



FACT SHEETS
INFOBLÄTTER
FICHES D'INFORMATIONS
知っておきたい基礎情報
투자 기본 정보

The Business and Investment Climate in the Czech Republic
Das Geschäfts- und Investitionsklima in der Tschechischen Republik
Le milieu des affaires et des investissements en République tchèque
チェコのビジネス・投資環境
체코 투자 환경

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Note: Although we have made every effort to ensure the reliability of our sources, CzechInvest does not assume liability for the accuracy of material contained in the fact sheets.

Introduction

CzechInvest is a non-profit government organisation of the Czech Republic which provides foreign investors and new partners with information support, tailor-made visits, project management, and handling of financial support, business property identification, supplier identification, aftercare services, and business infrastructure development. CzechInvest has the proven project management expertise to reduce the burden on clients' management resources in terms of site selection, matchmaking, sourcing and facilitation of the entire investment decision-making and implementation process.

CzechInvest actively seeks projects with higher-added value to enhance the level of the Czech economy and encourage its current and future development over the long term. CzechInvest focuses both on traditional sectors with a rich history in the Czech lands and emerging sectors with worldwide potential. CzechInvest also plays an important role in presenting the Czech Republic as a modern developed country with extensive experience in the area of science and technology.

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1. Investment Opportunities in the Czech Republic

The Czech Republic has attracted a large amount of foreign direct investment (FDI) since 1990, making it one of the most successful transition countries in terms of FDI per capita. The introduction of investment incentives in 1998 stimulated a massive inflow of foreign direct investment in greenfield and brownfield projects. The Czech Republic's accession to the European Union in 2004 further boosted investment.

The Czech Republic's key advantages as an investment location include:

- Central location in Europe
- Safe investment environment
- Compact and high-quality infrastructure
- EU membership
- Stable social and political system
- Strong focus on R&D
- Skilled workforce
- High share of secondary and tertiary education
- Favourable labour costs and price stability
- Transparent system of investment incentives
- Mentality, culture and attitudes close to western countries
- Enviably life style

REAL ESTATE INVESTMENTS

In general, the Czech property market currently offers many good investment opportunities, especially with regard to office, industrial and residential spaces as demand for high-quality real estate of all types is growing. CzechInvest now also cooperates with developers and real estate investors. CzechInvest is able to identify real estate opportunities mainly involving industrial properties and facilities suitable for business support services or R&D. Please contact CzechInvest directly for further information on other areas of the real estate market, or you can contact Czech-based consultants or members of the Association for Foreign Investment (www.afi.cz) who can help you.

The Czech Republic offers excellent conditions both for greenfield and brownfield investments. CzechInvest maintains its own national business-properties database of suitable industrial sites and buildings around the country that have clear title, industrial zoning permission and developed technical infrastructure. The country has 101 municipal industrial zones created through the government's industrial-zone development programme, in which CzechInvest plays a major role. Investors locating operations in municipal industrial zones will receive fully serviced land at favourable prices. Projects meeting the eligibility criteria can receive investment incentives including tax relief, job-creation grants, training grants and other forms of aid. Moreover, it is possible to receive additional financial assistance for brownfield projects, particularly from EU Structural Funds.

JOINT VENTURES, LONG-TERM COOPERATION AND SUPPLIERS

If you are considering looking for a joint-venture partner in the Czech Republic, CzechInvest can offer you recommendations of suitable companies through its database of manufacturing firms, in which it is possible to filter companies according to their interest in forming a joint venture. We will arrange meetings with potential partners and organise visits to their production facilities.

Thanks to our partners from the Association for Foreign Investment, we are also able to arrange contacts to law offices and consulting firms that assist investors with the actual establishment of joint ventures.

According to CzechInvest's experience in the area of joint ventures, foreign investors expect from Czech partners primarily flexibility, an innovative approach and knowledge specific to the local environment. Conversely, small and medium-sized Czech suppliers are looking for stronger partners with the aim of gaining access to distribution networks, specialist knowledge and financial resources. Cooperation often begins with short-term projects and develops into a long-term partnership.

General Supplier Database

CzechInvest is also implementing a Supplier Development Project designed to boost the number of foreign investors that are increasing their use of Czech-based suppliers. Within this project, CzechInvest organises purchasing forums for multinational companies with operations in the Czech Republic.

CzechInvest's fundamental tool for seeking out suitable business partners is comprised of its sector databases of Czech companies. These databases contain nearly 3,000 high-quality records with a broad scope of information on Czech suppliers interested in long-term cooperation with foreign partners. The databases are regularly updated and supplemented according to the demands of foreign companies, and

contain companies from the following sectors: aerospace, automotive, electronics and electrical engineering, ICT, subcontracting – plastics, subcontracting – metal, materials, packaging and engineering, healthcare-pharmacy-biotechnology.

ACQUISITION OF PRIVATE COMPANIES

The Czech Republic offers good opportunities to acquire either privatised companies or new start-ups. Though CzechInvest is prepared to provide general information on the investment and business climate in the Czech Republic, we regret that we do not have the resources to play an active role in identifying local companies as potential acquisition targets. We recommend approaching a Czech-based consultant who can provide direct assistance. Your country's embassy should be able to supply you with a list of such consultants, or you can approach a member of the Association of Foreign Investment (www.afi.cz).

INVESTMENT OPPORTUNITIES IN SPECIFIC SECTORS

Looking for the right place for your investment project? We understand that each sector has specific needs that must be met in order to prosper. The Czech Republic can satisfy the most demanding of those needs in many different sectors. CzechInvest focuses on the support of those sectors in which it sees significant potential for development:

- **Aerospace & Airport Infrastructure;**
- **Automotive;**
- **Electronics/Robotics;**
- **Engineering Technology & Machinery;**
- **Life Sciences;**
- **Nanotechnology;**
- **Renewable Sources of Energy and Cleantech;**
- **Business Support Services;**
- **Software & ICT**

For each of these sectors, CzechInvest has a specialist who can provide investors with in-depth sector-specific information. If you are interested to find out more about investment opportunities in the Czech Republic, do not hesitate to contact us at fdi@czechinvest.org.

Manufacturing: Investment in high-tech manufacturing sectors offers excellent potential due to the Czech Republic's long and rich industrial heritage and is strongly supported through government aid programmes including the investment incentives scheme. Support for investment in high-tech manufacturing is at the core of CzechInvest's activities.

Utilities: The electricity and water utilities sectors are still in the process of privatisation. All enquiries about producers and distributors in these sectors should be addressed directly to the Ministry of Industry and Trade (www.mpo.cz).

Business support services and technology centres: These include customer contact centres, shared services centres, expert solution centres, software development, research and development centres, design centres and high-tech repair centres. The Czech Republic aims to become the regional hub for these services and CzechInvest has made attracting foreign direct investment into business support services one of its priorities. Support for investment in such services has recently been introduced, specifically through the Framework Programme for Support of Technology Centres and Centres of Business Support Services.

Financial services: Privatisation of the banking sector is almost complete but there are still some very good investment opportunities in the financial services sector as demand for these services is increasing. Nevertheless, CzechInvest regrets that it does not have the resources to play an active role in aiding investments in financial services. Contact the Association of Foreign Investment (www.afi.cz) for help.

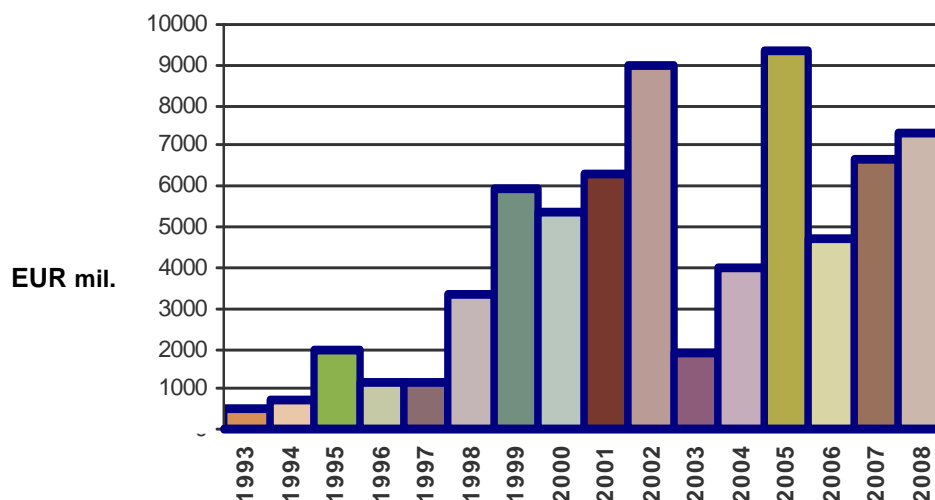
R&D: The Czech Republic's spending on R&D has increased continually over the past ten years. In 2004, the country became a member of the European Union, which spurred an additional increase of support for science and research. The country has gained access to a variety of European funds and programmes, such as EU Structural and Cohesion Funds. These funds can be used particularly for development of R&D infrastructure and companies' innovation activities. See Fact Sheet 12 for more information.

Tourism and other services: These sectors offer many good investment opportunities. Unfortunately, however, CzechInvest does not have the resources to play an active role in these projects. We recommend approaching a Czech-based consultant or the Association for Foreign Investment (www.afi.cz).

2. Inflow of Foreign Direct Investment

The Czech Republic is one of the most successful transition economies in terms of attracting foreign direct investment. The introduction of investment incentives in 1998 has stimulated a massive inflow of FDI into both greenfield and brownfield projects and since 1993 more than EUR 66 billion in FDI has been recorded.

INFLOW OF FOREIGN DIRECT INVESTMENT TO THE CZECH REPUBLIC



Source: Czech National Bank, March 2009

As an early reformer in east-central Europe, the Czech Republic led the way in the early 1990s in adopting far-reaching stabilisation, liberalisation and privatisation programmes. The implementation of EU rules and regulations has also helped to improve the business environment and attract FDI. According to the Economist Intelligence Unit, the Czech Republic has consistently attracted a high rate of foreign direct investment per capita since 2000, which confirms the country's strong attractiveness for foreign investors.

Stock of inward foreign direct investment per capita (USD)

	2006	2007	2008	2009	2010
Bulgaria	2,859.87	4,475.60*	5,404.20*	5,917.10**	6,598.80**
Czech Republic	7,800.44	9,881.37	10,916.20*	11,366.50**	11,868.00**
Hungary	10,479.30	14,851.30*	15,273.80*	15,584.40**	16,017.20**
Poland	3,297.82	4,619.42	5,098.10*	5,414.00**	5,769.50**
Romania	2,110.26	2,828.93	3,453.80*	3,736.60**	4,206.50**
Slovakia	7,031.68	7,456.92	7,887.80*	8,099.00**	8,365.40**

Legend:

* Estimates

** Forecasts

Source: The Economist Intelligence Unit, 2009

FDI INFLOW INTO THE CZECH REPUBLIC BY COUNTRY AND SECTOR

Last year's inflow of FDI totalled more than USD 6 billion. The most important investors are Germany, the Netherlands, Austria, Japan and the United States. A significant portion of FDI inflows into the Czech Republic has been concentrated in the services sector. Manufacturing has been the second-largest beneficiary, especially transport equipment (particularly automotive and related components), chemicals, metal products and electrical and optical equipment. More investment is now being directed towards more high-technology sectors and research and development.

Inflow of FDI by country (EUR thousand)

	2004	2005	2006	2007	2008
Austria	353,722	502,542	796,236	803,489	1,429,159
Canada	-99,444	33,746	-14,424	14,584	-2,112
Denmark	-39,940	38,215	-30,468	165,201	64,150
Finland	11,513	19,770	-11,450	8,924	19,987
France	-141,552	310,791	213,260	39,728	304,125
Germany	610,371	1,301,690	1,535,545	881,490	2,362,598
Ireland	61,913	22,727	-551	56,694	19,739
Italy	41,086	-21,615	-36,394	40,827	99,333
Japan	31,337	50,252	120,707	296,484	32,262
South Korea	-331	241,497	-166,615	269,071	102,413
Liechtenstein	25,415	28,162	15,067	45,839	160,151
Luxembourg	438,275	126,652	1,105,311	1,541,792	203,417
Netherlands	1,612,679	739,840	-342,170	1,621,195	1,003,224
Spain	54,429	4,204,058	-23,740	199,249	133,898
Sweden	-25,819	398,556	-153,939	248,220	121,174
Switzerland	148,389	67,959	423,686	708,549	276,955
United Kingdom	15,146	46,865	209,436	-390,492	-614,690
United States	407,043	92,018	-14,720	301,599	235,464

Source: Czech National Bank, March 2009

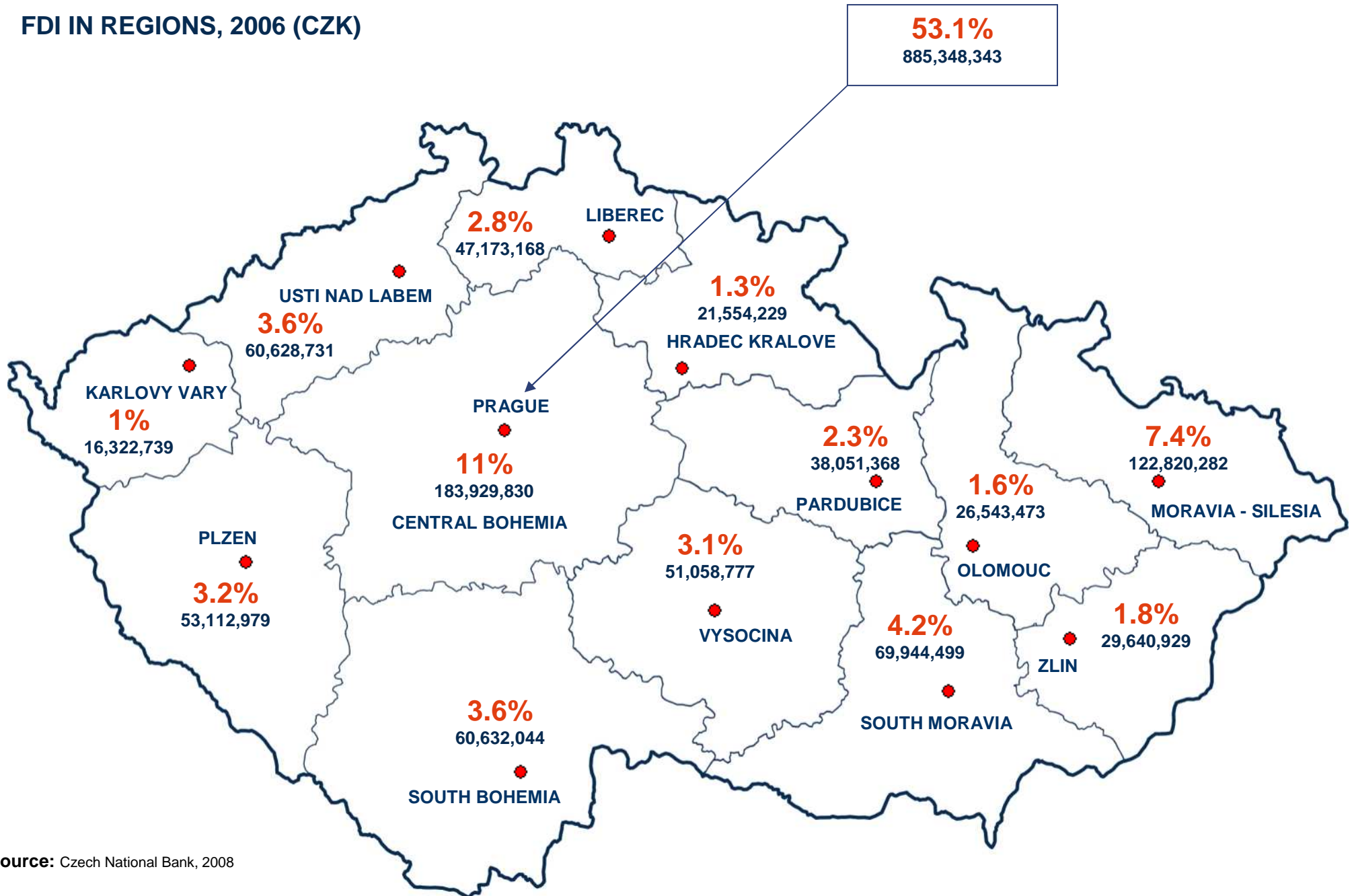
One of the most important investments in recent years was made by Toyota Motors and Peugeot in 2002 to build a joint factory in Kolin at a cost of USD 1.7 billion. As result, the Czech Republic became one of the most important players in the automotive sector in Europe and, more recently, Hyundai built another large manufacturing plant worth USD 1.3 billion in Nosovice. In 2004 Hewlett-Packard set up its regional computer-technology supply-chain headquarters for Europe, the Middle East and Africa in the Czech Republic. Several other multinational companies such as Honeywell, DHL, IBM, Sun Microsystems, Logica and RedHat subsequently decided to use the Czech Republic's potential in the services and R&D sectors.

Inflow of FDI by sectors (EUR thousand)

	2004	2005	2006	2007	2008
Manufacturing					
Chemicals and chemical products	156,263.6	162,949.3	129,476.0	222,872.2	174,500.3
Rubber and plastic products	58,088.1	115,794.9	303,193.1	25,466.7	561,962.8
Other non-metallic mineral products	1,000.1	184,643.8	-211,244.5	386,397.4	287,323.1
Metal products	406,423.1	56,980.7	258,592.0	583,582.0	137,343.2
Mechanical products	149,506.8	97,715.2	211,936.7	299,288.5	257,379.1
Electrical machinery and apparatus	68,383.8	55,730.1	221,807.9	79,479.8	46,760.3
Medical, precision and optical instruments	12,084.8	-79,959.2	-10,276.0	46,962.1	12,256.1
Motor vehicles	-345,714.1	319,457.7	49,525.0	687,434.0	221,577.6
Other	308,928.8	-171,749.2	398,509.3	493,853.9	756,514.2
Non-manufacturing	600,613.3	462,819.1	918,850.3	2,576,997.8	1,719,153.6

Source: Czech National Bank, March 2009

FDI IN REGIONS, 2006 (CZK)



Source: Czech National Bank, 2008

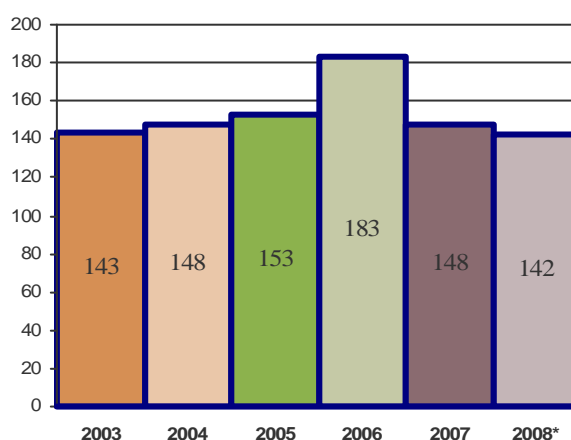
FDI Inward Flows into Czech Republic

Top 10 Investment Projects mediated by CzechInvest

Company	Source country	Investment USD million	Jobs created
Hyundai Motor Company	South Korea	1 221,55	3 000
Toyota/PSA	Japan/France	850,20	3 000
VOLKSWAGEN	Germany	562,00	600
Nemak	Mexico	317,15	1 361
Denso	Japan	254,53	936
Robert Bosch	Germany	237,48	1 485
Matsushita Electric Industrial Co.	Japan	235,19	1 182
Mondi Packaging Paper	Netherlands	393,65	128
L.G. Philips Displays Holding	Netherlands	201,55	3 250
Siemens VDO Automotive	Germany	178,99	1 900

Source: CzechInvest, 2009

FDI Project Trends



Source: fDi Market, March 2009

Note: *preliminary data

- Between January 2003 and January 2009, fDi Markets recorded a total of 917 investment projects from 684 companies.
- The leading sector was Automotive Components, which accounted for 13% of projects.
- The top three cities for inward investment were Prague, Brno and Plzen, hosting 28%, 7% and 5% of investment projects respectively.
- The key factors behind the location of investment projects were proximity to markets or customers and availability of skilled labour.

FDI Top Sectors in CR 2003-2008

Sector	Total	Investment	Jobs
Automotive Components	116	2 138 373 333	22 043
Software & IT services	71	95 466 486	5 952
Industrial Machinery, Equipment & Tools	60	812 220 000	7 863
Electronic Components	51	553 560 000	16 250
Consumer Products	50	63 180 000	2 575
Real Estate	43	2 830 252 800	1 288
Financial Services	41	7 950 000	906
Business Services	40	12 440 789	382
Food & Tobacco	40	235 000 000	2 575
Consumer Electronics	37	316 010 000	5 840
Textiles	36	247 000 000	3 160
Automotive OEM	29	1 467 570 000	14 689
Metals	29	296 840 000	1 529
Plastics	29	178 609 268	875
Alternative/Renewable energy	17	717 860 000	875
Communications	17	4 000 000	1 050
Building & Construction Materials	16	715 670 000	995
Paper, Printing & Packaging	15	193 900 000	650
Business Machines & Equipment	14	132 430 000	3 365
Chemicals	12	74 000 000	385
Medical Devices	12	68 600 000	813
Pharmaceuticals	12	160 600 000	25
Aerospace	10	8 450 000	791
Others	120	1 463 230 000	5 665
Total	917	11 329 982 676	100 541

Source: fDi Market, March 2009

Fact Sheet No.2 - Inflow of Foreign Direct Investment

Latest update: March 2009

3. Investment Climate

POLITICAL AND ECONOMIC STABILITY

The Czech Republic is a fully-fledged parliamentary democracy, and is one of the faster growing economies as well as one of the ten countries that entered the European Union on 1 May 2004. The country's economic policy is consistent and predictable. A strong and independent central bank (the Czech National Bank) has maintained an extraordinary degree of currency stability since 1991. The Czech Republic was the first CEE country to be admitted into the OECD. The country is a member of NATO and is fully integrated into other international organisations such as the WTO, IMF and EBRD.

EU legislation was adopted in preparation for EU accession. Czech commercial, accounting and bankruptcy laws are compatible with Western standards.

The Czech koruna is fully convertible. All international transfers (e.g. profits and royalties) related to an investment can be carried out freely and without delay.

NON-DISCRIMINATION

Under Czech law foreign and domestic entities are treated identically in all areas, from protection of property rights to investment incentives. The government does not screen any foreign investment projects with the exception of those in the defence and banking sectors.

As an OECD member the Czech Republic is committed not to discriminate against foreign investors in privatisation sales, with the same exception as that mentioned above.

INVESTMENT PROTECTION

The Czech Republic is a member of the Multilateral Investment Guarantee Agency (MIGA), an international organization for protection of investments, which is part of the World Bank-IMF group. The country has signed a number of bilateral treaties which support and protect foreign investments, for example with the United States, Germany, the UK, France, Austria, Switzerland, Italy, Belgium, Luxembourg, the Netherlands, Finland, Norway, Denmark and China.

The treaties provide that each party shall permit and treat investments and associated activities of the other party's residents on a non-discriminatory basis, and guarantee full protection and security by law. The full text of the respective treaty is available in Czech and the official language of the other country only. The Czech version can be found in the Collection of Laws of the Czech Republic. The other language version is available from the authorities of the other country, e.g. that country's embassy.

The Czech Republic has also concluded agreements for the avoidance of double taxation – see the Repatriation of Profits section below.

PROTECTION OF PROPERTY RIGHTS

The Czech Republic is a signatory to the Bern, Paris, and Universal Copyright Conventions. Existing legislation guarantees protection of all forms of property including patents, copyrights, trademarks, and semiconductor chip layout design. Trademark law and copyright law are compatible with EU directives.

[\(Industrial Property Office – Czech Patent and Trade Mark Office \)](#)

The only case where the property of a foreign person or entity could be expropriated in the Czech Republic would be on public-interest grounds that could not be satisfied by other means, which would then have to be through an Act of Parliament and with full compensation at market value. No expropriation of the property of a foreign investor has taken place since the Velvet Revolution in 1989.

REPATRIATION OF PROFITS

No limitations exist concerning the distribution and expatriation of profits by Czech subsidiaries to their foreign parent companies, other than the obligation of joint stock and limited liability companies to generate a mandatory reserve fund and pay withholding taxes (for details, see the Corporate Tax and Depreciation Factsheet).

The Czech Republic has treaties to prevent double taxation with many countries, including all EU countries, Switzerland, the United States, Canada, Japan, and Australia. A full list of countries is available from the Ministry of Finance.

Double-taxation treaties cover taxes on dividends, interest and royalties. Actual rates of withholding tax are determined by the respective treaty and range from 0 to 15 per cent. The exact method of double-taxation prevention must be determined by reference to the actual treaty between the Czech Republic and the other country.

INVESTMENT RISK

An open investment climate has been a key element of the Czech Republic's economic transition. The country's investment grade ratings from international credit-rating agencies and its early membership in the OECD testify to its positive economic fundamentals.

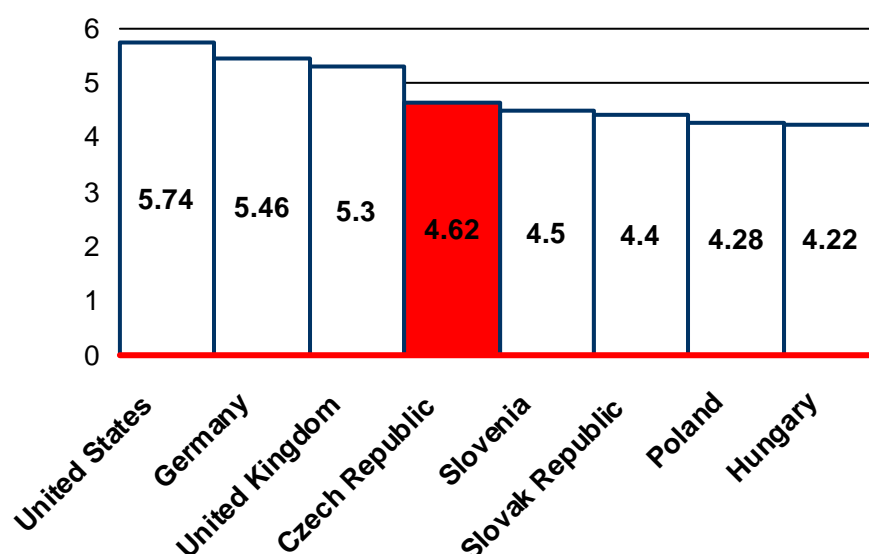
Investment Risk Ratings

COUNTRY	STANDARD AND POOR'S	MOODY'S	FITCH-IBCA
Slovenia	AA	Aa2	AA
Czech Republic	A	A1	A+
Hungary	BBB	A2	BBB
Poland	A-	A2	A-
Estonia	A	A1	A
Slovakia	A	A1	A+
Romania	BBB+	Baa3	BBB+
Russia	BBB	Baa1	BBB

Source: Czech National Bank, February 2009

GLOBAL COMPETITIVENESS INDEX RANKINGS

Czech Republic is at the top of the CEE countries in the competitiveness of the world economies (1st place: United States GCI – 5.74, 131st (last) place: Chad GCI – 2.85).



Source: World Economic Forum, Global Competitiveness Report 2008-2009

4. Investment Incentives

MANUFACTURING SECTOR – INCENTIVES AND ELIGIBILITY

The Czech Republic offers both new and existing investors investment incentives and business support through several schemes. This document describes the system of national investment incentives offered by the government to investors in manufacturing facilities. As of the end of December 2009, 568 firms had been awarded incentives.

THE NATIONAL INCENTIVES SCHEME

The Czech government in April 1998 originally approved investment incentives for manufacturing. From the outset, the incentives scheme was designed to apply equally to both foreign and domestic investors under the same conditions.

A new **Act on Investment Incentives** (Act No. 72/2000 Coll.), which came into force on 1 May 2000, and whose subsequent amendments came into force in May 2004 and July 2007, codifies, simplifies and extends the original national incentives scheme. The Act was discussed with the European Commission and is in compliance with European regulations on state aid.

INCENTIVES LISTED IN THE ACT ON INVESTMENT INCENTIVES

Tax incentive	Corporate tax relief for up to five years for new companies Partial tax relief for up to five years for existing companies
Job creation grants	Financial support for creation of new jobs
Training and retraining grants	Financial support for training and retraining new employees
Site support	Transfer of public land at a favourable price

The incentives are available individually or collectively and are designed to have maximum impact in the early stages of the given project.

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 tax relief for up to five years. If the investment takes the form of an expansion project within an existing Czech company (legal entity), the company is eligible for partial tax relief for up to five years. The tax relief is terminated when the company has reached the maximum level of eligible state aid – see the section below on compatibility of incentives with European Union regulations.

Job-creation and training and retraining grants

Job creation grants amounting to CZK 50,000 per employee and training and retraining grants amounting to 25% of total training and retraining costs are provided only in districts with unemployment that is at least 50% higher than the national average.

Site support

The preferential transfer of land or land with infrastructure owned by the state or municipalities is possible depending on the landowner's agreement with such preferential transfer.

ELIGIBILITY CRITERIA FOR MANUFACTURING

- The investment must be made in a manufacturing sector.
- The investment must be made in the launch of new production or in the expansion of existing production.
- The investor must invest at least CZK 100 million (approx. \$5 million) within three years. This limit is reduced in regions with high unemployment to CZK 60 million or CZK 50 million, depending on the unemployment rate.
- Half of the investment minimum (above) must be financed through the investor's own equity.
- At least 60% of the total investment must be made in machinery.
- All machinery must be new.
- The proposed production must meet all Czech environmental standards.

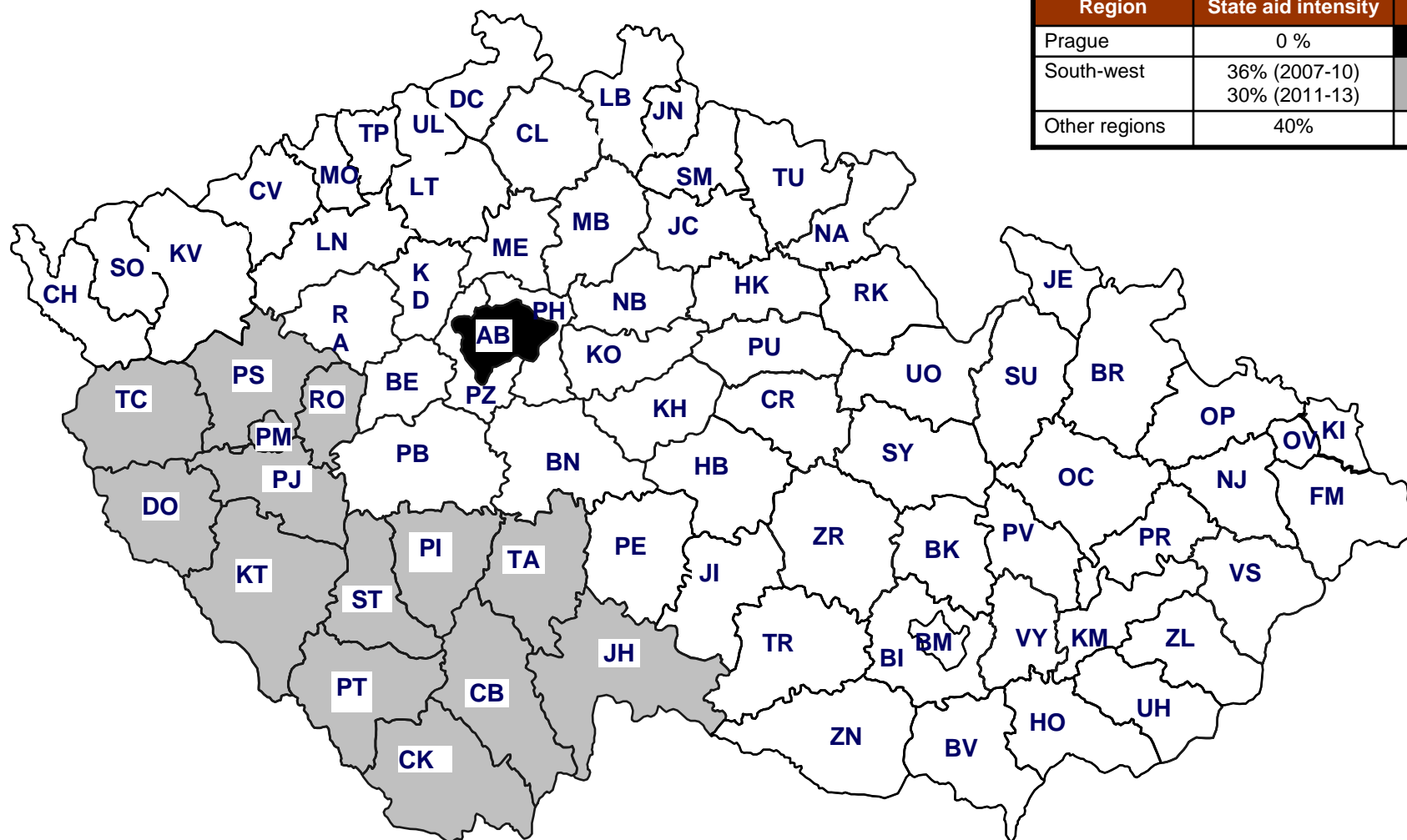
INVESTMENT INCENTIVES – COMPATIBILITY WITH EU REGULATIONS

The compatibility of the investment incentives regulations applied in the Czech Republic with EU state-aid legislation is evaluated by the European Commission. Each application for investment incentives must pass an evaluation by the Ministry of Industry and Trade, which also decides on the total amount of state aid available to each project. The actual aid available to each project is calculated as a percentage of the total value of the actual investment (i.e. capital expenditure on land, buildings, machinery, including limited expenditure on intangible assets). Once the limit of state aid available to the project has been reached, the tax break is terminated and the company has to start paying corporate tax.

Please see the attached map for the maximum percentage of state aid available in various regions in the Czech Republic, as required by EU regulations.

CzechInvest is the sole entity that may accept applications for the incentives above. Additional details on incentives can be obtained from our investment incentives specialists or from the “Manual on Investment Incentives” available at CzechInvest in printed and electronic form.

MAXIMUM PERMISSIBLE STATE AID INTENSITY (2007–2013)



Region	State aid intensity	Filler
Prague	0 %	
South-west	36% (2007-10) 30% (2011-13)	
Other regions	40%	

The permissible state aid intensity for investment projects in which eligible costs do not exceed EUR 50 million is increased by 20% in the case of small enterprises and by 10% in the case of medium-sized enterprises.

The permissible state aid intensity for investment projects in which eligible costs exceed EUR 50 million is stipulated by the Regional Support Guidelines 2007-2013.

5. Other Business Support Measures

For companies/investment projects that for any reason do not fulfil the criteria for the national Investment Incentives Scheme described in the previous fact sheet, there are other forms of support available. However, none of the schemes listed below includes tax breaks.

EU STRUCTURAL FUNDS

Structural Funds in the Czech Republic offer a range of benefits targeted at business development (**Operational Programme Enterprise and Innovation**, announced for the period 2007-2013). These focus both on development of the business environment and on direct support for companies (small and medium-sized enterprises as well as large ones). The percentage of co-financed eligible costs depends on the specific programme; funds are provided after completion of the project or a part thereof (with the exception of loans). Programmes are open to companies with their registered office in the Czech Republic.

Support from the **Operational Programme Enterprise and Innovation** is focused on the **following programmes**:

Development (Rozvoj)

The aim of the Development Programme is to increase the competitive strength of SMEs and to improve their market position. The programme is focused on supporting the increase of technical capability in small and medium-sized enterprises. The supported activity consists in the purchase of new technical equipment with higher quality and performance parameters.

Eligible costs are those involving the purchase of machinery and equipment, including management-software development costs related to introducing new machinery and costs for acquiring patents and patent licenses. Aid is provided in the form of a subsidy amounting to between CZK 1,000,000 – CZK 20,000,000. The applicant must have closed at least two consecutive accounting periods in the Czech Republic. Projects must be implemented in selected regions of the country and in selected sectors of the Czech economy.

ICT in Companies (ICT v podnicich)

The objective of the ICT in Companies Programme is to increase the competitive strength of SMEs through better use of information and communications technologies (ICT) and systems (IS).

Activities supported within this programme include, e.g., purchase and implementation of IS, e-commerce, paperless office, development of company agendas using ICT, including introduction of e-business solutions (knowledge-based and control systems), increased security of IT systems and networks, configuration and adjustment of the introduced ICT systems to optimize processes and the organizational structure, systems for customer-relations management (CRM), management of supply chains, and outsourcing (leasing) of ICT services and assets. Eligible costs include long-term tangible assets (HW, networks and other devices), long-term intangible assets (SW, licenses, know-how), and selected operating costs. Subsidies are provided in the maximum amount of up to CZK 20,000,000 per project.

The applicant must have closed at least two consecutive accounting periods in the Czech Republic. Projects must be implemented in selected sectors of the Czech economy.

ICT and Business Support Services (ICT a strategické služby)

The objective of this programme is to promote the competitiveness and growth of the ICT sector in the Czech Republic and to support the availability of new information systems, ICT solutions, software products and services. Within this programme support is provided specifically for the following activities: 1) creation of new IS/ICT solutions and applications; 2) development of shared services centres; 3) establishment of centres for repairing high-tech products and technologies. Support is provided in the form of a subsidy (CZK 1,500,000 – CZK 80,000,000) that is paid out retroactively upon completion of a particular phase of the project. Eligible costs include long-term tangible assets (hardware and networks), long-term intangible assets (software, licenses, know-how) and wages of employees in newly created jobs. The subsidy recipient has to create a minimum number of jobs according to the call and to invest a certain amount in long-term tangible and intangible assets depending on the size of the enterprise.

Guarantee (Zaruka)

The Guarantee Programme is focused on facilitating the implementation of small and medium-sized enterprises' business projects through the use of favourable bank guarantees.

Innovation (Inovace)

The Innovation Programme is focused on the support of business projects involving the implementation of innovations in the area of industry and industrial services. Its aim is to support the commercialisation of research and development results by introducing new technologies, products and materials into production. Support is provided in the form of subsidies of up to CZK 75 million (or CZK 150 million in selected regions) and companies eligible to receive aid are those that have a history of at least two years in the Czech Republic. In the event that a project is accompanied by the implementation of new organisational methods in business practices and external relations or the use of new sales channels, the company can receive another grant of up to CZK 2 million for the implementation of these activities (for SMEs only).

The programme also supports the protection of industrial property rights (patents, utility models, industrial designs and trademarks). Subsidies (CZK 10,000 – CZK 1,000,000) are provided to small and medium-sized enterprises, universities, public research institutes and individuals.

Potential (Potencial)

The aim of the Potential Programme is to support new or increased capacities of enterprises to conduct research, development and innovation activities, as well as to increase the number of enterprises carrying out their own research, development and innovation. Another aim of the programme is to enhance cooperation between enterprises and research and development organisations, create high-skilled jobs and thus develop the knowledge-based economy, create better conditions for enterprises to join national and European R&D programmes and permanently enhance the competitiveness of the Czech economy. Projects under this programme relate to the establishment or expansion of R&D (technology) centres or departments with the goal of developing and innovating production technologies. Eligible costs include those involving the purchase of land, buildings and equipment (long-term tangible and intangible assets) directly needed for the activities of the given R&D department (centre).

Support is provided in the form of a subsidy ranging from CZK 1,000,000 to CZK 100,000,000 (or CZK 1,000,000 to CZK 200,000,000 in selected regions). Projects must be implemented on the territory of the Czech Republic outside of Prague and in selected sectors of the Czech economy. The minimum investment amount is CZK 10,000,000 (CZK 5,000,000 in the case of SMEs).

Cooperation (Spoluprace)

The aim of the Cooperation Programme is to support economic growth and competitiveness in the economy through development of sector-based associations. The Cooperation Programme – Technology Platforms makes it possible to support the establishment and development of cooperating sectoral groupings at the national level as a tool for developing the competitiveness of the economy and promoting economic growth. Support for technology platforms enables the provision of aid for the establishment and development of technology platforms in the form of subsidisation of personnel and operating costs. Aid will be provided according to the de minimis rule. The Cooperation Programme – Clusters supports the creation of cooperative groupings at the regional level (clusters). Aid can be obtained for cluster members' collective activities in the field of innovation. Aid will be provided in the form of a subsidy in the amount of up to CZK 80,000,000.

Prosperity (Prosperita) – Infrastructure for industrial research, development and innovation

The Prosperity Programme offers support for infrastructure in order to strengthen links between R&D and industry (establishment of business incubators, science and technology parks, technology-transfer centres and development of business angels networks). Final recipients must be legal entities pursuant to the Civil Code. Newly established companies may participate. Final recipients must have cooperated with a specific institute of higher education or research institute. Support is provided in the form of subsidies (CZK 1,000,000 – CZK 300,000,000).

Supported activities:

Business incubator – an environment suitable for new, innovative companies, especially for innovative small and medium-sized companies focusing on the implementation of new technologies, products and services.

Science and technology park (STP) – an institution focused on science, technology and innovative business and which closely cooperates with universities and/or scientific and research institutes. An STP generally involves companies with a longer history.

Technology-transfer centre – a facility established in cooperation with universities and/or scientific and research institutes. Such a centre facilitates the transfer of technologies from the aforementioned institutes to the private sector and provides professional consulting services, particularly in the area of protection of intellectual and industrial property.

Business angels networks (BAN) – entities associating business angels in order to provide more efficient access to information and more rational use of business-angel capital. (Business angels (BA) – entities willing to invest their disposable capital in innovative start-ups with high growth potential).

Training Centres (Skolici strediska)

The basic aim of the Training Centres Programme is to improve conditions for human resources development by providing infrastructure necessary for the training and education of company employees. Supported activities are acquisition, construction, renovation and modernisation of training facilities including training equipment. The programme is not aimed at supporting education, training, courses or the creation thereof. The final recipient may be a business entity (regardless of its size), business organization, associations of enterprises, enterprise groupings, non-business entities or private educational institutions. The main condition is that the training centre will serve mainly for the employees of companies operating in specific sectors and the project must be implemented in the Czech Republic outside of Prague. Support is provided in the form of direct subsidies in the amount of CZK 200,000 – CZK 100,000,000 (but not more than the percentage limit set forth in the regional map of state-aid intensity). Eligible costs include purchase or modification of real estate, construction or renovation of buildings, training aids and equipment including training software.

Marketing

Within the Marketing Programme, support is provided for small and medium-sized enterprises' marketing activities in foreign markets (promotional materials, participation in exhibitions and trade fairs abroad, transport of goods to be exhibited). Support is provided in the form of a subsidy. The minimum subsidy amount is CZK 300,000.

Eco-energy (Eko-energie)

The aim of the Eco-energy Programme is to reduce the energy requirements of production and to expand the use of renewable and secondary sources of energy. Support is provided in the form of subsidies (CZK 500,000 – CZK 100,000,000). Eligible costs include purchase of land, project documentation for construction, renovation, new construction and purchase of structures, hardware and networks, machinery and equipment, etc.

Real Estate Programme (Nemovitosti)

The objective of the Real Estate Programme is to encourage the creation and development of business properties including the related infrastructure and thus to contribute to the creation of a functioning real estate market and to the improvement of the investment climate and the environment of the Czech Republic. The programme is focused on the support of projects implemented in the primary stages of the property lifecycle, i.e. project preparation, construction, development and renovation of properties. The user of supported premises must operate mainly in the area of manufacturing, R&D, technology centres or business support services. Support is provided in the form of subsidies whose amount differs depending on the type of project and beneficiary. The amount of aid provided is between CZK 1,000,000 and CZK 500,000,000.

Consultancy (Poradenstvi)

The aim of the Consultancy Programme is the financing of information, consulting and education services for small and medium-sized enterprises. A further aim of the programme is to support innovation processes. Firms are supported in the area of performing particular pre-feasibility studies that are to be implemented in order to facilitate the growth and prosperity of the given firm. Fields of innovation are strictly limited to (a) product innovation, (b) innovation of services, (c) organizational innovation and (d) marketing studies. The pre-feasibility study is conducted by an external consultant or consultancy firm. Support is provided in the form of subsidies (CZK 100,000 – CZK 500,000).

Start

The aim of the Start Programme is to enable the realisation of business plans of people starting business for the first time or after a longer pause. Aid is provided in the form of soft guarantees with financial contribution to the guaranteed loan.

Progress (Progres)

The Progress Programme involves the provision of preferential loans for small-enterprise development projects. Loans are provided in the amount of up to CZK 20,000,000 with a maturity period of up to nine years at a fixed interest rate of 3% p.a.

The **Start, Progress and Guarantee** Programmes are administered by the state-owned Czech-Moravian Guarantee and Development Bank (Ceskomoravska zarucni a rozvojova banka, www.cmzrb.cz).

6. Basic Data on the Czech Republic

KEY FACTS

Area	78,864 km ²
Population	10.5 million
Labour force	5.7 million
Capital	Prague
Language	Czech
Currency	Czech koruna (CZK)

Better year ahead – Czech economy in the 4Q2009

Economically, the year 2009 was the worst one in the Czech Republic's history. GDP is poised to show about a 4 pct fall. The recession was not very long, it lasted only two quarters. But it was deep and came in surprisingly fast. The effect of fading foreign demand slashed revenues of the Czech companies which reduced investment and then started cutting staff. Germany, the key foreign trade partner, used to be the leader of the Czech economic cycle. However, this time both countries experienced the recession at a similar time. The good point is that the same holds for the consecutive recovery.

Initially, the Czech government hesitated about introducing measures to face the recession. Then, some measures were passed – lower social insurance (a type of individual tax) and faster amortization. But in fact, the biggest fiscal stimulus had already been running. As the 2009 budget was based on a 4.8 pct GDP growth, it could count with very generous expenditures playing a stabilizing role. Due to significant fall in GDP and a drop of income, the budget finally showed a huge CZK 192bn deficit which means that the public finance deficit may have reached 7 pct/GDP. Despite some efforts for fiscal consolidation, the deficit will be very high again in 2010.

Monetary policy reaction was quite elastic. The CNB was extending its easing cycle during the whole year, finally cutting its reference rate to 1 pct.

The Czech economy could benefit from the fiscal measures undertaken abroad. Especially, the car-scrappping bonuses in Germany, France, Slovakia and other countries helped to improve the Czech industrial output. This measure was also discussed in the Czech Republic but finally was not introduced. (We do not believe this would have been efficient anyway.)

Recession came to the Czech economy from the West and so did the recovery. Improving demand in Germany and the entire Eurozone has already brought its benefits. We expect the foreign markets to lay foundations for the Czech economic growth in 2010 that should reach 2.1 pct. Last data show the surpluses in foreign trade are at record levels. They may even increase in 2010. Better revenues for Czech companies should then lead to improving investment which is now driven mainly by supply replenishment. However, domestic consumer demand is still under pressure due to increasing unemployment and low wage growth. We do not see an improvement to come to the labor market any time soon. Production remains well below the pre-crisis level, capacity use is low and companies are therefore not hiring staff nor hiking wages. Due to the weakness of domestic demand, GDP growth will stay below potential.

Thanks to low inflation pressures the central bank is expected to keep interest rates flat for several more months. We see the CNB to start the tightening cycle in the second half of the year.

Fiscal policy is a long-term problem. The budget is influenced by negative cyclical effects that are transitory, but the structural deficit is increasing over time and there is no fiscal consolidation on the horizon. The chance that May general election will bring about any change is very low. Social Democratic Party – the expected winner – is unlikely to make possible any spending-reducing measures in the years to come. The risk of a rating downgrade is therefore imminent.

Source: Patria Finance, 2010

Indicators	2003	2004	2005	2006	2007	2008	2009	2010
							Estimate	Forecast
GDP (constant prices 2000,%)	3.6	4.5	6.3	6.8	6.1	2.5	-4.0	1.3
GDP per capita (PPS / EU-27)	15,200	16,300	17,100	18,200	19,900	20,100	19,400	19,800
Gross foreign debt (% GDP)	34.7	35.9	38.3	37.0	38.9	42.2	39	38
Long-term interest rates (government bonds)	4.12	4.75	3.51	3.78	4.28	4.55	4.67	3.8
Trade balance (% GDP)	-2.7	-0.5	2.0	2.0	3.4	2.8	4.8	5.8
Average inflation rate (%)	0.1	2.8	1.9	2.5	2.8	6.3	1.0	2.0
Labour productivity (increase in %)	4.3	5.1	5.0	5.4	4.1	0.8	-2.7	3.2
Unemployment (avg., thousand persons)	521.6	537.4	514.3	474.8	392.8	324.6	465.6	586
Unemployment rate (avg., %)	9.90	9.2	8.97	8.13	6.62	5.44	7.97	10.1
Average nominal gross wages (increase in %)	5.8	6.3	5.0	6.6	7.2	8.3	3.9	2.4
Average real gross wages (increase in %)	5.7	3.4	3.1	3.9	4.3	1.8	2.9	0.4
Average monthly gross wages (CZK)	16,430	17,466	18,344	19,546	20,957	22,691	23,600	24,100
Average monthly gross wages (USD)	582	680	766	864	1032	1 332	1 238	1346
Average monthly gross wages (EUR)	516	548	616	690	755	910	892	934
Exchange rate – CZK/USD (avg.)	28.23	25.70	23.95	22.61	20.31	17.03	19.06	17.9
Exchange rate – CZK/EUR (avg.)	31.84	31.90	29.78	28.34	27.76	24.94	26.45	25.8

Source: Ministry of Finance, January 2010

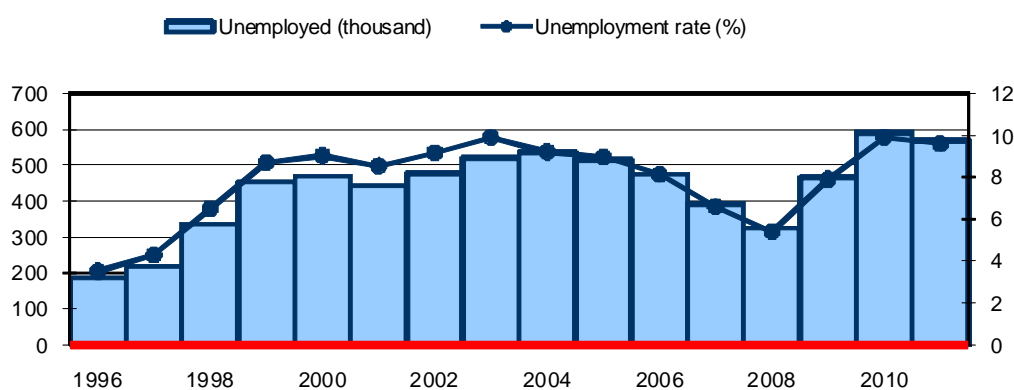
7. Labour Availability

LABOUR MARKET

In the Czech Republic, the deterioration in the labour market started in January 2009, along with announcements of collective redundancies, and has continued since then. In December 2009 labour offices registered almost 540 000 job seekers, up 187 000 year-on-year (+53 %). The number of job vacancies has fallen continuously for almost a year, with the number of applicants per job opening being 17.4 at the end of December 2009 compared to 3.9 applicants a year earlier. The Czech economy has suffered from the ongoing economic slowdown, owing mainly to a significant fall in gross value added in manufacturing, which has been facing a sales crisis mainly in external markets.

Source: Ministry of Labour and Social Affairs, 2010

Number of unemployed and unemployment rate in the Czech Republic



Source: Ministry of Finance, October 2009, (2009-2011 forecast)

The situation on the Czech labour market is distinguished by considerable regional differences. This is particularly evident when comparing the northern and eastern regions of the country with Central Bohemia or the capital city of Prague. A major role in the development of the labour market is also played by developmental changes in individual industrial sectors. The electrical-engineering sector has been enjoying an upsurge, together with optical instruments, rubber and wood-processing. The automotive industry has also seen significant growth and a large number of investors represented by the automobile plants of Skoda (Mladá Boleslav, Vrchlabí, Kvasiny), TPCA (Kolín) and the newly built Hyundai plant in Nošovice. The services sector is also on the rise. On the other hand, leatherworking, textiles and garment manufacturing have experienced a substantial downturn.

Source: European Commission, Labour Market Information, 2008

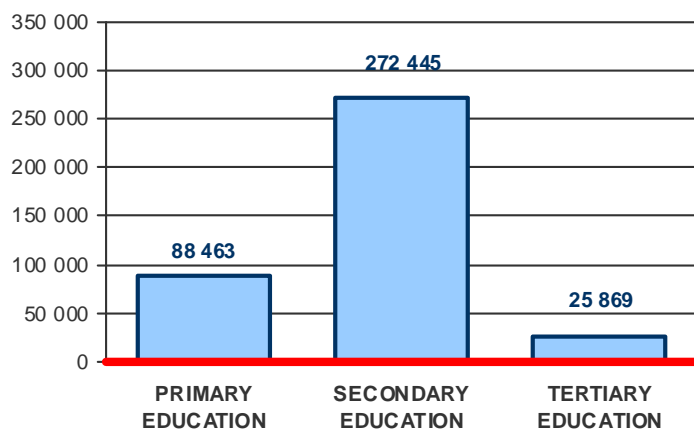
Unemployment rate in regions of the Czech Republic (Q3 2009)

REGION	%
Prague	4.0
Central Bohemia	5.0
South Bohemia	4.6
Plzen	7.1
Karlovy Vary	12.2
Usti	10.6
Liberec	8.9
Hradec Kralove	7.6
Pardubice	7.0
Vysocina	6.5
South Moravia	7.3
Olomouc	8.2
Moravia-Silesia	8.1
Zlin	10.2

Source: Czech Statistical Office, 2010

Last update: January 2010

Number of unemployed in the Czech Republic (divided according to attained education – Q3 2009)

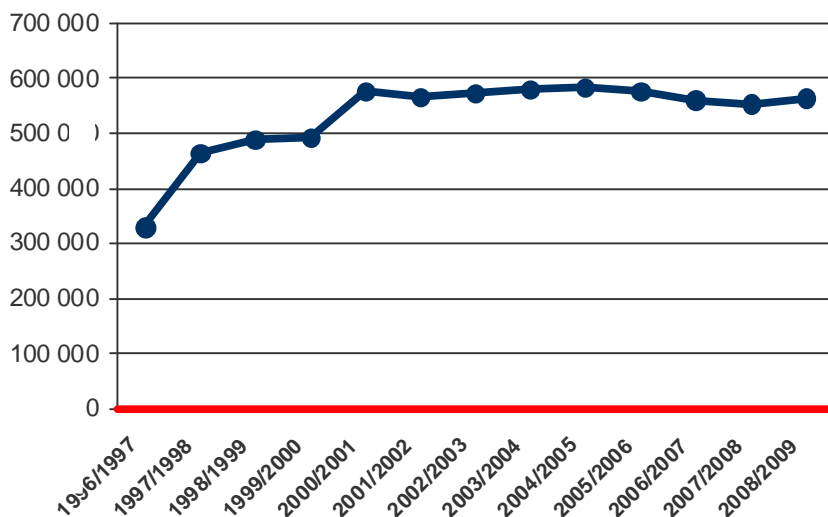


Source: Czech Statistical Office, 2010

HIGHLY SKILLED LABOUR FORCE

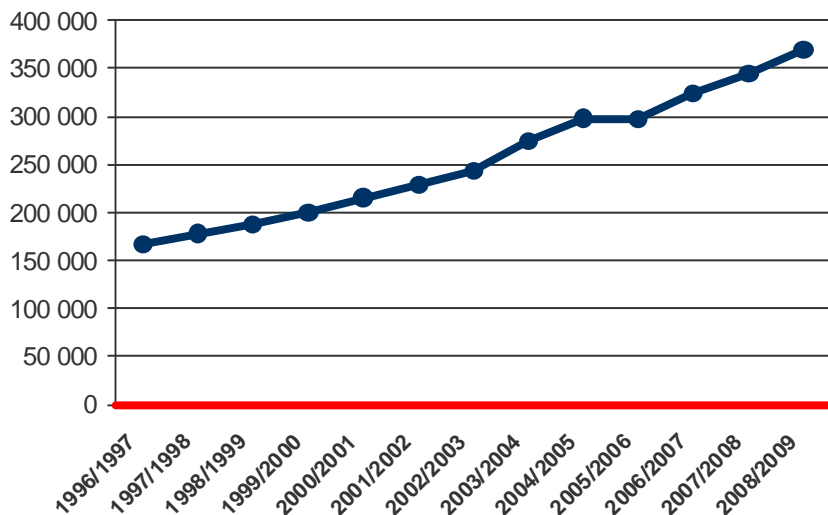
One of the main attractions of the Czech economy is its skilled and well-educated workers available at a fraction of the cost of those in western economies. According to the OECD, the Czech Republic is among the countries with the highest percentage of science and engineering students (for more details, see the Fact Sheet on Technical Education). The number of university students increased from 118 000 in 1990/91 to 369 619 in 2008/2009, due not only to changes in the education system but also to a demographic bulge of 18-26-year-olds that represent a promising group of potential employees for foreign investors.

Secondary-school students



Source: Institute for Information in Education, 2009

University students



Source: Institute for Information in Education, 2009

FOREIGNERS

According to new figures released by the National Security Council of the Czech Republic, more than 437 251 foreigners legally came to live and work in the Czech Republic in 2009. And the figures indicate that most foreigners coming to the Czech Republic are Slovaks, Ukrainians, Vietnamese, Poles and Russians. See the Fact Sheet on Relocating to the Czech Republic for details on visa and work permit regulations.

8. Labour Costs

BASIC DATA

	Y 2004	18 035
	Y 2005	19 030
	Y 2006	20 211
	Y 2007	21 692
	Y 2008	23 542
	H1 2009	22 605
Average gross monthly wages, in CZK		
Minimum wage per month in 2010, in CZK		8 000
Employer's social and health insurance contributions		34%

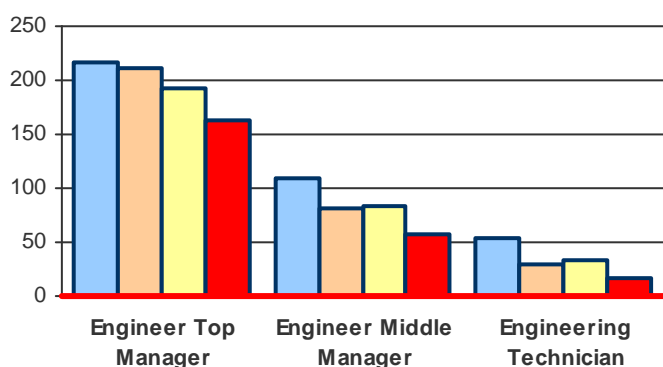
Average exchange rates CZK/EUR: 31.904 (2004), 29.784 (2005), 28.343 (2006), 27.762 (2007), 24.942 (2008), 27.142 (H1 2009)

Source: Czech Statistical Office 2009, Czech National Bank 2009

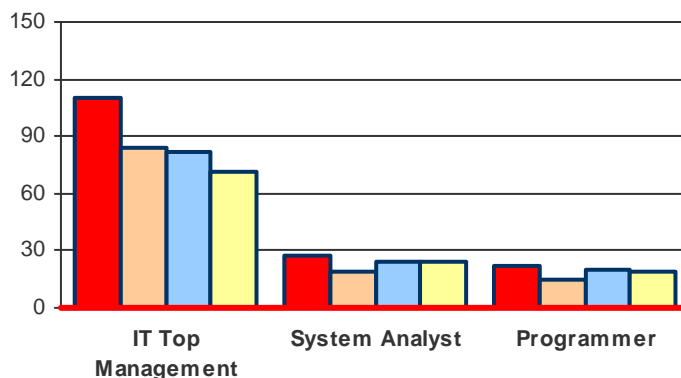
In comparison to other CEE countries, Czech Republic has higher level of labour costs but very well educated, skilled and multi-lingual labour force. Over the past five years average annual wage has grown around 6-7% but it is coming from much lower base compared to Western Europe. Moreover the weaker CZK to EUR/USD exchange rate has recently made salaries more favourable and is expected to remain relatively stable at these levels.

ANNUAL BASIC GUARANTEED SALARY* COMPARISON (median, thousand EUR)

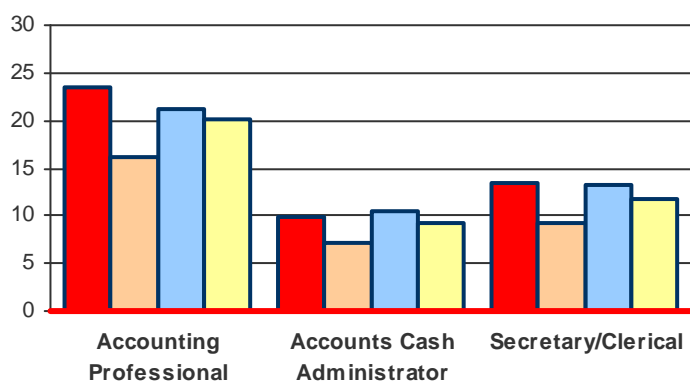
■ Germany ■ United Kingdom ■ France ■ Czech Republic



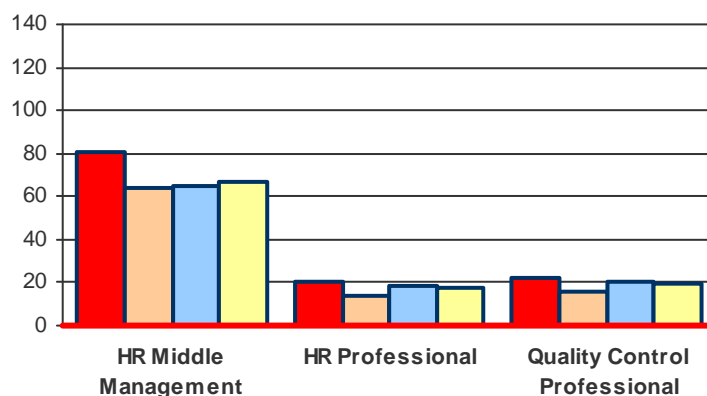
■ Czech Republic ■ Poland ■ Hungary ■ Slovakia



■ Czech Republic ■ Poland ■ Hungary ■ Slovakia



■ Czech Republic ■ Poland ■ Hungary ■ Slovakia



*Annual Basic Guaranteed Salary represents 12 months salary plus any guaranteed additional months or bonuses such as legal vacation pay, extra contractual months, etc. as well as fixed cash allowances (such as housing, transportation, etc.). Data effective - July 1 2009.

Source: Global 50. Remuneration Planning Report 2009/2010, Watson Wyatt Data Services

AVERAGE MONTHLY WAGES IN SELECTED SECTORS AND POSITIONS IN THE CZECH REPUBLIC IN Q1–Q3 2009 (EUR/MONTH)

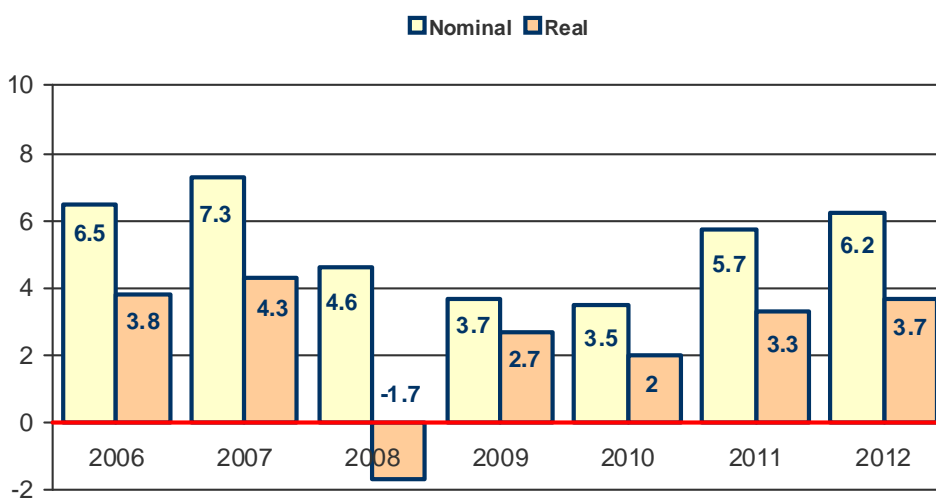
NACE CODE	EUR
Financial intermediation	1 685
Electricity, gas and water supply	1 181
Mining and quarrying	972
Real estate, renting and business activities	957
Manufacture of motor vehicles, trailers and semi-trailers	952
Transport, storage and communications	909
Manufacture of medical, precision and optical instruments	838
Manufacture of electrical machinery and apparatus	808
Manufacturing	798
Health and social work	786
Manufacture of rubber and plastic products	782
Construction	776
Wholesale and retail trade	769
Education	760
Agriculture, hunting and forestry	622
Hotels and restaurants	455

ISCO CODE	EUR
Legislators, senior officials and managers	1 440
Professionals	1 293
Technicians and associate professionals	960
Clerks	730
Service workers and shop and market sales workers	514
Skilled agricultural and fishery workers	617
Craft and related trades workers	751
Plant and machine operators and assemblers	739
Elementary occupations	509

Average exchange rate CZK/EUR: 26.619 (Q1-Q3 2009)
Source: Ministry of Labour and Social Affairs, 2010

Average exchange rate CZK/EUR: 26.619 (Q1-Q3 2009)
Source: Czech Statistical Office 2010, Czech National Bank 2010

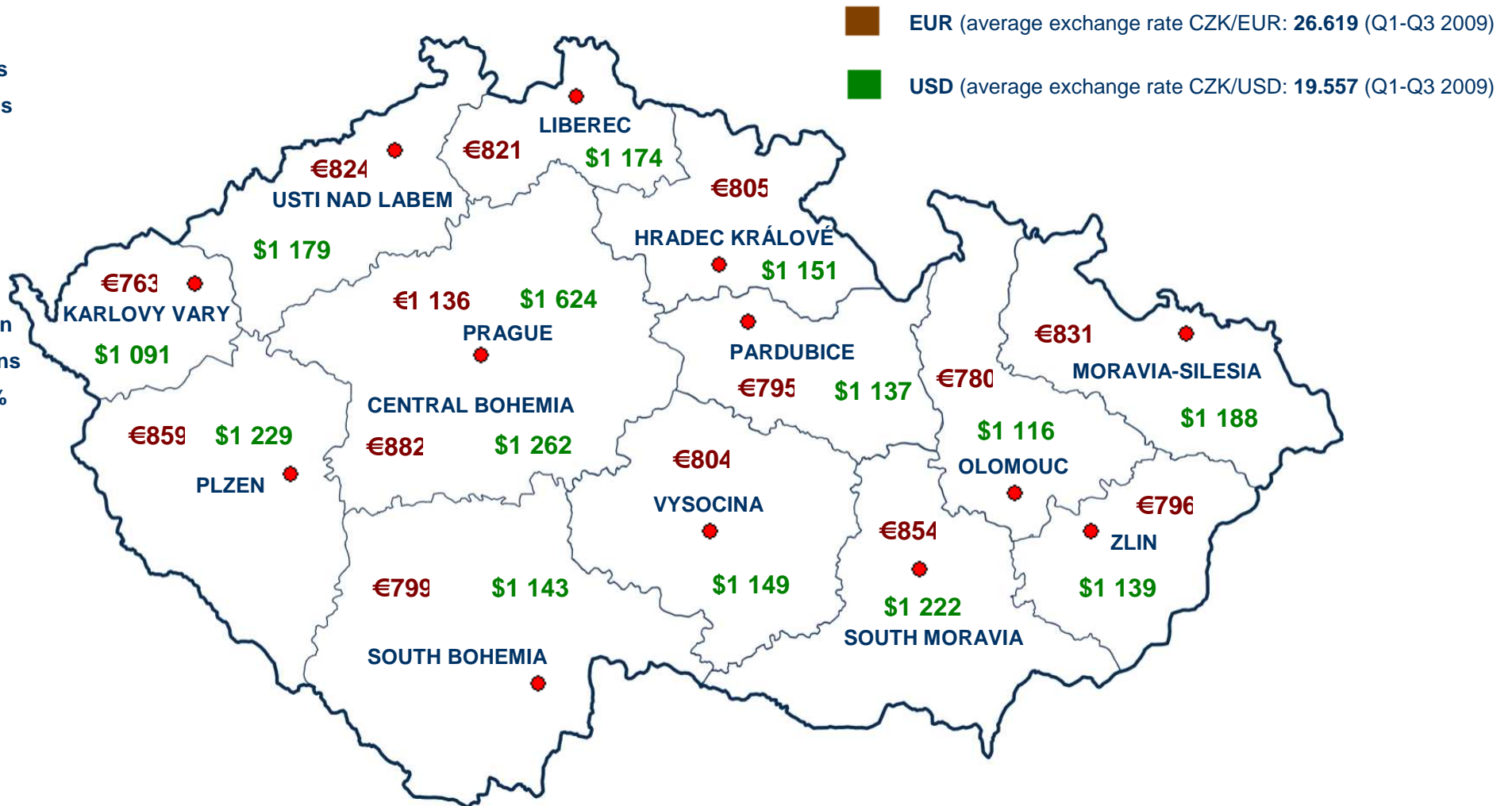
NOMINAL AND REAL WAGE GROWTH - FORECASTS (%)



Source: Patria Online, March 2010

AVERAGE GROSS MONTHLY WAGES IN THE REGIONS OF CZECH REPUBLIC, Q1-Q3 2009

Differences in remunerations among regions reach approx. 20%. Traditionally, employees in Prague are paid more than in other regions (currently 25% above Czech average). The lowest salary level is in the Karlovy Vary Region (16% below the Czech average).



Source: Czech Statistical Office, 2010

9. Labour Regulation

EMPLOYMENT CONTRACT

Employment contracts must be concluded in writing with the following minimum mandatory content: place of work, starting date of employment and nature of the work. Employees have to be informed in writing about their duties and rights, such as holiday allowance, wage and payment dates, working hours, job description, termination period, information about collective agreements, etc., within one month after concluding an employment contract if such information is not stated in the contract.

TERMINATION OF EMPLOYMENT CONTRACT

Employment contracts can be terminated by:

- mutual agreement – the employment contract is terminated on an agreed date
- expiration of the employment contract – in the cast that the employment contract is concluded for a limited period
- termination during the probation period
- notice of termination
- immediate termination

An employee whose employment relationship is terminated by notice given by his employer for one of the reasons given by law (**Labour code in English** - http://www.mpsv.cz/files/clanky/3221/labour_code.pdf) or by agreement is entitled to receive the amount of least three months average earnings. An employee whose employment relationship is terminated by his employer for other reason is entitled to receive severance pay in the amount of at least twelve times his average earnings.

WORKING HOURS

- The maximum weekly working time is 40 hours.
- The maximum weekly working time of employees who work underground or in a three-shift or non-stop operation is 37.5 hours.
- The maximum weekly working time of employees who work in a two-shift operation is 38.75 hours.
- The maximum weekly working time of employees under age 18 is 40 hours (max. 8 hours per day).
- The employer decides work schedules after consulting the competent trade-union organisation. As a rule, working time shall be scheduled over five working days per week.
- When working time is evenly scheduled, the length of one shift should not exceed 9 hours.
- The employer may also schedule working time unevenly. The employer may, for instance, introduce an account of working hours which enables the allocation of working hours according to seasonal variations and number of contracts. After an employee has performed a maximum of six hours of continuous work, his/her employer is obliged to give him/her a work break for food and rest lasting at least 30 minutes (which can be divided into several parts). For employees under the age of 18, the maximum time of continuous work is 4.5 hours. Work breaks that are provided for food and rest are not considered working time.
- An employer is obliged to schedule working time so that from the end of one shift until the beginning of the next one, employees will have an uninterrupted period of rest of at least 12 consecutive hours in 24 successive hours. For employees over 18 years of age, their rest period may be reduced to a minimum of eight consecutive hours in a 24-hour period, provided that they work in non-stop or unevenly scheduled operations and that their next rest period is extended by the amount of time by which their preceding rest period was shortened.
- The employer shall schedule working time in such a manner that the employee has one uninterrupted rest period of a minimum of 35 hours during each week (employees under 18 have a minimum of 48 hours). For employees over 18 years of age, the rest period may be reduced to a minimum of 24 hours; however, their next rest period must be extended by the amount of time deducted from the preceding rest period.
- If operations so allow, the employer shall schedule a weekly uninterrupted rest period for all employees that includes the same day and in such a manner that it shall include Sunday.

- In practice, employers tend to allow their employees greater flexibility for organizing their own working time by introducing forms of flexible working hours, which could prove to be a significant motivating factor. Flexible working hours may be set up as a flexible working day, week or four-week period.

OVERTIME WORK

- In extraordinary cases an employer may only require overtime work when there are serious operational reasons for it. When an employee is ordered to work overtime by his employer, such overtime may not be in excess of eight hours in individual weeks and a total of 150 hours in the calendar year. Overtime work in excess of this limit may only be performed in exceptional cases and on the condition that the employee consents to it. The total number of hours of overtime work may not exceed an average of eight hours per week and a total of 417 hours per year.

REMUNERATION

- An employee is entitled to his/her wages and a premium (bonus) payment of at least 25% of average earnings for overtime work (or time off in lieu of such premium payment).
- An employee is entitled to his/her wages and (paid) time off (one hour of work on a holiday = one hour of time off) for his/her work on a public holiday. If an employee and his/her employer so agree, instead of time off such employee may receive (in addition to his/her wages) an extra (bonus) payment for work on a public holiday in the amount of at least his/her average earnings (100%). There are currently 12 public holidays in the Czech Republic (when a public holiday falls on a weekend, there is no compensating public holiday on a working day).
- The premium (bonus) payment for work on Saturdays and Sundays is 10% of average earnings.
- The premium (bonus) payment for work at night and in arduous and hazardous conditions is 10% of average earnings. The wage rate may not be lower than the appropriate minimum rates stipulated by a government decree: currently CZK 8,000 (EUR 306) per month for a 40-hour week or CZK 48.10 (EUR 1.84) per hour (average exchange rate for January 2007 CZK/EUR = 26.1606). For the purpose of calculating the wage rate, the wage shall not include any premium (bonus) payment for overtime, work on holidays, etc.
- Any other amount of premium payments is may be changed only by collective agreement.

TRADE UNIONS

- The Czech Republic operates on the principle of free establishment and competition of trade unions. Establishment of a trade union is not mandatory in companies. The minimum number of employees needed to establish a trade union is three.
- The role of trade unions in the Czech Republic is still largely perceived as social – there is no history of large-scale strikes or lockouts. Trade union membership as of 3Q 2008 was 511,488 employees, i.e. approximately 10% of all employees.

The number of registered union members is steadily **decreasing**.

Trade-union members registered with the Czech-Moravian Confederation of Trade Unions

Year	1995	2000	2002	2005	2006	2007	2008
Number of registered union members (incl. retirees)	2,292,300	1,025,800	829,993	610,000	569,000	539,000	511,488

Source: Czech-Moravian Confederation of Trade Unions, 1995-2008

SUMMARY

<u>1. Working hours</u>	Exceptions:
Max. weekly working time 40 hours Workdays (hrs) PER YEAR 253 (2,024)	<ul style="list-style-type: none"> ❖ 37.5 hrs per week = underground work, three-shift operation or uninterrupted operation ❖ 38.75 hrs per week = two-shift operation ❖ 40 hrs per week / max. 8 hrs per day = employees under 18 years of age
<u>2. Work breaks for food and rest</u>	
<ul style="list-style-type: none"> ❖ After 6 hrs – min. 30 minutes ❖ Not included in working time 	<ul style="list-style-type: none"> ❖ After 4.5 hrs – min. 30 minutes – employees under 18 years of age
<u>3. Overtime work</u>	
MAY BE ORDERED Max. 150 hrs per year <ul style="list-style-type: none"> ❖ Max. 8 hrs per week 	ONLY WITH THE EMPLOYEE'S CONSENT - more than 150 hrs per year / 8 hrs per week maximum
Overtime does not include compensated time off (1 hour overtime work = 1 hour off)	
<u>4. Wages</u>	
<ul style="list-style-type: none"> ❖ Minimum gross wage = CZK 48.10 / hour, i.e. CZK 8,000 per month 	
<u>5. Minimum premiums (bonuses) according to the law</u>	
<ul style="list-style-type: none"> ❖ Overtime work = + 25% ❖ Afternoon shift = not regulated ❖ Night shift = + 10% 	<ul style="list-style-type: none"> ❖ Work under arduous or hazardous conditions = + 10% ❖ Work on Saturdays and Sundays = + 10% ❖ Public Holidays = + 100% <p>See the Remuneration paragraph</p>

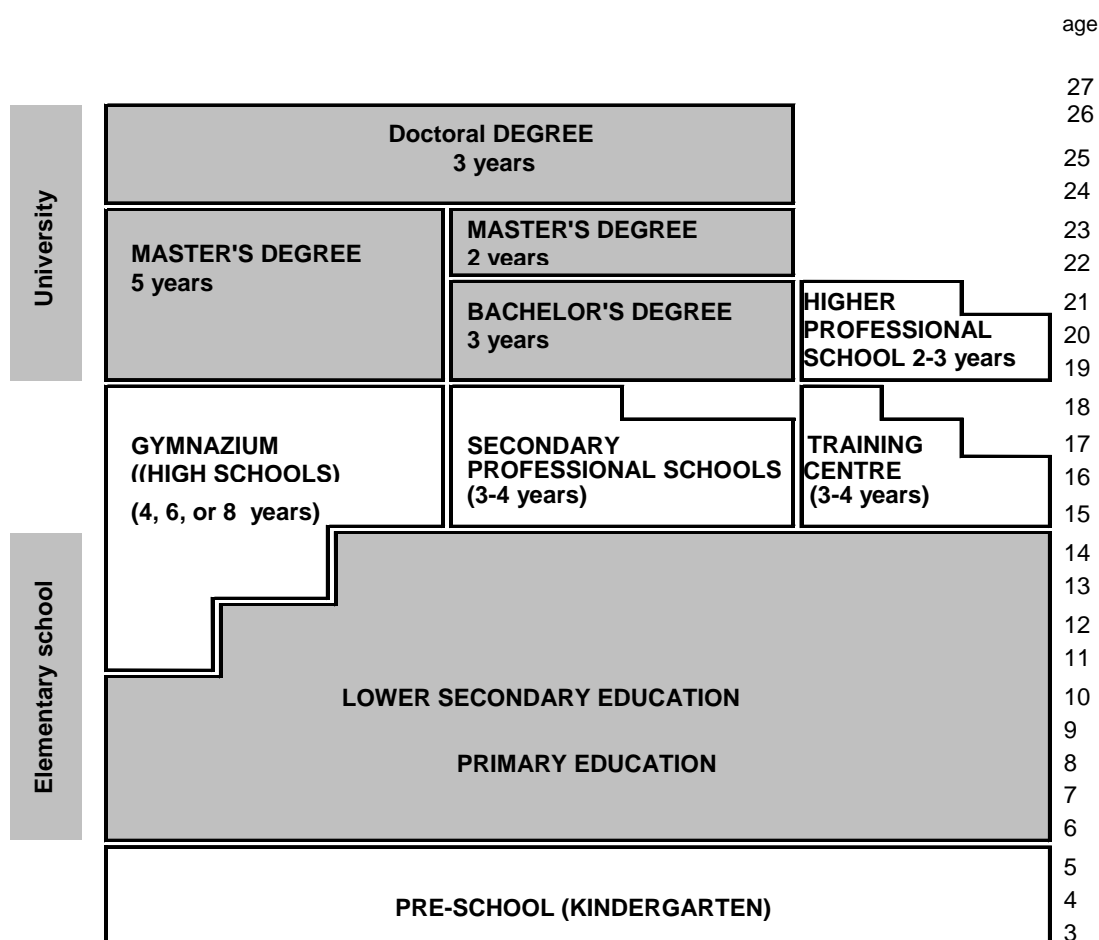
* Source: Labour Code (Act No. 262/2006 Coll.)

10. Education System

The Czech Republic combines an outstanding level of general education with strong science and engineering disciplines. For generations the Czech education system has generated high-level, technical problem-solving skills in environments where standard solutions are inadequate.

EDUCATION SYSTEM – BASIC STRUCTURE

School attendance is compulsory from ages 6 to 15 (elementary and lower secondary school). After nine years, students may continue at three basic types of upper secondary school: vocational training centres, secondary schools and *gymnazium* (high schools). Undergraduate and graduate studies are offered by colleges (offering three to four-year bachelor programmes) and universities, which also offer master and doctoral programmes.



How the education system meets the needs of a competitive economy

	2001	2002	2003	2004	2005	2006	2007	2008
Czech Republic	5.36	5.64	6.05	4.77	5.26	6.12	4.67	5.06
Hungary	6.55	6.67	6.12	5.42	5.86	4.83	5.13	4.32
Poland	3.98	3.64	3.82	4.79	3.82	3.47	3.67	4.49
Slovakia	5.85	6.23	5.76	5.73	5.04	3.73	3.67	3.60

Source: IMD, 2008

Note: Executive Opinion Survey based on a scale of 0 to 10

Explanation: The rankings were obtained from the average value for each country. The data were converted from a scale of 1 to 6 (from which the survey respondents chose the most appropriate answer) to a scale of 0 to 10. The standard deviation values were then calculated for the responses to determine the rankings.

The Czech education system has a very strong position in upper secondary education, which serves as the foundation for advanced learning and training opportunities, as well as preparation for direct entry into the labour market. In 2005 the percentage of the adult population that had completed at least secondary education in the Czech Republic was the highest in all OECD countries. Ninety percent of the Czech population aged 24-64 had completed at least upper secondary education, compared to an OECD average of 68 %. (Source: Education at a Glance 2008, OECD).

Vocational education and training are thoroughly integrated into both secondary and higher education institutions, and enrolment in vocational education is exceptionally high by OECD standards. The Czech Republic also has a very good position in tertiary education. There has been an increase in university-level skills in the adult population, as measured by levels of educational attainment.

UNIVERSITY EDUCATION

Public universities offer programmes ranging from ICT and electronics to life sciences and humanities, while a number of private institutions offer mainly business administration or economics studies. University education is generally focused to meet the needs of a competitive economy and the cooperation between universities and corporate sector has been expanding in recent years.

How university education meets the needs of a competitive economy

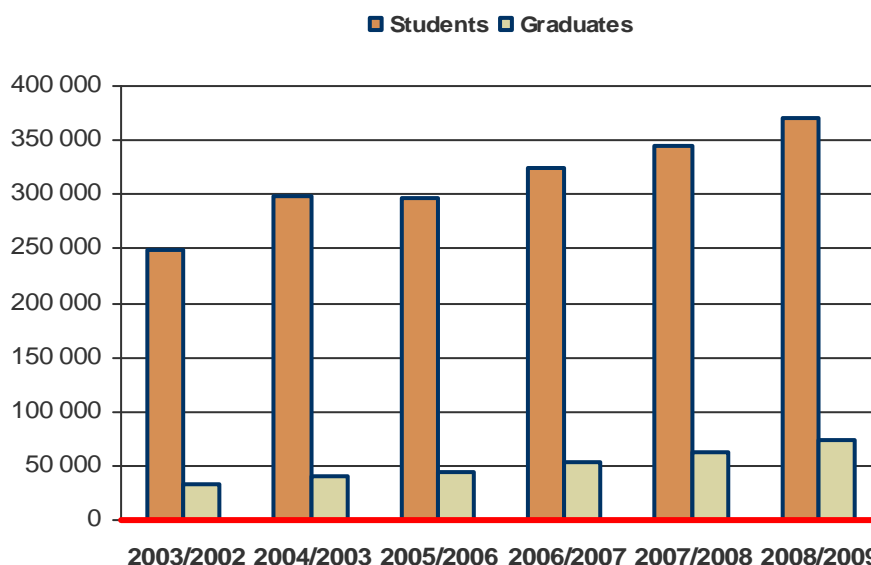
	2001	2002	2003	2004	2005	2006	2007	2008
Czech Republic	5.36	6.03	6.33	5.13	5.70	6.12	4.87	5.64
Hungary	6.97	6.96	6.67	6.06	6.37	5.47	5.74	5.04
Poland	4.44	3.94	4.71	5.33	4.26	4.77	4.59	5.13
Slovak Republic	6.15	6.43	5.86	5.73	5.22	4.04	4.13	3.85

Source: IMD, 2008

Note: Executive Opinion Survey based on a scale of 0 to 10

Explanation: The rankings were obtained from the average value for each country. The data were converted from a scale of 1 to 6 (from which the survey respondents chose the most appropriate answer) to a scale of 0 to 10. The standard deviation values were then calculated for the responses to determine the rankings.

STUDENTS AND GRADUATES OF CZECH UNIVERSITIES



Source: Institute for Information on Education, 2009

TECHNICAL EDUCATION

The Czech Republic offers a large number of skilled technical workers. An abundant supply of university graduates assures continuous enrichment of the country's available labour pool. The Czech Republic has traditionally been very strong in technical fields and approximately one-third of all university graduates have a technical degree. For more information, see the Fact Sheet on Technical Education.

Technical Education (2008/2009)	Students	Graduates
Vocational training centres*	60,532	17,855
Secondary professional schools**	96,475	21,149
Higher professional schools	3,314	812
Universities	79,153	16,999

Source: Institute for Information on Education, 2009; CzechInvest, 2009

Note: Universities – according to educational fields chosen by CzechInvest

ECONOMICS AND FINANCE EDUCATION

While public universities offer programmes ranging from economics, statistics and public administration to finance, accounting, international relations and marketing, a number of private institutions specialize in business administration courses. Several institutions are affiliated with foreign universities and colleges.

Economics and Finance (2008/2009)	Students	Graduates
Vocational training centres*	35,354	10,282
Secondary professional schools**	113,550	26,756
Higher professional schools	7,741	2,187
Universities	83,711	17,659

Source: Institute for Information on Education, 2009; CzechInvest, 2009

Note: Universities – according to educational fields chosen by CzechInvest

LIFE SCIENCES EDUCATION

Universities in the Czech Republic pursue research activities as well as education in bachelor, master and doctoral programmes in fields such as technical chemistry, chemical engineering, pharmacy and food and biochemical technologies. The country also has a well-established network of research institutes; at the end of 2007, the Czech Republic had 308 biotechnology research entities, based mainly in the Prague and South Moravia regions.

Life Sciences (2008/2009)	Students	Graduates
Vocational training centres*	6,841	2,142
Secondary professional schools**	22,862	6,087
Higher professional schools	6,238	1,468
Universities	45,689	8,016

Source: Institute for Information on Education, 2009; CzechInvest, 2009

Note: Universities – according to educational fields chosen by CzechInvest

ICT EDUCATION

There is a wide range of universities with ICT education programmes and the number of ICT students is constantly growing. Students at Czech universities are engaged in research and development of various cutting-edge technologies. This allows students to gain hands-on experience with these technologies and contributes to the quality of local graduates.

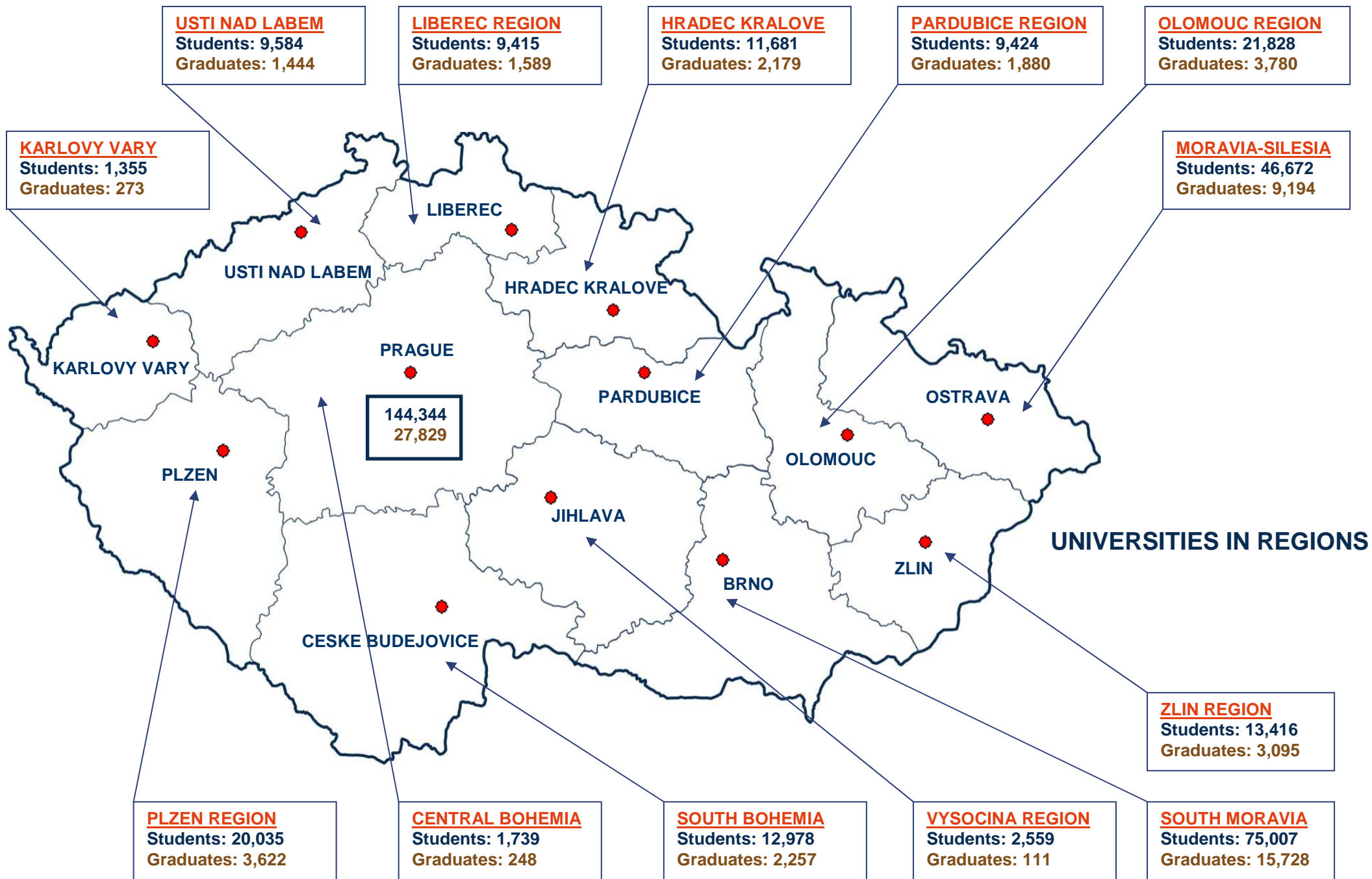
ICT (2008/2009)	Students	Graduates
Vocational training centres*	8,663	3,077
Secondary professional schools**	33,720	7,693
Higher professional schools	1,251	347
Universities	43,479	8,674

Source: Institute for Information on Education, 2009; CzechInvest, 2009

Note: Universities – according to educational fields chosen by CzechInvest

CONTINUING EDUCATION

The Czech Republic offers free and flexible choices in continuing education. Private training providers and non-profit organisations coexist with and complement secondary schools and universities. According to recent research, the most frequently taught courses include computer skills, accounting, finance, marketing and foreign languages. Several institutions and universities also offer high-quality MBA programmes.



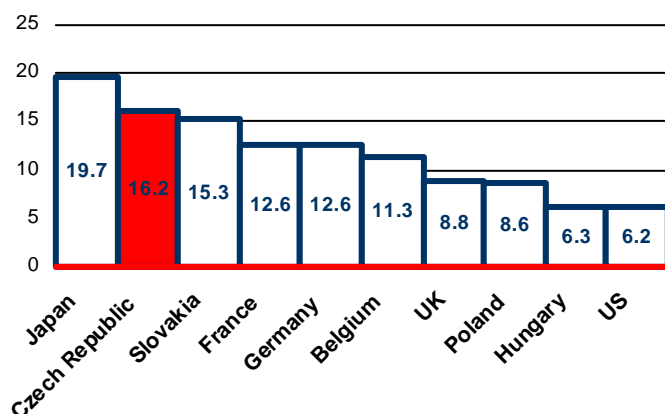
Source: Institute for Information on Education, 2009

11. Technical Education

For many years the former Czechoslovakia produced the highest percentage of science and technical graduates in the world. This tradition continues in the Czech Republic: in 2006 the proportion of university degrees awarded in science-related fields (engineering, manufacturing, construction) was among the highest in Europe (see below). The government is committed to sustaining this by maintaining or increasing funding in these areas.

Engineering, manufacturing and construction graduates in selected countries (tertiary education)

(% of tertiary - type A graduates in 2006)



Source: Education at a Glance 2008, OECD

SECONDARY TECHNICAL SCHOOLS AND VOCATIONAL TRAINING CENTRES

Secondary Technical Schools (Stredni prumyslova skola) and **Integrated Secondary Schools** (Integrovana stredni skola) take students up to a relatively high professional level through a mixture of general education courses, theoretical classes and practical training in particular fields such as general machinery, textile machinery, agricultural machinery, chemical engineering, electrical engineering, etc. Students finish by sitting for the *maturita* (graduation) exam that entitles them to apply for technical colleges and universities.

Vocational Training Centres provide more work-based training over three to four years in specialised fields (e.g. high-voltage electricity, textile machinery or automotive electronics). Extensive practical training in companies is a major part of the curriculum. Three-year programs are concluded with an apprenticeship exam. In certain cases the pupils may opt for a higher course of study (4 years instead of 3) which, alongside practical training, also provides extensive general education. In this case students also sit for the *maturita* exam.

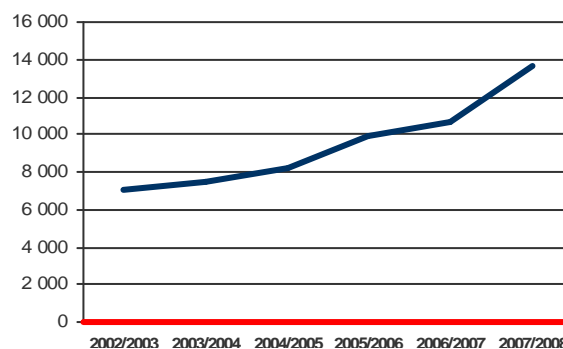
HIGHER PROFESSIONAL SCHOOLS (TECHNICKE VYSSI ODBORNE SKOLY)

Equivalent to German *Fachhochschulen*, Higher Professional Schools are usually located on the same campus and share resources with Secondary Technical Schools. They usually provide a three-year technical education after the completion of secondary education. Higher Professional Schools currently do not have the status of universities.

UNIVERSITIES

There are currently more than 73,000 technical university students and students who study technical subjects at other universities. More than 13,000 university graduates in technical and scientific subjects enter the workforce every year.

Graduates on Technical Universities



Source: Institute for Information on Education, 2008

Technical Universities/Technical Faculties at Universities, 2007/2008

University	City	Technical Faculties	Students	Graduates
Czech Technical University in Prague, CVUT	Prague	Civil Engineering	6 303	1 353
		Mechanical Engineering	3 711	472
		Electrical Engineering	6 113	1 146
		Transportation Sciences	1 624	372
		Nuclear Sciences and Physical Engineering	1 656	206
		Architecture	1 455	302
		Biomedical Engineering	N/A	N/A
		Other	607	100
www.cvut.cz		Total	21 469	3 951
Institute of Chemical Technology, Prague, VSCHT	Prague	Chemical Technology	1 124	204
		Environmental Technology	570	123
		Food and Biochemical Technology	1 407	270
		Chemical Engineering	659	121
		Other	59	32
www.vscht.cz		Total	3 819	750
Charles University in Prague	Prague	Faculty of Mathematics and Physics	3 093	643
		Total	3 093	643
University of West Bohemia, ZCU	Plzen	Mechanical Engineering	1 524	225
		Electrical Engineering	2 149	518
		Applied Sciences	1 478	364
www.zcu.cz		Total	5 151	1 107
Technical University of Liberec, TUL	Liberec	Mechanical Engineering	1 620	168
		Mechatronics	787	172
		Textile Engineering	1 228	271
		Architecture	259	36
		Total	3 894	647
www.vslib.cz				
University of Pardubice, UP	Pardubice	Chemical Technology	1 643	N/A
		Transport	2 066	371
		Total	3 709	371
www.upce.cz				
Brno University of Technology, VUT	Brno	Mechanical Engineering	5 714	654
		Civil Engineering	4 355	1 024
		Electrical Engineering and Communication	4 120	1 061
		Information Technology	2 437	463
		Chemistry	1 026	235
		Architecture	628	134
		Total	18 280	3 571
www.vutbr.cz				
Technical University of Ostrava VSB - TU	Ostrava	Civil Engineering	2 062	392
		Mechanical Engineering	2 426	535
		Electrical Engineering and Computer Science	3 155	527
		Mining and Geology	2 680	569
		Metallurgy and Materials Engineering	2 103	435
		Safety Engineering	1 561	182
www.vsb.cz		Total	13 987	2 640
Tomas Bata University	Zlin	Faculty of Technology	2 147	289
		Total	2 174	289
www.utb.cz				
Total, Czech Republic			73 402	13 680

Source: Institute for Information on Education, 2008

12. Skills and R&D in the Czech Republic

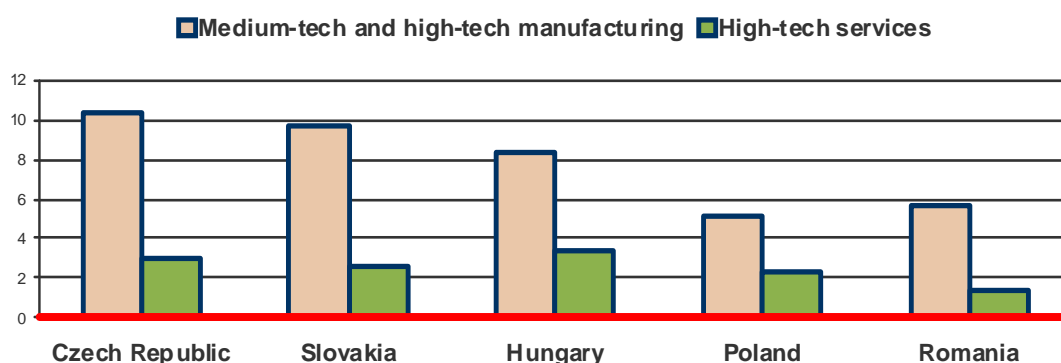
THE CZECH REPUBLIC: THE SKILLS HUB OF CENTRAL EUROPE

The Czech Republic is home to a motivated workforce with a high degree of responsiveness to training and interest in continual professional and personal growth. The quality of this highly skilled workforce is evidenced by existing investors' expansion plans.

The Czech Republic is already recognized as a prime location for European services-sector expansion and hosts an increasing number of business-support, research and customer-oriented services including expert solution centres, data processing and call centres as well as regional headquarters, value-added distribution centres and technology parks. The Czech government extended its successful manufacturing incentives' scheme to include investment projects in business support services and technology centres (see the Fact Sheet on investment incentives).

Employment in high-tech services and manufacturing is also very prominent in the Czech Republic, providing input for the innovation activities of other firms in all sectors of the economy.

Employment in medium-tech and high-tech manufacturing and high-tech services in selected countries (% of the total workforce)



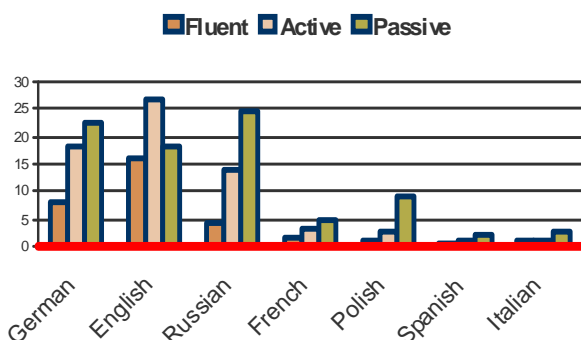
Source: European Commission, European Innovation Scoreboard, 2007

LANGUAGE SKILLS

The Czech Republic devotes special attention to enhancing language skills. The proportion of secondary-level students studying English is as high in vocational courses as in academic areas, and at 95% is high by European standards.

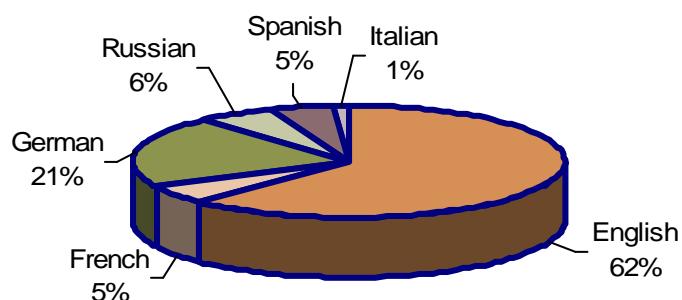
English and German dominate foreign-language education. English predominates in primary schools while German is taught more often at secondary schools. Seventy-six percent of university students study one foreign language, 20% study two and 4% study three or more foreign languages.

% of the Czech population speaking foreign languages



Source: Augur Consulting, November 2008

% of university students learning foreign languages

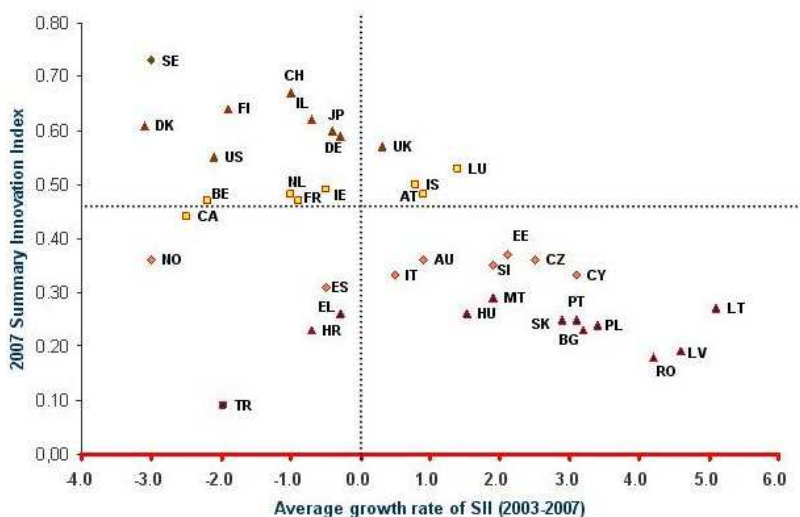


Source: Institute for Information on Education, 2008

INNOVATION PERFORMANCE

Current performance as measured by the Summary Innovation Index (SII) is shown on the vertical axis. SII growth performance relative to the EU is shown on the horizontal axis. This creates four quadrants: countries above both the EU average and the EU SII average are outpacing the EU as a whole, whereas countries below the SII average but with an above-average performance trend are catching up, and countries below the SII average and with a below average trend are falling behind. Countries with above the SII average and with a below average trend are maintaining their lead but are growing at a slower rate.

IS	Iceland	UK	United Kingdom
DK	Denmark	CY	Republic of Cyprus
HO	Holland	LU	Luxembourg
TR	Turkey	AT	Austria
HR	Croatia	IT	Italy
FI	Finland	AU	Australia
EL	Greece	EE	Estonia
CA	Canada	SI	Slovenia
BE	Belgium	CZ	Czech Republic
FR	France	HU	Hungary
IE	Ireland	MT	Malta
NL	Netherlands	SK	Slovakia
DE	Germany	PT	Portugal
JP	Japan	BG	Bulgaria
IL	Israel	PL	Poland
CH	Switzerland	RO	Romania
FI	Finland	LV	Latvia
ES	Spain	LT	Lithuania
SE	Sweden	---	---



◆ Moderate innovators ▲ Improving countries ◻ Innovation followers ▲ Innovation leaders

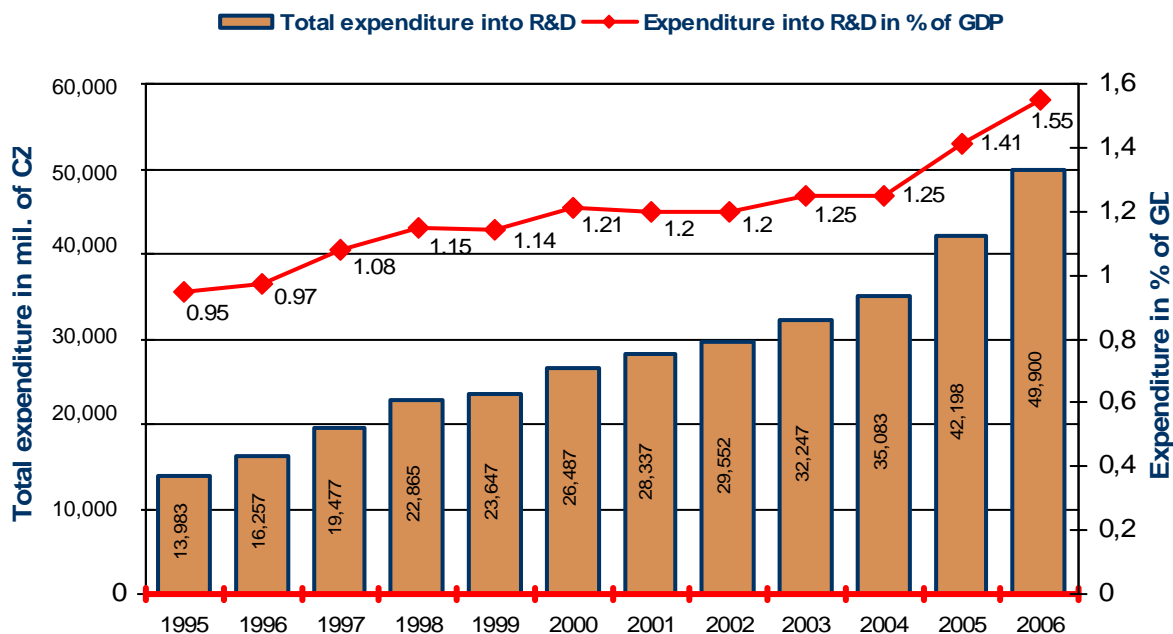
Note: Dotted lines show EU performance.

Source: European Commission, European Innovation Scoreboard, 2007

INVESTMENT IN RESEARCH AND DEVELOPMENT

Total R&D spending (*GERD – gross expenditure on R&D. The international OECD and Eurostat terminology denotes overall R&D expenditures with the abbreviation GERD representing the overall, i.e. gross, domestic expenditures on research and development in compliance with the Frascati Manual 2002 methodology*) is the most well-known and most frequently used indicator for international comparison of research and development. It represents the sum of R&D expenditures from public, private (business or non-business), and foreign sources.

Basic indicators



Source: Czech Statistical Office, 2008

SCIENCE AND TECHNOLOGY PARKS

At science and technology parks, young, innovative firms cross paths with well-established companies with a shared interest in research and development. In relation to science and technology parks the Czech Republic supports cooperation between the research and business spheres through the Operational Programme Enterprise and Innovation (see Fact Sheet No. 5). More than twenty accredited science and technology parks have been established in the Czech Republic since 1994. Of these, particularly the Centre of Biological Technologies in Nove Hradky, the South Moravian Innovation Centre in Brno, and the Ostrava Science and Technology Park have laid the foundations for the success of numerous innovative firms.

Gate2Biotech portal

Created by the South Moravian Innovation Centre with support from CzechInvest, the [Gate2Biotech portal](#) brings together the biotechnology community in Central Europe. The primary mission of Gate2Biotech is to facilitate communication within the Czech Republic and internationally, and to support the Czech biotechnology sector.

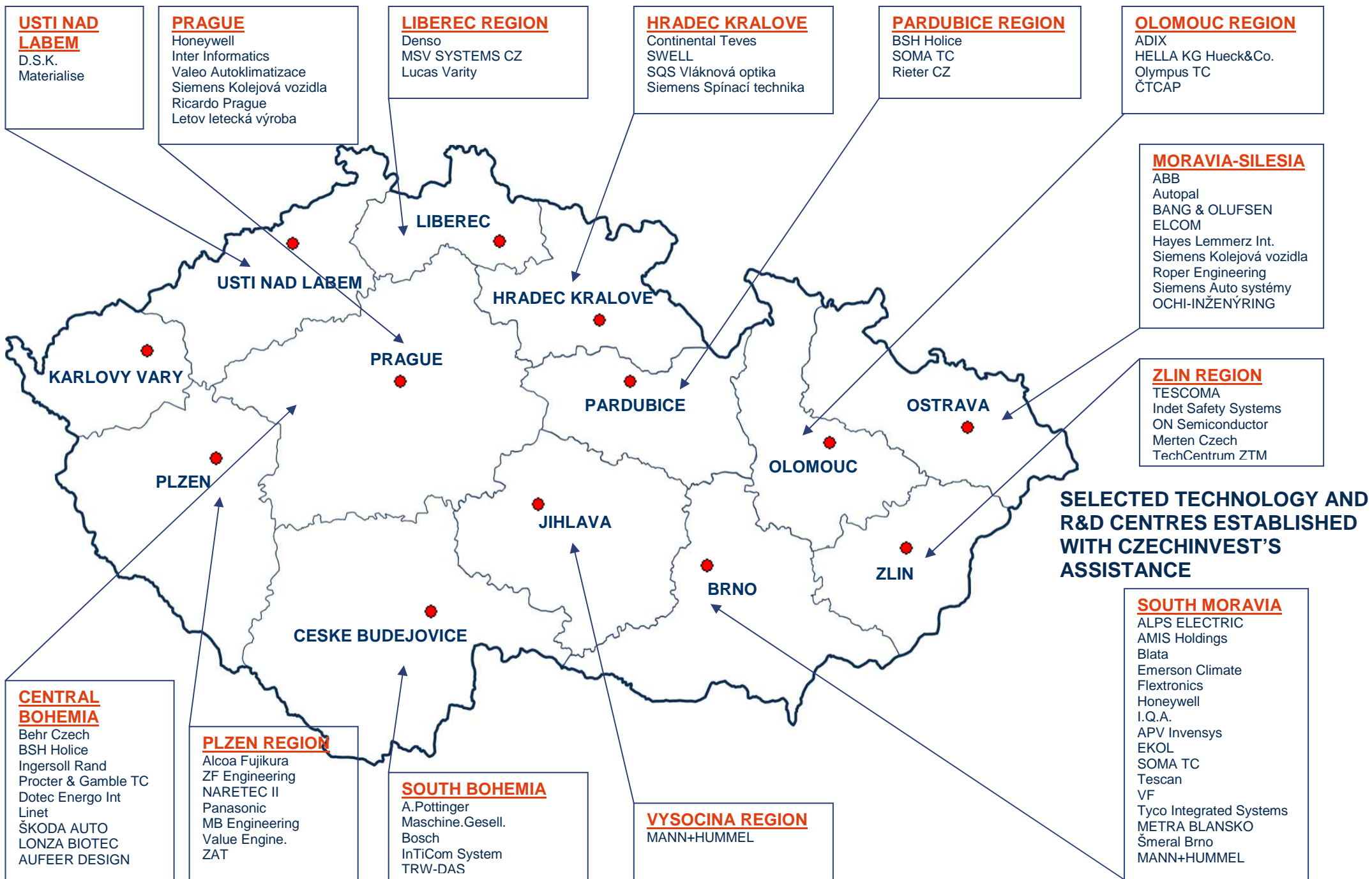
Selected Science and Technology Parks

Name	Region	www
Business and Innovation Centre of the Czech Technical University	Prague	http://www.bic.cvut.cz
Technology Centre of the Academy of Sciences of the Czech Republic	Prague	http://www.tc.cz
Science and Technology Park of the Aeronautical Research and Testing Institute	Prague	http://www.vzlu.cz
ŘEŽ Science and Technology Park	Prague	http://www.ujv.cz/cz/park.html
Technology and Innovation Centre – Research Institute for Meals	Prague	http://www.volny.cz/vuk
Plzen Science and Technology Park	Plzen	http://www.vtpplzen.cz
Plzen Business and Innovation Centre	Plzen	http://www.bic.cz
Trebon Innovation Centre	South Bohemia	http://www.tic.trebon.cz
Centre of Biological Technologies in Nove Hradky	South Bohemia	http://www.greentech.cz/cbt
Science and Technology Park of Palacky University	Olomouc	http://www.vtpup.cz
Business and Innovation Centre in Ostrava	Moravia-Silesia	http://www.bicova.cz
Ostrava Science and Technology Park	Moravia-Silesia	http://www.vtppo.cz
Technology and Innovation Centre in Zlin	Zlin	http://www.ticzlin.cz
Technology Transfer Centre of Masaryk University	South Moravia	http://www.muni.cz/ctt
Business and Innovation Centre in Brno	South Moravia	http://www.bicbrno.cz
South Moravian Innovation Centre	South Moravia	http://www.jic.cz

Source: CzechInvest, 2008

TECHNOLOGY AND IT CENTRES IN THE CZECH REPUBLIC

A growing proportion of FDI is flowing into R&D activities in the Czech Republic. While many R&D activities have been spun off from manufacturing operations, such as Matsushita's R&D centre in Plzen developing software for digital televisions, companies are increasingly establishing R&D centres in the Czech Republic without first having a manufacturing presence. Companies such as Honeywell, Roper Industries, Rockwell Automation, Ricardo, ST Microelectronics, Olympus and AMI Semiconductor provide good examples of such investments. This is a sign of foreign companies' growing confidence in the Czech R&D and business climate as well as in the country's legal system and intellectual property environment. Many companies have also established effective cooperation with Czech universities and research institutes.



Source: CzechInvest, 2008

13. Taxation

The system of taxation described below is derived from the Czech tax legislation and may be modified by a particular Double Taxation Treaty.

The current tax system was introduced in January 1993. The legislation is subject to frequent amendments and changes due to rapid developments in the economy.

Taxpayers in the Czech Republic are subject to the following taxes:

Tax	Tax rate
Corporate income tax	19% for tax periods starting in 2010 and afterwards
Personal income tax	Flat tax rate of 15% for calendar year 2010
Value added tax (VAT)	10% (food, books, special healthcare products) and 20% (most goods and services) starting in 2010
Excise tax	Levied on petrol and petrol derivatives, alcohol (beer, wine and spirits) and tobacco
Road tax	CZK 1,200 – 4,200 (cars), CZK 1,800 – 50,400 (trucks)
Real estate tax	According to type, location and purpose of use of the real estate
Real estate transfer tax	Flat tax rate of 3%
Inheritance tax and gift tax	Progressive tax rate ranging from 1% (0.5% for inheritance tax) up to 40% (up to 20% for inheritance tax)
Energy tax	Levied on supplies of electricity, natural and other gases, and solid fuels with effect from 1 January 2008

CORPORATE INCOME TAX AND PERSONAL INCOME TAX

All **Czech tax residents** are subject to these taxes on their worldwide income, while **Czech tax non-residents** are taxed only on their income from Czech sources.

An **individual** is a Czech tax resident if he/she has his/her permanent address in the Czech Republic (i.e. a place where an individual has his/her home and circumstances indicate his/her intention to dwell there permanently) or has “a usual residence” in the Czech Republic (i.e. the individual’s total number of days spent in the Czech Republic is equal to or greater than 183 days per calendar year).

The tax residency of a **legal entity** is its registered office or place of effective management in the Czech Republic.

CORPORATE INCOME TAX

Corporate taxation and asset depreciation rules are described in the Fact Sheet on Corporate Tax and Depreciation.

Rendering of services in the Czech Republic

A permanent establishment is the taxable presence of a foreign entity that carries out business activities in the Czech Republic. A permanent establishment is not a legal entity; however, it is a taxable entity and therefore it must be registered for tax purposes with the Tax Office.

Generally, a permanent establishment of a foreign company is created when the company’s employee(s) is (are) assigned to the Czech Republic to render services here for more than six months (183 days) in any 12 consecutive calendar months. If a company sends a group of employees that are present in the Czech Republic on the same days, the 183-day limit covers all employees, i.e. the presence of more than one employee on any given day is counted as one day of presence. Particular Double Taxation Treaties may further modify the conditions of permanent establishment.

Facility located in the Czech Republic

A permanent establishment can also be created when a foreign entity sets up an office, workshop, production facility, sales outlet or other business facility (i.e. a fixed place of business) in the Czech Republic. In such a case, a permanent establishment is created regardless of the 183-day condition.

Dependent agent

A permanent establishment is also created in the case that the foreign entity operates in the Czech Republic via a dependent agent.

PERSONAL INCOME TAX

Generally, **income from dependent activities** paid by a foreign employer to a Czech tax non-resident is tax-exempt if the time spent on such activities does not exceed 183 days in any 12 consecutive calendar months. This tax exemption shall not apply to income from an activity performed via a **permanent establishment**.

Taxation of expatriates

Taxable income includes earnings from dependent activities including benefits in-kind (e.g. housing allowances, use of a company car for private purposes, etc.), income from business activities, and income from capital, rent and other sources. In general, taxable income consists of all income regardless of whether it is monetary or non-monetary.

Generally, income is declared and taxed through a personal income-tax return that should be filed with the relevant Tax Office within three months after the end of the tax period (or within six months if a power of attorney for filing the tax return is submitted by a certified tax advisor).

An expatriate who is employed directly by a local (Czech) company or by a branch of a foreign company is subject to tax on his/her income from the dependent activity from the first day of his/her employment. The local company or branch of a foreign company withholds monthly tax pre-payments from his/her salary towards his/her annual tax liability. Generally, if the expatriate only has income derived from an employment contract, the employer prepares a year-end tax settlement that is a substitute for the expatriate's tax return.

If a foreign company transfers an expatriate to a Czech company under a service agreement, he/she should be registered as an individual taxpayer with the relevant Tax Office. His/her income is taxed via the annual personal income tax return. Additionally, an expatriate makes semi-annual or quarterly advance payments for his/her personal tax liability in the course of the year. These advance payments are based on the previous year's tax liability.

There is a flat personal income-tax rate of 15% in 2010. The employment tax base must be increased by Czech actual or hypothetical social security and health insurance contributions (paid by the employer) and the tax liability is calculated from such increased employment tax base (i.e. super-gross tax base). Therefore the effective tax rate is higher than the nominal 15%.

Social security and health insurance contributions

An employee's social security and health insurance contributions are calculated as 11% of gross salary. Employers must pay an additional 34% of all employees' gross salaries to the Czech social security and health insurance authorities in 2010.

Major changes came into effect on 1 January 2004 which generally also require any foreign national working in the Czech Republic directly for a Czech company or an employer with its registered office in a country with which the Czech Republic has concluded a social security agreement to pay into the Czech mandatory health insurance and social security schemes. In these cases, employer contributions are also required. Upon the accession of the Czech Republic to the European Union in May 2004, any EU national working in the Czech Republic and his/her employer are also generally required to pay Czech social security and health insurance contributions unless otherwise exempt according to EU regulations (e.g. granting of an E-101 certificate).

Contributions	Employer (%)	Employee (%)
Health care insurance	9.0	4.5
Pensions	21.5	6.5
Unemployment	1.2	0.0
Sickness and other benefits	2.3	0.0
Total	34.0	11.0

The annual base for employees' social security and health insurance contributions has been capped since 2008. For 2010 the cap amounts to 72 times the average monthly salary (i.e. CZK 1,707,048).

VALUE ADDED TAX

The Czech VAT Act complies with the EU Directives relating to VAT (i.e., the 6th, 8th, and 13th EU Directives). VAT is generally imposed on:

- all taxable supplies within the Czech Republic
- goods imported into or acquired in the Czech Republic

Taxable supplies within the Czech Republic include provision of services; delivery of goods; transfer and use of rights and transfer of real estate, buildings and structures; acquisition of goods from other EU member states, etc.

Businesses are obliged to account for VAT on the import of goods from third countries. However, there is an entitlement to reclaim such input VAT connected with the import of goods. Businesses are also obliged to account for VAT upon acquisition of goods from other EU member states. Certain domestic services are VAT exempt without entitlement to reclaim input VAT (e.g., financial services, insurance services, rent paid to entities not registered for VAT purposes, etc.).

Export of goods is VAT exempt. Generally, services provided to an entity subject to tax with its place of establishment in another EU member state or third country are not taxable in the Czech Republic. The recipient of the services is obliged to account for VAT in the country of its establishment and there is also an entitlement to reclaim such input VAT connected with such services. On the other hand, businesses are obliged to account for VAT in terms of the reverse-charge principle once they acquire a service from a provider in another EU member state or third country.

There are **two VAT rates**:

- **20% for most goods** and services;
- **10% for some selected goods and services** (including essential food products, books, special healthcare products).

All entities (individuals and legal entities) that have a registered office, place of business or establishment for VAT purposes in the Czech Republic and whose turnover exceeds CZK 1,000,000 (approx. USD 54,500) in any consecutive 12-month period must register as a VAT payer with the financial authorities/Tax Office. The obligation to register arises, for example, also upon receipt of certain services, which from the VAT perspective are treated in terms of the reverse-charge principle (e.g. consultancy, advertising) or upon acquisition of goods from other EU member states worth over CZK 326,000 (approx. USD 17,800) within the calendar year. Individuals and legal entities that do not have a registered office, place of business or establishment for VAT purposes in the Czech Republic but provide a taxable supply on Czech territory for VAT purposes have to register as Czech VAT payers as of the date of provision of the first taxable supply. The tax period for entities registered only for the purpose of VAT is a calendar quarter; otherwise, it is a calendar month or a calendar quarter.

EXCISE TAX

This tax applies to hydrocarbon fuels and lubricants, spirits and distilled liquors, beer, wine and tobacco products that are produced in or imported to the Czech Republic. The tax is calculated as a fixed amount per unit of the product concerned and is levied on the producer (importer). Tax levied on tobacco products is calculated as a combination of a fixed amount and a percentage of the selling price. A new electronic system of moving control will be implemented with effect from 1 April 2010.

ENERGY TAX The tax reform that came into effect on 1 January 2008 introduced a new type of indirect taxes implementing the relevant EU directives in the area of energy taxes. These taxes are levied on supplies of electricity, natural and other gases, and solid fuels (hereinafter referred to collectively as "energy"). The payers of energy tax are either suppliers of energy in the Czech Republic selling energy to end-users or operators of distribution or transmission systems. Those subject to energy tax are also entities that use tax-exempt energy for purposes other than those that are exempt or that use untaxed energy.

The tax on electricity is levied at the rate of CZK 28.30 per MWh. The tax on gas is levied at rates varying from CZK 0/MWh to CZK 264.80/MWh, depending on the type of gas, the purpose of its use and the date when the tax liability arises. The tax on solid fuels is levied at the rate of CZK 8.50/GJ. End-users can utilise a tax exemption when the energy is used for specific purposes.

ROAD TAX

Road tax is payable on vehicles registered and operated for business purposes in the Czech Republic. The tax is calculated according to engine size for passenger cars or weight and number of axles for other commercial vehicles. The rates range from CZK 1,200 (on vehicles with engines up to 800 cm³) to CZK 50,400 (on heavy-duty vehicles over 36 tonnes) and the tax period is the calendar year. In 2008 a new system of reducing the tax rate depending on the date of initial registration of a vehicle was introduced.

Freight vehicles weighing up to 12 tonnes with an electric or hybrid engine, or which use LPG or CNG as fuel are exempt from the road tax. Taxpayers are required to submit their tax return for the previous tax period (calendar year) by 31 January of the following year

REAL ESTATE TAX

Real estate tax comprises a tax on land (land tax) and a tax on structures (building tax). Real estate tax is generally payable on an annual basis by the registered owner of the land or building(s), although in very specific cases the user or the lessee is the payer. All property owners must file tax returns with the relevant Tax Office by 31 January of the relevant tax period only for the first tax period (calendar year), and later only when the conditions relevant to tax assessment change.

Land tax is imposed on plots of land entered in the Land Registry and is payable by the owner or, in special cases, by the lessee or user. On 1 January 2010 the tax rate on land with building permission was doubled, i.e. the rate is CZK 2 per square meter (subject to adjustments in relation to the size of the municipality where the land is located).

Building tax is calculated according to the registered ground area of the building. The tax rate is CZK 2 or CZK 10 per square meter in the case of business premises and CZK 2, 6 or 8 per square meter for residential buildings. This amount may be increased by CZK 0.75 per square meter for each additional floor.

Both land tax and building tax are multiplied by a coefficient that varies according to the location, ranging from 1 to 4.5 (the highest coefficient applies to Prague). Municipalities can further determine a local coefficient to increase the taxpayer's tax liability for certain types of real estate. A new local coefficient was introduced in 2009. This coefficient can vary from 2 up to 5 based on the decision of the respective municipality.

REAL ESTATE TRANSFER TAX

Unless a tax exemption applies, real estate transfer tax is charged at a uniform rate of 3% of the sale price of a property or of the usual market price, whichever is higher, and is payable by the seller (the buyer is the guarantor). In certain cases, the taxpayer can ask the Financial Directory for a remission of real estate transfer tax.

INHERITANCE AND GIFT TAXES

Inheritance tax is payable in the case of receipt of property by an inheritor due to the death of a testator. Property includes immovable assets (land, buildings), movable assets, securities, etc.

The receipt of immovable assets located in the Czech Republic is subject to inheritance tax, regardless of the residence of the testator/inheritor. The taxation of inheritance of movable assets depends on the residency status of the testator, i.e. if the testator was a Czech resident with permanent residence in the Czech Republic, all movable assets transferred to the inheritor are subject to inheritance tax in the Czech Republic. It does not matter whether the movable assets are located in the Czech Republic or in a foreign country.

The receipt of assets for no consideration is subject to gift tax. If property is given to a Czech individual or legal entity, then the recipient must pay gift tax. The donor is the guarantor of the gift tax. If property is given to a foreigner, the Czech donor must pay the gift tax. There is a possibility of tax exemption on gifts and inheritance when these transactions occurred between persons in Group I and Group II. Group I comprises immediate family members (parents, children) and spouses; Group II comprises siblings, nephews, nieces, aunts, uncles, etc.

LOCAL TAXES

No local taxes have been introduced in the Czech Republic to date. Some local fees are levied on the waste produced by companies and also with respect to certain business activities such as those related to spas, accommodation, and use of televisions and radios.

14. Corporate Tax and Depreciation

Corporate income tax is levied on income from the worldwide operations of Czech tax residents and on Czech-source income of Czech tax non-residents. Czech tax residents are considered to be entities with their registered office or place of effective management in the Czech Republic. The **tax base** is calculated from the accounting profit/loss shown on the relevant financial statements prepared according to the Czech Accounting Act and Czech accounting standards and is further adjusted by non-deductible costs and non-taxable revenues and other non-accounting adjustments. Czech legislation allows taxpayers to change their accounting period from calendar year to fiscal year and vice versa by notifying the Tax Office about such a change. When changing the accounting period, taxpayers are required to enter into a transition period that could be shorter or longer than 12 months. For taxpayers whose tax period is a calendar year, **the standard rate of corporate income tax is 19%** for calendar years 2010 and later. For taxpayers whose tax period is a fiscal year, the rate effective on the first day of the accounting period is applicable, i.e. for 2009/2010 it is 20%, for 2010/2011 and onward it is 19%.

CALCULATION OF TAX BASE

+/-	Accounting profit/loss before tax (as shown in the taxpayer's financial statements prepared in accordance with the Czech Accounting Standards)
+	Non-deductible costs
+/-	Difference between accounting and tax depreciation
-	Non-accounting adjustments in the form of tax-deductible costs recorded in the subsequent accounting period but related to the accounting period for which the corporate income tax return is prepared
-	Non-taxable income or income not subject to corporate income tax
+	Non-accounting adjustments in the form of taxable income recorded in the subsequent accounting period but related to the accounting period for which the corporate income tax return is prepared
	Adjusted tax base
-	Non-utilised investment allowance (the 10% investment allowance was abolished with effect from the 2005 tax period)
-	Accumulated tax losses carried forward from previous years
-	Gifts to charities (up to 5% of the tax base)
-	R&D allowance of up to 100% of expenses incurred in connection with research and development projects
	Tax base adjusted for gifts, investment allowance and tax losses
x	Tax rate/100
	Tax before tax relief
-	Tax relief (e.g. based on granted investment incentives)
	Final tax

TAX-DEDUCTIBLE COSTS

The list of tax-deductible costs is similar to those common in other countries. Generally, costs are tax-deductible if incurred in order to generate, assure and maintain the taxable income (for instance, tax depreciation of assets, purchased material and services, wages and salaries including social security and health insurance contributions paid by the employer, etc.). However, in the case of some costs there are further conditions stipulated by the Czech Income Tax Act limiting their deductibility; for example, some costs are deductible only when paid by the end of the relevant tax period (e.g. contractual penalties). All costs considered in the relevant tax period as tax-deductible should be supported by accounting documentation proving their relation to the relevant tax period as well as providing information about the goods/services for which the costs were incurred.

EU DIRECTIVES

Four EU directives have been implemented in Czech income-tax law. Most took effect on 1 May 2004. The directives are the parent/subsidiary directive, merger directive, royalties/interest directive and savings directive. (The royalties/interest directive will apply to royalty payments from 2011.)

Withholding tax

Certain types of payments such as dividends and profit shares are subject to withholding tax. Withholding-tax rates range from 5% to 15% depending on the type of income. The payer of withholding tax is the person/entity that pays the income which is subject to the withholding tax. The list below summarises income that is subject to the withholding tax.

15%	license fees, royalties, rents and operating lease payments, copyright fees, etc. paid to a non-resident of the Czech Republic without a Czech permanent establishment
15%	dividends*, profit shares and other related distributions paid to a non-resident of the Czech Republic without a Czech permanent establishment
15%	dividends, profit shares and other related distributions, lottery prizes, public-competition prizes, interest from deposit accounts and other personal deposits, etc. paid from a Czech source to a Czech resident or non-resident
5%	financial lease payments paid to a non-resident of the Czech Republic without a Czech permanent establishment

*Dividends paid within the EU, Norway, Iceland and Switzerland may be exempt from withholding tax under certain conditions.

However, the withholding-tax rate is usually reduced under a double taxation treaty concluded between the Czech Republic and the country where the recipient of the payment is a tax resident. As of 1 January 2010, the Czech Republic has concluded double-taxation treaties with 75 countries. The withholding-tax rate can further be reduced if requirements according to the applicable EU directive are met.

TAX-DEDUCTIBLE ITEMS

Research and development cost allowance

Up to 100% of the costs associated with research and incurred in a given tax year or period for which a tax return is filed can be deducted from the tax base as a special tax allowance (this means that these costs are in fact deducted twice for tax purposes – once as a normal tax-deductible cost and then as a special tax allowance).

The following costs can be included in the tax allowance:

- Direct costs (e.g. personnel costs of research and development engineers, consumed material, etc.)
- Tax depreciation of fixed assets used for R&D activities
- Other operating costs directly related to realisation of R&D activities (telecommunications fees, electricity, water, gas, etc.)

Eligible costs must be incurred in the course of generating, assuring and maintaining the taxable income (i.e. tax-deductible costs), and must be recorded separately from the taxpayer's other costs. This allowance does not apply to costs of purchased services and intangible results of research and development acquired from other entities, except for costs incurred in connection with certification of the results of research and development projects, and costs that were supported from public sources.

Please note that previously specified costs must be incurred during implementation of research and development projects in the form of experimental or theoretical works, design or construction works, calculations, technology proposals, preparation of a functioning sample or product prototype or part thereof; and costs associated with certification of results achieved through research and development projects qualify for a deduction.

The non-utilised allowance can be carried forward for three subsequent years.

The taxpayer can apply to the respective Tax Office for a binding ruling in respect of research and development costs in the event that the taxpayer is not sure if particular research and development costs can be regarded as costs eligible for the allowance.

Accumulated tax losses carried forward from previous years

Losses incurred in the tax period can be carried forward for five subsequent tax periods and it is up to the taxpayer when such losses are actually utilised against taxable profits within this five-year period. This does not apply to companies that have received investment incentives in the form of tax relief. Such companies must utilize all previous losses against declared profits before they may claim the tax relief. (Note: tax losses incurred in a tax period starting in 2003 at the latest can be carried forward for a period of seven

years.) There are additional restrictions for utilisation of accumulated tax losses if the company's ownership structure changes by more than 25% or the company is merged or subject to another type of restructuring.

Charitable donations

The tax base may be decreased by gifts donated for specific reasons set forth by the Income Tax Act (social, health, education, etc.). The minimum value of a tax-deductible donation is CZK 2,000; the maximum reduction is 5% of the tax base reduced by deductible allowances, the R&D allowance and utilised tax losses. Again, a company that has received investment incentives in the form of tax relief must reduce its tax base by tax-deductible donations before it may claim the tax relief. In the case of donations to universities and public research institutions, the tax base can be further reduced by up to an additional 5%.

Investment incentive tax-relief

Companies that have received a Decision to Grant Investment Incentives can claim tax relief up to the maximum amount of state aid (i.e. the specific percentage of state aid is applied to the total amount of eligible costs specified in the Act on Investment Incentives and previously in the Decision to Grant Investment Incentives). Under the Czech Investment Incentives Scheme, investors may receive either partial (for investors who expand their existing business activities in the Czech Republic) or full tax relief (for investors who are newly commencing their business activities in the Czech Republic). Both kinds of tax relief can be utilised during five consecutive tax periods. Full tax relief is almost equal to the value of the tax liability for the relevant tax period (tax relief does not cover tax derived from interest income). The aim of partial tax relief (i.e. for expansion projects) is to offset the tax above the "base tax". Partial tax relief in the relevant tax period is equal to the difference between the tax liability for the period for which tax relief will be claimed (adjusted by certain items and interest income) and the "base tax" liability ("base tax" is adjusted by the sector price-inflation index). The "base tax" liability is the higher tax liability shown in one of two tax periods immediately preceding the tax period for which tax relief may be claimed for the first time, i.e. in which general and special conditions were fulfilled. The "base tax" liability is calculated using the tax rate valid in the taxable period of the tax-relief calculation.

DEPRECIATION OF FIXED ASSETS

Tax depreciation is different for tangible and intangible assets. The Czech Income Tax Act includes a definition of tangible fixed assets. Tangible fixed assets are assets with an input price above CZK 40,000 and whose expected operational and technical life exceeds one year (moveable assets). For buildings and structures the limit is CZK 1. Tangible fixed assets are divided into six depreciation categories with different depreciation periods. The classification of tangible fixed assets by depreciation category is shown in the following table.

Depreciation category	Minimum depreciation period (in years)
1. computers and office equipment, measuring and control devices, etc.	3
2. cars, buses, machinery and equipment, lorries and tractors	5
3. metal structures, motors, metal products, machinery and equipment for the metals industry, ships, lifts, cranes, electric motors, ventilation and cooling units, etc.	10
4. electric mains, gas and oil pipelines, water mains, pillars, chimneys	20
5. buildings (factories), bridges, roads, tunnels, water works, cableways	30
6. buildings (hotels, administration/business/shopping centres)	50

A company can use either straight-line or accelerated tax depreciation for tangible assets (except, for example, land that could not be depreciated). However, once a method of tax depreciation is selected for a particular asset, this method may not be changed later. If a tangible fixed asset is sold/liquidated during a tax period, half of the annual tax-depreciation charge can be claimed in such tax period. Below is a table with a comparison of the straight-line and accelerated methods of depreciation. In 2009 a new tax depreciation method for tangible assets acquired between 1 January 2009 and 30 June 2010 was introduced as a part of anti-crisis measures. This method can be applied only for new tangible assets in the first and second depreciation categories. Under this method tangible assets in the first depreciation category can be depreciated for 12 months and tangible assets in the second depreciation category for 24 months.

Depreciation category	Straight-line depreciation			Accelerated depreciation		
	Annual depreciation rates (%)			Coefficients for accelerated depreciation		
	first year	subsequent years	for increased input price	first year	subsequent years	for increased input price
1	20	40	33.3	3	4	3
2	11	22.25	20	5	6	5
3	5.5	10.5	10	10	11	10
4	2.15	5.15	5.0	20	21	20
5	1.4	3.4	3.4	30	31	30
6	1.02	2.02	2	50	51	50

For the purposes of tax depreciation, intangible fixed assets are divided into three groups:

1. Intangible assets acquired before 1 January 2001 (tax depreciation differs from accounting depreciation)
2. Intangible fixed assets acquired between 1 January 2001 and 31 December 2003 (tax depreciation equals accounting depreciation)
3. Intangible fixed assets acquired after 1 January 2004 (tax depreciation differs from accounting depreciation). If the purchase agreement stipulates a period during which the intangible assets can be utilised, the annual tax depreciation is calculated as the input price divided by the period agreed in the contract. In other cases, straight-line monthly depreciation is applied for the following periods:
 - Audio-visual works are depreciated over 18 months.
 - Software and results of research and development are depreciated over 36 months.
 - Incorporation expenses are depreciated over 60 months.
 - Other intangible fixed assets are depreciated over 72 months.

As for intangible assets acquired between 1 January 2001 and 31 December 2003, their minimum price ceiling must be defined in the company's internal directives. Intangible fixed assets acquired after 1 January 2004 are considered to be fixed assets with an acquisition price above CZK 60,000 and with an expected utilisation period longer than one year.

TRANSFER PRICING RULES

Prices charged between related entities (i.e. one company directly or indirectly participates in another company/companies through at least 25% of the capital or voting rights of such company/companies, where the same persons participate in management or control of the respective companies, etc.) may not differ from prices that would be agreed between unrelated entities under comparable circumstances. If the prices differ, the relevant Tax Office may adjust the tax base of the relevant entity by this difference. If the prices differ and the relevant company is entitled to claim investment incentives in the form of tax relief (i.e. in any five-year incentives period), the right to claim tax relief ceases to apply and the company will have to submit additional tax returns for all taxable periods in which tax relief was claimed.

As of 1 January 2006 the taxpayer can apply to the respective Tax Office for a binding advance pricing agreement (APA). The Tax Office issues a binding decision based on the submitted documentation if the prices in a business relationship are at arm's length.

TAX ADMINISTRATION

Generally, taxpayers must file tax returns within three months following the end of the tax period. Czech legal entities that are required to prepare audited financial statements or whose tax return is prepared by a registered tax advisor must file their tax returns within six months following the end of the tax period. In certain cases (e.g., a merger), the statutory period for submission of the tax return is reduced.

Corporate income-tax liability (i.e. the difference between the sum of the advance tax payments paid during the relevant tax period and the total tax liability) is payable by the deadline for submission of the tax return. If the reported tax liability exceeds the statutory threshold, the taxpayer is obliged to pay advance tax payments on a quarterly (if the last known corporate income tax liability exceeded CZK 150,000) or half-yearly basis (if the last known corporate income tax liability was between CZK 30,000 and CZK 150,000). If the last known corporate income tax liability is less than CZK 30,000, no advance payments are required.

If the tax return is not filed or not filed on time, the tax authorities can levy against the taxpayer a 10% increase of the tax reported in the late tax return. This does not apply if the taxpayer reported a tax loss. If the tax return is not filed or not filed on time and the taxpayer incurred a tax loss, the Tax Office can impose a fine of up to CZK 2 million.

If the tax return is prepared incorrectly, the Tax Office may assess the tax base and levy a penalty (fine) and a late-payment interest on the taxpayer. The penalty is calculated as 20% of the additionally assessed tax or 5% of a reduced tax loss, and the late-payment interest is calculated as the repo rate of the Czech National Bank increased by 14%.

ACCOUNTING

The Czech accounting system is based on double-entry bookkeeping and is largely consistent with the systems of other European countries with certain minor difference regarding, for example, financial leasing and depreciation of fixed assets.

Joint-stock companies, limited liability companies and other companies which, as of the end of the current and immediately preceding accounting periods, fulfil or exceed two (for joint-stock companies only one) of the following conditions are subject to statutory audit:

1. gross balance sheet total of over CZK 40 million
2. annual net turnover higher than CZK 80 million
3. average number of employees, according to the Statistics Act, exceeding 50

Companies that have issued securities traded on regulated stock exchanges in EU member states should apply the International Financial Reporting Standards when preparing their annual financial statements and consolidated financial statements. However, for calculation of corporate income tax, the accounting result must be calculated based on the Czech Accounting Standards and unaffected by the International Financial Reporting Standards.

15. Customs System

Transfer of goods across Czech national borders

On the first day of the Czech Republic's membership in the EU, the country's customs authorities abolished routine customs checks of goods transferred across the internal borders, i.e. the common border between the Czech Republic and other EU member states.

Since the Czech Republic does not have any external EU borders (borders with non-EU member states), the routine customs checks of goods transferred across the Czech border for customs and taxation purposes are usually conducted either at international airports or at the borders between EU and non-EU states.

Note that these checks do not apply to flights to or from airports on EU territory. Routine checks of persons moving across the national border, i.e. checks of passports and visas by the Czech police force, are conducted provisionally at all borders.

Any trade with EU member countries (including new member countries such as Romania and Bulgaria, which joined the EU in 2007) is considered intra-Community trade, which is not subject to routine customs checks or duties or other fees collected in relation to the importation or exportation of goods. Goods are transferred freely across internal EU borders.

Customs legislation

Customs procedures apply to goods moved from/to non-EU member states. The customs procedures are stipulated mainly by EU customs regulations. The most important are:

1. Council Regulation (EEC) No. 2913/92 of 12 October 1992, by which the customs code of the Community is issued, as amended.
2. Commission Regulation (EEC) No. 2454/92 of 2 July 1993, by which Council Regulation (EEC) No. 2913/92 is implemented, as amended.
3. Council Regulation (EEC) No. 918/83 of 28 March 1983, on the Community system for customs duty exemption, as amended.
4. Council Regulation (EEC) No. 2658/87 of 23 July 1987, on customs and statistical nomenclature and on the Common Customs Tariff, as amended.

These regulations are available in the languages of the current member states, for example on the Internet at <http://europa.eu.int/>.

The EU customs tariff, containing customs duty rates and import and export restrictions, can be found at this link: [TARIC Consultation](#)

Statistics on intra-Community trade (Intrastat)

EU legal regulations only stipulate certain obligations for enterprises in relation to intra-Community movement of goods. For the purposes of the EU's common trade policy, trade operations between member states must be statistically monitored. Entities whose subject of business is intra-Community trade and whose turnover has reached a set limit have the stipulated obligation to fill out reports for intra-Community trade statistics, i.e. Intrastat.

Value added tax

As mentioned above, customs duties and any other additional fees collected upon import or export of goods do not apply in the case of intra-Community trade when the goods move in the free-circulation regime.

This, of course, does not apply to value added tax. Value added tax legislation is laid out by the national regulations of individual countries according to the respective EC guidelines and is a revenue source for their national budgets.

In principle, the following general rules apply: For trade between two VAT payers having their residences or registered offices in different EU countries, VAT is paid and claimed by the recipient according to the rules and rates valid in the recipient's country of residence or registered office. Both participants in such trade must of course show these transactions in their accounting, VAT records, VAT returns and other related filings (e.g. EC sales list for goods delivered to other EU member states, as of 1 January 2010 also EC sales list for services provided to other EU member states may be filed, both in electronic form only) in order to enable tax authorities to check them.

Most goods and services are subject to a 20% VAT rate in the Czech Republic, except food, pharmaceutical products, etc., in which case the 10% VAT applies. The Czech VAT system contains a concept of registration for VAT purposes. As a consequence, foreign companies may register as VAT payers without having a legal presence in the Czech Republic and in certain cases there might arise an obligation to register as a VAT payer.

EU – one customs territory (example)

As the EU is considered as one customs territory, the following sample situations can occur:

If, for example, American goods are transported to the Czech Republic via the port of Hamburg, the Czech importer has two possibilities. He can either declare the goods for customs clearance through customs at the Hamburg customs office (i.e. the import customs duty and VAT are declared in Germany) or the Hamburg customs office can release the goods into a transit regime (T1 transit declaration) and the goods will subsequently be released into free circulation at certain Czech customs offices (i.e. the customs duty and import VAT are declared in the Czech Republic).

Export customs procedures can also be performed either by the Czech customs office or, in certain cases, by the customs offices of other member countries. In every case, however, the exported goods will leave EU territory through a border customs office (e.g. the Latvian customs office at the border with the Russian Federation).

However, exports and imports carried out by businesses in member states other than those where they are registered for as VAT payers may have VAT implications for these businesses in these countries.

Preferential agreements

The EU has concluded free trade agreements with a large number of countries around the world. When trading with third countries, it is recommended that businesses make sure whether preferential customs duty rates apply or not.

Authorized Economic Operator (AEO)

As part of a coordinated approach to secure international trade, the EU has introduced rigorous new procedures aimed at improving supply-chain security. The changes affect almost every aspect of any business that buys, sells or moves goods into or out of the EU. The AEO regime introduces an EU-wide accreditation scheme. Business units that want to meet the AEO requirements need to start preparing for the necessary changes to systems, supply chains, buyer and seller relationships and customs procedures.

Pre-arrival / Pre-departure Declarations

The obligation to file Pre-arrival/ Pre-departure Declarations came into force in 2009. It should accelerate the import and export of goods, i.e. it is mandatory for traders to provide customs authorities with advance information (in electronic form) on goods brought into or taken out of the EU customs territory.

16. Transport Infrastructure

The Czech Republic possesses one of the most advanced transport networks in Central and Eastern Europe. Its geographical position at the very centre of Europe makes it a natural crossroads for major transit corridors. An extensive network of transport routes serves not only the Czech Republic but also links the country to neighbouring and other European states, and the density of the transport network ranks the Czech Republic among the world's most advanced countries. The significance of the Czech Republic as a transit hub has grown since the Czech Republic became a member of the EU Single Market covering the area of the EU 15 and the new members in Central and Eastern Europe.

Transport infrastructure density (km per 100 km²)	Czech Republic	Hungary	Poland	Slovakia	Ireland	Portugal
Motorways	0,6	0,2	0,1	0,6	0,1	1,6
Roads	161,4	32	118,8	35,6	136,2	73,6
Railways	12	8,2	7,3	7,5	2,7	3
Inland waterways	0,8	1,5	1,2	0,4	0.0	0.0

Source: Ministry of Transport, 2005

Basic data on the transport infrastructure network in the Czech Republic

	2003	2004	2005	2006	2007	2008
Length of railway tracks (km)						
Total	9,602	9,612	9,614	9,597	9,588	9,586
Electric	2,943	2,982	2,997	3,041	3,060	3,078
Road transport infrastructure (km)						
Total road and motorway network	55,447	55,500	55,510	55,585	55,584	55,654
European road network, type E	2,599	2,601	2,601	2,599	2,595	2,604
Motorways in operation	518	546	564	633	657	691
Other roads	54,929	54,953	54,945	54,952	54,927	54,963
Of which 1 st class roads	6,121	6,156	6,154	6,174	6,191	6,210
2 nd class roads	14,667	14,669	14,668	14,660	14,632	14,592
3 rd class roads		34,128	34,124	34,118	34,104	34,161
Navigable waterways regularly used for transport (km)						
Total length	664	664	664	664	664	664
Air transport infrastructure						
Total number of airports, of which:	85	85	87	87	87	90
Public International	12	14	9	9	9	9
Public Domestic	57	56	59	58	56	59
Private International	6	6	7	9	9	10
Private Domestic	10	9	12	11	13	12

Source: Ministry of Transport, 2009

Total number of air passenger transport by state in 2007

Airport	Country	Growth 2006-2007	No. of passengers (arrivals + departures)
Munich	Germany	10,5%	33 813 000
Vienna	Austria	11,4%	18 719 000
Prague	Czech Republic	7,3%	12 359 000
Budapest	Hungary	4,1%	8 580 000
Warsaw	Poland	13,7%	9 228 000
Ljubljana	Slovenia	13,3%	1 504 000

Source: Eurostat, 2009

Transport of goods in the Czech Republic

Transport of goods (thous. tonnes)	2001	2002	2003	2004	2005	2006	2007
By rail	97,218	91,989	93,297	88,843	85,613	97,491	99,777
By road	438,683	474,883	447,956	466,034	461,144	444,574	453,537
By inland waterways	1,910	1,686	1,277	1,275	1,956	2,032	2,242
By air	16	18	20	21	20	22	22
By oil pipeline	8,674	8,815	8,962	9,192	11,305	10,875	10,131

Source: Ministry of Transport, 2008

Driving distances between selected cities within the Czech Republic (km)

	Ceske Brno	Budejovice	Hradec Kralove	Karlovy Vary	Liberec	Ostrava	Pilsen	Prague
Brno	X	219	144	337	307	186	298	209
Prague	207	152	124	127	112	393	94	x

Source: Route planner ViaMichelin, 2009

Driving distances between Prague and major European cities (km)

Amsterdam	Athens	Barcelona	Berlin	Bern	Bratislava	Brussels	Budapest
888	2,002	1,737	355	827	332	918	529
Copenhagen	Dublin	Helsinki	Istanbul	Lisbon	London	Madrid	Marseilles
761	1,711	1,761	1,869	2,742	1,243	2,272	1,414
Milan	Munich	Oslo	Paris	Rome	Stockholm	Vienna	Warsaw
873	386	1,361	1,050	1,318	1,408	294	750

Source: Route planner ViaMichelin, 2009

Total elapsed time of the journey, timetable from Prague

Amsterdam	Athens	Barcelona	Berlin	Zurich	Bratislava	Brussels	Budapest
1:40	2:35	2:30	1:00	1:15	1:00	1:30	1:05
Copenhagen	Dublin	Helsinki	Istanbul	Lisbon	London	Madrid	Marseilles
1:25	2:35	2:20	2:30	5:20	2:20	2:50	2:00
Milan	Munich	Oslo	Paris	Rome	Stockholm	Vienna	Warsaw
1:35	1:00	2:10	1:45	1:50	2:00	1:05	1:35

Source: Czech Airlines, 2009

Density of the rail and road networks per square kilometer

	Czech Republic	Hungary	Poland	Slovak Republic
Roads (2005)	1.62	1.72	1.35	0.89
Railroads (2006)	0.120	0.085	0.062	0.075

Source: IMD World Competitiveness Yearbook, 2008

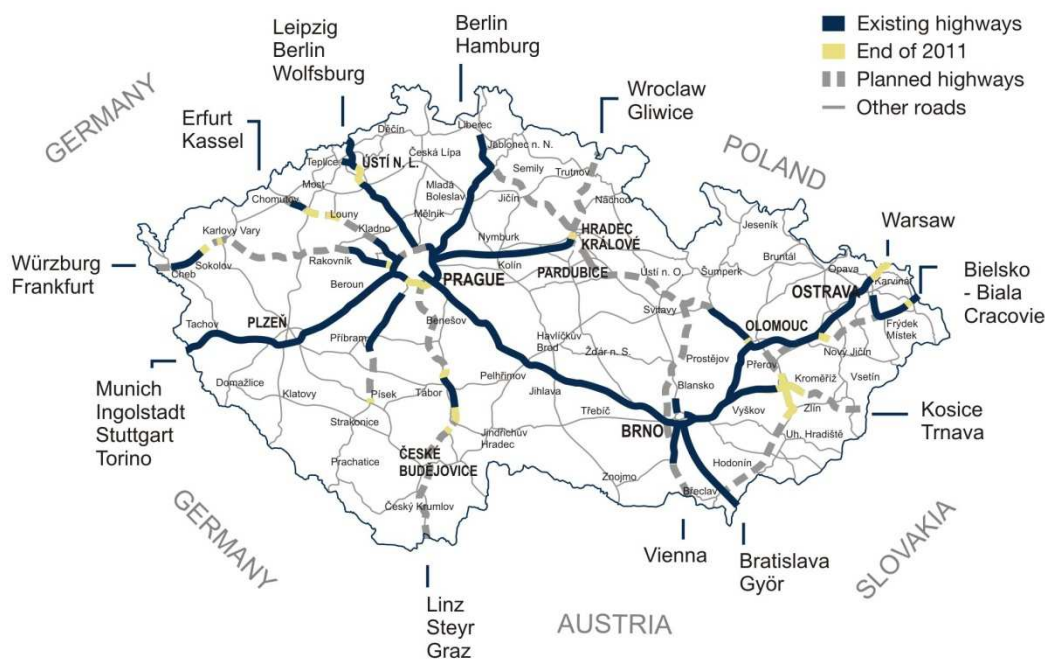
Quality of air transportation

Quality of air transportation (2008)	
Austria	8.98
Germany	8.93
Czech Republic	8.55
United Kingdom	7.74
Hungary	7.20
Slovenia	6.52
Slovak Republic	5.65
Poland	4.45

Source: IMD World Competitiveness Yearbook, 2008

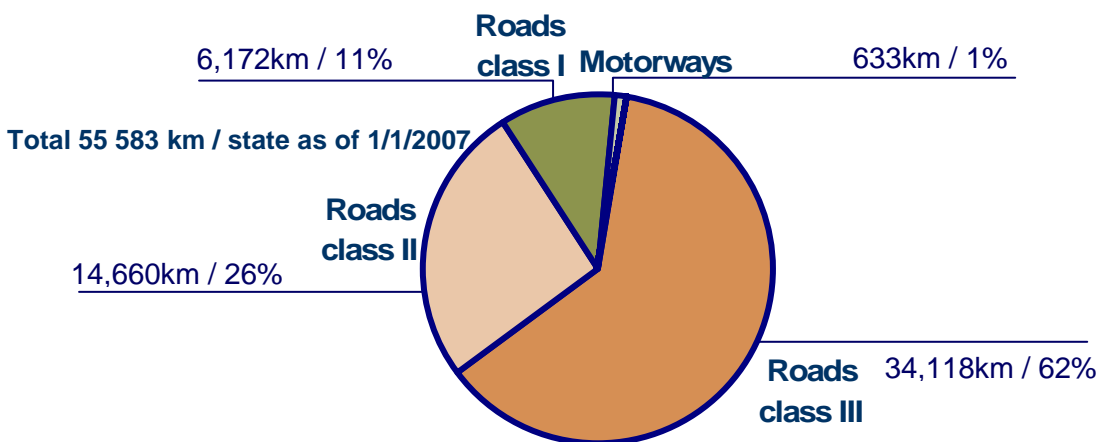
Road and Motorway Network of the Czech Republic

Infrastructure in the Czech Republic



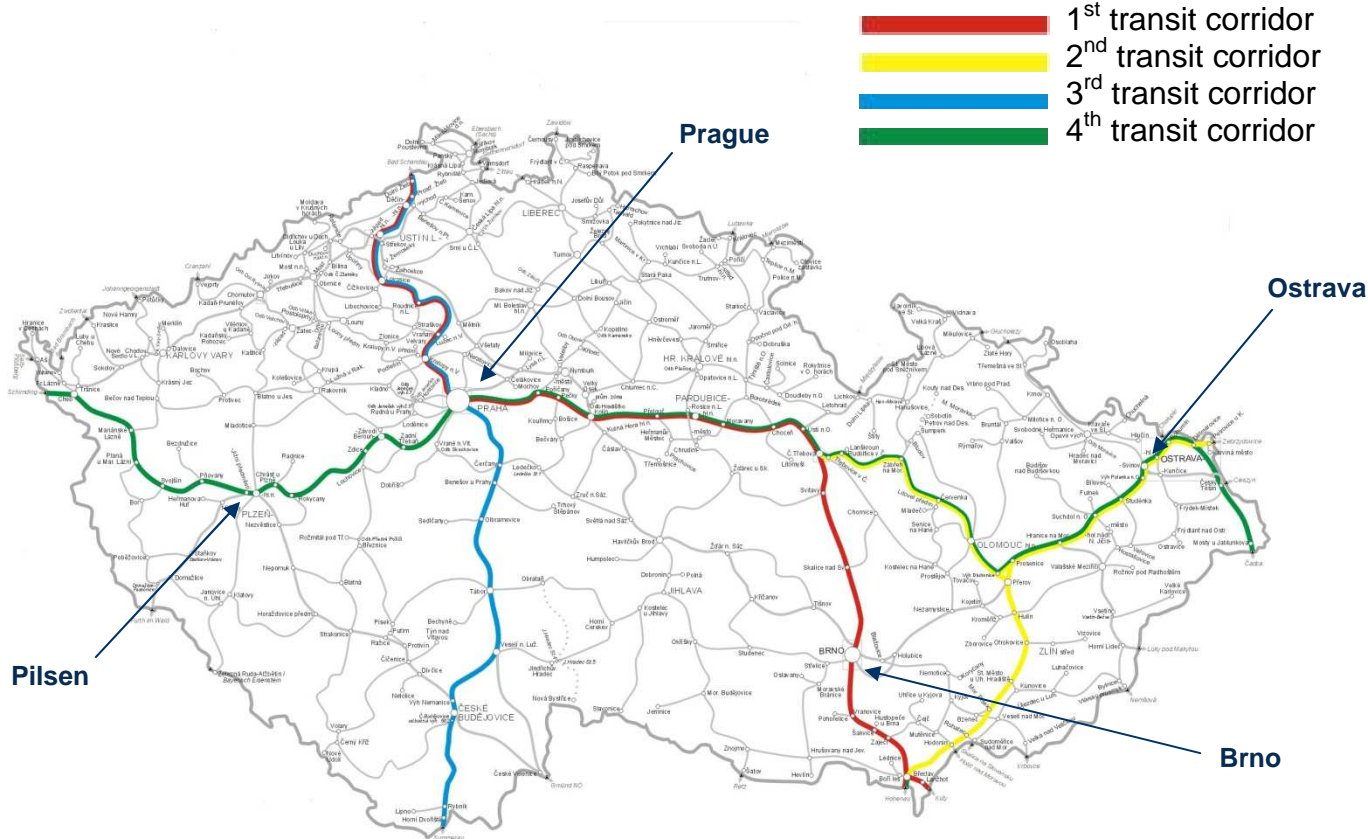
Source: Road and Motorway Directorate of the Czech Republic, 2009; CzechInvest 2009

The length of the road and motorway network



Source: Road and Motorway Directorate of the Czech Republic, 2009

Rail network and transit corridors



Source: Czech Railways, 2009

17. Telecommunications

On 1 May 2005 the new Act on Electronic Communications came into force, by which the Czech Republic implemented the regulatory framework of the European Union from 2002. The electronic-communications sector in the Czech Republic has been fully liberalized (with number portability as of 1 January 2006). Every natural person or legal entity that fulfills the conditions stipulated by law can enter the market and provide electronic-communications services or operate a public communications network.

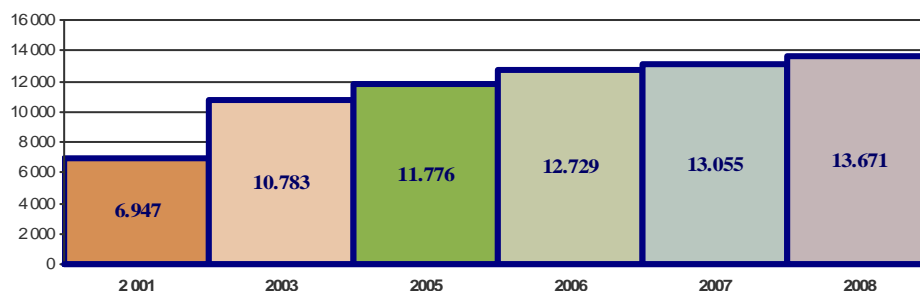
No exclusive rights exist in the area of electronic communications and the level of the competition environment is adequate in the terms of the European Union.

The Czech telecommunications market – one of the most highly developed and most liberalized in Central and Eastern Europe – is distinguished by the growth of demand for data, internet and other services to the detriment of voice services.

MOBILE PHONES

The number of mobile-network subscribers is constantly increasing, albeit at a slower pace than in previous years. As early as in 2004, the density of subscribers of publicly available mobile services exceeded 100% in the Czech Republic and at the end of 2008 there were 131 mobile phones for every 100 inhabitants. In comparison with other member states of the European Union, the Czech Republic has above-average rates of mobile-subscriber density.

Mobile Network Users in thousands



Sources: Czech Statistical Office, 2008; CzechInvest, 2009

In the scope of development and practical usage of information technologies in the Czech Republic, there is a typical difference between companies and households. The use of modern information technologies and communications technologies by households has until now been below the European Union average, even though development has significantly accelerated in the past year.

Business, however, has achieved comparable and even above-average rates. In comparison with the other countries of Central and Eastern Europe, the Czech Republic is among the best equipped for access to electronic-communications and information-technology services.

Solely private businesses operate in the electronic-communications sector. The last exception to this was ČESKÝ TELECOM, a.s., in which the state owned a 51% share. Its privatization was finalized in April 2005, when the Spanish company Telefónica S.A. acquired the majority share.

Mobile operators in the Czech market

Operator	Number of customers *million	Year
T-Mobile	5.422*	2008
Telefónica O2	5.257*	2008
Vodafone	2.892*	2008
MobilKom	100,000	2008

Source: CzechInvest, 2009

Largest telecommunications companies

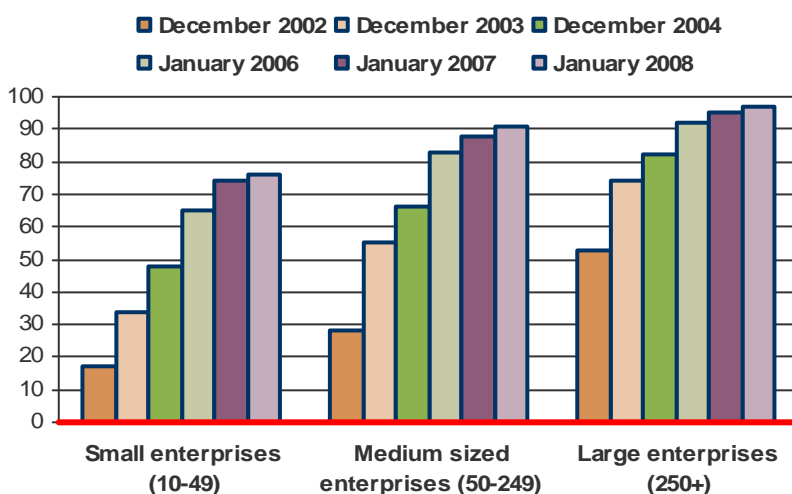
Company	Revenues (CZK)	Year
Telefónica O2	63,196,000	2007
T-Mobile	32,482,473	2007
Vodafone	19,150,340	2007
Česká pošta (Czech Post)	17,431,220	2007
GTS NOVERA	5,765,623	2007

Source: Czech Top 100, 2008

COMPUTERS AND INTERNET ACCESS

The number of users of high-speed internet access is rapidly and constantly growing, and prices of high-speed internet access are falling. Broadband internet service has become a regular fixture in Czech households. In this respect, the Czech Republic is quickly closing the gap with the older members of the European Union. The maximum internet-connection speed is higher than 2 Mb/s in 68% of enterprises and 10% have connection speeds exceeding 8 Mb/s. In comparison with this, only 36% of enterprises had internet-connection speeds greater than 2 Mb/s in January 2007; this figure was only 1% at the end of 2002. ADSL is the most common internet-connection technology among enterprises. In January 2008 ADSL was used by 46% of enterprises, whereas 92.3% of all enterprises had internet access. In 2003 only 7% of enterprises used ADSL and there was no ADSL usage in 2002. Availability of fixed broadband internet access is fully comparable to that of the other EU27 countries. Taking all enterprises into account, the EU27 average for internet access was 81% in January 2008, which is only 2% higher than the rate in the Czech Republic.

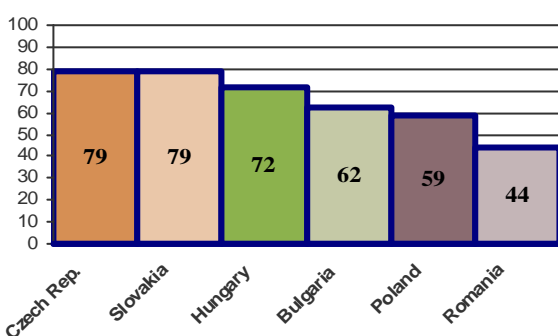
Enterprises with fixed broadband internet access



Source: Czech Statistical Office, 2009

The internet is accessible using various technologies, ranging basic dial-up up to ADSL, Wi-Fi, CATV, mobile and satellite. The largest ADSL operator in the Czech Republic is Telefónica O2 followed by three other major operators – Volny, GTS and CRa. ADSL technology is available in almost every area in the country. There are hundreds of Wi-Fi providers and all three mobile operators offer internet access using their networks. It is almost impossible to compare all of the offers but everybody who wishes to have broadband internet access can get it.

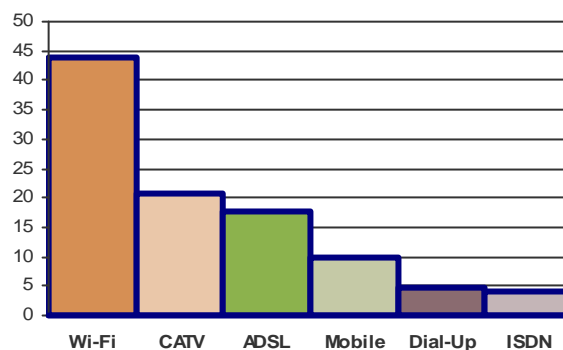
% of enterprises with broadband internet access



Note: Companies having more than 10 employees

Source: Eurostat, December 2008

52% of households online



Source: Czech Telecommunication Office, 2009

Fifty-two percent of the country's inhabitants over the age of 16 have access to the internet, up from 25% in 2003. A distinguishing feature of internet connectivity in the Czech Republic is the broad availability and use of Wi-Fi technology, which is the most popular means of internet access in households. Eighty-six percent of the population use a computer at least once per week, whereas 57% of inhabitants use one every day. Most of them use a computer at home (78%), at work (49%) or at school (19%).

18. Property Market

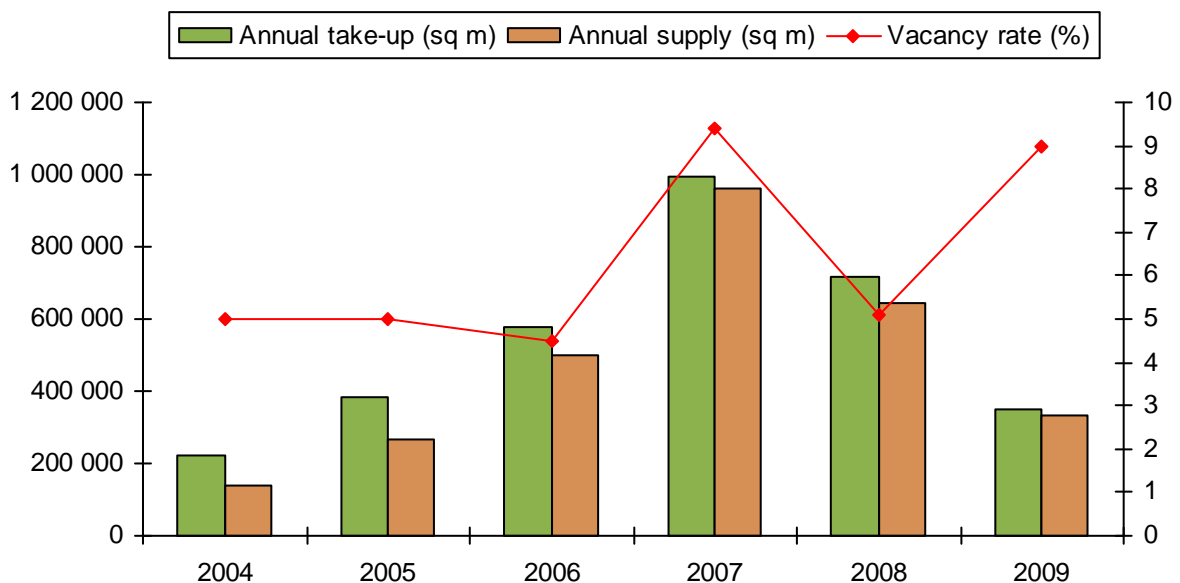
The Czech property market is increasingly attractive for foreign investors. The amount of office space is growing steadily while the availability of space for production facilities has been boosted by a major government programme designed to support the construction and development of industrial zones, brownfield regeneration and development of speculative buildings, premises for R&D and shared-services centres. An increasing number of large international and Czech developers are actively seeking sites to create new industrial, logistics and business parks.

THE INDUSTRIAL REAL ESTATE AND WAREHOUSE MARKET

The industrial real estate market in the Czech Republic has experienced stable growth over the past few years. Demand for industrial space has expanded in the past two years from Prague to other areas such as Plzen, Brno and, most recently, Ostrava. We expect further growth in take-up throughout the Czech Republic in the short term and further growth in the take-up share of locations outside the capital.

Total stock of modern developer-led logistics and industrial space amounted to 2,983,240 sq m at the end of 2008. New supply in the second half of 2008 reached almost 340,000 sq m, resulting in a total new supply in 2008 of 641,900 sq m. Total take-up reached 716,700 sq m for the whole year of 2008 which represents a 28% decrease compared to 2007. The highest take-up was recorded in Greater Prague (391,000 sq m), followed by West Bohemia (95,000 sq m) and North–East Bohemia (70,600 sq m).

Key Industrial Market Indicators in Czech Republic



Source: DTZ Consulting & Research, 2009

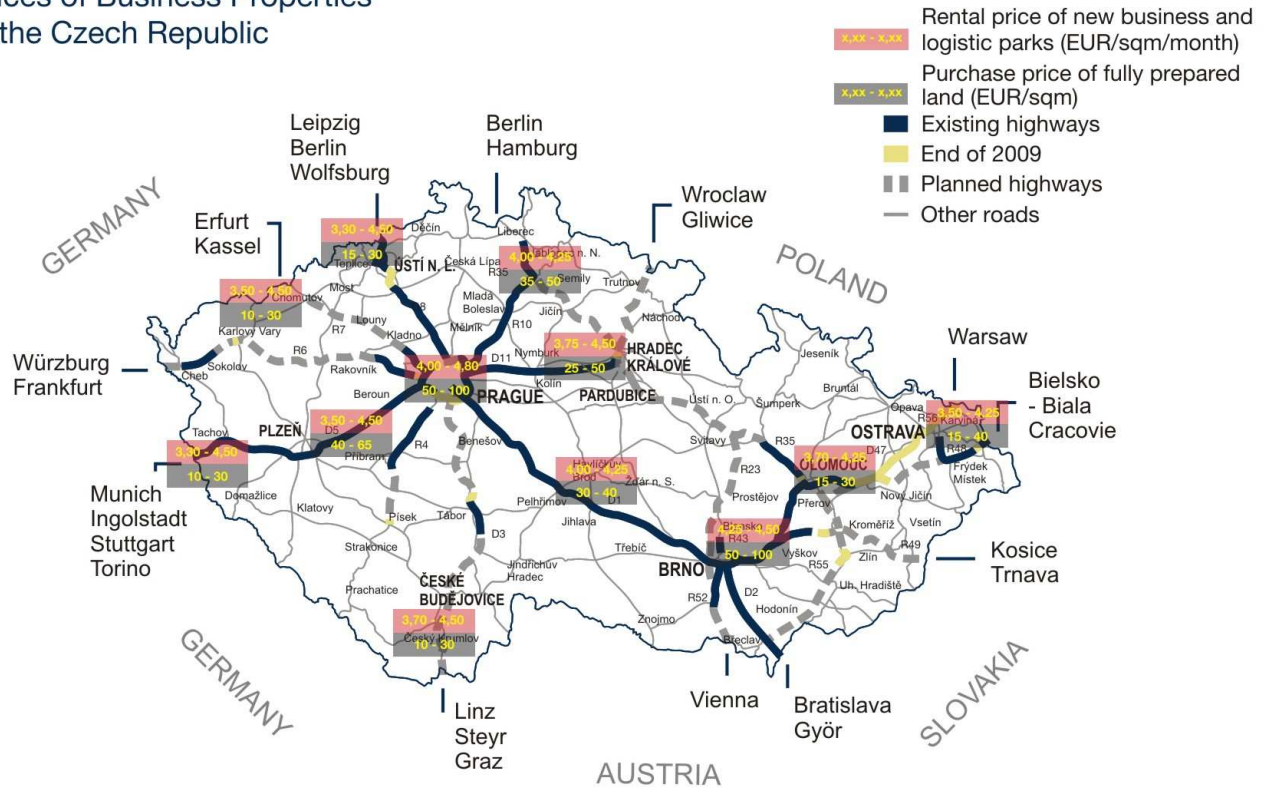
Note: 2009- forecast

REGIONAL MARKETS

New developers are entering the Czech market and will increase competition particularly within regional markets. In the future, the choice of location will need to be more carefully examined particularly with regard to labour availability and transport connections.

Major completions in the second half of 2008 included ProLogis Park Ostrava (69,800 m²), VGP Park Horní Počernice (41,000 m²) and D5 Logistics Park (32,500 m²) in Q3, and Starzone Pardubice (27,600 m²), Panattoni Park Prague Airport (14,107 m²), VGP Park Hradec Králové (13,275 m²), Tulipan Logistics Park (26,700 m²) and Západní zóna Bezděčín Mladá Boleslav (16,220 m²) in Q4 2008.

Prices of Business Properties in the Czech Republic



Source: CzechInvest, 2008

The overall national vacancy rate increased to 16.9% at the end of Q2 2009 compared to 16% in Q1 2009. The highest vacancy rates of modern newly developed warehouse space are recorded in Moravia–Silesia (32%) and West Bohemia (26.8%). The vacancy rate in Greater Prague slightly decreased from 15.5% and currently stands at 15.2%.

Rents in industrial/logistics properties

City	EUR/m ² /month
Prague	3.50 – 4.25
Brno	3.75 – 4.75
Plzen	2.75 – 4.25
Ostrava	3.00 – 4.00

Source: CzechInvest, 2009

INDUSTRIAL ZONES

The most attractive option for investors wanting to occupy suitable premises is to build facilities in one of the many industrial zones that have been completed or are currently under development. These zones offer land with infrastructure and are often prepared with the support of various state programmes and in cooperation with local authorities.

Since 1998, support for establishment or further development has been distributed to a total of 100 industrial zones, the greatest number of which are in the Ústí, Central Bohemia and Moravia-Silesia regions. Financing is currently being focused on additional work in the large Nošovice, Mošnov, Kvasiny, Holešov and Triangle strategic industrial zones.

A total of CZK 9.184 billion has been distributed to individual zones from these programmes. Thanks to this support, 3,129 hectares of industrial zones were developed, in which 606 companies hitherto have invested CZK 210 billion and created 103,054 jobs.



- 1 Klášterec nad Ohří 2 Žatec (2) 3 Podbořany (2) 4 Kadaň
 5 Chomutov (2) 6 Most 7 Bílina 8 Teplice 9 Přestanov 10 Rumburk 11 Liberec 12 Ústí nad Labem 13 Lovosice (2)
 14 Slaný 15 Louny 16 Kladno 17 Unhošť 18 Tuchlovice 19 Zdice 20 Žebrák 21 Plzeň (2) 22 Úherce 23 Stod 24 Blatná
 25 Písek 26 Prachátice 27 Kamenice nad Lipou 28 Jihlava
 29 Pelhřimov 30 Havlíčkův Brod 31 Zruč nad Sázavou 32 Velím 33 Kolín 34 Kutná Hora 35 Chrudim 36 Pardubice
 37 Hradec Králové 38 Jičín (2) 39 Vrchlabí 40 Kvasiny 41 Svitavy 42 Ždírec nad Doubravou (2) 43 Žďár nad S. 44 Velké Meziříčí 45 Třebíč 46 Znojmo 47 Mikulov 48 Brno (2) 49 Kuřim 50 Bystřice nad Pernštejnem 51 Moravská Třebová 52 Blansko 53 Vyškov (2) 54 Hodonín 55 Staré Město 56 Brankovice 57 Prostějov 58 Litovel 59 Uničov 60 Šumperk 61 Krnov 62 Olomouc (3) 63 Hranice 64 Valašské Meziříčí 65 Zlín 66 Vsetín 67 Kopřivnice 68 Třinec 69 Frýdek-Místek (2) 70 Třanovice 71 Paskov 72 Český Těšín 73 Karviná 74 Ostrava (2) 75 Mošnov 76 Hrádek nad Nisou 77 Domažlice 78 Český Krumlov 79 Nošovice 80 Pohořelice 81 Velká Bystřice 82 Holešov 83 Mladá Boleslav 84 Nymburk 85 Zlatníky 86 Trutnov 87 Velká Bíteš

For the programming period 2007-2013, CzechInvest, in cooperation with the Ministry of Industry and Trade, will introduce the Real Estate Programme financed from EU structural funds, which is built on the experience gained through the previous such program conducted from 2004 to 2006.

The aim of the Real Estate Programme is to encourage the creation and development of business properties including infrastructure and to contribute to the improvement of the investment climate and environment of the Czech Republic. In order to achieve this aim, this program will involve several types of projects, which can be financially supported using European funds and the state budget. Supported projects will include preparation of industrial zones and their further development, relocation of companies and construction of rental buildings. However, the primary focus will be on brownfield regeneration, including renovation of buildings and regeneration of disused sites.

The programme is open to almost all types of enterprises, with the exception of multinational companies. The main restrictions concern users of supported real estate, which should be mainly SMEs operating in the manufacturing industry.

THE OFFICE MARKET

In total, modern office stock in Prague reached 2,511,228 m² at the end of 2008 comprising of 70% newly built and 30% refurbished buildings. Class A premises represented 72% and Class B 28% of the total. Half (50.19%) of modern office stock is located in the Inner City followed by the Outer City and the City Centre with 30.62% and 19.19% of stock respectively.

Key Office Market Indicators for Prague, 2008-2010

	2008	2009*	2010*
Total supply (m ²)	2 511 228	2 628 300	2 840 200
Annual supply (m ²)	322 460	117 000	212 000
Annual take-up (m ²)	260 334	150 000	200 000
Vacancy rate (%)	8.96	9	9

Source: DTZ Consulting & Research, 2009; PRF, 2009

Note: * forecast

In the largest regional office market of Brno, total office stock currently stands at 236,000 m² of A and B class space. The most significant completions in 2008 included 6,500 m² completed in the Czech Technology Park, 4,096 m² at Avriopoint by Avrioinvest and Trinit Office Centre (4,700 m²). AIG Lincoln is developing the first phase of Campus Science Park (21,000 m²) which is due for completion in 2009. In 2010 Titanium by JRA (22,494 m²) is planned for completion as is Spielberg Tower by CTP Invest (15,000 m²), which is to become the tallest building in Brno. Total take-up reached ca. 35,800 m² in Brno last year. Largest lease was the IBM lease in Czech Technology Park Brno (6,500 m²). The overall vacancy rate in Brno is still high at 19.7% as of end of 2008.

Total office stock in Ostrava has reached 71,500 m². In the second half of the year Orchard II (11,100 m²) was completed. This year Nordica (11,948 m²) will be completed by Skanska. In 2008 around 21,000 m² were let in Ostrava. Current vacancy rate in Ostrava is ca. 15% but with the completion of Nordica the vacancy rate will rise further. Plzeň's office stock stands at 35,700 m², no significant new completions were added to the market last year. Take-up reached approximately 4,200 m² in 2008. Plzeň's vacancy rate stands at 26.5%.

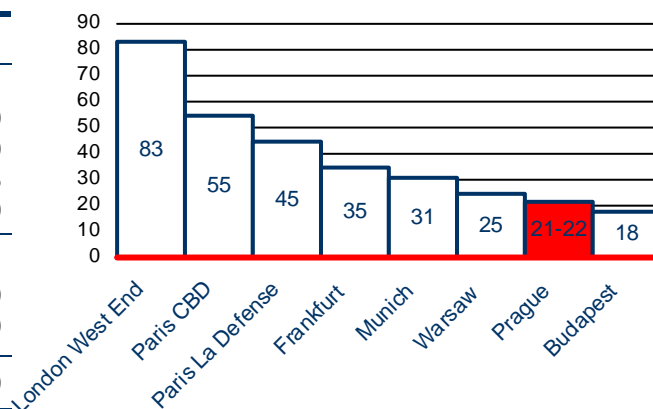
Source: DTZ Consulting & Research, 2009

Prime rent (EUR/m²/month)

Location	Standard A	Standard B
Prague		
Prague city centre	21.0-23.0	14.0-16.0
Inner city	16.5-18.0	12.5-14.0
Outer city	13.0-15.0	10.5-11.5
Periphery	11.0-12.0	9.0-10.0
Brno		
Inner city	11.0-13.5	6.5-8.0
Outer city	10.0-11.0	5.5-7.0
Pilsen (Plzeň)	10.0-12.5	5.0-7.0
Ostrava	10.0-12.0	5.0-7.0
Olomouc	9.5-11.0	5.5-6.0
Hradec Kralove	8.0-11.0	4.0-5.5
Usti nad Labem	8.0-10.0	4.5-5.5

Source: Cushman & Wakefield, 2009

Monthly Prime Headline Rents (EUR/m²/month)



Source: DTZ Consulting & Research, 2009

BROWNFIELDS

Brownfields have gained importance mainly since 2002. There are two key reasons for this: the possibility of receiving grants from EU funds and public pressure to use these sites for new investments. There is now a continually updated database of available brownfield locations online at <http://www.czechbrownfields.cz/>. The extensive mapping of brownfield in all regions of the Czech Republic was completed in 2007 and more than 2,000 brownfields covering a total area of more than 10,000 ha were identified. However, the actual number of all brownfields, including those not mapped, is probably few times higher.

Former military sites are currently the most often regenerated brownfields. Such properties have been acquired by local authorities with the aim of finding new uses for them. However, an increasing number of other types of sites are being successfully regenerated, not only for industrial uses, but also for other business activities.

Brownfield overview

Past usage of site	No. of sites	Percentage	Total area	Average area of site
Agriculture	821	34.9%	1 840.4 ha	2.2 ha
Industry	785	33.3%	4 232.2 ha	5.4 ha
Civic amenities	304	12.9%	413.3 ha	1.4 ha
Military	151	6.4%	2 394.1 ha	15.9 ha
Residential	95	4.0%	88.3 ha	0.9 ha
Tourism	22	0.9%	22.4 ha	1.0 ha
Other	177	7.5%	1 144.3 ha	6.5 ha
Total	2 355	100%	10 326.3 ha	4.4 ha

Source: CzechInvest, 2009

19. Building Process

Building a new plant in the Czech Republic is similar as in other European countries. The Czech Republic offers an effective planning process and rapid construction capabilities. In most cases, it takes about one year to go from a completely vacant greenfield site to completion of a new facility. This time span can be shortened to less than one year in municipal industrial zones, where land plots and infrastructure are already prepared and local officials have been trained by CzechInvest to effectively support investors.

AUTHORITY APPROVALS

Czech planning processes are similar to those in other EU countries. A construction project generally has to be approved by the relevant authorities in the following steps:

1. Environmental Impact Assessment (EIA) – fact-finding procedure
2. Environmental Impact Assessment (EIA) – full EIA procedure
3. Planning permit
4. Integrated permit
5. Building permit
6. Final approval

Step 2 “Environmental Impact Assessment (EIA) – full EIA procedure” and step 4 “Integrated permit” apply only to extensive investment projects that exceed the limits stipulated by the respective law. Most investment projects that CzechInvest is involved in do not relate to steps 2 and 4.

Environmental Impact Assessment (EIA) of the Project

EIA procedures are based on the European Community’s EIA guidelines for industrial projects. Plans that are subject to an EIA ruling are specified in Annex I, Category I of Act. No. 100/2001 Coll., as amended by later regulations.

Plans that are subject to a fact-finding procedure are in Category II. The fact-finding procedure is the first phase of the EIA procedure and takes two months. The fact-finding procedure determines whether or not a full EIA is necessary. If it is determined that a full EIA is not required, then no follow-up procedure is conducted. In the opposite case, the EIA documentation should be completed and a full EIA procedure, including a public hearing, is necessary. The duration of this process is typically 5-10 months.

Planning Permit

The planning permit is the most important document investors need in order to proceed with a project (it deals mainly with the outer appearance of the planned construction and its impact on its surroundings). The planning procedure begins with a written application by the investor, and can be completed in 1-2 months. The planning permit defines the land allotted for the proposed purpose and states the conditions the investor must observe. The permit is valid for two years and may be extended by the Building Office upon request.

Integrated Permit (IPPC – Integrated Pollution Prevention and Control)

The new Act No. 76/2002 Coll. (in accordance with Council Directive No. 96/61/EC) sets forth the key principles to be followed by operators of certain industrial installations (expressly listed in the Annex to the Act). These include waste-treatment installations used in waste management, industrial installations in the processing of energy generation, metallurgy, chemicals, food and certain raw materials and in certain other operations viewed as highly intensive production operations in terms of their impact on the environment, such as paper production, leather processing, textile fibre processing, surface finishing and carbon production. In the integrated permit, the conditions are set for the installation operation based on application of best available techniques (BAT). The Act came into effect on 1 January 2003. The IPPC process can take 5-9 months. When necessary, it serves as the basis for the Building Permit and supersedes particular administrative procedures.

Building Permit

The building permit is a more detailed elaboration of planning-approval requirements (it deals mainly with the interior lay-out of the planned structure and its technical quality). Very detailed construction documentation including several statements from the relevant administrative authorities is necessary in the building-permit application. The entire procedure should take 1-2 months. The permit is valid for two years and may be extended by the Building Office upon request.

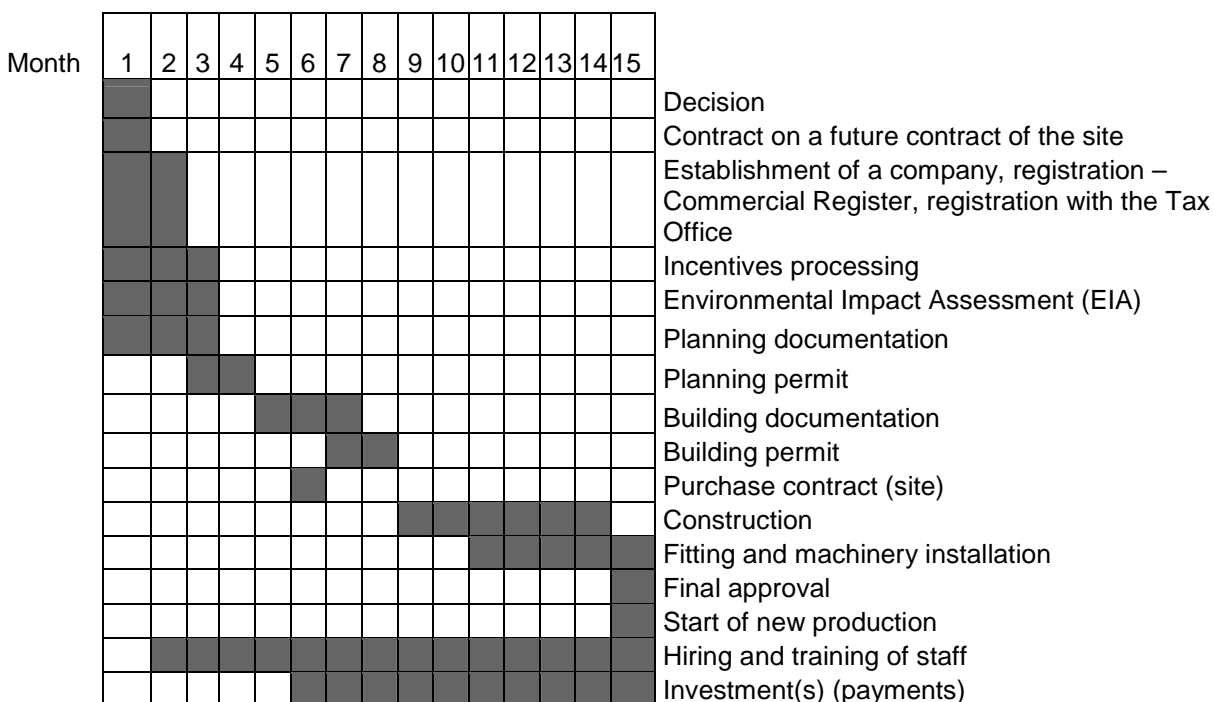
Final Approval

This document is issued upon completion of construction. The Building Office inspects the fulfilment of the conditions defined by all the issued permits, statements and relevant legislation. The final approval allows the investor to start using the building, i.e. to start full production.

PROJECT DEVELOPMENT EXAMPLE

The chart below gives an example of a typical greenfield investment with fact-finding EIA and investment incentives, without IPPC. The whole process, which applies to most projects, from investment planning to start of new production, typically takes approximately **12-15 months**. Nevertheless, a well-prepared process can be significantly shortened with some initiative on the part of the investor. On the other hand, the whole process of a very large and complicated project (including a full EIA procedure and IPPC procedure) from investment planning to start of new production could take over **15 months**.

Example of a typical greenfield investment with fact-finding EIA and investment incentives



Source: IPEC, 2008; CzechInvest, 2008

Construction Cost Estimate

Roads (depends on material)	CZK 1,080 – 3,190/m ²
Sidewalks (depends on material)	CZK 594 – 1,045/m ²
External sewerage (depends on material, pipe diameter up to 400mm)	CZK 7,116 – 12,320/m
Water mains (depends on material, pipe diameter up to 400mm)	CZK 5,640 – 17,490/m
Electricity (high voltage line 22 – 35 kW)	CZK 2,220 – 5,610/m
Industrial halls (depends on purpose, material)	CZK 2,646 – 4,290/m ³
More equipped industrial halls (depends on purpose, construction, material)	CZK 5,040 – 5,500/m ³
Office buildings (depends on construction)	CZK 3,600 – 7,150/m ³
Rough landscaping (topsoil stripping, back filling, etc.)	CZK 144 – 605/m ²
Final landscaping (vegetation cover, amenities planning, etc.)	CZK 240 – 2,200/m ²

Source: IPEC, 2008

Top 10 Building Companies

Rank	Company	Turnover EUR/mil.
1.	Metrostav	905,9
2.	Strabag	877,3
3.	Skanska CZ	673,7
4.	Skanska DS	665,9
5.	SSŽ	648,8
6.	OHL ŽS	373,1
7.	HOCHTIEF CZ	345,7
8.	TCHAS	304,2
9.	Imos Brno	272,3
10.	Geosan Group	272,0

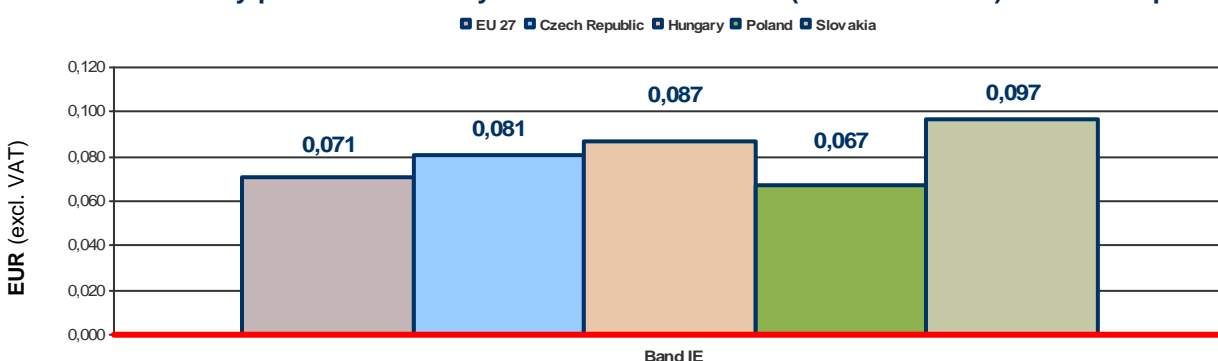
Source: Albertina Company Monitor, 2009

20. Utilities

ELECTRICITY

On 1 January 2006, the Czech electricity market was fully liberalised; households as the last customer segment became eligible customers and won the right to select their supplier. It is typical of the Czech open electricity market that there is no longer any regulation of activities in which competition is feasible. Only activities of a monopoly nature continue to be regulated. That same day saw the completion of the restructuring of major players on the electricity market, which had been commenced in 2003 – the merging of distribution companies, outsourcing of certain services and splitting-off of assets related to these services into separate companies. Since 1 January 2006, three major entities have been operating in the Czech Republic: the ČEZ Group (formerly Středočeská energetická, a.s. – STE, Zapadočeská energetika, a.s. – ZČE, Severočeská energetika, a.s. – SČE, Vychodočeská energetika, a.s. – VČE and Severomoravská energetika, a.s. – SME); the E.ON Group (formerly Jihomoravská energetika, a.s. – JME and Jihočeská energetika, a.s. – JČE); and the PRE Holding Group.

Electricity prices for industry in the first half of 2008 (in EUR/100kWh) – Czech Republic



Standard consumer

Consumption

Band - IE	20 000 MWh < Consumption < 70 000 MWh
Band - IF	70 000 MWh < Consumption < 150 000 MWh

Source: Eurostat, 2009

Average quarterly prices for the consumption bands and supplies to industry

Standard consumption bands	Annual consumption (MWh)	Price exclusive VAT and other taxes, CZK / MWh	
		2Q 2009	1Q - 4Q 2008
Band - IA	< 20	4 402,20	4,123.62
Band - IB	21 - 500	3 570,82	3,292.08
Band - IC	501 – 2,000	2 783,34	2,749.76
Band - ID	2,001 – 20,000	2 446,08	2,296.44
Band - IE	20,001 – 70,000	2 318,28	2,039.17
Band - IF	70,001 – 150,000	2 333,67	2,078.25
Total		2 761,71	2,555.58

Source: Czech Statistical Office, 2009

Reliability – distribution system operators

Year	Criteria assessed	Low voltage LV			High voltage HV			Extra high voltage EHV		
		ČEZ	EON	PRE	ČEZ	EON	PRE	ČEZ	EON	PRE
2007	SAIFI	0.326	0.409	0.120	2.434	1.733	0.370	0.287	0.209	0.020
	SAIDI	48.268	98.000	19.650	220.705	259.000	14.420	5.925	2.500	0.510

Note: SAIFI – system average interruption frequency index – average number of electricity outages per end customer per year [outages/year/customer]

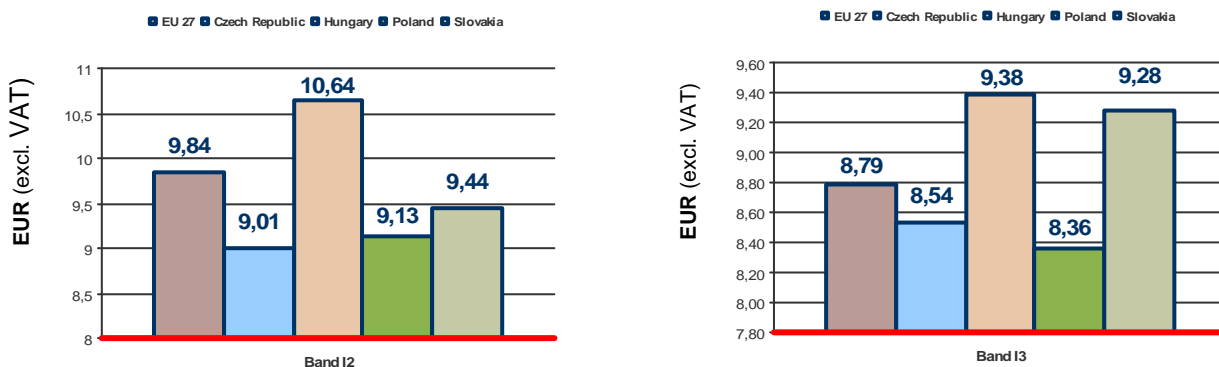
Note: SAIDI – system average interruption duration index – average duration of electricity outage in minutes per end customer per year [minutes/year/customer]

Source: Energy Regulatory Office, 2009

NATURAL GAS

The liberalisation of the Czech gas market, started in 2005, was completed at the end of 2006. Under the Energy Act, on 1 January 2007 all natural gas customers became eligible customers. The process of unbundling in the Czech Republic was commenced on 1 January 2006, when RWE Transgas, a.s. split into RWE Transgas, a.s., which stores and trades in gas, and its subsidiary RWE Transgas Net, s.r.o., which transports gas. The unbundling of the distribution system operator (DSO with more than 90,000 customers) was completed at the end of 2006 in accordance with the Energy Act.

Gas prices for industry in the first half of 2008 (in EUR/GJ) – Comparison



Standard consumer

Band I2

Band I3

Annual consumption in gigajoules

1 000 GJ < Consumption < 10 000 GJ

10 000 GJ < Consumption < 100 000 GJ

Source: Eurostat, 2009

The Czech Republic buys most of its natural gas from Russia and Norway and therefore the Czech Republic is not 100 percent dependent on supplies from Russia, as is the case with many other states of Central and Eastern Europe. Long-term contract on natural gas supply were signed with natural gas producers in Russia and Norway in the second half of the previous decade. Several underground gas storage facilities are at present available to secure winter gas supplies to Czech consumers or to bridge a supply outage, should it occur. As to the level of gas reserves, the Czech Republic is among the countries with the highest gas supply security in the EU. It is also important that the capacity of the storage facilities (currently covering 35.6% of the total annual consumption) will continue to increase in the Czech Republic. Thank to this strategy, the Czech Republic endured easily the Russian gas supply outage in winter.

Average quarterly prices for the consumption bands and supplies to industry

Standard consumption bands	Annual consumption (MWh)	Price exclusive VAT and other taxes, CZK / MWh	
		2Q 2009	1Q - 4Q 2008
Band - I1	< 278	1072,26	980.12
Band - I2	279 – 2,778	939,31	900.54
Band - I3	2,779 – 27,783	757,03	859.06
Band - I4	27,784 – 277,831	677,32	797.56
Band - I5	277,832 – 1,111,323	647,32	780.29
Total		841,01	871.31

Note: Rough conversion rate: 1 cubic metre = 10.55 kWh

Source: Czech Statistical Office, 2009

WATER – WATER/SEWERAGE CHARGES (CZK/cubic metre)

Prague	55,12	Ústí	64,54	South Moravia	56,67
Central Bohemia	68,56	Liberec	61,17	Olomouc	62,79
South Bohemia	65,90	Hradec Králové	59,10	Zlín	62,97
Plzeň	46,10	Pardubice	63,14	Moravia-Silesia	54,54
Karlovy Vary	55,82	Vysočina	63,21		

Source: Water Supply and Sewerage Association, 2009

21. Regions of the Czech Republic

The Czech Republic is divided into 14 regions (Higher Territorial Self-governing Units), which came into effect on 1st January 2000. The Basic Territorial Self-governing Unit is the municipality. In the Czech Republic there are three categories of municipalities. These categories differ in the range of selected competencies that have been transferred from the central government.

REGIONAL OFFICES OF CZECHINVEST

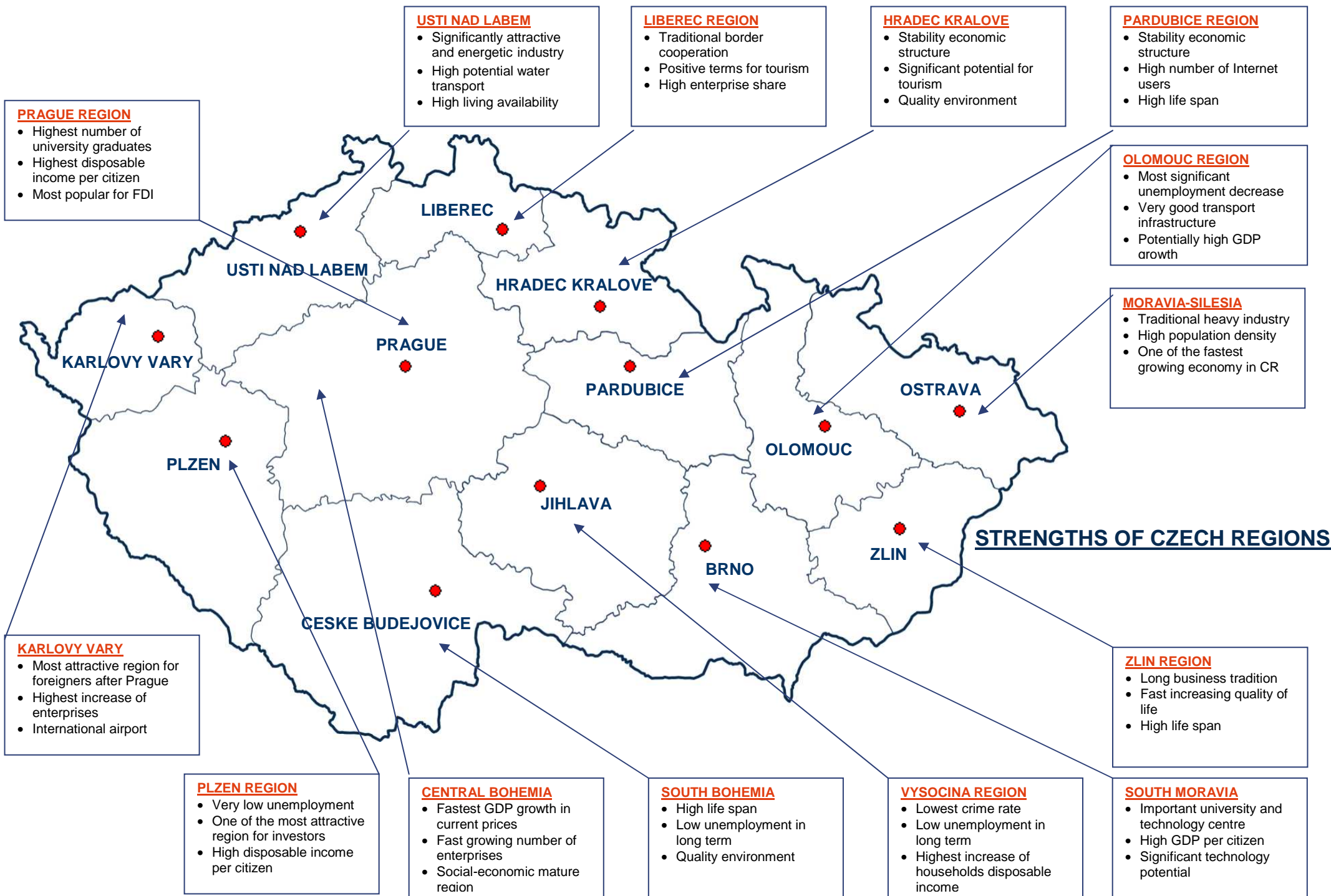
At the beginning of 2004, CzechInvest established a regional network of 13 offices in every regional capital. The reason for establishing this regional network was to provide CzechInvest's services directly from the regions where companies' investment and development plans are focused. Employees from regional offices help foreign and domestic companies with their investment and development projects and provide them with information and counselling on Structural Funds programmes.

Regional offices:

- Provide information and counselling on services of CzechInvest
- Provide information on the given region's investment climate
- Act as partners to companies which intend to invest or expand in the given region
- Provide consultation on possibilities of business support through Structural Funds programmes
- Cooperate with state and regional authorities, schools and other regional institutions in seeking out opportunities for development of the region's business environment

CzechInvest's Regional Representatives

PRAGUE - HEADQUARTERS ADDRESS: Stepanska 9 120 00 Praha 2 Tel.: +420 296 342 500 Fax: +420 296 342 502 Email: fdi@czechinvest.org	CENTRAL BOHEMIA REGION DIRECTOR: Blanka Miksova, Bc. Project managers: Kateřina Ehrlichová ADDRESS: Stepanska 15 120 00 Praha 2 Tel.: +420 296 342 553 Fax: +420 234 703 566 Email: praha@czechinvest.org sarka.spoutilova@czechinvest.org	USTI REGION DIRECTOR Milada Pucova, Bc. Project managers: Petra Hrstkova, Bc. ADDRESS: Mirove namesti 34 400 02 Usti nad Labem Tel.: +420 475 201 158, 475 200 960 Fax: +420 475 201 135 Email: ustinadlabem@czechinvest.org alena.chodovska@czechinvest.org	SOUTH BOHEMIA REGION DIRECTOR: Ing. Robert Bartu Project managers: Martina Trajerova, Bbus ADDRESS: Husova 5 370 01 Ceske Budejovice Tel.: +420 387 962 413 – 6 Fax: +420 387 962 424 Email: ceskebudejovice@czechinvest.org robert.bartu@czechinvest.org
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22. Setting up a Business

Foreign legal entities are allowed to conduct trade activities, including acquisition of real estate, **under the same conditions and to the same extent as Czech entrepreneurs**. They may become founders or co-founders of a company, or may join an existing Czech company.

Foreign companies may operate in the Czech Republic, **either by establishing a branch office registered in the Czech Republic or by establishing a Czech company**. There are four different legal forms of companies; the most common are limited liability companies (*s.r.o.*) and joint-stock companies (*a.s.*). The business name of the company shall be unique.

BRANCH OFFICES

A branch office of a foreign company **is not a Czech legal entity**, but functions as the representative of a foreign company and incurs obligations on the foreign company's behalf. Branch offices **must fully list their business activities on their application for registration in the Commercial Register**, as they are only allowed to engage in the business activities listed. The branch office must have an appointed director who is entitled to act on behalf of the foreign company as regards the branch office. He/she must be registered in the Commercial Register.

The law under which the branch's parent entity was founded also applies to the branch's internal dealings. As of January 2002, there are no restrictions on acquisition of real estate by branch offices of foreign companies in the Czech Republic.

LIMITED LIABILITY COMPANY – SPOLECNOST S RUCENIM OMEZENYM (*s.r.o.*)

A limited liability company is commonly used only for small and medium-sized businesses. It may be established either by (i) a founder's deed by one entity (whether an individual or a legal entity) or (ii) by a memorandum of association concluded by a group of entities or individuals up to 50. However, a limited liability company with one shareholder cannot establish or become the sole shareholder of another limited liability company. One individual may be a sole shareholder of not more than three limited liability companies. Both the founder's deed and the memorandum of association must be executed in the form of a notarial deed. The incorporation document also determines whether or not a limited liability company will issue its articles of association.

A limited liability company does not issue shares. The ownership interest represents the shareholder's participation in the company and the rights and duties derived from such participation. The size of the ownership interest is determined by the ratio of a particular shareholder's investment contribution to the company's registered capital.

The minimum registered capital is CZK 200,000. Non-monetary contributions must be fully settled before the company's registration in the Commercial Register. The founder's deed or memorandum of association must specify the non-monetary contribution and its value which is determined by an expert appointed by the court. At least 30% of subscribed monetary contributions must be paid up before registration of the company in the Commercial Register. The total of paid-up investment contributions and the value of non-monetary investment contributions must amount to at least CZK 100,000. If a company is formed by one person only, its registered capital must be fully paid up before registration in the Commercial register.

Corporate governance is simpler than that of a joint stock company. A limited liability company does not have a board of directors. Its statutory body is made up of one or more executive officers. The law does not restrict their number. The executive officer is appointed by the general meeting, the supreme body of the company, or by the sole shareholder exercising powers of the general meeting. Each executive officer acts on behalf of the company independently unless the founder's deed or the articles of association stipulate otherwise. The law does not require the limited liability company to establish a supervisory board; however, a supervisory board can be established provided that the founder's deed or memorandum of association so stipulates. The supervisory board consists of at least three members elected by the general meeting.

Ownership interest in a limited liability company is not as easily transferable as the shares in a joint stock company. It requires a written agreement. With the approval of the general meeting a shareholder may transfer his ownership interest to another shareholder, unless the memorandum of association provides otherwise. If the memorandum of association so admits, a shareholder may transfer his ownership interest to another third party. The memorandum of association may make transfer of the ownership interest dependant on the general meeting's approval. Should the company have sole shareholder, an ownership interest is always transferable to third parties.

JOINT-STOCK COMPANY - AKCIOVA SPOLECNOST (a.s.)

A joint-stock company is used for large companies. It is established by a founder's deed by one shareholder, being a legal entity, or by a memorandum of association by more than one shareholder (whether individuals or legal entities). Both the founder's deed and the memorandum of association must be executed in the form of a notarial deed. A joint-stock company is obliged to issue its articles of association. Bearer shares are freely transferable (Please note, that further existence of bearer shares under Czech law is currently subject of discussions in the Czech Parliament) while transferability of registered shares may be restricted but not excluded by articles of association. If the registered shares are book-entered shares, they are transferred by registering the new owner with the Central Securities Depository.

Minimum registered capital is CZK 2,000,000 or CZK 20,000,000 if the company is founded through a public offer of shares. A subscriber is obliged to pay the issue price of the subscribed shares within the time-limit fixed in the articles of association, but no later than one year after the company's incorporation. The statutory body of a joint-stock company is the board of directors. The board of directors must have no fewer than three members, this shall not apply in the case of a company with sole shareholder. Its members are generally elected and recalled by the general meeting or by the supervisory board if the articles of association so stipulate. The board of directors decides on all matters that are not reserved to the general meeting or the supervisory board.

Each joint-stock company must establish a supervisory board, which monitors the activities of the Board of Directors and the operations of the joint-stock company. The supervisory board consists of at least three members and the number of its members must be divisible by three. If the company has more than 50 full-time employees, the latter elect one-third of the supervisory board's members. The resolution of the company's general meeting regarding the increase of the registered capital or the articles of association may determine that employees can receive company shares under better conditions than other shareholders. However, the total of portions of the issue price or the purchase prices of all shares, which are not subject to full payment by employees, may not exceed 5% of the company's registered capital at the time when the decision on such employees' subscription is made.

TRADE LICENCES AND REPRESENTATION

Before registering in the Commercial Register (see below), all companies must obtain a trade licence, or – for some types of business – a concession, corresponding to the activities they intend to perform or some other business authorization. For this purpose, they must appoint an authorised representative (“odpovědný zástupce” in Czech) who is responsible for the company's compliance with the conditions of the trade licences. The appointment of a responsible representative is not required for some types of the general business activities (“volná živnost” in Czech). An authorised representative must be designated for each activity performed by the company; however, one authorised representative may be responsible for more than one trade licence of the company. One authorised representative may not perform this function for more than four entrepreneurs.

Effective 1 August 2006, the company has the option to apply for registration with the tax office (for almost all types of taxes) along with the application for a trade licence.

LIABILITY

Shareholders of a joint-stock company are not liable for the company's obligations. Shareholders of a limited liability company are jointly and severally liable for company's obligations only up to the unpaid aggregate of their investment contributions according to the entry in the Commercial Register.

REGISTRATION OF A COMPANY IN THE COMMERCIAL REGISTER

A company comes into existence by registering in the Commercial Register (www.justice.cz) maintained by the respective Registry Court. The statutory body of the company must apply to the Commercial Register to register the company within 90 days from the date (i) the company was founded or (ii) the company's trade licences or similar business authorization were issued and delivered. As of 1 July 2005, obligatory but standardized forms for applications to the Commercial Register are available. The Registry Court is obliged to register the company or to deliver another decision within the period of 5 working days, otherwise it is considered that the registration was performed on the following day after this period has expired.

The following documents must be attached to the application in particular:

- documents, not older than three months, showing the valid incorporation of the founder and the power of its representatives to act on its behalf;
- incorporation documentation, i.e. founder's deed or memorandum of association;
- specimen signatures of directors (members of the company's statutory body);

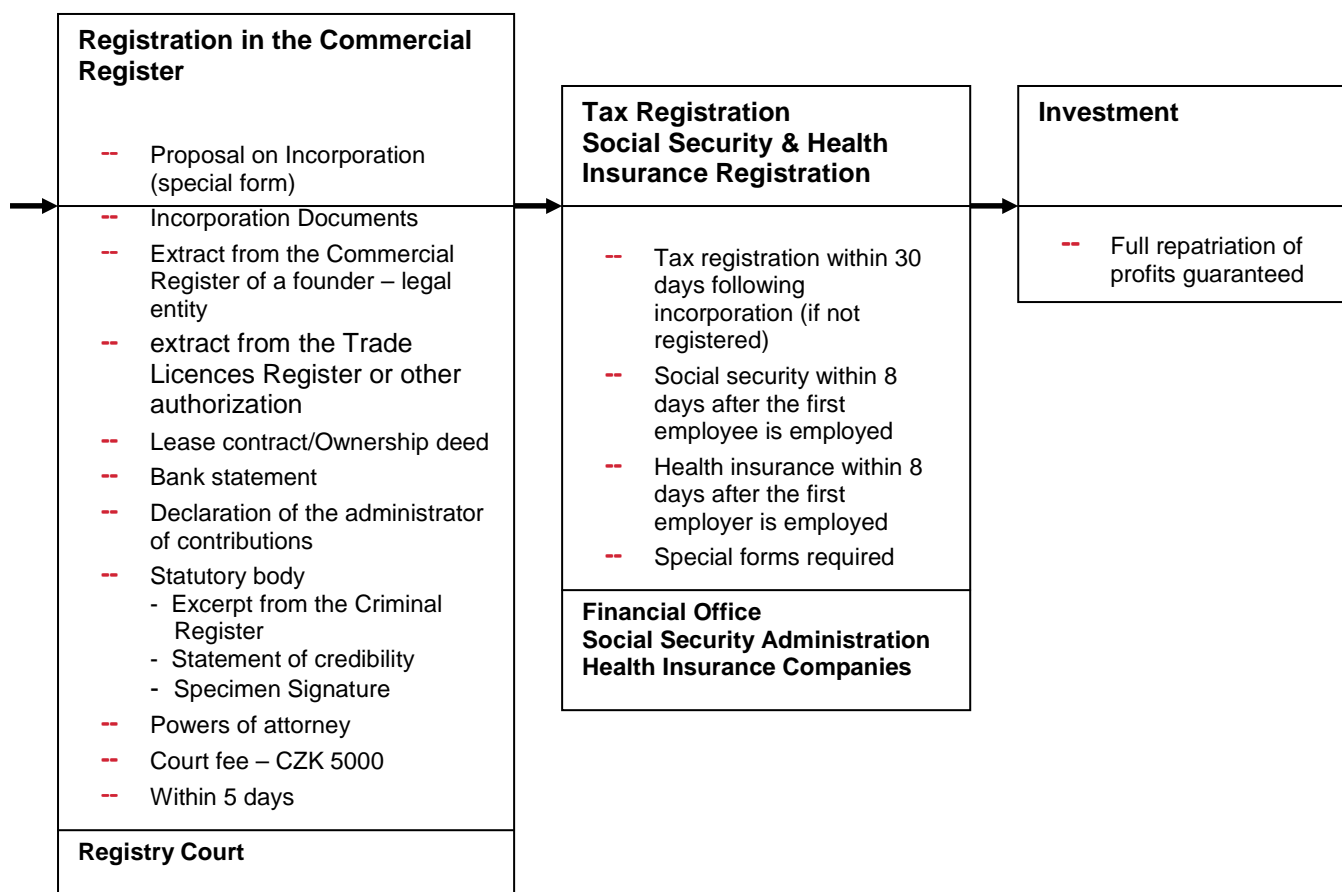
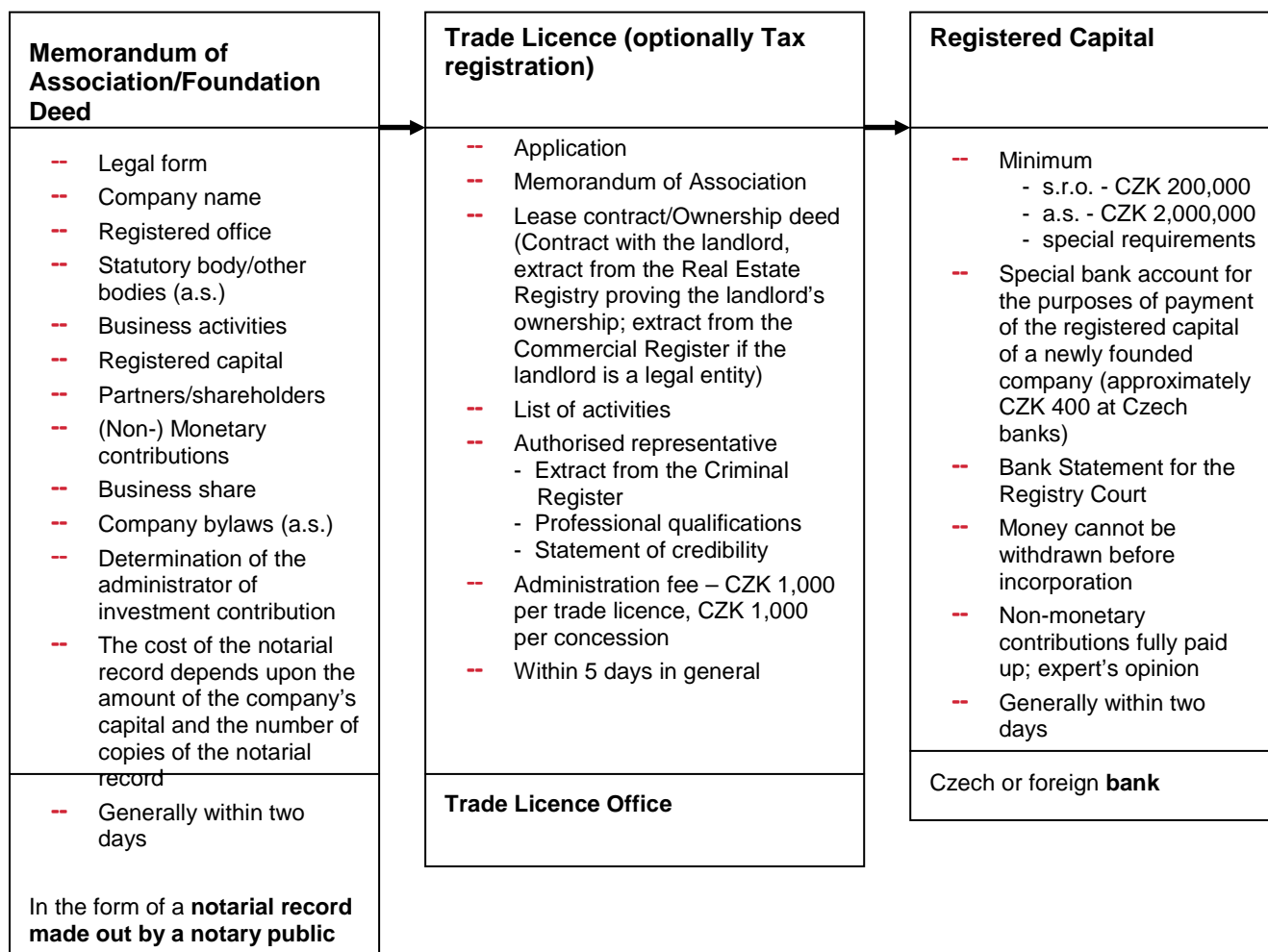
- evidence that the company's registered capital was paid up in the minimum required amount (usually shown by a bank statement);
- a statement of credibility signed by each member of the statutory and supervisory body and the consent with the entry into the Commercial Register;
- extracts from the criminal registry for each proposed representative and supervisory board member (extract from the Czech Criminal Register and, if the representative is a foreigner of an EU country, an extract from the Criminal Register from country of his/her origin or from the Criminal Register of an EU country of his/her last stay and, if he/she is not a citizen of an EU country, an extract from the Criminal Registers of the country of his/her origin; all of these documents/extracts must not be older than three months);
- extract from the Trade Licences Register or other authorization relating to its business activity;
- evidence of title (ownership right,, lease agreement or the consent of the owner) to the premises where the registered office of the company will be situated;
- powers of attorney for any person (obligatory for foreigners without a delivery address in the CR) to be registered in the Commercial Register in relation to the incorporation of the company (e.g. executive officers).

ACQUISITION OF REAL ESTATE

Since 1 May 2009 citizens from EU and other countries are not limited in the nature and scope of acquiring real estate (except for land that is part of an agricultural land fund or forest) in the Czech Republic. The original "legal obstacles" requiring that foreigners hold a Czech Residence Permit or Visa were lifted. Thus, they may acquire real estate under the same conditions as Czech citizens.

Since 1 May 2009 foreign legal entities from EU and other states may acquire real estate (except for land that is part of an agricultural land fund or forest) in the Czech Republic without any restrictions and under the same conditions as Czech legal entities. Hence, the original legal requirements as to the location of the company or an establishment of a branch in the Czech Republic and entitlement to conduct business in the Czech Republic were lifted.

Any purchase or transfer of real estate must be registered with the relevant Land Registry. The real estate transfer tax is 3% of the selling price or the officially assessed value, whichever is greater, and is paid by the seller. The buyer is the guarantor and pledges for payment of the transfer tax. The transfer-tax return must be delivered to the Tax Administration Office and the transfer tax paid within three months following the registration of the transfer in the Land Registry.



23. Relocating to the Czech Republic

The conditions applying to a foreign citizen's entry to the Czech Republic and their residence in the country are set by Act No. 326/1999 Coll., on residence of foreign citizens in the Czech Republic, as amended. The Czech Republic became part of the Schengen area. Checks will be abolished at land borders on 21st December 2007. By joining the Schengen area, the Czech Republic applies joint rules concerning the movement of persons in the entire Schengen area, including the conditions for crossing external borders.

NON EU MEMBER COUNTRIES

Foreign citizens (other than from the EU, Switzerland, Norway, Iceland and Liechtenstein) must obtain a uniformed Schengen visa in order to reside in the Czech Republic. Citizens from countries with which the Czech Republic has an agreement to abolish visa requirements or for which the visa requirement was abolished by a Czech government directive (e.g. Japan, USA) may reside in the Czech Republic without a visa for up to three months. However, if the purpose of residence is to earn money, then the foreign citizen must apply for a visa and usually (especially in case of employment) for a work permit.

Depending on the intended length of his/her stay, the foreign citizen applies for either a short-term or long-term visa. The foreign citizen files an application for a visa along with all the required documents in person at an Embassy or Consulate of the Czech Republic abroad.

Registration of place of residence in the Czech Republic

All foreigners who have been issued a residence visa are obliged, within three working days of entering the Czech Republic, to report their place of residence in the Czech Republic to the relevant Foreigners' Police office according to their place of residence. This does not apply to foreigners under the age of 15 and to those who fulfil this obligation at the premises of the accommodation provider.

Uniformed Schengen visas

A residence visa for up to 90 days allows the foreign citizen to stay up to 90 days in the Czech Republic within the time period shown on the visa. The total length of stay may not exceed three months. The visa is valid for a maximum of two years (set according to the expected number of trips to the Czech Republic).

There are following types of residence visas for up to 90 days:

- 1) single entry – residence of up to 90 days; allows only one entry;
- 2) double – entry residence of up to 90 days accumulated during the time period of the visa's validity during 6 months;
- 3) multiple entry – residence of up to 90 days accumulated during the time period of the visa's validity during 6 months; there is no limit on the number of entries and exits.

Processing of the application for a residence visa for up to 90 days may take up to 30 days from the date it is filed for processing, but the period is often shorter.

Long-term visas (does not belong to the group of Uniformed Schengen visa)

Residence visas for more than 90 days are issued for stays longer than 90 days and allow the foreign citizen to stay in the Czech Republic for a maximum of one year. This type of visa allows the foreign citizen to travel repeatedly into and out of Czech territory.

A residence visa for more than 90 days can be issued for one purpose of residence (e.g. employment, entrepreneurial purposes, study, membership in a legal entity's statutory body, maintaining family ties with a Czech citizen, maintaining family ties with a foreigner residing in the Czech Republic, health reasons or other purpose) or for multiple simultaneously existing purposes (employment + entrepreneurial purposes, employment + study). Each purpose of residence indicated on the application form must be submitted with the required documents. Processing of the application for a residence visa for more than 90 days may take up to 90 days from the date it is filed for processing.

Work permits

If the foreign citizen intends to stay in the Czech Republic for the purpose of employment, he/she must first apply for a work permit, which is issued by the local labour office depending on place of employment. In some cases, a legal representative of a company may also have to apply for a work permit. The process of handling the work permit application is governed by the Employment Act No. 435/2004 Coll., as amended, and has following condition:

- The employee/foreigner files a "Work Permit Application". In practise the employer usually files the application using the power of attorney provided by the employee.

A work permit is not required in these cases:

- the foreign citizen comes to the Czech Republic on a business trip;
- the foreign citizen stays in the Czech Republic on a short-term work stay (but for no longer than 7 consecutive calendar days or for a total of 30 days in a calendar year and, at a same time, he/she is a person supplying services, assembly or repair work, etc.);
- the foreign citizen has been seconded to the Czech Republic to provide services by an employer residing in a different EU member country
- the foreign citizen has permanent residence in the Czech Republic.

Green Cards

On Friday, Sept 19th 2008, the Czech Senate approved a bill amendment that would make it easier to attract qualified staff from abroad to the Czech Republic. The first green cards will be issued in January 2009. The card will be used as dual purpose card, for visa as well as for work permit. Potential employees can apply at Czech Embassies.

Under the new legislation, there would be three types available:

- Type A - for university graduates
- Type B - for those with high school diploma
- Type C - issued to "others"

Citizens of following countries can apply for Green Card:

Australia, Bosnia and Herzegovina, Canada, Croatia, Japan, Montenegro, New Zealand, Republic of Macedonia, Serbia, South Korea, Ukraine, United States of America

EU MEMBER COUNTRIES

Citizens from EU member countries and from Norway, Iceland, Liechtenstein and Switzerland can freely enter and stay in the Czech Republic for any purpose without a permit or visa up to 3 months. It suffices for them to stay here only on the basis of a travel document (passport) or identity card.

Registration of place of residence in the Czech Republic

An EU citizen who intends to stay on Czech territory for more than 30 days is obliged, within 30 working days of entering the Czech Republic, to report his/her place of residence in the Czech Republic to the relevant Foreigners' Police office according to their place of residence. The same obligation applies to the family members of an EU citizen if such citizen already resides in the Czech Republic. This does not apply to foreigners/EU citizens under the age of 15 and to those who fulfil this obligation at the premises of the accommodation provider.

Temporary residence permit

- An EU citizen intending to stay in the Czech Republic temporarily for more than 3 months is entitled (not obliged) to file an application for a temporary residence permit. If the EU citizen possesses a temporary residence permit, his family member, even if a citizen of a non-EU country, is also allowed to apply for a temporary residence permit (if the family member is a citizen of a non-EU country that is subject to a visa requirement, then a visa will be required, in order to enter Czech territory, before obtaining such temporary residence permit). The same procedure also applies to an application for a permanent residence permit.

A family member of an EU citizen includes a spouse, a child under age 21 or a immediate family member of an EU citizen or of an EU citizen's spouse who does not have any personal income. Although a temporary residence permit is not a condition of residence of an EU citizen in the Czech Republic, there are certain circumstances that make it desirable for an EU citizen to have one. These are mainly situations where the EU citizen residing in the Czech Republic needs to prove that he/she truly resides in the Czech Republic. These situations include e.g.:

- purchase of property under the Foreign Currency Act;
- registration of a car;
- the case in which a family member of an EU citizen is a citizen of a non-EU country and intends to apply for a residence permit.

The application for a temporary residence permit can be filed with a Foreigners' Police office in the Czech Republic or at a Consulate or Embassy abroad. Processing of the application for a temporary residence permit may take up to 180 days after filing if it is filed at a Consulate or Embassy abroad and a maximum of 60 days after filing if it is filed on Czech territory.

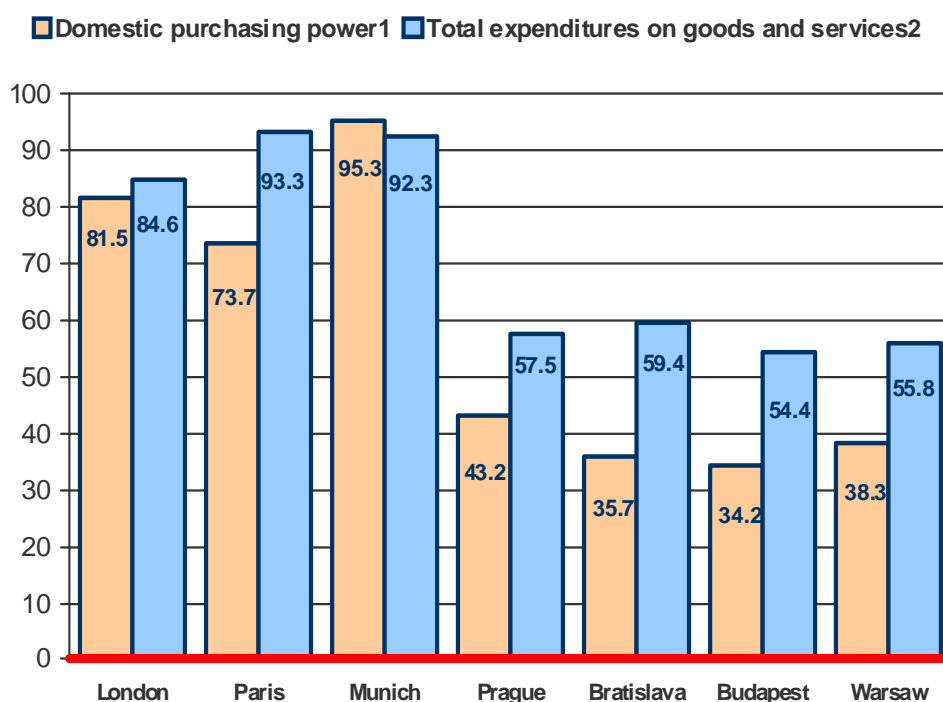
24. Life in the Czech Republic

Since the 1989 Velvet Revolution the Czech Republic has become a highly popular destination. Tens of thousands of foreigners have happily settled here, enjoying the country's combination of high standard of living and low costs.

LIFESTYLE

Although in most respects life in the Czech Republic has rapidly approached Western standards of living, the cost of living remains substantially lower than in Western Europe. According to the Union Bank of Switzerland, average prices of goods and services in Prague are 57.5% of those in New York. Domestic purchasing power in Prague is 43.2% of New York's level.

Domestic purchasing power and total expenditures on goods and services (2009, New York = 100)



¹ Gross and/or net hourly wage divided by the cost of the entire basket of commodities excl. rent

² The cost of a weighted shopping basket of goods geared to Western European consumer habits, containing 122 goods and services
Source: Prices and Earnings, Union Bank of Switzerland, 2009

The Czech Republic ranks 22nd of 57 countries in the worldwide quality-of-life index and has the best result among the countries of Central and Eastern European.

Quality of life index, 2009

Rank	Country	Score
1	Switzerland	9.70
2	Austria	9.57
3	Norway	9.56
4	Denmark	9.36
22	Czech Republic	7.32
25	Slovenia	6.92
31	Slovak Republic	6.05
41	Hungary	4.97
46	Poland	4.57
53	Bulgaria	3.23
57	Romania	1.89

HOUSING

Prague and all larger cities in the CR boast a wide range of rented furnished and unfurnished housing for expatriates and their families, ranging from centrally-located apartments to spacious villas in leafy suburbs. Many real estate agencies offer relocation services for a charge of one to two months' rent.

The sale and rental prices of residential premises can vary widely depending on the city, location, size and quality. The purchase price of three-room apartment in Prague varies from USD 700 to 4,000 per m², in Brno from USD 300 to 1,100 per m², and in Ostrava from USD 200 to 900 per m². The average monthly rent for a standard three-room apartment is USD 660 in Prague, USD 390 in Brno and USD 350 in Ostrava. The prices in other cities are lower than those in Prague or Brno.

MEDICAL CARE

The Czech healthcare system is inspired by the European tradition, founded on public services and financed by predominantly public means. Czech physicians are at least of the same quality as in Western European countries. Prague and other cities enjoy wide range of public and private hospitals and clinics – these are some examples of them - Top Moravia Health Brno (www.tmhklinika.cz), Doctor Health Centre Prague (www.doctor-prague.cz), GHC Clinic Prague and Brno (www.ghc.cz), Canadian Medical Care Prague (www.cmcpraha.cz/en/index.shtml).

TRANSPORT

Public transport in the Czech Republic is comprehensive, efficient and very reasonably priced compared to Western Europe. Large towns all boast excellent local networks.

Foreigners who spend more than 185 days per year in the Czech Republic must obtain a Czech driving license in addition to their own license by presenting the original license at the local authority at place of residence. The deadline for applying for a Czech license is 90 days after the issue date of the long-term visa.

ENTERTAINMENT, ARTS AND FOOD

Prague and many cities in the Czech Republic are famous for their architectural heritage (see, e.g., the UNESCO World Heritage List at whc.unesco.org/en/list, which includes 12 places in the Czech Republic), museums, theatres, cinemas, galleries, historic gardens and cafes. An overwhelming choice of cultural events is on offer, embracing all types of music and an outstanding theatrical tradition. A number of foreign culture centres, ranging from the British Council to the Goethe-Institut, also offer a wide range of events and services (see "Other Leisure Activities" below).

A wealth of foreign language publications exists in the Czech Republic, including the *Prague Post*, *Prague Business Journal*, *The Prague Tribune* (English) and *Prager Zeitung* (German).

Restaurants in the Czech Republic cater to a wide range of tastes. In larger cities all types of international cuisine are available, from renowned traditional Czech food to Asian specialities. Alongside the country's famous Czech pubs (with the famous Czech beer brands), larger cities and especially Prague boast an extensive number of pubs and restaurants catering especially to foreigners, ranging from Irish pubs to Indian restaurants. For more information, see the restaurants guides at, e.g., www.grand-restaurant.cz or www.czrb.cz.

SHOPPING

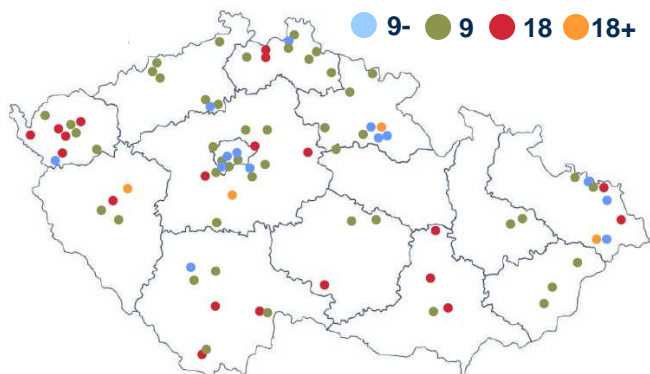
Retail in Prague and all larger cities has undergone a revolution in the past decade with many big shopping centres now located within and around the cities. Local concepts of shopping and customer service are now comparable to those of Western European countries, and major international retail chains (e.g., Tesco, Billa, Makro, IKEA, OBI, Bauhaus and others) as well as boutique stores (e.g., Zara, C&A, Marks & Spencer, Promod, H&M, Next, Max Mara and others) are found in abundance.

SPORT

In keeping with its reputation as a highly successful sporting nation, the Czech Republic provides a wealth of sporting opportunities. The most popular sports are ice hockey, football (soccer), basketball, tennis, volleyball, swimming and table tennis, for which there are many clubs and stadiums in all regions of the country. In addition to these sports, all kinds of other sports are also catered to, including rowing, canoeing, squash, beach volleyball, baseball, gliding, paragliding, parachuting, bungee jumping, go-cart racing, paintball, curling, etc. For more information, see the website of the Czech Sports Association at www.cstv.cz.

GOLF

Golf is growing rapidly in popularity. There are 119 clubs - 36-hole courses, 27-hole, 18-hole, 9-hole courses, indoor courses, driving ranges and courses under construction throughout the Czech Republic. For more information, see the website of the Czech Golf Federation at www.cgf.cz or see the interactive map of golf courses on the CzechInvest website.



Source: Czech Golf Federation, 2009

Country	Golf courses (outdoor)	Registered players
Czech Republic	82	46 331
Poland	24	2 094
Hungary	10	2 509
Slovakia	12	6 000

Source: European Golf Association, 2010

OTHER LEISURE ACTIVITIES

Most embassies run clubs, groups and even bars for fellow nationals and will be happy to give you details of family-oriented events. There are many international cultural institutes in Prague and other cities, e.g. the British Council in Prague, Brno and Pilsen (www.britishcouncil.cz), the Goethe-Institut Prag (www.goethe.de/ins/cz/pra), the American Culture and Trade Center Prague, Österreichisches Kulturinstitut Prag, L'Institut Français de Prague (www.ifp.cz), the Japanese Information and Culture Centre Prague, Istituto Italiano di Cultura Praga (www.iic-praga.cz), etc.

The International Women's Association of Prague (www.iwa-prague.com) is a highly popular club for Czech and foreign women (approx. 300 women from over 35 different countries) that organises classes, international activities, charity and social events and children's groups of all types. IWAP is an independent, non-political, non-profit making organization, whose purpose is to welcome all women living in the CR.

For further information about life in the Czech Republic, you can also visit the website at www.czeching.cz or at www.expats.cz.

WEATHER AND CLIMATE

The Czech Republic is a landlocked country located in moderate geographical latitudes in the Northern Hemisphere. The climate of the Czech Republic is mild but variable locally and throughout the year.

The climate differs markedly among the various regions of the Czech Republic, depending on the height above sea level. Generally speaking, the higher you are, average temperatures may drop more and rainfall is more likely. Many other factors also play a role in this – the border mountain ranges, for example, significantly influence ground-level air flow and rainfall.

Various height levels of the sun during the year cause the changing of the seasons, differentiated from each other mainly by the development of temperatures and precipitation. Similarly to the whole moderate northern band, the beginning of the year in the Czech Republic is also characterized by a cold winter. After this comes spring, followed by a warm summer and chilly autumn.

SELECTED SCHOOLS

International Secondary Schools

International School of Prague	www.isp.cz	English	Prague
English International School of Prague	www.eisp.cz	English	Prague
Riverside School	www.riversideschool.cz	English	Prague
Czech British School (several branches)	www.pbschool.cz	English	Prague
1st International School of Ostrava	www.is-ostrava.cz	English	Ostrava
1st International School of Brno	www.isob.cz	English	Brno
International School in Olomouc	www.icampus.cz	English	Olomouc
Deutsche Schule	www.dsp-praha.cz	German	Prague
Lycée Français de Prague	www.lfp.cz	French	Prague
Secondary School at Russian Embassy	www.ruschool.cz	Russian	Prague

Source: National Institute of Children and Youth, 2009

Note: Internationally accredited schools outside of the Network of Czech Schools following foreign curriculums.

Selected Schools Teaching in Foreign Languages

Kindergarten

Bumble Bee	www.bumblebee.cz/	English	Prague
Die Grundschule der deutsch-tschechischen Verständigung	www.gtmskola.cz/	German	Prague
KIDS Company	www.kidscompany-praha.eu/	English/ German	Prague

Primary Education

Bernard Bolzano Grundschule	www.skolabolzano.cz/	German	Tabor
International School of Music&Fine Arts	www.musicschoolprague.com	English	Prague
School at the Japanese Embassy	www.jschool.cz/	Japanese	Prague
Thomas Mann Gymnasium	www.gtmskola.cz/	German	Prague

Secondary Education

The Prague British School	www.pbschool.cz/	English	Prague
Lycée Matyáš Lerch	www.gml.cz/fr/index.htm	French	Brno
The English College	www.englishcollege.cz/	English	Prague
Lycée Pierre de Coubertin	www.gymta.cz/informace/resume_fr.html	French	Tabor
Lycée Slave	www.sgo.cz/	French	Olomouc
Lycée Jan Neruda	www.gjn.cz/	French	Prague
Thomas Mann Gymnasium	www.gtmskola.cz/	German	Prague

Source: National Institute of Children and Youth, 2009; CzechInvest, 2009

Note: Schools within the Network of Czech Schools working with the curriculum established by the Czech Ministry of Education.

Universities

There are over 40 universities, public and private, offering courses in foreign languages (mostly in English) and currently 23 institutions offering MBA education. The courses are usually paid, but there may be exceptions (e.g. language course as part of a scholarship). The Institute for Language and Preparatory Studies (www.ujop.cz) offers teaching of Czech language to foreigners and preparing them for university studies. Foreign students can receive a scholarship under bilateral international agreements on cooperation in the field of education (offered by the Ministry of Education, Youth and Sport of the Czech Republic) or within the framework of the Foreign Development Aid (offered by the Government of the Czech Republic). Information about these scholarships is available at Czech embassies and consulates. Some higher education institutions offer student mobilities under bilateral university agreements or grant scholarships for excellent study results or in cases of hard circumstances of a student. European students can take the advantage of a number of exchange programmes (e.g. Erasmus, EEA/Norway Financial Mechanisms, Aktion, Ceepus). The Erasmus Mundus programme offers scholarships also for non-european students to study selected degree courses.

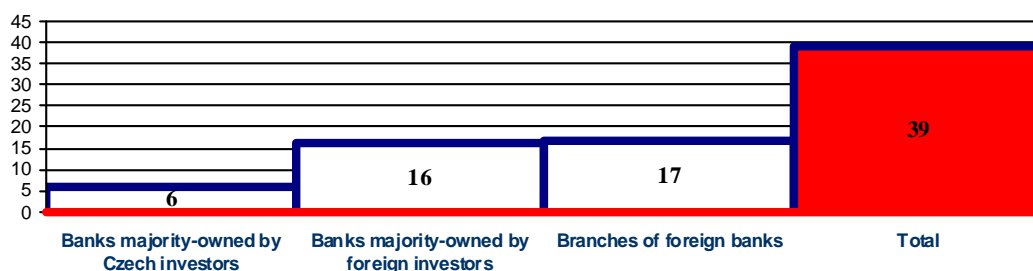
Source: CzechInvest, 2009; National Agency for European Educational Programmes, 2009

25. Business (Professional) Services

BANKING

The Czech banking system is strong and poised for growth. The country's government is aware of the crucial importance of the banking sector in the economy, and after several major privatizations the situation in the commercial banking market has improved noticeably. The market's stability is underpinned by continuing growth of the Czech economy driven primarily by investment, consumer demand and strong export growth.

Overview of Banks in the Czech Republic



Source: Czech National Bank, 2010

The Czech Republic's accession to the EU had no immediate impact on Czech banks, as their integration into the European financial system had already been underway for several years, particularly after the privatization of large banks was completed. Many foreign banks have made use of the single license and have begun providing banking services in the Czech Republic. However, these are cross-border services provided without establishing a branch and do not represent any major competition for existing banks, particularly in the area of traditional banking. The ownership structure of the banking sector has been stable for several years, with foreign shareholders controlling – via direct or indirect shares – almost the entire banking sector.

Large banks <i>(balance sum above CZK 100 billion)</i>	Branches of foreign banks
Česka spořitelna	ABN AMRO Bank N.V.
Československa obchodní banka	Bank of Tokyo-Mitsubishi UFJ
HVB Bank	BRE Bank S.A.
Komerční banka	CALYON BANK CZECH REPUBLIC
Medium-sized banks <i>(balance sum from CZK 15 to 100 billion)</i>	
Citibank	Commerzbank
Česka exportní banka	Deutsche Bank
Českomoravská záruční a rozvojová banka	Fortis Bank
GE Money Bank	HSBC Bank
Hypoteční banka	ING Bank
Raiffeisenbank	Oberbank
UniCredit Bank Czech Republic, a.s.	Privat Bank
Volksbank CZ	Raiffeisenbank im Stifland
	Všeobecná uverová banka
	Waldviertel Sparkasse von 1842

Source: Czech National Bank, 2010

Strong competition (there were 22 banks and 17 foreign bank branches operating in the Czech Republic at the end of 2009) a convertible currency and the presence of international players ensure that the sector basically resembles a standard western banking system. Products offered by commercial banks are identical to those offered abroad. Internet banking, already offered by most of the banks, has huge potential in the country and is expanding rapidly. A list of banks operating in the Czech Republic is available on the website of the [Czech Banking Association](#) as well as on the website of the [Czech National Bank](#).

INSURANCE

The financial services sector also boasts a strong and stable insurance market. There are around 53 insurance companies operating in the Czech Republic. Most of the largest insurance companies are controlled by foreign insurers: Ceska pojistovna (CZI Holdings N.V. the Netherlands), Kooperativa pojistovna (Wiener Städtische Allgemeine Versicherung, Austria), Allianz pojistovna (Allianz, Germany), CSOB Pojistovna (KBC Bank N.V., Belgium) and ING Nationale-Nederlanden (the Netherlands). All corporate insurance products are provided and competition is strong. Insurance providers in the Czech Republic are members of and represented by the [Czech Insurance Association](#).

CAPITAL MARKET

[The Prague Stock Exchange](#) came into being in the Czech Republic in accordance with the provisions of the Stock Exchange Act in 1992. Its organization is similar to Western European stock exchanges, and trading is organized through appointed members of the Stock Exchange. The [Czech Securities Commission](#) was established in 1998 to regulate the capital market. Through its supervision and re-licensing of brokers the SEC has played a major role in strengthening confidence in the market.

AUDITING AND ACCOUNTING FIRMS

The services offered by auditing and accounting firms in the Czech Republic are fully comparable with western standards. All members of the Big Four audit firms are present on the Czech market. In addition, several other international auditing firms are present, along with dozens of independent Czech auditing and accounting specialists. The [Chamber of Auditors](#) trains and certifies Czech auditors and the [Chamber of Certified Accountants](#) provides similar services for accountants. All of the country's tax advisors are associated in the [Chamber of Tax Advisers](#).

LEGAL SERVICES

A variety of law firms are present in the Czech Republic providing top-quality, comprehensive legal services in all commercial areas. They can be divided into two main groups: those belonging to or affiliated with international law firms, and local Czech law firms. More information on law firms in the Czech Republic, including a search engine to find a law firm meeting particular criteria, is available in several languages on the website of the [Czech Bar Association](#).

VENTURE CAPITAL & BUSINESS ANGELS

The [Czech Venture Capital Association](#) has 42 members. Complete information on the association and on testing centers can be found on its website. [Business Angels Czech](#) was established at the end of the 2001 in Prague as a regular member of the European Business Angels Network. The opportunity to cooperate with local companies, and support their start-up and fast development of selected companies is one of the key elements of this project.

LEASING / FINANCING

Liberal government policies and the absence of restrictions on foreign capital have resulted in rapid growth and strong competition in the leasing sector. The [Czech Leasing and Financial Association](#) members are responsible for most of the leasing transactions in the Czech Republic

TESTING CENTRES

Czech testing centers are accredited by the [Association of Czech Testing Centers and Laboratories](#). Complete information on the association and on testing centers can be found on its website.

LOGISTICS AND FREIGHT FORWARDING

The Czech Republic's geographical position makes it a natural link between Western and Eastern Europe. The logistics and freight forwarding industry is highly competitive and a variety of international and domestic freight forwarding and logistics providers are present in the country. The majority of these companies are members of the [Association of Forwarding and Logistics of the Czech Republic](#). A full list of members can be found on the association's website.

REAL ESTATE

Real estate services are readily available in all parts of the country. The [Association of Real Estate Offices of the Czech Republic](#) runs a [database](#) of real estate agents and properties.

26. Useful Contacts

Office of the Government of the Czech Republic

Nabrezi Eduarda Benese 4
 118 01 Praha 1
 Phone: (+420) 224 002 111
 Fax: (+420) 296 153 257
www.vlada.cz

Ministry of Foreign Affairs of the Czech Republic

Loretanske namesti 101/5
 118 00 Praha 1
 Phone: (+420) 224 181 111
 Fax: (+420) 224 182 068
www.mzv.cz, www.czech.cz

Ministry of Industry and Trade

Na Frantisku 32
 110 15 Praha 1
 Phone: (+420) 224 851 111
 Fax: (+420) 224 811 089
www.mpo.cz

Ministry of Finance

Letenska 15
 118 10 Praha 1
 Phone: (+420) 257 041 111
 Fax: (+420) 257 042 889
www.mfcr.cz

CzechTrade (Trade Promotion Agency)

Ditrichova 21
 128 01 Praha 1
 Phone: (+420) 224 907 523
 Fax: (+420) 224 913 440
www.czechtrade.cz

Association of Innovative Entrepreneurship

Novotneho lavka 5
 116 68 Praha 1
 Phone: (+420) 221 082 275
 Fax: (+420) 221 082 276
www.aipcr.cz

Czech Statistical Office

Na Padesatem 81
 100 82 Praha 10
 Phone: (+420) 274 051 111
 Fax: (+420) 274 054 177
www.czso.cz

General Customs Office

Budejovicka 7
 140 96 Praha 4
 Phone: (+420) 261 331 111
 Fax: (+420) 261 332 000
www.cs.mfcr.cz

Czech Export Bank

Vodickova 34/701
 111 21 Praha 1
 Phone: (+420) 222 843 111
 Fax: (+420) 224 226 162
www.ceb.cz

Czech National Bank

Na Prikope 28
 115 03 Praha 1
 Phone: (+420) 224 411 111
 Fax: (+420) 224 412 404
www.cnb.cz

Economic Chamber of the Czech Republic

Freyova 27
 190 00 Praha 9
 Phone: (+420) 296 646 112
 Fax: (+420) 296 646 221
www.komora.cz

Confederation of Industry of the Czech Republic

Jankovcova 1569/2c
 170 04 Praha 7
 Phone: (+420) 234 379 500
 Fax: (+420) 234 379 463
www.spcr.cz

Association of Czech Entrepreneurs

Na Strzi 1837/9
 140 00 Praha 4 - Krč
 Phone: (+420) 261 104 242
 Fax: (+420) 261 104 262
www.sdruzenispcr.cz

Association for Foreign Investment

Štěpánská 11
 120 00 Praha 2
 Phone: (+420) 224 911 751
 Fax: (+420) 224 911 779
www.afi.cz

Prague Stock Exchange

Rybna 14
 110 05 Praha 1
 Phone: (+420) 221 831 111
 Fax: N/A
www.pse.cz

Czech Venture Capital Association

Ovocny trh 8
 110 00 Praha 1
 Phone: (+420) 224 235 399
 Fax: (+420) 224 239 424
www.cvca.cz

American Chamber of Commerce

Dusni 10
 110 00 Praha 1
 Phone: (+420) 222 329 430
 Fax: (+420) 222 329 433
www.amcham.cz

British Chamber of Commerce

IBC, Pobrezni 3
 186 00 Praha 8
 Phone: (+420) 224 835 161
 Fax: (+420) 224 835 162
www.britishchamber.cz

German-Cz. Chamber of Industry and Commerce

Vaclavske namesti 40
 110 00 Praha 1
 Phone: (+420) 221 490 303
 Fax: (+420) 224 222 200
www.dtihk.cz

French-Czech Chamber of Commerce

IBC, Pobrezni 3
 186 00 Praha 8
 Phone: (+420) 224 833 090
 Fax: (+420) 224 833 093
www.ccf-fcok.cz

Nordic Chamber of Commerce

Zlatnicka 10
 111 21 Praha 1
 Phone: (+420) 774 123 370
 Fax: (+420) 226 015 885
www.nordicchamber.cz

Netherlands Chamber of Commerce

Zlatý Andel, Nadrazni 25
 150 00 Praha 5
 Phone: (+420) 224 222 336
 Fax: (+420) 257 473 744
www.nlchamber.cz

Korea Business Center

Skretova 12
 120 00 Praha 2
 Phone: (+420) 245 005 650
 Fax: (+420) 245 005 651
<http://www.kotra.cz>

Swiss-Czech Chamber of Commerce

Na Pankraci 58
 140 00 Praha 4
 Phone: (+420) 222 516 614
 Fax: (+420) 222 513 685
www.hst.cz

Austrian Trade Commission

Krakovska 7
 111 21 Praha 1
 Phone: (+420) 222 210 255
 Fax: (+420) 222 211 286
<http://www.advantageaustria.org/cz/>

Canadian Chamber of Commerce

Klimentaska 46
 110 02 Praha 1
 Phone: (+420) 225 000 345
 Fax: (+420) 225 000 345
www.gocanada.cz

Japanese Chamber of Commerce and Industry

Hradcanska Office Center, Milady Horakove 109/116
 160 00 Praha 6
 Phone: (+420) 233 350 444
 Fax: (+420) 233 359 221

JETRO

Parizska 11/67
 110 00 Praha 1
 Phone: (+420) 224 814 971
 Fax: (+420) 224 813 998
www.jetro.go.jp
