



Czech
Republic

FDI in Czech Republic – current situation

Amount of FDI (period 1993-2015): EUR 107,1 billion

Investors (countries):

- Netherlands 24,1%
- Austria 13,4%
- Germany 12,9%
- Luxembourg 12,2%
- France 7,7%
- Other countries 29,7%

Investments by sector:

- Manufacturing industry 32,9%
- Financial and insurance activities 27,3%
- Wholesale, retail and repair of motor vehicles 9,9%
- Real estate 7,3%
- Information and telecommunications activities 5,8%
- Other business activities 16,8%

CZECH REPUBLIC

GENERAL INFORMATION

Territory:	78,866 km ²
Population:	10,5 milion
Currency:	Czech crown (CZK)
GDP 2015:	EUR 169 bn
GDP per capita:	EUR 16,000
Growth rate:	4,5%
Average monthly gross earnings:	EUR 980
Export:	EUR 140 bn
Import:	EUR 125 bn

FDI in Czech Republic – current situation

The biggest investors in Country:

- Nexen Tire Corporation – rubber sector
- Hyundai - automotive
- Honeywell - aerospace, business support services

Investors perception about investment climate:

- The most developed economy in the CE region
- Stable and prosperous investment environment
- Lower valuations than Western Europe

Why to invest in Country:

- Lowest unemployment in EU
- Low and stable inflation
- Outstanding level of general education with strong science and engineering disciplines
- Compact and high-quality infrastructure
- Existing platform for R&D and transparent system of investment incentives

CZECH REPUBLIC

BUSINESS SECTORS AND INDUSTRIES TO INVEST:

- Automotive industry
- ICT
- Electrical and electronic industry
- Health care
- Real estate market
- Financial Services
- Metal industry
- Chemical, plastic and rubber industry
- Textiles
- Hotels & Tourism

Taxation implication

Tax implications on foreign investors and investment climate

Double taxation treaties

The Czech Republic has concluded a considerable number of double taxation treaties. In most cases, the double taxation treaties concluded by the Czech Republic follow the OECD model.

Withholding tax

Czech Republic implemented EC Parent-Subsidiary Directive and Interest-Royalty Directive

Dividends, interest and royalties paid out by a Czech company:

- 35% (paid to foreign participants), if no double taxation treaty or tax information exchange treaty is concluded
- 15%, if not reduced by a relevant double taxation treaty
- 0%, if certain conditions are met

TAXES IN CZECH REPUBLIC

STATE TAXES:

- CIT (19%, 5% tax rate applies for basic investment funds etc.)
- VAT (21%, 15%, 10%)
- Tax on road motor vehicles
- Consumption tax
- WHT (35%, 15%, 0%)
- Custom duties

CITY AND MUNICIPAL TAXES:

- Real estate tax

JOINT TAXES

- Personal income tax (15+7% for ones with income exceeding 48times the average wage per year)
- Real estate transfer tax (4%)

Taxation implication

Tax implications on foreign investors and investment climate

R&D tax deduction

Expenses that meet the requirements can be deducted twice within one year:

- a) as a regular cost item in the accounting books and
- b) as a tax deductible item in the tax return

Examples of tax-deductible expenses that meet the requirements of R&D

- a) Staff costs for employees (wages, floating wage components, bonuses, including mandatory payments)
- b) Tax depreciation of tangible and intangible assets
- c) Other operating expenses (costs of material, low-value assets, energy, water charges, telecommunication fees, travel expenses)

Tax trends

- Increased focus on transfer pricing tax audits
- Implementation of Country by Country reporting and Common Reporting Standard
- Implementation of ATAD

Stimulating investment measures

Investment Incentives (CzechInvest)

Supported Areas and General Conditions:

Manufacturing Industry – establishment or expansion of production

- The minimum investment in assets of CZK 100 mil. (USD 4 mil.) (land, building and at least 1/2 machinery), creation of at least 20 new jobs. For selected regions the minimum investment is CZK 50 mil. (USD 2 mil.).

Technology Centre – the establishment or expansion of a center for applied research, development and innovation of products and production processes;

- The minimum investment in assets of USD 400k (land, building and at least ½ machinery), creation of at least 20 new jobs.

Business Support Services Centers - establishment or expansion of:

- Shared service center – creation of at least 70 new jobs; Software development center – creation of at least 20 new jobs; High-tech repair center – creation of at least 70 new jobs; Data center – creation of at least 20 new jobs; Call center – creation of at least 500 new jobs;
- Services provided by a BSS center must reach two other countries besides the Czech Republic.

Stimulating investment measures

- The investor can obtain 25 % of the invested eligible costs.
- The maximum state aid 25 % includes:
 - ✓ Corporate income tax relief for 10 years.
 - ✓ Cash grant for creating new jobs up to CZK 300,000 (for selected regions).
 - ✓ Property-tax exemption for 5 years – only for special economical zones.
 - ✓ Cash grant for the new investment – up to 10% (12,5%) – only for strategic investment projects
- In addition to maximum state aid of 25 % the investor can obtain:
 - ✓ Cash grant for staff training and re-training up to 50% of the training expenses.

Legal implication

Legal implications on foreign investors and investment climate

Electronic sales records

- Since 2016 - online electronic cash registers for certain sales of goods and services.

Public contracts register

- All contracts of public institutions in the amount EUR 1,900 or higher are uploaded to publicly accessible online register.

Public Procurement Act

- The anti-corruption act which set new, more transparent and effective framework for public tenders and procurements.

Building Act

- Simplification and acceleration of permitting procedures, only one permit will be required.

Privatization and private investments

- Main part of Czech privatization was done during 90s as a part of transformation process from a command economy to a market economy
- Several methods of privatization in 90s:
 - Restitution to Original Owners
 - Small Scale Privatization through Public Auctions
 - Large Scale Privatization
 - Small size enterprises: public tenders
 - Medium size enterprises: public tender or through direct sales
 - Large size enterprises: voucher method
- State-owned enterprises today: ČEZ, ČD, ČD Cargo, ČEPS, Čepro, Lesy ČR, Český Aeroholding, ..
- Currently nearly no opportunities for privatization

Privatization and private investments

ENTERPRISES: structure of ownership

TYPE OF ORGANISATION	%
Private companies (50% or more of the shares held by country-s residents)	25.3%
Private companies (less than 50% of the shares held by country-s residents)	46.3%
State owned companies	28.4%

Thank you for your attention!





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