

CZECH REPUBLIC 2000

GENERAL INFORMATION

Area: 78,886 sq. km

Capital: Prague (Praha) (Population: 1,193,270)

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
- New York 6,561 km
- Moscow 1,665 km
- Warsaw 512 km
- Budapest 457 km

Major Czech cities (population):

- Praha: 1,193,000
- Brno: 385,000
- Ostrava: 322,000
- Plzeň: 168,000
- Olomouc: 103,000
- Liberec: 100,000
- České Budějovice: 99,000
- Hradec Králové: 99,000
- Ústí nad Labem: 96,000
- Pardubice: 92,000

UNESCO list includes Prague, Kutná Hora, Český Krumlov, Telč, the Lednice – Valtice area, Zelená Hora – Church of St. John Nepomuk, Holašovice and the castle and the gardens of Kroměříž

Time zone: GMT+1, summer time GMT+2

Official language: Czech

Official Currency:

Koruna (Kc) - Czech crown (CZK)

1 USD = 34.9 CZK, 1 EURO = 36.9 CZK
(year 1999 average, CNB)

1 USD = 39.3 CZK, 1 EURO = 36.2 CZK
(April 28, 2000, CNB)

Political system: Parliamentary democracy

President of the Czech Republic:

Václav Havel

Prime Minister: Miloš Zeman

Chairman of the Chamber

of Deputies: Václav Klaus

Chairman of the Senate: Libuše Benešová

Parliament: bicameral

- Chamber of Deputies (200 deputies elected for a 4-year period)
- Senate (81 senators elected for a 6-year period)

Elections:

- Senate—last held November 1998 (next election November 2000—to replace/reelect 20 senators)
- Chamber of Deputies—last held June 1998 (next election June 2002)
- President elected by Parliament for a five-year term; last election held January 1998 (next election January 2003)
- Prime Minister appointed by the President

Election results:

Chamber of Deputies - seats by party:

governing party (CSSD 74), opposition (ODS 63, KDU-CSL 20, US 19, KCSM 24)

Senate - seats by party: governing party (CSSD 23), opposition (ODS 26, KDU-CSL 16, KCSM 4, ODA 7, US 4, DEU 1)



GEOGRAPHICAL FEATURES

Geography

The Czech Republic is situated in the geographical center of Europe, at a latitude of 48 – 51 degrees North and a longitude of 12 – 19 degrees East. It is a landlocked country located 326 km from the Baltic and 322 km from the Adriatic.

The division between the two principal mountain systems in Europe - the Hercynian and Alpine-Himalayan - runs through Czech territory. The country's topography therefore is quite varied: plains (4.5% of the country), hills (50.1%) highlands (33.9%) and mountains (11.6%). The average altitude of the Czech Republic is 430 m. Altitude levels: lowland regions under 200 m above sea level make up 4.95% of the country, regions 200 - 500 m above sea level 74.1%, regions 600 - 1,000 m above sea level 19.3% and regions over 1,000 m above sea level 1.6%. Forests, mostly coniferous, cover 33% of the total area. The most prevalent group of soil-types is brown soils. Mineral deposits include mainly black coal, brown coal and lignite, kaolin, uranium ore and glass sand. The country has a sufficient stock of raw building materials.

Climate

The Czech Republic has a temperate climate. Weather is varied across four seasons, typically characterized by mild springs, muggy summers, cool autumns, and winters with moderate amounts of precipitation. Lowland temperatures in July average 20° C, and 8-11° C in mountainous areas. Lowland temperatures in January average -1 to -2° C, and -5 to -7° C in the mountains.

Membership in important international organizations:

- OECD (since November 1995)
- NATO (since March 1999)
- European Union – Associate status (Accession talks with the EU began in March 1998, Czech Republic expects to become a member in 2003-5)
- United Nations Organization
- Council of Europe
- WTO, IMF, IBRD, EBRD

POPULATION

Population: 10.3 million

Population density: 131 inhabitants/sq. km
(339 inhabitants per sq. mile)

Urban-based population: 75%

Ethnic Groups

- Czech 95%
- Slovak 3%
- Other groups 2%
(Polish, German, Romany etc.)

Population according to gender:

- Male: 48.5% (5.0 mil.)
- Female: 51.5% (5.3 mil.)

Age structure:

0-14 years: 17% (male 897,844; female 853,627)
15-64 years: 69% (male 3,566,527; female 3,560,191)
65 years and over: 14% (male 541,064; female 870,368)

Live births per one thousand inhabitants:

Live births per one thousand inhabitants: 8.8
Deaths per one thousand inhabitants: 10.6

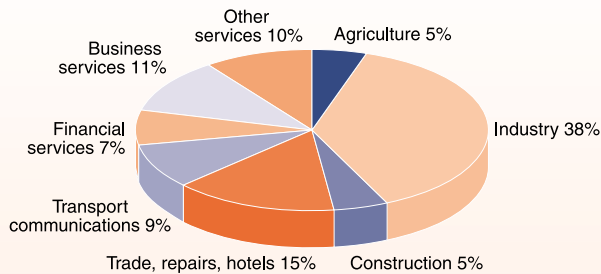
ECONOMIC CHARACTERISTICS AND DATA

IMPORTANT ECONOMIC DATA

Gross domestic product (GDP):

GROWTH OF GDP: in 1998: -2.3% in 1999: -0.2%
 GDP VOLUME IN 1999 (CONSTANT PRICES, 1995 AVERAGE):
 1,397.9 billion CZK
 GDP PER CAPITA IN 1999: 135.7 thousand CZK (3,888 USD)

Structure of GDP in 1998



GDP estimate for 2000 represents year-on-year growth in the range of 0%–2%. A deviation from this forecast could occur if there was a major upturn in investment.

IMPORTANT MACRO-ECONOMIC INDICATORS

(Change vis-à-vis previous year in %)

	1998	1999
• Industrial production	1.6	-3.1
• Consumer price index	6.8	2.1
• Consumption	-2.7	0.8
• household consumption	-2.4	1.4
• government consumption	1.0	-0.1
• non-profit institution consumption	3.0	-7.9
• Exports	11.5	9.2
• Imports	9.0	7.2

CURRENT ACCOUNT OF BALANCE OF PAYMENTS

(million USD)

	1998	1999
• Current Account	-1,335.7	-1,058.2
• Trade balance	-2,553.5	-2,060.2
• Exports	26,351.4	26,845.8
• Imports	28,904.9	28,906.0
• Balance of services	1,792.9	1,229.6
• Credit	7,493.5	6,925.5
• Debit	5,700.6	5,695.9

The current account showed a deficit of USD 1 billion for 1999, largely due to a trade deficit of USD 2 billion.

FOREIGN DIRECT INVESTMENT

Foreign Direct Investment in the Czech Republic – by Sector

FDI accounts for 10% or higher share of foreign capital in a company

	1990-98 mil USD	1999*) mil USD
• Trade and business services	2,215	1,230
• Finance	1,818	1,217
• Manufacture of non-metallic mineral products	1,371	170
• Communications	1,223	NA*
• Manufacture of motor vehicles	972	144
• Manufacture of food products	853	216
• Electricity, gas and water supply	609	439
• Real estate activities	381	128
• Other	4,933	1,332
• Total	14,375	4,876

NA* - individual statistic not available, included under Other
 1999*) – preliminary data

Foreign Direct Investment in the Czech Republic – by Country

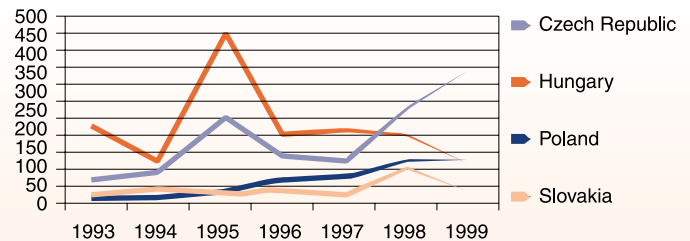
	1990-98 mil USD	1999*) mil USD
• Germany	4,252	781
• Netherlands	3,898	729
• Austria	1,650	631
• USA	1,179	562
• United Kingdom	679	169
• France	677	162
• Switzerland	260	305
• Belgium	153	1,236
• Other	1,626	302
• Total	14,375	4,877

1999*) – preliminary data

Foreign Direct Investment in the Czech Republic through the end of 1998 - by Region

Region	FDI mil USD	Share of FDI
• Prague	6,749	46.9%
• Central Bohemia	1,773	12.3%
• Southern Bohemia	486	3.4%
• Western Bohemia	686	4.8%
• Northern Bohemia	1,309	9.1%
• Eastern Bohemia	955	6.6%
• Southern Moravia	1,355	9.4%
• Northern Moravia	1,061	7.4%
• Czech Republic	14,375	100.0%

FDI per capita (USD)



INVESTMENT INCENTIVES AVAILABLE IN THE CZECH REPUBLIC

Incentives listed in the Act on Investment Incentives

1. Tax incentives (corporate tax relief of 10 years for new firms, partial tax relief of 5 years for expansion projects)
2. Job creation grants
3. Training and retraining grants
4. Location incentive

Eligibility Criteria

1. Manufacturing industry (high-tech products or machinery)
2. Acquisition/construction of a new plant, expansion or modernization of an existing plant
3. Investment of over CZK 350 mil. (CZK 175 mil. in regions with high unemployment) within 3 years
4. CZK 145 mil. (CZK 87.5 mil.) covered by own equity
5. At least 40% of total investment must be made into machinery
6. Environmentally-friendly production

Classification of Industries

- High-tech sectors: no further requirements (aviation and space research equipment, transport equipment and parts, computers, IT equipment, electronics, radio and telecommunications, pharmaceuticals)
- Other manufacturing sectors: at least 50% of machinery used must appear on the List of High-Tech Machinery (food processing, textiles & clothing, leather processing, wood-working, paper & printing, coking & oil processing, chemicals, rubber & plastics, glass, ceramics & porcelain, building materials, metal-working, manufacture of machinery and equipment, electrical appliances & optical devices, transport equipment, furniture, processing of secondary raw materials)

Incentives introduced by separate government decrees

1. Duty-free imports of machinery
2. Regional investment subsidies
3. Support from labour offices
4. Support of small companies

EDUCATION

The degree of education completed at elementary, secondary and university levels is very high in the Czech Republic compared to world standards. All children in the Czech Republic must attend elementary school up to the age of 15.

Upon finishing elementary school, 52% of children continue their education in vocational schools and 48% move on to secondary schools. 7.2% of all Czechs complete a university education.

The Czech Republic has a very high level of general education and a long tradition in engineering and manufacturing.

Approximately 10% of the population is highly computer literate with the educational system turning out some 5,000 computer-science graduates every year.

Structure of labour force in national economy by education (1998)

	Share in %
• Elementary (compulsory)	10%
• Secondary vocational	40%
• Secondary technical	6%
• Secondary with GCSE	34%
• University	10%

Institutions of higher education 1997 / 1998

	Students	Graduates
• Total	162,373	22,934
• Natural Sciences	10,540	1,341
• Technology	45,642	4,847
• Agricultural, Forestry & Veterinary	9,488	1,429
• Medicine and Pharmacy	10,549	1,832
• Social Sciences	82,435	12,870
• Arts	3,719	615

EMPLOYMENT

Percentage of population employed: 47.3% (1998)

Ratio of those employed in various sectors:

	1997 %	1998 %	1997 Persons	1998 Persons
• Agriculture	7.2%	7.0%	357,856	340,234
• Industry and construction	39.6%	39.4%	1,961,193	1,921,066
• Services	53.1%	53.6%	2,627,525	2,612,111
• Total	100.0%	100.0%	4,946,574	4,873,411

Unemployment rate: in 1998: 6.0% in 1999: 8.5%

AVERAGE EARNINGS (1st – 3rd quarter of 1999)

Average monthly salary per actual person increased by 8.4% as compared to corresponding period of previous year.

Average monthly wages (1st – 3rd quarter of 1999) - in the biggest cities

• Average for the Czech Republic	12,573 CZK
• Capital Prague	15,583 CZK
• Plzeň	13,165 CZK
• Brno	12,398 CZK
• Ostrava	13,511 CZK

Average monthly wages (1st – 3rd quarter of 1999) – by industry

• Average for the Czech Republic	12,573 CZK
• Finance	21,905 CZK
• Energy	15,486 CZK
• Mining and quarrying	15,013 CZK
• Real estate	14,533 CZK
• Telecommunication	14,007 CZK
• Public administration and defense	13,506 CZK
• Wholesale and retail trade	12,993 CZK
• Transport	12,785 CZK
• Construction	12,503 CZK
• Manufacture of machinery	12,420 CZK
• Manufacturing industry	12,035 CZK
• Health and social work	11,463 CZK
• Education	11,394 CZK
• Agriculture	9,597 CZK
• Hotels and restaurants	9,929 CZK
• Manufacture of textiles	8,940 CZK

FOREIGN TRADE

FOREIGN TRADE PRODUCT TURNOVER IN 1999:

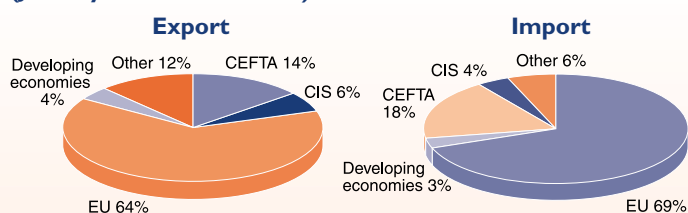
	Growth (%)	Volume (mil. CZK)
• Exports	7.5	928,865
• Imports	9.2	998,729

Foreign Trade Balance: -69,864 million CZK

FOREIGN TRADE VOLUME BY COUNTRY (January - December 1999):

	Volume (CZK million)	Total turnover = 100%
• Germany	729,342	37.8%
• Slovakia	137,521	7.1%
• Austria	115,581	6.0%
• France	89,620	4.6%
• Italy	86,562	4.5%
• Poland	85,926	4.5%
• United Kingdom	69,151	3.6%
• United States	63,412	3.3%
• Russian Federation	61,404	3.2%

FOREIGN TRADE VOLUME - BY COUNTRY GROUPINGS (January - December 1999):



FOREIGN TRADE COMMODITY STRUCTURE (January - December 1999):

Most significant export products	Volume (mil. CZK)
• Road vehicles	139,951
• Electrical machinery, apparatus and appliances	90,387
• Industrial machinery and equipment (general)	49,947
• Miscellaneous manufactured products	46,099
• Non-metallic mineral products	41,923
• Iron and steel	39,887
• Textiles	37,962
• Machinery (specialized)	33,525
• Other transport equipment	28,250
• Furniture and parts	26,005
• Power generation machinery and equipment	25,030
• Clothing accessories and apparel	23,186
• Rubber goods - manufactured	19,393

Most significant import products	Volume (mil. CZK)
• Electrical machinery, apparatus and appliances	100,984
• Road vehicles	77,221
• Industrial machinery and equipment (general)	57,011
• Miscellaneous manufactured articles	51,934
• Petroleum and petroleum products	41,688
• Iron and steel	39,688
• Metal manufacturing	39,239
• Textiles	38,925
• Machinery (specialized)	34,977
• Office machines and automatic data processing machines	32,845
• Telecommunication and sound recording equipment	30,914
• Power generation machinery and equipment	29,837
• Medical and pharmaceutical products	26,848

BUSINESS ORGANIZATIONS

BUSINESS COMPANIES

Czech Commercial Code provides for following business entities:

- joint-stock company (akciová společnost = a.s.);
- limited liability company (společnost s ručením omezeným = spol. s r.o.);
- limited partnership (komanditní společnost = k.s.);
- general commercial partnership or unlimited partnership (veřejná obchodní společnost = v.o.s.);
- co-operative (družstvo);
- sole proprietorship (an individual),
- branch office of a foreign company.

COMMERCIAL REGISTER

All enterprises in the Czech Republic, including representative offices, must be registered in the Commercial Register, a public list kept by regional commercial courts.

All foreign applicants to the Commercial Register must obtain a valid trade authorization (certificate or license) from the Trades Licensing Office before they can apply for entry into the Commercial Register.

FOREIGN BUSINESS COMPANIES

Czech legislation enables foreign entrepreneurs to conduct business in the Czech Republic under the same conditions as Czech business people. A foreigner may become either the sole owner or co-founder of a company and may also join an existing Czech enterprise. Foreigners who own businesses abroad may also conduct business activities in the Czech Republic provided they establish a branch office in the Czech Republic.

The forms of business most commonly used by foreign investors are the limited liability company and the branch. Branches are often used to establish a presence and to assess opportunities before making the greater financial commitment necessary to enter into a joint venture or to set up a company. If a foreign company is investing in a joint venture

with a former state enterprise which is undergoing privatization, it is common for the foreign company to invest in a privatized joint stock company. Banks and insurance companies must be established as joint stock companies or branches. A joint stock company can be listed on the Stock Exchange.

At the end of 1999, over 80,000 companies under full or partial foreign ownership were registered in the Czech Republic.

INVESTMENT PROTECTION

Foreign investment protection and safeguards against double taxation are guaranteed through a number of intergovernmental agreements signed by the former Czech and Slovak Federal Republic (CSFR) and more than 50 other countries. The Czech Republic continues to honor these treaties. A major American investor has taken the Czech Republic to an International Arbitration Court over an alleged violation of the Czech-US investment protection treaty.

REGISTERED BUSINESS ORGANIZATIONS (December 1999)

Companies by structure	Number of companies
• Private entrepreneurs	1,528,151
• Business companies and partnerships	188,058
• of which are: Joint-stock companies	13,009
• of which are: Limited liability companies	167,064
• Cooperatives	10,236
• State enterprises	1,214
• Total	1,963,319

Companies - by sector	Number of companies
• Public sector	3,197
• Private sector	259,990
• of which are: companies under foreign control	81,547
• Households	1,606,155
• Total	1,963,319

PRIVATIZATION AND FINANCIAL SECTOR

Privatization is largely complete. To date, over 80% of former state assets have been transferred to the private sector. There have been two phases of privatization in the Czech Republic: voucher privatization and the direct-sale of individual companies.

The voucher system was the most common form of ownership transfer and was completed in 1995. This method enabled enterprises to transfer ownership into private hands by issuing every Czech citizen a voucher to be used to bid for shares. Shares in 861 companies were awarded to individuals or investment funds and, at the beginning of March 1995, share-trading commenced on the Prague Stock Exchange.

Once voucher privatization was completed, most of the large, former state-owned banks were partially privatized. Significant steps toward full privatization were made in 1998 when the state sold its share of IPB (Investiční a Poštovní Banka) to Nomura Group. This was followed by the sale of ČSOB (Československá Obchodní Banka) to Belgium's KBC Bank in 1999, and ČS (Česka Spořitelna) to Austrian-owned Erste Bank in February 2000.

Some large scale privatization projects remain, including that of the last state-owned bank (Komerční Banka), Czech railways, telecommunications, certain health care facilities, the national postal service and large strategic industrial companies, including the energy and mining sectors.

Sales of state-owned enterprises are administered by the National Property Fund (<http://www.fnm.cz>). Investors can also acquire equity stakes through the Prague Stock Exchange (<http://www.pse.cz>).

PRAGUE STOCK EXCHANGE

The Prague Stock Exchange (PSE) began full operations in April 1993. It is modeled on a European-style exchange and adheres to EU regulations. Shareholders of the PSE are major commercial banks and specialized brokerages.

BANKING SYSTEM

The Czech National Bank acts as an independent central bank. Its primary functions are to maintain currency stability, supervise commercial banks, oversee the clearing system, maintain currency reserves, and print currency. The majority of commercial banks are private and foreign owned. The level of activity generated by foreign banks has directly impacted growth in the banking sector. This is reflected in a gradually growing share of the total assets held by foreign banks and branch offices in the Czech banking sector.

	1998 (Dec.)	1999 (Dec.)
• Total CZK loans	897,370 mil. CZK	869,649 mil. CZK
• incl. Population	62,288 mil. CZK	76,427 mil. CZK
• Total CZK deposits	1,022,019 mil. CZK	1,023,644 mil. CZK
• incl. Population	664,998 mil. CZK	672,444 mil. CZK
• Average interest rates on loans	10.5%	7.7%
• Average interest rates on deposits	6.7%	3.7%

Initial capital and capital adequacy as of 31 December 1999 (KOB excluded *)

	Initial capital (in CZK bn)	Capital adequacy (in %)
• 31 December 1998	68.9	12.1
• 31 December 1999	82.0	13.2

*) KOB-Konsolidační banka manages problematic assets that have been transferred to KOB from commercial banks and other institutions as a part of the economic transformation process. It is a state financial institution.

Equity capital in the banking sector rose CZK 13.1 billion from 1998 to 1999, largely due to increases within the large banks. An increase of 3.7% in overall bank capital coupled with a 5.5% decline in the volume of risk-weighted assets is reflected in the 1.1% increase in capital adequacy to 13.2% during the period.

THE LEGAL FRAMEWORK OF BUSINESS ACTIVITIES

CUSTOMS LEGISLATION

The Customs Act is based on the legal regulation set forth by the European Union in the EU Customs Codex No. 2913/92, which was enacted in October 1992.

The basic terms of the customs legislation include the term declarant, defined as a natural Czech person or a Czech legal entity. The declarant can appoint a representative to handle the customs declaration, officially known as the Unified Customs Declaration. The customs declaration fully complies with the form used by the EU and may be applied to all customs categories.

The Customs Act identifies eight customs categories for the release of goods: free circulation, transit (national and general), storage in a customs warehouse, inward processing, processing of goods under customs supervision, temporary use, outward processing and export.

CUSTOMS DUTIES

As a founding member of GATT (the General Agreement on Tariffs and Trade) and the WTO (World Trade Organization), the Czech Republic applies customs duties in accordance with effective and internationally recognized customs tariffs.

In the Czech Republic, tariffs are imposed only on imported goods. The type of good being imported and its country of origin determine the tariff rate applied. Imported goods may also be liable to additional taxes (value added tax and excise tax on some types of goods). Customs duties are calculated as a percentage of the value of the goods.

The Czech Republic maintains a liberal customs regime. Those countries that have been granted most favored nation status by the Czech Republic are subject to lower tariff rates, known as conventional customs duties. This applies to many countries worldwide, with the exception of: the Antarctic Territories, Bhutan, Oman, Nauru, Western Sahara and some other countries.

The Czech Republic also employs a large system of customs preferences it grants to imports from developing and the less developed countries.

FREE TRADE AGREEMENTS

The Czech Republic is a party to agreements on free trade zones and groups of countries, including: the EU, EFTA, CEFTA, Estonia, Latvia, Lithuania, Israel and Turkey.

Preferential treatment through reduced tariffs is granted upon presentation of a certificate from the country of export that verifies the origin of the goods.

Agreements simplifying formalities for the exchange of goods and a common transit regime between the Czech Republic, the EU and EFTA countries came into effect on July 1, 1996. These agreements allow for goods to be transported to any of the signatory countries using only those customs documents issued in the Czech Republic. Similar agreements have been signed with Slovakia, Hungary, and Poland.

New regulations relating to preferential rules and methods of administrative co-operation with EU and EFTA countries became valid under new international agreements on January 1, 1997.

FOREIGN EXCHANGE REGULATIONS

The new Foreign Exchange Law, effective October 1, 1995, provides full convertibility of the Czech Crown for current account transactions and the partial liberalization for capital account transactions. Between 1991 and 1997 the exchange rate was pegged to a basket made up of the D-Mark and the US-Dollar. To meet its inflation target, the Central Bank had to widen the fluctuation band around the central parity at the end of February 1996. In May 1997, the Central Bank was forced to abandon the band and allow the currency to float freely.

Foreign Exchange Law. The decisive legal criterion in the determination of the foreign exchange entitlements of both physical and legal persons involved in foreign exchange operations is not citizenship but the possession of a permanent residence permit. Restrictions on investing outside the country and limits on borrowing have been removed.

REPATRIATION OF PROFITS AND CAPITAL

Czech foreign exchange regulations and investment protection agreements guarantee the transfer of profits and capital abroad.

IMPORTANT TAXES

- Corporate income tax: 31%
- Value added tax (VAT): 5% for services, 22% for goods.
- Personal income tax: ranging from 15-32% (according to annual taxable income)

Czech Residents pay taxes on their total income.

Non-residents pay taxes on Czech sources of income only.

To qualify as a resident one must have a permanent home in the Czech Republic and/or reside in the Czech Republic for at least 183 days per calendar year.

All forms of compensation in cash and in kind (generally assessed at market value) are taxable as employment income.

The Czech Republic maintains double taxation agreements with more than 50 countries. Depending on the agreement concerned, taxes are either paid in the Czech Republic or abroad. A complete list of double taxation treaties valid in the Czech Republic is available through CzechInvest.

SOCIAL INSURANCE

The social security system is overseen and managed by the state.

It covers health, pension, and employment insurance as well as child-related benefits and other social services.

While all Czech citizens are guaranteed healthcare by the state, several independent, commercial health insurance companies have been established.

Employers and employees alike are required to pay into the social security system. Required contributions, as a percentage of gross salary, are indicated in the table below.

Mandatory contributions to the social insurance system:

	Employer-portion	Employee-portion
• Health insurance	9.0%	4.5%
• Social insurance	26.0%	8.0%
• Total	35.0%	12.5%

All foreign companies registered in the Czech Commercial Register must pay a total of 35 % of their Czech employees' gross salaries toward social security and health insurance funds.

Expatriates employed by foreign entities without any presence in the Czech Republic are exempt from social, health and employment insurance contributions in the Czech Republic.

Retirement age

The official working age is 15-57 years for women and 15-60 years for men. The minimum retirement age will grow to 61 for women and 62 for men by 2006.



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THE LEGAL FRAMEWORK OF BUSINESS ACTIVITIES

EMPLOYMENT OF FOREIGNERS

Foreign citizens may be employed in Czech companies provided they acquire a work permit from the respective labor office and a residence permit from either the diplomatic or consular office of the Czech Republic abroad, or from the Ministry of Interior in the Czech Republic.

BUSINESS ACTIVITIES OF FOREIGNERS

Foreign persons have the same business rights as Czech persons in the Czech Republic, provided they meet the conditions stipulated in the Trading Act and Commercial Code and related Czech legislation. Legal entities headquartered abroad and natural persons with permanent residency outside the Czech Republic are considered foreign persons.

BRANCH OFFICE OF A FOREIGN COMPANY

Czech law requires that branch offices fully list their planned activities in their application for entry in the Commercial Register as they are only allowed to engage in those activities specified in their entry. A director, who may be either a Czech natural person or a foreigner with a valid Czech residency permit, must be appointed to head the branch office. The law according to which the branch's parent entity was founded also applies to the branch's internal dealings. Branch offices of foreign companies are regarded as foreign exchange

non-residents, meaning they do not have ownership rights to real property. However, it is possible for foreign non-residents to lease property.

OWNERSHIP RIGHTS TO REAL PROPERTY

The ability of foreign persons to acquire real property in the Czech Republic is governed by the Commercial Code and the Foreign Exchange Act.

The Commercial Code enshrines the principle of national treatment for foreigners. Foreigners can act as Czech legal entities and real property may be acquired in the following ways: foreigners may participate as partners or members of existing Czech legal entities, they may participate in the establishment of Czech legal entities, they themselves may establish Czech legal entities or they may become sole partners (owners) of Czech legal entities with their own 100% capital interest. The Foreign Exchange Act allows companies with a seat in the Czech Republic (corporate foreign exchange resident – limited liability company, joint stock company) to acquire ownership rights to real property. However, foreign individuals, both residents and non-residents, do not have the right to purchase real estate or property for personal purposes unless a Czech legal personality is also represented – such as a family member with Czech citizenship or a Czech partner. Specific terms and guidelines are outlined in the Foreign Exchange Act (No. 219/1995).

COMMUNICATIONS

Telephones:

Subscriber phone stations:	4,693,000
Subscriber phone stations per 1,000 inhabitants:	456.1
Mobile radiotelephone stations:	969,000
Mobile radiotelephone stations per 1,000 inhabitants:	94.1
Internet users:	292,000 (2.93% of population)
Radio fee payers:	3,223,000
TV fee payers:	3,447,000

TRANSPORTATION

Railways: 9,430 km The railway network is very comprehensive with most of the traffic catering to heavy industry.

The most important railway routes are under reconstruction to increase traffic speed. Trains operating between Prague and capital cities in neighboring countries meet EC standards.

International railway transit corridors:

Corridor I: Berlin – Děčín – Prague – Česká Třebová – Brno – Břeclav – Vienna/Bratislava (length: 476 km)

Corridor II: Vienna – Břeclav – Přerov – Ostrava – Katovice (length: 320 km)

Corridor III: Nuremberg – Cheb – Plzeň – Prague – Olomouc – Ostrava – Žilina (length: 693 km)

Corridor IV: Berlin – Děčín – Prague – Veselí n/L. – Horní Dvořiště – Linec /České Velenice – Vienna (length: 473 km)

Roads and motorways: 55,393 km

The Czech government approved a 12-year programme to build 987 km of new highways to be linked to the European transportation network. It will increase truck transit capacity and connect all major Czech cities with high-quality roads. In Prague, the city authorities have drafted plans for the construction of inner and outer ring roads.

Main route: Berlin – Prague – Brno – Břeclav – Vienna /Bratislava

Airports: altogether 75

• 10 public international airports (Liberec, Pardubice, Karlovy Vary, Klatovy, Hosín, Prague-Ruzyně, Brno-Tuřany, Kunovice, Ostrava-Mošnov, Holešov)

• 2 private international airports (Otrokovice, Vodochody)

• 58 public national airports • 5 private national airports

Heliports: 15 private national heliports for air rescue service

Prague-Ruzyně airport handles over 94% of total passenger traffic and 84% of air cargo service. More than 4.8 million passengers pass through the terminal each year. (Prague-Ruzyně airport provides at least three daily flights to and from most major European cities.) The basic air transport network of the Czech Republic is dominated by activity generated at the international airports in Prague, Brno, Ostrava and Karlovy Vary.

USEFUL INFORMATION

VISA AND RESIDENCY PERMIT

LENGTH OF STAY	NATURE OF VISA	EXAMPLE OF USERS
Temporary (0-90 days)	-	Tourists from North America/Western Europe (i.e. not required to obtain a visa)
Temporary (0-90 days)	Short-term visa	Tourists from elsewhere (i.e. required to obtain a visa)
Temporary (90-365 days)	Long-term residency visa	Foreigners seeking to work and reside in the CR or act as an executive or board member of a Czech entity
Temporary (indefinite)	Permanent residency permit	Foreigners married to a Czech citizen

For more details please see our website: www.amcham.cz

USEFUL ADDRESSES

Office of Czech Republic Government www.vlada.cz

Ministry of Finance www.mfcr.cz

Ministry of Trade and Industry www.mpo.cz

Czech National Bank www.cnb.cz/en/index.html

CzechInvest www.czechinvest.cz

Czech Statistical Office www.czso.cz

LOCAL INFORMATION

National Holidays:

January 1

April 24

May 1

May 8

July 5

July 6

October 28

December 24-26

New Year's Day

Easter Monday

May Day

National Liberation Day

Cyril and Methodius

Jan Hus Burned at the Stake

Founding of the Republic

Christmas

Business hours: Weekdays: offices 8.00 - 16.00, shops, banks and post offices until 18.00, on Saturdays: shops and some post offices 8.00 - 12.00.

Payments: banks and hotels accept all convertible currencies, traveler's checks and credit cards

Country Code: 420

Voltage: 230V/50Hz