

Issues and Requests Relating to Foreign Trade and Investment - Czech Republic

Category	No	Issue	Issue Details	Requests	References
9 Restrictive Export/Import Trade, Duty, and Customs Clearance	(1)	Repealed Application of GSP	- An enterprise has begun import of goods from Asia (Thai, Indonesia) subject to Generalised System of Preferences (GSP). However, the EU has discontinued grant of GSP to Thai and Indonesia, according to their economic growth.	- It is requested that the EU takes steps to continue grant of GSP, which An enterprise considers one of the merits of shifting production to Czech, as the going yen devaluation has lessened Czech's competitive edge.	
14 Taxation Systems	(1)	Frequently Changed and Strengthened Taxation System	- Changes are frequent in various regulations (procedures) in relation to taxation matters.		
	(2)	<u>The Issue on resolving Double Taxation under the Tax Treaty</u>	- <u>The Current Law dictates that the authorities of the both countries to use "the best efforts" for resolution and expulsion of double taxation between the two countries. In light of the fact that EU taxation authorities employ "the Mutual Agreement Procedure (MAP)", "the Exercise of Best Efforts" is considered insufficient.</u>	- <u>It is requested that under the OECD BEPS initiative, multi-national measures for avoidance of double taxation are established. These multi-national measures will obviate the need for renegotiation the tax treaty, enabling acceleration of the entire process.</u>	- <u>Various laws in each EU country and Japan</u>
	(3)	<u>Issues concerning Treatment of Royalty under Tax Treaty</u>	- <u>On payment of royalty for technical assistance fee from Czech to Japan, unfavourable tax treatment exists. Though deductible by 10%, it is insufficient.</u>	- <u>It is requested that GOG reduces the tax rate to 0%, the same as other member states (for example, U.K.) in order to secure competitive tax levy environment.</u>	- <u>Amend the Czech and Japan Double Tax Treaties to reduce the impact of local legislation</u>
16 Employment	(1)	Difficulty in Acquisition of Work Permit and Visa	- <u>It takes much time to apply for issuance of visa locally in Czech Republic (sometimes taking 3-months). Recently, on visa application filed in Japan, GOC requires submission of Certificate for Coverage under Social Security Agreement (CCSSA Certificate), the procedures of which are quite time consuming, delaying the visa acquisition.</u> - <u>It takes complex procedures for acquisition and renewal of work permits and visas for expatriates and their accompanying family members.</u>	- It is requested that GOC: -- <u>obviates the need for CCSSA Certificate, as before, and</u> -- <u>expedites the visa issuance procedures.</u> - It is requested that GOC <u>streamlines and expedites the procedures.</u>	- Immigration Act, etc

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		(2)	<u>Excessive Protection of Workers</u>	- Medical certificates (for certificate of sickness, certificate for patient requiring rest for recuperation, etc. readily issued by doctors) are the source of problems. Doctors are willing to issue medical certificates for a slightest injury or sickness, stating "Rest and recuperation are necessary."	- It is requested that Government of Czech (GOC) takes steps to penalize or monitor issuance of inadequate medical certificate.	
		(3)	Frequent changes/strengthening of Regulations related to Labour Matters	- Frequent changes/toughening of Labour Related Rules and Regulations interfere with business activities. (Example) Frequent change of the contract period, making compulsory health check of their employees (including short-term employees) at employers' expense, etc.		
		(4)	Exemption Period for Double Payment of Social Insurance Premium	- 5-years have lapsed since ratification of Japan-Czech Social Security Agreement. It is expected that further social security coverage beyond this would not be possible. Where an expatriate stays in Czech for more than 5-years, and if no further agreement is reached between Czech and Japan by filing application, double payment of social security premium results in Japan and Czech.	- It is requested that Governments of Czech and Japan extend the exemption period. As it stands, expatriates from Japan can stay in Czech for less than 5-years. It diminishes the expatriates' contribution to the company's business.	
23	Inefficient Administrative Procedures, Regimes and Practices	(1)	Complex and Inefficient Procedures for Licences and Approvals	- Upon construction of new premises, introduction of equipment, etc., it takes a long lead-time in filing application for acquisition of licences and approvals of the plural ministries and agencies and starting up the business. For introduction of machineries and equipment, after acceptance of application, one year trial operation takes place. The licence is issued after completion of the successful trial operation. <u>- Apart from legislative issues, it simply takes too much time for processing Licences and Approvals at the domestic administrative institutions (for land acquisition, business licence, work permit, stay permit, etc.).</u>	- It is requested that GOC takes steps to streamline and expedite the procedures for licences and approvals. <u>- It is requested that all Ministries (Ministry of Economic and Trade, Welfare and Labour, of the Interior) and their subordinate agencies streamline and enhance efficiency in their operation.</u>	
24	Indigested Legislation, Abrupt Changes	(1)	Complex Procedures for Effecting Changes in the Articles of Association	- Due to the complexity in the procedures for change in the Articles of association of a company in Czech, under the revised Czech Private Law, the company must devote substantial time for its compliance.	- It is requested that GOC takes steps to disclose as soon as possible the details of the law amendment and the required preparation.	