

Investment incentives

Realisation of investment projects with state support

Investment incentives are one of the tools supporting business in the Czech Republic. According to the Amendment of the Act on Investment Incentives of 2012, the incentives are available not only for the manufacturing industry but are now for technology centres and strategic services centres.



Why apply for investment incentives?

- Reduction of tax liability up to zero for up to ten consecutive taxable periods
- Opportunity to draw a cash subsidy for newly created jobs
- Obtaining a cash subsidy for training and retraining of employees
- Opportunity to acquire land (including infrastructure) at favourable prices
- Positive impact on cash flow

Why apply for investment incentives right now?

The maximum state aid rate is 40% of total eligible costs (30% in the Southwest region, 0% in Prague). This maximum state aid rate **will be reduced to 25% as of 1 July 2014** (the 0% state aid rate in Prague remains unchanged). If you want to obtain investment incentives under the current circumstances, it is necessary to obtain a Decision on Investment Incentives by 30 June 2014. **Therefore, we recommend applying for investment incentives:**

- By the end of January 2014 at the latest, in the case of greenfield investment,
- By the end of March 2014 at the latest, in the case of an expansion of activities.

Conditions for obtaining investment incentives

Investment projects must be carried out in the Czech Republic (outside of Prague) in one of the following areas:

- Minimum Investment in the amount of **CZK 100 million (or in some regions only CZK 50 million)** into the introduction or expansion of production in the manufacturing sectors
- Investment in the minimum amount of **CZK 10 million** into the creation or expansion of R&D centres when at least **40 new jobs are created**
- Creation of at least **40 new jobs** in the case of software-development centres
- Creation of at least **100 new jobs** in the case of repair centres or shared-services centres

How can we help you?

We take over all activities related to the application for investment incentives and to subsequent administration of investment incentives. We can assist in performing particular tasks, especially:

- **We will review** your investment projects and we will evaluate whether it is possible to apply for investment incentives
- **We will advise** you on the timing of the investment project and on fulfilling the conditions to help you to optimize the investment incentives
- **We will help you** to prepare the application and will negotiate investment incentives conditions with CzechInvest
- **We will negotiate** subsidy conditions for newly created jobs and training and retraining of employees with the Ministry of Labour and Social Affairs
- **We will review** whether you fulfil the general conditions for investment incentives
- **We will review** whether you fulfil the conditions for using the income tax relief (we will review the eligible costs, set up of your tax depreciation, tax provisions, transfer pricing, etc.)
- **We will assist you** in the event that there is an inspection of investment incentives by Czech Tax Authorities or other supervisory authorities
- **We will identify** investment incentive risks resulting from business restructuring, etc.

Current Investment Incentive Regulations

1 Who can apply?

Czech and foreign legal entities and natural persons conducting business can apply for investment incentives.

2 Supported Areas

- **Manufacturing industry**
Introduction or expansion of production
- **Technology centres**
Creation or expansion of centres focused on applied research and development and innovation
- **Centres of strategic services**
Launch or expansion of the activities

Centres of strategic services include:
 - **Software-development centres**
 - **High-tech repair centres**
focused on repairing high-tech equipment
 - **Shared-services centres**
focused on taking over management, operation and administration of internal activities such as accounting, finance, administration of HR, marketing or information systems

3 Forms of Investment Incentives

- Full income tax relief (for a newly established entity) up to ten taxable periods
- Partial income tax relief (for an already existing entity) up to ten taxable periods
- Purchase of land (including infrastructure) at favourable prices
- Cash subsidy for newly created jobs (only in some regions with high rate of unemployment)
- Cash subsidy for training or retraining employees (only in some regions with high rate of unemployment)
- Cash subsidy for acquisition of long-term tangible or intangible assets for a strategic investment project

4 General Conditions

- Project is located in the Czech Republic
- Supported activities must be environmentally friendly
- Commencement of works may only take place as of the day when a confirmation of project registration is issued
- General conditions must be fulfilled within three years from the date on which the decision on investment incentives is issued

5 General Conditions for investment in manufacturing

- Acquisition of long-term tangible and intangible assets in the minimum amount of **CZK 100 million** out of which at least **CZK 50 million** must be machinery
- At least **CZK 50 million** of the investment must be financed by the equity of the investor

The Ministry of Industry and Trade reduces the aforementioned amounts by 50% in some regions

6 General Conditions for investment in technology centres

- Acquisition of long-term tangible and intangible assets in the minimum amount of **CZK 10 million** out of which at least **CZK 5 million** must be machinery
- Creation and staffing of at least **40 new jobs**
- At least **CZK 5 million** of the investment must be financed by the equity of the investor

7 General conditions for investment in centres of strategic services

- Creation and staffing of at least **100 new jobs** in case of repair and shared service centres
- Creation and staffing of at least **40 new jobs** in case of software-development centres

Current Investment Incentive Regulations

8 Strategic investment

- **Investment in manufacturing**
 - Minimum amount of eligible costs **CZK 500 million** out of which at least **CZK 250 million** must be machinery
 - Creation and staffing of at least **500 new jobs**
- **Investment in technology centres**
 - Minimum amount of eligible costs **CZK 200 million** out of which at least **CZK 100 million** must be machinery
 - Creation and staffing of at least **120 new jobs**

9 Amount of incentives

Amount of incentives depends on:

- Amount of investment into long-term tangible and intangible assets
- Number of newly created jobs
- Amount of investments into training and retraining of employees
- State aid rate in the region in which project is located
- Size of the company (state aid can be increased by 20% in case of small enterprises, by 10% in case of medium enterprises)

10 Eligible costs

The eligible costs are costs related to the investment project and it is required that no other state aid has been granted to cover them.

Eligible costs for manufacturing activities are as follows:

- value of the long-term tangible assets in the form of **machinery**;
- value or part of the value of long-term tangible assets in the form of **land or building** or **long-term intangible assets** (purchased from unrelated parties) up to the value of machinery included into the eligible costs.

A recipient of investment incentives for **technology centres or strategic services centres** can choose from two types of eligible cost – value of long-term assets (see above) or payroll costs.

Kontakt



David Borkovec
Partner
david.borkovec@cz.pwc.cz
+ 420 251 152 561



Iva Kuncová
Senior consultant
iva.kuncova@cz.pwc.cz
+ 420 251 152 587

www.pwc.cz