

INVESTMENT SUPPORT in the Czech Republic

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- INVESTMENT INCENTIVES FOR MANUFACTURING INDUSTRY
- INDUSTRIAL ZONES SUPPORT



INVESTMENT CLIMATE

- **Political and economic stability** (fully-fledged parliamentary democracy)
- **Non-discrimination** (foreign and domestic entities are treated identically in all areas)
- **Investment protection** (member of the Multilateral investment Guarantee Agency MIGA, number of bilateral treaties which support and protect foreign investments)
- **Protection of property rights** (existing legislation guarantees protection of all forms of property, member of Universal Copyright Conventions)
- **Repatriation of profits** (no limitation concerning the distribution and expatriation of profits, treaties to prevent double taxation with many countries)

LEGAL ENVIRONMENT FOR INVESTMENT

Non-discrimination	Yes!
100% foreign ownership possible	Yes!
Free entry and exit	Yes!
Support and protection of investments	Yes!
Double taxation prevention treaties	Yes!
Full convertibility of Czech currency	Yes!
Possibility to acquire real estate	Yes!
Investment incentives	Yes!

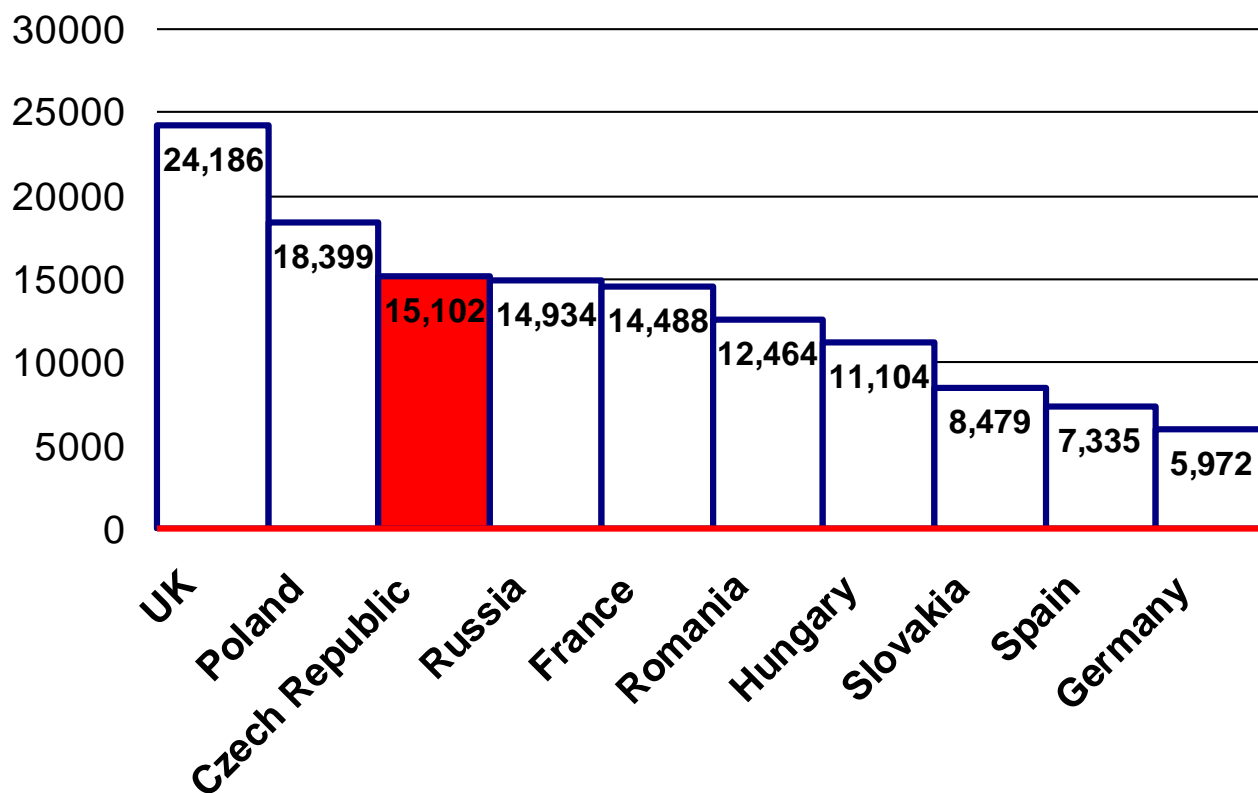
TOP COUNTRIES AS INVESTMENT DESTINATION

Rank 2007	Location
1	China
2	India
3	Russia
4	USA
5	Poland
6	Germany
7	Brazil
8	Japan
9	Czech Republic



TOP EUROPEAN COUNTRIES FOR JOB CREATION

Number of jobs created in 2007



INVESTMENT INCENTIVES FOR MANUFACTURING INDUSTRY



ELIGIBILITY CRITERIA

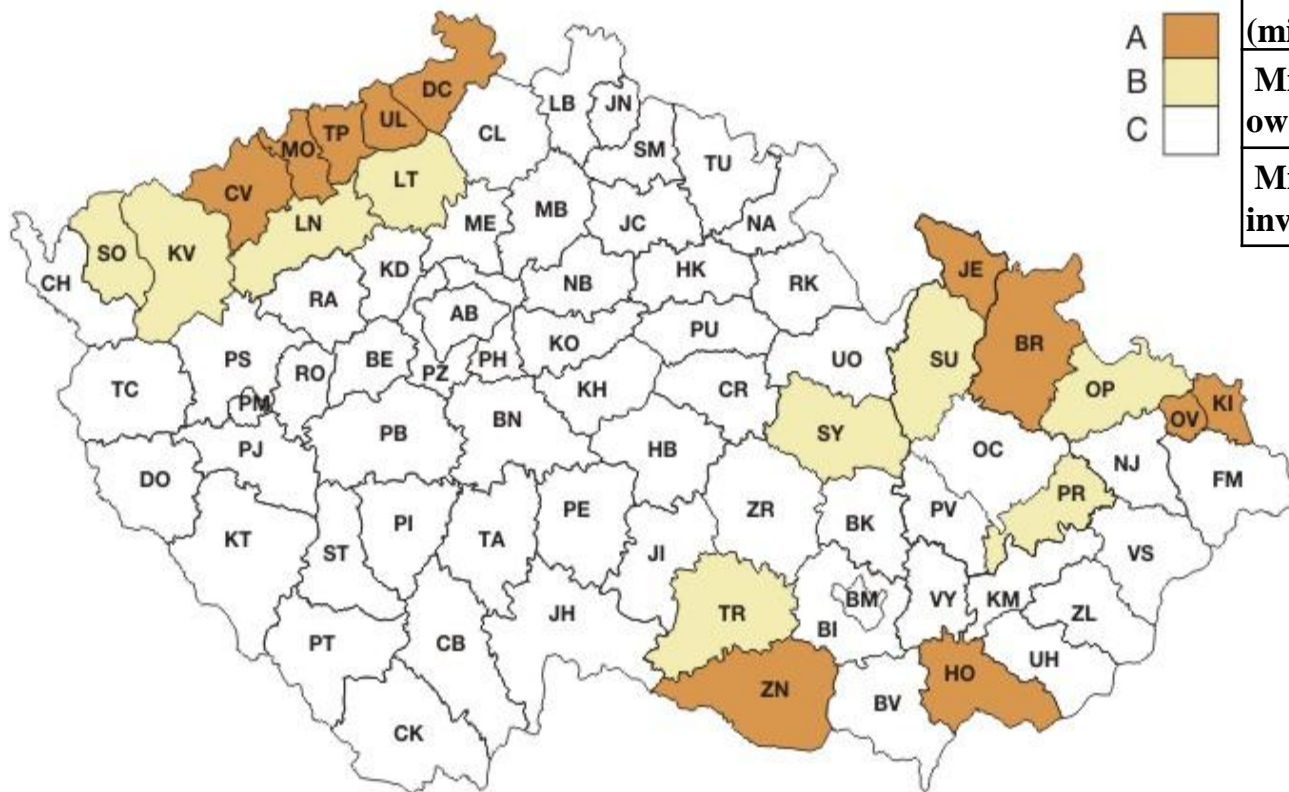
- Acquisition of a new plant or expansion of an existing plant
- Minimum investment within 3 years
 - 100 mil. CZK (C)
 - 60 mil. CZK (B)
 - 50 mil. CZK (A)
- At least half of the above minimum investment must be covered by own equity
- At least **60 %** from the total investment must be made into machinery
- Machinery equipment has to be **new**



ELIGIBILITY CRITERIA

- Investment / new jobs must be maintained for a period of **5 years**
- No work may be started on the Project before issuance of the “Confirmation of Project Registration”
- Environmentally friendly activities



MINIMUM INVESTMENT IN REGIONS



A 
 B 
 C 

	A	B	C
Minimum investment (mil. CZK)	50	60	100
Minimum coverage by own equity (mil. CZK)	25	30	50
Minimum % of the total investment into machinery	60	60	60

FORM OF SUPPORT

Following items summed up cannot exceed the ceiling of state aid

- **Tax incentive**
 - New firms: corporate tax relief for max. 5 years
 - Existing firms: partial tax relief for max. 5 years
- **Current corporate income tax rate = 15 %**
- **Job creation grants**
 - Offered in regions with the highest rate of unemployment only (A)
- **Discounted price of land**
 - the difference between the market price and the purchase price

Granted above the ceiling of state aid

- **Training and retraining grants (25 % of eligible costs)**



APPLICATION PROCESS

INVESTOR

Submits application form

CZECHINVEST

Evaluates project

**MINISTRY OF INDUSTRY
AND TRADE**

Forwards all materials to other ministries for
written comments;

Issues a Draft Project Support Decision/
Issues an Offer for the Investment
Incentives

INVESTOR

Accepts Offer for the Draft Project Support
Decision/ Offer for the Investment Incentives

**MINISTRY OF INDUSTRY
AND TRADE**

Issues Project Support Decision/ Decision to
Grant Investment Incentives

Ministerstvo
průmyslu a obchodu





INDUSTRIAL ZONES SUPPORT

DEVELOPMENT OF THE INDUSTRIAL ZONES SUPPORT SYSTEM

- **1998** → **2 pilot projects**
- **1998-2006** → **The Industrial Zone Development Support Programme**
- **Since 2006** → **The Business Real Estate and Infrastructure Support Programme – strategic industrial zones mainly supported**





KEY IMPORTANCE OF INDUSTRIAL ZONES

Bring quantitative economic benefit:

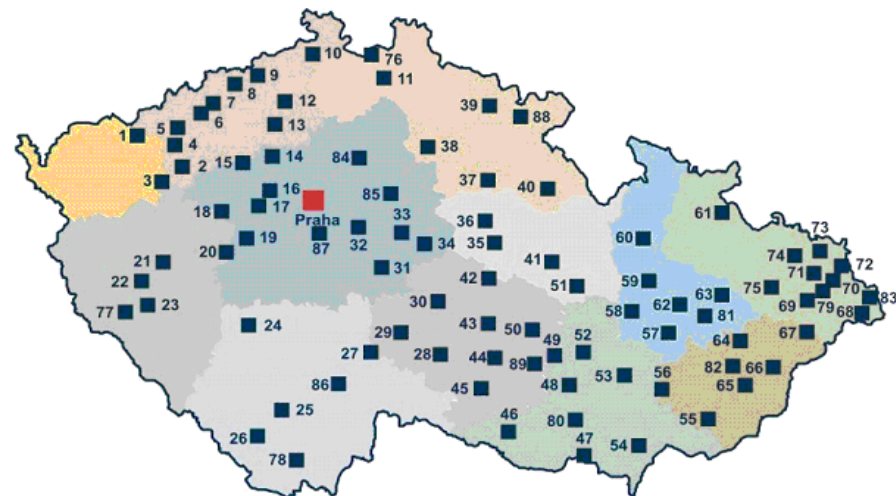


- **newly created jobs** - high added value in regions with high unemployment
- **the effects derived from the amount of investment capital**
- **other synergistic effects** - new job opportunities with suppliers and related services for incoming investors

RESULTS OF ACTIVITIES IN THE AREA OF INDUSTRIAL ZONES

What have been achieved so far...

- 101 industrial zones supported (including 8 of strategic industrial zones)
- the subsidy from the state budget of more than CZK 9 billion
- on average 70 percent of areas occupied
- 606 enterprises placed in industrial zones
- investment amounting to CZK 210 billion created by investors
- 103 054 people employed



THE INDUSTRIAL ZONE DEVELOPMENT SUPPORT PROGRAMME

- provides support for projects of construction and regeneration of industrial sites and related infrastructure
- defines rules and lays down the conditions for the provision of assistance to:
 - municipalities
 - associations of municipalities
 - regions
 - development companies
 - significant investors
- helps to sharpen the competitiveness of the investment environment, especially in economically weak and structurally backward regions
- helps to lay the foundations for the creation of new jobs

THE INDUSTRIAL ZONE DEVELOPMENT SUPPORT PROGRAMME

The Programme Administrator:

- the Ministry of Industry and Trade of the Czech Republic

Forms of the subsidy:

- direct grants
- interest subsidies
- returnable financial assistance
- special-rate transfer of state assets

Resource:

- national budget

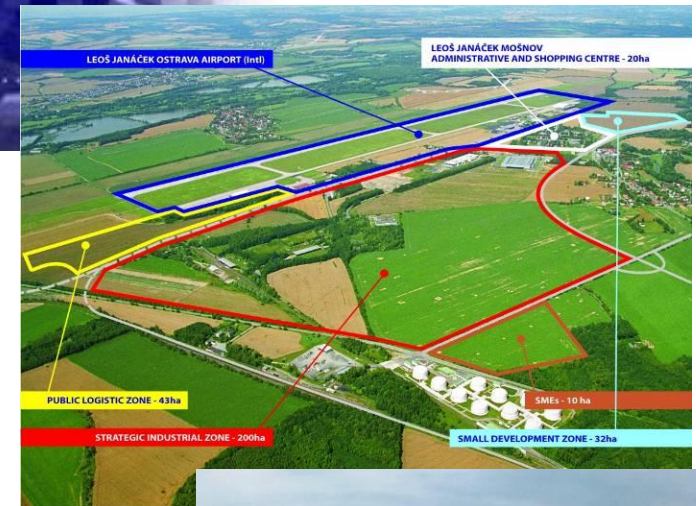
THE INDUSTRIAL ZONE DEVELOPMENT SUPPORT PROGRAMME

Includes four other subprogrammes focused on building individual capabilities and the revitalization of industrial zones:

- Preparation of industrial zones**
- Regeneration of abandoned industrial sites - so called „brownfields“**
- Construction and renovation of rental buildings**
- Accreditation of industrial zones - development of human resources when attracting investors**

STRATEGIC INDUSTRIAL ZONES

- zones covering a minimum of 200 hectares or at least 100 hectares when the zone is in a built-up but unused area
- prepared for serious and important investors who undertake to implement significant investments and create a certain number of jobs
- built on the basis of Government Resolution
- an important instrument for gaining strategic investors from the area of:
 - advanced industrial technologies
 - construction and development of technology centres and centres of business support services
 - science and research
- several strategic industrial zones in the Czech Republic not yet fully occupied



STRATEGIC INDUSTRIAL ZONES NOŠOVICE

as an successful example

- the largest industrial zone in the Czech Republic
- located in the one of the most development territories of the Region of Moravia-Silesia
- the largest project tied to the interest of a strategic investor from the automotive industry
- prepared for the investment of the South-Korean carmaker Hyundai
- the total amount of purchased plots approx. 322 hectares
- suppliers in neighbouring industrial zones
- zone with the greatest economic benefit in 2006



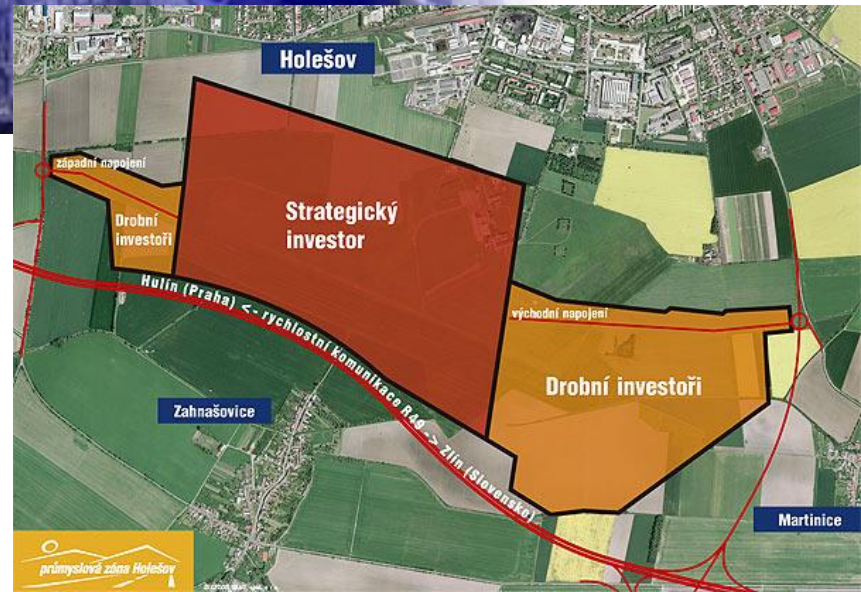


INDUSTRIAL ZONES TODAY

- Support of strategic zones only
- Focus on occupying built-up industrial zones – improvement and expansion of inner infrastructure



Ministerstvo průmyslu a obchodu





Thank you for your attention

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