



●●● GENERAL INFORMATION

Czech Republic 2015 / 2016 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 of the tax system and other information relevant to those looking to invest and/or operate in the Czech Republic.

Area: 78,867 sq. km
 Population: 10,5 million
 Labour Force: 5,7 million
 Capital: Prague
 Length of state border: 2,303 km

Border Countries:

- Germany (810 km)
- Poland (762 km)
- Austria (466 km)
- Slovakia (265 km)

Selected distances from Prague:

- Berlin 282 km
- Paris 864 km
- London 1,030 km
- Moscow 1,665 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 = 24.255 CZK, 1 EURO = 27.405 CZK

Average value for 2014: 1 USD = 20,746 CZK, 1 EURO = 27,533 CZK

Source: Czech National Bank, May 7, 2015; Czech Statistical Office

President of the Czech Republic:

Miloš Zeman (further information at www.hrad.cz).

Prime Minister:

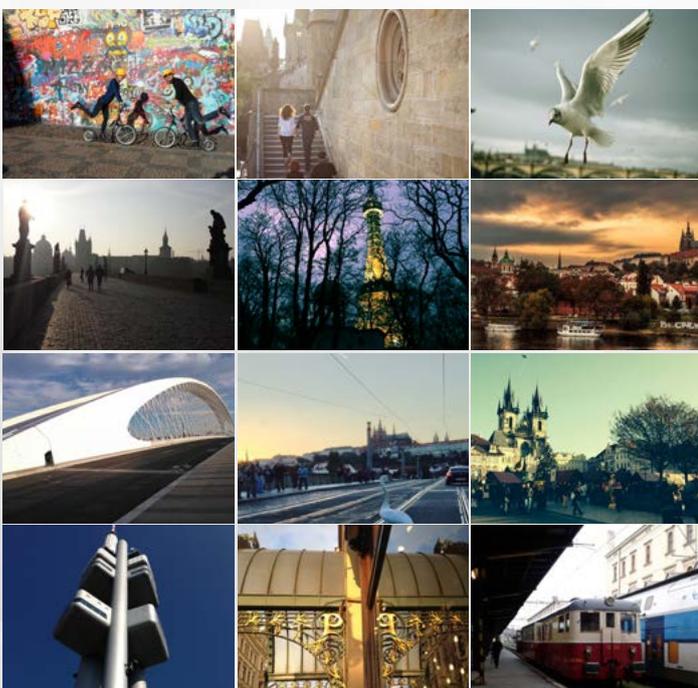
Bohuslav Sobotka (further information at www.vlada.cz).

Parliament:

Bicameral

- Chamber of Deputies – 200 deputies elected for 4 years
 Chairman: Jan Hamáček
 Further information at www.psp.cz
- Senate – 81 senators elected for 6 years, (27 Senators are elected every 2 years)
 Chairman: Milan Štěch
 Further information at www.senat.cz

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KEY INDICATORS	REFERENCE	GO TO
GDP growth rate	1.4 %	1
Inflation	0.4 %	2
Interest rate	0.32 %	3
Trade Balance (million CZK)	441,867	4
FDI inflow (million USD)	2,155	5
Number of banks	45	6
VAT	21%	8
Unemployment rate	7.7 %	9
Share of households with internet connection	72.2 %	10
Share of renewable energy sources	12.4 %	13
Share of people with university education	17.38 %	14
Number of hospital beds	6.8/1000 people	15
Tourist visits	15,644,707	17
Average monthly wage (CZK)	27,200	18
Number of regions	14	18
Population	10,538,275	18

Elections:

- Senate- last election held in October 2014
- Chamber of Deputies- last election held in October 2013
- President elected directly in nationwide elections for a 5-year term- last election held in January 2013
- Prime minister named by the president on the basis of election results. Based on the prime minister's proposal, the president then names ministers

Political Parties in the Chamber of Deputies:

- ČSSD- Czech Social Democratic Party (50)
- ANO 2011 (47)
- KSČM- Communist Party of Bohemia and Moravia (33)
- TOP 09 a Starostové – TOP09 and Mayors (26)
- ODS- Civic Democratic Party (16)
- Úsvit přímé demokracie – Dawn of Direct Democracy (10)
- KDU-ČSL – Christian-Democratic Union – Czechoslovak People's Party (14)
- Nonparty Members (4)

Source: Chamber of Deputies

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 has been one of the most economically developed region of the 10 nations which joined the EU in 2004.

1 GROSS DOMESTIC PRODUCT (GDP)

Real GDP increased in 2014 by some 1.4%. Nevertheless, 2015 should see steady economic recovery, predictions show some 2.7%. In 2016 the growth should be 2.5%. This year's and next year's growth should be founded on home demand by 2/3 and only by 1/3 on the increased foreign trade.

Source: Ministry of Finance

Consumption	2010	2011	2012	2013	2014
% (y/y)	0,7	-0,4	-2,1	0,6	2,0
from household % (y/y)	1,0	0,5	-2,7	0,1	1,9
Ratio Household/Government	-6,50	-0,67	-6,00	-	-2,3

Source: Czech Statistical Office

GDP per capita in purchasing power standard (EU28 = 100)					
	2010	2011	2012	2013	2014
Czech Republic	81	81	81	80	82
Poland	63	65	67	68	67
Slovakia	74	75	76	76	75
Germany	120	123	123	124	122
Austria	126	129	130	129	128
EU 28	100	100	100	100	100
EA 19	108	108	108	108	107
United Kingdom	108	105	104	106	109
United States	151	149	155	155	150

Source: Eurostat

GDP volume	2010	2011	2012	2013	2014
CZK Billion, Current Prices	3,790.9	3,823.4	3,845.9	3,883.8	4,266.1
GDP per capita	2010	2011	2012	2013	2014
CZK, Current prices	360,444	364,249	365,995	369,507	405,342
GDP, % y/y	2010	2011	2012	2013	2014
CZK, constant prices	2.5	1.8	-1.0	-0.9	1.4

Source: Czech Statistical Office

Income (CZK Billion)					
	2010	2011	2012	2013	2014
Net national income	2.785.509	2.845.430	2,815,372	2,913,191	2,892,493
Gross national income	3.505.956	3.565.877	3,560,995	3,792,730	3,797,896

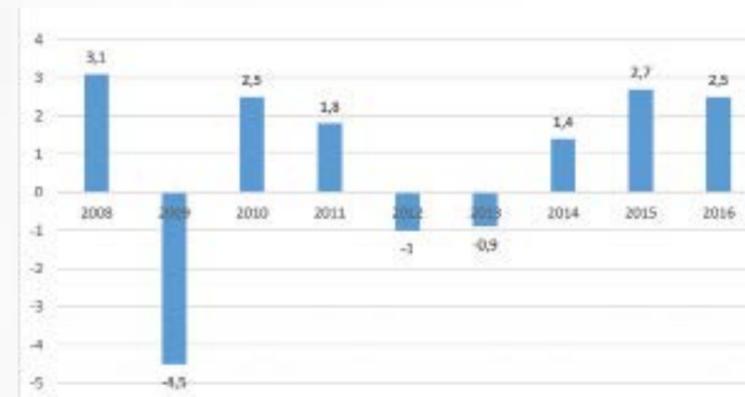
Source: Czech Statistical Office

GDP growth rate 2010-2014 (2015, 2016 prediction)

Year	2010	2011	2012	2013	2014	2015(prediction)	2016(prediction)
GDP growth rate	2.5	1.8	-1.0	-0.9	1.4	2.7	2.5

Ministry of Finance (Macriscal Prediction 2015-2016)

GDP GROWTH RATE 2008-2014 (2015, 2016 PREDICTION)



2. INFLATION

Czech National Bank and inflation targeting

- Czech National Bank adopted inflation targeting in 1998 to fulfill its primary objective of maintaining price stability.
- A headline inflation target of 2 % was set by the Czech National Bank from January 2010 until the country joins the euro zone. 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.
- Currently, the inflation rate is 0.4 % (May 2015). The CNB predicts a slightly higher level of inflation in the following quarters with the value slowly reaching the 2 % target.

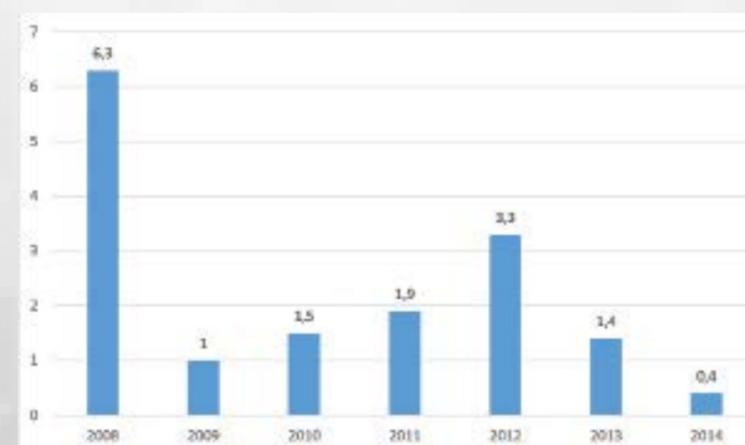
Source: Czech National Bank

Inflation rates 2008-2014

year	2008	2009	2010	2011	2012	2013	2014
inflation	6,3	1,0	1,5	1,9	3,3	1,4	0,4

Source: Czech Statistical Office

INFLATION RATES (% Y/Y) 2008-2014



3M



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HICP- Annual average rate of change in Harmonized Indices of Consumer Prices (HICPs)	2010	2011	2012	2013	2014
Czech Republic	1.2	2.1	3.5	1.4	0.4
Poland	2.7	3.9	3.7	0.8	0.1
Slovakia	0.7	4.1	3.7	1.5	-0.1
Germany	1.2	2.5	2.1	1.6	0.8
Austria	1.7	3.6	2.6	2.1	1.5
EU 28	2.1	3.1	2.6	1.5	0.6
EA 19	1.6	2.7	2.5	1.3	0.4
United Kingdom	3.3	4.5	2.8	2.6	1.5
United States	1.6	na	na	n/a	1.3

Source: Eurostat



“The Czech consumer price growth has continued to undershoot the CNB’s target in both 2014 and in early 2015. We assume the consumer prices to accelerate, which is likely to limit chance to see higher CNB’s EURCZK floor. However, the acceleration of consumer prices is likely to be gradual, which will avoid Swiss style exit from EURCZK floor during 2015. While we expect the consumer prices to accelerate as well in the Euro area, they are likely to remain in average subdued, which does not suggest the ECB will taper its asset purchase program before Sep-2016.”

Michal Nebeský, Citi Country Officer Czech Republic

3. INTEREST RATE

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“ (EURIBOR) 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: ECB

3 month interest rate, Monthly average (NSA)															
	01/14	02/14	03/14	04/14	05/14	06/14	07/14	08/14	09/14	10/14	11/14	12/14	01/15	02/15	03/15
EA19	0.29	0.29	0.31	0.33	0.32	0.24	0.21	0.19	0.10	0.08	0.08	0.08	0.06	0.05	0.03
Czech Republic	0.37	0.37	0.37	0.37	0.37	0.35	0.35	0.35	0.35	-	0.34	0.34	0.33	0.33	0.32
Poland	2.70	2.71	2.71	2.72	2.72	2.69	2.68	2.65	2.45	-	2.03	2.06	2.03		
United Kingdom	0.52	0.52	0.52	0.53	0.53	0.54	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56	0.56
United States	0.24	0.24	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.24	0.25	0.26	0.27

Source: Eurostat

2 Week Repo, Discount rate, Lombard rate			
	29 June 2012	1 October 2012	2 November 2012
2 Week Repo	0.50	0.25	0.05
Discount rate	0.25	0.10	0.05
Lombard rate	1.50	0.75	0.25

Source: Czech National Bank



“Almost two years after the Czech national bank (CNB) set its base rate at 0.05% to stimulate the Economy, several national banks in Europe have already been operating with negative deposits rates to support economic growth. Besides negative interest rates we have also noticed an increase of liquidity on each market in Europe. Taking into account low inflation, growth of liquidity, strong banking competition and the behavior of CNB, the situation of very low official interest rates will prevail until the end of 2016.”

Michal Brothánek, Executive Director of Institutional Banking, ČSOB

4. EXTERNAL TRADE

In the first quarter of 2015, exports increased by 7.2 % and imports by 8.7 % in comparison with the same period in 2014.

The largest external trade turnover was reached with developed market economies (82.1 %). A large part of them were member states of the European Union, whose share on external total trade turnover of the Czech Republic was 75.0 %. The most important trading partner for the Czech Republic is Germany, whose share on the turnover is almost 29.3 %, followed by Slovakia with 6.9 %.

Source: MPO

Balance of payment , million (CZK)	2010	2011	2012	2013	2014
Current Account	-146,644	-103,959	-51,291.6	-55,980.6	26,099.5
Current Account (millions of USD)	-7,601.5	-6,111.7	-2,547.9	-2,853	1,442.9
Trade Balance	53,826.3	90,323.1	148,633.5	188,028.7	441,867
Exports	2,175,097	2,409,328.1	2,596,886.3	2,653,020.9	3,617,091
Imports	2,121,271	2,319,005	2,448,252.8	2,464,992.2	3,175,224
Balance of Services	75,307.9	58,438.1	62,266.5	52,996.8	49,675.2
Capital Account	32,524.8	14,727.8	51,930.6	74,754.5	32,170.0
Financial Account	174,253.5	59,443.6	74,315.5	187,889.8	47,963.1

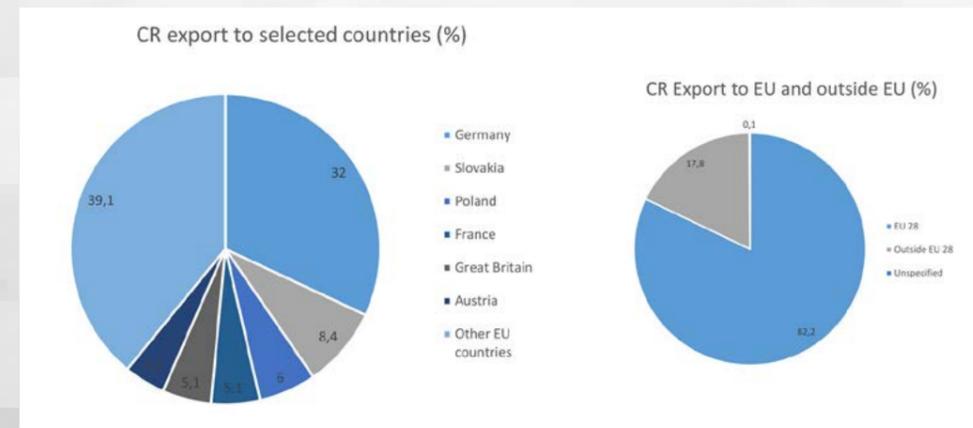
Source: Czech National Bank

Trade Product Breakdown 2014	Exports volume (CZKm)	Exports volume (previous year=100)	Share of exports %	Imports volume (CZKm)	Imports volume (previous year = 100)	Share of imports %
Plastics products	36,784	111.3	1.0	48,605	112.1	1.5
Chemicals and chemical products	21,119	109.1	0.6	43,068	108.4	1.4
Fabricated metal products, except machinery	183,532	110.9	5.1	130,461	114.9	4.1
Basic metals	104,312	99.3	2.9	137,803	103.9	4.3
Machinery, equipment for electricity production	103,775	114.9	2.9	108,139	118.6	3.4
Machinery, equipment for further industrial production	88,425	107.4	2.4	73,410	126.6	2.3
Machinery, equipment for industrial use	242,045	110.9	6.7	168,391	118.8	5.3
Computer, electronic and optical products	353,289	114.0	9.8	317,723	115.8	10.0
Motor vehicles, trailers and semi-trailers	681,358	121.3	18.8	283,137	121.6	8.9

Source: Czech Statistical Office

External trade			
External trade (in total)	2012	2013	2014
Export (CZK mil)	3,072,597	3,167,423	3,617,091
Import (CZK mil)	2,766,888	2,816,810	3,175,224
Turnover (CZK mil)	5,839,486	5,984,233	6,792,315

Source: Czech Statistical Office



Source: Czech Statistical Office



5. FOREIGN DIRECT INVESTMENT(FDI)

The Czech Republic is one of the most successful CEE countries in terms of attracting foreign direct investment. Over 173,000 Czech firms across all sectors are now supported by foreign capital. According to the Czech National Bank, a total amount of EUR 89,03 billion worth of FDI has been recorded since 1993 to 2014.

The introduction of investment incentives in 1998 stimulated a massive inflow of FDI into greenfield projects. The Czech Republic's accession to the European Union in 2004 and the amendments to the investment-incentives legislation have further boosted investment. According to an Economist Intelligence Unit database, 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.

In 2014, the FDI inflow reached almost 5,9 billion USD. Some 80% of the investment projects were aimed at expanding the already existing investments. The most important investors are Germany, the US, Japan, Switzerland, Austria, the Netherlands, the UK and Denmark. Most of the investments in 2014 flowed into automotive and machinery industries, followed by rubber and plastic production, food production, electronics, pharmacy and biotechnology.

Source: CzechInvest

Rating	S&P
Czech Republic	AA-
Slovakia	A
Poland	A-
Hungary	BB+

Source: <http://countryeconomy.com/ratings>

FDI Inflows (USDm)	2011	2012	2013	2014
EU28	466,019	238,525	250,263	211,096
Czech Republic	2,323	8,000	3,641	5,908
Slovakia	2,145	2,827	591	479
Poland	18,296	12,674	6,600	-
Hungary	6,315	14,393	3,099	4,039
Austria	10,628	4,144	10,374	4,675
Germany	59,372	13,208	20,292	-2,171
United Kingdom	41,799	59,567	47,672	72,280
United States	236,068	175,231	236,261	97,846

FDI Outflows (USDm)	2011	2012	2013	2014
EU28	595,569	231,864	248,588	268,815
Czech Republic	-328	1,794	4,021	-529
Slovakia	491	-74	-422	-123
Poland	5,886	7,361	1,488	-
Hungary	4,713	11,693	1,869	3,381
Austria	21,933	13,229	16,213	7,691
Germany	81,045	79,638	32,208	108,230
United Kingdom	107,791	29,033	-14,971	-59,661
United States	419,061	332,990	349,530	357,954

Source: OECD Statistics

Czech Republic: Inward Foreign Direct Investment by Industry, 2012-14					
	2012 (thousands EUR)	2012 (thousands USD)	2013 (thousands EUR)	2013 (thousands USD)	2014 (thousands EUR)
Nonmanufacturing					
Agriculture, hunting, and forestry	-29 108,1	-37 372,5	-11,933,1	-15 842,1	5 483,8
Mining and quarrying	10 725,7	13 771,0	67 149,9	89 146,5	-205 770,2
Electricity and gas supply	-223 751,5	-287 279,0	-1 843 386,4	-2 447 233,2	-739 629,4
Construction	-122 681,8	-157 513,6	-70 209,2	-93 207,9	114 052,3
Hotels and restaurants	-79 344,6	-101 872,1	-3 452,1	-4 582,9	-9 891,9
Transport, storage and postal services	2 027 405,0	2 603 025,3	-182 159,5	-241 830,4	-170 475,4
Financial intermediation	2 053 340,0	2 636 323,7	2 041 783,4	2 710 620,1	1 358 290,5
Real estate business activities	-279 343,2	-358 654,3	685 971,5	910 678,5	1 222 096,5
IT and communication services	-62 752,1	-80 568,7	-485 648,4	-644 734,5	177 196,0
Administrative and supporting services	-36 272,8	-46 571,4	1 510 912,2	2 005 848,8	-982 493,3
Innovation, development, technologies	-206 488,4	-265 114,6	1 010 976,1	1 342 146,3	1 902 052,3

Czech Republic: Inward Foreign Direct Investment by Industry, 2012-14					
	2012 (thousands of EUR)	2012 (thousands of USD)	2013 (thousands EUR)	2013 (thousands USD)	2014 (thousands EUR)
Manufacturing					
Food and tobacco	669 456,0	859 527,7	-61 347,0	-81 442,7	-139 997,3
Textiles, wearing apparel	25 734,7	33 041,3	13 277,9	17 627,4	25 465,8
Wood, paper and publishing	-15 091,1	-19 375,7	107 868,9	143 204,0	123 757,9
Refined petroleum and chemicals	205 318,9	263 612,9	52 704,9	69 969,7	226 957,7
Basic metals and metal products	-147 707,1	-189 644,1	124 327,4	165 053,9	393 792,1
Machinery and equipment	226 911,6	291 336,3	210 544,9	279 514,1	248 622,6
Other manufacturing	170 512,7	218 924,6	-187 036,1	-248 304,4	38 690,3
Motor vehicles	1 725 207,8	2 215 028,3	226 974,6	301 325,8	709 512,8
Other transport equipment	14 577,6	18 716,5	67 668,5	89 835,0	60 683,8

Source: Czech National Bank

6. BANKING & FINANCE

The Czech National Bank acts as an independent central bank in setting interest rates and supervising financial markets and the banking sector. Further information at 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, Citibank, Commerzbank, Československá obchodní banka, GE Money Bank, ING Bank, Raiffeisenbank, The Royal Bank of Scotland, UniCredit Bank and others.
- Net profit of the banks exceeded CZK 63.46 billion in 2014, which is a slight increase compared to 2013.
- The total assets of the Czech banking sector stood at CZK 5,311 billion at the end of 2014. Loans to residents are the predominant asset item. Their volume reached CZK 3,145 billion. Deposits of residents, which are the most important item among banking sector liabilities, totaled CZK 3,428 billion.
- The Czech banking sector has remained well capitalized and has not required any public aid. The average sector capital adequacy ratio has also been at healthy values.

Source: Czech National Bank

Market of Shares/Trade Value	2013	2014
Total Trade Value (CZK bn)	174.7	153.49
Average Daily Trade Value (CZK m)	698,96	613.95
PX index	989,0	946.71
Number of Issued Shares (mil. pieces)	26	23
Total Trade Value of bonds (CZK bn)	1.93	8.23
Number of issued bonds (Total Trade Turnover CZK bn)	110	116

Source: Prague Stock Exchange

Shares – Trade Turnover / Issues of shares with the highest total trade turnover in 2014			
Rank	Issues	Values (CZK m)	Share (in %)
1.	ČEZ	60 395,271	39,35
2.	Komerční banka	40 394,274	26,32
3.	Erste Group Bank	27 619,597	17,99
4.	O2 Czech Republic	15 489,484	10,09
5.	Philip Morris ČR	2 458,005	1,60

Source: Prague Stock Exchange

Number of Banks (2014)	
Czech-owned Banks	8
Foreign owned Banks	15
Branches of foreign Banks	22
Total	45

Source: Czech National Bank

McKinsey&Company



Capital Adequacy Ratio (CAR)

	12/2013	03/2014	06/2014	09/2014	12/2014
Capital adequacy ratio (%) and CNB's outlook	17.22	16.99	17.39	17.50	17.19

Source: Czech National Bank



” The local banking sector still has sufficient capital and liquidity and- as a result of its health- it is increasingly competitive, from which clients ultimately benefit. This trend is set to continue also this year; we expect that lending in the Czech Republic will accelerate as conditions offered by banks and the general economy improve.”

Martin Urban, Head of Client Coverage, ING

7. GLOBAL COMPETITIVENESS INDEX

Global Competitiveness Index

	Rank (out of 144)	Score (1-7)
GCI 2014-2015	37	4.5
GCI 2013-2014 (out of 148).....	46	4.4
GCI 2012-2013 (out of 144).....	39	4.5
GCI 2011-2012 (out of 142).....	38	4.5
Basic requirements (20.0%)	39	5.0
Institutions.....	76	3.8
Infrastructure.....	41	4.7
Macroeconomic environment.....	40	5.4
Health and primary education.....	37	6.2
Efficiency enhancers (50.0%)	34	4.6
Higher education and training.....	35	5.0
Goods market efficiency.....	50	4.5
Labor market efficiency.....	62	4.3
Financial market development.....	44	4.5
Technological readiness.....	36	5.0
Market size.....	42	4.5
Innovation and sophistication factors (30.0%)	36	4.1
Business sophistication.....	35	4.5
Innovation.....	39	3.7

Stage of development



” I believe that if the Czech Republic want to address several challenges connected to competitiveness, we need accelerate solid and trustworthy implementation of eGovernment because smart use of modern technologies can help achieve higher transparency and efficiency as well as better accessibility of public administration for citizens and businesses. It has been proven many times that use of open and big data drives growth and helps address many economic and societal issues.”

Biljana Weber, General Manager, Microsoft

8. TAX SYSTEM

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 collective investment funds, to pension funds 0%. Withholding taxes on income of non-residents <p>For example:</p> <ul style="list-style-type: none"> Dividends 35/15/0% Interest 35/15/0% Royalties 35/15% Operating lease rentals 35/15% Finance lease rentals 35/5% <ul style="list-style-type: none"> The withholding tax rates may be reduced by double tax treaties (see the list overleaf). Payments to persons resident in a country with which the Czech Republic has not concluded a double tax treaty or an agreement for the exchange of information are subject to the 35-percent rate. Withholding tax normally becomes payable when the payer of the income accounts for the liability Persons from EU and EEA countries who receive income subject to withholding tax (except for dividends) may either apply the withholding tax as a final tax, or file a tax return including expenses and deduct the withholding tax from the final tax liability.
Personal Income Tax	<ul style="list-style-type: none"> Personal income is subject to a flat tax rate of 15 %. The tax base for employees is calculated as the gross salary increased by the employer's health insurance and social security contributions. Employment and/or business income in excess of 48-times the average wage (annual income of CZK 1,277,328 in 2015) is subject to 7 percent solidarity tax.
Value Added Tax	<p>There are three VAT rates:</p> <ul style="list-style-type: none"> Standard VAT rate 21 percent – most products and services Reduced VAT rate 15 percent – basic foodstuffs, certain pharmaceutical products, newspapers, certain medical equipment, heating, social housing Reduced VAT rate 10 percent – essential baby nutrition, certain pharmaceuticals, books, mill products and other products suitable for a gluten-free diet
Real Estate Tax	<ul style="list-style-type: none"> The tax on buildings is based on the area of land occupied. The rates range from CZK 2 to 10 for buildings. Increased rates apply in certain circumstances. Real estate tax on agricultural land is 0.75 percent of the deemed value. Special rates apply for forests, lakes and ponds. For other types of land, the tax is based on the area; the rate is CZK 2 per square metre for building land, CZK 5 per square metre for improved land surface used for business and CZK 0.20 per square metre in other cases. Real estate tax is deductible for corporate income tax purposes.
Tax on the Acquisition of Real Estate	<ul style="list-style-type: none"> This tax is payable by the seller of real estate unless the parties agree that it will be paid by the buyer. The rate of tax is 4 percent of the higher of the sale price and the reference value of the property.
Energy Taxes	<ul style="list-style-type: none"> Energy taxes apply to natural gas and other gases, electricity and solid fuels. Only supplies of these products delivered within the Czech Republic are subject to energy taxes. There is a wide range of exemptions (e.g. for energy used in metallurgical or mineralogical processes). In order to claim an exemption, approval needs to be obtained from the customs authority.
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 is generally payable by the operator of a vehicle registered in the Czech Republic. The tax rate varies from CZK 1,200 to CZK 4,200 in the case of passenger vehicles and from CZK 1,800 to CZK 50,400 in the case of other vehicles.
Inheritance and Gift Tax	<ul style="list-style-type: none"> There are no gift and inheritance taxes as of 1 January 2014. Gifts are subject to income tax except for those between close relatives.

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Retirement Age

- For people born between 1936 and 1977 there is a special enclosure to the Pension law specifying the retirement ages depending on gender, year of birth and until year of birth 1975 for women also on number of children. For people born in 1977 unification of retirement age for men and women occurs firstly. For example, the retirement age for people born in 1977 is 67 years for both men and women (irrespective of the number children). Nevertheless, the law contains also provision with rules for calculation of the retirement age for the people born after 1977.
- Both men and women can claim early retirement. If the retirement age is lower than 63 years, the early pension can be granted 3 years earlier. If the retirement age is at least 63 years or higher, it is possible to request early pension 5 years earlier (but not sooner than at 60 years).
- Individuals can claim retirement benefits on the condition of having worked for at least 25 – 35 years depending on the year of achieving the retirement age.

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Central Government Budget for 2015

- The total budgeted expenditure for 2015 is CZK 1,218.4 billion.
- The total budgeted revenue for 2015 is CZK 1,118.4 billion.
- The resulting budget deficit is CZK 100 billion.

Source: Ministry of Finance

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.
- Employers are obliged to pay salary to employees for the first 14 days of illness. Statutory sick pay is paid from the 15th day.
- The effective tax and social security rate for a person who is subject to Czech social and health insurance earning CZK 1,270,000 (EUR 46,000) per year is 29 percent.
- There is an annual cap on the calculation base for social security equal to 48-times the average wage (CZK 1,277,328 in 2015). No cap applies health insurance.

Mandatory Contributions to Social Security Scheme (%)			
Insurance Type	Employer portion	Employee portion	Self-employed
Social:			
Pension insurance fund	21.5	8.5	30.0
Sickness insurance fund	2.3	0	2.3
Employment insurance	1.2	0	1.2
Health			
Total (%)	34.0	13.0	47.0

Tax base for self-employed persons

Self-employed persons cannot deduct social security and health insurance contributions from their tax base. They can apply lump sum deductions instead of claiming actual expenses in the range of 40–60 percent (80 percent for farming activities). However, in some cases the amount of the deduction is limited.

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9. LABOUR MARKET

Unemployment rate					
Year	2010	2011	2012	2013	2014
Unemployment rate	7.40	6.77	7.37	8.17	7.7

Source: Czech Statistical Office

Structure of employment and average wages by selected sectors (NACE Classification) 4Q 2014	Monthly avg. wage in CZK	Employees (thousands)
Finance and insurance	52,387	70.8
IT & Telco	48,220	97.4
Energy	29,841	30.2
Research & Science	31,501	152.6
Public sector service	26,174	275.3
Education	23,129	273.7
Health care	24,398	270.1
Construction	21,323	198.5
Wholesale, Retail, maintenance of vehicles	23,114	479.7
Transportation & Storage	23,316	237.2
Manufacturing	24,662	1,048.0

Source: Czech Statistical Office

Average monthly wage 2013–2014	Avg. wage (in CZK)
Q1 2013	24,013
Q2 2013	24,917
Q3 2013	24,778
Q4 2013	26,591
Q1 2014	24,806
Q2 2014	25,492
Q3 2014	25,231
Q4 2014	27,200

Source: Czech Statistical Office

Employment Law

Employment of foreigners

Foreign employees (other than EU nationals and their relatives) who intend to perform working activities for a Czech employer, either on the basis of a direct employment contract or secondment, require relevant documentation. In case of an employee on a Czech work contract a work permit (issued by a local labour office) and a visa (issued by the Czech embassies) or a employee/blue card (issued by the Czech Ministry of the Interior) are required. In case of a seconded employee a work permit (issued by a local labour office) and a visa (issued by the Czech embassies abroad) or a residence permit (issued by the Czech Ministry of the Interior) are required.

Employment relation

Czech legal entities can employ Czech nationals mainly 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. However, choice of foreign law may not have the result of depriving the employee of the protection afforded to him by mandatory provisions of the Czech labour law. Employment can be terminated on the basis of written agreement of both the employer and employee. The employee may terminate by written notice for any reason or without giving a reason. The employer can serve termination notice in writing exclusively based on reasons that are set out in the Labour 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. A probation period of three months for regular employees and of six

months for managing employee (unless a shorter period is agreed) can be agreed upon in the employment contract. During the probation period, both the employer and the employee may terminate the employment relationship in writing for any reason or without stating a reason. Employment can be also terminated on the basis of written immediate termination for a serious breach of duties.

Selected aspects of employment

The minimum working week is 15 hours, maximum working week is 40 hours; the minimum salary is CZK 9,200. 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. The employer is not obliged to pay premium or provide time off instead of paying the premium, if the salary reflects any potential overtime. This must be concluded in the agreement with the respective employee. Such an agreement may be concluded with managerial employees for all of their overtime work (i.e. 416 hours per year) and with other employees (i.e. blue-collar workers) for up to 150 hours of overtime per year. A non-compete obligation can be agreed between the employee and employer under the terms set out in the Labour Code. Further, under certain circumstances, employers and employees are allowed to conclude repeated fixed-term labour agreements. These changes particularly favour companies that depend on seasonal workers including, for example, those operating in the construction, agriculture and tourism sectors.

Revised by PwC

10. IT & TELCO

Telecommunication in 2014 (%)	
Households with personal computer	72.4
Households with internet connection	72.8
Households having broadband connection	70.2
Households with mobile phone	98.2

Source: Czech Statistical Office

Most frequent types of internet connection in 2014	%
Wi-Fi	35.2
TV Cable	15.8
ADSL	15.5
Dial-Up, ISDN	2.6

Source: Czech Statistical Office

Situation in the Industry

- The digital and telecommunications infrastructure (especially NGA networks) is the basic building block of modern information society and digital economics.
- The Czech Republic lags behind Western and Eastern European countries in many parameters of digital maturity and NGA infrastructure; although the Czech economy has been growing rapidly the Czech Republic is losing momentum in the medium and long term perspective when the digital services will be the driving force of the economy (source: EU Digital Agenda, Scoreboard).
- According to the Czech Statistical Office (CSO), the number of households with the Internet access increased by 1.6 percentage points to 67% between 2012 and 2013; the increase of penetration of households with the Internet thus slowed down (3.7 percentage points between 2011 and 2012 and 5.7 percentage points between 2010 and 2011).
- According to the data from the Czech Telecommunication Office (CTO), the number of active SIM cards was about 14 million at 31 December 2014, compared with the previous year 2013 an increase of the total number of active SIM cards is expected by approximately 1.8%. The CTO estimates the number of active post-paid SIM cards to be 9 million, the number of active pre-paid SIM cards to be 5 million (source: Annual Report of the Czech Telecommunication Office for the year 2014).
- The total number of users is growing only slightly; the users rather switch from one service provider to another, newly to virtual operators, and there are also switches among virtual operators; the number of SIM cards used for M2M (machine to machine) services is an aspect that has been strengthening its importance.
- The number of virtual operators has exceeded one hundred (86 MVNOs and 17 brand resellers); we expect consolidation of their number in the Czech market (departure from the market when an unrealistic business model fails) and a growth of the volume of originated minutes; the virtual operators' share in the number of SIM cards equals to 5.6%, of which a half is formed by brand resellers.
- The number of SMSs sent increased by 7.9% and the number of actual air time minutes increased by 8.4%. The called minutes increased to 19.7 billion, the SMSs sent equalled to 9.6 billion.
- The average price of mobile calling in the Czech Republic decreased by about a fifth to CZK 1.28 per minute in the first half 2014 (source: CTO 2015); the decrease was caused by greater demand for voice services by households due to the unlimited tariffs.
- The most decrease of average price of calling was recorded by Vodafone, by about 25% to CZK 1.26 per minute (source: CTO 2015).
- In 2014 (as in 2012 and 2013, source: CTO 2015), the significant increase of the realized data traffic constituted a material factor of the retail market growth; we expect deepening of this trend and an increase of the volume of data traffic also in 2015/16, particularly in connection with further development of services in the LTE networks.
- The LTE network expanding is the main driving force of the growth in the number of users of mobile Internet connection, an increase from 5 to almost 6 million users represents the growth by 22% (source: CTO 2015).
- The mobile market is still considered to be consolidating, particularly thanks to further mergers and acquisitions of companies that operate networks and provide electronic communications services. In August 2013, O2 and T-Mobile, two largest mobile operators, agreed to share their 2G and 3G mobile networks, and in spring 2014, they extended their agreement to LTE networks. At the third operator's request the agreement was reviewed by the Office for the Protection of Competition and it is currently examined by the European Commission.
- A split of O2 into two companies will be the biggest change in the Czech market in 2015. One of them will be O2 that will be providing services to end customers, the other will be a newly formed infrastructural company called CETIN that will own and manage fixed and mobile networks and data centres.

Network

- Already in 2013, the mobile operators launched operation of new LTE networks (also known as 4G networks) on frequencies in the 1800 MHz band. In autumn 2013, Vodafone launched a project of covering the whole country, and especially rural areas, with LTE services on frequencies in the 900 MHz band, commercially designated as the „Turbo Internet“, and covered 96% of the population with LTE by the end of 2014; thereby Vodafone caused a live response among customers and competitors in the mobile data market, which is reflected in the material growth of using mobile networks at the expense of other technologies (increase of the share of mobile networks by 19%, i.e. 3.5 percentage points) from 18.3% in 2013 to 21.8% (source: CTO 2015).
- Within the EU funds, a support of investments in the broadband development in the amount of CZK 14 billion is planned for the fiscal period 2014- 2020; in the middle of the year 2015, the Czech Republic has not fully cleared up the details of drawing this support yet; we also record significant delays in the process of implementation of the European Directive on measures to reduce the cost of deploying high-speed electronic communications networks (EU Cost Reduction Broadband Directive), which aims to increase the efficiency of infrastructure (e.g. by coordinating the excavation), and in particular to reduce administrative burdens to the deployment.

- The objectives of the Government program Czech Digital 2.0 has two basic parameters: to cover the entire population of the Czech Republic with high-speed broadband Internet with the speed of at least 30 Mbs, and at least 50% population with the minimum speed of 100 Mbs; the current figures (source: EU Digital Agenda Scoreboard) show that 24.0% Czech households was covered in the first category in June 2014 (i.e. 76.0% households still remain to be covered according to the Digital Agenda objectives) and 4.51% was covered in the second category (i.e. 45.49% households still remains to be covered, which means 91.0% households according to the Digital Agenda objectives). The development trends do not indicate that the Czech Republic would be able to meet these objectives in the existing legislative and administrative situation.

Legislation

- In February 2014, the so called Husak's amendment of the Electronic Communications Act came into force which introduced much broader information obligation and significantly strengthened the position of users, especially in the area of fixed-term agreements where it has introduced the option to terminate an agreement before the agreement term expiry with maximum possible contractual penalty in the amount of one fifth of the remaining monthly fees. Already in 2014, this amendment was reviewed by the new Parliament that reduced both the information obligation to the reasonable level and also exempted legal entities and natural persons- entrepreneurs from the protection against the contractual penalty.
- The telecommunications disputes on financial performance still remains within the responsibility of the CTO. Based on the Government's decision to forward these disputes to the courts, a working group was established which deals with the process of changes on the platform of the Ministry of Industry and Trade. Its time perspective aims to the year 2017. Small/petty case disputes (disputes up to the performance of CZK 10,000) are still under pressure of reducing the possibility to apply the lawyers' costs in full, and thus they hamper their future enforcement and undermine the equal relationship between debtors and creditors.
- On 1 January 2015, the Cyber Security Act came into force. We expect the first effective impact on the private sector in June 2015 when identified critical infrastructure undertakings will be invited to introduce measures and processes under the Cyber Security Act. The critical infrastructure should include all national mobile operators, major banks and energy companies. These companies will have to fulfil the obligations imposed on them by law within one year.
- There are two legislative measures that are important for the development of digital infrastructure and should lead to more radical development of the data networks: implementation of the Broadband Cost Reduction Directive and the national Linear Structures Act. Generally, both these regulations deal with lowering barriers to the deployment, whether within the framework of the European financial support or outside the framework of drawing the EU funds. The Czech Republic unfortunately still has not taken steps to radical equalization of the legislative approach to the traditional robust infrastructure (energy, water, logistics) and the sophisticated data infrastructure (metallic and optical information networks), and thus it deprives itself of the possibility to effectively utilize the emerging growth of the digital economy and the ability to attract national, public and foreign investments in the digital development.

Telecommunications Policy in EU and CR

- Intensive negotiations on the final form of the measures within the framework of the Telecom Single Market Package and the Digital Single Market Package have been held within the EU. The first legislative package, which focuses on the single telecoms market, has reduced to two topics after a series of debates- roaming and network neutrality. It will be critical for further development of the telecommunications how possible European harmonization of the spectrum distribution will be carried out the effects of which would enable efficient investments and their increase from the perspective of multinational companies.
- The Czech Republic is still lagging in the field of telecommunications and the digital agenda. Despite proclamations of the Government there is no sufficient support of the broadband development and the objectives of the Czech Digital 2.0 programme have not been met, in spite of planned benefits of the whole agenda. Introduction of the platforms for using digital technologies, such as eGovernment, eHealth, mHealth, ePrescription, telemedicine etc., is not at a sufficient level and there is no will of the Government institutions to assume responsibility for these issues. Activities of the Parliamentary Committee on Economic Affairs and its cooperation with professional associations and interest groups are the only one exception.

Revised by Vodafone



“It is critical for the Czech Republic to create and develop pro-competitive and pro-investment environment. The situation where the responsible officials do not do so is very critical. We have a unique opportunity to draw funds for the development of digital infrastructure, which gives us the foundations for accelerated growth of the digital economy that will be an important driving force of the national economy in the near and distant future. The Czech Republic is still able to reduce barriers to the deployment of infrastructure to attract significant and massive investments in the telecommunications. The Czech Republic is not always following pro-competitive and pro-investment regulation of the telecommunication market; examples might be limited access to fixed broadband infrastructure resulting in low penetration of ultra-fast fibre access to internet and insufficient intervention where market is distorted, e.g. the excessive form of the network sharing between O2 and T-Mobile. The Czech Republic is a knowledge economy which needs a sufficient digital infrastructure for export of talents and expert skills. We also need to realize and implement a wide range of e-solutions that will make our lives easier, more efficient and more enjoyable. We are prepared to intensively cooperate in this task with the Government, legislators, regulatory authorities, ministries and industry associations.”

Balesh Sharma, CEO, Vodafone Czech Republic a.s.



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11. LEGAL & BUSINESS

Czech Legal System

- The Czech legal system is a civil law jurisdiction pertaining to the continental legal system.
- As the Czech Republic is a Member State of the European Union, EU law forms part of the Czech legal system.
- The New Civil Code, Act on Business Corporations and related legislation became effective on 1st January 2014. They represent the biggest legislative change in Private Law in over 20 years. The Act on Business Corporations aims to modernize the regulation of Czech corporate law, and thus it introduces numerous new possibilities to the Czech corporate legal system. At the same time, the new legislation does not change the legal forms through which business may be conducted in the Czech Republic.

Business Presence

- Both natural persons and legal entities may engage in business 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.
- As of July 1, 2011 there are no limitations of acquisition of real property by foreign legal entities and individuals.

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; only the joint-stock company must fulfil the minimum capital requirements.
- A joint-stock company can be set up by one or more legal entities or individuals. The minimum share capital requirement is CZK 2 million or EUR 80,000, if the joint-stock company keeps its accounts in EUR. As from January 1, 2014 the bearer certificated shares are not allowed.
- A limited liability company can be set up by one or more legal entities or individuals. There is no requirement for the minimum amount of registered capital; however, each shareholder is required to contribute at least CZK 1.
- As from 1 January 2014, it is possible for a limited liability company with a sole shareholder to be a sole shareholder of another limited liability company (i.e. previous ban on chaining of limited liability companies has been abolished). The registered capital of such sole-member company must be fully paid up before the registration into the Commercial Register.
- Under the new legislation, there is no longer an obligation for joint-stock or limited liability companies to establish a reserve fund.

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 within the scope of activities registered in the Commercial Register takes effect upon registration of such entity or its branch 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.
- Court fee for the registration of a joint-stock company is CZK 12,000 and for the registration of a limited liability company is CZK 6,000.

Trade licensing / Business authorization

- A trade license authorizes the legal entity or foreign entity acting through its branch or a foreigner 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, e.g. 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 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 5 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. Also, compensation of costs is limited in so-called petty cases (where the subject of the dispute is of a relatively insignificant value).
- 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 courts or by (private) executors. The Czech Republic is a party to the "New York" Convention on the Recognition and Enforcement of Foreign Arbitral Awards.
- Parties to a contract may agree on a choice of law.
- Parties to commercial disputes may generally 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 resolved by arbitration (nevertheless, arbitrability of consumer disputes is limited and such disputes are subject to strict rules). The only permanent arbitration court in the Czech Republic 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 based on the amount in dispute.
- Parties to property disputes may also generally opt for an ad hoc arbitration proceedings, e.g., arbitration pursuant to the UNCITRAL Arbitration Rules, or any foreign arbitration court.
- The Czech Republic is a party to a large number of bilateral investment treaties and it is also a party to the "Washington" Convention on the Settlement of Investment Disputes between States and Nationals of Other States.

Competition Law, Public Procurement, Investment Incentives

- The central authority of state administration in the field of competition and public procurement is the Antimonopoly Office.

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 not to 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. 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.

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 on the government's agenda. As of 1 April 2012, detailed reasoning of the purpose of the public tender, qualification and assessment criteria as well as most public procurement contracts must be publicized on the particular public authority's internet profile. In addition, state contracts over CZK 300 mil. have to be approved by the Government. The Office for the Protection of Competition is the superior state authority that supervises the process of public contracts granting (control, assessment of objections and possible imposing fines on specific breaching the law). In connection with recent adoption of the new EU public procurement directives, a new public procurement act is being currently prepared by the Czech Government; the new legal regulation should become effective in April 2016 at the latest.



”The focus of the new legislation, that is currently being prepared, is to lower the administrative burden for contracting authorities, which certainly is a plus. However, quick and easy, uncomplicated public procurement does not always mean high-quality public procurement. On the one hand the law should contain flexible and clear rules. On the other hand it should require as high publicity and transparency of procurement as possible. This is the only way to ensure fair competition and equal access to public procurement for suppliers, as well as effective spending of public funds.”

Magdalena Soucek, Managing Partner, EY

Investment Incentives

- Investment incentives (e.g. tax allowance) may be granted pursuant to the Investment Incentives Act to the investors investing in manufacturing industries.
- Companies considering an investment in the Czech Republic, regardless whether in form of establishing a new entity or expanding their current business, may also take into account the possibility of direct subsidies for strategic investment projects in form of manufacturing industry projects or technological centres. The following criteria must be met in order to qualify as strategic investment project:
 - Manufacturing industry projects – investment in the amount of at least CZK 500 million (approx. USD 25.3 million), out of which at least CZK 250 million must be spent on machine equipment and at least 500 new jobs must be created
 - Technological centres (focused on research and development) – investment in the amount of at least CZK 200 million (approx. USD 10.1 million), out of which at least CZK 100 million must be spent on machine equipment and at least 120 new jobs must be created
 - Strategic services centres (i.e. centres for creation of software, repair centres and centres for shared services involving at least 2 states).
- Provided that these requirements are met and the project is approved by the Czech Government, the investors may claim up to 5 % of their investment costs in form of a direct subsidy (certain limits apply). Under specific circumstances, it is possible to claim even up to 7 % of the investment costs.

Revised by Weinhold Legal

12. REAL ESTATE

Sector Yields (%) Trends			
Offices	6.00		↘
Retail	5.25		→
Warehouses	7.00		↘

Source: JLL

Office space

- In 2014, Prague office stock reached another milestone by exceeding 3 million m2 mark. Currently the office stock stands at 3,058,313 m2. New built space continues to increase its share, reaching 74.5% of the total. The remaining 25.5% are quality refurbishments.
- The highest rents achieved in prime office buildings in the city centre declined due to a strong competition to its current range of 18.5 – 19.5 €/m2/month. Q1 vacancy rate in Prague increased significantly by 1.75 percentage points to its current level of 17.06% which represents the highest level ever recorded on the Prague market. The vacancy rate is forecasted to increase further throughout this year due to strong, mainly speculative supply and physical relocations of existing tenants. Over the past two years, the vacancy rate has been increasing mainly in lower quality buildings. Despite new completions being mostly A class schemes, the vacancy rate of A class stock has been oscillating below the average vacancy level since 2012. As net-take-up is driven mainly by relocations of tenants within the current stock into modern premises, trend of increasing vacancy in lower quality schemes is expected to continue.
- There is currently ca. 204,000 m2 of office space under construction. Out of this number, approximately 147,200 m2 is scheduled for completion in the remainder of 2015. Overall, almost 182,000 m2 of offices are expected to be completed in the course of 2015 which represents the strongest yearly supply since the record year of 2008. In 2016, office supply is expected to drop to a level of approximately 50,000 m2 which could lead to stabilisation of vacancy rate with potential decline.

Retail

- By the end of Q1 2015, the combined retail stock in Prague stood at approximately 1,026,000 m2; with shopping centres accounting for 857,000 m2. In spite of new completions delivered during 2014, the development pipeline remains limited. One of the largest current developments in the pipeline includes an extension of Centrum Chodov with construction works starting already for an additional 35,000 sq m. The scheme should be completed in 2017. The overall shopping centre vacancy rate in Prague remains low reaching approximately 3.5%.
- The Czech Republic together with Poland remains the most sought after retail markets in CEE. It registers healthy retail demand which is focused on Prague, its high street and the best performing shopping centres with proven track records. In respect to luxury retail, Prague remains one of the top spots for retailers in Europe. For the vast majority of new markets entries, franchising remains the preferred business model. The Golden Cross and Pařížská Street remain high on retailers' shopping lists, whether established or entering the market. Mainstream brands are actively monitoring Na Příkopě or the lower part of Václavské náměstí, whilst luxury brands remain faithful to Pařížská.
- Prime shopping centre rents in Prague increased to a level of €100 m2 / per month (for a 100 m2 unit). Prime High Street rents in Prague are stable at a level of €180 m2 / per month. However, demand levels, combined with an undersupply of suitable space, are in favour of a rental increase.

Industrial

- At the end of Q1 2015, the total modern A-class industrial stock (owned by developers and investors) in the Czech Republic stood at 5.1 million m2. The largest markets include Greater Prague, Brno, Pilsen and Ostrava, closely followed by the Central Bohemian region, with its industrial centre in Mladá Boleslav.
- New supply for Q1 2015 amounted to 40,000 m2 when three new schemes were delivered to the market. These include the first fully speculative development since 2009, a 30,000 m2 warehouse built in a brand new logistics park, Prologis Park Prague Airport. It is expected that with the improving economic situation in Europe, the share of speculative development on the market will gradually increase.
- The total space under construction reached nearly 400,000 m2 at the end of March 2015. More than 90% of the space under construction is being built for a specific tenant. The largest project remains to be Amazon's distribution warehouse of 133,000 m2 near to Prague Airport.
- During the first three months of 2015, the vacancy rate in the Czech Republic decreased both quarterly (-44 bps) and annually (-84 bps) and is currently at 7.8%. In Prague, the vacancy rate increased by 74 bps on a quarterly basis to 8% as a result of the delivery of the first fully speculative development on the market. Year-on-year it registered a decrease of 94 bps.
- In Q1 2015, prime headline rents in Prague remained stable at €3.80- 4.25 m2 / month. Prime rents in the Brno region are also stable at €3.90- 4.25 m2 / month. Built-to-suit developments command higher rents than those quoted, especially when situated in locations with limited competition.

Residential

- In 2014, the trend of subdued new development has ended with over 5,300 apartments being commenced in Prague. This represents an approximate 30% increase compared to 2013 and moreover almost 44% increase compared to last 5 years' average. Currently, there are more than 6,600 apartments under construction in Prague, with completion expected mainly in 2015. Prague 9 and Prague 10 are dominating these statistics with almost 43% of all apartments under construction being located in these two districts.
- In 2014, we have recorded the completion of 4,073 units in apartment buildings and villa houses in Prague which is almost the same result as in 2013. Majority of all completed units has been delivered to Prague 10, Prague 9 and Prague 5 which have altogether recorded ca. 73% of all completed apartments in 2014.
- Record low interest rates for mortgages in the past few years were mirrored by increasing sales on the residential market. The trend of increasing demand from the past few years, continued throughout 2014 as well. In total, 5,750 units were sold in new apartment buildings and villa houses over the whole 2014, representing a 7.4% increase compared to 2013.
- At the end of the year there were 6,100 apartments available on the market. The largest increase was recorded within projects under construction. On the other hand the available units in completed projects are further declining as well as apartments in pre-sale phase.
- At the end of 2014, the average price of all new developments in Prague was at CZK 50,477 per m2 of inner area (excl. VAT). The range among the districts is obviously relatively wide and the district average price levels range from CZK 44,006 per m2 of inner area (excl. VAT) in Prague 10 to CZK 144,500 per m2 of inner area (excl. VAT) in the city centre. The most expensive projects then target prices over CZK 200,000 per m2 while, on the other hand, the cheapest residential projects can be found at a level below CZK 30,000 per m2.

Source: JLL



” Czech Republic is reporting an outstanding 3.9% GDP growth y-o-y in Q1 2015, surpassing all major European cities. This economic stimulus reflects directly on the real estate market where Czech continues to be a very competitive European **investment destination** delivering excellent risk geared returns and is set to improve on growth figures up to 2020. In the **industrial sector**, the Czech Republic offers one of the most developed industrial markets in Europe with a total modern industrial stock at 4.9 million sqm. The modern **office** stock in Prague at the end of 2014 surpassed the milestone of 3 million sqm and over 180,000 sqm of office stock is expected to be completed throughout 2015. Last but not least, Prague is the 14th most attractive European location for international **retailers** according to the JLL’s Destination Europe 2015 report, where it has outperformed cities such as Vienna, Brussels, Frankfurt or Zurich and is the first among CEE cities.”

Tewfik Sabongui, Managing Director, JLL

13. ENERGY

Energy market

- The Czech electricity and gas market is fully liberalized. All households and companies are eligible customers with the right to select their own electricity and gas supplier.
- Power electricity and gas prices in the Czech Republic are strongly influenced by the price level in Germany.
- Decline in the installed capacity of fossil fuel plants due to ending life time will require new investments in conventional generation capacity.
- Highly subsidized renewable sources in the Czech Republic and Germany which have also minor operating costs triggered persistent low market prices of power electricity. This creates a difficult market situation for investments into the new traditional generation capacities.

Expected trends

- Adoption of EU legislative enabling a drop in the support for renewable sources to offset the consequences of subsidies and thus improve the market conditions for traditional sources companies.
- The motivation for new investments into traditional energy sources will be probably solved by restructuring of the energy market and introduction of a new compensation mechanisms such as capacity payments.
- Increased regulatory powers in respect of market transparency and the monitoring of transactions with energy commodities and their derivatives.
- Projects increasing energy efficiency may be co-financed by the government subsidy programs from 2015 onwards in order to comply with the directive EU 27/2012 concerning energy efficiency. Government has prepared up to 100 billion CZK until 2020 for this program.

Source: EY

Structure of Energy Production (%)	2012	2013	2014
Thermal	53.97	51.38	57.4
CCGT + SCGT	5.06	6.05	0.1
Hydro	3.38	4.32	4.3
Nuclear	34.63	35.31	35.3
Wind	0.48	0.55	0.5
Solar	2.48	2.37	2.4

Source: Czech Statistical Office

Structure of renewable electricity production 2011-2014 (%)	2012	2013	2014
Hydro	26.7	29.6	29.8
Wind	5.2	5.2	5.25
Solar	26.7	21.9	22.2
Biomass	22.6	18.0	18.23
Biogas and Landfill gas	18.5	24.2	24.46

Source: Czech Statistical Office

Annual electricity consumption among industry sector 2012-2013	2012 (GWh)	2012 (%)	2013 (GWh)	2013 (%)
Industry	5.2	5.2	5.25	33.61
Energy Industries	12,571	17.84	12,213	17.40
Transportation	3,151	4.47	3,294	4.69
Construction	349	0.50	326	0.46
Agriculture	1,240	1.76	1,216	1.73
Households	14,609	20.74	14,732	20.99
Services	6,674	9.47	6,831	9.73
Others	11.43	11.06	7,978	11.36
Total	70,453	100.00	70,177	100.00

Source: Czech Statistical Office

Electricity export and import [TWh]	2010	2011	2012	2013	2014
Export 110, 220, 400 kV	-26	-31.1	-27.4	-27.7	-27.4
Import 110, 220, 400 kV	11.1	14.1	10.3	10.8	10.5
Balance	-14.9	-17	-17.1	-16.8	-16.9

Czech Statistical Office



” Czech power system awaits a lot of changes in the near future. It is mainly due to the adoption of amendments to the Energy Act and Act on Supported Sources which should enter in force from the beginning of the next year. But a lot of measures should be realized in the second half of this year. One of the most significant changes is the modification of the current method of collecting financial resources which serves for funding the support of electricity production mainly from renewable sources. The new system will significantly relieve the large industrial enterprises that will not have to pay fees for the amount electricity they self-produce and consume.”

Blahoslav Němeček, Senior manager of Excellence Regulatory Center, EY

14. EDUCATION

The Czech Republic combines an outstanding level of general education. Technical education in the Czech Republic has a long tradition and enjoys a strong reputation around the world. The availability of technically educated graduates at a fraction of the cost of western labor creates a perfect environment for both manufacturing and R&D-oriented companies. About one-third of Czech students study economics, finance or IT. According to the last Eurobarometer survey, 78% of Czechs are able to speak a foreign language (predominantly English, German, Russian).

Source: CzechInvest

Public universities in the Czech Republic	Number of students (as of 31.12.2013)	Number of students (as of 31.12.2014)
Charles University in Prague	48 200	47 798
Masaryk University in Brno	37 351	34 822
Czech Technical University in Prague	21 542	20 866
Technical University in Ostrava	19 237	17 322
Brno University of Technology	22 319	21 416
Palacky University in Olomouc	21 316	21 063

Source: Ministry of Education, Youth and Sport

Graduates	2012	2013	2014
Public Universities	76 858	76 554	74 391
Private Universities	17 091	15 006	13 761

Source: Ministry of Education, Youth and Sport

University Students	2011/2012	2012/2013	2013/2014
University Students total	392 176	381 272	356 179
Public Universities	338 388	332 880	316 578
Private Universities	53 788	48 392	39 601

Source: Ministry of Education, Youth and Sport

Economically Active Population According to Education (2014)	in thousands	Share %
No education and Elementary school	1,336.7	14.8
Vocational school	3,089.3	34.3
Secondary school	3,029.0	33.5
University education	1,569.2	17.4

Source: Czech Statistical Office

15. HEALTHCARE

On 2 July 2014 Government has adopted an amendment that abolishes fees for visiting a doctor, with the exception of 90 CZK payment for emergency.

Healthcare services are paid for by one of the public health insurance companies. All individuals have to have insurance – it is mandatory and no qualifying individual can be denied coverage by a public health insurance company. In the case of an employment relationship, the employer pays for the health insurance at the rate of 13.5% of the calculated base income (of which one third is paid by the employee and two thirds by the employer). In certain cases, the insurance premiums are paid for by the state (dependent children, pensioners, etc.).

Source: Ministry of Health

The Czech healthcare system includes a diversity of provision, with mainly private ambulatory care providers and public hospitals which have contractual arrangements with the insurance fund; and joint negotiations among key players on coverage and reimbursement issues. Providers are paid based on various schemes, with DRG-based schemes having increasing presence.

Prague and other cities have a growing range of private international clinics.

There is a strong pressure for healthcare system reforms due to public budget constraints, an ageing population and technological development.

Source: KPMG Česká republika

International Comparison of expenditure on healthcare (based on OECD Health Statistics 2014)	Public expenditure on healthcare as % of total	Total expenditure on healthcare as % of GDP	Total Health Care expenditure per capita, USD PPP
Czech Republic	84,0	7.5	2 042.2
United Kingdom	84,0	9.3	3 172.2
Poland	69,2	6.8	1 443.0
Austria	75,9	11.3	4 593.4
Germany	76,7	11.3	4 723.5
Hungary	62,6	8.0	1 783.3
Slovakia	69,7	8.1	2 017.3

Source: OECD Health Statistics

Czech Health statistics	
Number of hospital beds	6.8 /1000 people
Average Life Expectancy	78.2 years

Source: OECD Health Statistics

Expenditures on healthcare according to sources of financing as % of total expenditures on healthcare	
Public insurance	79.0
Public budgets	5.7
Private expenditures	15.3

Source: OECD Health Statistics



” Although the ratio of health care costs to GDP for the Czech Republic is relatively low, compared with other EU member states, the country has a good-quality health care system. The greatest challenge for the upcoming period is to improve the rules for financing of outpatient and hospital care, increase the share of private sources in health care funding, enhance education of medical, paramedical and non-medical staff, and transform the system into segments of acute, postacute and social care. ”

Tomáš Kolář, Managing Director, Linet

16. 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 significance of the transport infrastructure has been increased after entry of the Czech Republic in to EU in 2004.
- The motorways and trunk roads carry the largest proportion of transportation and connect the most important political, economic and recreational centers. With the density of 0,70 km of roads and motorways per 1 km² the Czech Republic ranks among the leading European countries.
- Modernization of D1 motorway, which is the busiest road in the Czech Republic connecting Prague, Brno and Ostrava, started in May 2013. The daily traffic flow on D1 motorway totals 100,000 vehicles. The modernization shall bring improvement of the road's technical condition, but also cost savings in the long-term. The planned process of modernization should last until 2019-2020.
- There are 4 important airports: Prague, Brno, Ostrava and Karlovy Vary. Václav Havel Airport Prague is the busiest and operates flights to the main important business destinations. It is located 17 km northwest of Prague city center. In 2014 it processed more than 11 million passengers.
- The Czech Republic has a wide railway network providing a good connection between cities within the country and Europe (avg. train travel time from Prague to Vienna is 4 hours, to Berlin 5 hours).

Source: Ministry of Transport

Road and motorway network length	Length (km)	Share (%)
Motorways	775.8	1.38
Expressways	459.4	0.82
Class I	5,773.8	10.3
Class II	14,577.5	26.17
Class III	34,161.1	61.33
Total	55,747.6	100

Source: Roads and Motorways in the Czech Republic

17. TOURISM

The Czech Republic offers tourist and business people 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 cha-teaux, and beribboned with hiking, biking and ski routes.

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

Occupancy in collective accommodation establishment (number of guests)	Total	Non-residents	Residents
2010	12,211,878	6,333,996	5,877,882
2011	12,898,712	6,715,067	6,183,645
2012	13,646,913	7,164,576	6,482,337
2013	13,868,336	7,309,856	6,558,480
2014	15,644,707	8,126,369	7,518,338

Source: Czech Statistical Office

Foreign Guests , 2014	
Germany	1,559,836
Russia	695,288
Poland	451,729
USA	442,697
UK	398,809
Italy	371,487

Source: Czech Statistical Office



” The hotel market in the five star segment is continuing to build on the strong year of 2014. However the mix of inbound traffic continues to shift from month to month with Corporate group moving in some cases to traditionally quieter months clearing space for the leisure market to fill previous Corporate space. 2015 has a slightly different feel due to the impact of the Ice Hockey World Championships and the Under 21 European Football championships. Hotels will need to continue to focus on digital media and feedback as the growing Gen Y market is ever more reliant on these platforms for recommendations prior to making reservations. ”

William Boulton-Smith, General Manager, Prague Marriott Hotel

18. REGIONS

Region	Website	Regional Capital	Area (km2)	Region Population	Unemployment rate %	Share of national GDP	Public/state (private) universities	Average monthly wage in CZK	Number of economic entities	Number of non-czech nationals
Prague	www.praha-mesto.cz	Prague	496	1,259,079	4.96	24.7	9 (25)	33,347	563,300	165,654
Central Bohemia	www.kr-stredocesky.cz	Prague	11,015	1,315,299	6.15	10.9	0 (2)	25,546	321,136	56,480
South Bohemia	www.kraj-jihocesky.cz	České Budějovice	10,057	637,300	6.03	5.2	2(2)	23,146	160,916	14,450
Pilsen	www.kr-plzensky.cz	Pilsen	7,561	575,123	5.28	4.8	1(0)	24,519	142, 558	23,356
Karlovy Vary	www.kr-karlovarsky.cz	Karlovy Vary	3,315	299,293	7.92	2.0	0(1)	22,060	76,412	19,230
Ústí nad Labem	www.kr-ustecky.cz	Ústí nad Labem	5,335	823,172	10.4	6.3	1(1)	23, 072	173,260	30,340
Liberec	www.kraj-lbc.cz	Liberec	3,163	438,851	7.35	3.2	1(0)	23, 730	115,448	16,302
Hradec Králové	www.kr-kralovehradecky.cz	Hradec Králové	4,758	551,590	5.94	4.5	1(0)	23, 337	135,286	13,680
Pardubice	www.pardubickykraj.cz	Pardubice	4,519	516,372	5.95	3.9	1(0)	22,667	116,519	11,120
Vysočina	www.kr-vysocina.cz	Jihlava	6,925	509,595	6.99	4.1	1(1)	23,236	109,270	7,653
South Moravia	www.kr-jihomoravsky.cz	Brno	7,066	1,172,853	7.92	10.5	6(7)	24,883	301, 128	36,585
Olomouc	www.kr-olomoucky.cz	Olomouc	5,159	635,711	8.47	4.7	1(2)	22,856	138,545	9,760
Zlín	www.kr-zlinsky.cz	Zlín	3,964	585,261	7.09	4.9	1(1)	22,683	139,153	7,769
Moravia – Silesia	www.kr-moravskoslezsky.cz	Ostrava	5,535	1,217,676	9.56	10.2	3(2)	23,502	250,010	22 202
Total				10,538,275					2,742,941	434,581

Source: Czech Statistical Office

19. USEFUL INFORMATION

Short-stay visas

1. Airport transit visa – type A
2. Short-stay visa up to 90 days – type C
 - for the purpose of tourism
 - for the purpose of visit (invitation)
 - for the purpose of culture
 - for the purpose of sport
 - for the purpose of study
 - for the purpose of employment
 - for the purpose of scientific research
 - for the purpose of business journey
 - for the official/political purpose

Long-stay visas

1. A visa for stay over 90 days granted for purposes of stay – type D
 - for the purpose of entrepreneurship
 - for the purpose of participation in a legal entity (managerial position)
 - for the purpose of study
 - for the purpose of scientific research
 - for the purpose of family unification

for the purpose of sport
for the purpose of medical treatment
for the purpose of collection of employee /blue card/ long-term residence/ permanent residence permit

Residence permits

1. Residence permit granted for purposes of stay
 - for the purpose of employment
 - for the purpose of entrepreneurship
 - for the purpose of participation in a legal entity (managerial position)
 - for the purpose of study
 - for the purpose of scientific research
 - for the purpose of family unification
 - for the purpose of sport
 - for the purpose of medical treatment
 - for the purpose "other"
2. Blue card
3. Permanent residence permit

Source: PwC

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 – 21.00

Weather/Climate

- Temperate climate with characteristically mild spring, warm, sometimes humid summers, cool autumns and cold winters with moderate precipitation.

National Holidays in 2015/2016

January 1st (New Year's Day), April 21st, 2014/April 6, 2015 (Easter Monday), May 1st (Labor Day), May 8th (National Liberation Day), July 5th (Constantine and Methodius), July 6th (Jan Hus Day), September 28th (St. Wenceslas Day), October 28th (Foundation of the independent Czechoslovak State), November 17th (Struggle for Freedom and Democracy Day), December 24th-26th (Christmas).

Source: www.czech.cz

Main Sources:

AmCham, CzechInvest, Czech Statistical Office, Czech National Bank, Czech Top 100, Czech Tourism, Energy Regulatory Office, EY, European Central Bank, Eurostat, Chamber of Deputies, ING, Jones Lang LaSalle, KPMG, McDonalds, Ministry of Education, Youth and Sport, Ministry of Finance, Ministry of Industry and Trade, Ministry of Labor and Social Affairs, OECD, Office of the Government of the Czech Republic, Prague Stock Exchange, PricewaterhouseCoopers, Roads and Motorways in the Czech Republic, Václav Havel Airport Prague, Vodafone, Weinhold Legal, World Economic Forum, www.czech.cz.

Other useful data available on www.czechmarketplace.cz- Business news portal of AmCham member companies.

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