3. Investment Climate

POLITICAL AND ECONOMIC STABILITY

The Czech Republic is a fully-fledged parliamentary democracy, and is one of the faster growing economies as well as one of the ten countries that entered the European Union on 1 May 2004. The country's economic policy is consistent and predictable. A strong and independent central bank (the Czech National Bank) has maintained an extraordinary degree of currency stability since 1991. The Czech Republic was the first CEE country to be admitted into the OECD. The country is a member of NATO and is fully integrated into other international organisations such as the WTO, IMF and EBRD.

EU legislation was adopted in preparation for EU accession. Czech commercial, accounting and bankruptcy laws are compatible with Western standards.

The Czech koruna is fully convertible. All international transfers (e.g. profits and royalties) related to an investment can be carried out freely and without delay.

NON-DISCRIMINATION

Under Czech law foreign and domestic entities are treated identically in all areas, from protection of property rights to investment incentives. The government does not screen any foreign investment projects with the exception of those in the defence and banking sectors.

As an OECD member, the Czech Republic is committed not to discriminate against foreign investors in privatisation sales, with the same exception as that mentioned above.

INVESTMENT PROTECTION

The Czech Republic is a member of the Multilateral Investment Guarantee Agency (MIGA), an international organization for protection of investments, which is part of the World Bank-IMF group. The country has signed number of bilateral treaties which support and protect foreign investments, for example with the United States, Germany, the UK, France, Austria, Switzerland, Italy, Belgium, Luxembourg, the Netherlands, Finland, Norway, Denmark and China.

The treaties provide that each party shall permit and treat investments and associated activities of the other party's residents on a non-discriminatory basis, and guarantee full protection and security by law. The full text of the respective treaty is available in Czech and the official language of the other country only. The Czech version can be found in the Collection of Laws of the Czech Republic. The other language version is available from the authorities of the other country, e.g. that country's embassy.

The Czech Republic has also concluded agreements for the avoidance of double taxation – see the Repatriation of Profits section below.

PROTECTION OF PROPERTY RIGHTS

The Czech Republic is a signatory to the Bern, Paris, and Universal Copyright Conventions. Existing legislation guarantees protection of all forms of property including patents, copyrights, trademarks, and semiconductor chip layout design. Trademark law and copyright law are compatible with EU directives. (Industrial Property Office – Czech Patent and Trade Mark Office).

The only case where the property of a foreign person or entity could be expropriated in the Czech Republic would be on public-interest grounds that could not be satisfied by other means, which would then have to be through an Act of Parliament and with full compensation at market value. No expropriation of the property of a foreign investor has taken place since the Velvet Revolution in1989.

REPATRIATION OF PROFITS

No limitations exist concerning the distribution and expatriation of profits by Czech subsidiaries to their foreign parent companies, other than the obligation of joint stock and limited liability companies to generate a mandatory reserve fund and pay withholding taxes (for details, see the Corporate Tax and Depreciation Factsheet).

The Czech Republic has treaties to prevent double taxation with many countries, including all EU countries, Switzerland, the United States, Canada, Japan, and Australia. A full list of countries is available from the Ministry of Finance.

Double-taxation treaties cover taxes on dividends, interest and royalties. Actual rates of withholding tax are determined by the respective treaty and range from 0 to 15 per cent. The exact method of double-taxation prevention must be determined by reference to the actual treaty between the Czech Republic and the other country.

INVESTMENT RISK

An open investment climate has been a key element of the Czech Republic's economic transition. The country's investment grade ratings from international credit-rating agencies and its early membership in the OECD testify to its positive economic fundamentals.

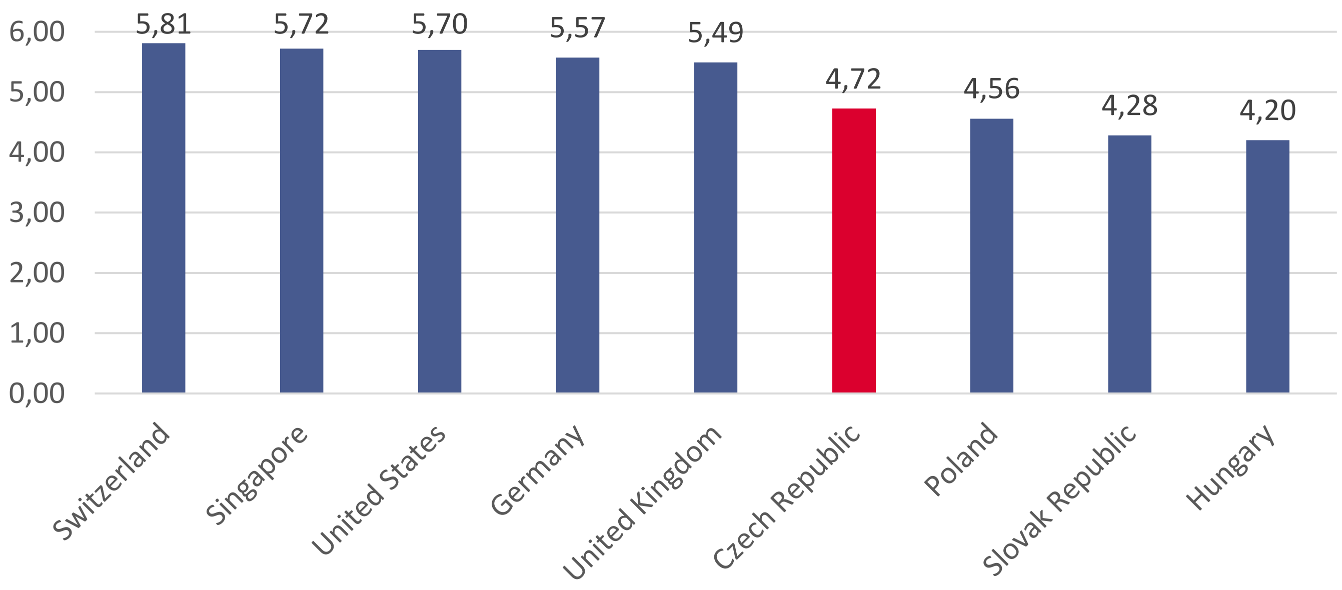
Investment Risk Ratings

Country	Standard & Poor´s	Moody´s analytics	Fitch Ratings
Czech Republic	**AA-**	**A1**	**A+**
Slovak Republic	A+	A2	A+
Poland	BBB+	A2	A-
Hungary	BBB-	Baa3	BBB-
Romania	BBB-	Baa3	BBB-
Russia	BB+	Ba1	BBB-
Bulgaria	BB+	Baa2	BBB-

Source: Czech National Bank, 2017

Global competitiveness Index Rankings

Czech Republic (31th place) is at the top of the CEE countries in the competitiveness of the world economies (1st place: Switzerland GCI – 5.81, 138th place - last: Yemen GCI – 2.74).



Source: World Economic Forum, Global Competitiveness Report 2016-2017