

# Doing Business 2011

Czech Republic

**Making  
a Difference for  
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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Doing Business 2011  
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*Doing Business 2011: Making a Difference for Entrepreneurs* is the eighth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010\*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The *Doing Business* methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by *Doing Business*. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary *Doing Business* indicators for Czech Republic. The data used for this economy profile come from the *Doing Business* database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011: Making a Difference for Entrepreneurs* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the *Doing Business* website ([www.doingbusiness.org](http://www.doingbusiness.org)).

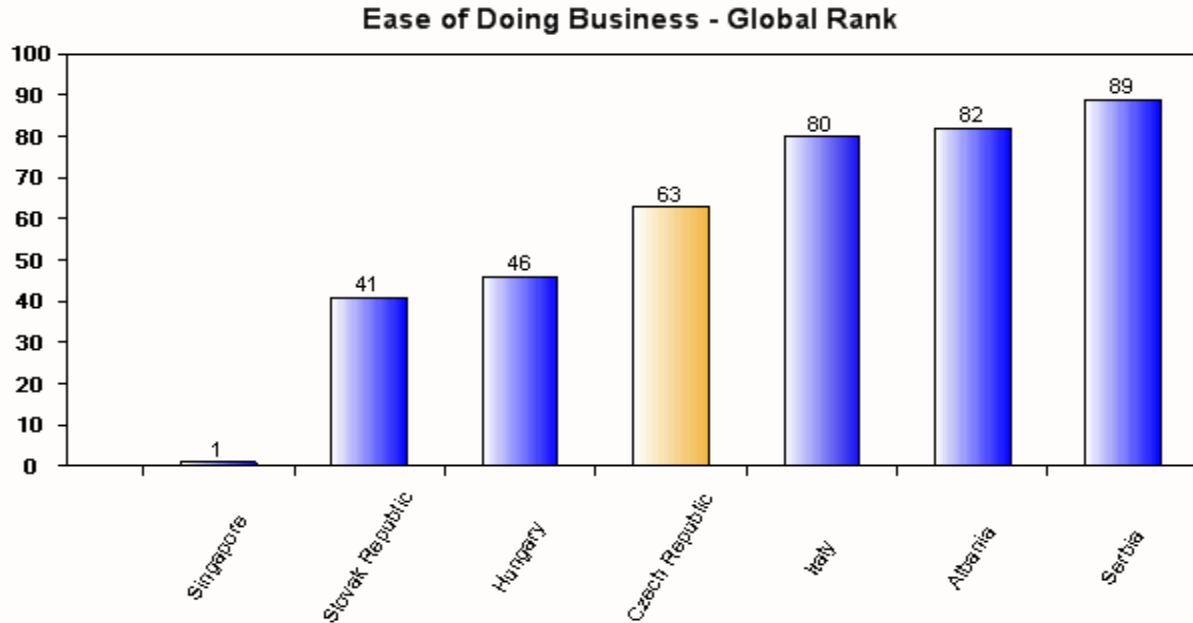
\* Except for the Paying Taxes indicator, which covers the period January to December of 2009.

Note: *Doing Business 2010* data and rankings have been recalculated to reflect changes to the methodology.

## Economy Rankings - Ease of Doing Business

Czech Republic is ranked 63 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

**Czech Republic - Compared to global good practice economy as well as selected economies:**



### Czech Republic's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	63
Starting a Business	130
Dealing with Construction Permits	76
Registering Property	47
Getting Credit	46
Protecting Investors	93
Paying Taxes	128
Trading Across Borders	62
Enforcing Contracts	78
Closing a Business	32

## Summary of Indicators - Czech Republic

<b>Starting a Business</b>	Procedures (number)	9
	Time (days)	20
	Cost (% of income per capita)	9.3
	Paid-in Min. Capital (% of income per capita)	30.9
<b>Dealing with Construction Permits</b>	Procedures (number)	36
	Time (days)	150
	Cost (% of income per capita)	16.4
<b>Registering Property</b>	Procedures (number)	4
	Time (days)	43
	Cost (% of property value)	3.0
<b>Getting Credit</b>	Strength of legal rights index (0-10)	6
	Depth of credit information index (0-6)	5
	Public registry coverage (% of adults)	4.9
	Private bureau coverage (% of adults)	73.2
<b>Protecting Investors</b>	Extent of disclosure index (0-10)	2
	Extent of director liability index (0-10)	5
	Ease of shareholder suits index (0-10)	8
	Strength of investor protection index (0-10)	5.0
<b>Paying Taxes</b>	Payments (number per year)	12
	Time (hours per year)	557
	Profit tax (%)	7.4
	Labor tax and contributions (%)	38.4
	Other taxes (%)	3.0
	Total tax rate (% profit)	48.8
<b>Trading Across Borders</b>	Documents to export (number)	4
	Time to export (days)	17
	Cost to export (US\$ per container)	1060
	Documents to import (number)	7
	Time to import (days)	20
	Cost to import (US\$ per container)	1165 <sub>3</sub>

<b>Enforcing Contracts</b>	Procedures (number)	27
	Time (days)	611
	Cost (% of claim)	33.0
<b>Closing a Business</b>	Recovery rate (cents on the dollar)	55.9
	Time (years)	3.2
	Cost (% of estate)	17

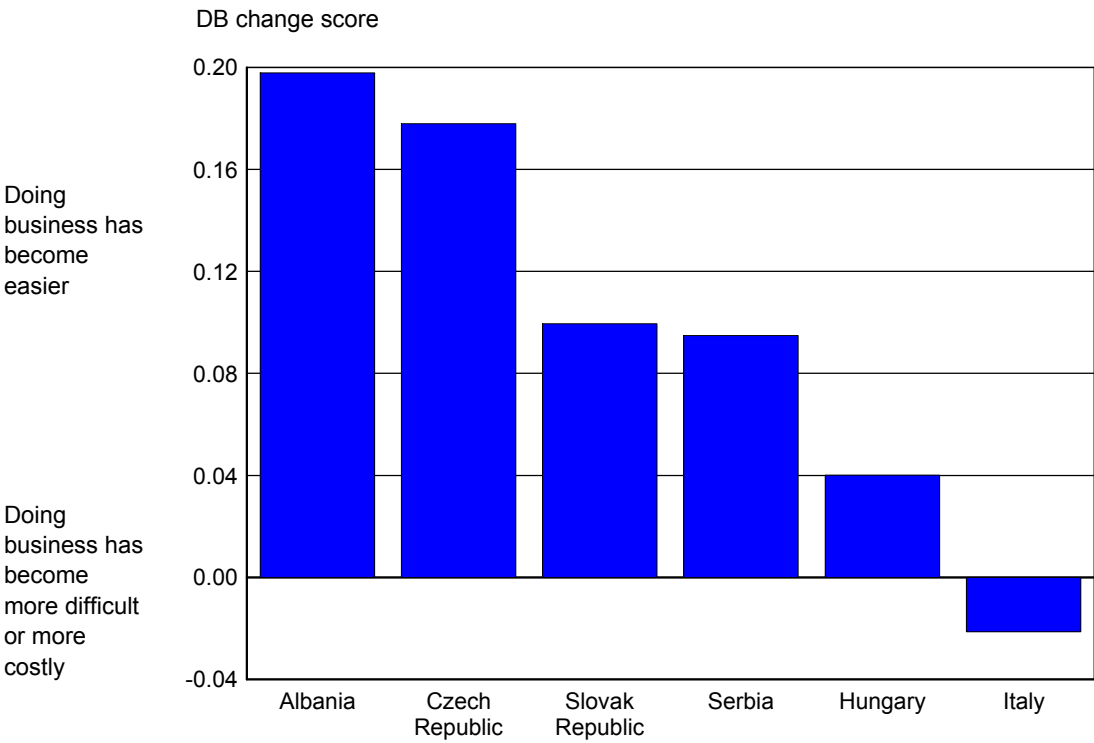


# 5 - Year Measure of Cumulative Change

The 5-year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies\* from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which economies currently have the most business friendly environment, this new approach shows the extent to which an economy’s regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy’s business regulation as measured by the *Doing Business* indicators -- such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*.



Note: This year's DB change score ranges from -0.1 to 0.54. More details on how the DB change score is constructed can be found in the methodology section of the website.

\* Bahrain, The Bahamas, Brunei, Cyprus, Kosovo, Liberia, Luxembourg, Montenegro and Qatar do not feature in the new metric because they were included in the *Doing Business* report in years subsequent to the *Doing Business 2005* report and hence, 5 years of data are not yet available.

Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

#### Some reform outcomes

*In Egypt* reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.

*In Portugal* creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.

*In Malaysia* reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.

#### What does Starting a Business measure?

##### Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

##### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

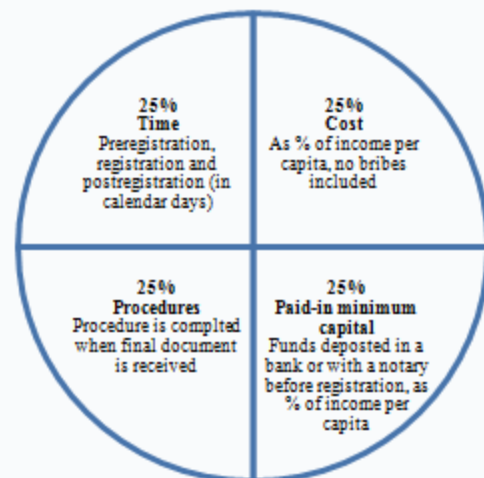
##### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

##### Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary prior to registration begins

**Starting a Business:** getting a local limited liability company up and running  
Rankings are based on 4 subindicators



#### Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

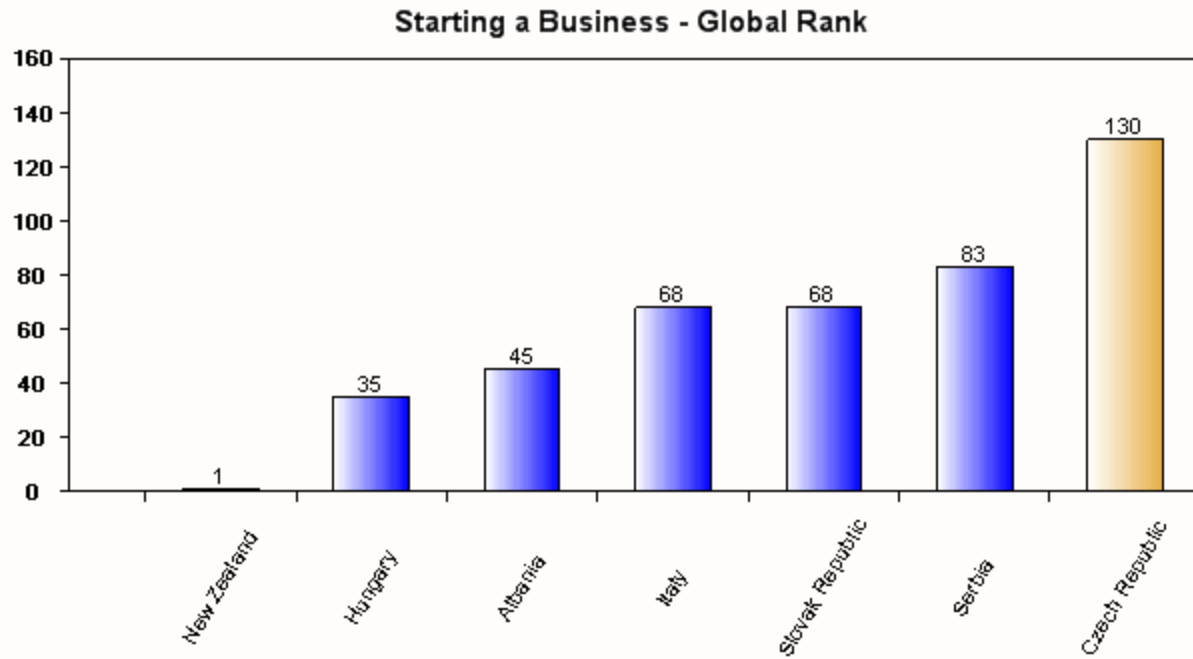
#### The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

## 1. Benchmarking Starting a Business Regulations

Czech Republic is ranked 130 overall for Starting a Business.

Ranking of Czech Republic in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Czech Republic compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>	<b>Paid-in Min. Capital (% of income per capita)</b>
<b>Denmark</b>			0.0	
<b>New Zealand</b>	1	1		0.0

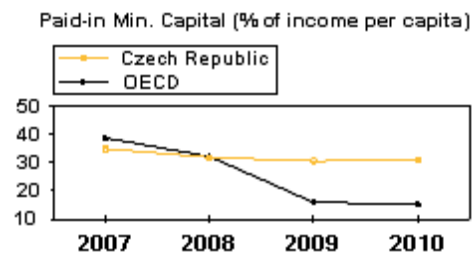
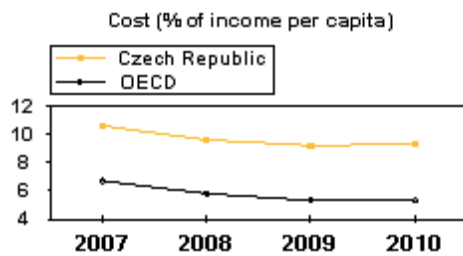
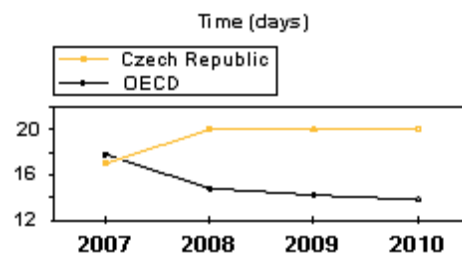
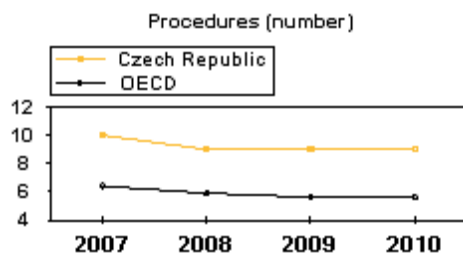
<i>Selected Economy</i>				
<b>Czech Republic</b>	<b>9</b>	<b>20</b>	<b>9.3</b>	<b>30.9</b>

<i>Comparator Economies</i>				
<b>Albania</b>	5	5	16.8	0.0
<b>Hungary</b>	4	4	8.2	10.2
<b>Italy</b>	6	6	18.5	10.1
<b>Serbia</b>	7	13	7.9	6.0
<b>Slovak Republic</b>	6	16	1.9	22.2

## 2. Historical data: Starting a Business in Czech Republic

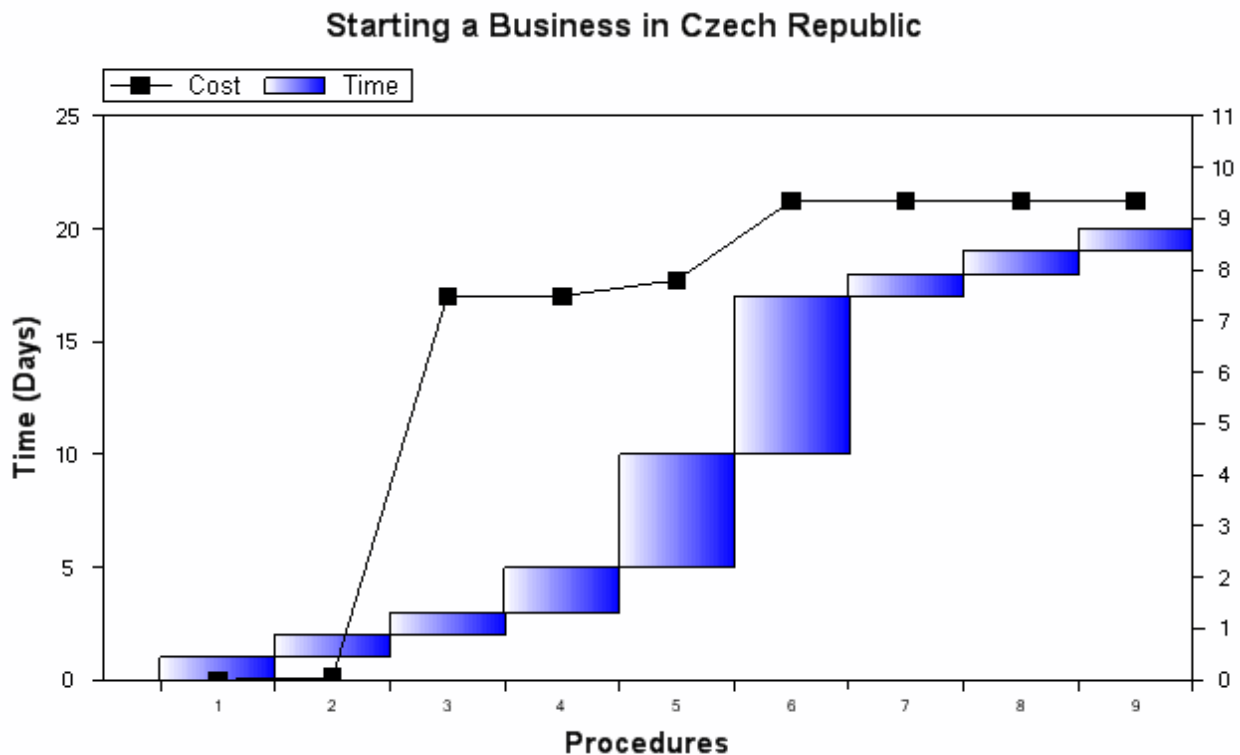
Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	127	130
Procedures (number)	10	9	9	9
Time (days)	17	20	20	20
Cost (% of income per capita)	10.6	9.6	9.2	9.3
Paid-in Min. Capital (% of income per capita)	34.9	31.8	30.5	30.9

## 3. Starting a Business sub indicators in Czech Republic over the past 4 years



#### 4. Overview of the steps to Starting a Business in Czech Republic

It requires 9 procedures, takes 20 days, and costs 9.35 % GNI per capita to start a business in Czech Republic.



No:	Procedure	Time to complete (days)	Cost to complete
1	Check business name for uniqueness	1	no charge
2	Obtain extracts of criminal record and real estate at Czechpoint Offices	1	CZK 50 (extract of criminal records) +CZK 100 (extract of real estate)
3	Notarize articles of association	1	CZK 23,950 (for 5 copies of 10 page notarial record) + CZK 30 per notarized signature (excluding 20% VAT)
4	Obtain confirmation of the administrator of the capital contribution of the company along with the confirmation of the bank that the capital contribution is held in the company's special bank account for the registered capital.	2	no charge
5	Register with the Trade Licensing Office and obtain extract of the trade license	5	CZK 1000
6	Register in the Business (Commercial) Registry of the Regional Commercial Court	7	CZK 5,000 (paid in the form of court stamps)

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7	Register for taxes	1	no charge
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8	* Register for social security	1	no charge
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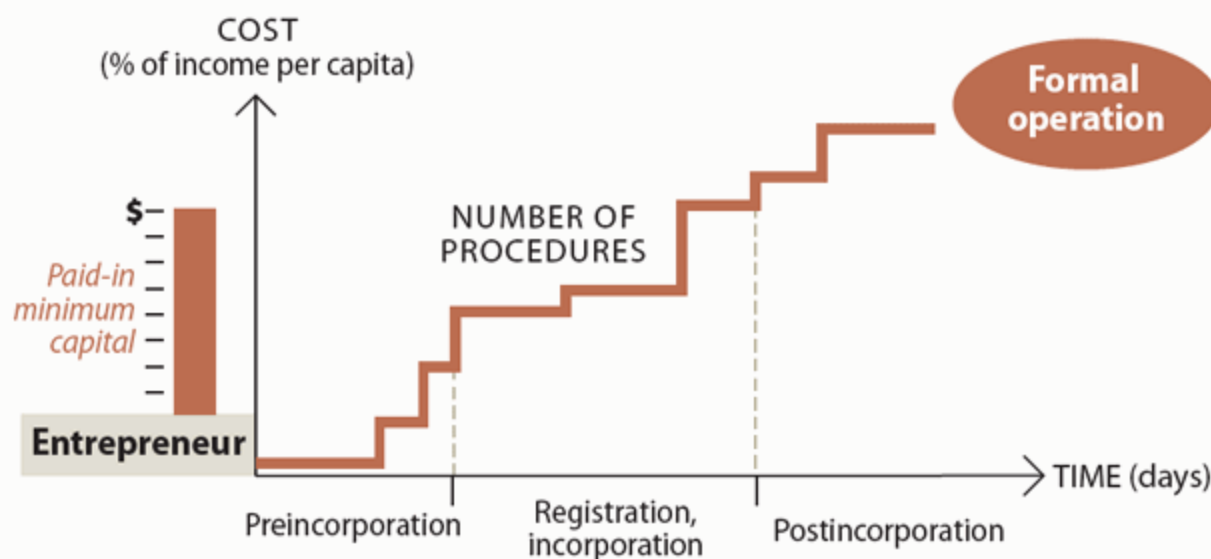
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9	* Register with health insurance	1	no charge
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\* Takes place simultaneously with another procedure.

## What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



### 5. Details on Starting a Business in Czech Republic

This table summarizes the procedures and costs associated with setting up a business in the Czech Republic.

#### STANDARDIZED COMPANY

Legal Form: Společnost s Rucením Omezeným (SRO)

Paid-in Minimum Capital: 30.9 (% of income per capita)

City: Prague

#### Procedure 1 Check business name for uniqueness

Time to complete(days): 1

Cost to complete: no charge

Comment: The uniqueness of the company name can be verified by accessing a database on the Ministry of Justice's Web site ([www.justice.cz](http://www.justice.cz))

#### Procedure 2 Obtain extracts of criminal record and real estate at Czechpoint Offices

Time to complete(days): 1

Cost to complete: CZK 50 (extract of criminal records) +CZK 100 (extract of real estate)

Comment: This applies only to the extract from the Czech Criminal Register, if the executive is a citizen of another EU Member State, an extract from the criminal register of that EU Member State (if the State does not keep a criminal register, the extract may be replaced by an affidavit signed by the executive in front of a notary); if the executive is a citizen of a non-EU country, an extract from the Czech Criminal register and an extract from the criminal register of the country of which he/she is a citizen and of the country in which he/she spent three consecutive months in the previous three

years (all extracts must be less than three months old).

Both criminal record extract and real estate extract can be obtained from so-called Czechpoints, which are usually located at the post offices, municipal and district offices.

### Procedure 3 Notarize articles of association

**Time to complete(days):** 1

**Cost to complete:** CZK 23,950 (for 5 copies of 10 page notarial record) + CZK 30 per notarized signature (excluding 20% VAT)

**Comment:** Fees to notarize the articles of association depend on the amount of the company's registered capital and on the number of copies of the notarial record required by the company's founders. The minimum fee is about CZK 4,000, and the maximum is about CZK 113,000, including 20% VAT. The notary public is responsible for the compliance of the contents of the company's articles of association with Czech law. The notary prepares the wording of the articles of association according to the founders' requirements. Certain notaries public require the following documents before executing the articles of association:

- A clean criminal record.
- An affidavit from the company managers.
- Confirmation from the owner of premises where the seat will be located that the company is entitled to have its seat on those premises, along with an extract for the premises from the Real Estate Register.

The founders must comply with the requirements stipulated by the Czech Commercial Code. They must confirm their compliance in an affidavit submitted to the City Court, and they must also submit their signature specimens to the City Court in two copies.

### Procedure 4 Obtain confirmation of the administrator of the capital contribution of the company along with the confirmation of the bank that the capital contribution is held in the company's special bank account for the registered capital.

**Time to complete(days):** 2

**Cost to complete:** no charge

**Comment:** Until the company is registered, the registered capital is usually blocked in the special bank account. Opening a special bank account usually costs about CZK 5,000. However, some banks open special accounts for nothing on condition that the company will open current bank accounts in the bank after its incorporation.

### Procedure 5 Register with the Trade Licensing Office and obtain extract of the trade license

**Time to complete(days):** 5

**Cost to complete:** CZK 1000

**Comment:** The company has to register its business activities with the Trade License Office to be able to obtain an extract of its trade license. The required documents are as follows:

- (i) memorandum of association if the company has been founded but not yet established (i.e. registered with the Commercial Register); if the company has already been registered with the Commercial Register, an excerpt thereof that cannot be older than 3 months will be required;
- (ii) proof of legal use of premises (i.e. a notarized copy of the (sub)lease agreement or the excerpt of the Real Estate Cadastre); and
- (iii) proof of payment of the administrative fee

The Trade License Office must complete the registration process within 5 business days from the day when all required documents were submitted. After the completion of the registration process, the Trade License Office issues the excerpt of the trade license register which must be delivered to the applicant, either picked-up personally by the applicant at the Trade License Office or delivered by mail. The first issue of the trade license is free of charge.

It is also possible to file the application online; however, the applicant must have a certified signature, otherwise such application will not be considered effective.

## Procedure 6 Register in the Business (Commercial) Registry of the Regional Commercial Court

**Time to complete(days):** 7

**Cost to complete:** CZK 5,000 (paid in the form of court stamps)

**Comment:** The Czech Commercial Code and the Czech Civil Procedure Act were amended to comply with European Community law (effective July 1, 2005) and to simplify and speed up registering in the Commercial Register. The amendment introduced standard forms for applications, reduced the number of participants to the proceedings, introduced a simplified procedure for registration (by entering the data without substantive review for certain types of entries), stated the exact time limits for decisions and their issuance and entries, introduced the "silence-is-consent" rule, and set limits for implementing the full electronic administration of the Commercial Register. Since July 1, 2006, the time limit for the court to decide on registration is 5 working days. To register a newly founded company in the Commercial Register, an application must be submitted to the relevant court administering the register. This application must be completed on a standard form and signed by all first directors of the company (or their proxy, if applicable) before a notary.

The following documents must be enclosed with the application for company registration in the Commercial Register: (a) the company's articles (memorandum) of association in the form of a notarial deed; (b) documents proving the company's title to the premises in which its seat is located (as described in Procedure 3); (c) a confirmation from the administrator of the contributions into the company's registered capital confirming that each founder paid up at least 30% of his or her monetary capital contribution and that the total paid up capital contributions are at least CZK 100,000; (d) a confirmation from the relevant bank that the capital contributions are held in the company's special bank account for the registered capital; (e) documents on the company managers/executive; and (g) the executive's affidavit with notarized signature, his or her sample signature, and his or her consent to their registration into the Commercial Register.

## Procedure 7 Register for taxes

**Time to complete(days):** 1

**Cost to complete:** no charge

**Comment:** Deadlines for registering with the Tax Office:  
- Income tax and general registration: 30 days (any change must be announced within 15 days).  
- Withholding tax and payroll tax registration: 15 days.  
- For the VAT obligatory registration: on January 1, 2010 amendment No. 362/2009 to the Act on VAT took effect. From this date the company is obliged to submit its VAT registration form within 15 days following the end of month in which the conditions are met or in certain cases within 15 days following the date when the company automatically becomes a VAT payer.  
- For the VAT voluntary registration: submit the registration at any time.

Upon submitting the application for income tax registration, the company receives a tax identification number (same number as for the VAT and the income tax).

## Procedure 8 Register for social security

**Time to complete(days):** 1

**Cost to complete:** no charge

**Comment:** The company must register within 8 days as of the date when the first employee enters into work (the employee's and employer's registration are in practice be made at the same time). A 8-day notification deadline applies in case of certain changes occur.

## Procedure 9 Register with health insurance

**Time to complete(days):** 1

**Cost to complete:** no charge

**Comment:** The same rules apply as for social security registration.

In many economies, especially developing ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

### Some reform outcomes

*In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.*

*Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.*

### What does the Dealing with Construction Permits indicator measure?

#### Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

### Case Study Assumptions

#### The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

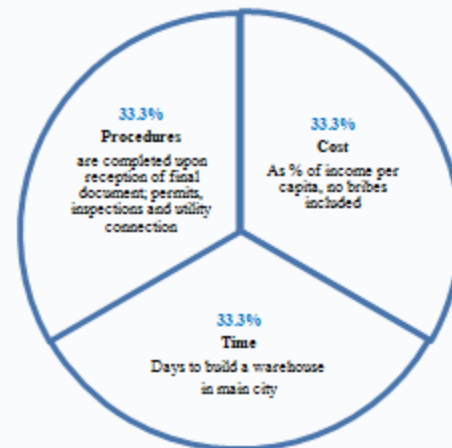
#### The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

### Dealing with Construction Permits:

#### Building a warehouse

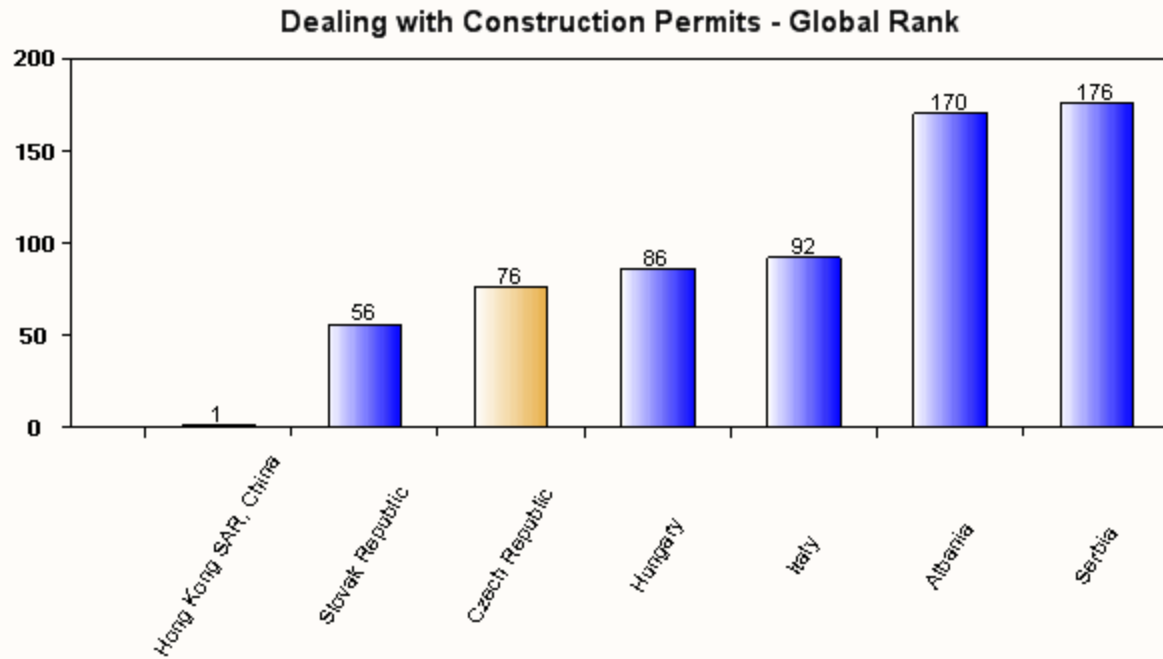
Rankings are based on 3 subindicators



## 1. Benchmarking Dealing with Construction Permits Regulations

Czech Republic is ranked 76 overall for Dealing with Construction Permits.

Ranking of Czech Republic in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Czech Republic compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>
<b>Denmark</b>	6		
<b>Qatar</b>			0.8
<b>Singapore</b>		25	

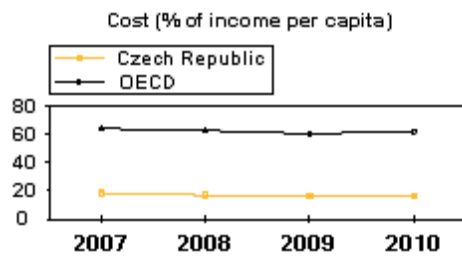
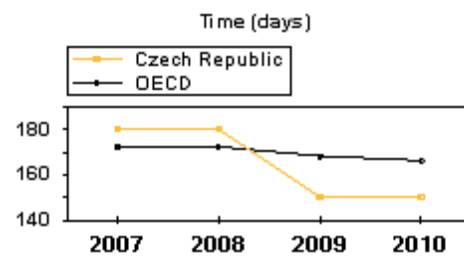
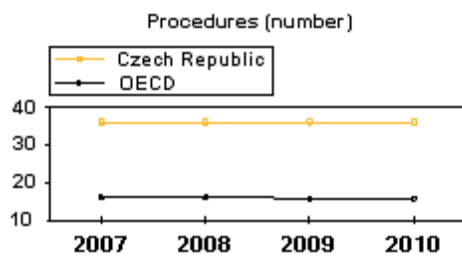
<i>Selected Economy</i>			
<b>Czech Republic</b>	<b>36</b>	<b>150</b>	<b>16.4</b>

<i>Comparator Economies</i>			
<b>Albania</b>	24	331	381.3
<b>Hungary</b>	31	189	9.8
<b>Italy</b>	14	257	142.3
<b>Serbia</b>	20	279	1821.4
<b>Slovak Republic</b>	13	287	12.7

## 2. Historical data: Dealing with Construction Permits in Czech Republic

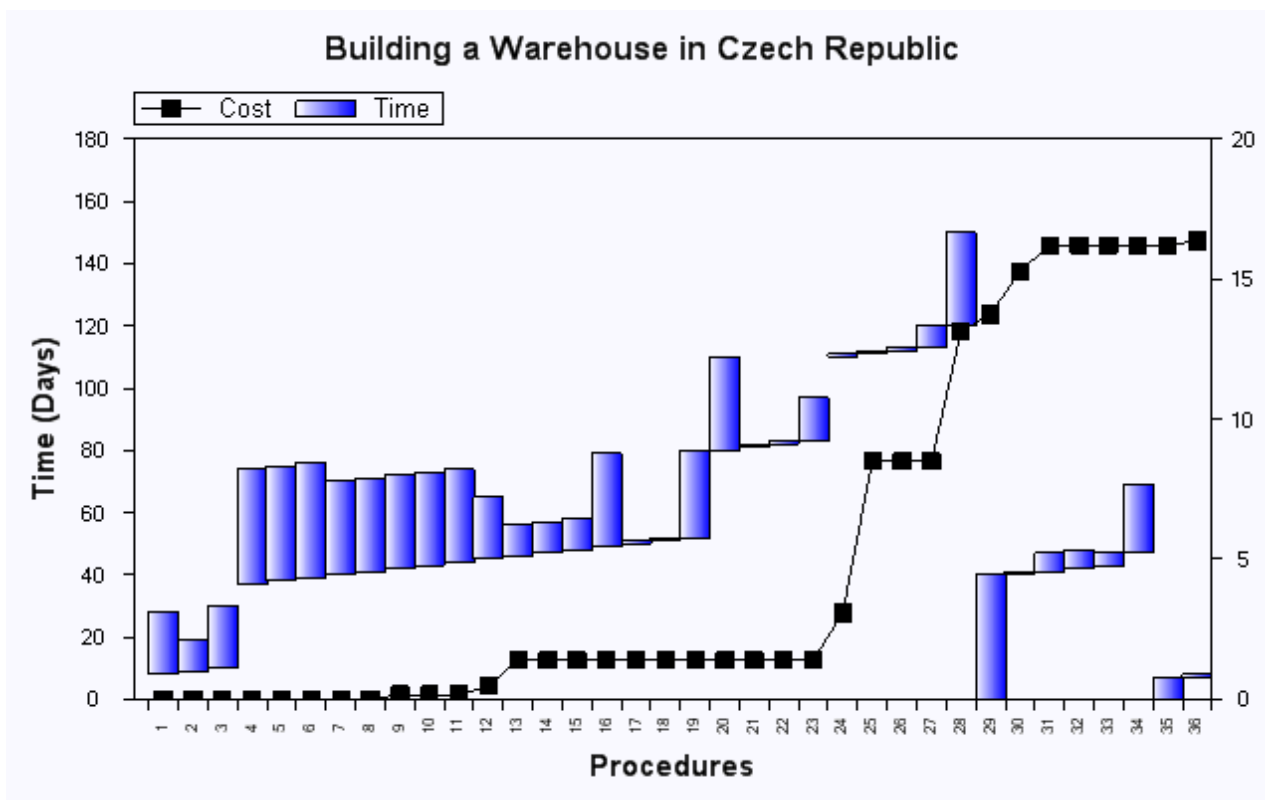
Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	75	76
Procedures (number)	36	36	36	36
Time (days)	180	180	150	150
Cost (% of income per capita)	18.5	16.9	16.2	16.4

## 3. Dealing with Construction Permits sub indicators in Czech Republic over the past 4 years



#### 4. Overview of the steps to Building a Warehouse in Czech Republic

It requires 36 procedures, takes 150 days, and costs 16.37 % GNI per capita to build a warehouse in Czech Republic.



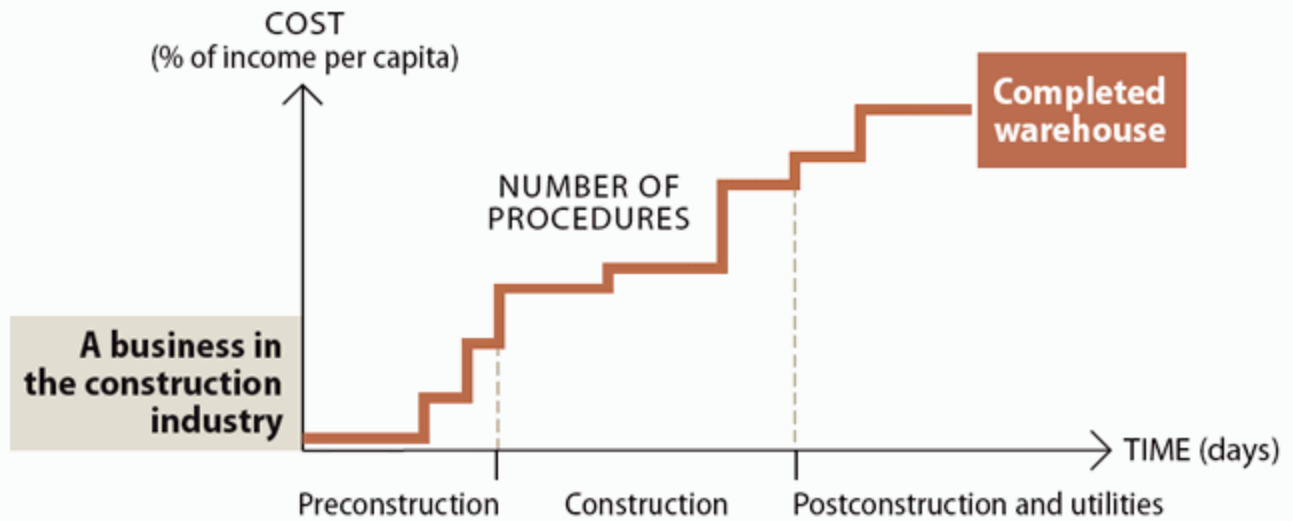
No:	Procedure	Time to complete (days)	Cost to complete
1	Obtain project clearance from health authority in the municipality of Prague	30 days	no charge
2	* Obtain project clearance from environmental protection agency in the municipality of Prague	30 days	no charge
3	* Obtain project clearance from local provider of water and sewerage services	30 days	no charge
4	* Obtain project clearance from local electricity provider	30 days	no charge
5	* Obtain project clearance from local telecommunications provider Telefonica O2	30 days	no charge
6	* Obtain project clearance from local telecommunications provider Radiokomunikace	30 days	no charge
7	* Obtain project clearance from local telecommunications provider UPC Direct	30 days	no charge
8	* Obtain project clearance from local trade license authority	30 days	no charge
9	* Obtain project clearance from road management agency	20 days	CZK 500

10	* Obtain project clearance from fire department	10 days	no charge
11	* Obtain project clearance from local street lighting provider	20 days	no charge
12	Obtain location (zoning) permit	37 days	CZK 1,000
13	* Obtain building permit	37 days	CZK 3,000
14	* Obtain technical conditions from fire department	37 days	no charge
15	* Obtain technical conditions from health authority of the municipality of Prague	30 days	no charge
16	* Obtain technical conditions from road management agency of the municipality of Prague	30 days	no charge
17	* Obtain technical conditions from environmental protection agency of the municipality of Prague	30 days	no charge
18	* Obtain technical conditions from local provider of water and sewerage services of the municipality of Prague	30 days	no charge
19	* Obtain technical conditions from local street lighting provider	30 days	no charge
20	* Obtain technical conditions from local electricity provider	20 days	no charge
21	* Obtain technical conditions from local telecommunications provider Telefonica O2	10 days	no charge
22	* Obtain technical conditions from local telecommunications provider Radiokomunikace	10 days	no charge
23	* Obtain technical conditions from local telecommunications provider UPC Direct	10 days	no charge
24	* Request and receive water and sewerage connection with Prazske vodovody a kanalizace	30 days	CZK 5,500
25	* Request an electricity supply permit	1 day	CZK 17,500
26	* Receive inspection of electricity installations	1 day	no charge
27	Obtain electricity connection	28 days	no charge
28	* Request a geodesic plan of the construction alignment	30 days	CZK 15,000
29	* Request and receive inspection of lightning conductor	1 day	CZK 2,000
30	* Receive inspection of chimneys	1 day	CZK 5,000
31	* Request and receive telephone connection	14 days	CZK 2,990

32	Notify building office of occupancy and request final inspection	1 day	no charge
33	Receive final inspection from special commission of the municipal authority	1 day	no charge
34	Receive fire department inspection	1 day	no charge
35	Request and obtain evidence number of the building from Municipality	7 days	no charge
36	Register the building with the real estate registry	30 days	CZK 500

\* Takes place simultaneously with another procedure.

## What are the time, cost and number of procedures to comply with formalities to build a warehouse?



### 5. Details on Building a Warehouse in Czech Republic

The table below summarizes the procedures, time, and costs to build a warehouse in the Czech Republic.

#### BUILDING A WAREHOUSE

Estimated warehouse value: CZK 13,006,000

City: Prague

#### Procedure 1 Obtain project clearance from health authority in the municipality of Prague

**Time to complete:** 30 days

**Cost to complete:** no charge

**Agency:** Municipality of Prague (Health Authority)

**Comment:** The health authority clearance is based on the preliminary project design drawings.

#### Procedure 2 Obtain project clearance from environmental protection agency in the municipality of Prague

**Time to complete:** 30 days

**Cost to complete:** no charge

**Agency:** Municipality of Prague (Environmental Protection Agency)

**Comment:** The environmental protection agency clearance is based on preliminary project design drawings. There is a statutory time limit of 30 days. Time varies from office to office.

#### Procedure 3 Obtain project clearance from local provider of water and sewerage services

**Time to complete:** 30 days

**Cost to complete:** no charge

**Agency:** Pražské Vodovody a Kanalizace, a.s.

**Comment:** The water and sewerage provider clearance is based on the preliminary project design drawings.

**Procedure 4 Obtain project clearance from local electricity provider**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Agency:** ČEZ a.s.

**Comment:** The local electricity provider clearance is based on the preliminary project design drawings.

**Procedure 5 Obtain project clearance from local telecommunications provider Telefonica O2**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Agency:** Telefónica O2

**Comment:** The local telecommunications provider clearance is based on the preliminary project design drawings. Clearance is required from all three telecom providers, according to Act No. 127/2005 Coll., on Electronic Communications (effective May 1, 2005).

**Procedure 6 Obtain project clearance from local telecommunications provider Radiokomunikace**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Agency:** České Radiokomunikace, a.s.

**Comment:** This clearance is based on the preliminary project design drawings. Clearance is required from all three telecom providers, according to Act No. 127/2005 Coll., on Electronic Communications, effective May 1, 2005.

**Procedure 7 Obtain project clearance from local telecommunications provider UPC Direct**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Agency:** UPC Direct

**Comment:** This clearance is based on the preliminary project design drawings. Clearance is required from all three telecom providers. This set by the Act No. 127/2005 Coll., on Electronic Communications, effective as of May 1, 2005.

**Procedure 8 Obtain project clearance from local trade license authority**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Agency:** Trade License Authority in Prague

**Comment:** This clearance is based on preliminary project design drawings made by an authorized designer. This procedure is needed only if the warehouse is used for conducting business, which is assumed.

This clearance is based on a mere notification duty towards the competent trade office (in advance of opening of a new establishment). Where a trade license is applied for the exercise of a business activity in a new warehouse, the notification of a new warehouse as a new establishment is included in the application for the new trade license. Usually, trade office inspectors come to visit (inspect) a new establishment after its opening to check its compliance with the applicable trade laws (Act No. 455/1991 Coll., the Trade Act), especially where it is supposed to provide services to the public. The applicant itself is liable to ensure compliance with the applicable construction rules (the Building Code).

**Procedure 9 Obtain project clearance from road management agency**

**Time to complete:** 20 days

**Cost to complete:** CZK 500

**Agency:** Municipality of Prague (Road Management Agency)

**Comment:** This clearance is based on drawings from the preliminary project design. The statutory time limit for completing this procedure is 30 days. The fee for obtaining a decision to connect the site to a first-class road is CZK 1000. The fee for obtaining a decision to connect the site to a second- and third-class road or to a local road is CZK 500.

**Procedure 10 Obtain project clearance from fire department**

**Time to complete:** 10 days

**Cost to complete:** no charge

**Agency:** Fire Department

**Comment:** The fire department clearance is based on preliminary project design drawings. The statutory time limit for completing this procedure is 30 days.

**Procedure 11 Obtain project clearance from local street lighting provider**

**Time to complete:** 20 days

**Cost to complete:** no charge

**Agency:** Street Lighting Provider in Prague

**Comment:** The local street-lighting provider's clearance is based on preliminary project design drawings. Street lighting forms are considered part of road connection (see Procedure 7).

**Procedure 12 Obtain location (zoning) permit**

**Time to complete:**

37 days

**Cost to complete:**

CZK 1,000

**Agency:**

Municipality of Prague

**Comment:**

A location permit grants only the right to build the warehouse on a plot; it does not authorize construction. To be issued by the municipal authority, the drawings for the preliminary project design need clearance from various agencies. Proof of ownership of the land is also requested by the building authority. The location permit is valid for 2 years, and it is a prerequisite for construction and building permits. The statutory period for completing the procedure is 30 days. However, in more complicated cases that require oral proceedings or local investigations, the statutory period is 60 days. In practice, it usually takes a week longer than the law prescribes.

To site a structure, the location permit (or location approval) must be issued for simple structures, installations, and maintenance. However, if a regulatory plan (a more specific document than the master plan) is issued for the area (location), this plan replaces the location permit within that area. The regulatory plan is procured and issued by the local authority. It determines the detailed conditions for the use of the grounds, for the location and spatial arrangement of structures, for the protection of area's values and character, and for creating a favorable environment.

**Procedure 13****Obtain building permit****Time to complete:**

37 days

**Cost to complete:**

CZK 3,000

**Agency:**

Municipality of Prague

**Comment:**

The company must submit to the municipal authority the documents specified in the preceding procedures, project design drawings made by an authorized designer, and additional documents requested by the building authority. The building permit is valid for 2 years. Under the new Building Act (2006), the land planning and the building permit applications can now be submitted simultaneously. Under the new code, the investor may apply for both the land planning permit and the building permit applications, simultaneously, on condition that the regulatory plan for the area was approved. The regulatory plan is procured and issued by the local authority and determines the detailed conditions for the use of the grounds, for the structural location and spatial arrangement, for protection of the area's values and character, and for creating a favorable environment.

Most local authorities in the Prague area have already approved a regulatory plan. Thus, in practice, the planning and building permit applications can now be submitted simultaneously.

As stated in the Czech Building Act (No. 183/2006, Coll. Section 78), pursuant to the rules of administrative procedure, the building office may merge the planning permission proceedings with the building permit proceedings, if the conditions within the area are clear, especially if there is an approved regulatory plan for the area.

**Procedure 14****Obtain technical conditions from fire department****Time to complete:**

37 days

**Cost to complete:**

no charge

**Agency:** Fire Department

**Comment:** Technical conditions are based on project design drawings made by an authorized designer. The statutory period for completing the procedure is 30 days (Act. No. 500/2004 Coll., Code of Administrative Procedure, and Act No. 183/2006 Coll., Building Act). In practice, it usually takes a week longer than the law prescribes.

**Procedure 15 Obtain technical conditions from health authority of the municipality of Prague**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Agency:** Municipality of Prague (Health Authority)

**Comment:** This clearance is based on project design drawings made by an authorized designer.

**Procedure 16 Obtain technical conditions from road management agency of the municipality of Prague**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Agency:** Municipality of Prague (Road Management Agency)

**Comment:** Technical conditions are based on project design drawings made by an authorized designer.

**Procedure 17 Obtain technical conditions from environmental protection agency of the municipality of Prague**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Agency:** Municipality of Prague (Environmental Protection Agency)

**Comment:** Technical conditions are based on project design drawings made by an authorized designer.

**Procedure 18 Obtain technical conditions from local provider of water and sewerage services of the municipality of Prague**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Agency:** Municipality of Prague (Water & Sewerage Authority)

**Comment:** Technical conditions are based on project design drawings made by an authorized designer. There is no statutory period for completion of the procedure. However, the service providers usually complete the procedure in 30 days.

**Procedure 19 Obtain technical conditions from local street lighting provider**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Agency:** Street Lighting Provider in Prague

**Comment:** Technical conditions are based on project design drawings made by an authorized designer. There is no statutory period for completion of the procedure. However, the service providers usually complete the procedure in 30 days.

**Procedure 20 Obtain technical conditions from local electricity provider**

**Time to complete:** 20 days

**Cost to complete:** no charge

**Agency:** Prazska Energetika, a.s.

**Comment:** Technical conditions are based on project design drawings made by an authorized designer.

**Procedure 21 Obtain technical conditions from local telecommunications provider Telefonica O2**

**Time to complete:** 10 days

**Cost to complete:** no charge

**Agency:** Telefónica O2

**Comment:** Technical conditions are based on project design drawings made by an authorized designer.

**Procedure 22 Obtain technical conditions from local telecommunications provider Radiokomunikace**

**Time to complete:** 10 days

**Cost to complete:** no charge

**Agency:** České Radiokomunikace, a.s.

**Comment:** Technical conditions are based on project design drawings made by an authorized designer.

**Procedure 23 Obtain technical conditions from local telecommunications provider UPC Direct**

**Time to complete:** 10 days

**Cost to complete:** no charge

**Agency:** UPC Direct

**Comment:** Technical conditions are based on project design drawings made by an authorized designer.

**Procedure 24 Request and receive water and sewerage connection with Prazske vodovody a kanalizace**

<b>Time to complete:</b>	30 days
<b>Cost to complete:</b>	CZK 5,500
<b>Agency:</b>	Pražské Vodovody a Kanalizace, a.s.
<b>Comment:</b>	The request is made to the local water and sewerage provider. The costs for establishing a (completely new) water connection is about CZK 2,500–3,000 per sq. m. for the excavation works (depending on the surface material), plus the cost of the actual placing of the new water conduct and coverage of the hole, (together, about CZK 4,500 per sq. m.). The costs of establishing a new sewerage connection are based on the same criteria, and they can vary substantially, based on the relevant circumstances (surface material, depth). The costs for establishing the new water connection depends on the time and the number of workers needed. The price is about CZK 2,200 plus VAT (19%), calculated on an hourly basis for two workers. It is assumed this would take 5–6 hours. For the excavation work, a company is responsible for being in contractual relation with the Prague Water Supply and Sewerage Company (Pražské vodovody a kanalizace). The fee for the water and sewerage connection varies, by service provider. However, the approximate cost is about CZK 1,200. The cost stated above probably includes the cost for constructing the water and sewerage connection. However, when constructing a warehouse, the constructor also builds a water and sewerage connection. It is thus necessary only to pay the connection fee of CZK 1,200.

#### Procedure 25 Request an electricity supply permit

<b>Time to complete:</b>	1 day
<b>Cost to complete:</b>	CZK 17,500
<b>Agency:</b>	Pražská Energetika, a.s.
<b>Comment:</b>	The price amounts about CZK 500 per 1 ampere The installation should amount to CZK 12,500, including the permit issuance. The power company comes to the building site and lays wires.

#### Procedure 26 Receive inspection of electricity installations

<b>Time to complete:</b>	1 day
<b>Cost to complete:</b>	no charge
<b>Agency:</b>	Pražská Energetika, a.s.
<b>Comment:</b>	The electricity installation inspection is performed by an authorized inspection technician. This procedure is a prerequisite for issuance of an occupancy permit.

#### Procedure 27 Obtain electricity connection

<b>Time to complete:</b>	28 days
<b>Cost to complete:</b>	no charge
<b>Agency:</b>	Pražská Energetika, a.s.
<b>Comment:</b>	The connection to the electricity system is not done at the same time as the inspection.

**Procedure 28 Request a geodesic plan of the construction alignment**

**Time to complete:** 30 days

**Cost to complete:** CZK 15,000

**Agency:** Authorized Geodesist

**Comment:** This plan is performed by an authorized engineer/geodesist. The plan is a prerequisite for issuance of an occupancy permit.

**Procedure 29 Request and receive inspection of lightning conductor**

**Time to complete:** 1 day

**Cost to complete:** CZK 2,000

**Agency:** Authorized Inspection Technician

**Comment:** This inspection is performed by an authorized inspection technician. This procedure is a prerequisite for the issuance of an occupancy permit. It takes about 30 days from the inspection request for the inspector to come to the construction site.

**Procedure 30 Receive inspection of chimneys**

**Time to complete:** 1 day

**Cost to complete:** CZK 5,000

**Agency:** Private Company

**Comment:** If the warehouse has heating, a chimney inspection must be performed before applying for an occupancy permit. A private company is authorized to do the inspection. From the time of inspection request, it takes about 7 days for the inspector to visit the construction site.

**Procedure 31 Request and receive telephone connection**

**Time to complete:** 14 days

**Cost to complete:** CZK 2,990

**Agency:** Telefónica O2 or České Radiokomunikace, a.s.

**Comment:** This procedure is a prerequisite for occupancy permit issuance. The phone connection setup fee is CZK 499 (with a 1-year binding contract) or CZK 2,990 (without the fixed term condition).

**Procedure 32 Notify building office of occupancy and request final inspection**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Agency:** Building Office (Municipality of Prague)

**Comment:** Under the new Building Act (No. 183/2006 Coll.), effective January 1, 2007, the traditional occupancy permit issued in the past by the building office no longer exists. Now, the vast majority of buildings can be used on the basis of a simple occupancy

notification, indicating that the investor intends to start occupying it. The notification must be given, at the latest, 30 days before the day the building is planned to be used. If the building office does not prohibit its use within 30 days of the investor's notification (meaning that it does not conclude that the construction puts the public at risk), the investor may start using the building. Buildings used by the public would require an occupancy approval. In the case considered here, because the warehouse will be used for general storage activities, an occupancy approval is not needed.

**Procedure 33 Receive final inspection from special commission of the municipal authority**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Agency:** Municipality of Prague

**Comment:**

**Procedure 34 Receive fire department inspection**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Agency:** Fire Department

**Comment:**

**Procedure 35 Request and obtain evidence number of the building from Municipality**

**Time to complete:** 7 days

**Cost to complete:** no charge

**Agency:** Municipality of Prague

**Comment:** Before registration with the Real Estate Registry the owner of the building shall apply for the evidence No. of the building with the Municipality Office. The following documents need to be enclosed to the application: occupancy or building permit, geometrical plan (i.e. document on the building's location according to which the building is to be newly registered in the Real Estate Registry), and the evidence on the ownership of the building. According to the law the document must be issued in 30 days, however in practice it takes 2-3 weeks overage.

**Procedure 36 Register the building with the real estate registry**

**Time to complete:** 30 days

**Cost to complete:** CZK 500

**Agency:** Real Estate Registry

**Comment:** The company should apply to register the building and obtain a building identification number with the Cadastral Land Register. This procedure is necessary, among other conditions, if the building needs insurance, as for a new warehouse.

Under Act. No. 500/2004 Coll. Code of Administrative Procedures, statutory time limits of 30 days have been introduced (60 days for complicated cases). In practice, it usually takes a week longer than the law prescribes.

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

### Some reform outcomes

*Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.*

*Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.*

### What does the Registering Property indicator measure?

**Registering Property:** transfer of property between 2 local companies

Rankings are based on 3 subindicators

### Procedures to legally transfer title on immovable property (number)

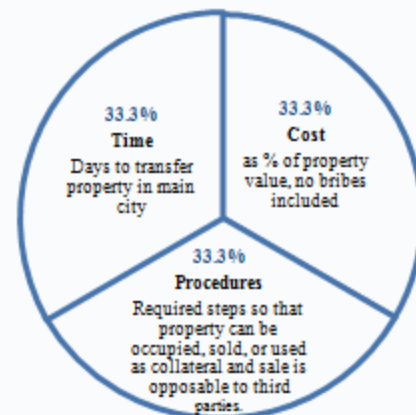
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

### Cost required to complete each procedure (% of property value)

- Official costs only, no bribes
- No value added or capital gains taxes included



### Case Study Assumptions

#### The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

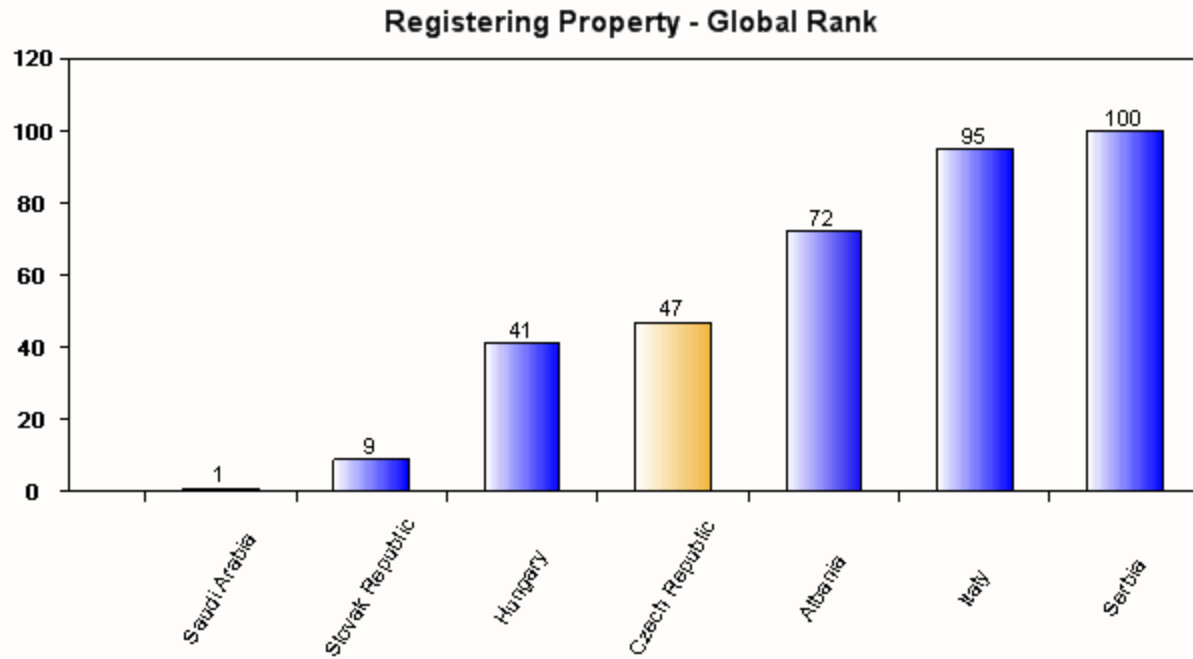
#### The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

## 1. Benchmarking Registering Property Regulations

Czech Republic is ranked 47 overall for Registering Property.

Ranking of Czech Republic in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Czech Republic compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of property value)</b>
<b>New Zealand</b>		2	
<b>Norway</b>	1		
<b>Saudi Arabia</b>			0.0

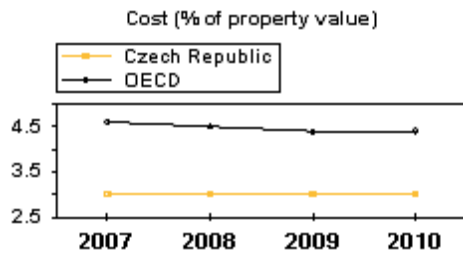
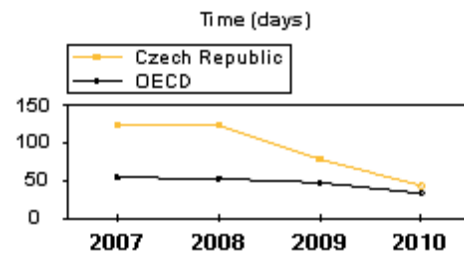
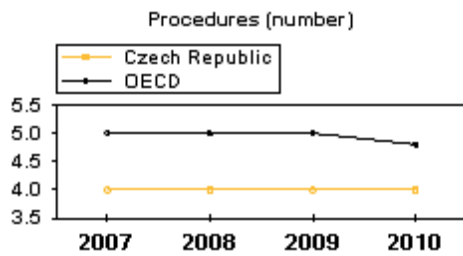
<i>Selected Economy</i>			
<b>Czech Republic</b>	<b>4</b>	<b>43</b>	<b>3.0</b>

<i>Comparator Economies</i>			
<b>Albania</b>	6	42	3.4
<b>Hungary</b>	4	17	5.0
<b>Italy</b>	8	27	4.5
<b>Serbia</b>	6	91	2.7
<b>Slovak Republic</b>	3	17	0.0

## 2. Historical data: Registering Property in Czech Republic

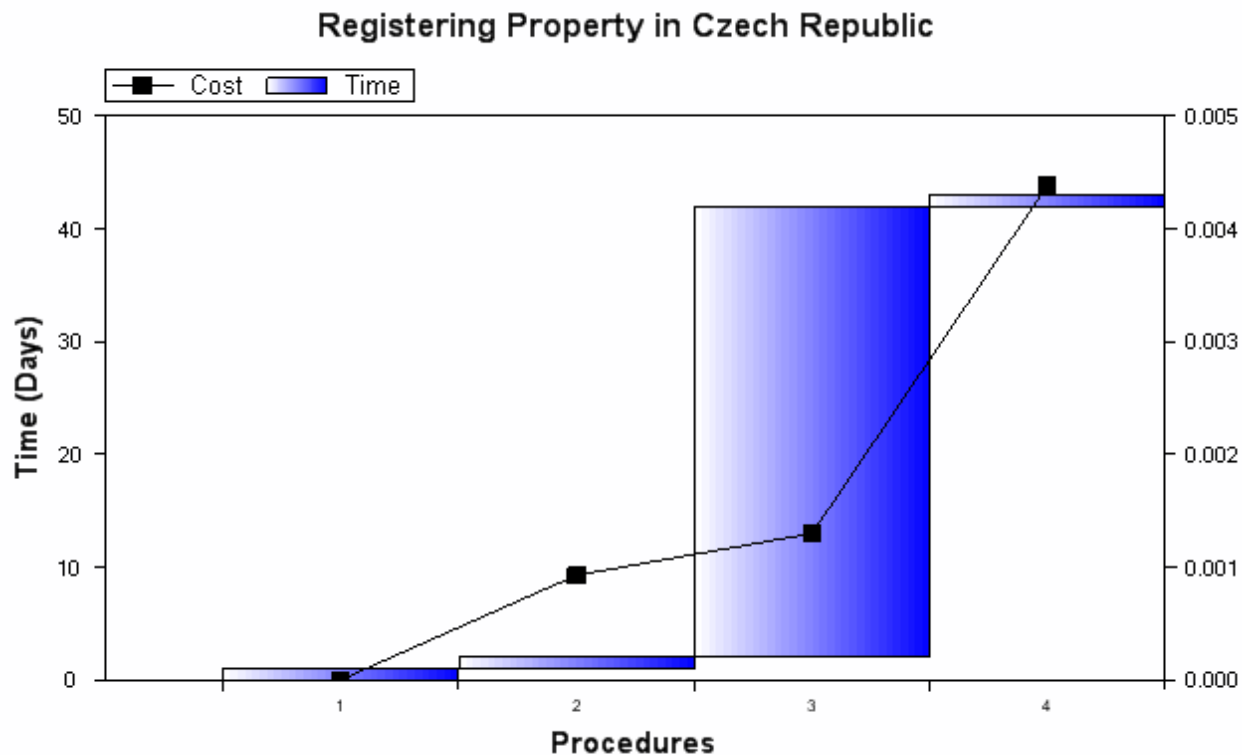
Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	62	47
Procedures (number)	4	4	4	4
Time (days)	123	123	78	43
Cost (% of property value)	3.0	3.0	3.0	3.0

## 3. Registering Property sub indicators in Czech Republic over the past 4 years



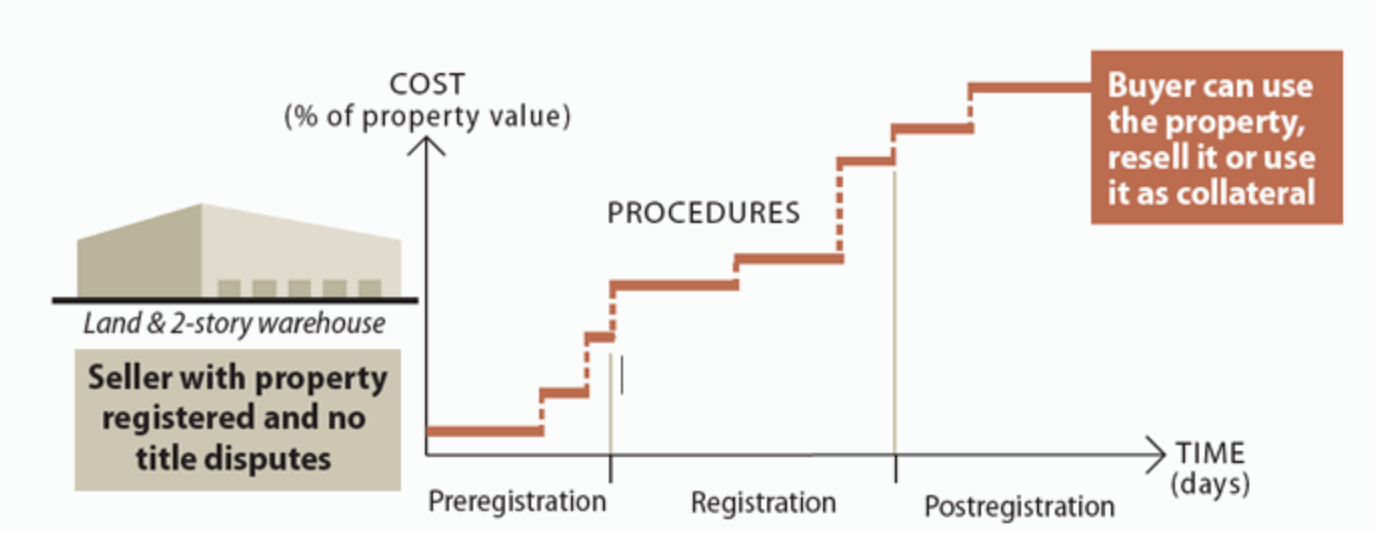
#### 4. Overview of the steps to Registering Property in Czech Republic

It requires 4 procedures, takes 43 days, and costs 3.00 % of property value to register the property in Czech Republic.



No:	Procedure	Time to complete (days)	Cost to complete
1	Obtain a certified extract from the companies' register	1 day	CZK 100 for the first page, CZK 40 for each additional page (1-3 pages in total)
2	A notary certifies the signatures of the transfer agreement	1 day	CZK 30 each signature (2 signatures)
3	Apply for registration at the Cadastral Office	40 days	CZK 500 (Registration Fee)
4	Pay the Real Estate Transfer Tax	1 day	3% of the property price (Real Estate Transfer Tax)

## What are the time, cost and number of procedures required to transfer a property between 2 local companies?



### 5. Details on Registering Property in Czech Republic

This topic examines the steps, time, and cost involved in registering property in the Czech Republic.

#### STANDARDIZED PROPERTY

Property Value: CZK 16,183,709.86

City: Prague

<b>Procedure</b>	<b>1</b>	<b>Obtain a certified extract from the companies' register</b>
<b>Time to complete:</b>		1 day
<b>Cost to complete:</b>		CZK 100 for the first page, CZK 40 for each additional page (1-3 pages in total)
<b>Agency:</b>		Municipal court of Prague or a "Czech Point" ( <a href="http://www.czechpoint.cz">www.czechpoint.cz</a> )
<b>Comment:</b>		Parties must obtain certified extracts from the company's register at the respective register court or online since 2009 at Czech Points ( <a href="http://www.czechpoint.cz">www.czechpoint.cz</a> ). The extracts can be obtained in person at these points or at the court without delay. The number of pages of the extract depends on the amount of registered information (managing directors, members of the supervisory board, shareholders etc.). Typically, the extract of a standard limited liability company has usually one to three pages.
<b>Procedure</b>	<b>2</b>	<b>A notary certifies the signatures of the transfer agreement</b>
<b>Time to complete:</b>		1 day
<b>Cost to complete:</b>		CZK 30 each signature (2 signatures)
<b>Agency:</b>		Public Notary

**Comment:** By law, the transfer agreement does not have to be executed in the form of notarial deed and the signatures of the contractual parties on the transfer agreement do not have to be certified. However, the Cadastral Office must verify (as specified by law) the identity of the parties and manifestation of their will. Therefore, it is useful and common practice to have the signatures certified by a notary public or by an attorney or by public authorities. Notarization (by a notary public) is the most common way. The notarization takes place without delay and costs CZK 30 per each signature + 20% VAT.

### Procedure 3 Apply for registration at the Cadastral Office

**Time to complete:** 40 days

**Cost to complete:** CZK 500 (Registration Fee)

**Agency:** Cadastral Office of Prague

**Comment:** Parties apply for registration at the Cadastral Office of Prague (Registry) after gathering all the documentation. There is a lump sum fee payable together with the application to register the property in the amount of CZK 500, which is paid by buying stamps at the Registry. After the application is received, the adjudication procedure will take about 60 days as specified by law. In practice, it may take up to 6 months in Prague. When the procedure is over, a notification of the transfer of ownership is issued. The Registry delivers the transfer agreements to the parties with a remark on the transfer agreement.

The documentation requirements are as follows:

Transfer agreement in a number of counterparts that equals the number of parties plus two counterparts (originals or certified copies), in this case 4 counterparts (signatures certified in Procedure 2)

If the transfer agreement was not signed by the persons authorized by law to act on behalf of the companies, powers of attorneys with certified signatures shall be attached.

If the application is filed by proxy, power of attorney shall be attached.

Certified extracts from the company's register shall be attached by each party (obtained in Procedure 1).

### Procedure 4 Pay the Real Estate Transfer Tax

**Time to complete:** 1 day

**Cost to complete:** 3% of the property price (Real Estate Transfer Tax)

**Agency:** Tax Authority

**Comment:** A Real Estate Transfer Tax must be paid to the tax authority within 3 months following the month of the registration. The Cadastre is responsible for informing the tax authority about the transfer so that they record it and can collect the tax. Registration of the transfer is not conditional upon payment of the tax.

The tax rate is 3 % of the higher of the purchase price and the value (as estimated by an expert to be paid by the parties to the transfer agreement). The Transfer Tax can be paid at the Tax authority, at a commercial bank, or even online.

Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the ‘information asymmetry’ in lending and enable lenders to view a borrower’s financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor’s rights has been associated with higher ratios of private sector credit to GDP.

### Some reform outcomes

*After Vietnam’s new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).*

*In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.*

### What do the Getting Credit indicators measure?

#### Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors’ rights through bankruptcy laws

#### Depth of credit information index (0–6)

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

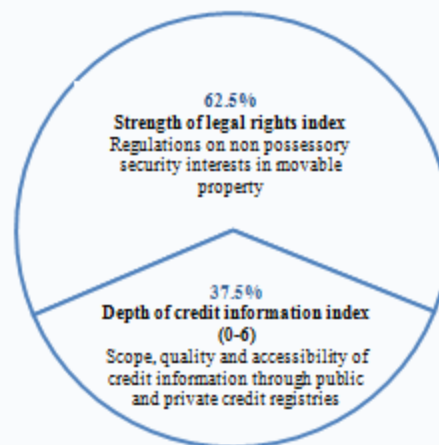
#### Public credit registry coverage (% of adults)

- Number of individuals and firms listed in public credit registry as percentage of a adult population

#### Private credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest private credit bureau as percentage of a adult population

### Getting Credit: collateral rules and credit information



*Note: Private bureau coverage and public credit registry coverage are measured but do not count for the rankings.*

### Case Study Assumptions (applying to the Legal Rights Index only)

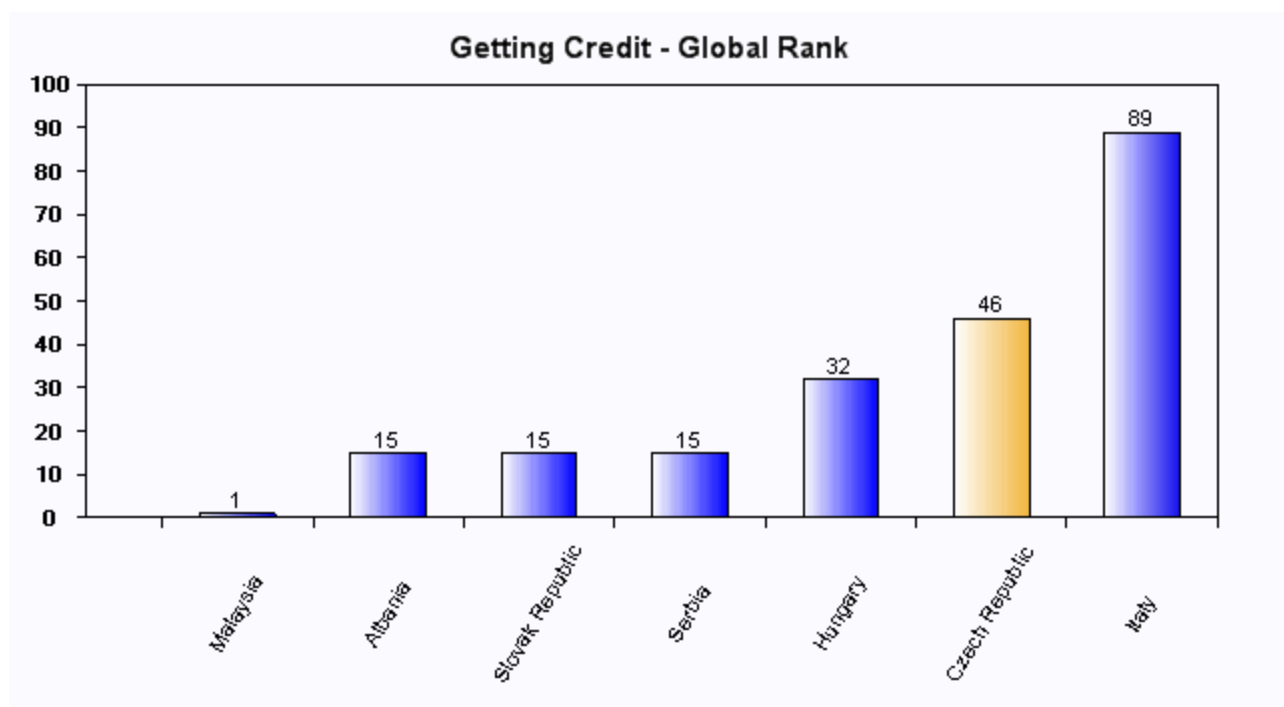
#### The Debtor

- is a Private Limited Liability Company
- has its Headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both creditor and debtor are 100% domestically owned.

## 1. Benchmarking Getting Credit Regulations

Czech Republic is ranked 46 overall for Getting Credit.

Ranking of Czech Republic in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Czech Republic compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Strength of legal rights index (0-10)</b>	<b>Depth of credit information index (0-6)</b>	<b>Public registry coverage (% of adults)</b>	<b>Private bureau coverage (% of adults)</b>
<b>New Zealand</b>				100.0
<b>Portugal</b>			67.1	
<b>Singapore</b>	10			
<b>United Kingdom</b>		6		

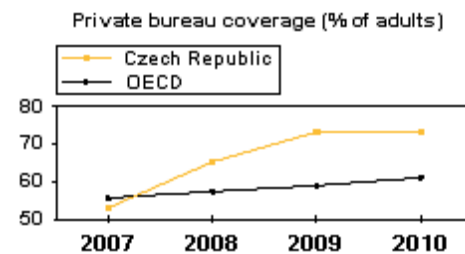
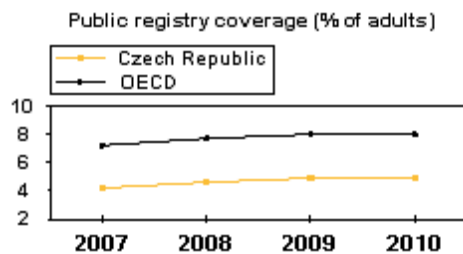
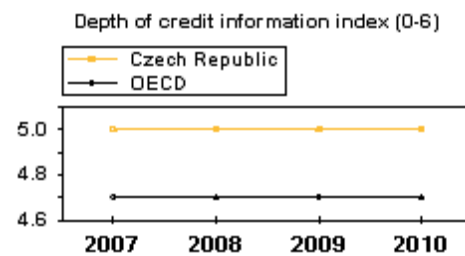
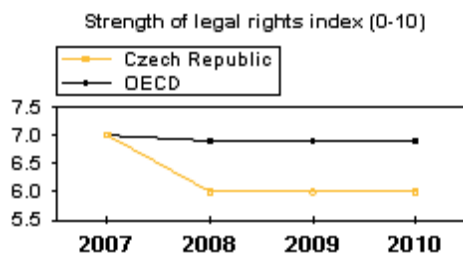
<i>Selected Economy</i>				
<b>Czech Republic</b>	<b>6</b>	<b>5</b>	<b>4.9</b>	<b>73.2</b>

<i>Comparator Economies</i>				
<b>Albania</b>	9	4	8.3	0.0
<b>Hungary</b>	7	5	0.0	11.4
<b>Italy</b>	3	5	16.6	80.5
<b>Serbia</b>	8	5	0.0	100.0
<b>Slovak Republic</b>	9	4	2.2	44.5

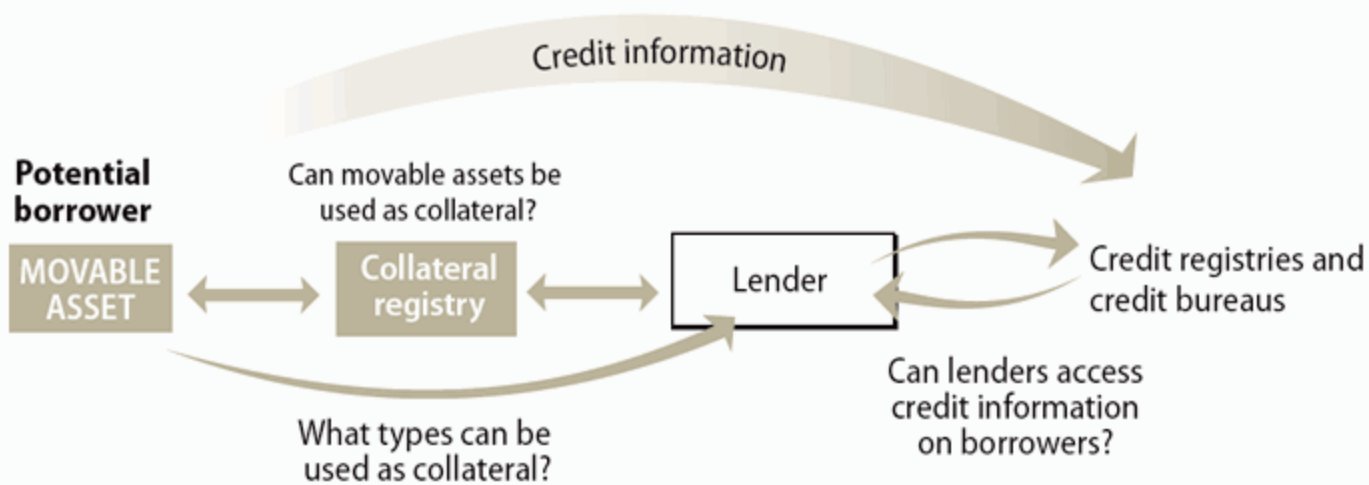
## 2. Historical data: Getting Credit in Czech Republic

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	44	46
Strength of legal rights index (0-10)	7	6	6	6
Depth of credit information index (0-6)	5	5	5	5
Private bureau coverage (% of adults)	53.0	65.2	73.1	73.2
Public registry coverage (% of adults)	4.2	4.6	4.9	4.9

## 3. Getting Credit sub indicators in Czech Republic over the past 4 years



## Do lenders have credit information on entrepreneurs seeking credit? Is the law favorable to borrowers and lenders using movable assets as collateral?



### 4. Details on Getting Credit in Czech Republic

The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in the Czech Republic.

Getting Credit Indicators (2010)			Indicator
<b>Private bureau coverage (% of adults)</b>	<b>Private credit bureau</b>	<b>Public credit registry</b>	<b>5</b>
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative data distributed?	Yes	Yes	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	Yes	Yes	1
Is data on all loans below 1% of income per capita distributed?	Yes	Yes	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	Yes	1
<b>Coverage</b>	73.2	4.9	
Number of individuals	6,500,000	0	
Number of firms	90,000	436,983	

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?	No
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?	Yes
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?	No
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?	Yes
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?	Yes
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?	No
Does the law authorize parties to agree on out of court enforcement?	No

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

### Some reform outcomes

*In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).*

*After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.*

### What do the Protecting Investors indicators measure?

#### Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

#### Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

#### Ease of shareholder suits index (0–10)

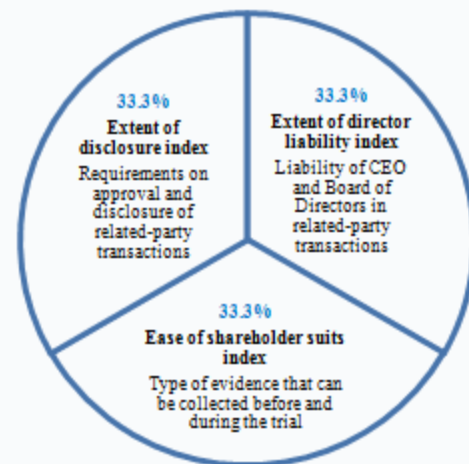
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

#### Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

**Protecting Investors:** minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



### Case Study Assumptions

#### The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders),
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

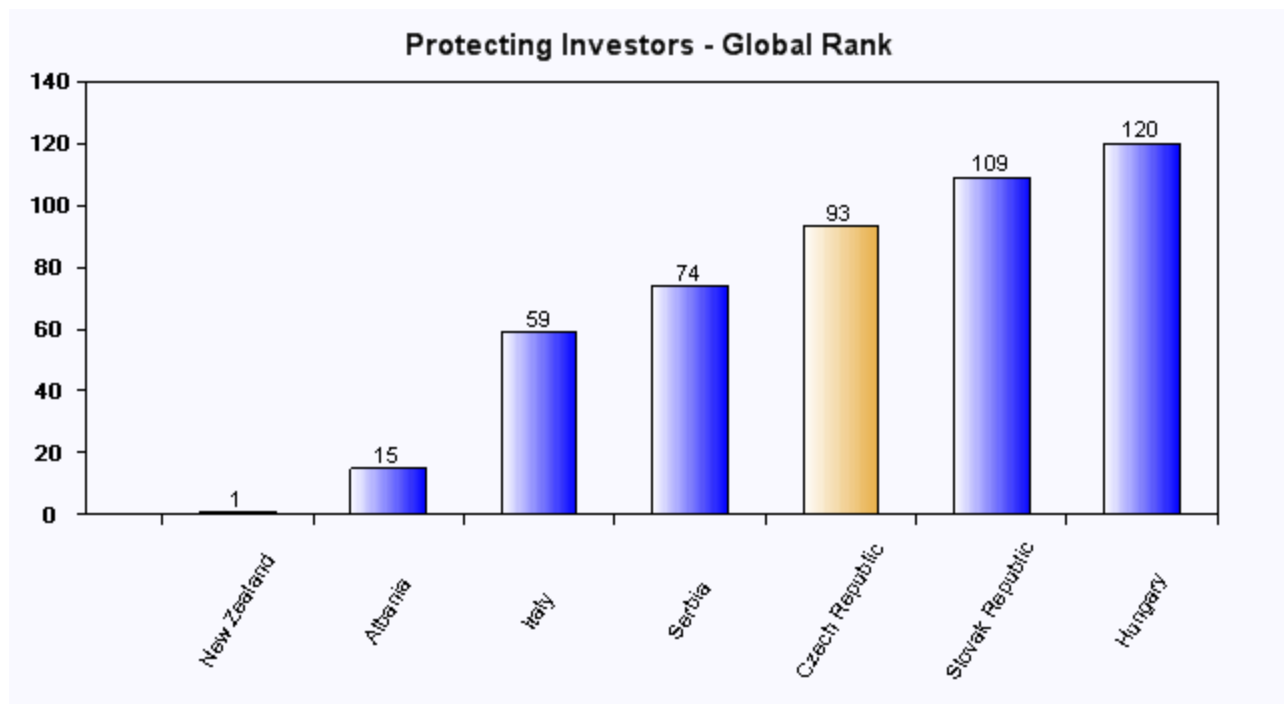
#### The transaction

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company.
- Shareholders sue the interested parties and the members of the board of directors.

## 1. Benchmarking Protecting Investors Regulations

Czech Republic is ranked 93 overall for Protecting Investors.

Ranking of Czech Republic in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Czech Republic compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Strength of investor protection index (0-10)</b>
<b>New Zealand</b>	9.7

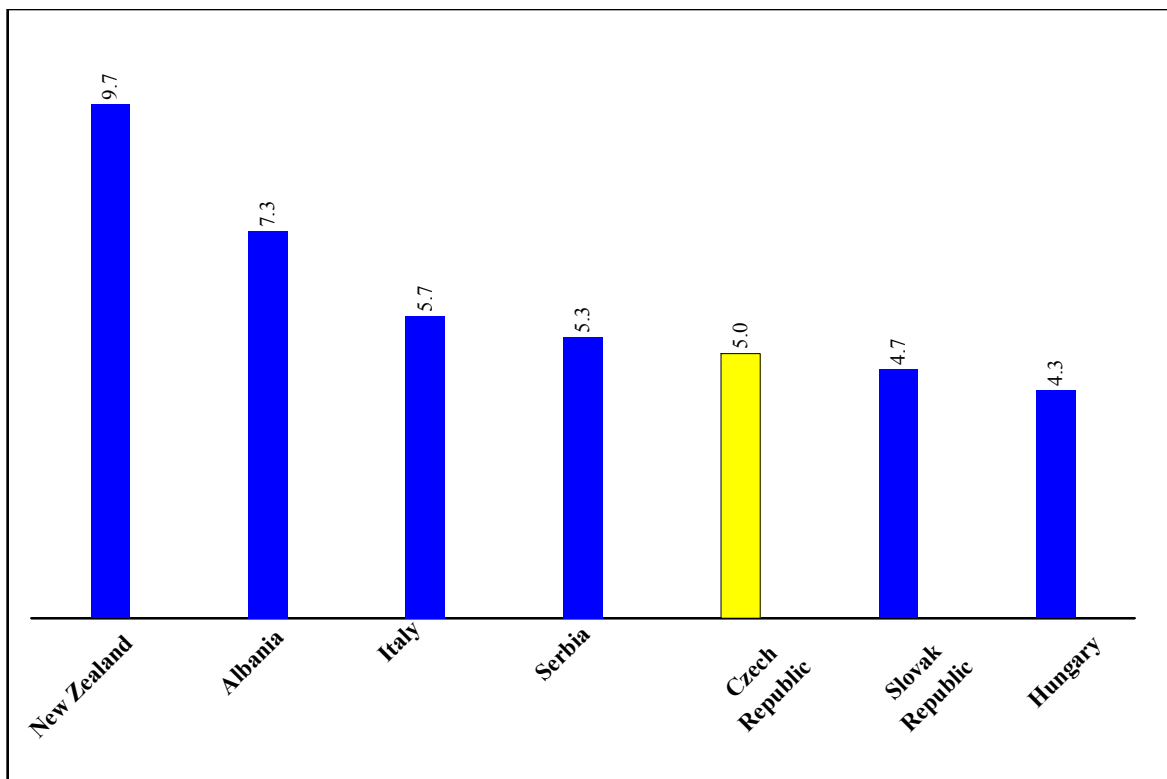
<i>Selected Economy</i>	
<b>Czech Republic</b>	<b>5.0</b>

<i>Comparator Economies</i>	
<b>Albania</b>	7.3
<b>Hungary</b>	4.3
<b>Italy</b>	5.7
<b>Serbia</b>	5.3
<b>Slovak Republic</b>	4.7

## 2. Historical data: Protecting Investors in Czech Republic

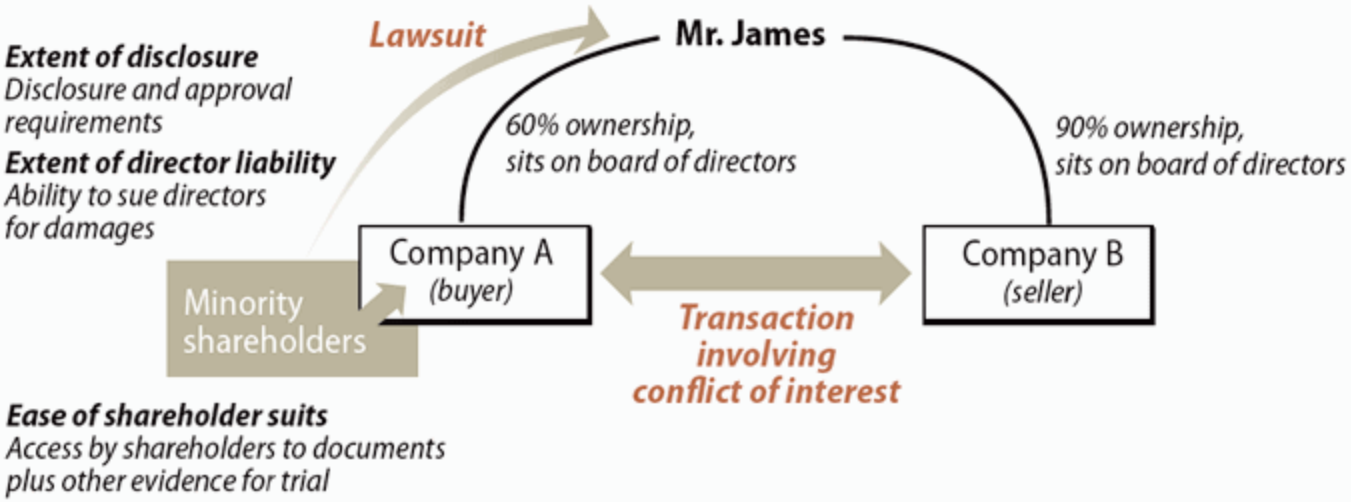
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	92	93
Strength of investor protection index (0-10)	5.0	5.0	5.0	5.0

3. The following graph illustrates the Protecting Investors index in Czech Republic compared to best practice and selected Economies:



Note: The higher the score, the greater the investor protection.

# How well are minority shareholders protected against self-dealing in related-party transactions?



## 4. Details on Protecting Investors in Czech Republic

The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in the Czech Republic.

Protecting Investors Data (2010)	Indicator
<b>Extent of disclosure index (0-10)</b>	<b>2</b>
What corporate body provides legally sufficient approval for the transaction?	1
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	1
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	0
Whether an external body must review the terms of the transaction before it takes place?	0
<b>Extent of director liability index (0-10)</b>	<b>5</b>
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	1
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
<b>Ease of shareholder suits index (0-10)</b>	<b>8</b>
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	3
Whether the plaintiff can directly question the defendant and witnesses during trial?	2
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	1
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1
Whether the level of proof required for civil suits is lower than that of criminal cases?	1
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0
<b>Strength of investor protection index (0-10)</b>	<b>5.0</b>

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

### Some reform outcomes

*Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.*

*Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.*

### What do the Paying taxes indicators measure?

**Tax payments for a manufacturing company in 2009**  
(number per year adjusted for electronic or joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

**Time required to comply with 3 major taxes** (hours per year)

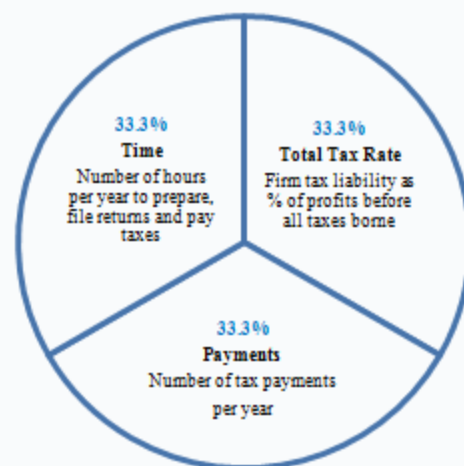
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

**Total tax rate** (% of profit)

- Profit or corporate income tax
- Mandatory social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

**Paying Taxes:** tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



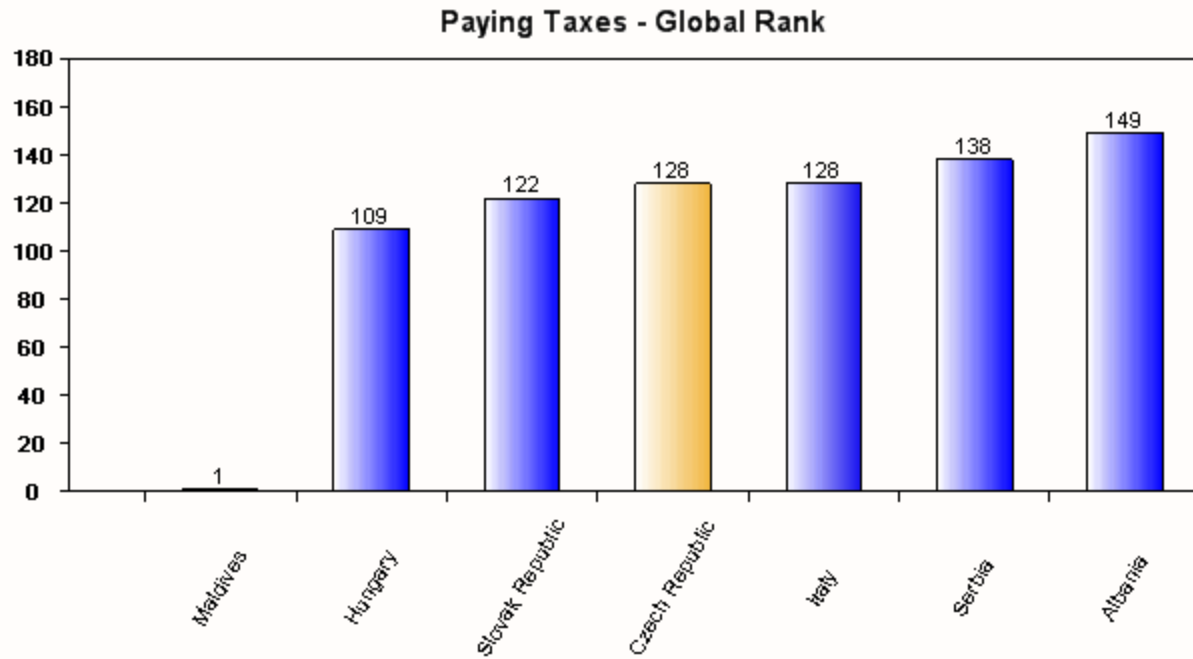
### Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as a standard list of transactions that the company completed during the year.
- Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

## 1. Benchmarking Paying Taxes Regulations

Czech Republic is ranked 128 overall for Paying Taxes.

Ranking of Czech Republic in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Czech Republic compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Payments (number per year)</b>	<b>Time (hours per year)</b>	<b>Total tax rate (% profit)</b>
<b>Maldives</b>	3	0	
<b>Timor-Leste</b>			0.2

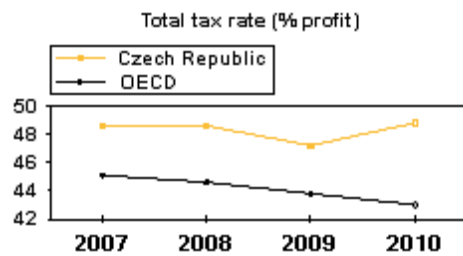
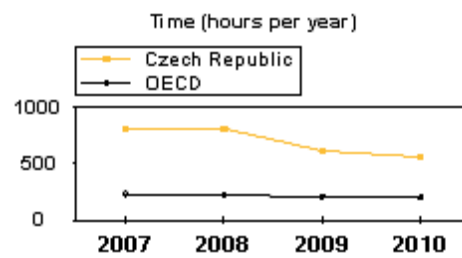
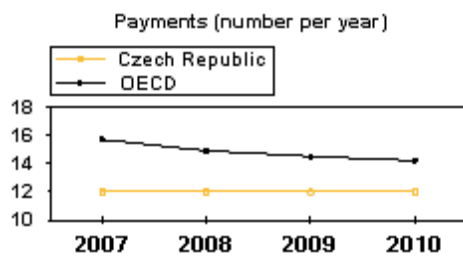
<i>Selected Economy</i>			
<b>Czech Republic</b>	<b>12</b>	<b>557</b>	<b>48.8</b>

<i>Comparator Economies</i>			
<b>Albania</b>	44	360	40.6
<b>Hungary</b>	14	277	53.3
<b>Italy</b>	15	285	68.6
<b>Serbia</b>	66	279	34.0
<b>Slovak Republic</b>	31	257	48.7

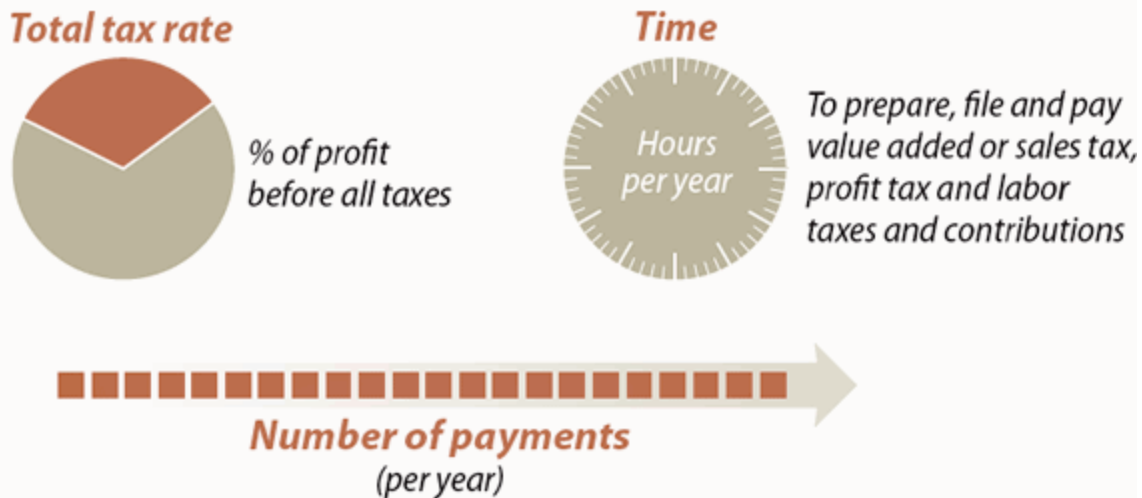
## 2. Historical data: Paying Taxes in Czech Republic

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	121	128
Total tax rate (% profit)	48.6	48.6	47.2	48.8
Payments (number per year)	12	12	12	12
Time (hours per year)	808	808	613	557

## 3. Paying Taxes sub indicators in Czech Republic over the past 4 years



## What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



### 4. Details on Paying Taxes in Czech Republic

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Czech Republic, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Value added tax (VAT)	1	online filing	160	19.0%	value added		
Real estate tax	1			building: CZK 5.75 per square meter; land plot CZK 0.1 per square meter	property area	0.00	
Road tax	5			fee scale		0.10	
Fuel tax	1			CZK 9,95/liter	fuel consumption	1.10	
Unemployment contribution	0	paid jointly with Social security contributions		1.2%	gross salaries	1.40	
Property transfer tax	1			3.0%	sale price	1.80	

Sickness insurance	0	paid jointly with Social security contributions		3.3%	gross salaries	3.70
Corporate income tax	1	online filing	135	20.0%	taxable profit	7.40
Health Insurance	1	online filing		9.0%	gross salaries	10.20
Social security contributions	1	online filing	262	21.5%	gross salaries	23.10
<b>Totals</b>	<b>12</b>		<b>557</b>			<b>48.8</b>

Making trade between countries easier is increasingly important for business in today's globalized world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

#### Some reform outcomes

*In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.*

*In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.*

#### What do the Trading Across Borders indicators measure?

**Trading Across Borders:** exporting and importing by ocean transport

Rankings are based on 3 subindicators

#### Documents required to export and import (number)

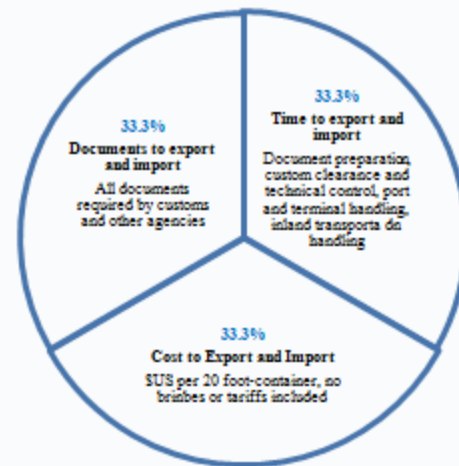
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

#### Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

#### Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



#### Case Study Assumptions

##### The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

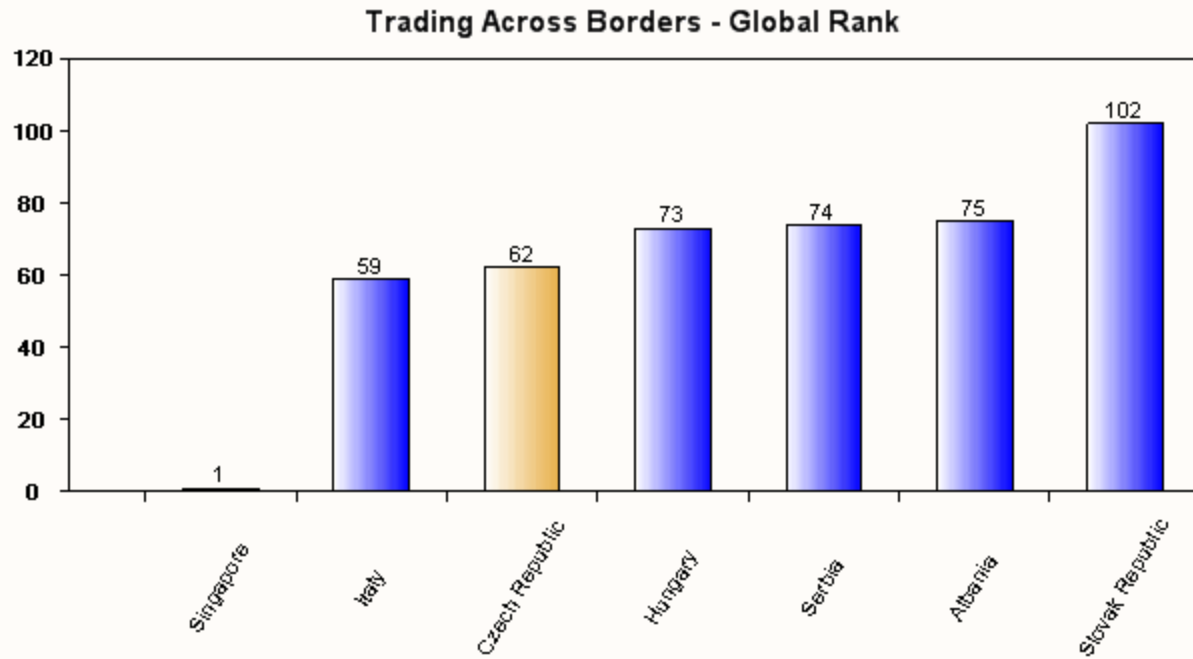
##### The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

## 1. Benchmarking Trading Across Borders Regulations

Czech Republic is ranked 62 overall for Trading Across Borders.

Ranking of Czech Republic in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Czech Republic compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Documents to export (number)</b>	<b>Time to export (days)</b>	<b>Cost to export (US\$ per container)</b>	<b>Documents to import (number)</b>	<b>Time to import (days)</b>	<b>Cost to import (US\$ per container)</b>
<b>Denmark</b>		5				
<b>France</b>	2			2		
<b>Malaysia</b>			450			
<b>Singapore</b>					4	439

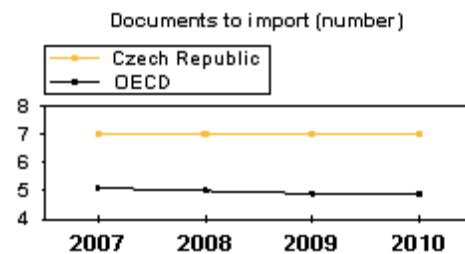
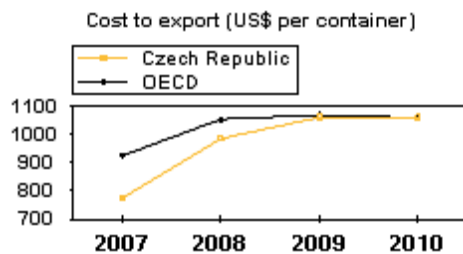
<i>Selected Economy</i>						
<b>Czech Republic</b>	<b>4</b>	<b>17</b>	<b>1060</b>	<b>7</b>	<b>20</b>	<b>1165</b>

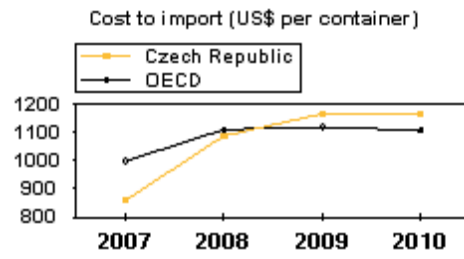
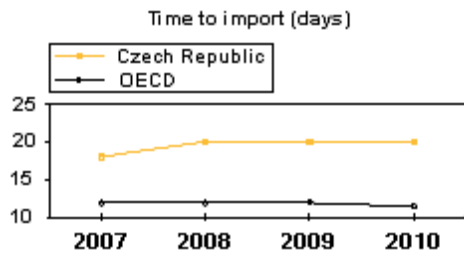
<i>Comparator Economies</i>						
<b>Albania</b>	7	19	725	9	18	710
<b>Hungary</b>	5	18	1225	7	17	1215
<b>Italy</b>	4	20	1245	4	18	1245
<b>Serbia</b>	6	12	1398	6	14	1559
<b>Slovak Republic</b>	6	17	1530	8	19	1505

## 2. Historical data: Trading Across Borders in Czech Republic

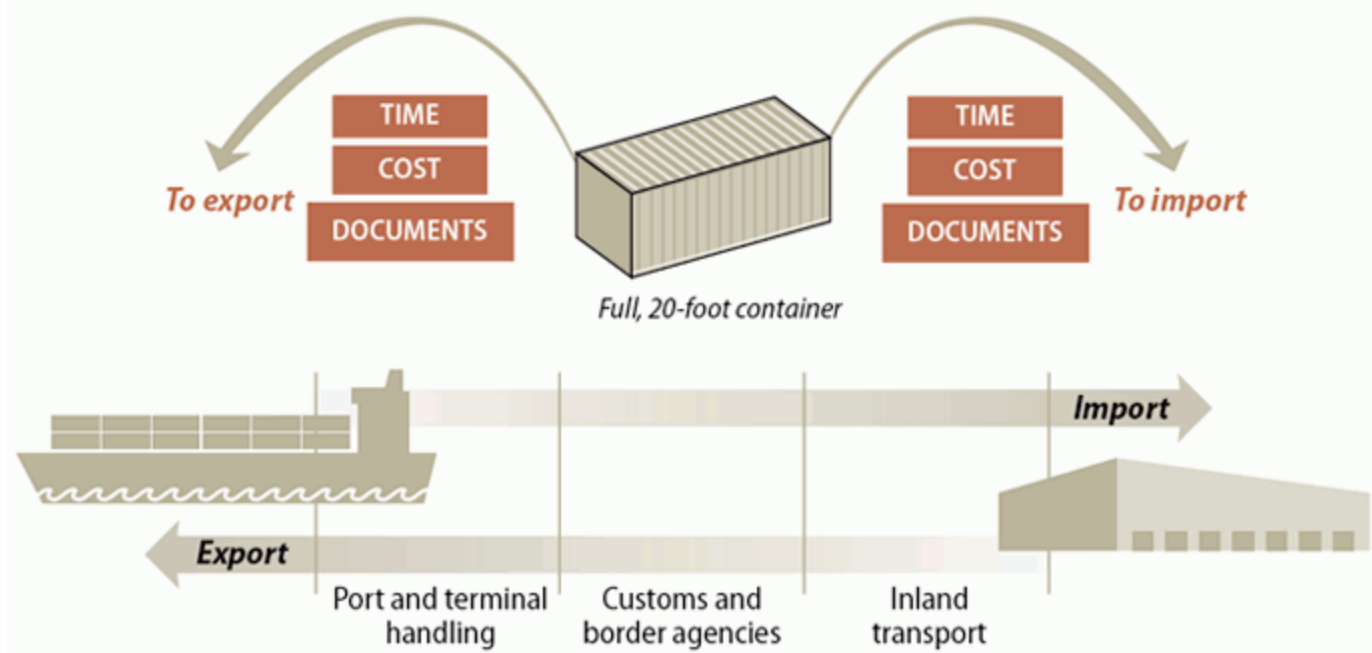
Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	57	62
Cost to export (US\$ per container)	775	985	1060	1060
Cost to import (US\$ per container)	860	1087	1165	1165
Documents to export (number)	4	4	4	4
Documents to import (number)	7	7	7	7
Time to export (days)	16	17	17	17
Time to import (days)	18	20	20	20

## 3. Trading Across Borders sub indicators in Czech Republic over the past 4 years





## How much time, how many documents and what cost to export and import across borders by ocean transport?



### 4. Details on Trading Across Borders in Czech Republic

These tables list the procedures necessary to import and export a standardized cargo of goods in Czech Republic. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	8	105
Customs clearance and technical control	2	35
Ports and terminal handling	3	275
Inland transportation and handling	4	645
Totals	17	1060

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	11	140
Customs clearance and technical control	1	40
Ports and terminal handling	2	275
Inland transportation and handling	6	710
Totals	20	1165

**Documents for Export and Import**

**Export**

- Bill of lading
- Commercial invoice
- Customs export declaration
- Packing list

**Import**

- Bill of lading
- Cargo release order
- Certificate of origin
- Commercial invoice
- Customs import declaration
- Customs transit document
- Packing list

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are collected through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

#### Some reform outcomes

*In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.*

*In Austria a "data highway" for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.*

#### What do the Enforcing Contracts indicators measure?

##### Procedures to enforce a contract (number)

- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

##### Time required to complete procedures (calendar days)

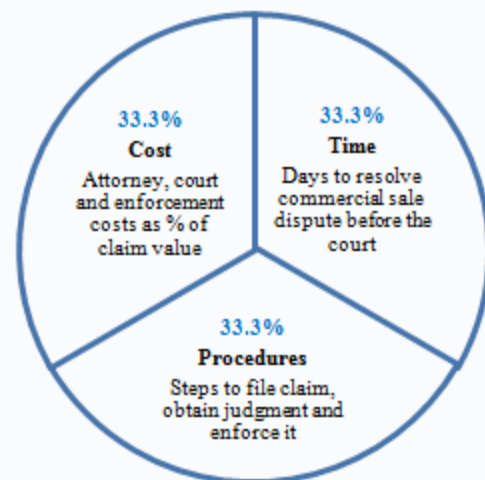
- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

##### Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs

**Enforcing Contracts:** resolving a commercial dispute through the courts

Rankings are based on 3 subindicators



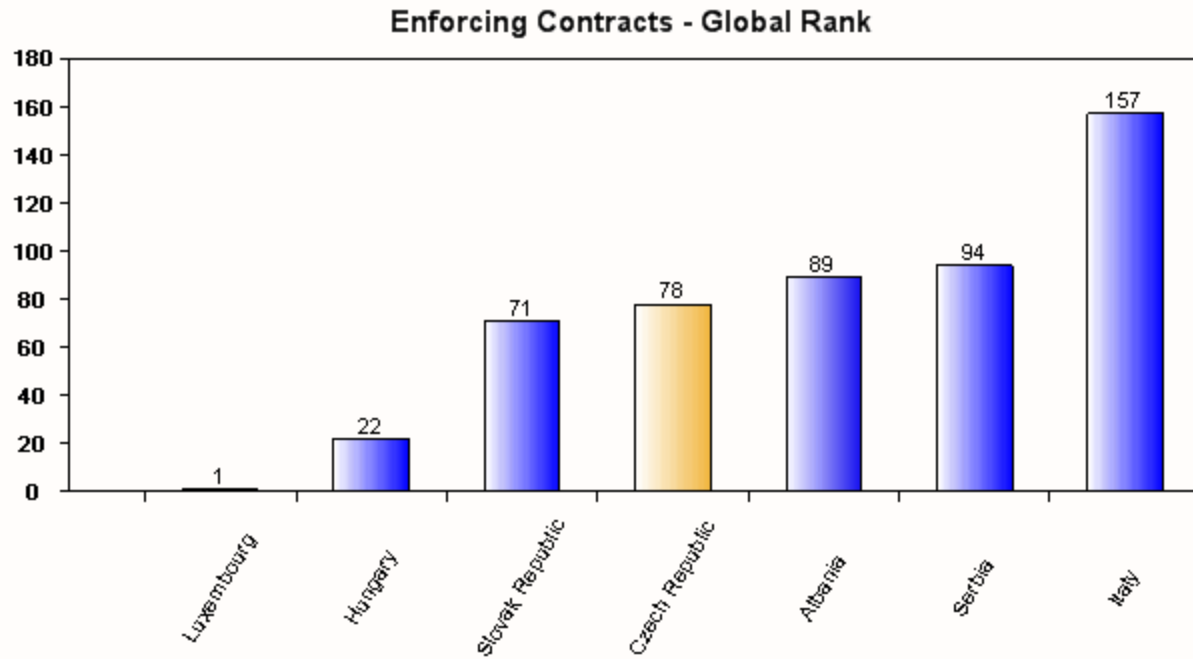
#### Case Study Assumptions

- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

## 1. Benchmarking Enforcing Contracts Regulations

Czech Republic is ranked 78 overall for Enforcing Contracts.

Ranking of Czech Republic in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Czech Republic compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of claim)</b>
<b>Bhutan</b>			0.1
<b>Ireland</b>	20		
<b>Singapore</b>		150	

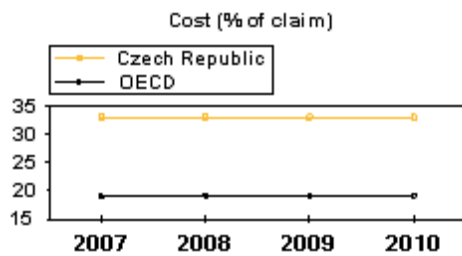
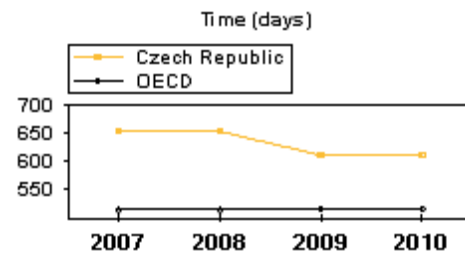
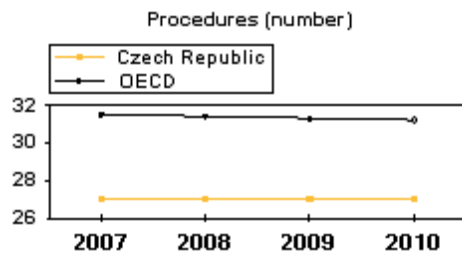
<i>Selected Economy</i>			
<b>Czech Republic</b>	<b>27</b>	<b>611</b>	<b>33.0</b>

<i>Comparator Economies</i>			
<b>Albania</b>	39	390	38.7
<b>Hungary</b>	35	395	15.0
<b>Italy</b>	41	1210	29.9
<b>Serbia</b>	36	635	28.9
<b>Slovak Republic</b>	31	565	30.0

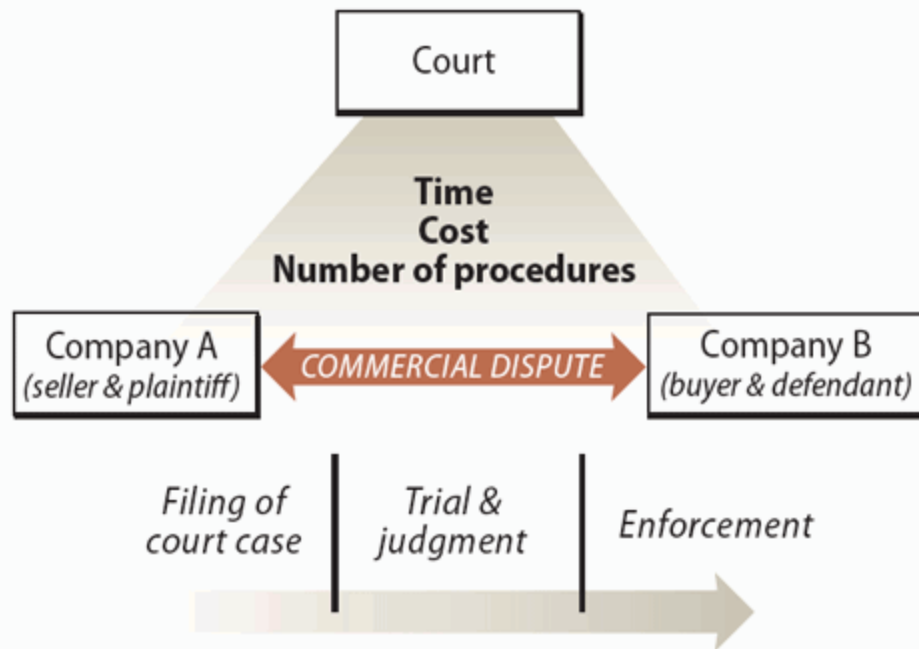
## 2. Historical data: Enforcing Contracts in Czech Republic

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	78	78
Procedures (number)	27	27	27	27
Time (days)	653	653	611	611
Cost (% of claim)	33.0	33.0	33.0	33.0

## 3. Enforcing Contracts sub indicators in Czech Republic over the past 4 years



## What are the time, cost and number of procedures to resolve a commercial dispute through the courts?



### 4. Details on Contract Enforcement in Czech Republic

This topic looks at the efficiency of contract enforcement in Czech Republic.

**Court information:** Prague District Court ("Mestsky soud v Praze")

Nature of Procedure (2010)	Indicator
Procedures (number)	27
Time (days)	611
Filing and service	88.0
Trial and judgment	410.0
Enforcement of judgment	113.0
Cost (% of claim)*	33.00
Attorney cost (% of claim)	13.1
Court cost (% of claim)	4.9
Enforcement Cost (% of claim)	15.0

\* Claim assumed to be equivalent to 200% of income per capita.

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in businesses' speedy return to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses, and thereby improve growth and sustainability in the economy overall.

### Some reform outcomes

*A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.*

*Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.*

### What does the Closing a Business indicator measure?

**Closing a Business:** insolvency proceedings against local company

#### Time required to recover debt (years)

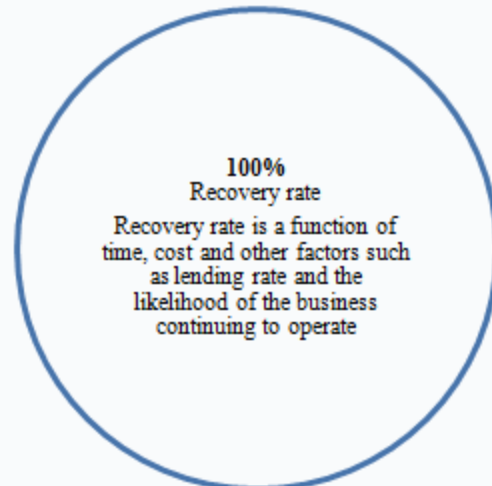
- Measured in calendar years
- Appeals and requests for extension are included

#### Cost required to recover debt (% of debtor's estate value)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

#### Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



### Case Study Assumptions

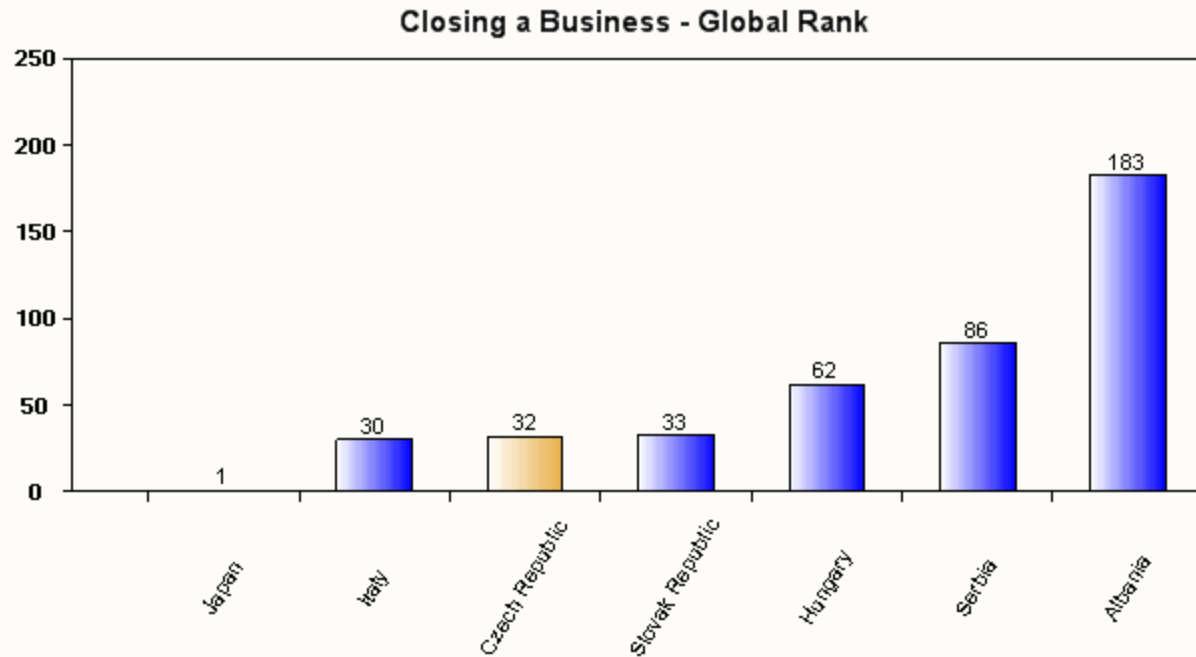
#### The Company:

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

## 1. Benchmarking Closing Business Regulations

Czech Republic is ranked 32 overall for Closing a Business.

Ranking of Czech Republic in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Czech Republic compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Recovery rate (cents on the dollar)</b>	<b>Time (years)</b>	<b>Cost (% of estate)</b>
<b>Ireland</b>		0.4	
<b>Japan</b>	92.7		
<b>Singapore</b>			1

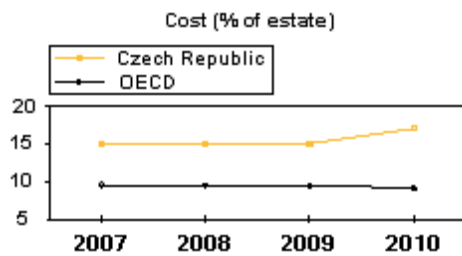
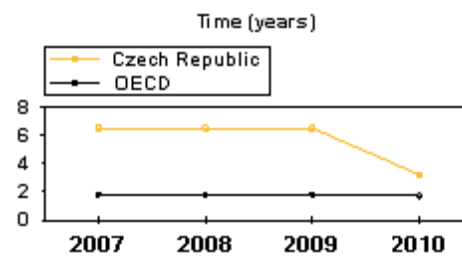
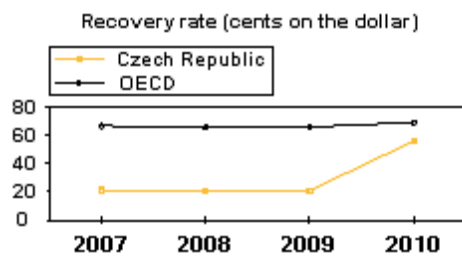
<i>Selected Economy</i>			
<b>Czech Republic</b>	<b>55.9</b>	<b>3.2</b>	<b>17</b>

<i>Comparator Economies</i>			
<b>Albania</b>	0.0	no practice	no practice
<b>Hungary</b>	37.9	2.0	15
<b>Italy</b>	58.0	1.8	22
<b>Serbia</b>	29.5	2.7	23
<b>Slovak Republic</b>	55.3	4.0	18

## 2. Historical data: Closing Business in Czech Republic

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	115	32
Time (years)	6.5	6.5	6.5	3.2
Cost (% of estate)	15	15	15	17
Recovery rate (cents on the dollar)	21.3	20.9	20.9	55.9

## 3. Closing Business sub indicators in Czech Republic over the past 4 years



Since 2004 *Doing Business* has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets . \* Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by *Doing Business* have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

## The top 10 most-improved in *Doing Business 2011*

Economy	Indicator									
	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Employing Workers
Kazakhstan	✓	✓				✓	✓			
Rwanda		✓		✓			✓			
Peru	✓	✓	✓				✓			
Vietnam	✓	✓		✓						
Cape Verde	✓		✓				✓			
Tajikistan	✓				✓		✓			
Zambia	✓						✓	✓		
Hungary		✓	✓				✓			✓
Grenada	✓		✓				✓			
Brunei Darussalam	✓						✓	✓		

 Positive Change  
 Negative Change

\* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

## Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.

<b>Albania</b>	Albania made it easier and less costly for companies to pay taxes by amending several laws, reducing social security contributions and introducing electronic filing and payment.
<b>Brunei Darussalam</b>	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
<b>Cape Verde</b>	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
<b>Czech Republic</b>	The Czech Republic simplified its labor tax processes and reduced employer contribution rates for social security. The Czech Republic made it easier to deal with insolvency by introducing further legal amendments to restrict setoffs in insolvency cases and suspending for some insolvent debtors the obligation to file for bankruptcy.
<b>Grenada</b>	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
<b>Hungary</b>	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
<b>Italy</b>	Italy made starting a business easier by enhancing an online registration system.
<b>Kazakhstan</b>	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
<b>Peru</b>	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
<b>Rwanda</b>	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.
<b>Serbia</b>	Serbia passed a new bankruptcy law that introduced out-of-court workouts and a unified reorganization procedure.
<b>Tajikistan</b>	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.

**Vietnam**

Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.

**Zambia**

Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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