks, and any industrial or commercial scientific equipment of information, the higher to copyrights.

¹⁷ The lower rate applies to copyrights; the higher rate applies to patents.