Prague City Profile

Connectivity to the Heart of Europe

Foreword

Prague. Number 1 for Global Business Services

Jonathan Appleton
Managing Director,
ABSL Czech Republic

Prague is truly a capital of modern Business Services and one of the leading global destinations for mature business services. Many of these centres were established in the early 2000’s and have transformed into Centres of Excellence and Innovation Hubs that transform and drive global business from the historical capital.

Prague is the place to be for Business Services with many of the world’s leading Healthcare, Financial Services and IT firms choosing the City to host their international centres in the heart of Europe with excellent transport connections and one of the highest quality of life standards in the world.

Prague is truly a talent capital for Europe, attracting huge numbers of graduate professionals, IT developers and Tech entrepreneurs from both East and West to enjoy the cultural, historical and career opportunities offered by the “Mother of all Cities”.

This incredible pipeline of global talent, combined with an impressive stream of Czech graduates and professionals has driven the growth and success of Prague as a business services hub to rival far larger global capitals.

Prague is a new tech Hotspot and a dream location for talented developers and tech professionals - with its high quality of life and relatively low living costs. Modern Prague is a truly cosmopolitan city, incredibly welcoming for new professionals and business projects – ensuring that the success story of the City will continue and Business Services will be at the forefront of the exciting future for the City.

Business Services growth drives new high quality office developments and Prague leads the way with an incredible pipeline of new office and residential real estate opportunities. Business hubs such as Karlin, Andel, Chodov and Pankrac offer stunning new office developments combined with dynamic, exciting living spaces and cultural life. The City never rests - and ambitious new business developments are opening in central Prague districts such as Palmovka and Holesovice.

In this report we aim to tell the story of modern Business Services in Prague and share the successful journeys of several of the leading global players that have made Prague the centre for their global operations. We hope that you will find this report useful and look forward to welcoming your business to this amazing city.

50,000 +
Business services employees

100 +
Business services centres

20,000
International talents working in Prague business services centres

80,000
Czech graduate talents entering the workforce every year

33
International languages spoken in Prague centres

19%
Sector headcount growth per year

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Why Prague?

Prague is well connected

Vaclav Havel Airport
Prague is very well connected internationally. It is located 12 km west from Prague. In the year 2018 it is expected to serve 17 million passengers. Around 66 airlines fly 154 destinations in Europe, Asia, Africa and North America from Prague Airport. The city of Prague is also well connected internally via one of the best public transport systems, rated as the 5th best public transport in the world. Compared to other capital cities, it is cheap, reliable, efficient, highly integrated and safe.

Prague has a great international reputation for quality education

In the QS Best Student Cities Index, which ranks cities according to their attractiveness to international students, Prague is the 26th best location in the world, leading such renowned spots as San Francisco, Dublin, Madrid, Amsterdam and Brussels. The availability of qualified graduates from Prague Universities is one of the main factors in the success of business service centres in the capital. Prague has more than 120,000 students enrolled in public and at least 22 private universities. Every year there are almost 30,000 qualified graduates from these universities entering the workforce.

Prague is an attractive place to live in

Prague offers the peaceful conditions for living and working within modern community amenities. The community is very liberal, tolerant, multicultural and diverse. The quality of living standards is high with a great selection of international and multi-lingual European oriented education institutions from preschools to universities. The cost of living is very reasonable and combined create a winning package for attracting talent from outside of the city and country. What’s more, Prague is said to be the 4th most attractive city in the world for expats to live in (HSBC Expats Survey).

Prague is perfect for investors - with high quality employees

One fourth of Czech GDP is generated in Prague. Prague is the 6th most developed region in EU and considered being 3rd largest European City of the future from the human capital and lifestyle point of view leading such cities as London, Paris, Stockholm or Madrid.

It is a city with a high concentration of job opportunities, a stable and varied labour market and a workforce pool with above-average skills. An important role is also played by educational, scientific and research institutes. The most important employers are mainly multinational companies in IT, logistics, and the financial and banking sector.

Prague - a good place to live

Source: Prague City Hall

We would like to present Prague, one of the most beautiful cities in the world, as not only a place with a unique genius loci, which millions of visitors travel to see every year, but also a modern, dynamic and smart Central European metropolis that is certainly worthy of attention. Prague is truly no sleepy open-air museum for tourists, but rather has a very rich industrial and technological tradition behind it, and even our present is not based only on tourism, but is ploughing ahead in many other directions. Prague is the second most suitable region for business in Europe; in terms of major cities it placed sixth (FDI Intelligence, 2018/2019). Within the EU, Prague is the sixth most developed region, one quarter of the GDP of the whole Czech Republic is created here and it’s one of the safest cities in the world.

Perhaps many European and global metropolitan can boast better statistics and we fully recognise their strength in the world economy. On the other hand, Prague compared to other European cities also has another substantial advantage, which is the low cost of living, for which you can procure very high quality services. Prague also takes pride in its support for education and is very aware that without good schools, no city or even country in today’s world can succeed. Good quality universities are based in Prague which can stand up to international comparison, every year receiving more than 90,000 applicants. Among other things, Prague is also highly popular in terms of conference tourism, with over 100 international conferences and summits taking place here each year. We will be very glad if you, as a potential investor, start to take a deeper interest in our city, because then you will discover that the people living in it are friendly, educated and hardworking and it is certainly worth working with them. Prague is amicable and open to the outside world and we can only hope that we will be able to show this stance of ours to you.
Companies in Prague are growing with more complex activities

Prague is the primary destination for foreign investments coming to the Czech Republic. The capital continues to reflect the country’s most prevalent sector, as the majority of companies in Prague operate in the field of manufacturing and the city is also historically known for its food industry. However, this has changed since 2000, as Prague has become a cosmopolitan city that is attractive to major multinational companies and their employees.

This development has transformed Prague into a city with high quality of life, very good services, excellent public transport and a great talent pool. On top of that, Prague is a beautiful historical city with very rich cultural life.

The boom in services—especially in the IT and business services sectors—has been very significant in recent years and has made the city competitive in comparison with other European locations. Its regional GDP per capita is 75% greater than the EU average. Companies in Prague are growing and expanding their processes with more complex activities. For that reason, Prague is no longer a low cost destination, particularly due to its low unemployment rate and high competition and is thus able to be selective with respect to the types of companies that wish to operate in the city. We at CzechInvest will be glad to support any further progress towards companies with higher added value.

Qualified Workforce - The Talent Source for Business Services

Source: CzechInvest

The availability of qualified graduates from Prague Universities is one of the main factors in the success of business service centres in the capital. Prague also attracts many of the nearly 100,000 graduates from all Czech universities and acts as an education magnet for students and graduates from the CEE region and beyond.

Prague has more than 120,000 students enrolled in 8 public and at least 22 private universities. Every year there are almost 30,000 qualified graduates from these universities entering the workforce.

The best-known university in Prague is Charles University, the oldest in the Czech Republic, founded in 1348. The Charles University is the 5th most demanded university within the Erasmus+ programme. More than half of the degree programmes are also accredited in English or other languages, such as German and French, therefore Charles University has almost 8,500 foreign students (about 2,500 of them study in a foreign language).1

Building Business Services through Education

Source: JNJ

In Johnson & Johnson our aim is to build a long-term cooperation with universities. Due to the extensive scope of our businesses, we are active in the field of direct lectures and presentations to students of the medical faculties as well as students of finance and business management.

Simultaneously, we are actively driving talent acquisition for our businesses in the 15 countries of Central and Eastern Europe from Prague. By cooperating with universities across the region we encourage the talent mobility within the region, making sure students are informed about the career opportunities with Johnson & Johnson in all the countries.

We are participating at the major career events and job fairs organised by the largest universities in the region and are also running a fruitful cooperation with student’s organisations like AIESEC or IAESTE. Since the members of these organisations are students themselves, their communication towards the student audience is highly efficient. Career fairs, internships, targeted vacancy posting, and similar activities organised in cooperation with universities or student organisations are met with great interest and due to its positive results are highly appreciated by both sides.

University engagement is helping us to be more visible to the early talents, show them our company culture and attracting them to Johnson & Johnson.

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1 Source: Charles University website: www.cuni.cz
Prague is the largest and most established office market in the Czech Republic and comprises of mainly modern A-class properties which account for 71% of the total stock. The main office hubs are particularly located around metro stations which serve well accessibility and public services nearby. Demand for office space in Prague varies and depends on tenant’s focus, where IT companies are rather located in both Inner and Outer City locations, while Financial companies and companies offering Professional services prefer to be located in the City Centre.

3,357,500 m² is the current total modern office stock in Prague. Approximately 34% of the stock has achieved sustainable certification.

334,200 m² of office space is under construction with scheduled completion in 2018 and 2019. More than 35% of the premises under construction are already secured by a tenant.

207,300 m² is the current level of available space in Prague which gives a city level vacancy rate of 6.2%.

€20 – 21 m²/month is the prime headline office rental cost in Prague. Inner city rents varied between €14.5 – 16.5 m2/month and in the outer city markets reach €13.5 – 15.0 m²/month.
Creating Workspace that aims for Innovation and High Standards

Interview with Alexandra Tomášková, Managing Director at Skanska Property

You are the first Czech manager to lead Skanska Property since June 2018. How do you feel about your new role? What are your visions?

I feel very excited about it! At the moment we have the pipeline of 4 projects with approx. 100,000 sqm of prime office space both under construction and in preparation. Visionary, an office project pioneering Prague 7 around Holešovice Metro and Railway Station as the emerging business location, is nearly fully leased and has just been sold to CA Immo, a strong corporate Austrian investor. That is a confirmation for us that we are heading in the right direction as we have Port7, mix use 35,000 sqm project, in this part of the city as well. Besides that, Praga Studios, office scheme in Prague 8 Karlín is under construction and its leasing is going very well. We have another two projects in Prague 4 in Pankrác called Parkview and Key. My aim is to stay on the track of having two schemes under construction every year and delivering/adding one new scheme to the Prague office market on a yearly basis. Also, all our activity keeps pursuing Skanska values such as sustainability, quality and innovations in the Czech Republic.

You are known for your feelings for design and promoting attractive elements for tenants. What future do you see in the local development of new, hi-tech and modern office space?

I personally like the proptech trend in the current office market. There are several new trends on the market but I see them as a proptech innovations that bring us closer to our clients. For our buildings we create systems that make communication between tenants and buildings facility easier and faster. We have been developing a personalised app that informs you whether there is a free car parking in the building in advance, books for you the shared e-car or bike, orders you a lunch or a cleaning services for your clothes. All of which you can easily handle on your smartphone.

Which part of Prague do you see as a great potential that has not been discovered yet?

Skanska Property has been offering office buildings in the inner-city locations with a long-term focus on the sought-after locations of Prague 4 (Pankrác), Prague 5 (Anděl–Smíchov) and Prague 8 (Karlín). A few years ago, we were lucky to acquire new building plots in Prague 7 and despite the doubts of many we started to develop Visionary. The project attracted blue-chip tenants and we feel proud that we established a new business location. Prague 7 has a huge potential for development of new office, retail and residential schemes in my eyes. And I hope that redevelopment of old brownfields will be enabled in the years to come and that together with other developers we will create a new vibrant part of Prague.

What are the biggest future plans of Skanska for the further development of the Prague office market?

With almost 100,000 sqm of office space in the pipeline, Skanska has become one of the most active office developers on the Prague market. If everything goes well, by 2022, Prague 7 will have a complete new centre along the Vltava River. The vision of the neglected brownfield converted into new residential housing, offices and retail (shops and cafes) becoming a new place to meet at the river is something that we are really looking forward to and it drives me and my team a lot!
## Office Space Lease

### Leasing practice

<table>
<thead>
<tr>
<th>Category</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typical Lease Term</td>
<td>5 years for smaller tenants and 5 - 10 years for larger consolidated tenants.</td>
</tr>
<tr>
<td>Renewal Rights</td>
<td>No legal right for renewal or hold over. Needs to be secured contractually.</td>
</tr>
<tr>
<td>Rental Basis</td>
<td>Charged per gross rentable area (including share of common areas). Parking and storage rents paid separately.</td>
</tr>
<tr>
<td>Operating Costs</td>
<td>Market rents are mostly quoted in EUR/m²/month, in regions rather in CZK. Service charges are quoted in CZK/m²/month. Operating costs payable monthly or quarterly in advance. Utilities paid according to consumption (in proportion to leased area or directly metered).</td>
</tr>
<tr>
<td>Service Charge Amount</td>
<td>Between 3 – 4 EUR/m²/month, private electricity consumption not included.</td>
</tr>
<tr>
<td>Rent Escalation</td>
<td>Usually annually in accordance with the Harmonized Index of Consumer Prices (HICP) for Eurozone, EU or Czech Republic.</td>
</tr>
<tr>
<td>Guarantees</td>
<td>Bank guarantee / cash deposit equal to 3 months rent + service charges + VAT.</td>
</tr>
<tr>
<td>Reinstatement</td>
<td>Tenant is normally obliged to restore the premises to the condition in which they were leased allowing for fair wear and tear.</td>
</tr>
<tr>
<td>Sub-letting</td>
<td>Often sub-letting rights are included in the lease arrangements and are subject to landlord's approval.</td>
</tr>
<tr>
<td>Repairs and Maintenance</td>
<td>Paid by the tenant if minor or general and by the landlord if it is of investment nature or structural.</td>
</tr>
<tr>
<td>Parking Ratio</td>
<td>Out of centre - 1 space/50-80 m², CBD - 1 space/80-150 m².</td>
</tr>
<tr>
<td>Taxes</td>
<td>Real estate tax is marginal and often charged to tenants via service charge. No local taxes applied on rent. Value Added Tax on rent is either 21% or none (with potential financial impact on landlord). VAT on service charges is either 15 or 21% depending on the taxation group.</td>
</tr>
<tr>
<td>Insurance</td>
<td>Building insurance is typically arranged by the landlord and charged back to tenants via service charges. Insurance of movables and fit-out owned by tenants arranged and paid directly by tenants.</td>
</tr>
</tbody>
</table>
| Furniture Costs        | High standard: 2,800 EUR/workstation  
Medium standard: 1,500 EUR/workstation  
Base standard: 900 EUR/workstation |
| Reinstatement Costs    | 50 – 100 EUR/m²                                                                                                                                  |
| Moving Costs           | With furniture: 50 EUR/workstation  
Without furniture: 50 EUR/workstation                                                                                                           |

Source: JLL
Prague as the Cultural, Sporting and Entertainment Capital

Prague is said to be the “heart of Europe” and is the capital and largest city in the Czech Republic, the 14th largest city in the European Union and the historic capital of the country. The city is home to almost 1.3 million people.

Prague Michelin star restaurants
Prague has currently two Michelin star restaurants and five Bib Gourmand Restaurants (which means exceptional food for moderate prize).

City full of culture and history
› 113 galleries, museums, monuments and historical palaces
› Thousands of events every year; international festivals of music, film, theatre, exhibitions and sport events
› Green city suitable for walking; with serene islands on the river and tranquil parks just a few steps from the bustling street life of the city centre
› Restaurants, relaxation and entertainment – all at your fingertips

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Beauty
International media regularly describe Prague as one of the most beautiful places in Europe. BuzzFeed claimed that Prague is the most beautiful place in the World. According to Mastercard, Prague is among the top 20 cities in the world visited by people staying overnight. Prague is also claimed to be one of the safest destinations in the world and one of the most visited destinations throughout the year.

Prague Zoo is the 5th best in the World
In a competition of hundreds of top zoos from all over the world, Prague Zoo reached the Top Five. Every year the Prague Zoo is visited by almost 1.5 million people.

Prague is a great destination for global congresses
Prague is ranked as 11th most prestigious destination for global congresses. Large number of international and local conferences and summits are held in Prague every year, approx. 125 events per year.

Prague Spring International Music Festival
A multi-genre festival famed throughout the world, the biggest music show in the Czech Republic.

Prague DesignBlok
Designblok, Prague International Design Festival is the largest selection of design and fashion show in Central Europe. Designblok annually attracts more than 50,000 visitors of all ages from the Czech Republic and abroad.

Prague Breweries
On the map of Prague we will find at least 35 breweries and every year new Micro breweries are opened. The oldest breweries in Prague are U Fleků and U Medvídků – over 500 years old.

Prague as the Cultural, Sporting and Entertainment Capital

Prague is a great start up destination
ESA BIC Prague, Prague Startup Centre, Prague Startup Market, Impact Hub Prague, Node5, TechSquare, StartupYard, Point One, InovaJet, xPort Business Accelerator

The best place for Hollywood Movies
Prague is a favourite filming location of directors. Historic sights, characteristic architecture and stunning cityscapes can be seen in movies like Mission: Impossible, Casino Royale, Les Misérables, Amadeus, Hellboy, The Bourne Identity and many other.
The Czech capital Prague offers the highest quality of life of any city in Emerging Europe. The city is ranked 69th (of 231 cities worldwide) in a new survey published on March 2018 by the human resource consultancy Mercer. Mercer’s survey is one of the world’s most comprehensive and is conducted annually to enable multinational companies and other organisations to compensate employees fairly when placing them on international assignment.

A Great City for Quality of Life

Typical prices in Prague for everyday things:

- Monthly rent for 85 m² (900 Sqft) furnished accommodation in NORMAL area: CZK 20,000 (EUR 780)
- Cost of taxi journey of 8 km (5 miles): CZK 250 (EUR 9.8)
- Cost of a monthly public transport pass: CZK 550 (EUR 21.5)
- Cost of a monthly gym membership: CZK 800 (EUR 31)
- Cost of 2 cinema tickets: CZK 375 (EUR 14.6)
- Lunch menu: CZK 150 (EUR 5.9)
- Espresso / cappuccino: CZK 50 (EUR 2)
- 2l Coca-cola: CZK 30 (EUR 1.2)
- Czech beer (0.5 l): CZK 30 (EUR 1.2)
- Bottle of wine: CZK 140 (EUR 5.5)

12 years ago we established our Capability Center in Prague. This city was chosen because of its proximity to our business in Western Europe, the variety in language skills and diverse capabilities available on the labour market to cover operations in logistics, finance, HR, legal and procurement. During this journey we saw Prague evolving into an exciting cosmopolitan capital of the world, just as our center grew from a Regional Shared Service Center to a key Global Capability Center within our worldwide network. Today, we take full responsibility for our beer logistics in Europe, manage global export and transfer key capabilities to Prague. Essential for this evolution was the attraction of talent from diverse backgrounds by offering them fast career growth opportunities and development programs.

Why Prague?

We’re here for the beer

Tom Desmet,
Prague ZCC Center Lead
Anheuser-Busch InBev

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As a team we are embarking on the next step of this adventure, which is driving innovation and transformation of our core processes for the whole organisation out of our centre in Prague. We are excited to continue on this road of shaping the future for our organisation with talented people in the vibrant environment of Prague.

Mature labour market and advanced IT infrastructure

Bedřich Max Luft,
Country Lead and Managing Director at DXC Technology

DXC Technology is a new brand, established in 2017 as a global merge between CSC and Hewlett-Packard Enterprise Services businesses. With 170,000 employees globally, the company is a global leader in IT services. Our presence in the Czech Republic is dated from 1991 and paved with many successful projects and service awards, most notable the Systems Integrator of a Decade from 2010.

As part of the DXC Shared Services Center model, it was decided that in 2012 HR and Payroll for Europe will be managed from the Czech Republic. It joined forces with the existing Go-to-Market and BP Organizations, which had been operational since 1991 and 2007 respectively. The HR Organization opted for the Czech Republic for a variety of reasons not limited to:

- Highly skilled and flexible workforce
- Mature labour market & many SSCs already in existence in Prague
- Mature labour market and advanced IT infrastructure
- Ideally located within Central and Eastern Europe (easy short flight/train/road connections)
- Language utilisation
- International city attracting foreigners to move and work here
- Cost efficient model - cheaper labour force
- Government subsidies and tax optimizations
- Advanced telecommunications and IT infrastructure
- Cultural compatibility
- Stable economic, political and monetary conditions
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- Time zone opportunities (US vs. Europe vs. APAC)
- Since the established operation, DXC has grown substantially and overall the Prague operations now house Supply Chain, Marketing, FP&A, & Sales alongside HR and Finance offerings. DXC Technology now has 1000 employees in the Czech Republic with further hiring anticipated for FY19.

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Why Prague?

We are easily attracting professionals

Detlef Geigle, Head of Novartis Global Service Center & Product Lifecycle Services, Prague

The Novartis Global Service Center, Prague was established in 2012 as IT Hub. In 2015, it became one of five Novartis service centers delivering a much broader variety of services to Novartis divisions and associates around the world. To name a few, our scope includes the area of IT, Human Resources, Financial Reporting & Accounting and Procurement as well as scientific and operational services known as Product Lifecycle Services.

When selecting a location, Prague seemed ideally suited. In the heart of Europe it is a great city to attract professionals from around the country and abroad. We are easily tapping into the talent pool from Central, Eastern and Western Europe, and we can even attract high-quality professionals from further overseas. We have built a fantastic diverse team of people with over 60 nationalities speaking more than 30 languages, a balanced gender mix and people of multiple generations. Diversity is key to us. We believe that a person from the same or similar market, culture and mindset better understands the requirements of a person with a similar background. In addition, Prague is located in the right time zone, especially for our European customers. It offers great transportation connections, greenery and parks ideal for instance for sporting activities or mid-day walks. It is a city where we can create a business environment that reflects the need for contemporary and more flexible ways of working.

It’s safe and comfortable to live in

Vincent Leonardi, Managing Director, BlueLink International CZ

BlueLink International CZ has grown significantly since it first settled in Prague in 2004. It started as a small call-centre made up of a few CRM advisors and gradually developed into an expert contact centre, providing customer services worldwide for prestigious airlines and hospitality brands.

Today, our centre in Prague has more than 600 employees out of which 75% are foreigners servicing end-customers in 22 languages. A very multi-cultural work environment indeed with more than 50 nationalities! Prague is a convenient city in many aspects. Not only that it offers a favourable and stable economic environment for a multi-national shared service business centre, but Prague proves to be an attractive location for young talent from abroad to work and live in. Located in the centre of Europe and simply said it is safe, comfortable to live in and offers endless cultural entertainment.

Apart from providing expert customer services, BlueLink in Prague is known for innovative business solutions, being able to manage projects remotely in countries such as Bulgaria, Egypt, Portugal, Mauritius, Madagascar or China.

BlueLink International CZ is part of BlueLink Group based in Paris, a proud subsidiary of the AirFrance-KLM Group, with specialised sites in Strasbourg, Sydney, Mauritius and Prague.

Successfully Expanding in Prague for more than 12 years

David Mansfeld, Managing Director, J&J Global Business Services Prague

Johnson & Johnson (J&J) has been present in the Czech Republic since 1991, focusing on providing customers and patients with top quality products and services within the pharmaceutical, medical devices and customer products.

The regional Global Services centre, which represents a large part of the Johnson & Johnson presence here in Prague, has created over 800 jobs since its establishment back in 2006. Our Global Services Prague is a multilingual team that provides finance, procurement and human resources services as well as customer and logistics support in 33 languages to Johnson & Johnson employees and business partners in 26 countries across Europe, the Middle East and Africa. Our presence in Prague has almost doubled since 2015 and has grown to the current headcount of 800+ employees, with the potential to further grow this number to 1,000+ employees in the coming years.

"Key factor why Global Services is located in Prague is the quality of multinational, well-educated and diverse workforce in Prague, that we benefit greatly from. We have been able to attract great talents with all needed language capabilities and various seniority levels, who decided to join the dynamic and diverse teams in our Global Services organisation." says David Mansfeld.

Numerous universities and a stable economic situation in Prague are important aspects we considered in our decision to choose Prague as the location for our Global Service regional centre.

The quality of living, high level of safety, convenient location together with the beauty of this multicultural city, all those attract many local and international talents to visit, explore, work and live in Prague, a place which offers benefits you would not find anywhere else.
Prague Workforce

Salaries overview
Source: Randstad

Prague Workforce

Prague enjoys being one of the most attractive relocation destinations for people from the Czech Republic but also from abroad. The local business service sector now employs about 60,000 people from all over the world.

Prague Workforce

One quarter of the Czech Republic's GDP is produced in Prague. The business services sector plays an essential part in the present economy, with the country's administrative, business and banking services concentrated in Prague.

Prague Workforce

Why live and work in Prague?

I have been living in Prague and working for BlueLink for six years. I managed to find the perfect balance between a job I love and a city I love. Prague is a dynamic, cultural, very green and beautiful city. Everything is easy and possible here. It also has a strategic location in Europe, from where it is very easy to travel. And I think I am lucky to have a job full of challenges, where diversity is powerful. The fact that we come from many different countries and that we have different backgrounds allows us to build a strong team spirit and promote collective intelligence. We consider ourselves as "digital natives" and our boldness plays an important role in our empathy towards our clients, our customers and our colleagues. Working for a client as prestigious as Air France is very stimulating. I am a proud ambassador!

Prague Workforce

Working hours

› 8 hours a day, 30 minutes break after 6 hours worked (not included in the working hours)
› Maximum 40 hours a week (38.75 for 2-shift-model, 37.5 for 3-shift-model)
› Overtime may not be in excess of eight hours in individual weeks and a total of 150 hours in the calendar year

Prague Workforce

Contract

› Must be concluded in writing with the following minimum mandatory content: place of work, starting date of employment, nature of the work
› Two types of contract:
  › Unlimited period of time
  › Limited period of time

Prague Workforce

Contributions

› Employers: 34% (for social security and health insurance)
› Employees: 11% (for social security and health insurance)

Prague Workforce

Overtime

› 150 hours is the maximum amount of overtime an employer may request in any calendar year
› Can rise to 300 hours if agreed in writing
› Overtime must not exceed an average of eight hours per week for more than 26 weeks Premiums of at least 10% of minimum hourly wage must be paid for night/weekend work
› Additional bonus of at least 25% of salary must be paid for overtime hours
› Rises to 100% for bank holidays, additional holiday entitlement may be agreed on instead

Prague Workforce

Probation Period

› 3 months by operational and administrative role,
› 6 months by managerial roles
› Both employer and employee can terminate the contract immediately without giving a reason
› Could be shortened, but not prolonged

Prague Workforce

Notice Period

› 2 months
› Employer can terminate the contract only from the reasons stated within the relevant Labour code
› Mutual or written agreement (the employment contract is terminated on an agreed date)

Prague Workforce

Minimum holiday entitlement

› Each employee is entitled to a minimum of four weeks' holiday per calendar year. Public sector employees have five weeks' holiday while teaching and academic employees have eight weeks' holiday.

Prague Workforce

Recommended benefit structure

› How to compose the right benefit structure to maximise the satisfaction of employees

Prague Workforce

Minimum Benefits

› Meal vouchers of minimum 80 CZK per working shift (employer is responsible to for 55%)
› 1 week above the mandated 4 weeks of vacation
› Training program
› Career growth and professional progress

Prague Workforce

Financial Benefits

› Monthly/quarterly bonuses
› Overtime and holidays extra payment
› Relocation package
› Accommodation support
› Compensation for Income Loss Due To Sickness Absence
› Sick day
› 13th salary

Prague Workforce

Perks

› Above standard health care of health insurances
› Laptop and mobile phone for private use
› Home office
› Team building activities
› Free Language courses
› Flexible hours
› Sport and cultural activities

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Source: Randstad
Setting up Business in Prague

Tax and Legal information
Source: Deloitte

Principal forms of business entity
› Joint stock company (a.s.);
› Limited liability company (s.r.o.);
› Limited commercial partnership (k.s.);
› General commercial partnership (v.o.s.);
› Societas Europaea;
› Cooperative;
› Branch of a foreign company;
› Representative office.

Requirements for two most often forms: a.s. and s.r.o.

<table>
<thead>
<tr>
<th></th>
<th>A.S.</th>
<th>S.R.O.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>CZK 2 million 30% to be paid-up before the company is incorporated</td>
<td>CZK 1 30% of each shareholder’s contribution to be paid-up before the company is incorporated</td>
</tr>
<tr>
<td>Founders and shareholders</td>
<td>No restrictions</td>
<td>Flexible, not obligatory</td>
</tr>
<tr>
<td>Supervisory body</td>
<td>Supervisory board of at least 1 member</td>
<td>One or more executives</td>
</tr>
<tr>
<td>Statutory body</td>
<td>Board of directors</td>
<td>Registered or bearer</td>
</tr>
<tr>
<td>Court registration fee</td>
<td>CZK 12,000</td>
<td>CZK 6,000</td>
</tr>
<tr>
<td>Shares</td>
<td>Registered or bearer</td>
<td></td>
</tr>
<tr>
<td>Control</td>
<td>Usually a simple majority of voting shares</td>
<td>Usually a simple majority of voting shares</td>
</tr>
<tr>
<td>Annual audited statements</td>
<td>If at least one condition is met:  a.  the accounting value of assets &gt; CZK 40 million; b. net annual turnover &gt; CZK 80 million; c. the average number of employees &gt; 50.</td>
<td>If at least two conditions are met:  a. the accounting value of assets &gt; CZK 40 million; b. net annual turnover &gt; CZK 80 million; c. the average number of employees &gt; 50.</td>
</tr>
</tbody>
</table>

Applicable taxes – rates

<table>
<thead>
<tr>
<th>Tax</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate income tax rate</td>
<td>19% (5% for some types of funds, etc.)</td>
</tr>
<tr>
<td>Branch tax rate</td>
<td>19%</td>
</tr>
<tr>
<td>Capital gains tax rate</td>
<td>19% Exempt if held for more than 3 years</td>
</tr>
<tr>
<td>Withholding tax: Dividends/Interests/Royalties/Technical service fees</td>
<td>15%/35%</td>
</tr>
<tr>
<td>Real estate tax</td>
<td>Varies</td>
</tr>
<tr>
<td>VAT</td>
<td>21%/15%/10%/0%</td>
</tr>
<tr>
<td>Social security and health insurance</td>
<td>34% (partially capped):  · 21.5% for pension insurance; · 9% for health insurance; · 2.3% for sickness insurance; · 1.2% for unemployment insurance.</td>
</tr>
</tbody>
</table>

Branch profits tax/Excess profits tax/Minimum tax:
No

Deductions (examples)

<table>
<thead>
<tr>
<th>Expenses</th>
<th>If statutory criteria are met</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expenses</td>
<td></td>
</tr>
<tr>
<td>Travel expenses</td>
<td></td>
</tr>
<tr>
<td>Research and development expenses</td>
<td></td>
</tr>
<tr>
<td>Corporate tax paid</td>
<td>No</td>
</tr>
<tr>
<td>Charitable donations</td>
<td>&gt; CZK 2,000 or up to 10% of the tax base</td>
</tr>
<tr>
<td>Depreciation</td>
<td>Assets valued &gt; CZK 40,000</td>
</tr>
<tr>
<td>Loss relief</td>
<td>5 years</td>
</tr>
</tbody>
</table>

Administration

<table>
<thead>
<tr>
<th>Tax year</th>
<th>Calendar year or fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return due date</td>
<td>First day of fourth month after the end of tax year</td>
</tr>
<tr>
<td>Extension</td>
<td>Yes – to the seventh month after the end of tax year if tax return prepared by the tax advisor under a power of attorney</td>
</tr>
<tr>
<td>Advance payment of tax</td>
<td>Yes</td>
</tr>
<tr>
<td>Double taxation relief</td>
<td>Yes – if respective DTT concluded, beneficial ownership declaration and the tax residency certificate available</td>
</tr>
<tr>
<td>Tax consolidation</td>
<td>No</td>
</tr>
</tbody>
</table>
## Taxation of Individuals in the Czech Republic

*Source: Deloitte*

### Applicable taxes – rates

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax/gift tax/inheritance tax</td>
<td>15%</td>
</tr>
<tr>
<td>Solidarity surcharge</td>
<td>7%</td>
</tr>
<tr>
<td>Capital gains tax rate</td>
<td>15% Exempt if held for more than 3 years</td>
</tr>
</tbody>
</table>

### Withholding tax

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends/interests/royalties/technical service fees</td>
<td>15% / 35%</td>
</tr>
<tr>
<td>Net wealth tax</td>
<td>No</td>
</tr>
<tr>
<td>Real estate tax</td>
<td>Varies</td>
</tr>
<tr>
<td>Transfer tax</td>
<td>No</td>
</tr>
<tr>
<td>VAT</td>
<td>21% / 16% / 10% / 0%</td>
</tr>
</tbody>
</table>

### Social security and health insurance

- 11% (partially capped): 
  - 6.5% for pension insurance; 
  - 4.5% for health insurance. 
Withheld by the employer and remitted to the authorities.

### Tax exempt income (examples)

- Sale of flat/house 
  - If statutory criteria are met
- Sale of movable property (car, planes, boats)
- Transfer of an interest in a business entity
- Sale of securities
- Insurance payments

### Deductions (examples)

<table>
<thead>
<tr>
<th>Deduction</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable donations</td>
<td>Up to 15% of the tax base</td>
</tr>
<tr>
<td>Private life insurance contributions</td>
<td>Up to CZK 24,000</td>
</tr>
<tr>
<td>Private pension insurance contributions</td>
<td>Up to CZK 24,000 except for the first CZK 12,000</td>
</tr>
<tr>
<td>Loss relief</td>
<td>5 years</td>
</tr>
<tr>
<td>Mortgage interest to finance primary living</td>
<td>Up to CZK 300,000</td>
</tr>
</tbody>
</table>

### Discounts (examples)

- Standard tax payer discount: CZK 24,840
- Dependent spouse (if his/her income does not exceed CZK 68,000 per year): CZK 24,840
- Dependent children: 
  - CZK 15,204 (first child), 
  - CZK 19,404 (second child), 
  - CZK 24,204 (third and each following child)
- Student: CZK 4,020
- Pre-school facility fees: CZK 12,200

### Administration

<table>
<thead>
<tr>
<th>Administration</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax year</td>
<td>Calendar year</td>
</tr>
<tr>
<td>Return due date</td>
<td>1 April</td>
</tr>
<tr>
<td>Extension</td>
<td>Yes – 1 July if tax return prepared by the tax advisor under power of attorney, or 1 November if income from abroad is included</td>
</tr>
<tr>
<td>Special reporting</td>
<td>Tax exempt one-off income &gt; CZK 5 million</td>
</tr>
<tr>
<td>Advance payment of tax</td>
<td>Yes</td>
</tr>
<tr>
<td>Double taxation relief</td>
<td>Yes – if respective DTT concluded, beneficial ownership declaration and the tax residency certificate available</td>
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<td>Joint filing</td>
<td>No</td>
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### Discounts (examples)

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</tr>
<tr>
<td>- CZK 24,204 (third and each following child)</td>
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</tr>
<tr>
<td>Student</td>
<td>CZK 4,020</td>
</tr>
<tr>
<td>Pre-school facility fees</td>
<td>CZK 12,200</td>
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Association of Business Service Leaders (ABSL) in the Czech Republic was founded in 2013. Our members are companies operating in the Business Services and Business Outsourcing Industry. ABSL currently represents over 75 member companies, including 13 supporting members providing supportive services to the sector.

Our Vision
We believe that through cooperation the business services can grow, develop and innovate together. Becoming even stronger trusted partners and valued employers.

Our Goals
› Research of the Sector
Gather and maintain business intelligence market data, key statistics and sector insights to support existing business services and attract new investors to the CR.

› Strong Public Relations
Promote the ABSL and business services through cooperation with media, PR, one-voice response to current events, promotion of sector successes and organization of events.

› Cooperation with Authorities
Build relationship with relevant national and local authorities to open dialogue and cooperation to support industry interests.

› Business Services Community
Build a strong community of business services leaders sharing knowledge and cooperating on major projects designed to advanced the sector.

› Cooperation with Universities
Create relationship with relevant universities to open dialogue and cooperation on adopting education to support business needs and attract new talents to the sector.

› Strategic Partnerships
Develop a network of strategic business partners helping to advance the goals of the association and its members.

Thank you to our contributors: Prague City, CzechInvest, Deloitte, JLL, Randstad, Skanska

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