

# APPENDIX 1

## Act

### No. 72/2000 Coll.

#### **Act on Investment Incentives and the Amendment of Certain Acts (the Investment Incentives Act), as amended by Act No. 453/2001 Coll.**

Parliament has resolved on the following Act of the Czech Republic:

#### PART ONE INVESTMENT INCENTIVES

##### **Section 1**

(1) This Act shall govern the general conditions for and the procedure to be followed in the granting of investment incentives and the exercise of related state administration.

(2) Investment incentives shall mean:

- a) Income tax relief pursuant to a separate Act<sup>1)</sup>,
- b) the transfer of land with technical facilities at a specially reduced price,
- c) financial support for the creation of new jobs pursuant to a separate Act<sup>3)</sup>,
- d) financial support for the retraining of employees pursuant to a separate Act<sup>3)</sup>,
- e) the transfer of plots of land pursuant to a separate Act<sup>2)</sup>, recorded in the Real Estate Cadastre<sup>2a)</sup> as agricultural land and the transfer of other types of land for prices determined pursuant to a separate Act<sup>2b)</sup> effective as of the date of conclusion of the transfer agreement. Separate laws restricting the transfer of land owned by the Czech Republic are not affected thereby.

##### **Section 2**

(1) Legal entities or a natural persons may be granted investment incentives if they prove that they are able to comply with the general conditions established in this Act and the specific conditions established by separate Acts.<sup>1),3)</sup>

(2) The general conditions shall constitute:

- a) the construction of a new manufacturing plant or the expansion or modernisation of an existing manufacturing plant for the purpose of introducing new production or expanding or modernising existing production where such construction, expansion or modernisation can be effected through purchase or lease,
- b) capital expenditure in:
  - 1. manufacturing industries: space and aviation, means of transport and transportation equipment, computers, information technology, electronics, radio communications, telecommunications, pharmaceuticals, or
  - 2. other manufacturing industries, provided that part of the production line consists of

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machinery specified in a government regulation and that the acquisition cost of this part of the production line constitutes at least 50% of the total development costs of the production line; (manufacturing industry is not deemed to include the following: the extraction of minerals, electric power generation and distribution, gas and water treatment and distribution, the construction industry, repair of motor vehicles, trade and other services),

- c) the acquisition of machinery<sup>4)</sup> amounting to not less than 40 % of the total value of assets, which, pursuant to a separate Act,<sup>4a)</sup> are long-term tangible and intangible assets (“long-term tangible and intangible assets”).
- d) the environmental compatibility of production, activity, processes, constructions and equipment<sup>5)</sup>,
- e) the acquisition of long-term tangible and intangible assets worth at least CZK 350,000,000, where no less than CZK 145,000,000 must be covered by the legal entity's equity capital or the natural person's own funds; the expenditure of investment media created from profit attained through an investment project assessed for purposes of providing public support is not deemed to be compliance with this condition<sup>6)</sup>,
- f) compliance with the conditions under items (a) to (c) and (e) within 3 years of the issue of the decision on the undertaking pursuant to Section 5; in justified cases the Ministry of Industry and Trade (the “Ministry”) may, upon request, extend this period by no more than two years.
- g) the acquisition of long-term tangible and intangible assets as part of an investment project is possible no sooner than from the date of submission of the form of intent to obtain investment incentives.

(3) The amounts established in Article 2(e) and (f) do not include payments under a lease agreement on the assignment of use of an asset under which the contractual parties agree that the user is entitled to purchase the leased asset.

(4) If the form of intent to obtain an investment incentive indicates that an entire investment project is to be implemented in a district or districts where at the time the form of intent is submitted the level of unemployment is at least 50% higher than the average rate of unemployment in the Czech Republic as reported in the statistics of the Ministry of Labour and Social Affairs for the previous two half-year periods, the Ministry shall reduce the amount established in Subsection 2(e) to CZK 100,000,000; one half of this amount must be covered by the equity capital of a legal entity or a natural person's own funds. The expenditure of investment media created from profit attained through an investment project assessed for purposes of providing public support is not deemed to be compliance with this condition.

(5) Repealed

## Section 3

(1) The applicant shall submit a form of intent to obtain investment incentives pursuant to Section 1(2) to the organisation set up by the Ministry (the “designated organisation”).

(2) The applicant shall include in the form of intent:

- a) In the case of a legal entity: the business name or name, registered office, identification number (if assigned), name, address and birth registration number or any other identification of the person who is a statutory representative or a member of the statutory body of the legal

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entity including information indicating the extent to which such member is authorised to act on behalf of that legal entity; where an applicant is an organisational unit of a foreign person's enterprise, the location and the name and residential address of the head of such an organisational unit shall be added to the above;

- b) In the case of a natural person: his or her name, residential address, date of birth, birth registration number and identification number, if assigned;
- c) The volume of funds planned to be invested for acquisition of long-term tangible and intangible assets over the next three years given for each individual year and the purpose of use;
- d) The anticipated initial and final numbers of employees, their professional qualification requirements and the anticipated cost of their retraining programme;
- e) Designation of the cadastral district in which the registered office of the company is to be located and the area where the construction is to be undertaken and the machinery located;
- f) Requirements in terms of technical facilities and the size of the site in square meters given per plot where the manufacturing plant, warehouse, administrative buildings, etc. are to be built;
- g) The machinery to be used for the investment project in accordance with Customs Tariff codes and further subdivided into new machinery and machinery already in use within or outside the Czech Republic, together with the manufacture date;
- h) More detailed information on the planned construction of new buildings or the planned utilisation of lease options for existing buildings or their purchase;
- i) The investment project schedule and the anticipated date for commencement of production;
- j) Required investment incentives including the expected amount saved as a result of exemption from customs duties granted pursuant to a separate Act<sup>7)</sup>,
- k) Other information included in the annex to this Act.

(3) The applicant shall attach to the form of intent:

- a) In the case of a legal entity: the memorandum of association or other founder's agreement or founder's deed or an officially certified copy thereof; in the case of a joint-stock company, a co-operative or a limited liability company: the articles of association, if any, and an extract from the Commercial Register, in the case of a foreign entity/person, a document analogous to the extract from the Commercial Register, annual reports or financial statements or consolidated financial statements if the applicant is obliged to prepare them pursuant to a separate Act, verified by an auditor for the last three consecutive accounting periods or for one or two accounting periods if the legal entity has conducted business for less than three years;
- b) In the case of a natural person: a business license; where the natural person is incorporated in the Commercial Register: an extract from the Commercial Register, financial statements or, where the applicant uses single-entry bookkeeping, a report on assets and liabilities and a report on income and expenses, for the last three consecutive accounting periods or for one or two tax periods if the natural person has conducted business for less than three years.

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## Section 4

(1) The designated organisation shall prepare an assessment of any such form of intent to obtain investment incentives pursuant to Section 1(2) and shall present it together with the form of intent of the applicant to the Ministry within 30 days of the receipt of the form of intent. If the assessment indicates that the applicant is able to comply with both the general and specific conditions for the granting of investment incentives, the designated organisation shall attach to the assessment a proposal for the granting of the relevant investment incentives; the designated organisation shall specify in the proposal the type and amount of investment incentives which may be provided and the conditions under which they shall be applicable. Otherwise, the designated organisation shall attach to the assessment a proposal for rejection of the form of intent of an applicant.

(2) The Ministry of Labour and Social Affairs and the Ministry of Finance, each within its area of authority and on the basis of an application by the Ministry, shall approve or reject the granting of investment incentives within its area of authority within 14 days of receiving the application. Within 14 days of receiving the Ministry's application, the Ministry of the Environment shall make a statement on the requirements for complying with the general conditions pursuant to Section 2(2)(d). Upon the application of the Ministry, the municipality in whose cadastral area the building is to be erected and the machinery is to be located shall make a statement on the granting of an investment incentive pursuant to Section 1(2)(b) within 14 days of receiving the application.

(3) The Ministry shall submit an application for an exemption to be permitted to the prohibition on public support under the Act on Public Support.<sup>6)</sup>

(4) Subsequent to the assessment of the documentation under Subsection 1 and the prior approval of the Ministry of Finance to the granting of an investment incentive in compliance with Section 1(2)(a), as well as the prior approval of the Ministry of Labour and Social Affairs to the granting of investment incentives in compliance with Section 1(2)(c) and (d), on the basis of a statement made by the Ministry of the Environment on the requirements for meeting the general conditions under Section 2(2)(d), on the basis of the prior statement made by the municipality in whose cadastral area the building is to be erected and the machinery located on the granting of an investment incentive under Section 1(2)(b) and on the basis of a decision of the Office for the Protection of Economic Competition (the "Office") under the Act on Public Support<sup>6)</sup>, the Ministry shall issue an offer for the granting of investment incentives comprising individual types of incentives with values expressed in approximate terms together with the conditions under which investment incentives may be utilised, or it shall issue a decision rejecting the submitted form of intent. The Ministry shall send the offer for the granting of investment incentives or a decision rejecting the submitted form of intent through the designated organisation to the applicant and it shall send a copy of the offer to the ministries which made a statement on the application and to the Office.

(5) Repealed

## Section 5

(1) Based on the offer under Section 4(4), a party interested in investment incentives may submit to the Ministry through the designated organisation an application for the granting of investment incentives within a maximum of 6 months of the date on which the offer was delivered. The party interested may be a person or persons who submitted the form of intent to obtain investment incentives or a different person, but only on the condition that, at the time of submission, it proves that:

- a) It was established in connection with the receipt of an offer pursuant to Section 4(4) and that the person or persons who submitted the form of intent own(s) 100% of the registered capital in a newly established legal entity; or

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- b) It was established in connection with the receipt of an offer pursuant to Section 4(4) by a subsidiary of the person who submitted the form of intent to obtain an investment incentive and that this subsidiary owns 100% of the registered capital of the newly established legal entity.

(2) An application submitted by a party interested in investment incentives must include the following:

- a) An extract from the Commercial Register and, where an applicant for investment incentives is a natural person who is not entered in the Commercial Register, a business license;
- b) The interested party's confirmation that information included in the form of intent pursuant to Section 3(2) is correct;
- c) The interested party's consent to the investment incentives included in the offer;
- d) The interested party's declaration that the financing of the investment project shall begin with the expenditure of funds for the acquisition of tangible or intangible assets which shall take place within 24 months of the date on which the commitment to grant investment incentives was delivered and that production shall commence within 3 years of the date of delivery of the commitment to grant investment incentives.

(3) The Ministry issues the commitment to grant investment incentives to the interested party based on the prior approval of the Ministry of Finance in the case of incentives under Section 1(2)(a), based on the prior approval of the Ministry of Labour and Social Affairs in the case of incentives under Section 1(2)(c) and (d), based on the prior statement of the municipality in whose territory the investment is to be implemented, in the case of an incentive under Section 1(2) b), and in accordance with the decision of the Office under the Act on Public Support<sup>6)</sup>. A copy of the decision shall be sent to the Ministry of Finance, the Ministry of Labour and Social Affairs, the Office, the appropriate tax administrator and the municipality in whose cadastral area the investment is to be realised if the investment incentive under Section 1(2)(b) is applicable.

(4) The commitment to grant investment incentives shall include the following:

- a) The identification of the party interested in the investment incentives;
- b) Types of investment incentives granted;
- c) Conditions under which investment incentives may be utilised; and
- d) the permissible level of public support established by a decision of the Office under the Act on Public Support<sup>6)</sup>.

(5) Unless the payment of amounts for the acquisition of long-term tangible and intangible assets referred to in Section 2(2) begins within 24 months of the date when the commitment to grant investment incentives was delivered or unless the production is commenced within three years of the date when the commitment to grant investment incentives was delivered, at the latest, without extending the period pursuant to Section 2(2)(f), the commitment to grant investment incentives becomes invalid and everything obtained through the investment incentives must be returned or paid pursuant to separate regulations. The same applies if, during an inspection, it is found that the general conditions established in Section 2 are not complied with. Where the specific conditions are not complied with, the relevant legal provision applies<sup>1),3)</sup>.

## Section 6 Repealed

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## Section 7

(1) The application of investment incentives shall be inspected and consequences of a breach of the conditions on which investment incentives were granted shall be drawn subject to separate regulations. The appropriate administrative authorities shall co-operate during inspections and shall provide each other with all data necessary to carry out such inspections, while respecting provisions on the duty to maintain confidentiality.

(2) The recipient of investment incentives shall allow for inspections of the compliance with general and specific conditions, as well as of decisions granting investment incentives. For this purpose, the recipient shall submit the materials and documents required for the assessment of compliance with the above.

3) Inspections shall be performed by:

- a) The Ministry - in the case of investment incentives stipulated in Section 1(2)(b) and (e) and the general conditions stipulated in Section 2(2)(a) and (b);
- b) The Ministry of the Environment - in **the** case of the general conditions stipulated in Section 2(2)(d);
- c) The Ministry of Labour and Social Affairs - in the case of the investment incentives stipulated in Section 1(2)(c) and (d);
- d) The Ministry of Finance and the local tax authorities in the case of investment incentives stipulated in Section 1(2)(a) and the general conditions stipulated in Section 2(2)(c), (e), (f) and (g).

(4) Inspection under Subsection 3 (a) and (d) must be conducted by the relevant bodies no more than three years after the issue of the decision on the undertaking under Section 5. Further inspection of compliance with the general condition established in Section 2(2)(b) must be performed once a year throughout the period the investment incentives are provided and further inspection of compliance with the general condition established in Section 2(2)(c) must be performed after the completion of the investment project assessed for purposes of providing public support, though no later than in the calendar year immediately following the expiry of the last taxation period, in which it was last possible to apply an investment incentive under Section 1(2)(a). Inspection under Subsection 3(b) is performed in accordance with the separate legal provisions on environmental protection.<sup>9)</sup> Inspection under Subsection 3(c) is performed after the expiry of the period stipulated in a written agreement pursuant to the provisions of a separate Act.<sup>10)</sup>

## Section 8

(1) Decision-making under this Act shall follow the Administrative Procedure Code<sup>11)</sup> unless this Act stipulates otherwise.

(2) Decisions issued under Section 4(4) and Section 5(3) shall neither be subject to remedial instruments nor to review in a court of law.

## Common and Transitory Provisions

### Section 9

Issues not regulated or only partially regulated by this Act shall be subject to the provisions of the Act on Public Support.<sup>6)</sup>

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## Section 10

(1) Investment incentives granted before this Act enters into effect shall remain effective under the conditions and within the extent to which they were granted.

(2) The commitment to grant investment incentives shall not replace any decision, standpoint, statement, approval, assessment or other measures taken by relevant state administration bodies and required by a separate Act.

## Section 11

(1) The government shall issue a regulation establishing the list of machinery referred to Section 2(2)(b)(2).

(2) A specimen form of intent to obtain investment incentives shall be issued by the Ministry in the form of a Decree.

## Transitory Provisions on Part One

1. Procedures commenced before the date this Act comes into effect shall be completed in accordance with previous regulations.
2. Investment incentives granted under previous regulations remain in effect subject to the conditions under which they were granted.
3. The provision of Section 7 applies as appropriate to recipients of investment incentives who have been issued a decision on a commitment to grant investment incentives within proceedings commenced before the date this Act came into effect.

## PART TWO

### Amendment to the Income Tax Act

#### Article III

The Income Taxes Act No. 586/1992 Coll., as subsequently amended is further amended as follows:

#### Section 35a

(1) A taxpayer who has been granted an undertaking on investment incentives pursuant to a separate Act<sup>67)</sup>, and who has started a business as a result of the provision of this undertaking and registered himself as a taxpayer under the relevant regulation<sup>41)</sup>, may claim tax relief if he has complied with the general conditions established in a separate Act and the specific conditions established in this Act. This specifically involves the following:

- a) Where a taxpayer is subject to corporate income taxes, the relief shall amount to 31% of the tax base under Section 20(1), reduced by items stipulated in Section 34 and Section 20(8) and by any positive difference between interest income referred to in Section 36(6) a) and related costs (expenses);
- b) Where a taxpayer is subject to personal income tax, the relief shall equal the amount of tax calculated under Section 16(1) on the partial tax base (Section 7).

Where a higher tax liability<sup>34d)</sup> is additionally assessed, the total amount of tax relief remains unaltered.

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(2) The specific conditions for a claim for tax relief under Subsection 1 are as follows:

- a) The taxpayer shall make the maximum possible use of all provisions of this Act to reduce the tax base, particularly the following:
  1. All depreciation and amortisation under Sections 26 to 33; in the period when the taxpayer claims the tax relief depreciation may not be suspended (Section 26(8)), the method of depreciation is to be set by the taxpayer;
  2. Adjustments to accounts receivable pursuant to a separate Act,<sup>22a)</sup>
  3. Deduction of a tax loss or a proportion of a tax loss under Section 34(1) in the next successive tax year in which a tax base arises;
- b) Except for immovable assets, the taxpayer shall be the first owner in the Czech Republic in the case of long-term tangible assets<sup>20)</sup> acquired as part of an investment project for purposes of providing public support; this is not applicable for property acquired in connection with any capitalisation of bankruptcy assets in compliance with the provisions of a separate Act;
- c) In the course of the period in which the taxpayer claims tax relief under Subsection 3, the taxpayer shall not be dissolved, shall not be involved in bankruptcy proceedings, a merger with another entity or assignment of assets to a company that is to be dissolved without liquidation (transfer of assets to a partner)<sup>69)</sup>; or, in the case of a natural person, his purpose of business is not to be terminated or suspended;

d) the taxpayer shall not increase the base for the calculation of tax relief by business transactions with persons stipulated in the provision of Section 23(7) in a manner which is not in accordance with the economic principles of normal business relations, or by the transfer of the property or a part thereof of the aforementioned persons, which would cause the reduction of their tax base or an increase in tax losses.

(3) The tax relief set out in Subsection 1 may be claimed in ten consecutive tax periods; the first period in which tax relief may apply is the tax period in which the taxpayer complies with the general conditions pursuant to a separate Act<sup>67)</sup> and the specific conditions established in this Act, though no later than the tax period in which three years have elapsed since the issue of the commitment to grant investment incentives pursuant to a separate Act. If the period for compliance with general conditions has been extended pursuant to a separate Act,<sup>67)</sup> the commencement of income tax relief is moved forward, though by no more than two years.

(4) Tax relief in individual tax periods must not exceed the level of public support<sup>67a)</sup> associated with previous actual expenses, which may be supported, and at the same time cannot in total exceed the permissible value of public support established in a decision under a separate Act.<sup>67)</sup>

(5) The amount of tax relief shall be rounded down to the nearest whole figure in Czech crowns.

(6) Should the taxpayer fail to observe any of the conditions referred to in Subsection 2, with the exception of the condition referred to in Subsection 2(a) or any of the general conditions established in a separate Act, the right to claim tax relief under subsection 1 ceases to apply and the taxpayer will have to submit a supplementary tax return<sup>28b)</sup> for all tax periods in which tax relief was claimed. Should the taxpayer fail to observe the condition referred to in Subsection 2(a), he is also obliged to submit a supplementary tax return for all the tax periods in which he failed to observe the condition.

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(7) Repealed

## Section 35b

(1) A taxpayer who has been granted an undertaking on investment incentives pursuant to the provisions of a separate Act and who is not subject to Section 35a is allowed, if he has complied with the general conditions established in a separate Act and the specific conditions provided by this Act, to claim tax relief calculated using the formula S1 minus S2, where:

a) S1 is the amount of the tax liability calculated under Subsection 2 for the tax period for which the tax relief is applied; the amount of the tax liability shall remain the same if a higher tax liability is additionally calculated<sup>39a)</sup>,

b) S2 is the amount of the tax liability calculated under Subsection 2 for the one of the two tax periods which directly precedes the tax period for which the tax relief may be claimed in which the tax liability so calculated is higher than the other; this amount shall be considered the starting point for tax relief calculations for all tax periods for which the tax relief is claimed; this amount shall be adjusted by the appropriate value of the year-on-year price indexes published by the Czech Bureau of Statistics, starting with the index relating to the tax period for which this amount was calculated; the amount of the tax liability shall not be altered if a lower tax liability is additionally calculated<sup>34d)</sup>.

(2) The amount of the tax liability for the purpose of Subsection 1 is as follows:

- a) Where the taxpayer is a legal entity the corporate income tax equals the amount calculated with the rate of 31% of the tax base under Section 20(1) reduced by items under Section 34 and Section 20(8) and by any positive difference between interest revenues under Section 36(6)(a) and related interest costs (expenses).
- b) Where the taxpayer is a natural person, the personal income tax equals the amount calculated under Section 16(1) on the partial tax base under Section 7.

(3) Where, in the two tax periods which immediately precede the tax period for which the tax relief can be claimed for the first time, a taxpayer made a loss or no tax liability arose, the tax relief is calculated as stated in Subsection 1(a).

(4) The tax relief under Subsection 1 may be claimed for five consecutive tax periods and the first period in which the tax relief may be claimed is the tax period in which the taxpayer complied with the general conditions pursuant to the provisions of a separate Act<sup>67)</sup> and the specific conditions determined by this Act, though no later than the tax period in which three years have elapsed since the issue of the commitment to grant investment incentives pursuant to a separate Act. If the period for compliance with the general conditions is extended pursuant to a separate Act,<sup>67)</sup> the commencement of income tax relief is moved forward, though by no more than two years.

(5) Tax relief in individual tax periods must not exceed the level of public support<sup>67a)</sup> associated with previous actual expenses, which may be supported, and which currently cannot in total exceed the permissible value of public support established in a decision pursuant to the provisions of a separate Act.<sup>67)</sup>

(6) The provisions of Section 35a(2) and (5) shall be applied in the same manner.

(7) Should the taxpayer fail to observe any of the conditions referred to in Section 35a (2), with the exception of the condition referred to in Subsection 2(a) or any of the general conditions established in a separate Act, the right to claim tax relief under Subsection 1 ceases to apply and the taxpayer will have to submit a supplementary tax return<sup>28b)</sup> for all tax periods in which tax relief was claimed. Should the taxpayer

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fail to observe the condition referred to in Section 35(2)(a), he is also obliged to submit a supplementary tax return for all the tax periods in which he failed to observe the condition.

(8) Repealed

## Section 38r

(1) Where an investment incentive has been provided in the form of tax relief, the period within which tax may be assessed<sup>39c)</sup> is 10 years, starting at the end of the calendar year in which a claim for tax relief was first made.

(2) Where it is possible to claim a deduction for a tax loss or part thereof in tax periods subsequent to the tax period when the tax loss occurred, as a tax-deductible item from the tax base, the period for tax assessment<sup>39c)</sup> for both the tax period when the tax loss occurred and all tax periods in which it is possible to claim the loss or part thereof expires together with the period for the tax assessment for the last tax period when it is possible to apply the loss or its part as a tax-deductible item.

(3) The periods for an additional tax assessment<sup>39c)</sup> caused by failure to meet the conditions for claiming a tax deduction for lease payments relating to financial leasing with the subsequent purchase of the leased tangible assets as an expense starts at the end of the calendar year in which it was first possible to verify that the conditions were met.

## Article. IV

### Transitory Provisions on Part Two

The provisions of Section 35a(6) and Section 35b(7) of Act No. 586/1992 Coll., as amended by this Act, also apply in the case of taxpayers who exercised their right to claim tax relief before this Act came into effect. The provisions of Section 35a(4) and 35b(5) of Act No. 586/1992 Coll., on Income Tax, as amended by this Act, also apply in the case of taxpayers who have been issued with a commitment to grant investment incentives pursuant to a separate Act<sup>67)</sup> before the date this Act came into effect.

## PART THREE

### Amendment to the Act on Employment and the Responsibilities of Employment Authorities in the Czech Republic

#### Article V

Act No. 9/1991 Coll. on Employment and Responsibilities of Employment Authorities in the Czech Republic as amended, is further amended as follows:

#### Section 5a

(1) On the basis of a written agreement, the Ministry shall financially support the creation of new jobs by an employer who has been issued with a commitment to grant investment incentives in accordance with the provisions of a separate Act.<sup>6a)</sup> Financial support shall be provided to an employer who creates new jobs in a district area where, at the time the form of intent to obtain investment incentives<sup>6b)</sup> is submitted, the average rate of unemployment has come to at least the average rate of unemployment in the

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Czech Republic for the last two half-year periods.

(2) The written agreement pursuant to Subsection 1 in particular must include a designation of the recipient, the amount of financial support provided, the number of jobs to be created, the date by which such jobs are to be filled with the agreed number of employees, the costs for which the funds provided may be used, the periods in which the financial support is to be provided, the manner in which compliance with the agreed conditions is to be inspected, the obligation to return the financial support if the agreed conditions are not met and the period of settlement.

(3) For the purposes of this Act, a district area is understood to be a district in which an investment project is located and its catchment area. In addition to the district in which the investment project is located, the catchment area also includes those districts from which commuting time by public transport to the district in which the investment project is located does not exceed one hour. For the purposes of providing financial support, the average rate of unemployment in the catchment area is only used in the case of an employer who creates more than 1,000 new jobs, and only if the average rate of unemployment in the catchment area is higher than in the district in which the investment project is located.

(4) The financial support is provided for a specific purpose and may only be used for the creation of new jobs arranged for in the agreement under Subsection 2. It constitutes a state budgetary expense for reimbursement of agreed employer's costs, and while it does not have to be utilised in the year it was provided, it must be utilised in accordance with a schedule set forth in these agreements. The employer shall perform accounts as of 31st December of the calendar year and submit them to the Ministry by 15th February of the following calendar year. The total number of newly created jobs shall include jobs created since the date the form of intent to obtain investment incentives was submitted. A government regulation shall determine the amount of financial support per job in accordance with the situation on the labour market expressed in terms of the unemployment rate or by other indicators, and the form of reimbursement.

## Section 6b

(1) On the basis of a written agreement, the Ministry shall financially support an employer who has been issued with a commitment to grant investment incentives pursuant to the provisions of a separate Act,<sup>(6a)</sup> for the retraining of his employees, by means of a partial reimbursement of the expenses actually incurred for retraining. Financial support is provided subject to the average rate of unemployment under Section 5a(1) at the time the form of intent to obtain investment incentives was submitted.<sup>(6b)</sup>

(2) The written agreement pursuant to Subsection 1 in particular must include a designation of the recipient, the amount of financial support provided, the number of persons to be included in the retraining, the contents of the retraining programme, the time and manner in which it is to be provided, the anticipated costs of retraining, the amount and period in which the financial support is to be provided, the manner and the period in which the costs are to be reimbursed, the date by which the agreed number of employees are to be retrained, the costs for which the funds provided may be utilised, the date of provision of financial support, the manner in which compliance with the agreed conditions is to be inspected, the obligation to return the funds provided if the agreed conditions are not met or if the funds are not fully utilised and the period and manner of settlement.

(3) The financial support is provided for a specific purpose and may only be used for retraining of employees arranged for in the agreement under Subsection 2. It constitutes a state budgetary expense for reimbursement of agreed employer's costs, and while it does not have to be utilised in the year it was provided, it must be utilised in accordance with a schedule set forth in these agreements. The employer shall perform accounts as of 31st December of the calendar year and submit them to the Ministry by 15th February of the following calendar year. The total number of retrained employees shall include employees

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retrained since the date the form of intent to obtain investment incentives was submitted. A government regulation shall determine the amount of reimbursement for the retraining of employees in accordance with the situation on the labour market expressed in terms of the unemployment rate or by other indicators, and the form of reimbursement.

## Article VI

### Transitory Provision on Part Three

The provisions of Section 5a(4) and Section 6b(3) also apply to employers who have entered into a written agreement on the provision of financial support with the Ministry involving investment incentives before this Act comes into effect.

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### Footnotes to Act No. 72/2000 Coll., on Investment Incentives and the Amendment of Certain Acts (Investment Incentives Act) as subsequently amended

- 1) Section 35a and Section 35b of Act No. 586/1992 Coll., on Income Tax, as amended by Act No. 72/2000 Coll.
- 2) Section 17(3) of Act No. 229/1991 Coll., on the Regulation of Ownership Relations to Land and Other Agricultural Property, as amended by Act No. 183/1993 Coll.
- 2a) Section 2(3) of Act No. 344/1992 Coll., on the Real Estate Cadastre of the Czech Republic (Cadastral Act), as amended by subsequent regulations.
- 2b) Section 11 of Act No. 151/1997 Coll., on the Evaluation of Property and the Amendment of Certain Acts (Property Evaluation Act).
- 3) Act No. 9/1991 Coll., on Employment and the Responsibilities of Employment Authorities in the Czech Republic, as amended by subsequent regulations.
- 4) Chapters 84, 85 and 90 of Government Order No. 318/1999 Coll., promulgating the customs tariff and determining the import duties for goods which originate in developing and less developed countries and the conditions for their imposition (customs tariff).
- 4a) Act No. 563/1991 Coll., on Accounting, as amended by subsequent regulations.
- 5) For example: Act No. 309/1991 Coll., on Air Pollution Control (Clean Air Act), as amended by subsequent regulations, Act No. 334/1992 Coll., on the Protection of the Agricultural Land Fund, as amended by subsequent regulations, Act No. 114/1992 Coll., on the Protection of Nature and the Landscape, as amended by subsequent regulations, Act No. 254/2001 Coll., on Water and the Amendment of Certain Acts (Water Act), Act No. 185/2001 Coll., on Waste Disposal and the Amendment of Certain Acts, Act No. 157/1998 Coll., on Chemical Substances and Chemical Preparations and the Amendment of Certain Acts, as amended by subsequent regulations.
- 6) Act No. 59/2000 Coll., on Public Support.
- 7) Edict No. 313/1998 Coll., on the Exemption of Machines, Machinery, Apparatus and Instruments from Import Duty.

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- 9) For example: Act No. 309/1991 Coll., on the Protection of the Atmosphere from Pollution (Clean Air Act), as amended by subsequent regulations, Act No. 254/2001 Coll., on Water and the Amendment of Certain Acts (Water Act), Act No. 185/2001 Coll., on Waste Disposal and the Amendment of Certain Acts.
- 10) Section 5a(2) of Act No. 9/1991 Coll., on Employment and the Responsibilities of Employment Authorities in the Czech Republic, as amended by subsequent regulations.
- 11) Act No. 71/1967 Coll., on Administrative Procedures (Administrative Code), as amended by subsequent regulations.

## **Footnotes to the Act on Income Tax**

- 20) Act No. 563/1991 Coll., on Accounting, as amended by subsequent regulations.  
Directives concerning the Chart of Accounts and the Principles of a Single-entry Bookkeeping System promulgated in the Collection of Laws.
- 22a) Act No. 593/1992 Coll., on Reserves for the Computation of the Income Tax Base, as amended by subsequent regulations.
- 34d) Section 46 of Act No. 337/1992 Coll., on the Administration of Taxes and Charges, as amended by subsequent regulations.
- 39c) Section 47 of Act No. 337/1992 Coll., on the Administration of Taxes and Charges, as amended by subsequent regulations.
- 41) Section 33 of Act No. 337/1992 Coll., on the Administration of Taxes and Charges, as amended by subsequent regulations.
- 67) Act No. 72/2000 Coll., on Investment Incentives and the Amendment of Certain Acts (Investment Incentives Act), as amended by subsequent regulations.
- 67a) Section 3 f) of Act No. 59/2000 Coll., on Public Support.
- 68) Section 2 (2) e) Act No. 72/2000 Coll., on Investment Incentives and the Amendment of Certain Acts (Investment Incentives Act), as amended by subsequent regulations.
- 69) Section 69b of Act No. 513/1991 Coll., Commercial Code, as amended by subsequent regulations.

## **Footnotes to the Act on Employment**

- 6a) Act No. 72/2000 Coll., on Investment Incentives and the Amendment of Certain Acts (Investment Incentives Act), as amended by Act No. 453/2001 Coll.
- 6b) Section 4 (2) of Act No. 72/2000 Coll., as amended by Act No. 453/2001 Coll.
- 6c) Section 7 (1) r) of Act No. 218/2000 Coll., on Budgetary Rules and the Amendment of Certain Associated Acts.