

Tax Flash

Tax Flash is an electronic newsletter prepared by PricewaterhouseCoopers Česká republika, s.r.o. to keep you up to date on the latest tax and legal news. A more complex look at key tax changes and their impact on your business is provided in our monthly newsletter, Tax & Business News.

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Czech Republic

23 March 2012

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The amendment to the Act on Investment Incentives Ways to maximise benefits in the future

In its third reading, Members of the Parliament of the Czech Republic discussed the amendment to the Act on Investment Incentives.

The amendment, prepared by the Ministry of Trade and Industry, proposes a new system of investment incentives, which includes changes in support of existing production in the manufacturing industry and incorporates the support of technology centres and strategic services. A stronger focus in areas of technology and knowledge-intensive and innovative activities is in line with the current needs of the Czech economy. The law also newly includes direct grant support for strategic investments, based upon approval of the government.

following changes were approved in the third reading in Parliament:

- The required minimum number of jobs created by technology centres is reduced to 40 jobs from the 50 in original proposal; in the case of strategic investment projects in the form of technology centres, the number falls to 120 jobs from 200 jobs.
- The required minimum investment in machinery is newly defined by a specific amount.
- The period of the income tax relief remains in line with the governmental proposal and is extended from the current 5 years to 10 years.

"If you are planning to expand production, acquire new production facilities, or are considering establishing a new service centre, take advantage of this opportunity to optimise costs in your company."

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The amendment to the Act on Investment Incentives (continued)

Summary of the main changes to the amendment after the third reading in Parliament:

Manufacturing

- Changes in the minimum amount of investment (CZK 50 million in disadvantaged regions and CZK 100 million in other regions, while investment in machinery must be at least in the amount of at least 25, or 50 million).
- Strategic investments in production (investment of at least CZK 500 million, 500 jobs) – cash grants of up to 5% of investment costs.

Technology Centre

- The minimum investment of CZK 10 million, while investment in machinery must be at

least in the amount of CZK 5 million

- Create at least 40 jobs.
- Strategic investments in technology centres (investment of at least CZK 200 million, 120 jobs) - grants of up to 5% of investment costs.
- Choice of eligible costs between cost of property or labour costs.

Strategic services (no changes suggested after third reading)

- Centre for the creation of software (at least 40 jobs), repair centres and shared services (at least 100 jobs).
- Choice of eligible costs between cost of property or labour costs.



The author of the amendment to the Act on Investment Incentives is ready to consult with you and help you to use this amendment to benefit your business.

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