

CRYPTO BUSINESS REGISTRATION IN CZECH REPUBLIC



PayBitoPro

Crypto Business Registration in Czech Republic

To secure one of the four licenses available, a cryptocurrency enterprise must undergo registration in the Czech Republic. Among the various legal business structures in the country, the Limited Liability Company (SRO) stands out as a preferred choice due to its advantages, such as low minimum equity requirements, a streamlined founding process, and potential exemption from financial audits. Registration typically takes around three weeks, provided that all requisite documentation is promptly furnished.

Key prerequisites for establishing a cryptocurrency enterprise include:

- Crafting a comprehensive business plan outlining operational intricacies, business continuity strategies, and financial projections.
- Maintaining a physical office within the Czech Republic.
- Formulating a robust domestic anti-money laundering/counter-financing of terrorism (AML/CFT) policy to detect and report fraudulent activities.
- Appointing an anti-money laundering officer trained in the company's operational framework and reporting obligations.
- Detailing the hardware and software to be employed for the proposed economic activities.
- Developing data protection protocols compliant with GDPR and other pertinent legislation while facilitating data exchange with authorities.
- Establishing policies and procedures to safeguard client funds.

The primary steps for initiating an SRO for cryptocurrency endeavors encompass:

- Verification of the proposed company name.
- Obtaining a criminal record statement from the relevant authority, certifying eligibility for engaging in crypto-related economic pursuits.
- Securing a legal address for a minimum duration of one year.
- Opening a corporate bank account.



- Transferring the nominal share capital, which is merely 1 CZK (approximately 0.04 EUR).
- Acquiring a mandatory trade license from the Trade License Registry.
- Drafting and notarizing the founding contract.
- Settling state fees associated with registration, amounting to 6000 CZK (circa 243 EUR).
- Enrolling the company in the Register of Enterprises and Tax Authorities.
- Registering the company with the Financial Analysis Unit (FAA) for AML/CFT reporting obligations.

All requisite documentation must be submitted in Czech. Should translation assistance be required, our team at Regulated United Europe (RUE) is readily available to provide certified translation services.

Alternatively, remote company formation is feasible, wherein a power of attorney authorizing a representative to act on behalf of the applicant throughout the establishment process is necessitated.

Crypto Licensing Process in the Czech Republic

In the Czech Republic, obtaining a license specifically for crypto-related activities isn't available. Instead, companies intending to participate in crypto-associated economic ventures must adhere to general authorization procedures outlined by the Trade Licensing Register. This process, inclusive of company formation, typically spans up to four months.

Primarily, a crypto enterprise must submit an application to one of the general Trade Offices in Czech, furnishing comprehensive details about the company and its shareholders. Alongside, a detailed business plan outlining strategy and operations, along with various supporting documents, is required.

Applications can be electronically submitted with a secure electronic signature via the central Electronic Filing Room of the Trade Register. Competent Trade Licensing Offices, as designated by the applicant, handle the processing of submissions.

Assessment of applications may involve sharing information with foreign regulatory bodies. Successful applications result in the issuance of licenses tailored to specific crypto activities. It's important to note that licenses may sometimes be conditional, necessitating the fulfillment of additional requirements before commencing operations in the Czech Republic.

Upon securing a license, a crypto company in the Czech Republic is obligated to furnish relevant reports, such as client information, to authorities like the CNB and the FAU. Failure



to comply or instances of refusal may lead to license suspension, with no avenue for reapplication, as the company could be deemed fraudulent.

Crypto Taxation in the Czech Republic

Regardless of the type of trading license pursued, any crypto company operating in the Czech Republic falls under the purview of taxation administered by the tax authorities. The tax year aligns with the calendar year, although companies have the flexibility to select their accounting year as the tax year.

The tax framework for crypto enterprises varies depending on the nature of their cryptographic activities, but generally aligns with taxation norms applicable to other businesses unless specific EU legislation is enacted. For instance, the Court of Justice of the European Union (CJEU) has determined that cryptocurrencies like Bitcoin are treated akin to traditional currency for VAT purposes. Consequently, cryptographic exchange services—facilitating transactions between cryptocurrencies and fiat money, as well as between different cryptocurrencies—are exempt from VAT.

Companies offering diverse cryptographic products and services are required to register as VAT payers, with the tax period for newly registered entities spanning a calendar month.

Crypto tax rates in the Czech Republic:

Corporate Income Tax (CIT)	19%
Tax on the branch (BT)	19%
Capital Gains Tax (WCL)	0%-19%
Value Added Tax (VAT)	21%
Social Insurance (SVP)	24.8%
Medical insurance (SA)	9%

Resident companies are taxed based on their global income, while non-resident companies are taxed solely on income derived within the Czech Republic. Companies headquartered within the Czech Republic are deemed resident taxpayers, with taxable income computed in accordance with Czech accounting principles.



Licensees engaged in cryptocurrency activities, alongside their collaborators, must navigate the existing tax landscape despite the novelty of their endeavors. Pertinent considerations include:

1. Obligatory taxation for both employees and employers if salaries are paid in cryptocurrency.
2. Although cryptographic companies may enjoy VAT exemption in certain scenarios, income derived from operational fees is typically subject to standard corporate income tax rates.
3. Cryptocurrency payments to ordinary product and service providers are taxed similarly to fiat money payments.

While crypto-related economic activities in the Czech Republic largely operate in a regulatory gray area, any attempts at tax evasion or disregard for tax regulations involving cryptocurrencies are vigorously pursued. The Czech government prioritizes combating tax evasion facilitated by cryptocurrency anonymity. For comprehensive insights into a crypto company's tax liabilities, our team of tax experts is available for consultation.

Encouragingly, cryptographic licensees can avail themselves of existing tax incentives and benefits. Eligible Czech cryptographic entities, for instance, may qualify for the Research and Development (R&D) tax credit, allowing up to 100% deduction of relevant R&D expenditures incurred during the tax year from the tax base as a tax credit. This entails expenses being doubly deducted for tax purposes—first as regular tax-free expenses and then as an R&D tax credit. Furthermore, if current-year qualifying expenses surpass those of the previous year, an additional 10% supplement may be applied.

