



→ International Law Firm Alliance  
**COMPENDIUM 2014**



## → Czech Republic

Established in 2010 BÁNYAIOVÁ VOŽEHOVÁ, S.R.O., ADVOKÁTNÍ KANCELÁŘ, has the flexibility of a boutique firm, combined with the advantage that most of its lawyers have extensive experience from large global law firms. This allows us to offer our clients the best combination of the understanding of the local market and a global approach. We provide high quality complex legal services to both foreign and Czech legal entities as well as individuals at reasonable costs. We are most forthcoming to our clients and always try to find a solution that best fits the needs of the client. We are members of a unique network of law firms called E-IURE which is based on combination of high quality law firms and trustful relationship among them.

### Practice areas

Our team is lead by partners with extensive and long-time practice in international law firms who have vast experience with working on projects and transactions reaching to various areas of law. We provide legal service mainly in the following areas:

- Mergers and acquisitions
- Real Estate
- Competition Law
- Bankruptcy
- Banking and finance
- Foreign investment/joint ventures
- Commercial and corporate law
- Dispute Resolution
- Labor Law
- Capital markets and securities
- IP and IT

The Czech legal system is expecting major changes in 2014. As of 1 January of 2014, the whole Czech private law is expected to be rewritten as more than two hundred regulations shall be cancelled and substituted by the new Civil Code, Act on Business Corporations and related implementing regulations.

The change being so fundamental has its supporters and opponents. The Czech Republic is awaiting extraordinary elections in autumn 2013 and it cannot be completely excluded that the winner might be prone to postpone the effectiveness of the new regulations, or even discard it completely. At the moment of drafting of this compendium, it is not sure what the Czech private law will look like in 2014. The main acts, i.e. the Civil Code and the Act on Business Corporations are adopted and should become effective as of 1 January 2014; however, many related implementing regulations including tax amendments have not been approved yet and may not be before 2014. The outline of the Czech law below, therefore, summarizes only the bases of the regulation which should remain unchanged even despite the fundamental changes ahead.

## → Corporate Law

### Types of Companies and Liability of Shareholders

Under Czech law, general partnership, limited partnership, limited liability company, joint-stock company, European Company and European Economic Interest Grouping are considered commercial companies or corporations. Besides these, the Czech law knows also cooperatives as additional legal form.

All companies and cooperatives are registered in the Commercial Register held by regional courts. Individual entrepreneurs may also be registered in the Commercial Register, otherwise if they hold a trade license, they are registered in the Trade Register.

**JOINT-STOCK COMPANY** (in Czech: *akciová společnost*): The joint-stock company is a separate legal entity the share capital of which is apportioned to certain number of shares. Shareholders are not liable for liabilities of the company. The statutory minimum share capital is € 80.000. At least 30% of the share capital must be paid in by the date of application for registration in the commercial register. Joint-stock company is the corporate form adopted by larger companies with the major advantage that its shares can be transferred rather easily and, theoretically, be listed on a stock exchange, making it relatively easy to raise capital from the public.

**LIMITED LIABILITY COMPANY** (in Czech: *společnost s ručením omezeným*): The second form of corporations under Czech law is the limited liability company, which is the corporate entity most commonly used for enterprises in the Czech Republic. The minimum share capital of a limited liability company should be lowered to CZK 1.00, i.e. € 0.04, as of 2014 (from CZK 200,000 applicable in 2013). The liability of shareholders for liabilities of the company is limited to the amount of the aggregate of their unpaid contributions according to the state of registration of contributions payment in the Commercial Register at the moment they have been invited by the creditor to pay. It is easier to establish and administer than the joint-stock company, and its bylaws may more easily be adapted to the requirements of the shareholders.

Local and foreign corporations and partnerships as well as individuals may become shareholders of a limited liability company. It is established by executing a memorandum of association or a foundation deed before a notary. The memorandum of association needs to include the essentials set out in the applicable regulations. The limited liability company is established by registration into the Commercial Register, where the memorandum of association becomes part of the Collection of Documents which is publicly accessible, mostly even online.

**GENERAL PARTNERSHIP** (in Czech: *veřejná obchodní společnost*): General partnership is a company of at least two persons who participate in its business and administration of its assets and are liable jointly and severally for its liabilities.

**LIMITED PARTNERSHIP** (in Czech: *komanditní společnost*): Limited partnership is a company in which at least one partner is fully liable for all debts and at least one partner whose liability is limited to the amount of its unpaid contribution.

**COOPERATIVE** (in Czech: *družstvo*): A cooperative is an association of unlimited number of persons established to provide mutual support for its members or third parties or for business purposes. Cooperatives are not so often used for business purposes and if they are, it is in traditional sectors such as food industry. A special type of cooperative is a housing cooperative established to provide for housing needs of its members.

**BRANCHES**: A foreign company not interested in doing business through a separate Czech legal entity may establish a branch. The branch has to be registered in the Commercial Register. Although contracts may be signed in its name, a branch is not a separate legal entity. For registration the court will request evidence of the existence of the foreign company.

Business may be also conducted through a silent partnership or a civil-law association which, however, are not considered separate legal entities.

## Share Capital

As mentioned above, the statutory minimum share capital is € 0.04 for the limited liability company and € 80.000 for the joint-stock company. It has to be subscribed in full. Contributions can be made in cash or in kind. The share capital of a limited liability company is divided into ownership interests which are not issued in the form of certificates. Each shareholder holds a share corresponding to the amount of the original contribution, if not agreed otherwise. A share in a limited liability company may be transferred by assignment or inheritance. The contractual transfer can be made conditional upon the consent of the General Meeting of the company.

The share capital of a joint-stock company is divided into shares issued in the form of certificates. Shares may not be divided. They may be issued as bearer shares, which are owned

simply by the person who holds them, or registered shares, in which case the name of the owner is registered in the company's share register. Bearer shares can, however, only be issued as book-entry securities. Additionally, shares can be issued as ordinary shares or preferred shares. Bearer shares enjoy free transferability. The corporation is not allowed to restrict in any way their transfer, whereas registered shares might be bound by stipulations of the statutes providing that a transfer requires the consent of the company or its body.

## **Corporate Governance**

Shareholders decisions are made through shareholder resolutions passed in General Meetings in case of joint-stock companies and limited liability companies and partners meetings in case of partnerships. The formal bodies of a joint-stock company are the General Meeting, the Board of Directors and the Supervisory Board. An individual cannot simultaneously be a member of both the Board of Directors and the Supervisory Board. The General Meeting is the supreme body of a joint-stock company. It must be held at least annually no later than 6 months from the end of the company's financial year. In cases of a sole-shareholder, it fully acts in the capacity of the General Meeting.

A simple majority vote is sufficient for most decisions, e.g. when electing and reappointing members of the Board of Directors and the Supervisory Board, as well as approving financial statements and profit allocations, unless mandatory law or the statutes require a greater majority as may be the case for amendments to the bylaws or increases or decreases in capital, or change of the corporate form.

The statutory body of a joint-stock company is the Board of Directors. Members of the Board are elected by the General Meeting, unless the company's by-laws entrust this power to the Supervisory Board. The Board oversees the day-to-day operations of the company and is responsible for maintaining proper accounting and reporting procedures. Board members act and sign on behalf of the company, within the guidelines approved by the General Meeting or as stated in the statutes.

A joint-stock company must have a Supervisory Board elected by the General Meeting. The Supervisory Board monitors the activities of the Board of Directors and the performance of the company, as well as reviews the financial statements and the proposed allocation of profits or compensation for losses.

The system of Board of Directors and Supervisory Board is designated as the dualistic system and has been the only possible until recently. The new Act on Business Corporation that is to become effective as of 1 January 2014 introduces also the monistic structure with a Managing Director and the statutory body and a Management Board as the supervisory body which, however, determines the basic goals of business management. It is also possible to concentrate the powers of the two bodies into one person.

The General Meeting is also the supreme statutory body of a limited liability company and possesses rights similar to those of the General Meeting of a joint-stock company. The General Meeting must be held at least annually no later than 6 months from the end of the company's financial year. Again, in cases of a sole-shareholder, it fully acts in the capacity of the General Meeting. The General Meeting appoints one or more Executives, who are the statutory body of the company. No Board of Directors is required. A Supervisory Board may be established for a limited liability company, but it is not mandatory. If established, it must have at least three members.

## → Real Estate Law

### Types of Ownership

A natural or legal person may be the sole owner of real estate or several owners may hold the real estate jointly. In case of general co-ownership, each co-owner owns an ideal (not physical) part of the real estate. Under Czech law, each ideal part of real estate is treated as if it were owned by a sole owner, so the co-owner can dispose with its share, i.e. can sell or encumber it without the consent of other co-owners. However, the owner is limited by the statutory pre-emptive right of other co-owners. All decisions related to disposal of the real estate as a whole must be made jointly by all co-owners. In questions of use and administration, the co-owners decide by majority.

Special cases of joint ownership are the joint ownership of spouses and flat co-ownership. Each of the spouses owns the whole real property in joint co-ownership, but in case of extraordinary disposals, he or she should obtain the consent of the other spouse with such disposal. Flat co-ownership is a special legal institute which allows for ownership of separate parts of buildings. The ownership of a building is usually transformed to flat co-ownership by a legal act of the owner or co-owners. The building is then divided into two types of premises - units (which may be either of residential or non-residential nature) and so called common premises which include all bearing structures, windows, balconies, etc. A natural or legal person that becomes owner of a unit, becomes at the same time a co-owner of the common premises and of the plot underneath the building. The share on the common premises and on the plot is inseparably connected with the ownership of the unit, i.e. it cannot be transferred separately.

### Property Register

In order to provide publicity to legal relations related to real estate, the Property Register discloses main legal relationships concerning land and certain constructions. Property Register is kept by cadastral authorities. Every person is entitled to inspect the Property Register; the Property Register is even, in a limited extent, available online free of charge on [www.cuzk.cz](http://www.cuzk.cz).

The Property Register is divided into sections by cadastral areas and each owner has its own ownership portfolio in the Property Register.

An ownership portfolio is made up of several sections: Section A provides information about the owner, Section B provides information on the registered real estate, in Section B1 other rights in the benefit of the real estate are registered (such as easements), Section C provides information about liens on the real properties such as mortgages or other encumbrances (e.g. easements) or limitations in disposition, Section D may contain other relevant information, usually not directly related to ownership title and its limitations, Section E lists the acquisition titles based on which the ownership title to the real properties was registered to the Property Register, Section F provides information on the quality of agricultural land. Units are registered on two ownership portfolios. One is a separate ownership portfolio of the unit and one of the real property it forms part of.

Any change to the legal relations concerning real estate registered in the Property Register is marked in the relevant ownership portfolio on the day following the day the relevant application was delivered to the relevant cadastral authority to assure the highest possible publicity. The tendency is to protect those who acquire any right relying on the contents of the Property Register; however the real owner has its ways to protect its ownership right against fraud.

## **Transfer**

Real estate properties can only be transferred by written agreements. The signatures must be on the same document and should be notarized (otherwise, the competent cadastral authority will have to verify the authenticity of the signatures personally). If the property is registered in the Property Register, the transfer becomes effective by the registration in the Property Register. Such registration is made based on application of any of the parties to the contract. The registration is subject to a fee.

Payment of the purchase price is usually secured through escrow (notarial, bank or with an advocate), the monies being released after registration. Transfer of real estate is subject to a 4% transfer tax.

## **Mortgages and Charges**

Mortgages or liens are rights in rem over real estate securing payment to a creditor (usually, but not exclusively a bank). The creditor of a lien on real property is, in case of default with payment by the debtor, entitled to claim compulsory enforcement through sale of the real property, usually in public auction. Establishing a mortgage over real property requires the same requisites as its transfer. The lien expires once the secured receivable is repaid. Real Properties may also be charged by pre-emptive rights obliging the owner to make the first offer for sale to the entitled party from the pre-emptive right.

Easements, on the other hand, oblige the owner of the encumbered real property to suffer certain action of the entitled party or even provide certain performance. Easements can be established in favor of a real property or a person (natural or legal).

### **Restrictions on Acquisition**

Under Czech law, there are no more distinctions between Czech and foreign buyers of real estate. Any legal or natural person is entitled to buy real estate. Restrictions on transfer may be imposed either by agreement of the parties (i.e. a pre-emptive right), by applicable legal regulations (pre-emptive rights of co-owners or of a flat tenant in case of first transfer, etc.) or decisions of competent bodies (preliminary injunction of a court, commencement of enforcement in execution against a debtor, etc.)

### **Legal Protection for Buyers and Sellers**

Czech law gives no special protection to buyers or sellers of real properties. Those involved in property transactions will usually use a solicitor to represent their interests. It is the job of the buyer's solicitor to ensure that the property being bought is free from undisclosed restrictions or obligations and that it is validly transferred.

### **Restrictions on Development**

To allow for development, the land must be designated for construction in the applicable zoning plan. Zoning plans are prepared by local authorities and specify how different parts of their areas are to be used and developed. Before land can be developed, obtaining planning and building permit from the building authority under the corresponding public law regulations is required. Some types of minor development are permitted without planning permit. Obtaining the permits may be complicated or prolonged by owners of neighboring plots as they often misuse the protection of their rights provided by construction laws.

Agricultural land is subject to special protection and its development requires special permit and payment of a fee.

### **Leases**

Czech law distinguishes between leases for private housing accommodation (flat leases) and leases for business purposes. Regulation of flat leases is highly protective on tenants. The possibilities of landlords to terminate the leases are limited. The housing market is deformed by a high number of lease agreements concluded for indefinite period of time in the past without any indexation clause. The civil code now includes a procedure how to achieve the increase of the rent to market level.



On the other hand, terms of lease contracts for business premises may differ from the provisions stipulated by law. In both cases, proper specification of the subject of lease is essential for the validity of the contract.

## → Labor Law

### **Employment and other Labor Law Contracts**

An employee can work for an employer either based on an employment contract or based on agreements for work performed outside employment, the latter being only for limited volume of time (max. half the standard working hours in average). Any dependent work above the scope of half the standard working hours in average must be performed within an employment relationship based on an employment contract which must be executed in writing, but the lack of the written form cannot be interpreted in detriment of the employee. Employment for unlimited period of time is preferred; possibilities of temporary contracts are limited. Generally, the temporary employment should not exceed three years and can be repeated only twice. Probationary period of up to three months can be agreed.

### **Employment termination**

Employment can be terminated by mutual consent, by notice, by immediate termination and by termination in the probation period. The grounds for unilateral termination by employer are limited to those listed in the Labor Code. Certain termination grounds entitle the employee to receive severance pay up to three times his/her average monthly salary depending on the duration of his/her employment with the employer. In case of termination by notice, the employment terminates after expiry of two-month (or longer, if agreed) notice period which commences running on the first day of calendar month following the month in which termination notice was served upon the employee.

Stricter conditions apply to collective dismissals. Special conditions apply to employees holding specific positions in upper management. If agreed in the employment contract, they may be recalled from the position/resign at any time without any reason. However, their employment does not terminate by recall/resignation, and subsequently they must be either offered another job position, or their employment relationship can be terminated by notice for redundancy reasons.

### **Collective Bargaining Agreements**

Collective bargaining is carried out on a national or industry-wide level as well as on a regional or local level. Collective Bargaining agreements apply only to those employers who are members of the respective employer organization and to those employees on behalf of which the trade union concluded the agreement.

## **Works Councils**

Works councils can be formed in all companies and have from 3 to 15 members. The members are elected for three years and need not be union members. The rights of the works council range from information rights to codetermination rights in organizational, social and other matters.

## **Wages, Salaries, Bonuses, Working Hours, Holiday and Vacation**

Wages of non-governmental employees may be agreed in the employment contract or determined by the employer. The wages must always respect the minimum wage determined by governmental regulation (currently approx. EUR 340 per month). All discrimination in pay is prohibited. Besides the basic wages, the employee may become entitled to different premiums for overtime work, work on holiday, during weekend, at night or in difficult conditions.

The maximum work-week is 40 hours. A compulsory rest period of at least 0.5 hours applies to employees working over 6 hours (4.5 hours for young employees). These breaks are not included in working hours.

Overtime work may be ordered by the employer up to 8 hours a week and 150 hours a year (more can be agreed). In case of overtime work, the employee is entitled to compensation amounting to his/her average earnings, plus a premium payment of 25% of his/her average earnings; alternatively, employer and employee may agree that the employee will be provided with time off instead of the premium. Wages of managing employees may be agreed already reflecting the potential overtime work (then no premium is paid).

Employers must provide four weeks of annual paid holiday as a minimum, five to governmental employees. Collective bargaining agreements as well as individual employment contracts usually increase the number of vacation days (often up to 25 days or more per year). An employee is entitled to receive vacation pay equal to his or her average salary during vacation. The Czech Republic has the following public holidays: New Year's Day (January 1), Easter Monday, Labor Day (May 1), Liberation Day (May 8), Cyril & Methodius Day (5 July), Jan Hus Day (6 July), Statehood Day (September 28), Czechoslovak Independence Day (October 28), Struggle for Freedom Day (November 17), Christmas (December 24-26).

## **Health and Social Security**

The Czech Republic has a compulsory social security system that provides for retirement pensions, contribution to state employment policy and illness allowances. Health insurance is paid separately. All the contributions are paid partly by the employer and partly by the employee. The employer withholds the employee's share of the contribution from his wages.

## → Tax Law

Czech Republic's tax system is broadly based upon other taxation systems in the EU. The regulations were drawn up at the beginning of 1990's and came into force in 1993. Value-added tax and excise duties were adjusted in 2004, upon Czech Republic's EU accession. Tax laws are subject to frequent amendments. The vast amendments of Czech private law should also generate amendments of the tax system, however, the amendments have not been passed yet and the upcoming elections can markedly affect their final shape.

### INCOME TAXES

Income taxes for both individuals and legal entities are regulated by Act no. 586/1992 Coll., as amended. Income tax is levied on the worldwide income of Czech residents and on foreign entities whose place of management/control is located in the Czech Republic. For non-resident entities, only income which is generated in the Czech Republic is subject to tax.

#### Individual taxes

Individuals who are physically present in the Czech Republic for 183 days or more in a calendar year or who have established a permanent home in the Czech Republic are treated as tax residents and are generally subject to taxation on their world-wide income in the Czech Republic. Individuals who spend less than 183 days in a calendar year in the Czech Republic and do not have a permanent residence in the Czech Republic are treated as tax non-residents. They are liable to taxation on their Czech-source income, however, only subject to the provisions of the respective double taxation treaty.

The flat tax rate of 15% was applicable for the tax period of 2013 and will probably remain for 2014. However, voices calling for progressive tax are heard on the political scene. The following types of income are subject to individual income tax:

■ **INCOME FROM DEPENDANT ACTIVITIES AND FUNCTIONAL BENEFITS** - includes all income arising from employment, membership relationship, or a similar kind of relationship in which the taxpayer is obliged to follow his employer's instructions and income paid to executive directors and members of statutory bodies of entities. In addition to the basic salary, cash allowances and bonuses, employment income also includes non-cash benefits provided to employees (e.g. company cars used for private purposes).

■ **INCOME FROM BUSINESS ACTIVITIES AND OTHER SELF-EMPLOYMENT** - consists of income from business activities and professional services, less deductible expenses. Different lump-sum expenses can be deducted for defined groups of individuals;

■ **CAPITAL GAINS** - Capital gains are defined as the difference between the proceeds from the sale of an item and the cost of its acquisition plus any improvements. In the Czech Republic, capital gains are taxed as ordinary income. The sale of securities is exempt from taxation if the shares have been held for a period of more than 6 months and the individual had less than a 5% direct share in the company in the 24 months preceding the sale. The sale of other securities is exempt if the holding period exceeds five years;

■ **INCOME FROM LEASES;**

■ **OTHER INCOME.**

The taxable period for personal income tax purposes is the calendar year. Personal income tax returns must generally be filed by 31 March following the end of the tax year. This is extended to 30 June if a qualified Czech tax adviser prepares the return and the relevant power of attorney is filed with the Financial Authorities before 31 March.

Income tax prepayments are generally required either quarterly or semi-annually during the year based on the previous year's tax liability. Payment of any residual tax due must be made by the respective tax return filing deadline. Special rules apply for payroll tax withholdings on taxable income derived from employment.

### **Corporate Income Taxes**

Corporate income tax is levied on the worldwide income of Czech legal entities and on foreign entities whose place of management/control is located in the Czech Republic. For non-resident entities, only income which is generated in the Czech Republic is subject to corporate tax.

Czech general and limited partnerships are, for corporate income tax purposes, treated as fiscally transparent entities. The profits of a general partnership are not taxed at the company level, but at the level of the partners. Also, profits which are attributable to the general partners of a limited partnership are taxed at the partners' level, whereas profits which are attributable to limited partners are taxed at the company level.

The corporate income tax rate of 19% was applicable for the tax period of 2013 and will probably remain for 2014. However, increase of the tax rate can be expected soon. Investment funds, mutual funds and pension funds are subject to 5% tax. Corporate income tax is generally payable on trading results (profits or losses) as reported in financial statements after an adjustment of various assessable/non-assessable and deductible/non-deductible items has been carried out.

Generally, the taxable period for Czech corporate income tax purposes is the calendar year or the financial year. Calendar year tax returns for corporate income tax must generally be filed by 31 March following the end of the tax year. This is extended to 30 June if a qualified Czech

tax adviser prepares the return and the relevant power of attorney is filed with the financial authorities before 31 March or the company is required to have a statutory audit.

Corporations may decide, with the approval of the financial authorities, to adopt an accounting and tax period that is different from the calendar year. In such cases, the tax return is required to be filed within 3 or 6 months of the end of the taxable period, depending on the conditions outlined above. Special rules apply for filing in the case of liquidations, mergers and transformations.

### **Value-added tax**

VAT is primarily regulated by Act no. 235/2004 Coll., as amended, which is a transposition of the European Union directive no. 2006/112/ES. VAT is generally chargeable on:

- Supplies of goods and services and the transfer of immovable property effectuated by a taxable person for consideration during the course of his economic activities with a place of supply in the Czech Republic.
- The import of goods into the Czech Republic (administered by the customs authorities, unless VAT is applied directly through a VAT return).
- The intra-community acquisition of goods for consideration effectuated by a taxable person in the course of his economic activities or non-taxable legal person in the territory of the Czech Republic.
- Intra-community acquisition of new goods meant for transport for consideration effectuated by a non-taxable person.

There are two tax rates, standard and reduced. The standard tax rate covers most goods and services, while the reduced rate applies primarily to food-stuffs and pharmaceuticals. In 2013 the standard rate stood at 21 % and the reduced rate at 15 %; with regard to pre-election declarations of the political parties, these rates might change.

### **Real estate related taxes**

The real estate tax is imposed on real property. The tax rates depend on the type/purpose of the building or land, the size and desirability of the locality and the size of the building or land. Real estate tax returns must be filed by 1 January of a calendar year. Real estate tax is payable by 1 May (in full) or 30 November (in several instalments) of the current year depending on the amount of the tax liability; several types of exemptions are available.

Transfer of real estate is subject to transfer tax amounting to 4% of the purchase price. The tax is payable within three months of the month of registration of the transfer.

### **Road tax**

Road tax only applies to vehicles that are used, or intended for, business. Vehicles used exclusively for private needs are exempt. The tax for passenger cars is calculated from the car's engine capacity, for heavy-goods vehicles it depends on the number of axles and the total weight.

All advance payments are generally due by April 15, July 15, October 15 and December 15, respectively. The law also sets a toll for the use of highways, applicable to all vehicles – passenger and freight, used for business or private travel. The fee for heavy-goods vehicles is charged per kilometer travelled, using an electronic system; passenger cars pay a fixed sum. Extension of the electronic system to all vehicles and some other types of roads is being considered.

### **Inheritance tax, Gift tax**

The gift and inheritance taxes are generally payable by the recipient (donee, hier) at progressive rates of 1% to 40% depending on the tax base, as well as the nature of relationship between the donor and gift recipient; several types of exemptions are available, especially for relatives. Inheritances and gifts should be taxed within income tax in the future.

### **Environmental taxes**

Taxes referred to as environmental are governed by Act no. 261/2007 Coll., as amended, and are introduced in accordance with EU regulations. They include natural gas tax, solid fuels tax and electricity tax.

### **Excise duty**

Goods subject to excise duties are mineral oils, alcohol, alcoholic beverages and tobacco products. Similar to the value-added tax, excise duties are also harmonised with European Union's regulations. These taxes are administered by customs authorities.

### **Tax administration**

Tax administration is regulated by Act no. 280/2009 Coll., the Tax Code, as amended. The administration is carried out by the tax authorities and, in some cases, customs authorities under the Ministry of Finance of the Czech Republic. Tax returns may also be filed electronically via data boxes (*datová schránka*).

Within Czech law a data box is defined as a special-type electronic repository, established based on Act no. 300/2008 Coll., as amended, intended for the delivery of electronic documents. The law requires the setting up of data boxes for all public authorities, all natural or legal persons engaged in business activities, as well as for some other types of entities; other natural and legal persons are entitled to have data boxes established free of charge. Communication via data boxes is a full-fledged substitute to the delivery of documents using traditional mail service and is fully respected by the Czech legal system.