

# Administrative Burden Reduction in the Czech Republic

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MINISTRY OF  
INDUSTRY AND TRADE

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# General information

- ➔ Administrative burden reduction is one of the priorities of the government
- ➔ The start of the AB agenda was in 2005
  - ▶ Plan of reducing administrative burden of entrepreneurs
    - GO No. 446 of April 21st, 2008
  - ▶ Project: Re-assessment of the administrative burden
    - GO No. 861 of December 1st, 2010



# Reduction of the Administrative Burden (AB)

- ➔ (First overall measurement in 2005
  - ➔ Measured in 24 public institutions
  - ➔ The total administrative burden valued at 86.4 bn. CZK)
- ➔ New measurement done in 2008
  - ➔ Total administrative burden valued at 73.7 bn CZK
  - ➔ New plan for the reduction of administrative burden called for the reduction of AB by 20 % to the end of 2010
  - ➔ The goal was later aligned with that of EC – reduction by 25 % to be reached by the end of 2012



# Reduction of the Administrative Burden

➔ Carried out on two levels and in two stages (so far)

## ▶ **1) GOVERNMENTAL LEVEL**

➔ First stage terminated by December 31st, 2012

➔ Report to the Government presented in 2013

➔ Limited to six ministries

➔ Methodology based on the SCM



# Reduction of the Administrative Burden

## ➔ 2) EXPERT LEVEL

- ➔ Group of experts established under the auspices of Vice-minister of Industry and Trade
- ➔ Members are the representatives of Business Associations and specialists from the Ministry of Industry and Trade
- ➔ Suggestions for improvement can be presented also by general public via specialized web page: [www.zjednodusujeme.cz](http://www.zjednodusujeme.cz)
- ➔ Top 10 most burdensome legislative acts for SMEs determined



# Results of the first stage

- ➔ During the first stage finished by December 31st, 2012:
  - ➔ 191 obligations were reduced
  - ➔ 140 obligations were abolished/cancelled
  - ➔ 53 new proposals for reduction of the AB were tabled
  - ➔ Total reduction amounted to CZK 17.2 billion, i.e. 23.36 %



# 1st Stage Results – cont.

- ➔ The results varied among the participating ministries
- ➔ Of the common goal – to reach 25% reduction – the actual figures were following:
- ➔ Ministry of Labor and Social Affairs 25.88 %
- ➔ Ministry of Health 9.28 %
- ➔ Ministry of Agriculture 19.79 %
- ➔ Ministry of Education 45.85 %
- ➔ Ministry of Finance 36.28 %
- ➔ Ministry of Industry and Trade 37.21 %
- Σ for the six ministries 23.36 %**



# 2nd Stage

- ➔ Re-measurement of Administrative Burden for Entrepreneurs
  - ▶ Current obligations in 12 fields – 1319 reporting obligations
  - ▶ Irritating obligations
  - ▶ Modification of the methodology (version 2.0)
  - ▶ Guidelines for the participating institutions
  - ▶ Co- operation with a research company in determining the time needed for fulfilling each of the 16 administrative steps





# Methods of reducing AB

- ➔ Elimination or reduction of statutory disclosure duties (SDD)
- ➔ Digitalization of government functions – information sharing between government agencies, between the state and entrepreneurs
- ➔ Digitalization/simplification/elimination of forms
- ➔ Reduction of the number of statistical surveys
- ➔ Elimination of duplicate controls
- ➔ Abolishment of unnecessary legal instruments
- ➔ Web pages with digital forms and basic information



# Examples of AB reduction

- ➔ Decree No. 345/2005 Coll., prescribing meters for mandatory verification and meters the type of which is subject to approval
- ➔ Saving costs of verification by enabling the use of statistical tests CZK 305 million per year
- ➔ Entrepreneurs from this market segment welcome the measure

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- ➔ Act No. 499/2004 Coll., on Archiving and Document Service
  - ➔ Decreasing obligations in performing document service by narrowing the group of public originators
  - ➔ Savings of CZK 107.6 million
  - ➔ A positive reaction of entrepreneurs



# Examples of AB reduction – cont.

- ➔ Act No. 455/1991 Coll., on Trades (trade Licensing Act)
- ➔ Cancelling of the obligation to mark operating premises with an identification number and the possibility to report any change in data thru the central registration point
- ➔ Savings of CZK 276,74 million per year

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- ➔ Act No. 435/2004 on Employment
- ➔ Cancelling of obligations of the entrepreneurs to notify Labor Office of job vacancy
- ➔ Savings of CZK 64.2 million per year
- ➔ Mixed reactions from the entrepreneurs – they still have to report job vacancies if they need to employ a third country national



# Examples of AB reduction – cont.

- ➔ Decree No. 208/2004 Coll., on Minimum Standards for the protection of farm Animals
- ➔ Allowing breeding cattle with horns with cattle without horns if they have free access to run or a pasture
- ➔ Savings of CZK 60 million per year
- ➔ A positive reaction of the farmers

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- ➔ Act No. 86/2002 Coll., on Air Protection
  - ➔ Cancellation of certain notification duties (for example the measurement of emissions and efficiency in small and medium sized combustion sources)
  - ➔ CZK 23.3 million per year
  - ➔ Positive evaluation by the entrepreneurs



# Examples of AB reduction – cont.

- ➔ Act No. 89/1995 Coll., on State Statistical Service
- ➔ Compared to 2011, The Czech Statistical Office cancelled three statistical findings
- ➔ Savings of CZK 22.1 million per year
- ➔ Entrepreneurs welcome any decrease in the number of statistical findings and their scope

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- ➔ Central Register of Small-scale Subsidies (de minimis)
  - ➔ The data decisive for calculating a small scale subsidy is already in the central register and beneficiaries were relieved from their obligation to collect such data
  - ➔ Savings cannot be calculated due to non-existence of relevant d
  - ➔ A positive standpoint was expressed



# Irritating obligations

- ➔ As shown in the last example the financial benefit cannot be always calculated
- ➔ Fairly often the information obligation is not as much demanding (time consuming) as it is irritating
- ➔ Removing such irritating obligation mostly meets with approval and often is valued by the entrepreneurs more than a measure bringing substantial savings



# Next steps

- ➔ To continue with the efforts for smart regulation
- ➔ To proceed with the 54 new ideas for AB reduction to solve the issues in question by 2014
- ➔ Continue with direct co-operation with the entrepreneurs and/or their associations
- ➔ To re-measure the administrative burden in 2016
- ➔ Inform the Government of the progress on a regular basis



# Trade Licensing - Legislative Background

- ➔ Act – No. 455/1991 Coll., on licensed trade (the trade Licensing Act) is the basic legal norm
- ➔ It has been amended continuously, currently there are four new modification in the legislative process (see ANNEX )
- ➔ The TLA in its section 3 indicates what is **not** a trade
- ➔ The TLA specifies what **is** trade
- ➔ The full text of the TLA is available – free of charge – on the internet page of the Ministry of Industry and Trade ([www.mpo.cz](http://www.mpo.cz)) both in Czech and English (including the latest modifications)





# Carrying on a Trade

- ➔ General conditions: Unless otherwise provided by the Trade Licensing Act, the general conditions to be met by natural person in order to carry on trade shall be that:
  - ▶ They are a person of not less than 18 years of age (modified by the new Civic Code to 16 years in certain cases)
  - ▶ They have legal capacity
  - ▶ They are of a good character



# Special conditions for carrying on a trade

- ➔ Professional or other competence, where required by the TLA or specific legislation, shall be regarded as special conditions for carrying on trade
- ▶ A citizen of the Czech Republic or another Member State of the European Union may prove professional competence e.g. by means of evidence of professional qualifications certifying that he has carried out the activities concerned in another member State of the European Union



# Classification of trades

➔ Trades are classified as:

- ▶ a) notifiable trades, which can be carried on once they have been notified (provided that the stated conditions are met)
- ▶ b) permitted trades, which may be carried on pursuant to a concession



# Notifiable Trades and Permitted Trades

- ➔ The following trades are notifiable trades:
  - ▶ Vocational trades, where a condition for carrying on a trade is a professional competence
  - ▶ Professional trades, where a condition for carrying on a trade is a professional competence
  - ▶ Unqualified trades, where no professional competence is set as a condition for carrying on the trade

(Where the professional competence is required, the requirements are listed either in the Law directly or in its Annex I)

- ➔ The permitted Trades are listed in Annex 3 of TLA



# Regulated trades

- ➔ The number of regulated trades was decreased substantially by the Law No. 130/2008 Coll. – from 261 to 95
- ➔ At present, there are regulated:
  - ▶ 41 vocational trades
  - ▶ 33 professional trades
  - ▶ 21 permitted trades



# Trade authorization

- ➔ The authorization to carry on trade shall become effective:
  - ▶ a) in the case of notifiable trades, as of the date of notification
  - ▶ b) in the case of permitted trades, as of the date on which the decision granting the concession enters into force
- ▶ Legal person established in accordance with specific legislation, who are entered in the commercial register only after their establishment are issued with a trade authorization in accordance with the above sections



# Trade authorization – cont.

- ➔ An entrepreneur shall prove his trade authorization:
  - ➔ a) by means of an extract from the trade licensing register
  - ➔ b) pending the issue of an extract , by means of a copy of the notification, with proof of delivery to the trade licensing office via a public administration contact point, or by means of an enforceable decision on the granting of a concession



# Where to apply for a trade authorization

- ➔ A person can apply for a trade authorization thru one of:
  - ▶ 15 Points of Single Contact
  - ▶ 227 local offices of the Trade Licensing Office
  - ▶ 6 449 Czech POINTs
  
- ▶ The application can be done in person, electronically or via mail





# The administrative costs of starting a trade

- ➔ The administrative fees are regulated by the Law No. 634/2004 Coll. And their amount is specified in its annex
- ➔ Notification of a trade or an application for a concession shall be submitted on a form issued by the Ministry of Industry and Trade
- ➔ The fees are:
  - ▶ Notification of a trade (when starting one) CZK 1000 (€ 40)
  - ▶ First application for a concession CZK 1000
  - ▶ Additional notification of a trade or application for s concession CZK 500 (€ 20)



# The administrative costs of starting a trade - cont.

➔ The traders do not pay e.g. for:

- ▶ The issuing of the first extract from the Trade Licensing Register
- ▶ Change in the conditions of carrying on a trade if initiated by the office
- ▶ Change of the area of activity within an unqualified trade



# Taxation of the Traders

- ➔ The traders can pay the personal income tax in two manners:  
income – costs = 15 % on the difference  
or
- ➔ Tax expenditures applied thru percentage of taxable income (lump sum)
  - ▶ Applicable percentage is:
    - ▶ for vocational trades 80 %
    - ▶ For other trades 60 %
  - ▶ The tax is 15 % on the difference (the lump sum expenses for the traders have no upper limit)



# Good practices in trade administration

- ➔ Client approach to the traders – the Trade Offices - apart from functioning as trade administrator - they function also as a central registration points thru which can be submitted e.g. application for tax registration, pension insurance, health insurance, etc.
- ➔ Relatively wide possibility to replace the professional competence for regulated trades by qualification obtained thru retraining programs or by self-education (completed by passing professional test)



# Good practices in trade administration – cont.

- ➔ The entrepreneur can communicate with any Trade Licensing Office – he is not bound to use the one in the place of his residence
- ➔ With one application form a trader can obtain one or several trade authorizations for a single administrative charge
- ➔ In case the trader has „electronic signature“ he can make the filing – apart from the places mentioned before – at any post office
- ➔ The trader is obliged to inform the trade Licensing Office only about the changes that are not already in the Public Registries



# Sources of Useful Information

➔ [www.mpo.cz](http://www.mpo.cz)

➔ Web page of the Ministry of Industry and Trade (in Czech and in English)

➔ [www.businessinfo.cz](http://www.businessinfo.cz)

➔ Web page with complex information about business related matters (in Czech and in English)

➔ [www.zjednodusujeme.cz](http://www.zjednodusujeme.cz)

➔ Web page for submitting ideas for burden reduction open to the general public



# ANNEX: Changes in the TLA in 2013

- ➔ On January 1st, 2013, Act No. 428/2011 Coll. becomes effective which act amends certain acts in connection with the adoption of act on pension saving and act on supplementary pension saving **amending also the Trade Licensing Act in Section § 3 where it is newly determined that the activity of pension companies is not a trade.**



# Changes in the TLA in 2013 – cont.

- ➔ Further on 1 January 2013, new Act No. 221/2012 Coll. became effective which act amends Act No. 29/2000 on postal services and on amendment of some acts (act on postal services), as amended, and some other acts. **Act includes amendment of the Trade Licensing Act which includes into Section § 3 of this Act activity of operation of postal services and foreign postal services. This activity ceases to be one of the spheres of unqualified trade.** Pursuant to the previous provisions, operator of postal services, who is entitled to provide postal services as of the effective day of the amendment, was obliged to deliver to the Czech Telecommunication Office before the end of April 2013 notification of the business pursuant to Section 18 of Act No. 29/2000 Coll. Trade authorization to provide postal and foreign postal services expires on the day when a person which performs business on the basis of this authorization delivers the notification of the business to the Office, however no later than by the end of the above period.





# Changes in the TLA in 2013 – cont.

- ➔ On 19 August 2013, Act No. 241/2013 Coll., amending certain Acts in connection with the adoption of the Act on Investment Companies and Investment Funds and with the adoption of the directly applicable regulation of the European Union regulating the settlement of certain derivatives, which is also amended by the Trade Licensing Act in Section 3 paragraph 3 (a), came into force.



# Changes in the TLA in 2013 – cont.

- ➔ From 1 October 2013, Act No. 234/2013 Coll., amending Act No. 311/2006 Coll., on fuels and service stations and on amendments to certain related Acts (the Act on fuels), as amended, and Act No. 455/1991 Coll., on trade licensing (the Trade Licensing Act), as amended, will come into effect. The original professional trade "Manufacture and processing of fuels and lubricants" is cancelled and becomes the permitted trade, having as its scope of business the "Manufacture and processing of fuels and lubricants and fuel distribution". A transitional of one month is also set, after which an entrepreneur applying for a trade concession must submit the newly required documents if the Trade Licensing Office does not have these available from previous proceedings. If the deadline for submitting an application for a concession to produce and process fuels and lubricants and to sell fuels elsewhere than at service stations is not met, these rights will expire for the entrepreneur.



# Thank You for your attention



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