

The business environment in the Czech Republic

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Content

- Business environment in the CR
- Assessment of business environment – WB
- Small and medium-sized enterprises

Factors influencing business environment

- Finance
- Government policy
- Education, knowledge, skills
- Technology transfer
- Business partners, services, law
- Market
- Physical infrastructure
- Entrepreneurial mentality
- Programmes for support

Strenghts in the CR

- Tradition of industrial production
- Tradition of research and development
- Offer of new industrial zones and real estate for enterprises
- Geographical location and proximity of major markets
- Good transport infrastructure
- Existence of network of institutions promoting enterprises and innovation

Weaknesses in the CR

- enforceability of law
- regulation of bankruptcy
- environmental legislation
- tax system and tax rates
- lack of capital
- qualification of workforce
- mobility of workforce

Tax system

Tax	Tax rate
Corporate income tax	24 %. There are plans for a reduction of corporate income tax.
Personal income tax	Progressive taxation with tax rates from 12% to 32%. New government reform?
Value added tax (VAT)	5% (food, healthcare services) or 19% (most goods and services)
Excise tax	Levied on petrol and petrol derivatives, alcohol (beer, wine and spirits) and tobacco
Road tax	CZK 1,200 - 4,200 (cars), CZK 1,800 - 50,400 (trucks) + road-toll for trucks
Real estate tax	According to type, location and purpose of use of the real estate
Real estate transfer tax	3%
Inheritance tax & gift tax	From 1% (0.5% for inheritance tax) to 40% (20% for inheritance tax)

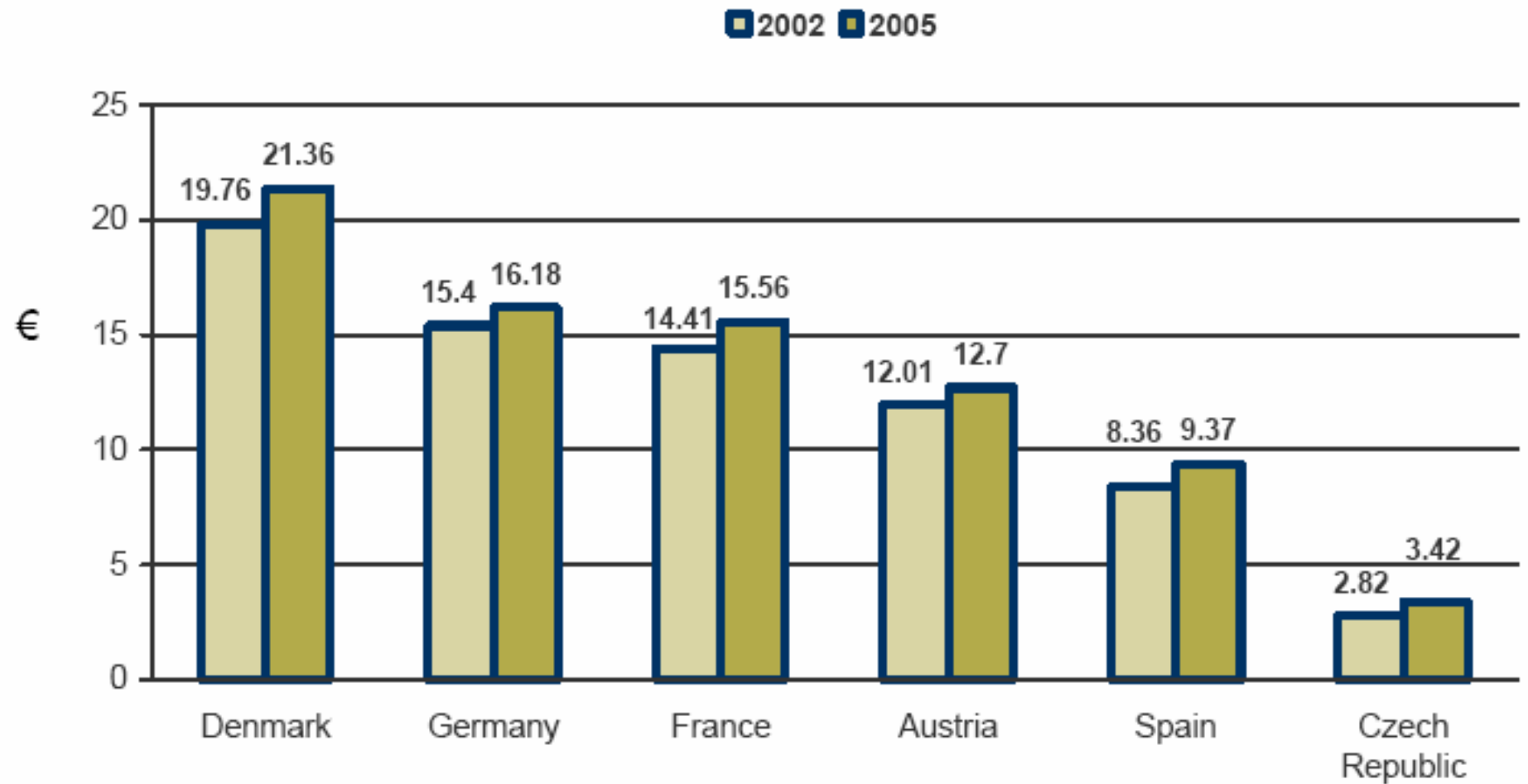
Insurance

Contributions	Employer (%)	Employee (%)
Health care insurance	9.0	4.5
Pensions	21.5	6.5
Unemployment	1.2	0.4
Sickness and other benefits	3.3	1.1
Total	35.0	12.5

Labour costs

	Minimum wage
1.1.1993 – 31.12.1995	2 200 Kč
1.1.1996 – 31.12.1997	2 500 Kč
1.1.1998 – 31.12.1998	2 650 Kč
1.1.1999 – 30.6.1999	3 250 Kč
1.7.1999 – 31.12.1999	3 600 Kč
1.1.2000 – 30.6.2000	4 000 Kč
1.7.2000 – 31.12.2000	4 500 Kč
1.1.2001 – 31.12.2001	5 000 Kč
1.1.2002 – 31.12.2002	5 700 Kč
1.1.2003 – 31.12.2003	6 200 Kč
1.1.2004 – 31.12.2004	6 700 Kč
1.1.2005 – 31.12.2005	7 185 Kč
1.1.2006 – 30. 6.2006	7 570 Kč
1.7.2006 – 31.12.2006	7 955 Kč
1.1.2007	8 000 Kč

AVERAGE HOURLY WAGES IN THE EUROPEAN UNION



Doing Business in 2006

- The World Bank
- Objective measurement of business regulations and their enforcement
- 175 economies
- Regulatory costs of business
- Ranking from 1 to 175

Doing Business - methodology

- Doing Business
- Starting a Business
- Dealing with Licenses
- Employing Workers
- Registering Property
- Getting Credit
- Protecting Investors
- Paying Taxes
- Trading Across Borders
- Enforcing Contracts
- Closing a Business

Doing Business – Czech Republic

Ease of...	2006 rank	2005 rank	Change in rank
<i>Doing Business</i>	52	50	-2
Starting a Business	74	85	+11
Dealing with Licenses	110	111	+1
Employing Workers	45	44	-1
Registering Property	58	55	-3
Getting Credit	21	19	-2
Protecting Investors	83	81	-2
Paying Taxes	110	104	-6
Trading Across Borders	41	39	-2
Enforcing Contracts	57	55	-2
Closing a Business	113	110	-3

Ranking in 2006

	CR	Slovakia	Poland	Hungary
Doing Business	52	36	75	66
Starting a Business	74	63	114	87
Dealing with Licenses	110	47	146	143
Employing Workers	45	72	49	90
Registering Property	58	5	86	103
Getting Credit	21	13	65	21
Protecting Investors	83	118	33	118
Paying Taxes	110	114	71	118
Trading Across Borders	41	88	102	76
Enforcing Contracts	57	59	112	12
Closing a Business	113	31	85	48

Doing Business in 2006

1. Singapore
2. New Zealand
3. United States
4. Canada
5. Hong Kong, China
6. United Kingdom
7. Denmark
8. Australia
9. Norway
10. Ireland
11. Japan
12. Iceland
13. Sweden
14. Finland
15. Switzerland
16. Lithuania
17. Estonia
18. Thailand
19. Puerto Rico
20. Belgium

Small and medium-sized enterprises

Importance of SMEs

- Business environment
- Structural changes
- Stabilizing element

EU: backbone of European economy

Economic and social contribution

- structural changes
- subcontractors
- new technologies
- marginal areas of the market
- development of regions
- new jobs
- main factor of economic development

Disadvantages of SMEs

- low economic power
- access to capital
- education, information, consulting
- unfair competition, dumping
- public contracts
- payment habits
- administrative requirements

Some statistics about SMEs

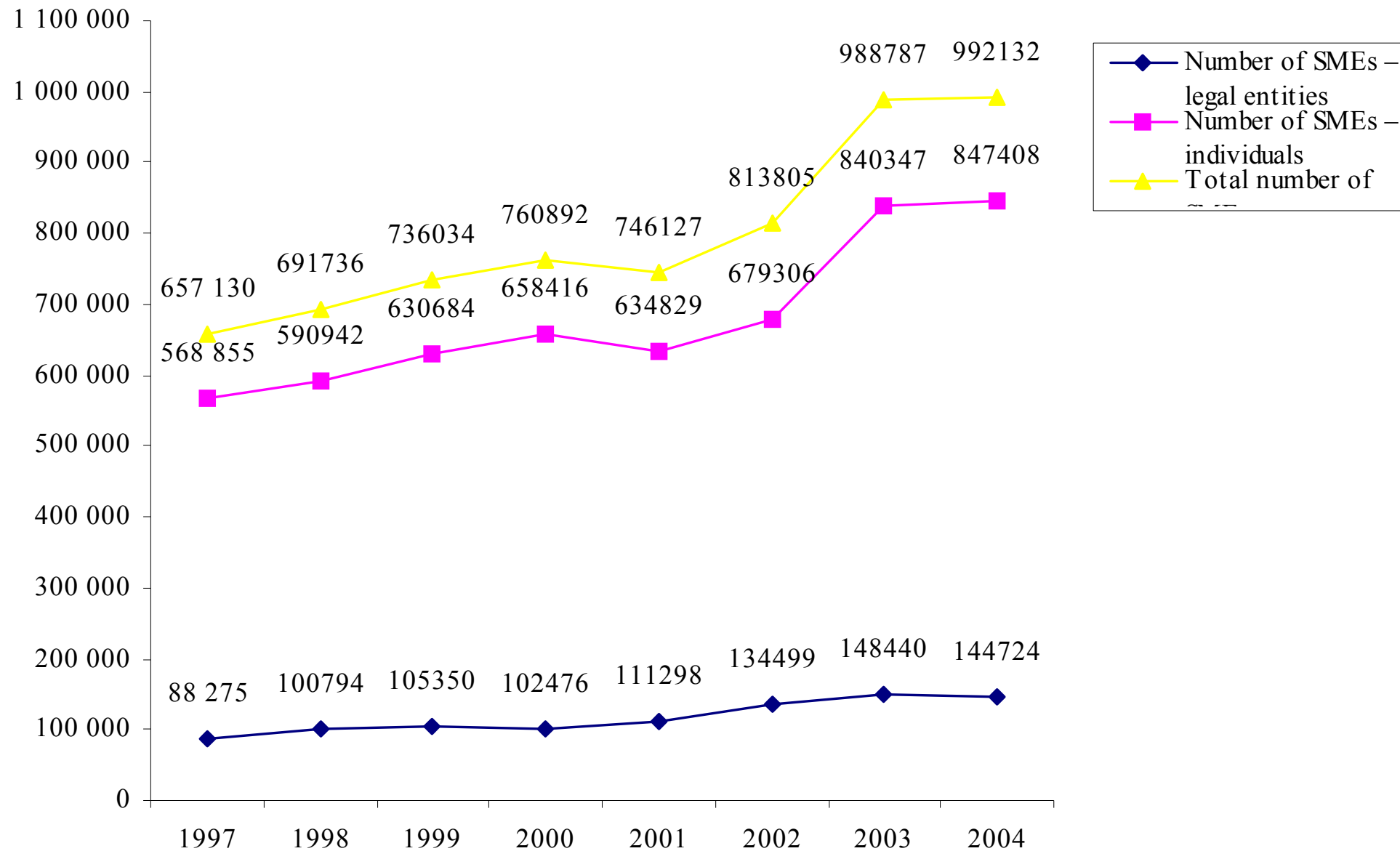
	The Number of Enterprises			
2005	juristic persons 0-249 employees	physical persons 0-249 employees	SMEs in total	The share of the number of SMEs in the total number of enterprises in the Czech Republic (%)
Industry	25 959	133 884	159 843	99,42
Construction	6 581	96 869	103 450	99,93
Trade	43 280	190 048	233 328	99,94
Entertainment	5 067	43 631	48 698	99,96
Transport	5 880	40 556	46 436	99,79
Finance	1 019	14 684	15 703	99,82
Services	52 957	289 761	342 718	99,95
Agriculture	2 492	41 044	43 536	99,92
Total	143 235	850 477	993 712	99,85

2005	The number of employees (thousand)			
	juristic persons 0-249 employees	physical persons 0-249 employees	SMEs in total	The share of the number of employees in the total number of enterprises in the CR (%)
Industry	553	108	661	49,96
Construction	126	50	176	78,92
Trade	281	112	393	77,06
Entertainment	48	56	104	88,89
Transport	71	30	101	34,95
Finance	12	1	13	20,00
Services	284	79	363	78,74
Agriculture	107	16	123	86,62
Total	1 482	452	1 934	61,79

Performance of SME (in %)

Indicator	1997	1998	1999	2000	2001	2002	2003	2004	2005
Number of businesses	99,77	99,78	99,80	99,81	99,81	99,79	99,81	99,85	99,85
Number of employees	59,82	56,35	59,12	59,47	59,73	60,94	62,21	61,50	61,79
Performance	52,91	51,73	53,34	52,85	51,44	52,02	52,01	52,15	52,27
Value added	57,36	51,35	53,03	52,60	51,33	52,69	52,06	52,90	53,43
Labour cost /without OPC/	1)	1)	54,69	54,67	55,72	55,50	56,18	55,67	56,01
Investment	1)	1)	41,66	40,56	37,81	44,52	49,55	50,50	52,88
Exports	36,40	36,25	36,54	36,15	35,74	34,16	34,0	34,3	39,7
Imports	48,00	48,84	50,74	49,43	47,12	50,33	49,8	52,5	54,4
GDP	1)	1)	34,78	31,74	31,12	32,24	35,15	34,86	34,72

Development of the number of SMEs pursuing business activities in the Czech Republic in 1997 - 2004



Definition of SMEs

Micro, small and medium enterprise:

- a) Fewer than 250 employees
- b) Assets 43 MEUR or net turnover 50 MEUR (or equivalent in Czech crowns)

Definition of SMEs

Small enterprise:

- a) Fewer than 50 employees
- b) Assets or net turnover 10 MEUR (or equivalent in Czech crowns)

Definition of SMEs

Micro firm:

- a) Fewer than 10 employees
- b) Assets or net turnover 2 MEUR (or equivalent in Czech crowns)