

Country-Specific Legislation and Practice

Country Chapter



Czech Republic

Introduction

One of the guiding principles of TEGoVA is to promote consistency of standard definitions of value and approaches to valuation trans-Europe. The publication of European Valuation Standards (EVS) provides the state, investors, the financial industry, valuers and their clients with a common benchmark which can be consistently applied, irrespective of the location of a real estate asset.

Whereas harmonisation of valuation standards enable recognised bases of valuation to be reported, the preparation and publication of a valuation must also respect client need, national legislation and custom. Customary differences, particularly in respect of valuation methodology, may result from the requirements of statute or regulation.

This Country Chapter illustrates differences that currently exist across Europe and are not intended to provide definitive advice. The text that follows has been provided by TEGoVA Member Associations (TMAs) to outline country-specific legislation and practice.

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Czech Republic

Professional body represented on TEGoVA:

CESKA KOMORA ODHADCU MAJETKU (CKOM)

The Czech Chamber of Appraisers (CCA)

History

The Czech Chamber of Property Appraisers (CCA) was established in compliance with the Act No. 83/1990 Coll. dated 27 March 1992 as an independent and non-profit-making association of persons and legal bodies involved in the profession of the valuation of property. The statutes of the CCPA were approved on the same date.

The principal objective of the CCA is to act as an association for appraisers from Bohemia, Moravia and Silesia operating in the property market, to establish principles and methodology for the valuation of property, to disseminate information from related fields among its members and to improve their qualifications.

Historical background of the property valuation profession

The Czech Republic was established on 1st January 1993 when Czechoslovakia split into the Czech Republic and the Slovak Republic.

The Czechoslovak Republic as an independent state was formed on 28 October 1918 on a part of the territory of the former Austro-Hungarian Empire and took over the existing Austro-Hungarian legal framework.

The Austro-Hungarian administration and building regulations (i.e. the building regulations valid for Bohemia), including land records in land registry maps were adopted and property price was determined by appraisers in accordance with the valuation rules of 1897.

The Appraising Rules required that appraisers should state specific values for fixed assets as specified in entries in the accounting books which were accessible to the general public.

If the property was not entered in the accounting books, the property had to be appraised according to its marketable components.

The value had to be fixed as a market (selling) price, taking into consideration the area or cubic volume, or alternatively the yield.

Appraisals were distinguished not only by their purpose but also by the period of time they covered (the present, past or, in the case of loans, the future). The economic function of the price was restricted in the command economy by the premier's decree No. 175 Coll. of 20 June 1939 (which can be compared to the "Stoptag" in Germany).

After the Second World War both property ownership and ownership rights were restricted in three waves of nationalizing in the years 1945, 1948 and 1959.

The first wave of nationalisation was launched by President's decrees Nos. 100, 101 and 103 dated 24 October 1945.

The second wave was instigated on 28 April 1948, by a series of nationalization acts passed by the National Assembly, and ended in 1951.

The price was based on the real value of a specific property.

The property valuation according to a point allocation method, as required by the above mentioned decrees, became more and more complex, and therefore property valuation transferred to sworn experts in economies specialising in property valuation.

The sworn experts (official referees) are appointed in agreement with Act No. 36/1967 Coll. on experts and interpreters and in agreement with the implementing decree No. 37/1967 Coll.

Official referees within the scope of their expert activities fixed and administrative price according to the valid price regulations. Until 1990 this price was officially considered to be the maximum price.

Relevant national legislation

At present the issue of valuation methodology is partially solved by Act No. 151/997 Coll. on property valuation, but only for determination of an administrative price, or "a recognised price".

The property valuation on a market or non-market base is realised according to methods generally accepted on the European territory.

The base is EVS (European Valuation Standards) adapted for economical conditions of the CR.

At present preparation works to change the Act on Property Valuation are being carried out on the basis of the EVS.

Qualifications of judicial experts and appraisers

The valuer must be an experienced expert-valuer, well-informed on current economic trends, supply and demand in the market and actual legal regulations.

Their professional knowledge must be inter-disciplinary and include technology, economics and valid legislation.

CCA provides the necessary qualification level of their members by means of various educational projects where prominent experts of the field lecture on actual problems in the property market, including updating guidelines for market property valuation.

National standards

Within the scope of specialized departments of CCA standards and guidelines for property and land valuation, business valuation, financial property valuation (stock bonds, shares, etc.), movable property valuation, intangible property valuation and raw material resources valuation have been developed.

The mentioned documents are continuously adapted as necessary.

Status of standards

All members of CCA are obliged to observe the Standards when carrying out market valuation of the above mentioned kinds of property.

Regulatory requirements

Compliance with the Standards of CCA is required by a number of banking institutions in the CR. The standards and methodological procedures of the CCA are accepted and implemented e.g. by GE Money Bank Prague, Credoma Prague, HYPO Bank Prague, etc.

Key purposes of valuations

Under the present conditions of the Czech Republic the market valuation is used mainly by corporate companies (especially banks), but also by state organizations.

Valuations are carried out by means of the CCA methodological procedures primarily to enable:

- establishment of the market price.
- determination of the value of manufacturing corporations and companies;
- agreements of loans with collateral concluded with banking institutions (determination of the collateral value for credit procedure);
- inheritance and other property settlement;
- liquidation (cessation of business);
- property execution;
- insurance;
- property transfers and mergers;
- courts and other judicial bodies.

Main differences between national Standards and EVS

Continuous application of the EVS resulted at present in very small differences between national Standards and valid version of the EVS.

Possible variations from the EVS arise from transformation from the previous centrally planned economy to an open market economy which has been launched in the CR after 1990.