



**Ceskoslovenska  
obchodni banka, a.s.**

**The Czech Republic**

# CSOB Custody Bulletin

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## Custody Contacts

### The Czech Republic

Miron Tegze	Tel.: +420-22411 4434, Email: <a href="mailto:MIRONTEGZE@CSOB.CZ">MIRONTEGZE@CSOB.CZ</a>
Tomas Vacha	Tel.: +420-22411 4431, Email: <a href="mailto:TVACHA@CSOB.CZ">TVACHA@CSOB.CZ</a>
Tereza Kapitanova	Tel.: +420-22411 4443, Email: <a href="mailto:TKAPITANOVA@CSOB.CZ">TKAPITANOVA@CSOB.CZ</a>
Jana Cutychova	Tel.: +420-22411 4428, Email: <a href="mailto:JCUTYCHOVA@CSOB.CZ">JCUTYCHOVA@CSOB.CZ</a>
Fax	+420 22411 9651

### The Slovak Republic

Rastislav Capkovic	Tel.: +421-2-5966 8415, Email: <a href="mailto:RCAPKOVIC@CSOB.SK">RCAPKOVIC@CSOB.SK</a>
Peter Ciuprik	Tel.: +421-2-5966 8418, Email: <a href="mailto:PCIUPRIK@CSOB.SK">PCIUPRIK@CSOB.SK</a>
Fax	+421-2-5441 4811

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## New DTT between Czech Republic and Korea entered into force

A new Double Taxation Treaty (DTT) between Czech Republic and the Republic of Korea, signed in Seoul on 12 January 2018, entered into force on 20 December 2019.

The new DTT will be applicable to withholding tax and income tax paid from income received starting 1 January 2020.

The new document will completely replace the one from 1992. The main changes are related to the taxation of dividends, interest and the definition of permanent establishment.

Dividends paid to both legal entities and individuals will now be taxed at a maximum of 5% (the DTT from 1992 set the 5% tax limit for recipients holding at least 25% of the registered capital of the company paying the dividend, otherwise 10% tax was applied). Under the new treaty, a Korean company holding at least 25% of the registered capital of the Czech company will be able to offset the withholding tax and also the tax on profits of the company.

The tax rate applied to interest was reduced from 10% to 5%.

### **Impact on foreign investors:**

New reduced tax rates applied under the new DTT between the Czech Republic and the Republic of Korea.

**Source:** Ministry of Finance of the Czech Republic



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