

4. Investment Incentives

Investment incentives are available not only to investors launching or expanding production, but also to technology centres and business support services centres. Thanks to the amendment to the Investment Incentives Act that came into force on 1 May 2015, investors can now apply for more types of investment incentives.

SUPPORTED AREAS

Industry

- Introduction or expansion of production in sectors of the manufacturing industry

Technology centres

- Construction or expansion of research and development centres

Business support services centres

Launch or expansion of the activities of:

- Shared-services centres
- Software-development centres
- High-tech repair centres
- Data centres
- Customer support centres (call centres)

THE NATIONAL INCENTIVES SCHEME

Tax incentive	Corporate income-tax relief for up to ten years for new companies
	Partial corporate income-tax relief for up to ten years for existing companies
Job-creation grants	Financial support for creation of new jobs
Training and retraining grants	Financial support for training and retraining of new employees
Cash grant for capital investment	Financial support in the case of strategic investments in manufacturing or in technology centres
Property tax incentive	Property tax exemption for up to five years

Tax incentive

The tax incentive has two forms. If a new company (legal entity) is established for the investment project, the new company is eligible for corporate income-tax relief for up to ten years. If the investment takes the form of an expansion project within an existing Czech company (legal entity), the company is eligible for partial corporate income-tax relief for up to ten years. The tax relief is terminated when the company has reached the maximum permissible state-aid intensity (see the map).

Job-creation and training and retraining grants

Job creation and training and retraining grants are provided only in districts with unemployment that is at least 25% higher than the national average and in special industrial zones. Job creation grants are offered at three levels:

- CZK 300,000 per new job in special industrial zones
- CZK 200,000 per new job in regions with an unemployment rate that is at least 50% higher than the national average
- CZK 100,000 per new job in regions with an unemployment rate that is between 25% and 50% higher than the national average

Training and retraining grants are offered in the amount of up to 25% or 50% of eligible training costs depending on the region.

Cash grant for capital investment

A cash grant for capital investment is available only to strategic investment projects. For capital investments in projects in this category, the level of financial support may be up to 10% of eligible investment costs. This support is available for projects in the manufacturing industry and technology centres. Decisions concerning support for eligible projects will be made by the Government of the Czech Republic.

Property tax incentive

A property tax exemption for up to five years can be offered in special industrial zones. Special industrial zones are zones designated as such by the Government of the Czech Republic.

ELIGIBILITY CRITERIA

For all types of activities, it applies that the recipient of incentives shall not start work on the project (i.e. shall not acquire any assets including orders of machines and equipment and shall not commence construction works) prior to submission of the application to CzechInvest and that the recipient shall retain the required assets and created jobs throughout the entire period of utilising state aid (at least for a period of five years).

Eligibility criteria for the manufacturing industry

- The investor must invest at least CZK 100 million (approx. \$4 million) within three years. This limit is reduced to CZK 50 million in regions with special state aid and in special industrial zones.
- At least CZK 50 million (CZK 25 million) must be invested in new machinery.
- The investor must create at least 20 new jobs.

Strategic investment

- The investor must invest at least CZK 500 million (approx. \$20 million) within three years.
- At least CZK 250 million must be invested in new machinery.
- The investor must create at least 500 new jobs.

Eligibility criteria for technology centres

- The investor must invest at least CZK 10 million (approx. \$0.4 million) within three years.
- At least CZK 5 million must be invested in new machinery.
- The investor must create at least 20 new jobs.

Strategic investment

- The investor must invest at least CZK 200 million (approx. \$8 million) within three years.
- At least CZK 100 million must be invested in new machinery.
- The investor must create at least 100 new jobs.

Eligibility criteria for business support service centres

- Creation of at least 20 new jobs at software-development centres and data centres.
- Creation of at least 70 new jobs at shared-services centres and high-tech repair centres.
- Creation of at least 500 new jobs at customer support centres (call centres).

STATE AID

The maximum permissible state-aid intensity in the Czech Republic is 25% of total eligible cost for large enterprises (see the map). The maximum state-aid intensity for data centres is 6.25%.

State aid is understood to be tax incentives, job creation grants, property tax exemption and cash grants for capital investment. Training and retraining grants are not counted towards the maximum state aid intensity, as they are provided as extra cash.

Eligible Costs

Either fixed assets, when the value of machinery comprises at least half of the value of acquired assets, or two years' gross wages for newly created jobs can serve as eligible costs from which the maximum state-aid intensity is calculated.

MAXIMUM PERMISSIBLE STATE-AID INTENSITY (2014-2020)



REGION	STATE-AID INTENSITY
Prague	0 %
Other regions	25 %

State-aid intensity is increased by 20 percentage points for small companies and ten percentage points for medium-sized companies.