

# Growth Support Programs for Japanese Companies in CZ

ČSOB EU Centrum



# New Challenges for Japanese companies in CZ

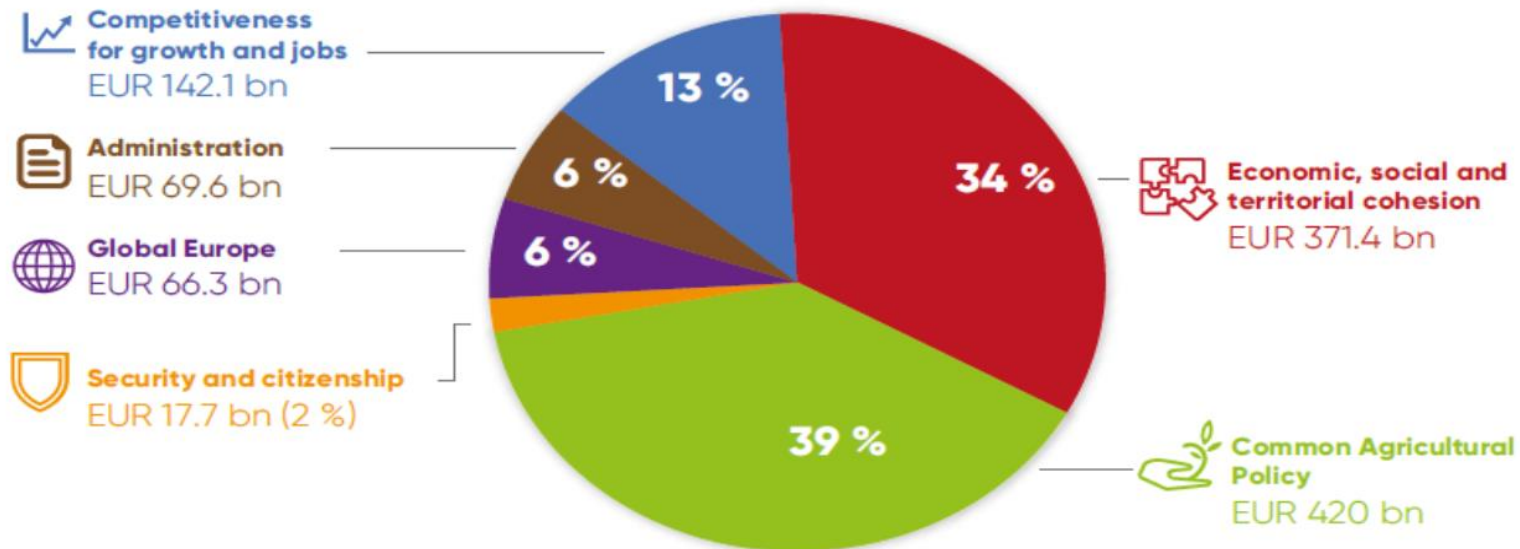


Source: Czechinvest



# EUROPEAN UNION and Cohesion policy

**The structure of the EU budget for the 2014-2020 period**  
More than a third of EUR 1,087 billion is directed at Cohesion policy.



# COHESION POLICY

## in the Czech Republic



### What is Cohesion policy?

Cohesion policy seeks to even out the disparities between developed and less developed regions of the EU.

### How does Cohesion policy work?

European funds are targeted at the development needs of EU regions in seven-year programming periods, the 2014–2020 period is now underway.

### Where is the European funds support directed to?

European funds support a wide range of areas such as:



the environment



entrepreneurship and employment



research and education



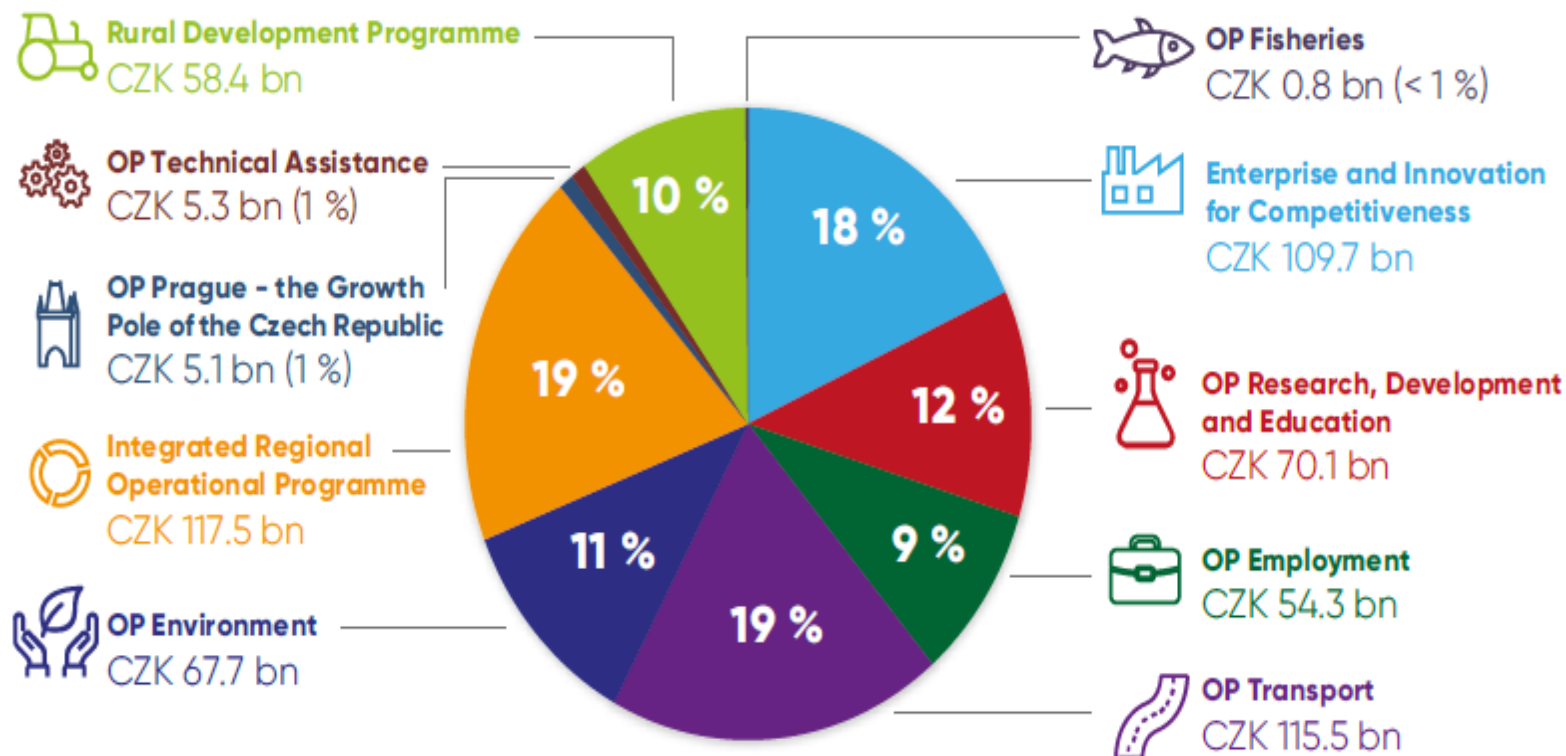
transport

Czech Republic  
can invest

CZK **604** billion

in the 2014–2020  
programming period.

## Distribution of funds among 10 operational programmes




# Favorite Support Programs for Large and SME Companies



**25%**  
Aid intensity

**Investment Incentives**  
Partial tax relief for 10 years



**30%**  
Aid intensity

**Energy savings**



**25%**  
Aid intensity

**Innovation**  
Increasing the technical and utility value of products, technologies and services



**50%**  
aid intensity

**R&D**  
Establishment or development of industrial research centres

## Definition of SMEs

- A **small** and **medium-sized** entrepreneur is considered an entrepreneur which employs **fewer than 250 employees** and its annual **turnover** does not exceed **EUR 50 million** or its annual **balance sheet** total does not exceed **EUR 43 million**.
- A **small** entrepreneur is considered an entrepreneur which employs **fewer than 50 persons** and its annual **turnover** or **balance sheet** total does not exceed **EUR 10 million**.



## Support rate

- A **large** entrepreneur usually achieves aid of **25 – 30 %** of the eligible expenditure.
- A **medium-sized** entrepreneur achieves **10 % more** support than a large enterprise.
- A **small** entrepreneur achieves **20 % more** support than a large enterprise.





## Grant process – basic information I

- **Grant proces**
  - preparation of application
  - submission of application
  - evaluation of the project
  - issue of the Decision
  - implementation of the selection procedure
  - physical **realization of the project – investment**
  - payment request
  - project monitoring
- **Motivational effect** – the investment can be started only after the submission of the aid application
- **Place of project realization**
  - the location of project realization is decisive
  - the applicant's residence is not relevant





## Grant process – basic information II

- **Location of project realization**
  - the parent company may be in Japan
- **Accounting results**
  - the applicant must have a minimum of 2 closed accounting periods
  - the applicant must successfully pass the rating of the accounting results
- **Concurrency of support (grant, investment incentives)**
  - concurrency of support is generally possible (more sources of support within one project)
  - support of the same expenditure from 2 different sources is not possible
- **Relocation of production**
  - it is not possible to support (grant, investment incentives) the transfer of production from one EEA State to another EEA State

## EU FUNDS – ENERGY SAVINGS Program

Subsidy of up to 50 % for investments to reduce energy consumption and install new Renewable Energy Sources for own needs



Modernisation and reconstruction of distribution networks



Measurement and control systems



Energy generation equipment



Lighting



Building insulation



RES installation

### What is supported?

- Fixed tangible assets
- Fixed intangible assets
- Environmental studies (energy audit)
- Project documentation
- Tender documentation

### How much can I obtain

- Up to **CZK 400 mio** per project
- 30 - 50% of eligible investments
- 3Y period for project implementation

### Receipt of applications

- Receipt of Applications: **September 16, 2019 – April 30, 2020**
- Continuous Call, CZK 6 bn
- Next Call Expected 2021

## EU FUNDS – ENERGY SAVINGS Program – Photovoltaic systems with/without accumulation for own use

Subsidy up to CZK 50 million for installation of photovoltaic systems with/without accumulation for own use



### What is supported?

- Fixed tangible assets
- Fixed intangible assets
- Project documentation
- Engineering activities
- Environmental studies (energy audit)

### How much can I obtain

- **2 – 50 mil. CZK** per project
- **40 – 60 %** of eligible investments, according to the size of the enterprise

### Receipt of applications

- Receipt of Applications: December 13, 2019 – **August 31, 2020**
- Continuous Call

## EU FUNDS – Low carbon technologies Program – Electromobility

### Subsidies of up to CZK 5 million for expanding the charging infrastructure and purchasing electric vehicles



Acquisition of electric vehicles



Acquisition of non-public (fast) charging stations with the possibility of adding a battery for electric vehicles within the business premises for own use

#### What is supported?

- Fixed tangible assets
- Fixed intangible assets

#### How much can I obtain

- **0,25 – 5 million** CZK per project
- **20 – 30 %** of eligible investments, according to the size of the enterprise

#### Receipt of applications

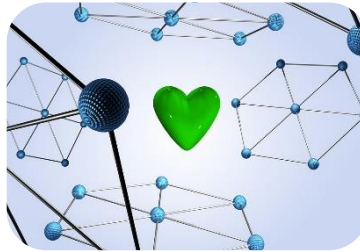
- Receipt of Applications: December 2, 2019 – **May 28, 2020**
- Continuous Call

## EU FUNDS – Low carbon technologies Program – Secondary materials

Subsidies of up to CZK 70 million for the introduction of innovative technologies to obtain secondary raw materials in quality suitable for further use, support for innovative solutions



Improved and more efficient management of secondary raw materials



Technology for extracting valuable secondary raw materials from waste



Support of products from secondary raw materials, waste utilization

### What is supported?

- Fixed tangible assets
- Fixed intangible assets

### How much can I obtain

- **1 – 70 million** CZK per project
- **25 – 45 %** of eligible investments, according to the size of the enterprise

### Receipt of applications

- Receipt of Applications: December 2, 2019 – **May 28, 2020**
- Continuous Call

## EU FUNDS – POTENTIAL Program

50 % subsidy for purchase of machinery, laboratory and testing equipment, including SW and HW



Opening of R+D centres



Expansion of R+D centres



Operation of R+D centre (SME)

### What is supported?

- Fixed tangible assets
- Fixed intangible assets
- Project publicity costs

### How much can I obtain

- Up to **CZK 30 mio** per project
- 50 % of eligible investments
- 3Y period for project implementation

### Receipt of applications

- Receipt of Application:
- **Expected 3Q 2020**
- Round Call

## EU FUNDS – APPLICATION Program

Subsidy up to 70 % for salaries, material, services, co-operation, tests for industrial research and experimental development

Possible output for project:



Prototype



Pilot plant



Verified technology



Utility model, patent

### What is supported?

- Payroll costs, including deductions
- Aids, tools, depreciation
- Material and energy
- Services in R+D and testing

### How much can I obtain

- Up to **CZK 80 mio** per project
- 25 - 70 % in accordance with project focus, co-operation with partners and size of business
- 3Y period for project implementation

### Receipt of applications

- Receipt of Applications:
- **Expected 3Q 2020**
- Round Call

## EU FUNDS – INNOVATION Program

Subsidy up to 45 % for purchase of machinery, equipment, and know-how when introducing new or improved products and services



Product innovation



Process innovation



Know-how protection

### What is supported?

- Fixed tangible assets
- Fixed intangible assets
- Project publicity costs

### How much can I obtain

- Up to **CZK 75 mio** per project
- 25 - 45 % of eligible investments
- 3Y period for project implementation

### Receipt of applications

- Receipt of Applications:
- **Expected 3Q 2020**
- Continuous Call



## EU FUNDS – TECHNOLOGY Program – only for SMEs

Subsidy up to 45 % for support the growth and competitiveness of SMEs by means of digital transformation, thus contributing to the development of regions



### What is supported?

- Fixed tangible assets
- Fixed intangible assets

### How much can I obtain

- **1 – 40 million** CZK per project
- 35 - 45 % of eligible investments
- 3Y period for project implementation

### Receipt of applications

- Receipt of Applications:
- **Expected 3Q 2020**
- Round Call

## EU FUNDS – REAL ESTATE Program – only for SMEs

Subsidy up to 45 % for reconstruction of obsolete infrastructure or refurbishing a brownfield into modern business premises



### What is supported?

- Fixed tangible assets
- Other construction-related costs that will be included in tangible fixed assets

### How much can I obtain

- **1 – 30 million** CZK per project
- 35 - 45 % of eligible investments
- 3Y period for project implementation

### Receipt of applications

- Receipt of Applications:
- **June 22, 2018 – May 22, 2019**
- Round Call, CZK 1,88 bn
- Next Call expected 3Q 2020

## EU FUNDS – ICT AND SHARED SERVICES Program

Subsidies of up to CZK 150 million for creating a new software solution, founding a shared service centre or building a data centre



new software solution



shared service centre



data centre

### What is supported?

- Personal expenses
- Fixed tangible assets
- Fixed intangible assets
- Rent, expert services
- Land, buildings

### How much can I obtain

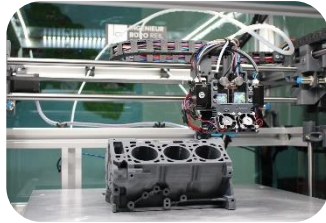
- **1 – 150 million CZK** per project
- **25 – 45 %** of eligible investments, according to the size of the enterprise
- 3Y period for project implementation

### Receipt of applications

- Receipt of Applications:
- **June 28, 2018 – May 31, 2019**
- Round Call
- Next Call expected 3Q 2020

## STATE AID – Investment Incentives in the Czech Republic

10-year corporate income tax relief, job creation grants up to CZK 300 000, grants up to 50 % for re-training costs, advantageous calculation of tax base



Manufacturing industry



Technological centres



Strategic services centres

### Basic conditions

- Minimum investment of CZK **25/50/100 mio** over 3 years
- Min. of 50 % of investment in new machinery and equipment
- Obligation to achieve high value added in developer regions

### How much can I obtain?

- **25 - 45 %** of eligible investments planned for up to 5Y period
- **10-year drawing period**
- No cap on amount of granted support

### Receipt of applications

- Continual

# Investment Incentives in the Czech Republic for large companies

## MANUFACTURING INDUSTRY

### Conditions

- Investment property min. CZK **50 million** (25 mil. for SME) / CZK **100 million** (50 mil. for SME), by region (see map), of which **at least 50% to new machines**

+ fulfillment of the condition of higher added value in developed regions (also applies to SMEs)

- **Min. 80% of employees** have at least the average wage in the region and **at the same time**
  - **10% of university staff** + **cooperation** with R&D organization of 1% of eligible costs **or**
  - **2% of R&D employees** **or**
  - **10% of eligible costs for R&D machinery**

### Eligible costs

- **Fixed assets**, value of machines is **min. 50%** of the value of acquired assets

### Aid intensity

- **25 %** from invested eligible costs
- **Prague 0 %**
- upper limit **unlimited**

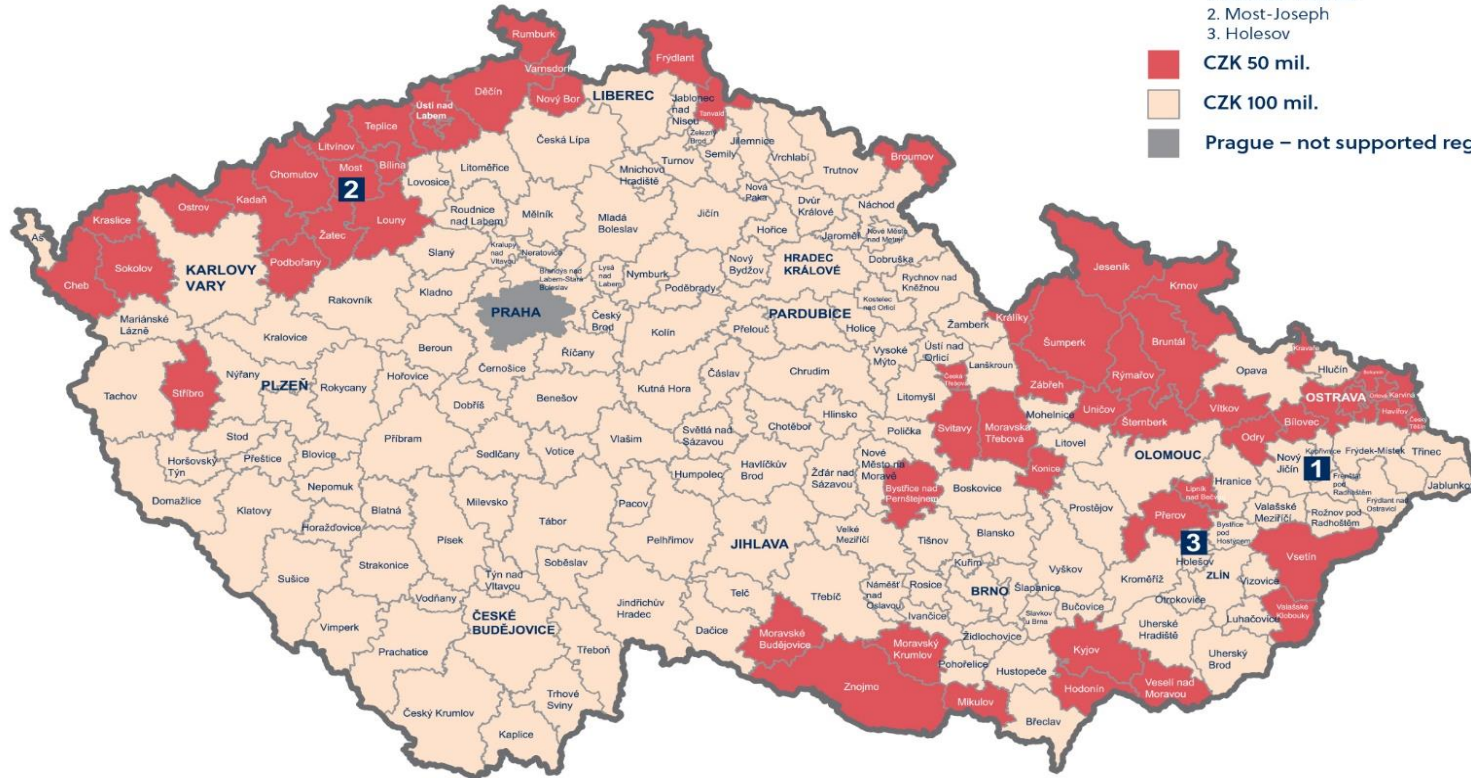
### Form of support

- **Income tax credit** for up to 10 years



# Map A – Minimum Investment in Regions

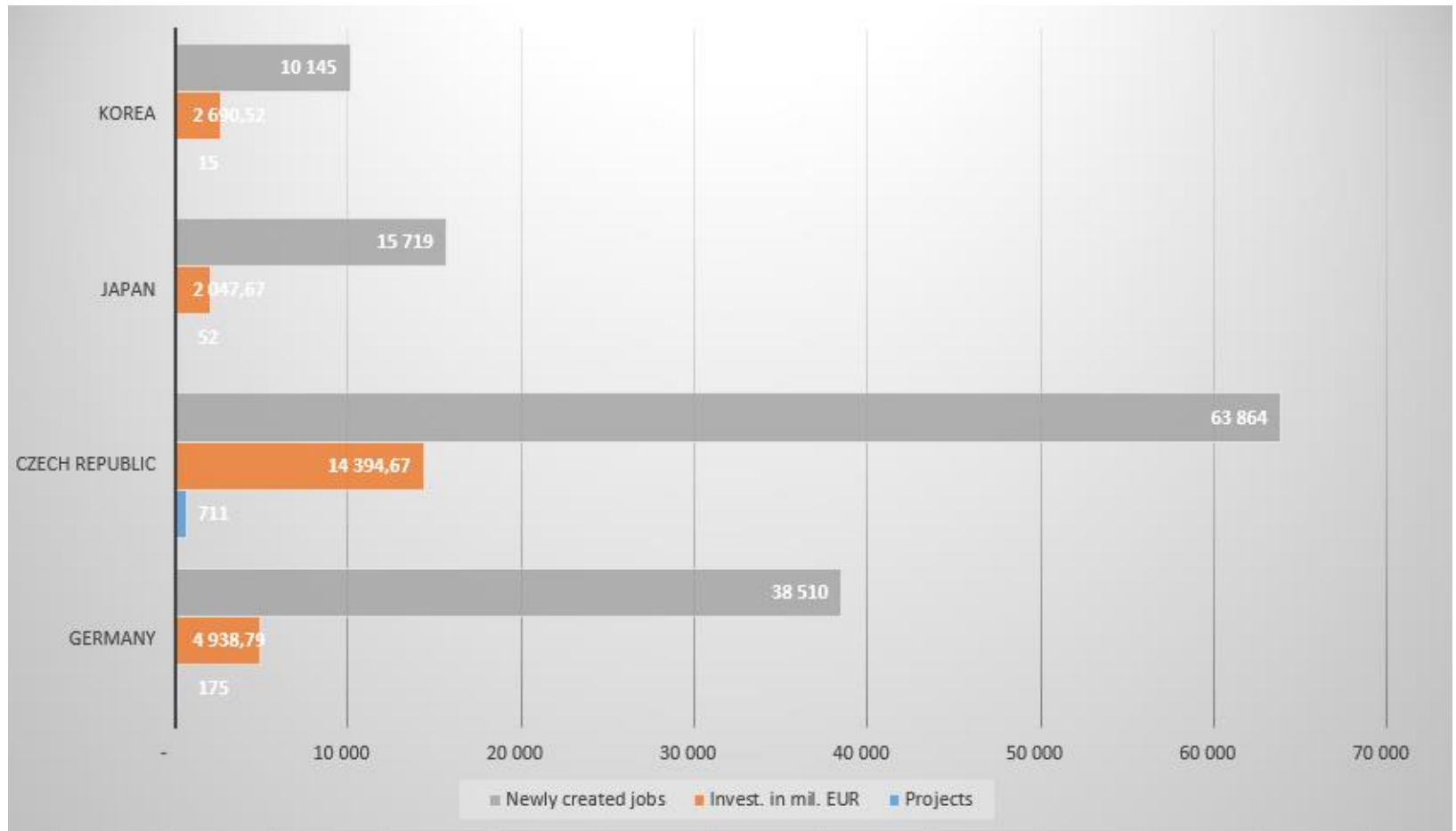
- CZK 50 mil. – Special Industrial Zones
  1. Ostrava-Mosnov
  2. Most-Joseph
  3. Holesov
- CZK 50 mil.
- CZK 100 mil.
- Prague – not supported region



Source: Map data © State Administration of Land Surveying and Cadastre  
Valid from 1<sup>st</sup> January 2014

Source: [www.czechinvest.org](http://www.czechinvest.org)

## Investment Incentives in the Czech Republic Current status as of December 31, 2019



# PRIORITIES OF THE NEW PROGRAMMING PERIOD I

- New operational program – **Operational Program Technology and Applications for Competitiveness** (OP TAK, 2021-2027)
- **Structure** of the new operational program
  - Priority 1 - Enhancing business performance in R&D and innovation and their digital transformation
    - Specific objective 1.1 - Strengthening research and innovation capacities and deployment of advanced technologies
    - Specific objective 1.2 - Harnessing the benefits of digitization for citizens, businesses and governments
    - Specific objective 1.3 - Skills development for smart specialization, industrial transformation and entrepreneurship
  - Priority 2 - Development of entrepreneurship and competitiveness of SMEs
    - Specific objective 2.1 - Strengthening the growth and competitiveness of SMEs
  - Priority 3 - Shift towards a low carbon economy
    - Specific objective 3.1 - Support for energy efficiency measures
    - Specific objective 3.2 - Promotion of renewable energy
    - Specific objective 3.3 - Development of smart energy systems, networks and storage at local level
    - Specific objective 3.4 - Strengthening biodiversity, green infrastructure in the urban environment and reducing pollution



## PRIORITIES OF THE NEW PROGRAMMING PERIOD II

- Priority 4 - More efficient resource management
  - Specific objective 4.1 - Promoting climate change adaptation, risk prevention and disaster resilience
  - Specific objective 4.2 - Supporting the transition to a circular economy
- Priority 5 - Development of digital infrastructure
  - Specific objective 5.1 - Increasing digital connectivity
- **Financial framework** of the new operational program
  - The **budget** of the operational program is planned at **CZK 100 billion**



**THANK YOU!**

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