CZECH REPUBLIC – BUSINESS OPPORTUNITIES FROM A SWEDISH PERSPECTIVE

BUSINESS SWEDEN

20180306
Prague
CZECH REPUBLIC IS A DEVELOPED COUNTRY IN THE HEART OF EUROPE

ECONOMICAL AND MONATERY STABILITY LEGISLATION IS COMPATIBLE WITH THE EU

- **Population:** 10.5 million
- **Area (km²):** 78,866
- **Capital:** Prague
- **Language:** Czech
- **Government:** Parliamentary democracy
- **Currency:** Czech Koruna

- The Czech Republic is one of the most developed transitional economies in European Union
- The country's economic policy is consistent and foreseeable
- The strong and independent Czech National Bank has maintained exceptional monetary stability since 1991
- Laws pertaining to commerce, accounting and bankruptcy are compatible with Western standards
- Between 2014-2020 the Czech Republic is receiving EU subsidies of EUR 24 billion

SOURCE: CZECH INVEST, EUROPEAN COMMISSION
CZECH ECONOMY IS ON A STRONG RECOVERY PATH

MAIN ECONOMIC INDICATORS, THE CZECH REPUBLIC (2012-2018 (F) %)

THE ECONOMIC INDICATORS PREDICT A FINANCIAL STABILITY

SOURCE: MINISTRY OF FINANCE OF THE CZECH REPUBLIC
FOREIGN DIRECT INVESTMENT IN THE CZECH REPUBLIC AS OF 31 DECEMBER 2016*

BY COUNTRY
- The greatest share of capital invested in the Czech Republic comes from the Netherlands, Austria and Germany. Combined they constitute for over 50% of the total FDI.
- 94% of foreign investment comes from Europe.
- 6% of the foreign capital comes from countries outside of Europe, where the USA and South Korea are the main investors.
- Sweden is the 10th largest capital investor in the Czech Republic.

*LATEST DATA AVAILABLE

SOURCE: CZECH NATIONAL BANK

BY ECONOMIC ACTIVITY
- The largest share of foreign capital went into manufacturing, followed by Financial and Insurance activities, Real estate and Transport and communications.
- Manufacturing together with Finance and Insurance activities constitute of 3/5 of the total foreign capital invested in Czech Republic’s economic activities.

*LATEST DATA AVAILABLE
TRADING BETWEEN SWEDEN AND THE CZECH REPUBLIC ACCOUNTS FOR MORE THAN 36 BSEK

- Sweden has a negative trade balance with the Czech Republic
- Swedish exports have been stable during the last several years, portraying minor growth
- Machinery and chemical products account for more than 80% of the Swedish export to the Czech Republic
- Followed by transport equipment and related parts - primarily Skoda Auto and other automotive OEMs on the market. As well as Machinery and devices
- Czech Republic is one of the major production destinations for Swedish companies in CEE, therefore manufactured products account ¼ of all the exports to Sweden

SOURCE: NATIONAL BOARD OF TRADE OF SWEDEN
APPROX. 200 SWEDISH COMPANIES HAVE LOCAL ESTABLISHMENT IN THE CZECH REPUBLIC

EXAMPLE OF SWEDISH COMPANIES

LARGE SIZED COMPANIES
- ABB
- Astra Zeneca
- H&M
- Lindab
- SKF
- Alfa Laval
- Electrolux
- IKEA
- Oriflame
- Volvo

SMALL AND MEDIUM SIZED COMPANIES
- Arlaplast
- Dekra Industrial
- Kåkå
- Nefab
- Texla
- Bufab
- HL Display
- Ljunghäll
- Systemair
- VBG Group

LOCAL PRODUCTION ACTIVITIES
- Assa Abloy
- Axis Communications
- Lyckeby
- Sandvik
- Seco Tools
- BE Group
- Mölnlycke Health Care
- Kemira Kemi
- SCA
- Swedeponic

SOURCE: BUSINESS SWEDEN
DYNAMIC SECTORS IN THE CZECH REPUBLIC

Automotive
2nd largest car producing nation in the world per capita, ca. 1.4 vehicles per annum. It attracts the interest of many foreign companies due to favorable position and high quality of Czech engineers. Has a pull of around 850 suppliers, 250 of which are Tier 1.

High-tech Mechanical Engineering
With a production base of more than 1,100 companies, the sector supplies complete equipment and machinery. It has a market of nearly 500 million consumers in the EU. The most advanced telecommunications infrastructure within the CEE region.

Health Care & Life Sciences
World-class academic and institutional framework with significant achievements in basic and applied research. It has close links between industry, universities and the public healthcare system. The regulatory and patent environment is harmonious with the EU.

Retail
It is expected that retail will continue its recovery and will experience a moderate increase in value sales. Disposable incomes and consumer confidence are predicted to grow.

Software & ICT
The Czech Republic is one of Europe’s top locations for ICT investments. This fact is confirmed by the strong inflow of high-value-added projects of the world’s top ICT companies. The list of successful investors in the country involves Microsoft, Skype, DHL, Tieto, Red Hat, SolarWinds and IBM.

Energy & Environment
The Czech Republic offers investors in these areas both technical competence and manufacturing excellence that, combined with cost effectiveness, create favorable conditions for new investments. The trends within the sector are Cogeneration units, Biomass-fired boilers, Waste-to-energy technology.
CZECH ECONOMY IS PROSPERING AND STABLE WITH NATIONAL TARGETS SET IN LINE WITH EU AGENDA

- Increase the efficiency of tax collection and combat tax evasion
- Economic stability, efficiency and transparency of the public health system
- Reduction of greenhouse gas emissions by 21% by the year 2020 and by 43% by the year 2030
- Reduction of the number of people at risk of poverty, material deprivation, or living in households with very low employment intensity
- Improving the air quality and reduce the amount of emissions
- Support the long-term sustainability of the pension system
- Continue an active employment policy
- Support of small and medium sized enterprises
- Development of a digital economy and infrastructure of the industry

SOURCE: EUROPEAN COMMISSION, EUROPE 2020
EU FUNDS ARE ALLOCATED IN THE CZECH REPUBLIC AS FOLLOWING

24 BEUR IS ALLOCATED FOR 2014-2020

Rural Development
Total OP budget: 2.3 BEUR (10% share)
- Knowledge and innovation support in agriculture, forestry and rural regions

Environment
Total OP budget: 2.6 BEUR (11% share)
- Focus on improvement of water and air quality and waste management

Research, Development and Education
Total OP budget: 2.8 BEUR (12% share)
- Focus on universities and research activities

Transportation
Total OP budget: 4.7 BEUR (20% share)
- Development of environmentally friendly infrastructure

An Integrated Region
Total OP budget: 4.6 BEUR (20% share)
- Improvement of transportation in regions including waste treatment

Employment
Total OP budget: 2.1 BEUR (9% share)
- Support of education connected to market needs

Business and Innovation
Total OP budget: 4.3 BEUR (18% share)
- Energy efficiency within business, focus on SMEs

SOURCE: EUROPEAN UNION COHESION FUND
INVESTMENT INCENTIVES IN THE CZECH REPUBLIC

ONLY A LEGAL ENTITY WITH ITS REGISTERED OFFICE IN THE CZECH REPUBLIC CAN BE A RECIPIENT OF INVESTMENT INCENTIVES

» Manufacturing industry

Introduction or expansion of production in sectors of the manufacturing industry

» Technology centers (R&D)

Construction or expansion of research and development centers

» Business support services centers

Launch or expansion of centers activities of:
• Shared service
• Software development
• High-tech repair

SOURCE: CZECH INVEST
## TAX RELIEF FOR 10 YEARS IN MANUFACTURING INDUSTRY

### Types of investment incentives

<table>
<thead>
<tr>
<th>INVESTMENT</th>
<th>STRATEGIC INVESTMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Corporate income tax relief for a period of 10 years</td>
<td>- Except the standard incentives:</td>
</tr>
<tr>
<td>- Cash grant for job creation up to amount CZK 300,000</td>
<td>- Cash grant for acquisition of assets up to 10% of eligible costs (max. CZK 1.5 bil.)</td>
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<td>- Cash grant for training and retraining up to the amount of 50% of training costs</td>
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### Eligibility criteria

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<td>- Minimum investment of CZK 50-100 million depending on the region of which at least 50% must be invested in new machinery</td>
<td>- Minimum investment of CZK 500 million of which at least 50% must be invested in new machinery</td>
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<td>- Creation of at least 20 new jobs</td>
<td>- Creation of at least 500 new jobs</td>
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</table>

### Eligible costs

- Assets, whereas new machinery must compromise at least 50% of eligible costs

### Maximum intensity of support

- 25% of eligible costs, except Prague

Source: Czech Invest
CASH GRANT FOR JOB CREATION UP TO CZK 300.000 IN TECHNOLOGY CENTRES (R&D)

INVESTMENT
- Corporate income tax relief for a period of 10 years
- Cash grant for job creation up to amount CZK 300.000
- Cash grant for training and retraining up to the amount of 50% of training costs

STRATEGIC INVESTMENT
- Except the standard incentives:
  - Cash grant for acquisition of assets up to 10% of eligible costs (max. CZK 0,5 bil.)

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

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

Eligible costs
- Assets, whereas new machinery must compromise at least 50% of eligible costs or two years wage costs of newly created jobs

Maximum intensity of support
- 25% of eligible costs, except Prague

SOURCE: CZECH INVEST
**CASH GRANT FOR TRAINING AND RETRAINING IN BUSINESS SUPPORT SERVICES CENTRES**

### Types of investment incentives

#### INVESTMENT
- Corporate income tax relief for a period of 10 years
- Cash grant for job creation up to amount CZK 300,000
- Cash grant for training and retraining up to the amount of 50% of training costs

#### STRATEGIC INVESTMENT
- not eligible

### Eligibility criteria

#### INVESTMENT
- Creation of new jobs:
  - SW/IT development – 20
  - Shared service centre – 70
  - High-tech repair centre – 70

#### STRATEGIC INVESTMENT
- not eligible

- Data centre – 20
- Customer support centre – 500

### Eligible costs
- Assets, whereas new machinery must compromise at least 50% of eligible costs or two years wage costs of newly created jobs

### Maximum intensity of support
- 25% of eligible costs, except Prague

**SOURCE: CZECH INVEST**
CZECH REPUBLIC
MINIMUM INVESTMENT IN REGIONS

SOURCE: CZECH INVEST
CZECH REPUBLIC
JOB CREATION, TRAINING AND RETRAINING GRANTS

CZEK 300 ths. – Special Industrial Zones
1. Ostrava - Morinov
2. Most - Joseph
3. Holesov

CZEK 200 ths. per 1 new job, 50% training

CZEK 100 ths. per 1 new job, 25% training

SOURCE: CZECH INVEST
CONTACT US

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