

BUSINESS SUPPORT

Investment Incentives

...Your Gateway to Prosperity

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CzechInvest



“ The amendment to the Investment Incentives Act fundamentally expands the number of districts in which cash grants for job creation as well as retraining and training of new employees will be available. At present, 4 districts are supported; the amendment will make it possible to increase that number to 14. The purpose of the regional focus of cash grants is to motivate investors to implement their projects in regions with the highest rates of unemployment. This measure will stimulate the economy and thus raise the standard of living in selected regions through increased production capacities, exports and purchasing power of the local population. ”

**Karel Kučera, CEO
CzechInvest**

CzechInvest in Prague

The only place in the Czech Republic where investors can submit their applications for investment incentives

Extensive experience with administration of investment incentives in the Czech Republic

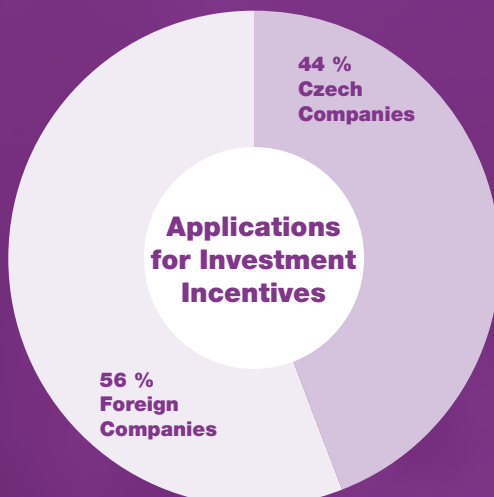
Provider of assistance to investors in submitting their applications for investment incentives

Statistics

In the period from 1998 to 2014, a total of 924 Decisions to Grant Investment Incentives were issued on the basis of registered applications

In the period from 1998 to 2014, investors committed to investing more than CZK 730 billion and to creating nearly 170,000 new jobs

Nearly half of the applications for investment incentives were submitted by Czech companies in relation to expansion of their activities in the Czech Republic



Investment Incentives

Act No. 72/2000 Coll., on Investment Incentives effective as of May 1, 2015

Investors who place their investments in the Czech Republic can obtain aid in the form of investment incentives. Czech and foreign legal entities and natural persons engaged in business can apply for investment incentives. Only a legal entity with its registered office in the Czech Republic can be a recipient of investment incentives.

Supported Areas

- **Manufacturing industry**
introduction or expansion of production in sectors of the manufacturing industry
- **Technology centres**
construction or expansion of R&D centres
- **Business support services centres**
start or expansion of the activities of
 - shared-services centres
 - software-development centres
 - high-tech repair centres
 - data centres
 - customer-support centres (call centres)

The largest numbers of applications for investment incentives were submitted in the automotive and mechanical-engineering sectors

Projects



Manufacturing Industry

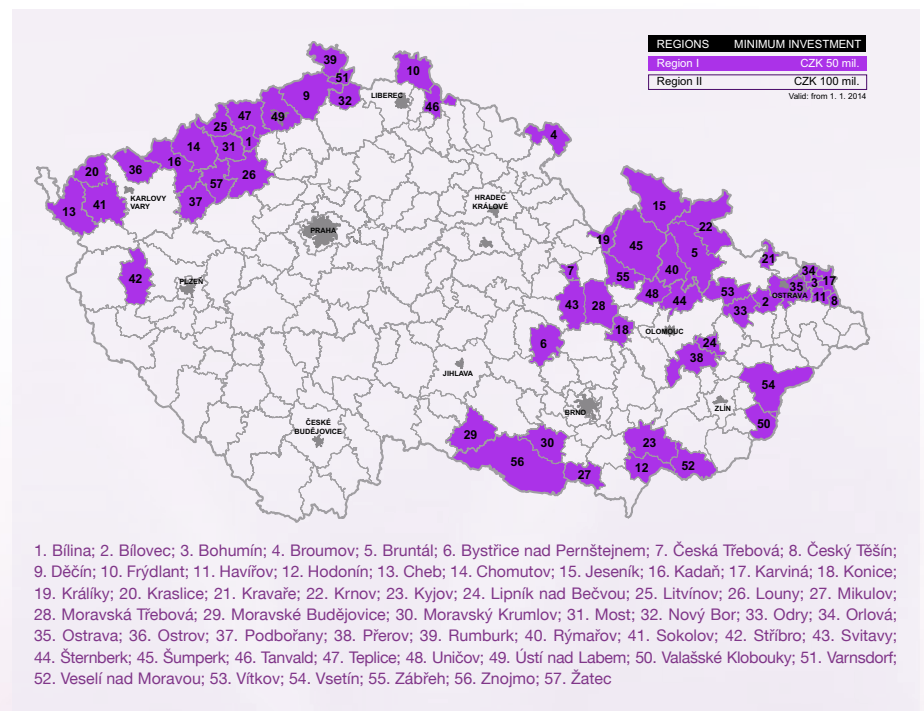
Conditions for Qualification

- The investment may not be initiated prior to submitting the incentives application to CzechInvest
- Fulfilment of the terms and conditions within three years following the granting of investment incentives
- Retention of assets and jobs throughout the period of drawing incentives, at least for five years

Investments in Manufacturing – Specific Conditions

- Minimum investment of CZK 50–100 million in assets depending on the region, of which at least 50% must be invested in new machinery
- Creation of at least 20 new jobs

Minimum Investment Amounts by Region



Source: Map data © Czech Office for Surveying, Mapping and Cadastre

Strategic Investments in Manufacturing – Specific Conditions

Minimum investment of CZK 500 million in assets of which at least 50% must be invested in new machinery

Creation of at least 500 new jobs

Overview of Specific Conditions

Manufacturing industry	Classification of regions	Min. amount of investment in assets	Min. amount of investment in new machinery	Min. number of newly created jobs
Investment	Regions I	CZK 50 mil.	CZK 25 mil.	20
	Regions II	CZK 100 mil.	CZK 50 mil.	20
Strategic investment	Regions I and II	CZK 500 mil.	CZK 250 mil.	500

“ In cooperation with CzechInvest, the Ministry of Industry and Trade, and the Ministry of Finance, we constantly strive to improve the conditions for applying corporate income-tax relief. This is a key incentive, so we are working continually on setting up an effective and transparent mechanism for calculating it. In this respect, we consider the amendment to the Investment Incentives Act of 2015 to be the most attractive measure undertaken in the history of the system. ”

Jan Linhart
Partner, KPMG Czech Republic

Forms of Investment Incentives

- Corporate income-tax relief for a period of ten years
- Cash grants for job creation up to the amount of CZK 300,000
- Cash grants for retraining and training new employees up to the amount of 50% of training costs
- Property-tax exemption for a period of five years – only in special industrial zones
- Cash grants for acquisition of assets – only for strategic investments

(More information on page 9)

Eligible Costs

- Assets, whereas new machinery must comprise 50% of eligible costs

State Aid

- 25% of eligible costs for large enterprises throughout the Czech Republic, with the exception of Prague

Sample Calculation

An investor (large enterprise) plans to start production of plastic automobile components in a region whose unemployment rate is 25% higher than the national average. The total investment amount is CZK 260 million, of which CZK 180 million is to be invested in the building and CZK 80 million in machinery. The investor plans to create 40 new jobs and to spend CZK 3 million on training its new employees.

Special Industrial Zones

The Government of the Czech Republic approves the special industrial zones on the basis of a proposal issued by the Ministry of Industry and Trade. More attractive investment incentives are provided in special industrial zones. The specifications of special industrial zones are available from CzechInvest project managers upon request.

Calculation	Region with unemployment rate 25% higher than the national average	Notes
Eligible costs in assets	CZK 160 mil.	reduction by machinery, i.e. CZK 80 mil. x 2
State-aid intensity	25%	This concerns a large enterprise
Investment-incentive ceiling	CZK 40 mil.	CZK 160 mil. x 25%
– structured as follows:		
Cash grants for new jobs	CZK 4 mil.	40 jobs x CZK 100,000
Tax relief	CZK 36 mil.	residual to the incentive ceiling
– plus:		
Cash grants for training and retraining	CZK 750,000	CZK 3 mil. in training costs x 25%
Total investment incentive	CZK 40.75 mil.	incentive ceiling plus training aid

Eligible Costs

Assets, whereas new machinery must comprise 50% of eligible costs

OR

Two years' wage costs of newly created jobs



State aid 25% of eligible costs for large enterprises throughout the Czech Republic, with the exception of Prague

Technology Centres

Conditions for Qualification

- The investment may not be initiated prior to submitting the incentives application to CzechInvest
- Fulfilment of the terms and conditions within three years following the granting of investment incentives
- Retention of assets and jobs throughout the period of drawing incentives, at least for five years

Investment in a Technology Centre – Specific Conditions

- Minimum investment of CZK 10 million in assets of which at least 50% must be invested in new machinery
- Creation of at least 20 new jobs

Strategic Investment in a Technology Centre – Specific Conditions

- Minimum investment of CZK 200 million in assets of which at least 50% must be invested in new machinery
- Creation of at least 100 new jobs

Overview of Specific Conditions

Technology centres	Min. amount of investment in assets	Min. amount of investment in new machinery	Min. number of newly created jobs
Investment	CZK 10 mil.	CZK 5 mil.	20
Strategic investment	CZK 200 mil.	CZK 100 mil.	100

Forms of Investment Incentives

- Corporate income-tax relief for a period of ten years
- Cash grants for job creation up to the amount of CZK 300,000
- Cash grants for retraining and training new employees up to the amount of 50% of training costs
- Property-tax exemption for a period of five years – only in special industrial zones
- Cash grants for acquisition of assets – only for strategic investments

(More information on page 9)

Sample Calculation

An investor (large enterprise) plans to start operating a technology centre in a region whose unemployment rate is 25% higher than the national average. The total investment in assets amounts to CZK 80 million comprising CZK 40 million invested in the building and CZK 40 million invested in new machinery. The investor plans to create 30 new jobs and to spend CZK 1.5 million on training its new employees. The average monthly wage of employees in these newly created positions will be CZK 50,000.

Eligible Costs – Assets

Calculation	Region with unemployment rate 25% higher than the national average	Notes
Eligible costs in assets	CZK 80 mil.	Building + machinery: CZK 40 mil. + CZK 40 mil.
State-aid intensity	25%	This concerns a large enterprise
Investment-incentive ceiling	CZK 20 mil.	CZK 80 mil. x 25%
– structured as follows:		
Cash grants for new jobs	CZK 3 mil.	30 jobs x CZK 100,000
Tax relief	CZK 17 mil.	Residual to the incentive ceiling
– plus:		
Cash grants for training and retraining	CZK 375,000	CZK 1.5 mil. in training costs x 25%
Total investment incentive	CZK 20.375 mil.	incentive ceiling plus training aid

Eligible Costs – Wage Costs

Calculation	Region with unemployment rate 25% higher than the national average	Notes
Eligible wage costs	CZK 36 mil.	CZK 50,000 x 24 months x 30 positions
State-aid intensity	25%	This concerns a large enterprise
Investment-incentive ceiling	CZK 9 mil.	CZK 36 mil. x 25%
– structured as follows:		
Cash grants for new jobs	CZK 3 mil.	30 positions x CZK 100,000
Tax relief	CZK 6 mil.	Residual to the incentive ceiling
– plus:		
Cash grants for training and retraining	CZK 375,000	CZK 1.5 mil. in training costs x 25%
Total investment incentive	CZK 9.375 mil.	incentive ceiling plus training aid

Business Support Services Centres

Conditions for Qualification

- The investment may not be initiated prior to submitting the incentives application to CzechInvest
- Fulfilment of the terms and conditions within three years following the granting of investment incentives
- Retention of assets and jobs throughout the period of drawing incentives, at least for five years

Investments in Business Support Services Centres – Specific Conditions

- Creation of a minimum number of new jobs (see table below)
- International reach: services provided by a BSS centre must reach two other countries besides the Czech Republic

Overview of the Minimum Number of Newly Created Jobs for Individual Centres

Business support services centres	Min. number of newly created jobs
Software development	20
Data centres	20
Shared-services centres	70
Repair centres	70
Call centres	500

Eligible Costs

Assets, whereas new machinery must comprise 50% of eligible costs

OR

Two years' wage costs of newly created jobs

Forms of Investment Incentives

- Corporate income-tax relief for a period of ten years
- Cash grants for job creation up to the amount of CZK 300,000
- Cash grants for retraining and training new employees up to the amount of 50% of training costs
- Property-tax exemption for a period of five years – only in special industrial zones
(More information on page 9)

State Aid

- 25% of eligible costs for large enterprises throughout the Czech Republic, with the exception of Prague, for all types of business support services centres except data centres
- 6.25% of eligible costs in the case of data centres

Sample Calculation

An investor (medium-sized enterprise) plans to start operating a repair centre in a region whose unemployment rate is 50% higher than the national average. The total investment in assets amounts to CZK 12 million comprising CZK 8 million invested in the building and CZK 4 million invested in new machinery. The investor plans to create 80 new jobs and to spend CZK 4 million on training its new employees. The average monthly wage of employees in these newly created positions will be CZK 30,000.

Eligible Costs – Assets

Calculation	Region with unemployment rate 50% higher than the national average	Notes
Eligible costs in assets	CZK 8 mil.	reduction by machinery, i.e. CZK 4 mil. x 2
State-aid intensity	35%	This concerns a medium-sized enterprise
Investment-incentive ceiling	CZK 2.8 mil.	CZK 8 mil. x 35%
– structured as follows:		
Cash grants for new jobs	CZK 2.8 mil.	80 jobs x 200,000; limited by the ceiling
Tax relief	CZK 0	Residual to the incentive ceiling
– plus:		
Cash grants for training and retraining	CZK 2 mil.	CZK 4 mil. in training costs x 50%
Total investment incentive	CZK 4.8 mil.	incentive ceiling plus training aid

Eligible Costs – Wage Costs

Calculation	Region with unemployment rate 50% higher than the national average	Notes
Eligible costs in assets	CZK 57.6 mil.	CZK 30,000 x 24 months x 80 positions
State-aid intensity	35%	This concerns a medium-sized enterprise
Investment-incentive ceiling	CZK 20.16 mil.	CZK 57.6 mil. x 35%
– structured as follows:		
Cash grants for new jobs	CZK 16 mil.	80 jobs x CZK 200,000
Tax relief	CZK 4.16 mil.	Residual to the incentive ceiling
– plus:		
Cash grants for training and retraining	CZK 2 mil.	CZK 4 mil. in training costs x 50%
Total investment incentive	CZK 22.16 mil.	incentive ceiling plus training aid

Forms of Investment Incentives

Corporate Income-tax Relief

- Full – can be applied for a period of ten years up to the amount of the state-aid ceiling.
- Partial – can be applied for a period of ten years up to the amount of the state-aid ceiling. Part of the tax due is calculated as the average for the three taxation periods preceding fulfilment of the minimum conditions of the Investment Incentives Act.

Cash Grants for Job Creation

Specification of Regions – information will be provided upon request by CzechInvest's project managers.

Regions are evaluated every 6 months based on average unemployment rate.

- Special industrial zone: CZK 300,000
- Regions with an unemployment rate that is 50% higher than the national average: CZK 200,000
- Regions with an unemployment rate that is 25% higher than the national average: CZK 100,000

Cash Grants for Retraining and Training New Employees

Specification of Regions – information will be provided upon request by CzechInvest's project managers.

Regions are evaluated every 6 months based on average unemployment rate.

- Regions with an unemployment rate that is 50% higher than the national average: 50%
- Regions with an unemployment rate that is 25% higher than the national average: 25%

Cash grants for retraining and training new employees are not calculated into the state-aid ceiling.

Exemption from Property Tax

- Provided for a period of up to five years on the basis of the given municipality's consent to such exemption. The municipality determines the extent of the property-tax exemption.

Cash Grants for Acquisition of Assets

- Provided for strategic investments in the manufacturing industry or technology centres in the amount of up to 10% of eligible investment costs. In the case of a combined strategic investment in industry and technology centres, aid can be provided in the amount of up to 12.5% of eligible investment costs.

Process of Applying for Investment Incentives

Abridged single-round process in the case of an expansion of an investment. The Decision to Grant Investment Incentives is issued within roughly three months after submission of the application to CzechInvest. The investor can initiate the investment immediately following submission of the application; it is not necessary to wait for issuance of the aforementioned Decision.

Extended two-round process in the case of initiating a new investment. This process involves the establishment of a new Czech legal entity. The Decision to Grant Investment Incentives is issued within roughly six months following submission of the application to CzechInvest. The investor can start implementing the investment immediately after submitting the application; it is not necessary to wait for issuance of the aforementioned Decision.



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