

**Act No. 72/2000 Coll.,**  
**on investment incentives in wording of Act. No. 84/2015 Coll.,**  
**(in effect from May 1, 2015)**

**and**

**selected provisions of Act No. 586/1992 on income taxes, as amended, Act No. 435/2004 on employment, as amended, Act No. 280/2009 - the Tax Code, as amended, and Act No. 338/1992 on real estate tax, as amended**

**PART ONE**

**INVESTMENT INCENTIVES ACT**

Section 1

(1) Following on from the directly applicable Regulation of the European Union for granting regional investment aid and aid for employment and education<sup>1)</sup> this Act shall govern the general conditions for granting investment incentives, the procedure to be followed in the granting of investment incentives and the exercise of related state administration for the purpose of supporting economic development and the creation of jobs on the territory of the Czech Republic.

(2) The Ministry of Industry and Trade (hereinafter referred to as the “Ministry”) shall comply with the reporting obligation for the provision of investment incentives under this Act arising for the Czech Republic from the directly applicable Regulation of the European Union<sup>1)</sup>.

Section 1a

**Definition of basic terms**

(1) For the purposes of this Act the following definitions shall apply

- a) an investment incentive shall mean state aid in the form of
1. income tax relief pursuant to a special legal regulation<sup>12)</sup>,
  2. the transfer of land with technical infrastructure at a specially reduced price,
  3. financial support for the creation of new jobs pursuant to a special legal regulation<sup>13)</sup>,
  4. financial support for the retraining or training of employees pursuant to a special legal regulation<sup>13)</sup>, or
  5. financial support for the acquisition of tangible and intangible assets<sup>14)</sup> for a strategic investment project,
  6. exemption from tax on immovable property in concessional industrial zones pursuant to a special legal regulation<sup>23)</sup>,

- b) an investment project shall mean
1. the launch or expansion of production in areas of manufacturing industry<sup>15)</sup>,
  2. the construction or expansion of a technology centre, or
  3. the launch or expansion of a strategic services centre,
- c) the commencement of work relating to the implementation of an investment project shall mean
1. the commencement of construction work,
  2. the commencement of the acquisition of tangible and intangible assets excluding the acquisition of land and not including the costs of acquiring the documentation needed for the implementation of an investment project, or
  3. the issuance of a building permit or for construction notification, or for carrying out a legal transaction relating to the acquisition of machinery<sup>16)</sup>,
- d) a strategic investment project shall mean
1. an investment project in areas of manufacturing approved by the Government, where the amount of eligible costs is at least CZK 500,000,000, of which at least CZK 250,000,000 is spent on the acquisition of machinery<sup>16)</sup> for manufacturing purposes and at least 500 new jobs are created,
  2. an investment project in the area of technology centres approved by the Government, where the amount of eligible costs is at least CZK 200,000,000, of which at least CZK 100,000,000 is spent on the acquisition of machinery and at least 100 new jobs are created,
- e) expansion of production shall mean an increase in production capacity, the diversification of production through the addition of new products or a fundamental change on the overall production process,
- f) a technology centre shall mean a business plant or its part, focussing on applied research, development and innovation<sup>17)</sup> of technically advanced products, technologies and manufacturing processes, including the creation and innovation or their software intended for use in production and to increase value added,
- g) a software development centre shall mean a business plant or its part, focussing on the development of new, or the innovation<sup>17)</sup> of existing, software,
- h) a repair centre shall mean a business plant or its part, focussing on the repair of technically advanced equipment, particularly office machines and computing equipment, electronic machinery and devices, radio, television and communications equipment and devices, optical and measuring instruments, aircraft and electronic and control systems for rolling stock, excluding the repair of cars, buses and the repair of mechanical parts of vehicles intended for ground transport,
- i) a shared services centre shall mean a business plant or its part, focussing on taking over the management, operation and administration of internal operations such as accounting, finance, human resources, marketing or the management of information systems, from a controlling or controlled person<sup>18)</sup> or from contractual partners, for whom these activities are not the subject-matter of their business, with the exception of building security, printing, catering or cleaning services or services of a similar nature,
- j) a data centre shall mean a business plant or its part, focussing on the storage, sorting and management of data using its computer systems and their related components,

- k) a customer support centre shall mean a business plant or its part focussing on managing relations and communications with customers through electronic communications networks,
- l) a strategic services centre shall mean a centre for software development, a repair centre, a shared services centre, a data centre or a customer support centre, where the services provided by the centre extend over the territory of at least 2 countries,
- m) a new job shall mean a job created in direct relation to an investment project, resulting in an increase in the number of jobs compared to the average of the past 12 months immediately preceding the calendar month, in which the application form to obtain an investment incentive was submitted pursuant to Section 3 para. 1, and which is occupied by an employee who has agreed to work for an indefinite period and is a citizen of the Czech Republic or a national of another European Union Member State or a family member thereof.

(2) This Act shall not apply to tourism services, recreational, cultural and sporting services, nor to health and social services, transport and shipping services, distribution, logistics, postal and courier services, consulting and advisory services, banking, real estate, leasing services, audiovisual<sup>19)</sup> or direct marketing services, services related to environmental protection and employment agency services.

#### Section 1b

(1) A concessionary industrial zone is an industrial zone designed to promote the balanced and dynamic economic development of the country, proposed by the Ministry and approved by the Government.

(2) The Ministry shall propose concessionary industrial zones to the Government on the basis of an on-going analysis of vacant plots in the existing industrial zones supported by the State, and taking account of current economic developments in the individual regions of the Czech Republic.

#### Section 2

(1) Legal entities or natural persons may be granted investment incentives if they prove that they are able to comply with the general conditions laid down in this Act and the specific conditions laid down in special legal regulations<sup>12),13),23)</sup> and conditions laid down in the directly applicable legislation of the European Union<sup>1)</sup>. Investment incentives for investment projects with eligible expenditure of over 100,000,000 EUR may only be granted on condition the investment project was allowed through an individual exemption from the prohibition on state aid imposed by the European Commission (hereinafter referred to as the “Commission”).

(2) The general conditions shall constitute

- a) the implementation of an investment project on the territory of the Czech Republic,
- b) the environmental friendliness of the project, structures or facilities<sup>4)</sup>,
- c) the commencement of work relating to the implementation of an investment project after the date of submission of the application form to obtain an investment incentive pursuant to Section 3 paragraph 1,

d) compliance with conditions pursuant to paragraphs 3 to 5 for a maximum of up to 3 years from the issuance of a Covenant Award Decision pursuant to Section 5 paragraph 4 or Section 5a.

(3) General conditions for investment projects in the area of manufacturing are also

- a) the allocation of funds into sectors of the manufacturing industry<sup>15)</sup>,
- b) the acquisition of long-term tangible and intangible assets pursuant to Section 6a paragraph 1 (a) worth at least CZK 100,000,000, where no less than CZK 50,000,000 must be expended on the acquisition of machinery<sup>16)</sup>, intended for manufacturing purposes, acquired at market price and which was not produced more than 2 years prior to its acquisition,
- c) the creation and filling of at least 20 new jobs,
- d) the launch of production.

(4) General conditions for investment projects in the area of technology centres are also

- a) the acquisition of long-term tangible and intangible assets pursuant to Section 6a paragraph 1 (b) point 1 worth at least CZK 10,000,000, where no less than CZK 5,000,000 must be expended on the acquisition of machinery<sup>16)</sup>, acquired at market price and which was not produced more than 2 years prior to its acquisition,
- b) the creation and filling of at least 20 new jobs.

(5) A general condition for investment projects in the area of strategic services centres is also the creation and filling of at least 20 new jobs in the case of software development centres and data centres, or the creation and filling of at least 70 new jobs in the case of repair centres and shared services centres, or the creation and filling of at least 500 new jobs in the case of customer support centres.

(6) The amounts laid down in paragraph 3 (b) and paragraph 4 (a) do not include payments under an agreement on the assignment of use of an asset prior to the acquisition of property rights.

(7) If the application form to obtain investment incentives shows that the entire investment project in the area of manufacturing is to be implemented in a district where at the time the application form is submitted the level of unemployment is at least 50% higher than the average rate of unemployment in the Czech Republic as reported in the statistics of the Ministry of Labour and Social Affairs for the previous two half-year periods, or on the territory of state-supported regions as defined by the Government in accordance with a special legal regulation<sup>5)</sup>, or on the territory of concessionary industrial zones, the Ministry shall reduce the amount set out in paragraph 3 (b) to one half. The other conditions set out in paragraph 3 above shall remain unchanged.

(8) If the investment incentives pursuant to Section 1a paragraph 1 (a) points 1 to 4 and 6 are defrayable costs, which are at the same time covered by investment incentives pursuant to Section 1a paragraph 1 (a) point 5, these costs can be covered up to the amount of the maximum rate of state aid pursuant to Section 6 paragraph 1.

(9) Investment incentives pursuant to Section 1a paragraph 1 (a) point 2 may only be granted to a person who has launched a business in connection with the investment project.

### Section 3

(1) A legal entity or natural person may be an applicant for investment incentives (hereinafter referred to as the “applicant”). The applicant shall submit an application form to obtain investment incentives pursuant to paragraphs 3 to 6 (hereinafter referred to as “documentation for the grant of investment incentives”). The applicant shall submit documentation for the grant of investment incentives either in paper form and, at the same time, in electronic form on the specified technical data medium, or in electronic form, to the organisation established by the Ministry (hereinafter referred to as the “designated organisation”). The prescribed form is included as an annex to this Act.

(2) The applicant shall include in the application form

- a) in the case of a legal entity, the applicant’s identification data, which consists of the statutory body or member of the statutory body of the legal entity, indicating the manner in which it may act in its name, identification data of persons who dispose of 20% or more of the voting rights, or who have a commercial share amounting to 20% or more of equity capital or, in the case of a controlled person, the identification of the company or the title or name and family name of the controlling person and the country in which its registered office is located,
- b) the main scope of business, the size of the applicant<sup>20)</sup>, information on the contact person authorised to act on behalf of the applicant in proceedings under this Act, selected economic information on the applicant and information on the number of employees classified under the Czech Republic and European Union Member States for the past three accounting or tax periods,
- c) information on the investment project, its location, the date of its launch and completion and the manner of its financial, staffing and material security,
- d) information on the environmental impact of the investment project,
- e) information on the forms of investment incentives requested,
- f) information on additional aid requested or provided for the investment project,
- g) information on eligible costs,
- h) information on other investment projects implemented during the three years preceding the date on which the application form to obtain investment incentives was submitted on the territory of a district by the applicant or by persons regarded as a single business group pursuant to a directly applicable regulation of the European Union regulating de minimus aid<sup>24)</sup>,
- i) the amount of state aid requested.

(3) The applicant shall attach to the application form,

- a) in the case of a legal entity, the founding charter or an officially certified copy thereof, the articles of association, if they are not the founding charter, and an extract from the Commercial Register. A foreign entity shall attach documents of a similar nature,
- b) in the case of a natural person, a business licence, where the natural person is incorporated in the Commercial Register, an extract from the Commercial Register; a foreign person shall attach documents of a similar nature.

(4) The applicant shall also attach to the application form

- a) an affidavit that
1. it will commence work related to the implementation of the investment project the day after the submission of the application form to obtain investment incentives pursuant to Section 3 paragraph 1,
  2. it is or is not a small or medium sized enterprise<sup>20)</sup>,
  3. no decision on bankruptcy or similar decision from a foreign entity has been issued against it and it is not at risk of bankruptcy,
  4. the documentation for the grant of investment incentives submitted in electronic form on a technical data medium are consistent with the documentation for the grant of investment incentives submitted in paper form,
  5. it is not in difficulties<sup>1)</sup> and it has not been provided with support that the Commission has found to be unlawful or incompatible with the internal market and, if any such support has been provided, the return of such support has been settled,
  6. has not terminated, during the two years prior to the date of submission of the application form to obtain investment incentives, an activity in the European Economic Area, which falls under the same category in the Classification of Economic Activities (CZ-NACE) issued by the Czech Statistical Office, as an activity it will perform after the implementation of the investment project that is the subject-matter of the application form to obtain investment incentives, and does not plan to terminate this kind of activity within two years of the completion of the investment project,
- b) a confirmation by the relevant authority that it has no tax arrears recorded in its records, has no arrears in social security insurance or contributions to the state unemployment policy, including fines and has no arrears in public health insurance payments, including fines; this confirmation may not be more than 2 months old and must correspond to the actual situation as at the date the application is submitted,
- c) a description of the method of financing the investment project,
- d) a description of the investment project,
- e) the organisational structure of the business group, if the applicant is part of one.

(5) If the applicant is to be at the same time the beneficiary of an investment incentive, it will also attach to the application form a document waiving the obligation to maintain confidentiality vis-à-vis the Ministry under the tax rules for employees in the Financial Administration Authority of the Czech Republic and employees in the Ministry of Finance for the purposes of inspections pursuant to Section 7 paragraph 1 and a special legal regulation<sup>22)</sup>, within the scope of data documenting compliance with the general conditions pursuant to Section 2 paragraph 2 (c) and (d), Section 2 paragraph 3 (b) and Section 2 paragraph 4 (a), the requirements pursuant to Section 6a paragraphs 2, 3 and 6, as well as data on the amount of the investment incentive granted pursuant to Section 1a paragraph 1 (a) points 1 and 6.

(6) A foreign person may submit the company's founding charter and the articles of association, if these are not the founding charter, in English.

(7) In the case of an investment project in the area of technological centres or an investment project in the area of strategic services centres, the applicant shall make a choice of eligible costs in the application form, in accordance with Section 6a paragraph 1 (b).

#### Section 4

(1) The designated organisation shall prepare an assessment of the documentation for the grant of investment incentives and submit it to the Ministry within at the latest 30 days from the day of their submission. The assessment shall state whether the applicant is able to comply with the general and special conditions, whether it concerns a strategic investment project or an investment project with eligible costs of over EUR 100,000,000, and evaluates whether the investment project presented in the application form complies with the directly applicable regulation of the European Union<sup>1)</sup>. Compliance of the investment project with the directly applicable regulation of the European Union<sup>1)</sup> shall not be evaluated in the case of an investment project with eligible costs of over EUR 100,000,000. If the assessment indicates that the applicant is able to comply with both the general and special conditions for granting investment incentives and that the investment project presented in the application form complies with the directly applicable regulation of the European Union<sup>1)</sup> with the exception of investment projects with eligible costs of over EUR 100,000,000, a proposal to grant an investment incentive shall be attached to the assessment. It shall specify in the proposal to grant an investment incentive the form of investment incentive that may be provided, the amount and the conditions under which they shall be applicable. If it ensues from the assessment that the applicant is unable to comply with the general and special conditions, or the investment project presented in the application form does not comply with the directly applicable regulation of the European Union<sup>1)</sup> with the exception of an investment project with eligible costs of over EUR 100,000,000, the designated organisation shall attach to the assessment a proposal to refuse to grant an investment incentive.

(2) If it ensues from the assessment, in accordance with paragraph 1 above, that this may concern a strategic investment project, the Ministry shall submit to the Government a proposal to approve this investment project as a strategic investment project before issuing a decision on the offer to grant an investment incentive (hereinafter referred to as a “decision on an offer”) in accordance with paragraph 5 or a Covenant Approval Decision pursuant to Section 5a; the deadline for the issuance of a decision on the offer pursuant to paragraph 5 or a Covenant Approval Decision pursuant to Section 5a shall be suspended until such time as the Government has issued its approval.

(3) If it ensues from the assessment, in accordance with paragraph 1 above, that this concerns an investment project with eligible costs of over EUR 100,000,000, the Ministry shall submit to the Commission a request for an individual exemption from the prohibition on state aid before issuing a decision on the offer, pursuant to paragraph 5 or a Covenant Approval Decision pursuant to Section 5a. The deadline for the issuance of a decision on the offer pursuant to paragraph 5 or a Covenant Approval Decision pursuant to Section 5a shall be suspended until such time as the Commission has issued a decision.

(4) The Ministry of Labour and Social Affairs, the Ministry of Finance, the Ministry of Agriculture and the Ministry of Environment (hereinafter referred to as the “affected authority”) shall assess compliance with the general and special conditions for granting investment incentives and within 30 days of receipt of the documentation pursuant to paragraph 1 above shall issue a binding opinion, in which it shall approve or reject the provision of investment incentives. In the event the affected authority requires additional documentation before granting the investment incentive, the deadline for the issuance of a binding opinion shall be suspended and shall be extended by the period needed to supplement this documentation. The municipality or region, which owns the land on which the investment project will be implemented (hereinafter referred to as the “land owner”), shall issue a binding opinion, in which it shall express its approval or refusal of the grant of an investment incentive pursuant to Section 1a paragraph 1 (a) point 2 within 60 days of receipt of a request

by the Ministry. The municipality on whose cadastral territory the investment project will be implemented (hereinafter referred to as the “municipality”), shall issue a binding opinion, in which it shall express its approval or refusal of the grant of an investment incentive pursuant to Section 1a paragraph 1 (a) point 6 within 60 days of receipt of a request by the Ministry. If a negative opinion has not been issued pursuant to this paragraph within the deadline, it shall be assumed that a positive opinion has been issued; unless approval was granted within the deadline specified in the third or fourth sentence above, it shall be assumed that the land owner or the municipality has not given its approval.

(5) The Ministry shall issue a decision on an offer, including the conditions governing the drawdown of the investment incentive, within 30 days of the deadline pursuant to paragraph 4 based on an assessment of the documentation for the grant of investment incentives and opinions delivered within the deadline set out in paragraph 4 above, or shall issue a decision to refuse the grant of an investment incentive. The Ministry may not issue a decision on an offer if any of the affected authorities has issued a negative opinion. If the land owner has issued a negative opinion, the Ministry shall not provide an offer of investment incentives pursuant to Section 1a paragraph 1 (a) point 2. If the municipality has issued a negative opinion, the Ministry shall not provide an offer of investment incentives pursuant to Section 1a paragraph 1 (a) point 6. A decision on an offer or a decision rejecting the grant of an investment incentive shall be sent by the Ministry through the designated organisation, with a copy sent to the affected authorities, and if they have expressed an opinion on the grant of an investment incentive, also to the land owner and the municipality.

## Section 5

(1) An applicant for an investment incentive (hereinafter referred to as the “applicant”) may submit an application for an investment incentive covenant to the Ministry through a designated organisation on the basis of a decision on an offer within a maximum of three months from the date on which the application for an investment incentive covenant was delivered.

The applicant may be a legal entity which will implement the investment project for which the decision on an offer was issued, which was not established more than 6 months prior to the date on which the application for an investment incentive application was submitted and where the applicant owns 100% of the registered capital of this entity.

(2) An application for an investment incentive covenant submitted by the applicant shall contain the applicant’s consent to the investment incentive and the conditions specified in the decision on an offer.

(3) The applicant shall attach the following to the application for an investment incentive covenant

- a) an extract from the Commercial Register, which may not be more than three months old and shall correspond to the actual situation as at the date of submission of the application for a covenant,
- b) an affidavit by the applicant confirming the accuracy of the information relating to the investment project presented in the documentation for the grant of investment incentives and
- c) a waiver of the confidentiality obligation pursuant to Section 3 paragraph 5.



(4) The Ministry shall issue a Covenant Approval Decision within 30 days of receipt of the application pursuant to paragraph 1 above.

(5) The Covenant Approval Decision shall contain

- a) the identification of the applicant for an investment incentive,
- b) the forms of the investment incentive granted,
- c) the conditions regulating the application of the investment incentive,
- d) the maximum intensity and amount of state aid, and
- e) the conditions under which the state aid is provided,
- f) a contingent mechanism to provide compensation between different forms of investment incentives.

(6) At the request of the applicant, the Ministry shall cancel the Covenant Approval Decision for that applicant, provided the applicant has not yet started to draw on the investment incentive.

(7) The Ministry shall send a counterpart of the completed Decision pursuant to paragraphs 4 or 6 to the affected authorities, the local tax authority, and, if they have expressed an opinion on the grant of an investment incentive, also to the land owner and the municipality.

#### Section 5a

If the applicant is also the beneficiary of the investment incentive, the Ministry shall examine the documentation for the grant of investment incentives and assess opinions received by the deadline laid down in Section 4 paragraph 4 and within 30 days of expiry of the deadline pursuant to Section 4 paragraph 4 shall issue a Covenant Approval Decision pursuant to Section 5 or a decision refusing to grant an investment incentive. The Ministry may not issue a Covenant Approval Decision if any of the affected authorities has issued a negative opinion. If the land owner has issued a negative opinion, the Ministry shall not provide an offer of investment incentives pursuant to Section 1a paragraph 1 (a) point 2. If the municipality has issued a negative opinion, the Ministry shall not provide an offer of investment incentives pursuant to Section 1a paragraph 1 (a) point 6.

#### Section 6

(1) The maximum intensity of state aid for an investment project is the proportion of the amount of state aid granted in the form of investment incentives, with the exception of investment incentives pursuant to Section 1a paragraph 1 (a) point 4, to eligible costs, expressed as a percentage and established in accordance with the implementing legal regulation.

(2) The maximum amount of state aid for an investment project is the absolute amount calculated from the expected eligible costs contained in the application form pursuant to Section 3 with respect to the stipulated maximum intensity of state aid.

(3) The permissible amount of state aid in individual regions<sup>8)</sup> of the Czech Republic, which may not be exceeded, is laid down in the implementing legal regulation.

(4) Areas in which no investment incentive incentive may be provided are stipulated in a directly applicable regulation of the European Union<sup>25)</sup>.

(5) An investment incentive may not be provided if the beneficiary of the investment incentive has not settled the return of such support that the Commission has decided to be unlawful or incompatible with the internal market.

#### Section 6a

(1) Eligible costs are costs incurred after the date of submission of an application form for the grant of an investment incentive pursuant to Section 3 paragraph 1, which relate to the investment project and for which no state aid has previously been granted and for which the beneficiary maintains separate records; eligible costs consist of

- a) in the case of an investment project in the area of manufacture, the value of long-term tangible assets<sup>14)</sup> in the form of machinery pursuant to Section 2 paragraph 3 (b) and also the value or part of the value of long-term tangible assets<sup>14)</sup> in the form of land or buildings or long-term intangible assets<sup>14)</sup> purchased at market price from persons other than associates<sup>21)</sup>, up to the value of the machinery included in the eligible costs. Only assets acquired before the expiry of 5 years from the date of issue of the Covenant Approval Decision or, in the case of a strategic investment project, before the expiry of 7 years from the issue of a Covenant Approval Decision, may be included in eligible costs. The following may not be included as eligible costs
  1. assets that have already been subject to depreciation, with the exception of long-term tangible assets in the form of buildings, which are purchased under market conditions from persons other than associates and for which the beneficiary has submitted, during an inspection pursuant to Section 7, a written declaration by the previous owner that no state aid had been granted for the assets and that the assets were part of a business plant or its part and that their operation terminated before the date on which the ownership rights were transferred,
  2. assets that are not used by the beneficiary at the site of implementation of the investment project, or
  3. assets acquired after completion of the investment project,
- b) in the case of an investment project in the area of technological centres or an investment project in the area of strategic services centres, as chosen by the applicant
  1. the value of assets pursuant to sub-paragraph (a); in this case machinery is understood to be machinery pursuant to Section 2 paragraph 4 (a), or
  2. the value of the wage costs for newly created jobs during the 24 months immediately following the month in which the position was filled. Only new jobs created and filled by an employee with fixed weekly working hours<sup>8a)</sup> during the period from the date of submission of the application form for the grant of investment incentives pursuant to Section 3 paragraph 1 up to three years from the issuance of a Covenant Approval Decision may be included as newly created jobs pursuant to the first sentence above. A maximum of three-times the average wage in the national economy for the first to third quarter of the calendar year preceding the calendar year in which the applicant submitted the application form may be included in the value of the monthly wage costs for a newly created job.

(2) The beneficiary of an investment incentive, for whom eligible costs consist of costs pursuant to paragraph 1 (a) or (b) point 1, is required to retain long-term tangible and intangible assets for which the investment incentive was granted, in the scope corresponding to the actual amount of aid drawn thus far, but at least in an amount and structure that satisfies the general conditions pursuant to Section 2 paragraphs 3 to 5, even after the period of application of the investment incentive pursuant to Section 1a paragraph 1 (a) point 1 or 6, but at least for a period of five years from the completion of the investment project, and to maintain jobs pursuant to Section 2 paragraphs 3, 4 or 5 and to fill these positions with employees with fixed weekly working hours<sup>8a)</sup> after the period of application of the investment incentive pursuant to Section 1a paragraph 1 (a) point 1 or 6, but at least for 5 years from the date of first recruitment for each position. After completion of an investment for which a Covenant Approval Decision was issued, the beneficiary is required, without undue delay, to notify the Ministry that the investment project has been completed and the scope thereof. In the event it fails to do so before the expiry of 5 years from the date of issue of the Covenant Approval Decision, or in the case of a strategic investment project before the expiry of 7 years from the date of issue of the Covenant Approval Decision, a five-year period for the maintenance of long-term tangible and intangible assets will begin on the first day following the day on which five years have passed since the date of issue of the Covenant Approval Decision or, in the case of a strategic investment project on the first day following the day on which seven years have passed since the date of issue of the Covenant Approval Decision.

(3) The beneficiary of an investment incentive, for whom eligible costs consist of the value of wage costs pursuant to paragraph 1 (b) point 2, is required to maintain jobs and to fill these positions with employees with fixed weekly working hours<sup>8a)</sup>, for which the investment incentive was granted, in the number corresponding to the actual amount of aid drawn thus far, but at least in a number that satisfies the general conditions pursuant to Section 2 paragraph 4 (b) and Section 2 paragraph 5, even after the period of application of the investment incentive pursuant to Section 1a paragraph 1 (a) point 1 or 6, but at least for a period of five years from the date of first recruitment for each subsidised job, and, in the case of a technology centre, also to retain long-term tangible and intangible assets pursuant to Section 2 paragraph 4 (a) after the period of application of the investment incentive pursuant to Section 1a paragraph 1 (a) point 1 or 6, but at least for five years from the date of compliance with the conditions laid down in Section 2 paragraph 4 (a).

(4) The replacement of assets due to their destruction, malfunction or obsolescence by assets that are of equal or greater value, serve the same purpose and are an eligible cost pursuant to paragraph 1 shall also be considered to comply with the obligation to maintain long-term tangible and intangible assets.

(5) The beneficiary of an investment incentive pursuant to Section 1a paragraph 1 (a) point 3 is required to maintain the number of new jobs and to fill these positions with employees with fixed weekly working hours<sup>8a)</sup>, for which the investment incentive pursuant to Section 1a paragraph 1 (a) point 3 was drawn, for a period of at least five years from the date on which the first payment of material support was received on the account of the beneficiary of an investment incentive. In the event a newly created job has not been filled on the day the first payment of material support is received on the account of the beneficiary of an investment incentive, the period stipulated in the first sentence above shall start to run for this job from the day on which it is filled.

(6) An investment project assessed for the purpose of granting state aid must be implemented in such a way that at least 25% of the total amount of investment must be financed by funds that do not contain any element of state aid.

(7) In the case of a strategic investment project, within 3 years of the issue of a Covenant Approval Decision for the investment incentive

a) in the case of an investment project in the area of manufacture

1. eligible costs amounting to at least CZK 500,000,000 must be invested, of which at least CZK 250,000,000 must be spent on the acquisition of machinery<sup>16)</sup> intended for manufacturing purposes, and
2. at least 500 new jobs must be created,

b) in the case of an investment project in the area of technological centres

1. eligible costs amounting to at least CZK 200,000,000 must be invested, of which at least CZK 100,000,000 must be spent on the acquisition of machinery, and
2. at least 100 new jobs must be created.

(8) Neither the aid beneficiary, or the provider or providers may exceed the maximum amount of state aid for an investment project specified in Section 6 paragraph 2. Should the beneficiary receive state aid exceeding the maximum amount of state aid, it is required to return the proportion of the state aid that exceeded the maximum permissible amount of state aid for a given investment project and to pay a penalty in an amount determined by the budgetary rules, but at least in the amount of the interest<sup>8b)</sup> set by the Commission at the date of issue of the Covenant Approval Decision. The Ministry shall carry out continuous inspections to ensure that the maximum intensity and amount of state aid are not exceeded during the period of application of the investment incentive. The Ministry shall submit to the Commission a report on the evaluation of investment incentives in accordance with a directly applicable regulation of the European Union<sup>1)</sup>; in addition, at the request of the Ministry, the beneficiary of an investment incentive shall provide information on the status of implementation of the investment project and the actual amount of support drawn.

(9) In the case of an investment incentive pursuant to Section 1a paragraph 1 (a) point 2 or 5, the investment incentive shall cease shall have effect on failure to comply with

- a) obligations pursuant to paragraph 2, with the exception of the obligation to notify the Ministry of the completion of the investment project and the scope thereof,
- b) the obligation pursuant to paragraphs 3 or 6,
- c) the obligation to provide, upon request, information on the status of implementation of the implementation project and the actual amount of support drawn, as stipulated in paragraph 8,
- d) the general conditions pursuant to Section 2 paragraph 2, or
- e) the obligation pursuant to paragraph 7 in the case of an investment incentive pursuant to Section 1a paragraph 1 (a) point 5;

in this case the beneficiary of the investment incentive shall pay the value of the state aid thus provided to the provider of the investment incentive, including a penalty in the amount of the interest<sup>8b)</sup> set by the Commission and the amount of the aid provided from the date of issue of the Covenant Approval Decision to the date on which the state aid was returned.

(10 ) In the event the obligations stipulated in paragraph 5 are not satisfied, the beneficiary of the investment incentive pursuant to Section 1a paragraph 1 (a) point 3 shall return a proportion of the investment incentive obtained that corresponds to the number of newly created jobs that have not been maintained, in accordance with the budgetary rules.

(11) Failure to comply with the general conditions laid down in Section 2 paragraph 2 or failure to comply with the obligations laid down in paragraph 2, with the exception of the obligation to notify the Ministry of the completion of the investment project and the scope thereof, or paragraphs 3 or 6, or failure to comply with the obligation to provide, upon request, information on the status of implementation of the investment project and the actual amount of support drawn as stipulated in paragraph 8, the Covenant Approval Decision shall cease to have effect and everything that was obtained in the form of an investment incentive must be returned, or paid, including an appropriate penalty or other sanctions in accordance with special legal regulations<sup>8c)</sup>, but at least in the amount of the interest<sup>8b)</sup> set by the Commission on the date of issue of the Covenant Approval Decision. If it is found that the special conditions have not been satisfied, the procedure set out in a special legal regulation<sup>12),13), 23)</sup> shall be followed.

(10) Should the beneficiary of an investment incentive wish to take part in a merger, division or transfer of assets to a shareholder as a business corporation being wound down and want to transfer the rights and obligations arising from the Covenant Approval Decision to its legal successor, it is required to request the Ministry's approval of the transfer of the rights and obligations arising from the Covenant Approval Decision before publishing information on the planned merger, division or transfer of assets to a shareholder and to specify in the request the legal successor to which the rights and obligations arising from the Covenant Approval Decision are to be transferred. The Ministry, in coordination with the affected authorities, shall assess whether the purpose for which the investment incentive was granted has been maintained, and whether the conditions for the grant of an investment incentive have been satisfied. In the case of a positive assessment, it shall issue a decision consenting to the transfer of the rights and obligations arising from the Covenant Approval Decision and shall specify the person to whom the rights and obligations arising from the Covenant Approval Decision are to be transferred. No rights or obligations arising from the Covenant Approval Decision may be transferred without such consent and the business corporation being wound down is required to proceed in accordance with paragraphs 9 to 11.

## Section 7

(1) Special legal regulations shall apply to inspections of the application of investment incentives and to the consequences of violations of the conditions under which the investment incentive was granted. The competent administrative authorities shall cooperate in these inspections and provide each other with the information needed to conduct the inspections; while at the same time respecting provisions regulating confidentiality.

(2) Inspections shall be carried out by

- a) the Ministry in the case of investment incentives referred to in Section 1a paragraph 1 (a) points 2 and 5, for the general conditions referred to in Section 2 paragraph 2 (a) and (d) within the scope of compliance with conditions pursuant to Section 2 paragraph 3 (a), (c) and d), Section 2 paragraph 4 (b) and Section 2 paragraph 5 and for the obligation to maintain newly created jobs pursuant to Section 6a paragraphs 2 and 3,

- b) the Ministry of Environment in the case of the general conditions referred to in Section 2 paragraph 2 (b),
- c) the Labour Office of the Czech Republic – General Directorate in the case of investment incentives referred to in Section 1a paragraph 1 (a) points 3 and 4 and the Labour Office of the Czech Republic – regional office and office for the Capital City of Prague in the case of the obligations stipulated in Section 6a paragraph 5,
- d) the Ministry of Finance and the Tax Office in the case of investment incentives referred to in Section 1a paragraph 1 (a) points 1 and 6 and in the case of the general conditions referred to in Section 2 paragraph 2 (c) and (d) within the scope of compliance with conditions pursuant to Section 2 paragraph 3 (b) and Section 2 paragraph 4 (a), for the obligation to retain long-term tangible and intangible assets pursuant to Section 6a paragraphs 2 and 3 and for the obligations stipulated in Section 6a paragraph 5,

(3) The appropriate bodies are obliged to carry out an inspection pursuant to paragraph 2 (a) and (d) at the latest three years after the issue of a Covenant Approval Decision, with the exception of inspections of compliance with the conditions referred to in Section 6a paragraphs 2 and 3 and investment incentives pursuant to Section 1a paragraph 1 (a) point 5.

(4) Inspections into compliance with the condition to retain long-term tangible and intangible assets pursuant to Section 6a paragraph 2 and 3 shall be conducted after the expiry of the five-year period for retaining long-term tangible and intangible assets pursuant to Section 6a paragraph 2 or 3 or, in the case of an investment incentive pursuant to Section 1a paragraph 1 (a) point 1 or 6 that is applied after this period, during the year following the expiry of the last tax period in which the investment incentive pursuant to Section 1a paragraph 1 (a) point 1 or 6 could be applied for the last time. Inspections into compliance with the condition to maintain newly created jobs pursuant to Section 6a paragraphs 2 and 3 shall be conducted 8 years after the date of issue of the Covenant Approval Decision or, in the case of an investment incentive pursuant to Section 1a paragraph 1 (a) point 1 or 6 that is applied after this period, during the year following the expiry of the last tax period in which the investment incentive pursuant to Section 1a paragraph 1 (a) point 1 or 6 could be applied for the last time.

(5) Inspections pursuant to paragraph 2 (b) shall be conducted in accordance with special legislation regulating environmental protection<sup>9)</sup>.

(6) Inspections of investment incentives pursuant to Section 1a paragraph 1 (a) points 3 to 5 shall be conducted after expiry of the period stipulated in the written agreement concluded pursuant to Section 11a or a special legal regulation<sup>10)</sup> and inspections of compliance with the conditions referred to in Section 6a paragraph 5 shall be conducted five years after the date on which first payment of material support was received on the account of the beneficiary of the investment incentive.

## Section 8

Decision-making under this Act shall follow the Administrative Procedure Code<sup>11)</sup>, unless otherwise stipulated by this Act.

## Section 9

repealed

## Section 10

(1) Investment incentives granted before this Act enters into effect shall remain effective under the conditions and within the extent to which they were granted.

(2) The Covenant Approval Decision shall not replace any decision, opinion, statement, consent, assessment or other measure issued by the affected public administration authorities as required by a special legal regulation.

## Section 11

### **Authorisation**

The Government shall issue a regulation to implement Section 6 paragraph 1 and 3.

## Section 11a

### **Procedure for granting investment incentives in the form of material support for the acquisition of long-term tangible and intangible assets**

(1) The Ministry shall provide material support for the acquisition of long-term tangible and intangible assets for strategic investment projects pursuant to Section 1a paragraph 1 (a) point 5 on the basis of an agreement concluded between the Ministry and the beneficiary on whose behalf the Covenant Approval Decision was issued.

(2) The agreement to provide material support for the acquisition of long-term tangible and intangible assets shall contain

- a) identification data on the Parties to the agreement,
- b) a definition of costs that may be reimbursed by the material support,
- c) the amount of the material support,
- d) the method and date for providing material support,
- e) the method and date for settling material support,
- f) the method of monitoring compliance with the conditions agreed,
- g) the deadline and conditions for returning the material support or a proportion thereof, if it was drawn or used by the beneficiary in breach of the agreement,
- h) arrangement for terminating the agreement, including deadlines for its termination.

(3) The beneficiary has the right to terminate the agreement if the Ministry is over 60 days in arrears with the payment of material support. The Ministry has the right to terminate the agreement if the beneficiary ceases to comply with the general conditions pursuant to Section 2 paragraph 2 or fails to comply with the obligations arising from the agreement.

(4) Material support for the acquisition of long-term tangible and intangible assets is specifically intended and cannot be used for any purpose other than that specified in the agreement.

(5) The amount of material support for the acquisition of long-term tangible and intangible assets set out in the agreement can be up to 10% of total eligible costs, depending on the size of the investment project, but to a maximum of CZK 1,500,000,000 in the case of a strategic investment project in the area of manufacture and a maximum of CZK 500,000,000 in the case of a strategic investment project in the area of technology centres. If the scope of the investment project entails the introduction or the expansion of production and at the same time the construction or expansion of a technology centre, the material support provided to the beneficiary pursuant to the first sentence above may be raised to 12.5% of total eligible costs. The amount of material support provided for the acquisition of long-term tangible and intangible assets shall not reduce the value of the eligible costs.

(6) Failure to comply with the conditions stipulated in the agreement pursuant to paragraph 2 above or failure to return material support by the deadline set shall constitute a breach of budgetary discipline and will result in payments for breach of budgetary discipline in accordance with the budgetary rules.

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- 1) Commission Regulation (EU) No. 651/2014 of 17 June 2014, declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty
- 4) For example, Act No. 86/2002 Coll., on air protection and on amendments to certain other Acts (the Clean Air Act), as amended, Act No. 334/1992 Coll., on the protection of the agricultural Land Fund, as amended, Act No. 114/1992 Coll., on nature conservation and landscape protection, as amended, Act No. 254/2001 Coll., on waters and on amendments to certain Acts (the Water Act), as amended, Act No. 185/2001 Coll., on waste and on amendments to certain other Acts, as amended, Act No. 356/2003 Coll., on chemical substances and chemical preparations and on amendments to certain Acts, as amended.
- 5) Act No. 248/2000 Coll., on regional development support, as amended.
- 8) Section 15 of Act No. 248/2000 Coll., on regional development support.
- 8a) Section 79 of the Labour Code, as amended by Act No. 362/2007 Coll.
- 8b) Article 9 of Commission Regulation (EC) No. 794/2004 of 21 April 2004, implementing Council Regulation (EC) No. 659/1999, laying down detailed rules for the application of Article 93 of the Treaty on the EC.
- 8c) For example, Act No. 586/1992 Coll., on income tax, as amended, Act No. 435/2004 Coll., on employment, as amended.
- 9) For example, Act No. 309/1991 Coll., on air protection against polluting substances (the Clean Air Act), as amended, Act No. 254/2001 Coll., on water and on amendments to certain Acts (the Water Act), Act No. 185/2001 Coll., on waste and on amendments to certain other Acts.
- 10) Section 111 paragraphs 6 and 7 of Act No. 435/2004 Coll., on employment.
- 11) Act No. 71/1967 Coll., on administrative proceedings (the Administrative Procedure Act), as amended.
- 12) Sections 35a and 35b of Act No. 586/1992 Coll., on income tax, as amended.
- 13) Section 111 of Act No. 435/2004 Coll., on employment, as amended by Act No. 159/2007 Coll., Act No. 382/2008 Coll. and Act No. 73/2011 Coll.
- 14) Act No. 563/1991 Coll., on accounting, as amended.
- 15) Section C of Czech Statistical Office Communication No. 244/2007 Coll., on the introduction of the Classification of Economic Activities (CZ-NACE).
- 16) Chapters 84, 85 and 90 of Council Regulation (EEC) No. 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff.
- 17) Article 2.2 of the Community Framework for State aid for research, development and innovation.
- 18) Section 66a of Act No. 513/1991 Coll., the Commercial Code, as amended by Act No. 370/2000 Coll., Act No. 88/2003 Coll. and Act No. 554/2004 Coll.



- <sup>19)</sup> Directive 2007/65/EC of the European Parliament and of the Council of 11 December 2007, amending Council Directive 89/552/EEC on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of television broadcasting activities.
- <sup>20)</sup> Annex II to Commission Regulation (EU) No. 651/2014.
- <sup>21)</sup> Section 23 paragraph 7 of Act No. 586/1992 Coll., on income tax, as amended by Act No. 438/2003 Coll., Act No. 261/2007 Coll. and Act No. 346/2010 Coll.
- <sup>22)</sup> Act No. 215/2004 Coll., amending certain relationships within the area of state aid and altering the Act on the promotion of research and development, as amended.
- <sup>23)</sup> Act No. 338/1992 Coll., on real estate tax, as amended.
- <sup>24)</sup> Commission Regulation (EU) No. 1407/2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimus Aid*.
- <sup>25)</sup> Article 1 and Article 13 of Commission Regulation (EU) No. 651/2014

## Selected provisions of amendments

### Article II of Act No. 453/2001 Coll., Transitional provisions

1. Proceedings initiated before the date on which this Act entered into force shall be completed in accordance with existing regulations.
2. Investment incentives granted in accordance with existing regulations shall remain in force subject to the conditions under which they were granted.
3. The provisions of Section 7 shall also apply *mutatis mutandis* to beneficiaries of investment incentives for whom a Covenant Approval Decision for investment incentives was issued under proceedings commenced before the date on which this Act entered into force.

### Article II of Act No. 19/2004 Coll., Transitional provisions

Proceedings, in which the Ministry of Industry and Trade submitted an application to the Office for the Protection of Competition for an exemption from the prohibition of state aid before the date on which this Act entered into force shall be completed in accordance with existing legal regulations.

### Article II of Act No. 159/2007 Coll., Transitional provisions

1. Investment incentives granted before the date on which this Act entered into force remain in force under the conditions and to the extent to which they were granted.
2. Proceedings initiated before the date on which this Act entered into force shall be completed and applications for investment incentives shall be decided on in accordance with existing legal regulations, with the exception of the provisions of Section 2 paragraph 2 (g), which only applies until 30 June 2007.

Article II  
of Act No. 192/2012 Coll.,  
Transitional provisions

1. Proceedings under Act No. 72/2000 Coll., in the form effective until the date on which this Act entered into force, commenced before the date on which this Act entered into force and not completed by that date, shall be completed and the rights and obligations related thereto shall be assessed in accordance with existing legal regulations.

2. Investment incentives granted in accordance with existing legal regulations shall remain in force to the extent and subject to the conditions under which they were granted.

3. Inspections of investment incentives carried out before the date on which this Act entered into force, shall be conducted in accordance with existing legal regulations.

4. Failure to comply with the conditions under which the investment incentives were granted, pursuant to Act No. 72/2000 Coll., in the form effective until the date on which this Act entered into force, shall be dealt with in accordance with existing legal regulations, with the exception of a failure to comply with conditions under Section 6a paragraph 3 of Act No. 72/2000 Coll., in the form effective until the date on which this Act entered into force, which will be dealt with in accordance with Section 6a paragraph 8 second sentence of Act No. 72/2000 Coll., in the wording effective from the date on which this Act enters into force.

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Article II of Act No. /2014 Coll.  
Transitional provisions

1. Proceedings under Act No. 72/2000 Coll. initiated before the date on which this Act entered into force and not completed by that date, shall be completed and the rights and obligations related thereto shall be assessed in accordance with Act No. 72/2000 Coll., in the wording effective before the date on which this Act entered into force.

2. Investment incentives granted in accordance with Act No. 72/2000 Coll., in the wording in effect prior to the date of entry into force of this Act, shall remain in force to the extent and subject to the conditions under which they were granted.

3. The provisions of Section 6a paragraph 2 last sentence of Act No. 72/2000 Coll., in the wording effective from the date on which this Act entered into force, shall also apply to beneficiaries of investment incentives provided with a covenant for investment incentives in accordance with Act No. 72/2000 Coll. in the wording effective before the date on which this Act entered into force.

## **Part of Act No. 586/1992 Coll., on income tax**

### Section 35a

(1) A taxpayer who has been granted an investment incentive covenant under a special legal regulation<sup>67)</sup>, who started a business for the grant of a covenant and is registered as a payer of income tax, may, if he/she fulfils the general conditions laid down by special legislation and the special conditions stipulated in this Act, claim a tax rebate, this being,

- a) in the case of a taxpayer of income tax from legal entities, the product of the tax rate pursuant to Section 21 paragraph 1 and the tax base pursuant to Section 20 paragraph 1, reduced by items pursuant to Section 34 and Section 20 paragraph 8 and by the difference by which interest income included in the tax base pursuant to Section 20 paragraph 1 exceeds related expenditure (costs),
- b) in the case of a taxpayer of income tax from natural persons, the amount of the tax calculated in accordance with Section 16 from the partial tax base (Section 7).

The amount of the tax rebate does not change if a higher tax liability is subsequently applied.

(2) The special conditions, under which a tax rebate pursuant to paragraph 1 may be applied, are

- a) beginning with the tax period in which it fulfilled the general conditions in accordance with the Act regulating investment incentives, while setting the tax base at the highest possible level, the taxpayer shall apply
  - 1. all depreciations pursuant to Sections 26 to 33; depreciation may not be interrupted during the period the rebate is applied (Section 26 paragraph 8), and the method of depreciation pursuant to this Act shall be determined by the taxpayer,
  - 2. adjustments to receivables pursuant to a special legal regulation<sup>22a)</sup>,
  - 3. items deductible from the tax base pursuant to Section 34 in the closest tax period for which the tax base will be reported,
- b) the taxpayer will be assessed as the first owner on the territory of the Czech Republic for long-term tangible assets<sup>20)</sup>, with the exception of tangible assets acquired under an investment project assessed for the purposes of providing state aid; this shall not apply to property acquired under the liquidation of assets in accordance with a special legal regulation<sup>19a)</sup>,
- c) during the period for which a tax rebate may be applied pursuant to paragraph 3, the taxpayer shall not be dissolved, no bankruptcy ruling shall be made against it, or, in the case of a natural person, he/she shall not terminate or interrupt their business activities,
- d) beginning in the tax period in which it fulfilled the general conditions in accordance with the Act regulating investment incentives, the taxpayer shall not increase the base for calculating a tax rebate on business operations in relation to those persons referred to in the provisions of Section 23 paragraph 7 in a manner that does not correspond to the economic principles of normal business relations,
- e) the possession of long-term tangible and intangible assets<sup>20)</sup> acquired by the taxpayer shall be recorded in the list of assets at least in the amounts laid down in the general conditions for an investment project in accordance with the Act regulating investment incentives,
- f) a taxpayer who has been granted several investment incentive covenants for the same type of investment project, defined in the Act regulating investment incentives, in accordance

with a special legal regulation<sup>67)</sup>, may only apply a tax rebate to one of these covenants during a particular tax period. If a tax rebate is applied under a covenant granted at a later date, no tax rebate may be applied during all subsequent tax periods under the covenants granted previously for the same type of investment project as defined in the Act regulating investment incentives.

(3) A tax rebate pursuant to paragraph 1 above may be applied for a period of ten consecutive tax periods, where the first tax period for which the tax rebate may be claimed is the tax period during which the taxpayer fulfilled the general conditions laid down in special legislation<sup>67)</sup> and the special conditions stipulated in this Act, but at the latest for the tax period occurring three years after the issue of a Covenant Approval Decision for investment incentives pursuant to a special legal regulation.

(4) The tax rebate for an individual tax period may not exceed the level of state aid pursuant to the Act regulating investment incentives, relative to the eligible expenditure actually occurred at that time and, at the same time the total amount, in aggregate with other forms of investment incentives, may not exceed the maximum amount of state aid laid down in a decision pursuant to the Act regulating investment incentives.

(5) The amount of the tax rebate is rounded down to the nearest CZK.

(6) Should the taxpayer fail to comply with any of the conditions laid down in paragraph 2 above, with the exception of conditions laid down in paragraph 2 (a) and (d), or with any of the general conditions stipulated in a special legal regulation, or any of the conditions whose non-fulfilment means that the Covenant Approval Decision for the investment incentive shall cease to have effect, the tax rebate pursuant to paragraph 1 above shall cease to apply and the taxpayer is required to submit an additional tax return for each tax period in which the rebate was applied. If the taxpayer submits an additional tax return on the basis of a decision on a binding assessment of the manner in which the price agreed between associates was reached, issued in relation to the application of an international treaty, the right to a rebate according to the first sentence shall not cease to apply. Should the taxpayer fail to comply with the condition laid down in paragraph 2 (a) or (d) the right to a rebate for the tax period during which this conditions was not met shall be reduced by an amount corresponding to the aggregate of the tax rates pursuant to Section 21 paragraph 1 and the proportion of the change on the tax base after being reduced by the items referred to in Section 20 paragraph 8 and Section 34, which resulted from a breach of the conditions laid down in paragraph 2 (a) or (d), and the taxpayer is required to submit an additional tax return for each tax period in which the condition was not met. The tax rebate may not reach negative values.

(7) If the taxpayer participates in a merger or, as a successor business corporation a division by merger, or assumes the assets of a business corporation that has been dissolved as a successor associate (transfer of assets to an associate), during the period from the issuance of a Covenant Approval Decision for investment incentives until the expiry of the period in which the tax rebate may be applied pursuant to paragraph 3 above, the tax rebate pursuant to paragraph 1 above may not be applied in the subsequent tax periods, starting with the tax period pursuant to Section 21a (c). The taxpayer shall notify the competent tax administration, the Ministry of Finance and the Ministry of Industry and Trade of this fact. The obligation to fulfil the conditions laid down in the Act regulating investment incentives shall remain unaffected.

(8) If the taxpayer increases the tax base for the calculation of the tax rebate by transferring assets or a part thereof to persons referred to in Section 23 paragraph 7, which will result in a reduction of their tax base or an increase in their tax losses during the period from the issuance of a Covenant Approval Decision for investment incentives until the expiry of the period in which the tax rebate may be applied pursuant to paragraph 3 above, the tax rebate pursuant to paragraph 1 above may not be applied in subsequent tax periods, starting with the tax period in which the event occurred. The taxpayer shall notify the competent tax administration, the Ministry of Finance and the Ministry of Industry and Trade of this fact. The obligation to fulfil the conditions laid down in the Act regulating investment incentives shall remain unaffected.

(9) If the taxpayer notifies the competent tax administration that the tax rebate referred to in paragraph 1 above will no longer be applied during the period in which a tax rebate may be applied pursuant to paragraph 3, the tax rebate pursuant to paragraph 1 above may not be applied in the subsequent tax periods, starting with the tax period in which the competent tax administration was notified of this fact. The taxpayer shall also notify the Ministry of Finance and the Ministry of Industry and Trade. The obligation to fulfil the conditions laid down in the Act regulating investment incentives shall remain unaffected.

#### Section 35b

(1) A taxpayer who has been granted a covenant for investment incentives pursuant to a special legal regulation and is not subject to the provisions of Section 35a, may, if he/she meets the general conditions laid down in a special legal regulation and the special conditions stipulated in this Act, may apply a tax rebate, which is calculated according to the formula  $S1$  minus  $S2$ , where

- a)  $S1$  is equal to the amount of tax calculated under paragraph 2 for the tax period for which the rebate will be applied; this amount is not increased if higher tax liabilities are subsequently applied,
- b)  $S2$  is equal to the arithmetic average of the amount of tax calculated under paragraph 2 for the three tax periods immediately preceding the tax period for which the rebate can be applied initially. In the case of a taxpayer who has been registered for income tax for a period less than three tax periods, the arithmetic average of the amount of tax for each of the tax periods is calculated. In the event that the relevant tax period is shorter or longer than 12 months, the amount of tax calculated under paragraph 2 in order to calculate the arithmetic average of the amount of tax is adjusted to cover a period of 12 months. This arithmetic average of the amount of tax will be adjusted by the value of individual year on year sectoral price indices announced by the Czech Statistical Office, starting with the index relating to the last tax period for which the arithmetic average of the amount of tax was calculated; the arithmetic average of the amount of tax is not reduced if lower tax liabilities are subsequently applied for the relevant tax period.

(2) The amount of tax for the purposes of paragraph 1 is

- a) in the case of a taxpayer of income tax from legal entities equal to the amount of the tax rate calculated in accordance with Section 21 paragraph 1 from the tax base pursuant to Section 20 paragraph 1, reduced by items pursuant to Section 34 and Section 20 paragraph 8 and by the amount by which the interest income included in the tax base pursuant to Section 20 paragraph 1 exceeds the expenditure (costs) related thereto,

b) in the case of a taxpayer of income tax from natural persons equal to the amount calculated in accordance with Section 16 of the incremental tax base pursuant to Section 7.

(3) If the taxpayer showed a tax loss for the relevant tax period for which the arithmetic average of the amount of tax was calculated pursuant to paragraph 1 (b) or was not subject to tax, a zero value is used for the relevant tax period for the purpose of calculating the arithmetic average of the amount of tax under paragraph 1 (b).

(4) A tax rebate pursuant to paragraph 1 may be applied for a period of ten consecutive tax years, where the first tax period for which the tax rebate may be applied is the tax period during which the taxpayer fulfils the general conditions laid down in a special legal regulation<sup>67)</sup> and the special conditions stipulated in this Act, but at the latest for the tax period occurring three years after the issue of a Covenant Approval Decision for investment incentives pursuant to a special legal regulation.

(5) The tax rebate for an individual tax period may not exceed the level of state aid pursuant to the Act regulating investment incentives relative to the eligible expenditure actually incurred at that time and, at the same time the total amount, in aggregate with other forms of investment incentives, may not exceed the maximum amount of state aid laid down in a decision pursuant to the Act regulating investment incentives.

(6) The provisions of Section 35a paragraph 2, 5, 7, 8 and 9 shall apply *mutatis mutandis*.

(7) Should the taxpayer fail to comply with any of the conditions laid down in Section 35a paragraph 2, with the exception of conditions laid down in paragraph 2 (a) and (d), or with any of the general conditions stipulated in a special legal regulation, or any of the conditions whose non-fulfilment means that the Covenant Approval Decision for the investment incentive shall cease to have effect, the tax rebate pursuant to paragraph 1 above shall cease to apply and the taxpayer is required to submit an additional tax return for each tax period in which the rebate was applied. If the taxpayer submits an additional tax return on the basis of a decision on a binding assessment of the manner in which the price agreed between associates was reached, issued in relation to the application of an international treaty, the right to a rebate according to the first sentence shall not cease to apply. Should the taxpayer fail to comply with the condition laid down in Section 35a paragraph 2 (a) or (d) the right to a rebate for the tax period during which this condition was not met shall be reduced by an amount corresponding to the aggregate of the tax rates pursuant to Section 21 paragraph 1 and the proportion of the change in the tax base after being reduced by the items referred to in Section 20 paragraph 8 and Section 34, which arise due to the breach of the conditions laid down in paragraph 2 (a) or (d), and the taxpayer is required to submit an additional tax return for each tax period in which the condition was not met. The tax rebate may not reach negative values.

#### Section 38r

(1) if an investment incentive was granted in the form of a tax rebate, the deadline for establishing the tax level for the tax period during which the right to a rebate arose, as well as for all the tax periods during which this rebate can be applied, shall end at the same time as the deadline for establishing the tax rate for the tax period during which the facts set out in Section 35a paragraph 7, 8 or 9 occurred or during which the deadline for applying the right to a tax rebate expired.

(2) If a tax loss, or its part, may be applied during the tax period following a tax period during which the tax loss arose, as an item that is deductible from the tax base, the deadline for setting the level of tax during the tax period in which the tax loss emerged, as well as for all tax periods during which this tax loss or a portion thereof may be applied shall terminate at the same time as the deadline for setting the level of tax for the last tax period for which the tax loss or portion thereof may be applied. A similar procedure shall be adopted for the application of losses on the transfer of a business plant, a merger between business companies or the division of business companies.

(3) The deadline for establishing the level of tax due to the failure to give consideration for financial leasing of tangible assets as expenditure starts to run from the end of the calendar year in which it was first possible to verify compliance with these mandatory conditions.

(4) The provisions of paragraphs 2 and 3 apply to all taxpayers, regardless of whether they were granted an investment incentive pursuant to a special legal regulation<sup>67)</sup>.

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<sup>19a)</sup> Act No. 182/2006 Coll., on bankruptcy and settlement (the Insolvency Act), as amended.

<sup>20)</sup> Act No. 563/1991 Coll., on accounting, as amended.

<sup>22a)</sup> Act CNC No.593/1992 Coll., on reserves to determine the income tax base, as amended.

<sup>67)</sup> Act No. 72/2000 Coll., on investment incentives and on amendments to certain Acts (Act on Investment Incentives).

Selected provisions of amendments

Article IV of Act No. 192/2012 Coll.

Transitional provisions

1. The provisions of Section 35a and 35b of Act No. 586/1992 Coll., in the wording effective from the date on which this Act enters into force, shall first be applied to a taxpayer who has been granted a covenant for investment incentives in proceedings pursuant to Act No. 72/2000 Coll., in the wording effective from the date on which this Act enters into force.
2. The provisions of Section 36 paragraph 3 of Act No. 586/1992 Coll., in the wording effective before the date on which Article III point 6 of this Act entered into force, shall apply to interest income from bonds issued prior to the date on which Article III point 6 of this Act entered into force.
3. If the obligation to submit a tax return pursuant to Section 38m paragraph 2 (e) or (f) of Act No. 586/1992 Coll., in the wording effective before the date on which this Act entered into force arises during the period from 1 January 2012 to the day preceding the date on which this Act entered into force, this tax return shall be submitted at the latest within three months of the date on which this Act enters into force.

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Article IV of Act No. /2014 Coll.

Transitional provisions

The provisions of Act No. 586/1992 Coll., in the wording effective prior to the date on which this Act entered into force shall be applied to a covenant for investment incentives granted in proceedings pursuant to Act No. 72/2000 Coll., on investment incentives, with the exception of Section 35a paragraph 2 (a), (c) and (d), Section 35a paragraphs 6, 7, 8 and 9, Section 35b paragraphs 6 and 7 and Section 38r paragraph 1, which shall be subject to Act No. 586/1992 Coll., in the wording effective from the date on which this Act entered into force.



## **Part of Act No. 435/2004 Coll., on employment**

### CHAPTER III

#### INVESTMENT INCENTIVES

##### Section 111

(1) Investment incentives are an active employment policy instrument by which an employer who has been issued a Covenant Approval Decision pursuant to a special legal regulation<sup>55)</sup>, materially supports

- a) the creation of new jobs,
- b) the retraining or training of new employees.

(2) For the purposes of investment incentives, training means theoretical and practical education, acquiring knowledge and skills for the positions occupied by employees, and corresponding to the requirements set by the employer. Training may also be provided by the employer.

(3) Material support for the creation of new jobs can be provided to an employer who will create new jobs in the area in which the average level of unemployment over the two half-years completed prior to the date on which the employer submitted his application to receive an investment incentive<sup>55)</sup> is at least 25% higher than the average level of unemployment in the Czech Republic, or on the territory of concessionary industrial zones approved by the Government in accordance with a special legal regulation<sup>55)</sup>. Jobs created after the day on which the application for an investment incentive was submitted shall be included in the overall number of new jobs.

(4) Material support for retraining or training of employees may be provided to the employer as partial reimbursement of the funds that are actually invested into the retraining or training of new employees. The condition of the minimum level of unemployment in the territorial area, set forth in paragraph 3, also applies to the provision of material support for the retraining or training of employees. Employees who have received retraining or training after the day the application for investment incentives was submitted shall be included in the overall number of retrained or trained employees.

(5) Material support for the creation of new jobs and material support for the retraining or training of new employees is provided by the Labour Office. The material support for the creation of new job vacancies or material support for retraining or training of new employees shall not be provided to employers for the period of 3 years from the date when a decision on the imposition of a fine for allowing illegal work to be performed under Section 5 (e) came into force.

(6) The agreement to provide material support for the creation of new jobs shall contain

- a) the identification data of the parties to the agreement,
- b) the number of new jobs to be created,
- c) the date by which these jobs are to be occupied by an agreed number of employees,

- d) the types of costs against which the material support can be used,
- e) the amount and date for the provision of the material support,
- f) the method of monitoring compliance with the agreed conditions,
- g) the manner and accounting date for the material support,
- h) an undertaking by the employer to return any material support, or part of it, should he fail to draw down the material support by the agreed deadline, or if its payment was unjustified or the amount was higher than that due, through his fault, and the deadline and conditions for returning the material support,
- i) an undertaking by the employer immediately to return any material support if the support was provided in the period of 12 months before the decision on the imposition of a fine for allowing illegal work under Section 5 (e), and the deadline and conditions for returning the material support,
- j) the terms for terminating the agreement.

(7) The agreement to provide material support for the retraining or training of new employees shall contain

- a) the identification data of the parties to the agreement,
- b) the number of employees to be included in the retraining or training programme,
- c) the content of the retraining or training, the manner and length of its performance,
- d) the estimated costs of the retraining or training,
- e) the date by which the number of employees to be retrained or trained is to be agreed,
- f) the types of costs against which the material support can be used,
- g) the amount and date for the provision of the material support,
- h) the method of monitoring compliance with the agreed conditions,
- i) the manner and accounting deadline for the material support,
- j) an undertaking by the employer to return any material support, or part of it, should he fail to draw down the material support by the agreed deadline, or if its payment was unjustified or the amount was higher than that due, through his fault, and the deadline and conditions for returning the material support,
- k) an undertaking by the employer immediately to return any material support if the support was provided in the period of 12 months before the decision on the imposition of a fine for allowing illegal work under Section 5 (e), and the deadline and conditions for returning the material support,
- l) the terms for terminating the agreement.

(8) The obligations of the employer negotiated in the agreement to provide material support for the creation of new jobs and in the agreement to provide material support for the retraining or training of new employees must be met within a period of three years from the issuance of a Covenant Approval Decision in accordance with a special legal regulation<sup>55</sup>).

(9) Material support for the creation of new jobs and material support for the retraining or training of new employees are specifically earmarked and may not be used for any other purpose than that entered in the agreement for its provision.

(10) Failure to comply with conditions for granting the contribution pursuant to paragraphs 6 and 7 or the failure to return the contribution by the due date shall be deemed to be a breach of budgetary discipline and shall be punished by a levy for breach of budgetary discipline, in accordance with a special legal regulation<sup>46)</sup>.

(11) The territorial area means the territory of the district<sup>11)</sup>, in which the investment project is located.

(12) The amount of material support for one newly created job and the level of material support for the retraining or training of employees is set by Government regulation depending on the situation in the labour market, expressed as the rate of unemployment or by other indicators, groups of people who can be placed in new, subsidised jobs, and the form in which the material support is provided shall be determined by the Government in regulation.

(12) Employers who have received material support in accordance with paragraph 1, may not receive other grants from the active employment policy funds for the same purpose for which the material support was provided for the period of validity of the agreement with the Labour Office.

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<sup>11)</sup> Decree No. 564/2002 Coll., on determining the territory of the districts of the Czech Republic and the territory of the districts of the Capital City of Prague.

<sup>46)</sup> Act No. 218/2000 Coll., as amended.

<sup>55)</sup> Act No. 72/2000 Coll., on investment incentives and on amendments to certain Acts (Act on Investment Incentives), as amended.

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## Article VI of Act No. /2014 Coll.

### Transitional provisions

Act No. 435/2004 Coll., in the wording effective prior to the date on which this Act enters into force, shall apply to a covenant for investment incentives granted in proceedings pursuant to Act No. 72/2000 Coll., on investment incentives, initiated prior to the date on which this Act enters into force.

**Part of Act No. 338/1992 Coll., on taxes on immovable property**

Section 4

Exemption

(1) The following shall be exempt from land tax

- a) land owned by the Czech Republic,
- b) land owned by the municipality of the cadastral territory in which they are located,
- c) land used by diplomatic representatives authorised in the Czech Republic, professional consuls and other people who enjoy diplomatic and consular privileges and immunities under international law, provided that they are not citizens of the Czech Republic and that reciprocity is guaranteed,
- d) land forming a single functional unit, with a taxable structure which is a publicly accessible heritage site declared a cultural monument, which is
  - 1. owned by the Czech Republic, or
  - 2. accessible for educational purposes on the basis of a written agreement concluded between the Ministry of Culture and the owner,
- e) land forming a single functional unit with a building or unit used to perform religious rites by registered churches and religious societies registered under the Act regulating churches and religious communities, as well as a building or unit used for the spiritual administration of these churches and religious societies,
- f) land forming a single functional unit with a building or unit owned by public beneficial corporations, associations, trades unions, employers' organisations, international trades union organisations and their ancillary organisations,
- g) land forming a single functional unit with a taxable structure or unit used
  - 1. as a school or school facility entered in the register of schools,
  - 2. to provide care for children under the age of three on the basis of a trades licence,
  - 3. as a museum or gallery, managing collections registered in the central records of museum collections held by the Ministry of Culture,
  - 4. as a library, registered in the register of libraries,
  - 5. as a public archive pursuant to the Act regulating archives and the records service,
  - 6. as a medical facility, named in a decision to authorise the provision of healthcare services,
  - 7. as a social services facility,
  - 8. as a foundation or institute for the performance of community service,
- h) land forming a single functional unit with a taxable structure or unit used exclusively
  - 1. for the treatment of waste for its subsequent recovery in accordance with legal regulations on waste,
  - 2. for the remediation and reclamation of landfills under legal regulations on waste,
  - 3. for the remediation of contaminated land, groundwater and buildings,
  - 4. for waste sorting and collection,
  - 5. for thermal, biological, chemical or physical waste disposal,
  - 6. for waste landfills meeting the conditions laid down for the operation of landfills in accordance with the legal regulations on waste,
  - 7. to operate small hydroelectric power plants with an output of up to 1 MW,
  - 8. to operate power plants using wind energy,

9. to operate power plants and heat plants using biogas energy, provided the energy generated is supplied to the grid or other consumers,
  10. for sources using geothermal energy, including heat pumps, which supply heat to consumers,
  11. for wastewater treatment plants,
  12. for heat distribution systems in accordance with the Energy Act,
- i) land on which public and private burial grounds have been established in accordance with the Act regulating burial grounds,
  - j) land in specially protected areas in accordance with legislation on nature conservation and landscape protection<sup>11)</sup> with the exception of national parks and protected landscape areas; land included in the 1<sup>st</sup> zones of national parks and protected landscape areas,
  - k) land containing hedgerows, woods and windbreaks and boundaries on arable land, permanent grasslands, land containing protection zones for 1<sup>st</sup> degree water sources and other areas that cannot be exploited in any way,
  - l) publicly accessible parkland, open areas and sports facilities,
  - m) agricultural land for a period of five years and forest land for 25 years, starting on the year following the year in which it was returned to agricultural or forestry production after technical rehabilitation measures or biological fertilisation,
  - n) within the scope of built-up areas with the structures listed below, built-up land pursuant to the Building Act with structures
    1. regulating water flow,
    2. dams,
    3. used for flood protection,
    4. used for irrigation and land drainage,
    5. water mains and water supply facilities, including water treatment plants,
    6. sewers, draining facilities or wastewater treatment plants, as well as those designed to treat wastewater before its discharge into sewers, or
    7. transmission, transportation or distribution systems or heat distribution equipment in accordance with the Energy Act,
  - o) built-up land pursuant to the Building Act, consisting of motorways, main roads, local roads, public utility roads, structures for railways, runways, waterways and ports, provided they comply with the decision of a special building authority applicable to public transport, within the scope of the built-up area for such structures, and other land designated for public transport,
  - p) parts of land on which a surveying marker point has been established, including signalling and protective equipment for the point area, and strips of forestry land designated for electricity and gas distribution,
  - r) land owned by public institutes of higher education,<sup>16c)</sup> used for the implementation of accredited study programmes,
  - s) land designated for forestry, containing productive forests affected by emissions, classified in the two highest risk categories,
  - t) land owned by a region, located in its territorial district,
  - u) land owned by public research institutions,
  - v) arable land, hop gardens, vineyards, orchards and permanent grasslands, provided the municipalities issues a generally binding decree; if the municipality exempts these

categories of land from land tax, this exemption shall not apply to land in built up areas<sup>16d)</sup> or land that can be pledged<sup>16d)</sup> owned by the municipality, if the municipality so provides by a generally binding decree, which also defines this land by its plot number and names the cadastral area in which it lies,

- w) land forming a single functional unit with a public monitoring network providing information on the status of individual environmental elements, financed from public budgets,
- x) land on the territory of concessional industrial zones approved by the Government in accordance with the Act regulating investment incentives acquired as part of an investment project, for which a Covenant Approval Decision on investment incentives has been issued in the form of an exemption of taxes on immovable property, for a maximum period of 5 years, unless the municipality has granted a full or partial exemption to the land on the territory of concessional industrial zones in a generally binding regulation.
- x) land on the territory of concessional industrial zones approved by the Government in accordance with the Act regulating investment incentives acquired as part of an investment project, for which a Covenant Approval Decision on investment incentives has been issued, in the form of an exemption of taxes on immovable property, for a period of up to 10 years starting on the year following the year in which the general conditions laid down in the Act regulating investment incentives were met.

(2) Land forming a single functional unit with a taxable building or unit means that part of the land that is essential for the operation and performance of the functions of this taxable building or unit.

(3) Land referred to in paragraph 1 (a) is exempt from land tax if it is not used for business, leased or rented; if this land is leased or rented by a municipality, region or state organisational unit or subsidised organisation, it is exempt on condition it is not used for business. Land referred to in paragraph 1 (d) to (g), (l), (r), (t) and (u) is exempt from land tax provided it is not used for business, leased or rented.

(4) The taxpayer shall claim the exemption from land tax pursuant to paragraph 1 (d) to (h), (j), (k), (m), (p), (r), (u) to x) in their tax return.

(5) The exemption pursuant to paragraph 1 shall also apply to part of the land.

(6) Exemption from land tax pursuant to paragraph 1 (x) may not exceed the level of state aid in individual tax periods, pursuant to the Act regulating investment incentives, relative to the eligible costs actually incurred thus far and, at the same time, may not, when aggregated with other forms of investment incentives, exceed the maximum amount of state aid stipulated in the Covenant Approval Decision for investment incentives. Should it exceed the level of state aid in a particular tax period, pursuant to the Act regulating investment incentives, relative to the eligible costs actually incurred thus far, or the maximum amount of state aid stipulated in the Covenant Approval Decision for investment incentives, the taxpayer shall disclose the tax liability by 31 January of the tax period.

(7) Should a taxpayer who is claiming an exemption from land tax pursuant to paragraph 1 (x), fail to comply with any of the general conditions laid down in the Act regulating investment incentives or the condition stipulated in paragraph 6, the right to an exemption from land tax pursuant to paragraph 1 (x) shall expire and the taxpayer is required

to submit an additional tax return for each tax period in which the exception from the tax on immovable property was applied.

## Section 9 Exemption

(1) The following shall be exempt from tax on buildings and units

- a) taxable buildings or units owned by the Czech Republic,
- b) taxable buildings or units owned by the municipality of the cadastral territory in which they are located,
- c) taxable buildings or units owned by a foreign state used by diplomatic representatives authorised in the Czech Republic, professional consuls and other people who enjoy diplomatic and consular privileges and immunities under international law, provided that they are not citizens of the Czech Republic and that reciprocity is guaranteed,
- d) taxable buildings of a publicly accessible heritage site declared a cultural monument, which is
  - 1. owned by the Czech Republic, or
  - 2. accessible for educational purposes on the basis of a written agreement concluded between the Ministry of Culture and the owner; the agreement shall state the opening times and area that may be accessed and lay down rules regulating such access in accordance with the cultural value and other ways in which the building is to be used,
- e) buildings or units owned by registered churches and registered religious societies pursuant to the Act regulating churches and religious societies, used to perform religious services and for the spiritual administration of these churches and religious societies,
- f) buildings or units owned by public beneficial corporations, associations, trades unions, employers' organisations, international trades union organisations and their ancillary organisations,
- g) repealed
- h) repealed
- i) taxable structures
  - 1. water management structures, including water treatment plants,
  - 2. sewerage systems or wastewater treatment plants, as well as taxable structures designed to treat wastewater before its discharge into the sewers,
  - 3. for land irrigation and drainage,
  - 4. transmission, transport or distribution systems or heat distribution systems pursuant to the Energy Act,
- j) taxable structures on the railways, airports, waterways and ports, provided these comply with a decision by a special building authority applicable to public transport,
- k) taxable buildings or units use for
  - 1. schools and school facilities entered in the register of schools,
  - 2. the provision of care to children under the age of three on the basis of a trades licence,
  - 3. museums or galleries, managing collections registered in the central records of museum collections held by the Ministry of Culture,
  - 4. libraries, registered in the register of libraries,

5. public archives pursuant to the Act regulating archives and the records service,
  6. medical facilities, named in a decision to authorise the provision of healthcare services,
  7. social services facilities,
  8. a foundation or institute for the performance of community service,
  9. associations of disabled persons.
- l) taxable buildings or units used to provide mass transport,
- m) taxable buildings or units used exclusively
1. for the treatment of waste for its subsequent recovery in accordance with legal regulations on waste,
  2. for the remediation and reclamation of landfills under legal regulations on waste,
  3. for the remediation of contaminated land, groundwater and buildings,
  4. for waste sorting and collection,
  5. for thermal, biological, chemical or physical waste disposal,
  6. for waste landfills meeting the conditions laid down for the operation of landfills in accordance with the legal regulations on waste,
  7. to operate small hydroelectric power plants with an output of up to 1 MW,
  8. to operate power plants using wind energy,
  9. to operate power plants and heat plants using biogas energy, provided the energy generated is supplied to the grid or other consumers,
  10. for sources using geothermal energy, including heat pumps, which supply heat to consumers
  11. as a source for energy from biomass,
- n) residential buildings or units owned by a partially or fully disabled person, who receives a subsistence allowance or is a person jointly assessed with the recipient of a subsistence allowance, to the extent to which these are used for their permanent housing,
- o) buildings for family recreation owned by
1. a partially disabled person who is either the recipient of a subsistence allowance or is a person jointly assessed with the recipient of a subsistence allowance, or
  2. a fully disabled person,
- p) taxable buildings or cultural heritage units<sup>18c)</sup> after completion of building works, starting in the year following acceptance of the building works, for a period of 8 years,
- r) taxable buildings or units for a period of five years from the year following the completion of renovations consisting of changing the heating system by transferring from a solid fuel system to one using renewable energy, whether solar, wind, geothermal or biomass,
- s) repealed
- t) taxable buildings or units owned by the region, which are located in its territorial district,
- u) taxable buildings or units owned by public research institutions,
- v) taxable buildings or units owned by public institutes of higher education,
- w) taxable buildings on the territory of concessional industrial zones approved by the Government in accordance with the Act regulating investment incentives acquired or established for the implementation of an investment project, for which a Covenant Approval Decision on investment incentives has been issued in the form of an exemption of taxes on immovable property, for a maximum period of 5 years, unless the municipality has granted a full or partial exemption to the land on the territory of concessional industrial zones in a generally binding regulation.



(2) If only part of the taxable building or unit is eligible for exemption pursuant to paragraph 1, the claim for exemption shall apply to the ratio of the floor area of the part of the taxable building lying above ground level, or the floor area of the unit eligible for exemption to the total floor area of the part of the taxable building lying above ground level or the floor area of the unit.

(3) In the case of taxable buildings pursuant to paragraph 1 (i) and (j), it is always the entire taxable building that is eligible for exemption pursuant to paragraph 1.

(4) Taxable buildings, with the exception of residential buildings, and units containing commercial space other than basements or utility rooms, referred to in paragraph 1 (a) shall be exempt from taxes on buildings and units, provided they are not used for business, leased or rented; if they are leased or rented by municipalities, regions or state organisational units or subsidised organisations, they are exempt on condition they are not used for commercial purposes. Taxable buildings or units referred to in the provisions of paragraph 1 (e), (f), (u) and (v) are exempt from tax on buildings and units provided they are not used for business, leased or rented.

(5) The taxpayer shall claim an exemption from tax on buildings and units pursuant to paragraph 1 (d) to (f), (k), (m) to (r), (u) to (w) in the tax return.

#### Section 12d

##### Exemption from taxes on immovable property in concessional industrial zones

(1) Exemption from taxes on immovable property in concessional industrial zones may not exceed the level of state aid in individual tax periods, pursuant to the Act regulating investment incentives, relative to the eligible costs actually incurred thus far and, at the same time, may not, when aggregated with other forms of investment incentives, exceed the maximum amount of state aid stipulated in the Covenant Approval Decision for investment incentives, in accordance with the Act regulating investment incentives.

(2) Partial exemption from taxes on immovable property in concessional industrial zones shall be determined by the municipality as a percentage in a generally binding decree.

(3) The municipality shall define the territory of a concessional industrial zone in a generally binding decree, applying its plot number and indicating the cadastral area in which it is located.

#### Section 14

##### Special provisions on tax returns and tax assessment

(1) Should a taxpayer who claims an exemption from taxes on immovable property in a concessional industrial zone fail to comply with any of the general conditions stipulated in the Act regulating investment incentives or any of the obligations or any of the conditions whose non-fulfilment means that the Covenant Approval Decision for the investment incentive shall cease to have effect, the right to an exemption for land or taxable buildings shall expire.

(2) Should the right to an exemption expire pursuant to paragraph 1 above, the taxpayer is required to submit an additional tax return for each tax period in which this exemption was exercised.

(3) If an investment incentive in the form of an exemption pursuant to paragraph 1 above was granted, the deadline for assessing taxes for the tax period in which the right to this exemption arose, and for all tax periods in which this exemption can be applied, shall terminate at the same time as the deadline for assessing taxes for the tax period in which the period for exercising a claim to this exemption terminated.

#### Section 16a

(1) The municipality is required to send one copy of the generally binding decree issued by the municipality in accordance with Section 4 paragraph 1 (v) and (x), Section 6, Section 9 paragraph 1 (w), Sections 11 and 12 to the competent tax administration within 5 calendar days from the date of its entry into force, while the generally binding decree shall enter into force at the latest by October 1<sup>st</sup> of the previous tax period and have effect at the latest to January 1<sup>st</sup> of the subsequent tax period; if the decree has retroactive effect it shall be deemed to be invalid. The coefficients determined by the municipality in a generally binding decree shall also be used to calculate taxes for the 1994 tax period, even if the decree enters into force by 31 January 1994.

(2) A valid generally binding decree pursuant to the provisions of Section 4 paragraph 1 (v), Sections 6, 11 and 12 may be issued in 2009 for the 2010 tax year by 30 November 2009 with effect from 1 January 2010.

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<sup>11)</sup> Act No. 114/1992 Coll., on nature conservation and landscape protection.

<sup>16c)</sup> Act No. 111/1998 Coll., on higher education institutions and on amendments and additions to other Acts (the Higher Education Act).

<sup>16d)</sup> Act No. 183/2006 Coll., on town and country planning and the building code (the Building Act).

<sup>18c)</sup> Act of the CNC No. 20/1987 Coll., on State monument care, as amended.

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#### Article VIII of Act No. /2014 Sb.

##### Transitional provisions

Act No. 338/1992 Coll., in the wording effective prior to the date on which this Act enters into force, shall apply to a covenant for investment incentives granted in proceedings pursuant to Act No. 72/2000 Coll., on investment incentives, initiated prior to the date on which this Act enters into force.