Business in the Czech Republic and the Olomouc Region

www.kr-olomoucky.cz

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Czech Republic

The Czech Republic is an inland state located in Central Europe. It shares its western border with Germany (810 km long), the northern border with Poland (762 km long), the eastern border with Slovakia (252 km long) and its southern border with Austria (466 km long). The Czech Republic comprises of the territory of three historical lands - Bohemia, Moravia and part of Silesia – encompassing an area of 78,867 km². The population, in excess of 10.5 million, is spread over 14 self-governing regions with the state capital as Prague.

The Czech Republic is a democratic state with a liberal Constitution and a political system based on free competition of the political parties and movements. The head of the state is the President; the supreme legislative body is the bicameral Parliament of the Czech Republic. The Czech Republic is a member of the UN, NATO, OECD, WTO, the European Council, OSCE, EEA, the European Customs Union, the EU, Schengen Area and the Visegrád Group.


The climate is stable and comprises the typical four-season cycle. The biggest influence on the climate is altitude and relief. The average annual temperature in the country ranges from 5.5°C to 9°C, whereas the warmest parts are the lowlands and the coldest ones being the mountain areas. The coldest month of the year is January and sometimes also December or February; the hottest month is July and sometimes also August.

The population of the Czech Republic stands at around 10.5 million with an average population density of 133 inhabitants / km². The total population increase has been hovering around zero over some time now, whereas the natural increase has been negative since 1994. The marginal increase in population is due to the rising trend of immigration since 2003. Life expectancy has been gradually increasing and exceeds 75 years in men and 81 years in women. About 74% of the Czech population live in towns and cities.

Related languages, which belong to the West-Slavic branch of the Indo-European language, are used by the two most important ethnic minorities - Slovaks (1.4%) and Poles (0.4%). Foreigners account for approximately 4% of the Czech population. The education structure of the inhabitants is favourable; people with tertiary education currently represent 13.8% of the population in the Czech Republic, whereas this number is on the rise.

Economy

The Czech Republic is, traditionally, an industrial country with the main industrial centres being Prague, Brno, Ostrava, Písek and Mladá Boleslav. The main industrial areas in the CR include automotive, chemical, engineering and food processing industries. Other important branches are metallurgy, energy and the construction industries. As in all developed countries, the importance of the industry in the Czech Republic has been experiencing a gradual decline - in the area of employment and in terms of share of the GDP. In these areas, the industrial sector is being mainly replaced by the tertiary sector. The GDP value in the Czech Republic is about USD 27,000 per capita. After the period of recession in which the GDP suffered year-on-year decline, the year-on-year growth rebounded by about 2%. In 2005, inflation stood at an impressive 0.3%. In the Czech Republic, the average monthly gross wage is about CZK 27,200 (USD 1,100).
In the area of foreign trade, the Czech Republic is largely an exporting country. For example, in 2014, some CZK 300bn worth of goods was exported from the CR in comparison to imports of CZK 263bn. The automotive industry, represented mainly by the company Škoda Auto, is of great significance and pride for the country’s exports.

Within the EU, CR’s unemployment has been one of the lowest on long-term basis. Today, it fluctuates between 7 and 8%.

The currency of the CR is the Czech koruna (Czech abbreviation is Kč, international CZK); one hundredth of the koruna is the haler (abbreviation h.). Official Lists and diagram of development of the Czech koruna can be found at http://www.kurzy.cz/kurzy-men/

Transport infrastructure

The territory of the Czech Republic is traversed by a dense network of roads and railway. The road network totals 55,653 km, of which there are 734 km of motorways, 422 km of expressways (A-roads) and 6,255 km of 1st class access roads. The spinal motorway is D1 connecting the three largest cities of the country - Prague, Brno and Ostrava. After completion of the planned route, total length of this motorway will be 376 km.

The 9,568 km railway network of the CR makes it one of the densest railway networks in Europe comprising four international transit railway corridors cross the territory. The largest railway carrier is České dráhy (the Czech Railways). Its daughter company, ČD Cargo, ranks among the largest railway cargo carriers in Europe.

Air transport in the CR is covered by six international airports located in Prague, Brno, Ostrava, Pardubice, Karlovy Vary and Kunovice. The largest airport is the Václav Havel Airport Prague, handling more than 10 million passengers every year. In 2015, the new direct route from this airport to Beijing was inaugurated. The national carrier is the airline ČSA (Czech Airline).

The territory of the Czech Republic is divided into 14 self-governing regions, 77 districts, and 205 municipalities with extended competency. The territory of the Czech Republic is governed by 393 authorized municipal authorities. A total of 6,246 municipalities exist in the Czech Republic.

Public administration in the CR is divided into:

- **State administration** – central bodies of the state with competency for its entire territory (e.g. ministries) and territorial bodies of state administration performing the so-called delegation of authority of state administration (Revenue Authorities, Job Centres, Trade Register Offices, Social Security Administrations, Customs Authorities, Land Registry, etc.)

- **Self-administration** – independent of the state administration. The **typical example of self-administration is the regions and the municipalities**. They are independent of the central state bodies and perform their activities under own name, with own responsibility and with own means.

### Institutions supporting the development of investments in the CR:

**Apart from the government of the Czech Republic, the ministries and the individual regional self-administration entities and also other institutions on the territory of the Czech Republic deal with supporting economic development, business and the inflow of foreign investments. These are mainly:**

**The Czech Chamber of Commerce**

The institution representing and advancing the interests of business circles in the CR. The members of the Chamber can be both physical persons and legal entities. The main activities of the Chamber include, for example, counselling, consulting and education services related to business activities, cooperation with the bodies of state administration and local self-administration entities or promotion and dissemination of information on business activities of its members. The Czech Chamber of Commerce also cooperates with the similar foreign organizations and with the so-called regional branches based in each region of the country (including the Olomouc Region) - the Regional Chambers of Commerce.

**The Investment and Business Development Agency - CzechInvest**

CzechInvest, the agency, is responsible for arranging and facilitating new investment projects in the CR. Its goal is to increase the competitive strength of the Czech economy through promoting small and medium-size businesses, entrepreneurial infrastructure and inviting foreign investments. It is the sole organization licensed to submit applications for investment incentives to the superior bodies.

**The Czech Trade Promotion Agency - CzechTrade**

This agency helps Czech companies in their business on the foreign markets. Its activity mainly concentrates on small and medium-size enterprises having difficulties in breaking through to lucrative foreign markets. It offers relevant information and knowledge on the concerned local environment and the entrepreneurial sector. It also maps and provides appropriate fairs, and prepares for the clients practical programmes, trainings and courses to obtain professional knowledge necessary for entering foreign markets.

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**Administrative divisions and form of public administration**

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Investment Incentives System in the CR

The Czech Republic has been trying to create a favourable entrepreneurial environment for potential investors over a long period. Naturally, increase in investments brings many positive effects such as tax revenues to the state budget and the creation of new job opportunities. Attracting new investors to the Czech Republic is supported by the system of investment incentives. Foreign investments coming to the Czech Republic are maximally stimulated by the state Investment and Business Development Agency, CzechInvest, through its seven foreign offices and one regional office in the Olomouc Region.

The investment incentive comprises support to the potential investor from the Czech side. Investment incentives can be provided for both newly established and existing companies, and the Czech and foreign investors. The currently supported areas include the processing industry, technological centres and strategic service centres. Within the strategic service centres, support will be extended to data centres and call centres. The system of investment incentives is regulated by the Act on Investment Incentives (no. 72/2000 Coll.), as amended. The current text of Act of 2014 stipulates the following forms of investment incentives:

- Tax abatement on legal bodies’ income for a period of up to 10 years.
- Transfer of the technically equipped territory to an investor for promotion price.
- Material support of newly established job vacancies (up to CZK 200,000 per employee).
- Material support of employees’ requalification or training (up to 35% of training costs).
- Material support of acquisition of long-term tangible and intangible assets.
- Exemption from real estate tax in special industrial zones.

Conditions for granting Investment Incentive

- Amount of investment:
  - » CZK 50 mil (about USD 2 mil) – in areas with unemployment rate by minimum 25% higher than the national average.
  - » CZK 60 mil (about USD 2.4 mil) – in areas with unemployment rate by minimum 50% higher than the national average.
  - » CZK 100 mil (about USD 4 mil) – the rest of the CR

- Investment must in the processing industry, technological centres and strategic services centres.

- It must include introduction of new production, extension of the existing production or its modernization for the purpose of changing a product or production process.

- At least half of the investment value must be funded from own sources.

- In case of purchasing long-term tangible and intangible assets, an investor must acquire the machinery classified in chapters 84, 75 and 90 of the customs tariff in the value of at least 60% of the total value of long-term tangible and intangible assets acquired.

- Suggested production must comply with all main Czech legislation requirements for environment protection.

Getting a visa to the CR

Visa is a permit which, under the stated conditions, entitles a foreigner to enter and stay on the territory of the CR or as the case may be, on the territory of the contractual parties of the Schengen Community, and exit it when complying with other conditions stipulated in the Act or the law of the European Communities. A foreigner travelling with a separate travel document must be provided with a visa. A fellow traveller younger than 15 years of age registered in the travel document of another foreigner - a holder of the document (two visa labels will be affixed in the passport) - must have a visa as well. A foreigner younger than 15 years of age who is registered in the travel document of another foreigner (does not have the separate travel document) applies for a visa through the application for a visa supported with all described documents through his/her legal representative. If spouses travel together with one so-called family passport, each of them submits a separate application for a visa with all prescribed necessities, whereas both spouses must comply with the conditions for granting the required visa.

Visa types:

1) Short-term/Schengen visas – are granted for staying in the Schengen Area for a period not longer than 90 days
2) Long-term visas – are granted as national visas with territorial force within the CR; however, they give the right to stay in the Schengen Area no longer than 90 days during any 180 days
3) Visa for stay longer than 90 days are granted for the purpose of permit for long-term or permanent stay.

Travel document

A foreigner above 15 years of age must have the separate travel document apart from spouses travelling with one so-called family passport. The family passports must contain the photos of all persons named therein. Children under 15 years intending to enter the CR/Schengen Area without accompaniment must have their own travel document provided with a photo of their current look. The travel document on which a visa might be granted must be valid for a minimum of 90 days following after the day of the supposed departure from the CR/Schengen Area.

A foreigner is obliged to prove his/her identity by the travel document that entitles him/her to return to the state:

a) of which he/she is a citizen;

b) which issued the travel document (applies to e.g. a person without citizenship);

c) in which he/she was granted a residence permit.

Obligations of a foreigner on the territory of the CR

The short-term and long-term stay on the territory of the CR gives rise to the so-called reporting duty; it means to report her/his own presence on the territory of the CR to the local body of the Immigration Police (Department of the Immigration Police) within three working days of entering the CR. This obligation does not apply to the following categories of foreigners: children under 15; foreigners whose obligation is performed by his/her accommodation provider (e.g. a hotel), members of personnel of the representative office of the foreign state or international government agency accredited in the CR, their
family members registered by the Ministry of Foreign Affairs or a foreigner whose accommodation is provided by the Ministry of Interior. A foreigner who obtained a visa for stay longer than 90 days for the purpose of obtaining a residence permit shall meet the reporting duty by taking the residence permit in person.

**VISAPoint**

VISAPoint is the integrated system of the Ministry of Foreign Affairs of the Czech Republic through which a foreigner registers to submit all applications for stay on the territory of the Czech Republic for a period longer than 90 days. Such registration can be made on the website www.visapoint.eu. The registration for visa application is free. However, such registration does not mean that a visa is granted. For the purpose of applying for a long-term visa and for a long-term stay permit or permanent residence permit, each applicant must be registered in the VISAPoint system. Without the proper registration, no foreigner will be allowed to submit the application to the representation office, shall not be eligible for the interview and the application procedure will not start.

**Health Service and Insurance System in the CR**

Whether you come to the CR for a temporary period or stay here permanently, you will need a “card” confirming that you have health insurance. If you need acute medical aid and do not have the card with you, of course, you will get medical treatment!

There are two types of health insurance in the CR:

- Compulsory public health insurance; participation in this system is established by law (prevaling form)
- Travel health insurance, which is based on conclusion of an insurance contract

**Health insurance of foreigners from EU**

The citizens of the EU are entitled to participate in public health insurance, when:

- They have permanent residence on the territory of the CR,
- They do not have permanent residence on the territory of the Czech Republic but are employed by an employer based on the territory of the CR,
- They are subject to the regulations of the CR pursuant to EU directives (e.g. he/she is a dependent family member of the provider insured according to the regulations of the Czech system of public health insurance).

After arrival in the Czech Republic, a foreigner must visit any of the health insurance companies and register himself/herself. This insurance company will issue a health insurance card, which you will produce when visiting a doctor.

**Health insurance of foreigners from states outside EU**

Each person with permanent residence on the territory of the CR has legal health insurance. Foreigners who obtain permanent residence in the CR become part of the public health insurance system and must register themselves with one of the medical insurance companies after obtaining permanent residence. If they do not register, they are automatically registered with the National Health Insurance Company.

If the foreigner with permanent residency plans to leave the CR for a longer period of time, he/she must sign off from the health insurance. If she/he fails to do so, it will result in debts at the health insurance company, including penalties for failure to pay the compulsory health insurance contributions. It is possible to de-register from compulsory health insurance contribution at any time, but for a minimum of 6 months and maximum of 2 years. It is necessary to apply for the suspension in advance. After returning to the CR, it is necessary to present a document certifying that the foreigner was insured in the country where he stayed.

**Foreigners without permanent residence permit in the CR**

The foreigners without permanent residence permit are not eligible for public health insurance unless they participate in the health insurance as employees. The employer is obliged to notify the health insurance company about the commencement (as well as the end) of health insurance of the employee who is a foreigner without permanent residence. The health insurance company shall issue a green card for this insured. Persons entering the public health medical insurance system for reason other than the above shall obtain a yellow card or the classic EHIC.

Foreigners with long-term stay permit who are not employed by an employer based on the territory of the CR are required have health insurance cover for medical expenses up to EUR 60,000. These foreigners can conclude a commercial insurance operating according to the market principles. Commercial insurance basically differs from public health insurance mainly in the indemnification limit and the scope of covered treatment is also limited. There exist two basic types of insurance:

- Health insurance in case of urgent care,
- Health insurance for comprehensive care.
The Olomouc Region

The Olomouc Region is situated in the north of central Moravia and shares a 104 km long border with Poland. Its neighbour in the south is the Moravian-Silesian Region, in the south-east the Zlín Region, in the south-west the South Moravian Region and in the west the Pardubice Region. Due to its area of 5267 km², it is in eight place among the 14 regions in the Czech Republic. The region consists of five districts: the Jeseník District, the Olomouc District, the Prostějov District, the Přerov District, and the Šumperk District. Together with the Zlín Region, they form the administration region of Central Moravia. The regional city is Olomouc (99,489 inhabitants). The Olomouc Region includes in total 399 municipalities and 30 of them have the status of a city.

Population

With its 636 356 inhabitants, the Olomouc Region is the seventh most populous of the 14 regions of the Czech Republic. The average population density of 120.8 inhabitants per km² belongs to the average-populous regions. However, the population density considerably differs in the individual parts of the region. For example, the population density of the Jeseník District is 55.5 inhabitants per km² compared to the Přerov District with 156.3 inhabitants per km². The education level and the qualification of workforce within the Olomouc Region are above average compared to other regions. In the Olomouc Region, the workforce benefits from the rich background of the long-standing tradition of industrial production and proportion of people with university degree is 12.6 %, which puts the region in 4th place among all regions in the CR. The existence of the oldest university in Moravia, the Palacký University in Olomouc, mainly contributes to the high proportion of people with university qualification. There are other two universities in the region, namely the Moravian University College Olomouc and the College of Logistics in Přerov. The Science and Technology Park of the Palacký University specializing mainly in natural sciences also helps in developing and keeping the high level of education.

Economy

The Olomouc Region has stable and favourable entrepreneurial environment thanks to its strong industrial tradition, widely branched and professional base, and quality and accessible workforce. These factors and excellent service centres create optimal conditions for the development of all types of entrepreneurial activities. The Olomouc Region is mostly industrial; the highest employment being the industrial and tertiary sectors. Employment in agriculture remains in steady decline and intensive agricultural production is mainly limited to the fertile southern part of the region. However, extensive agriculture prevails in the northern highlands.

Of the industrial sectors, mechanical engineering takes the edge. Over the last years, electrical engineering has come up as a fast growing sector as well as optics, precision mechanics and the construction industry. Food processing also enjoys a significant position due to the high share of agricultural production in the region. The textile and garment industry preserves its long tradition. Currently, the largest potential in innovation has been seen in nanotechnology and biotechnology. The region boasts 92 large enterprises with more than 250 employees, and 137,453 small and medium-size companies. The largest foreign investors and employers in the region include Leroy Somer (company M.L.S. Holice), Honeywell (Honeywell Aerospace Olomouc), and Siemens (Siemens Electric Motors Mohelnice). Other significant employers include the Sigma Group Lutín and Meopta Přerov. A comprehensive list of the most important companies in the region is given in the publication Významné firmy Olomouckého kraje 2014 (Important Companies of the Olomouc Region) and the English electronic version can be accessed at http://www.kr-olomoucky.cz/regionalni-rozvoj-cl-96.html.

Similar to the varied data on the Olomouc Region, the economy of individual districts of the region also differs significantly. The strongest base is formed by the industrial sectors in the so-called entrepreneurial triangle comprising the adjacent territories of Olomouc, Prostějov and Přerov, with the individual cities only 20km or so apart.

Unemployment rate in the region is higher than the national average on the long-term basis. At present, it fluctuates between 8 and 9%. From the spatial view, the unemployment rate is very heterogeneous while in the core area of the region (Olomouc City, Prostějov District) it achieves lower values; the highest unemployment being in the Jeseník area. The average monthly gross wage in the region has been substantially lower than the national average for many years, currently standing at about CZK 22,250 (USD 900).
Transport infrastructure

The Olomouc Region has excellent transport connections to the national and European road and railway networks. The D1 Motorway and two main A-roads (R46 and R35) traverse through the region. Railways are evenly distributed through the region; the important railway junction and the intersection of two international high-speed railway corridors are situated in Přerov (transit corridor II and III). The most important passages in the region are:

- D1 – Lipník nad Bečvou – Bělotín (further to Ostrava)
- R 46 – Olomouc – Vyškov (connection to D1)
- R35 – Mohelnice – Olomouc – Lipník nad Bečvou
- I/55 – Olomouc – Přerov – Hulín
- I/44 – Mohelnice - Šumperk - Jeseník – Mikulovice (further to Poland)
- II. transit corridor (in the CR it is the section Petrovice by Karviná – Ostrava – Přerov – Břeclav)
- III. transit corridor (in the CR it is section Mosty by Jablunkov – Ostrava – Přerov – Praha – Cheb)

The most important institutions supporting the development of business and investment in the Olomouc Region

Chamber of Commerce of the Olomouc Region

The main aim of the regional Chamber of Commerce is to provide uniform representation of the interests of entrepreneurs at regional level. It organizes various education seminars, conferences, round tables and business missions for entrepreneurs.

Contact:
Jeremenkova 1211/40B, 772 00 Olomouc
Tel: +420 587 332 067
E-mail: khkok@khkok.cz
Web: www.khkok.cz

Regional branch of CzechInvest agency

The main task of the regional office of CzechInvest is to help companies interested in implementing investments in the Olomouc Region. It cooperates with the representatives of local administration and self-administration, schools and other regional institutions when looking for opportunities of developing the business environment in the region.

Contact:
Jeremenkova 1211/40B, 772 00 Olomouc
Tel: +420 587 332 186
E-mail: olomouc@czechinvest.cz
Web: http://www.czechinvest.org/olomoucky-kraj

Regional office of the Olomouc Region – Department of Strategic Development

The Olomouc Region pays keen attention to supporting and developing business and investments in the region. In these areas, it closely cooperates with the bodies of state administration and other institutions at national and regional levels. It maintains a database of free industrial areas and brown fields, which it regularly promotes on domestic and international fairs. It also creates the appropriate conditions for potential investors, collects the necessary statistical and other data for them and works as mediator of negotiations between them and the representatives of individual cities and municipalities. Last but not the least, it also coordinates the preparation of strategic materials of the Olomouc Region.

Contact:
Jeremenkova 40a, 779 11 Olomouc
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Web: www.kr-olomoucky.cz
Why to invest in the Olomouc Region?

• Strategic position in the central part of Moravia

• Excellent access to transport:
  » Connections to the national network of motorways and expressways (A-roads)
  » Connections to the European transit railway corridors

• Long tradition and high quality of industrial production

• High innovative potential of local companies (including support of innovative activities by the Science and Technology Park at UP)

• High number of people with university education - qualified workforce

• Lower labour costs compared to the national average

Other important contacts:

Ministry of External Affairs of the CR
Ministry of Foreign Affairs of the Czech Republic
Loretánské náměstí 5, 118 00 Praha 1 – Hradčany
Tel: +420 224 181 111
E-mail: epodatelna@mzv.cz
Web: www.mzv.cz

Ministry of Interior of the CR
Nad štolou 3, 170 34, Praha 7
Tel: +420 974 811 111
E-mail: posta@mvcr.cz
Web: www.mvcr.cz

Chinese Embassy in China
Pelléova 18, 160 00 Praha 6
CHENG Yongru, Economic and Trade Consultant: Tel: +420 233 028 872
LI Yuan, Secretary: Tel: +420 233 028 871
E-mail: cz@mofcom.gov.cn
Web: http://www.chinaembassy.cz

Customs Administration of the CR
Budějovická 7, 140 96 Praha 4
Tel: +420 261 331 111
E-mail: podatelna@cs.mfcr.cz
Web: www.celnisprava.cz

Chinese Embassy in the CR
2 Ritan Lu, Jianguomenwai, 100600 Beijing
E-mail: beijing@embassy.mzv.cz
Web: www.mzv.cz/beijing

China-Europe Cooperation and Development Centre
The Centre offers information and contacts for those interested in China-Czech trade cooperation
Václavské náměstí 37, 110 00 Praha – Nové Město
James Wu, Centre President: Tel: +420 602 189 999, e-mail: james@cecdc.eu
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