

BDO TAX NEWSLETTER

AMENDMENT TO THE ACT ON INVESTMENT INCENTIVES

Government bill to Act No. 72/2000 Coll., on Investment Incentives ("the Act"), has already passed the first reading in the Chamber of Deputies. The second reading in the Chamber of Deputies can be expected in April 2019 at the earliest.

HIGHER ADDED VALUE

Newly, the investment incentives could be provided only for activities with "higher added value".

Higher added value should be defined by a government decree. The explanatory memorandum outlines the testing for the higher added value as follows:

- 1) the level of employees' salaries,
- 2) education of employees,
- 3) the number of R&D personnel.

In order to meet the higher added value condition, it would be sufficient to meet the condition no. 1 and one of the conditions no. 2 or no. 3.

Higher added value should not be required for investment projects in the problem areas which are defined in the Government Decree No. 344 of May 15, 2013.

THE NEARLY ABSOLUTE GOVERNMENT'S POWER

So far, the conditions for granting investment incentives have been stipulated directly in the law, and an approval of investment incentives for socalled strategic investment project was the only area up to the government's consideration. However, the bill significantly increases the powers of the government. Specific conditions for investment incentives should be newly regulated by government decrees, e.g.:

- what investment projects could be supported,
- the minimum amount of investment in assets,
- minimum number of jobs created,
- minimum limits for strategic investment,
- a method of proving a higher added value,
- the maximum amount of financial contribution to the acquisition of assets for a strategic investment project.

According to the bill, the granting of investment incentives would be to certain extent, up to the governments deliberation and obtaining then might become more difficult for some applicants (especially in the manufacturing industry).

OTHER UPCOMING CHANGES

A positive change could be the removing the general condition to create and fill at least 20 new jobs. However, the bill allows the government to reintroduce this condition at any time.

The bill introduces the extension of cash grants for the creation of new jobs and training or retraining new employees across the Czech Republic (except for the capital city of Prague) in the proposed amount of CZK 200,000/job, or 25% of training and retraining costs (applies to strategic and technology centers). In the manufacturing industry, cash grants for new jobs and training and retraining of new employees would be provided in regions with the unemployment rate higher than 7.5%, as set out in an implementing legal regulation.

If you have any questions about this issue, please do not hesitate to contact us.

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