

Czech Republic

2010 / 2011

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Czech Republic 2010 / 2011 is an informative brochure issued by the American Chamber of Commerce in the Czech Republic. The purpose of this document is to provide some basic information about the Czech Republic and recent economic activity. The overview includes the key economic indicators, information about doing business in the Czech Republic, specific sector briefings, details on the tax system and other information relevant to those looking to invest and/or operate in the Czech Republic.



GENERAL INFORMATION

Area:	78,867 sq. km
Capital:	Praha (Prague)
Length of state border:	2,303 km
Border Countries:	Germany (810 km) Poland (762 km) Austria (466 km) Slovakia (265 km)
Distances from Prague:	Berlin - 282 km Paris - 864 km London - 1,030 km New York - 6,561 km
Time zone:	GMT +1, summer time GMT +2
Official Language:	Czech
Official Currency:	Koruna (Kč) / Czech Crown (CZK) 1 USD = 18.84 CZK 1 EURO = 24.76 CZK (30/11/10, Source: CNB)

Membership in important organizations:

- European Union (since 2004)
- NATO (since 1999)
- OECD (since 1995)
- United Nations Organization
- WTO
- IMF / WB
- IBRD
- WHO

Political system:

- Parliamentary democracy

President of the Czech Republic:

- Václav Klaus
(more info at www.hrad.cz)

Prime Minister:

- Petr Nečas
(more info at www.vlada.cz)

Parliament:

Bicameral

- **Chamber of Deputies** – 200 deputies elected for 4 years
President: Miroslava Němcová (more at www.psp.cz)
- **Senate** – 81 senators elected for 6 years, (27 Senators are elected every 2 years). Chairman: Milan Štěch
(more at www.senat.cz)

Elections:

- **Senate:** last election in October 2010
- **Chamber of Deputies** - last election in June 2010
- **President** elected by Parliament for a 5-year term (last election held in 2008)
- Prime Minister appointed by the President

Political Parties in the Chamber of Deputies:

- ODS - Civic Democratic Party (53)
- ČSSD - Czech Social Democratic Party (56)
- KSČM - Communist Party of Bohemia and Moravia (26)
- TOP 09 (41)
- VV - Public Affairs (24)

For more information about regions go to section 12.2



Located at the crossroads of Europe, the Czech Republic is a nation of vast cultural and historical heritage as well as inspiring natural beauty. Its economic performance has ensured its successful entry into the European Union and established it as an important economic player in the increasingly globalized world.

The Czech Republic is divided into **14 regions**, including the capital city **Prague**. Prague is amongst the **most developed regions** in the EU, with a GDP per capita over twice the Czech average and an unemployment rate half that of the national rate. Prague is also the **most economically developed region** of the 10 nations which joined the EU in 2004.

Key indicators	Reference	Go to
GDP growth rate	1,5 % (est.)	2.1
Inflation	1,5 % (est.)	2.2
Interest rate	1,2 %	3.1
Trade Balance (million CZK)	118 030 (2Q)	3.2
FDI inflow (million EUR)	3 116	4.1
Number of banks	37	4.2
VAT	20 %	5.1
Unemployment rate	7,1 %	6.1
Total office stock in Prague	2,69 mil. m ²	9.1
Share of renewable energy sources	6,81 %	9.2
Share of people with university education	16,4 %	10.1
Number of hospital beds	6 / 1000 people	10.2
Share of households with internet connection	49,2 %	10.3
Tourist visits	4 889 525 (3Q)	12.1
Average monthly wage (CZK)	23 135	12.2
Number of regions	14	12.2
Population	10 467 542	12.2
Temperature average in July	20° Celcius	12.3

2.1 GROSS DOMESTIC PRODUCT (GDP)

- Ministry of Finance reports that Czech economic output has been recovering since the third quarter of 2009. The ministry has raised its growth forecast for 2010 to 2.2%, while lowering its prediction for 2011 by 0.3% to 2.0%.
- The ministry forecasts a growth in household consumption despite continued growth in unemployment and proposed higher tax rates. Government consumption is predicted to grow more slowly (0.5%) and then decline by 4.5% in 2011.
- The Czech National Bank concurs with the Ministry on growth trends, predicting that GDP will grow at a 2.3% rate in 2010, drop to 1.2% in 2011, and then rebound to 2.5%.

Consumption					
CZK million	2005	2006	2007	2008	2009
Household	1 442 699	1 537 240	1 659 552	1 804 202	1 804 334
Government	658 458	686 984	717 040	752 825	798 957
Ratio Household / Government	2,19	2,24	2,31	2,40	2,25

Source: CSO, AmCham

GDP per capita in purchasing power standards, (EU 27 = 100)						
Country	2004	2005	2006	2007	2008	2009
Czech Republic	75,1	75	77	80	80	80
Poland	51	51	52	54	57	61
Austria	127	124	125	123	124	122
EU 27	100	100	100	100	100	100
Euro 15	110,4	110	110	109	109	109
United States	154,8	156	155	152	147	147

Source: CSO, CNB

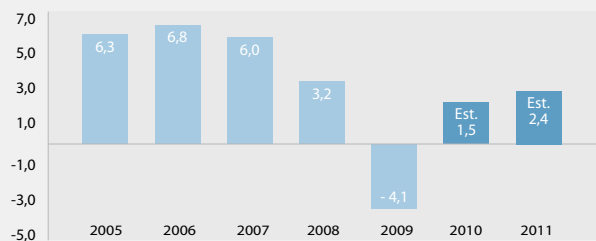
GDP volume				
CZK Billion, Current Prices	2006	2007	2008	2009
	3,222.3	3,535.5	3,689.0	3,625.9
GDP per capita				
CZK, current prices	2006	2007	2008	2009
	313,868	342,494	353,701	345,601
GDP, % y/y				
CZK, constant prices	2006	2007	2008	2009
	6.8	6.1	2.5	-4.1

Source: CSO

Income					
CZK million	2005	2006	2007	2008	2009
Net domestic income	2171744	2311174	2488647	2505352	2423167
Net disposal income	2037183	2151676	2256807	2338179	2219217

Source: CSO

GDP growth rate 2005 - 2011



Source: CSO (Forecasts by the Ministry of Finance)

2.2 INFLATION

Czech National Bank and inflation targeting

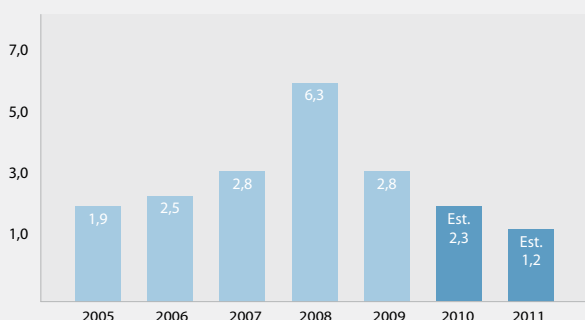
- Czech National Bank adopted inflation targeting in late 1990s to fulfill its primary objective of maintaining price stability.
- The inflation target set in terms of headline inflation of 2% with effect from January 2010 until the Czech Republic's entry to the euro area. As before, the CNB will strive to ensure that actual inflation does not differ from the target by more than one percentage point in either direction.
- To increase transparency, accountability and credibility of the independent central bank, the CNB publishes interest rate path forecasts into the medium term in addition to quarterly inflation reports.
- CNB estimates based on assumed GDP growth of 2.3% in 2010, 1.2% in 2011 and 2.5% in 2012 (forecast by the Ministry of Finance is 1.5 % for

2010 and 2.3 % for 2011). Also based on continued appreciation of koruna.

- CNB predicts that inflationary pressure will begin to appear in 2011-2012. Imports have an anti-inflationary effect currently due to koruna appreciation.
- Growth of regulated prices will speed up in 2011 due to higher electricity prices.
- Higher agricultural prices will mean inflation of food prices.
- Household consumption slowdown is predicted in 2011.

See www.cnb.cz for more information.

Inflation rates % 2005 - 2011



Source: CSO

HICP - Annual average rate of change in Harmonized Indices of Consumer Prices (HICPs)	2007	2008	2009
Czech Republic	3	6,3	0,6
Poland	2,6	4,2	4,0
Austria	2,2	3,2	0,4
EU	2,3	3,7	1,0
USA	2,8	3,8	-0,4

Source: Eurostat



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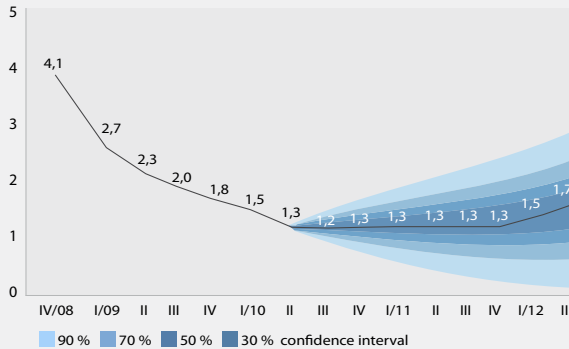


3.1 INTEREST RATE

3-month-interest rate, Monthly average (NSA)						
Country / Time	2009 / M12	2010 / M02	2010 / M04	2010 / M06	2010 / M08	2010 / M10
Czech Republic	1,64	1,52	1,42	1,24	1,24	1,2
Euro area	0,71	0,66	0,64	0,73	0,9	1
EU (27 countries)	1	0,93	0,87	0,96	1,1	1,18
Poland	4,23	4,17	3,69	3,86	3,82	3,83
United States	0,25	0,25	0,31	0,54	0,36	0,29

Source: Eurostat

Interest rates % 2008 - 2012 (forecast)



Source: CNB

- The 3-month interest rate is a representative short-term interest rate series for the domestic money market.
- From January 1999, the euro area rate is the 3-month „EURO InterBank Offered Rate“ (URIBOR). EURIBOR is the benchmark rate of the large euro money market that has emerged since 1999. It is the rate at which euro InterBank term deposits are offered by one prime bank to another prime bank. The contributors to EURIBOR are the banks with the highest volume of business in the euro area money markets.
- The panel of banks consists of banks from EU countries participating in the euro from the outset, banks from EU countries not participating in the euro from the outset, and large international banks from non-EU countries but with important euro area operations.
- Monthly data are calculated as averages of daily values. Data are presented in raw form.

Source: European Central Bank (ECB)

2 Week Repo, Discount Rate, Lombard Rate					
	6.2. 2009	11.5. 2009	7.8. 2009	17.12. 2009	7.5. 2010
2 Week Repo	1,75	1,50	1,25	1,00	0,75
Discount Rate	0,75	0,50	0,25	0,25	0,25
Lombard Rate	2,75	2,50	2,25	2,00	1,75

Source: CNB

3.2 EXTERNAL TRADE

Balance of Payments, million (CZK)	2007	2008	2009	2Q 2010
Current Account	-111 277	-113 858	-37 019	-10 424
Trade Balance	120 617	103 231	149 587	118 030
Exports	2 479 233	2 465 400	2 138 623	1 205 244
Imports	2 358 616	2 362 168	1 989 036	1 087 215
Balance of Services	56 626	81 992	26 986	-12 078
Capital Account	19 568	31 027	40 955	11 847
Financial Account	125 803	151 187	32 372	-2 087

Source: CNB

Trade product breakdown 2009: million (CZK), current prices	Exports volume	Share of exports %	Imports volume	Share of imports %
Machinery and transport equipment	1 336 286	53	815 942	41
Manufactured goods classified chiefly by material	378 409	18	350 995	18
Miscellaneous manufactured articles	251 024	12	236 445	12
Chemicals and related products, n.e.s.	134 639	6	221 205	11
Food and live animals	76 086	4	106 854	5
Mineral fuels, lubricants and related materials	77 342	4	182 159	9
Crude materials, inedible, except fuels	56 494	3	44 455	2
Beverages and tobacco	16 395	1	13 627	1
Animal and vegetable oils, fats and waxes	2 591	0	5 346	0
Commodities and transactions n.e.c.	2 074	0	2 316	0
Overall	2 138 623	100,00	1 989 036	100,0

Source: CSO

Trade location breakdown	Export			Import			Balance	
	2008 mil. CZK	2009 mil. CZK	Share %	2008 mil. CZK	2009 mil. CZK	Share %	2008 mil. CZK	2009 mil. CZK
Developed market economies:	2 241 353	1 927 721	87	1 817 318	1 492 975	75	424 035	434 746
EU	2 107 915	1 804 699	81	1 611 350	1 322 346	65,7	496 565	482 353
EFTA	46 828	45 637	2	42 028	38 764	25,9	4 800	6 873
Other	86 609	77 385	3	163 940	131 866	5,5	-77 331	-54 481
Developing economies	82 549	92 099	4	145 387	134 928	6,5	-62 838	-42 829
European transition economies	24 385	18 480	1	8 009	6 018	0,3	16 376	12 462
Commonwealth of Independent States	106 327	75 056	3	213 566	133 706	8	-107 239	-58 650
Russian Federation	67 559	49 592	2	154 843	102 417	6	-87 284	-52 825
Other	14 331	16 978	1	217 139	203 818	10	-202 808	-186 840
China	13 168	15 855	1	212 543	198 998	9,8	-199 375	-183 143
Overall	2 465 400	2 138 623	100	2 362 168	1 989 036	100	103 232	149 587

Source: CSO

4.1 FOREIGN DIRECT INVESTMENT (FDI)

Investment Incentives in the CR

The main objective of **CzechInvest**, the Investment and Business Development Agency, is to advise and support existing and new entrepreneurs and foreign investors in the Czech Republic. The agency contributes to attracting foreign investments and developing domestic companies through its services and development programmes. CzechInvest also promotes the Czech Republic abroad and acts as an intermediary between the EU and small and medium-sized enterprises in implementing structural funds in the Czech Republic.

CzechInvest is exclusively authorized to file applications for investment incentives at the competent governing bodies and prepares draft offers to grant investment incentives. Its task is also to provide potential investors with current data and information on business climate, investment environment and investment opportunities in the Czech Republic.

CzechInvest's services (all CzechInvest's services are free of charge):

- comprehensive services for investors
- full information assistance
- handling of investment incentives
- business properties identification
- supplier identification
- aftercare services
- business infrastructure development
- access to structural funds

For more information see www.czechinvest.org or contact us for advice.

FDI (euro millions)	2007	2008	2009	2Q 2010
EU27	5997	3972	1171	3046
Germany	881	369	250	727
Netherlands	1621	704	-879	389
Luxembourg	1541	-32	63	-3
France	39	796	379	-41
Austria	803	1461	952	504
Cyprus	222	57	483	461
Slovakia	280	133	173	135
Sweden	248	-78	-120	19
Poland	123	116	15	31
UK	-390	-485	-322	491
North America				
USA	302	-325	536	-150
Europe				
Switzerland	709	576	22	136
Russia	-8	112	1	3
Asia				
Japan	296	-161	-7	89
Korea	269	78	34	-4
China	47	-13	-37	21
Total	7634	4415	1964	3116

Source: CNB

Czech Republic: Inward Foreign Direct Investment by Industry, 2007–2009 (In millions of EUR)

Sector	2007	2008*	2009
Nonmanufacturing	4 809	4 873	2604
Agriculture, hunting, and forestry	7	-19	12
Mining and quarrying	-448	30	89
Electricity, gas, and water supply	-168	377	-251
Construction	26	7	170
Hotels and restaurants	920	921	-47
Transport, storage and communications	559	247	-496
Financial intermediation	1 687	1 823	1499
Real estate and business activities	2 045	1 281	1130
Trade and Repairs	-	-	502
Other social and personal services	175	196	-3
Manufacturing	2 825	2 456	-640
Food and tobacco	255	369	127
Textiles, wearing apparel, and leather	86	50	-58
Wood, paper and publishing	22	117	5
Refined petroleum and chemicals	289	820	-75
Nonmetallic products	386	287	136
Basic metals and metal products	584	137	-12
Machinery and equipment	1 146	673	-46
Recycling and other manufacturing	57	2	8
Motor vehicles	-	-	-185
Other transport equipment	-	-	-170
Total	7 634	7 329	1 964

* Preliminary data

Source: CNB

After steep drops in inward investment in 2008 and 2009, levels have surged in the first two quarters of 2010. 83 % of investment in 2008-2010 has come from the EU27, with Austria investing 22% of the total and Germany 13%. Cyprus has contributed 7% of the overall amount, and Slovakia has risen to 4%.

Investment Protection

The Czech Commercial Code, investment protection treaties and the Treaty establishing the European Community (in relation to EU Member States) guarantee the right to repatriate profits abroad.

Bilateral investment promotion and protection agreements have been signed with a wide range of countries (List of bilateral agreements available on www.mfcr.cz)

Source: Weinhold Legal

4.2 BANKING & FINANCE

- The **Czech National Bank** acts as an independent central bank in setting interest rates and supervising financial markets and the banking sector (more information available on www.cnb.cz).
- Commercial banks are private and the majority are foreign-owned.
- Bank lending remains the main source of company financing in the CR.
- **Banks** operating on the czech market: Česká spořitelna, a.s., Citibank, COMMERZBANK, Československá obchodní banka, GE Money Bank, ING Bank, The Royal Bank of Scotland, UniCredit Bank and others.
- Information about the **Prague Stock Exchange** available on www.bcpcp.cz.

Number of Banks	
Czech-owned banks	7
Foreign owned banks	14
Branches of foreign banks	16
Total	37

Market of Shares / Trade Value			
	2007	2008	2009
Total Trade Value (CZKbn)	1 013,02	852,04	463,86
Main Market	1 003,62	847,17	458,67
Free Market	9,40	4,87	5,19
Average Daily Trade Value (CZKbn)	4 052,08	3 381,12	1 855,44
Main + Secondary Market	4 014,47	3 361,79	1 834,67
Free Market	37,61	19,33	20,77

Source: PSE

Shares - Trade Values / Issues of shares with the highest total trade value in 2009			
Rank	Issuer	Value (CZKbn)	Share
1.	ČEZ	202 358,117	43,62%
2.	TELEFÓNICA O2 C.R.	65 731,027	14,17%
3.	KOMERČNÍ BANKA	63 262,187	13,64%
4.	ERSTE BANK	56 940,508	12,28%
5.	NWR	27 214,726	5,87%

Source: PSE

5.1 TAX SYSTEM

Winning is a state of mind

Deloitte.

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Tax Rates in the Czech Republic	
Corporate Income Tax	<ul style="list-style-type: none"> The standard corporate tax rate is 19%. A special tax rate of 5% is applied to investment, pension and collective investment funds. Investment income received from abroad by Czech companies forms a separate tax base that is taxed at 15%. Dividends distributed to non-residents are subject to a withholding tax of 15%. The tax rate may be decreased by an applicable double tax treaty or EC Parent-Subsidiary directive. A withholding tax of 5% is applied on income from financial leasing if the rental payment is paid to a non-resident.
Personal Income Tax	<ul style="list-style-type: none"> Personal income is subject to a flat tax rate of 15%.
Value Added Tax	<ul style="list-style-type: none"> The standard rate is 20% and the reduced rate is 10%.
Real Estate Tax	<ul style="list-style-type: none"> The real estate tax varies according to type, location and purpose of use and is levied on the occupation of real estate property or plots of land.
Real Estate Transfer Tax	<ul style="list-style-type: none"> Real estate transfer tax of 3% is levied when ownership to the real estate changes.
Environmental Tax	<ul style="list-style-type: none"> A new tax on solid fuels, gas, electricity was introduced in 2008 and is paid by providers and distribution network owners.
Consumption tax	<ul style="list-style-type: none"> Excise tax is imposed on entities that produce or import certain goods, including hydrocarbon fuels and lubricants, alcohol and spirits, beer, wine and tobacco products. The tax is based on the quantity of goods expressed in specific units and tax may be levied only once on a particular good.
Road tax	<ul style="list-style-type: none"> Road tax applies on vehicles according to the engine capacity and number of axles. Exemptions and reductions exist for new and hybrid vehicles.
Inheritance and gift tax	<ul style="list-style-type: none"> Inheritance and gift tax is levied on immovable and movable property in the Czech Republic (regardless of the nationality or residence of the owner). Where the deceased person or donor is a Czech national, movable property abroad is also subject to this tax. Rates vary depending on the category of the beneficiary from 0% to 40%.

Tax legislation will be amended as of January 2011.

Source: Deloitte Advisory

Central Government Budget for 2009

- The total budgeted expenditure for 2010 is CZK 1,182,541 million, of which CZK 1,067,673 million is current expenditures and CZK 115,445 million is capital expenditures.
- The total budgeted revenue for 2010 is CZK 1,019,841 million, of which CZK 901,865 million will be raised through taxes.
- The resulting budget deficit is CZK 162,700 million. However, due to declining revenues, recent estimates project a deficit of CZK 230,000 million.

Retirement Age

- Women may retire and claim state pension at the age of 63 (or less, depending on number of children). Men qualify at 63 or 65 depending on the year of birth. Both can claim early retirement (3 years before their retirement age).
- Individuals can claim retirement benefits on the condition of having worked for at least 25 years.

Source: Deloitte Advisory

Social Insurance

- State social security system covers health care provisions, pensions, employment insurance and sickness pay as well as child-related benefits and other social services.
- Both employers and employees contribute to the social security system.
- All companies must pay a total of 34% of their employees' gross salaries toward social security and health care funds.
- Social security contributions are not paid from income exceeding 72 times the average monthly (gross) salary as a result of caps on social security payments (for 2010 the cap is set at CZK 1,707,048).

Mandatory Contributions to Social Security Scheme (%)			
Insurance Type	Employer-portion	Employee-portion	Self-employed
Healthcare	9	4.5	13.5
Pension	21.5	6.5	28
Unemployment	1.2	0	1.2
Sickness	2.3	0	1.4
Total	34	11	44





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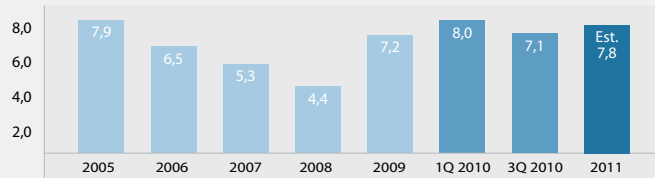
6.1 LABOR MARKET

Current Market Situation

- Although generally the economic crisis is perceived to be waning, we can still see the consequences that it brought to the Czech labour market. Demand for staff is higher than last year while overall still considerably lower than before the economic downturn.
- There is a gentle increase in demand in some industry sectors like Shared Service Centres, IT or Logistics. There continue to be new investors coming to the Czech Republic, however, previously strong sectors like automotive or real-estate remain weak for employment opportunities.
- The positive aspect of these circumstances is that people value their jobs more, as the unemployment rate is still quite high. People also still prefer more stable jobs, are more loyal to their employer and flexible in terms of their salary demands and expectations.

Source: Grafton Recruitment

Unemployment rate 2005 - 2011



Source: CSO (Prediction for 2011 by the Ministry of Finance)

Structure of employment and avg. wages by selected sectors	Monthly avg. wage in CZK	Share of employees
Finance and insurance	47 127	2,19 %
IT & Telco	42 959	3,21 %
Energy	39 055	0,98 %
Research & Science	31 494	3,06 %
Public sector services	27 043	8,29 %
Education	23 457	7,10 %
Health care	23 527	6,01 %
Construction	21 615	6,24 %
Sales, maintenance of vehicles	21 563	11,46 %
Transportation & Storage	23 091	7,00 %
Manufacturing	22 233	30,99 %

Source: CSO

Other useful information like unemployment rate or avg. monthly wages in regions are available in section 12.2. on page 12.

Employment Law

Employment of foreigners

- Czech legal entities can only employ foreigners if a Czech national cannot fill the vacancy.
- Foreign employees (other than EU nationals and their relatives) require work permits (issued by a local labor office) and residency visas or permits (issued by the Foreigners' Police), and by the Ministry of the Interior (as of 2011).
- All foreign employees must register with the tax authorities.

Employment relation

- Czech legal entities can employ Czech nationals under a Czech employment contract.
- Foreign entities/ branches can employ Czech nationals, and Czech entities can employ foreigners, on the basis of an employment contract governed by the law of any country, unless an international treaty concluded by the Czech Republic stipulates otherwise.
- Employment can be terminated on the basis of an agreement of both the employer and employee. The employee may terminate by notice for any reason or without giving a reason. The employer can serve termination notice exclusively based on reasons that are set out in the Labor Code. Stricter conditions apply to collective dismissals.
- A minimum two months' notice is required from both employers and employees. Longer notice periods can be agreed.

Selected aspects of employment

- The maximum working week is 40 hours; the minimum annual paid holiday is four weeks.
- Overtime may be ordered up to 8 hours a week and 150 hours a year. In case of overtime work, the employee is entitled to compensation amounting to his/her average earnings, plus a premium payment of 25% of his/her average earnings; alternatively, employer and employee may agree that the employee will be provided with time off instead of paying the premium. Wages of managerial employees may be agreed with regard to potential overtime work within the scope of 150 hours per calendar year.
- A non-compete obligation can be agreed between the employee and employer under the terms set out in the Labor Code.

Source: Weinhold Legal

7.1 LEGAL & BUSINESS

Czech Legal System

- The Czech legal system is a civil law jurisdiction appertaining to the continental legal system.
- As the Czech Republic is a Member State of the European Union, EU law comprises part of the Czech legal system.

Business Presence

- Both natural persons and legal entities under one of available legal forms may engage in business practice in the Czech Republic.
- Generally, there is no limitation on the level of foreign participation in a Czech legal entity. Foreigners/foreign companies can establish both joint-ventures and wholly-owned subsidiaries in the Czech Republic.

Companies

- Types of companies include a joint-stock company, a limited liability company, a limited partnership and an unlimited partnership.
- Joint-stock and limited liability companies are the most commonly used for business purposes; both of these legal forms must fulfill the minimum capital requirements.
- A joint-stock company can be set up by two or more legal entities or individuals, or by a single legal entity. The minimum share capital requirement is CZK 2 million for companies set up without a public offer for share subscription, and CZK 20 million for companies set up with a public offer for share subscription, unless a higher minimum share capital is otherwise required by special acts.
- A limited liability company can be set up by one or more legal entities or individuals (up to 50 individuals or legal entities). The minimum registered capital for a limited liability company is CZK 200,000 and each shareholder is required to contribute at least CZK 20,000.
- A limited liability company with a sole shareholder may not be the sole founder or sole shareholder of another limited liability company; the restriction of so-called chaining of sole-member companies applies to foreign-held limited liability companies and their shareholders as well.

Other types of business entities

- Besides companies, business may be conducted by means of the following legal forms: a co-operative, a branch, a silent partnership, an association, a European Company (Societas Europaea) and a European Economic Interest Grouping.
- A branch (of a legal entity) does not form a separate legal entity, and thus any actions by the branch are seen as actions of the entity registering the branch. A registered branch may generally undertake the same scope of business activities as a Czech legal entity.
- Authorization of a foreign entity to carry out business activities in the Czech Republic takes effect on the day that such entity or its branch is registered in the Commercial Register and corresponds to the scope of business activities of such entity or branch registered in the Commercial Register.

Commercial Register

- Companies, co-operatives, as well as branches and foreign non-EU or non-EEA sole proprietors are required to be registered in the Commercial Register.
- Prior to being registered in the Commercial Register, a Czech legal entity or a branch of foreign entity must follow certain procedures which include, in particular, obtaining a trade license or other business authorization, appointment of statutory representatives, and, satisfying the minimum capital requirements (if applicable).

Trade licensing/Business authorization

- A trade license authorizes the legal entity, branch or sole proprietor to carry out business.
- All required types of licenses and qualification requirements are defined by the Trade Licensing Act.
- Special authorization may be needed to carry out activities in certain areas that are not governed by the general trade-licensing regime. Such industries that are subject to regulation by special legislation include, inter alia, certain financial

services (such as banks, securities brokers, insurance companies, investment funds, investment companies/unit trusts, and pension funds), telecommunications, utilities, pharmaceuticals, broadcasting, gaming and employment mediation (recruitment, executive searches, etc.).

Civil Procedure and Arbitration

- There is no trial by jury system in the Czech Republic; nearly any evidence is admissible before the Czech courts. Punitive damages are not available and class action lawsuits are generally not available either; however, in certain cases (where specifically stipulated by law) lawsuits may have an effect that is similar to a class action.
- Court fees for property disputes are generally 4 percent of the amount in dispute. Cost-shifting is commonplace and also includes costs incurred for legal representation. However, compensation of incurred costs for legal representation is determined pursuant to a governmental decree, i.e. costs are not compensated in correlation with the amount actually spent.
- Contingency fee arrangements with legal counsel are not widely used in practice, however, they are not forbidden either. The majority of attorneys charge an hourly fee for services rendered.
- Judgments and arbitral awards are enforced either by the courts or (private) executors.
- Parties to a contract may agree on a choice of law.
- Parties to commercial disputes may agree on prorogation, i.e. they may select the court to which their dispute will be submitted.
- Court proceedings typically last for 2-4 years (provided an appeal is filed).
- Property disputes, either domestic or international, may be submitted to the arbitration court. The only permanent arbitration court with general jurisdiction is the Arbitration Court attached to the Economic Chamber of the Czech Republic and Agricultural Chamber of the Czech Republic. Arbitrators' fees are determined on the basis of the amount in dispute.
- Parties to property disputes may also opt for ad hoc arbitration proceedings, e.g. arbitration pursuant to UNCITRAL Arbitration Rules, or any foreign arbitration court.

Competition Law, Public Procurement

Act on Protection of Economic Competition

- Arrangements distorting economic competition (such as price-fixing agreements and other cartel arrangements) are prohibited.
- The business conduct of enterprises with a dominant market position (competitors with less than a 40% share of the relevant market are presumed to not have a dominant position, unless proven otherwise) is subject to special regulation.
- Any concentration of businesses that exceed a minimum threshold (a combination of criteria based on world-wide and Czech net turnover) requires approval by the Antimonopoly Office.

Antimonopoly Office

- The central authority of state administration in the field of competition is the Antimonopoly Office.
- Notification on concentration can be filed with the Office either prior to signing the respective concentration agreement or after, however, always before the respective concentration is to take effect. Under certain circumstances, simplified concentration clearance proceedings may be used.

Public procurement

- Public procurement is governed by the Public Procurement Act and the Concession Act. The area of public procurement has been declared as one of the major topics currently on the government's agenda.
- Supervision over compliance with statutory rules in the area of public procurement is vested with the Antimonopoly Office.

Source: Weinhold Legal



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ALCRON HOTEL, PRAGUE

9.1 REAL ESTATE

Foreign companies with a Czech branch or enterprises that possess authorization to conduct business activities in the Czech Republic can acquire ownership title to most types of real estate in the Czech Republic, save for agricultural land and forests.

Source: Weinhold Legal

Prime Yields		
Sector	Yields (%)	Changes
Offices	7,00	↓
Retail	6,75	↓
Warehouses	8,50	↓

Source: Jones Lang LaSalle

Office space

- The total office stock in Prague stands at 2.69 million m² of modern space. New built space continues to increase its share, reaching 72% of the total. The remaining 28% are quality refurbishments.
- Prime rent has been stable throughout 2010 and stands at €20.0-21.0 m²/month. The current vacancy of 13.2% does not momentarily enable growth, yet the availability of prime space remains limited and a further decline of prime rent is unlikely.
- With a limited number of projects in the pipeline and over 50% of space pre-let in projects scheduled for 2010, the vacancy levels are expected to start decreasing in 2011, in spite of second hand product returning to the market.

Retail

- The retail market has experienced a slowdown in construction, with the first new shopping centre in two years about to open, in November 2010. The focus from retailers has shifted to high streets and various city centre retail schemes.
- Prime rent in Prague's shopping centres has been stable at a level of €1,080 m²/per annum. Well performing shopping centres in Prague stand at approximately € 780 per m²/pa.

Residential

- Prague's residential market continued a descending trend with signs of stabilisation appearing recently. The market supply currently exceeds demand.
- Mortgage markets showed signs of recovery in the first half of 2010 but the trend reversed in Q3.
- The major problem of the housing market is the limited price differentiation – the majority of apartments fall into a similar pricing category, regardless of the overall project quality, location, quality of finishing etc.
- Thanks to the excess of supply, a number of new developments have been put on hold for the time being. Developers are waiting for market improvement and are not putting new apartments on the market in order to prevent further price corrections.

AmCham members doing business primarily in Real Estate:

Avestus Real Estate, CEERM, COLDWELL BANKER, GE Real Estate, IMPACT-CORTI, Jones Lang LaSalle, PASSERINVEST GROUP, Portland Trust, Professionals, TVO Europe Holdings and others.

More at www.czechmarketplace.cz



9.2 ENERGY & ENVIRONMENT

Structure of energy production

Thermal	63 %
Nuclear	33 %
Hydro	3,6 %
Wind	0,3 %
Solar	0,1 %

Source: CSO

Nuclear energy

- Nuclear energy is supervised by the State Office for Nuclear Safety.
- Share of nuclear energy:** 33 % (27,207 GWh)
- Nuclear powerstations:** Dukovany, Temelín
- The State Energy Policy from 2004 envisages the building of 2 new reactors.
- The target share for 2030:** 38,6 %

Energy suppliers

- The three (ČEZ, PRE and E.ON) large suppliers' have an electricity market share of more than 95 % of final customers' total consumption. There are also about 10 independent suppliers that are actively operating in the retail market.

Source: KPMG Czech Republic

Renewable sources

- The share of renewable sources in gross electricity consumption was 6,81% as of 2009
- Electricity production from renewable sources (2009, TWh): 4,67 %
- The target share for 2010:** 8 %
- Estimated impact of the support of the production from renewable sources on the total electricity price for final consumers in 2011 will be CZK 597, 55/ MWh
- The increase of purchase prices of the electricity around 2-4% is estimated for current renewable sources categories

Source: KPMG Czech Republic

Structure of renewable electricity production

Wind	6,2 %
Biomass	30,8 %
Hydro	52,2 %
Solar	1,9 %
Biogas and Landfill gas	8,9 %

Source: Energy Regulatory Office

Annual electricity consumption brutto among industry sectors [GWh]

Industry	Energy industries	Transport	Construction	Agriculture	Households	Services	Others	TOTAL
22 203,70	12 616,30	2 885,30	414,6	1 207,90	14 686,30	6 497,40	8 094,70	68 606,20
32,36 %	18,39 %	4,21 %	0,60 %	1,76 %	21,41 %	9,47 %	11,80 %	100 %

Source: CSO

Electricity export and import	2002	2003	2004	2005	2006	2007	2008	2009
Export 110, 220 a 400 kV	-16,6	-19,7	-18,5	-21	-19,5	-25,6	-21,9	-24,2
Import 110, 220 a 400 kV	5,2	3,2	2,8	8,3	6,9	9,5	10,4	10,5
Saldo	-11,4	-16,2	-15,7	-12,6	-12,6	-16,2	-11,5	-13,6

Source: CSO



10.1 EDUCATION

- CR has comparatively high levels of education internationally.
- Elementary education compulsory from 6 to 15 years of age.
- 72 % of schools are municipal, 21 % established by regional governments, and 5 % are private.
- International schools are available in Prague (International School of Prague, Park Lane International School, The Prague British School, Riverside School) and Brno.
- Summer holidays are from July 1st through to August 31st.

The biggest public universities in the Czech Republic	Number of students
Charles University in Prague	49 094
Masaryk University in Brno	38 216
Technical University in Ostrava	23 144
Brno University of Technology	21 695
Czech Technical University in Prague	21 341
Palacky University in Olomouc	21 290

Source: CSO

- **Prague (and other cities) has a growing number of private universities (offering MBA and other international programs)**, e.g. Anglo-American University, Institute of Finance and Administration, University of New York in Prague, University of Northern Virginia - Prague, University of Pittsburgh, US Business School Prague and others.

University students	2005/06	2006/07	2007/08	2008/09
Public universities	265 460	285 111	303 731	333 580
Private universities	24 645	31 698	40 939	56 357

Source: CSO

Graduates	2005/06	2006/07	2007/08	2008/09
Public universities	39 645	48 528	56 629	69 647
Private universities	2 950	4 916	6 849	12 032

Source: CSO

Economically Active Population According to Education	In thousands	Share %
No education	1,1	0,02
Elementary school	343,8	6,5
Vocational school	2 105,30	39,8
Secondary school	1 970,20	37,3
University education	866,1	16,4

Source: CSO

10.2 HEALTHCARE

- Czech healthcare is predominantly financed from public sources and Czech citizens are guaranteed healthcare by the state's public insurance scheme.
- There is growing pressure for further privatization in this sector as increasing numbers of people are purchasing private insurance policies.
- Prague and other cities have a growing range of private international clinics.

International Comparison of expenditure on healthcare	Public Expenditure on healthcare as % of total	Total expenditure on healthcare as % of GDP	Total expenditure on healthcare per capita, USD PPP
Czech Republic	82,5	7,1	1781
United Kingdom	82,6	8,7	3129
Poland	72,2	7	1213

Source: OECD Health Data 2010

Czech Health Statistics (2008)	
Number of hospital beds	6 / 1000 people
Average Life Expectancy	77,2 years
Number of hospitalized people (in thousands)	2,164

Source: CSO

Expenditures on healthcare according to sources of financing as % of total expenditures on healthcare	
Public insurance	74,6 %
Public budgets	8,1 %
Private Expenditures	17,3 %

Source: OECD Health Data 2010

10.3 IT & TELCO

Main mobile network providers: Telefónica O2, T-Mobile, Vodafone.

Telecommunications	
% of households with personal computer	54,2 %
% of households with internet connection	49,2 %
% of households with mobile phone	95,2 %
% of households having a broadband connection	44,4 %

Source: CSO

Most frequent types of internet connection	
Wi-fi	40 %
Cable TV	20 %
ADSL	28 %
Dial-up	8 %
Mobile	3 %
Other	1 %

Source: CSO

10.4 TRANSPORT

- With the very good location in the middle of Europe the Czech Republic (mainly Prague) belongs to the most attractive countries for foreign investors.
- The **motorways and trunk roads** carry the largest proportion of transportation and connect the most important political, economic and recreational centres. With the density of 0,70 km of roads and motorways per 1 km² the Czech Republic ranks among the leading European countries.
- There are 4 important **airports**: in Prague, Brno, Ostrava and Karlovy Vary. The **Prague Airport** is the biggest one and operates flights to the main important business destinations, like London, New York, Moscow and others (the airport processed almost 12 million passengers in 2009).
- The Czech Republic has a wide **railway network** providing a good connection between cities within the country and Europe (avg. train travel time to Vienna is 4 hours, to Berlin 5 hours).

Road and motorway network length	Length (km)	Share
Motorways	691	1 %
Expressways	360	1 %
Class I.	5 850	11 %
Class II.	14 592	26 %
Class III.	34 161	61 %
Total	55 654	100 %

Number of vehicles	Heavy	Passenger	Moto	Total
2006	559 395	4 108 610	353 616	5 021 621
2007	621 772	4 280 081	384 285	5 286 138
2008	671 396	4 423 370	414 434	5 509 200

Source: Roads and Motorways in the Czech Republic 2009 (RSD)



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12.1 TOURISM

The Czech Republic offers tourist and business travellers a colorful variety of landscapes and activities. Prague has one of the few remaining living historical centers, a vibrant cultural community and a modern conference infrastructure. The countryside is dotted with castles and ancient chateaux, and ribbioned with hiking, biking and ski routes for the sporting traveller.

- **Information on the options available for tourists:** www.czechtourism.com
- **Interested in organizing an event in Prague?** www.pragueconvention.cz
- **Calendar of events throughout the year:** www.pragueeventscalendar.cz

Occupancy in collective accommodation establishments (number of guests)

Year	Total	Non-residents	Residents
2006	12 724 926	6 435 474	6 289 452
2007	12 960 921	6 679 704	6 281 217
2008	12 835 886	6 649 410	6 186 476
2009	12 105 287	6 081 244	6 024 043
2010 (3Q)	9 683 889	4 889 525	4 794 364

Source: CSO

- In 2009 the decline of international arrivals to the CR continued.
- The average number of overnight stays in collective accommodation establishments remained stable, but the total number of overnight guests declined.
- During first three quarters in 2010 the number of international overnight guests in collective accommodation establishments rised while the number of domestic ones declined.

Foreign guests, 3Q 2010

Germany	405 521
Russia	125 792
Poland	120 018
U.S.A.	118 771
UK	107 441
Italy	98 788

Source: CSO

12.2 REGIONS

Region	Regional Capital	Area (km ²)	Region Population (01/09)	Unemployment rate % (2009)	Share of national GDP	Public (private) universities	Average monthly wage in CZK (2010)	Number of economic entities
Prague	Prague	496	1 233 211	3,45	25,3	8 (24)	29 029	517 110
Central Bohemia	Prague	11,015	1 230 691	6,37	10,7	0 (3)	22 540	339 358
South Bohemia	České Budějovice	10,057	636 328	6,69	5,3	2 (3)	20 053	173 403
Plzeň	Plzeň	7,561	569 627	7,72	4,9	1 (0)	21 711	156 449
Karlovy Vary	Karlovy Vary	3,315	308 403	10,37	2,1	0 (1)	19 367	85 479
Ústí nad Labem	Ústí nad Labem	5,335	835 891	13,01	6,4	1 (1)	20 718	194 767
Liberec	Liberec	3,163	437 325	10,65	3,1	1 (0)	20 953	129 513
Hradec Kralove	Hradec Kralove	4,758	554 520	7,39	4,4	1 (0)	20 196	149 652
Pardubice	Pardubice	4,519	515 185	8,53	4,1	1 (0)	19 771	127 710
Vysocina	Jihlava	6,925	515 411	9,26	4,1	1 (1)	20 199	116 528
South Moravia	Brno	7,066	1 147 146	9,48	10,1	5 (7)	21 305	318 880
Olomouc	Olomouc	5,159	642 137	11,19	4,7	1 (2)	19 788	151 268
Zlín	Zlín	3,964	591 412	10,06	4,6	1 (1)	19 767	157 196
Moravia - Silesia	Ostrava	5,535	1 250 255	11,75	10,1	3 (2)	21 137	281 513
Czech Republic	Prague	78,87	10 467 542	8,57	100,0	26 (45)	23 135	2 898 826

Source: CSO

12.3 USEFUL INFORMATION

Short-stay visas	Long-stay visas
1. Airport transit visa – type A 2. Transit visa – type B 3. Short-stay visa up to 90 days – type C <ul style="list-style-type: none"> • for tourism purposes • for visit purposes (invitation) • for cultural purposes • for sports purposes • for study purposes • for employment and scientific research purposes • for business journey purposes • for official (political) purpose 	1. The visa for a stay over 90 days granted for the purpose of collecting a permanent residence permit, a long-residence permit for family reunification purposes or for studies or scientific research in the territory of the CR. 2. A visa for stay over 90 days granted for purposes of stay –D or D+C type <ul style="list-style-type: none"> • for employment purposes • for business purposes • for executive manager • for study purposes • for the purpose of family reunification • for sports purposes • for medical treatment purposes

This will be amended as of 2011.

IMPORTANT STATE OFFICES	Web Page
Office of Czech Republic Government	www.vlada.cz
Ministry of Finance	www.mfcr.cz
Ministry of Trade and Industry	www.mpo.cz
Ministry of Interior	www.mvcr.cz
Embassy of CR in Washington DC	www.mzv.cz/washington
Office for Protection of Competition	www.compet.cz

National Holidays in 2010 / 2011

December 24th - 26th (Christmas), January 1st (New Year's Day), April 25th (Easter Monday), May 1st (May Day), May 8th (National Liberation Day), July 5th (Cyril and Methodius), July 6th (Burning Jan Hus at the Stake), September 28th (St. Wenceslas), October 28th (Founding of the Republic), November 17th (Day of fight for freedom and democracy).

Business Hours

- Government and offices: Monday to Friday 8.00 – 17.00
- Banks: Monday to Friday, 8.00 – 17.30
- Shops: Monday to Friday, 8.00 – 18.00, on Saturdays 8.00 – 12.00
- Major shopping centers: all weekdays 9.00 – 20.00

Weather

- Temperate climate with characteristically mild spring; warm, sometimes humid summers; cool autumns and cold winters with moderate precipitation.
- Lowland temperatures average 20° C and 8 to 11° C in the mountains during July and -1 to -2° C and -5 to -7° C during January respectively.

Main Sources:

AmCham, CzechInvest, Czech Statistical Office, Czech National Bank, Czech Tourist Authority, Czech Tourism, Deloitte Advisory, Eurostat, Jones Lang LaSalle, Grafton Recruitment, KPMG, Ministry of Labor and Social Affairs, Ministry of Transportation, Government of Czech Republic, Vodafone, Weinhold Legal.

Other useful datas available on www.czechmarketplace.cz - a website providing a platform to give you greater exposure on the national and international market.

Every effort was made to verify the data used. Information is subject to change. The American Chamber of Commerce is not responsible for any inaccuracy or subsequent adjustment in the data found in this document.

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