



Exporting to the CZECH REPUBLIC

—
A guide for clients

Going Global

#GlobalAmbition



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Prague

Capital



10.69m¹

Population



€27,700²

GPD per capita 2020



-6.9%³

GDP growth 2020



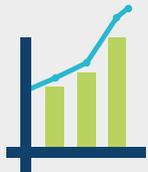
2.7%⁴

Unemployment 2020



€144m⁵

Exports in 2020



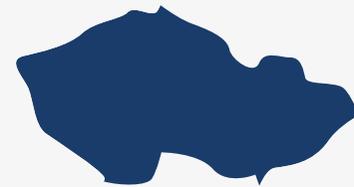
3.3%⁶

Predicted economic
GDP growth (2021)



€94.35m⁷

Enterprise Ireland client
exports (2020)



Why Export to the Czech Republic

The Czech Republic is a landlocked country in Central Europe bordered by Germany to the west, Austria to the south, Slovakia to the east and Poland to the northeast. It covers an area of 78,866 square kilometres with a mostly temperate continental and oceanic climate. It is a parliamentary republic, with 10.5 million inhabitants. The capital and largest city is Prague, with 1.3 million residents. Other major cities are Brno, Ostrava and Pilsen. The Czech Republic is a member of the EU, NATO, the OECD, the United Nations, the OSCE, and the Council of Europe⁸.

The Czech Republic has a developed, export-oriented social market economy based on services, manufacturing and innovation, that maintains a welfare state and the “continental” version of the European social model.

Other Enterprise Ireland client companies are selling to the Czech Republic, so why aren't you?



41st, out of 190 countries, in the “Ease of Doing Business” category in the 2020 World Bank’s Doing Business report¹³



33rd place in the Global Competitiveness Index 2020¹⁴



24th place in the Global Innovation Index, the best result in Central Europe¹⁵



8th country in the world out of 163 countries ranked in the Global Peace Index 2020¹⁶



27th out of 180 countries in the Index of Economic Freedom 2021¹⁷



The Czech Republic was also among the world’s happiest countries in 2020, at 16th place out of 156 countries surveyed by UN¹⁸



Why Export to the Czech Republic

(continued)



The Czech Republic participates in the Single Market as a member of the European Union, but uses its own currency, the Czech koruna (CZK). It has a per capita GDP rate that is 89% of the EU average. As of 2020, the Czech GDP per capita at purchasing power parity was €27,700⁹ (similar to Spain or Slovenia) and the GDP growth rate is one of the highest in the EU. The unemployment rate in the Czech Republic was among the lowest in the EU at 2.7% throughout 2020, and the poverty rate is the second lowest in the OECD, behind Iceland.

The Czech Republic has a highly diverse economy that ranks 7th in the 2019 Economic Complexity Index¹⁰. The industry sector accounts for 37.5% of the economy, with services accounting for 60% and agriculture for 2.5%. The largest trading partners for both export and import are Germany and the EU in general¹¹. According to the European Payment Report 2018¹² the payment morale in the Czech Republic is one of the best in Europe, comparable only with Scandinavia. Payment morale indicates how likely it is that a business partner will pay a debt.

Sectoral success



Second highest share of industry in total Gross Value Added in the EU¹⁹



It has attracted substantial foreign direct investment (FDI) since 1990, and is the most successful Central European country in terms of FDI per capita²⁰



Biggest producer of cars in Central Europe with 1.35m units and 15th largest in the world - 56 out of 100 global Top 100 Tier 1 automotive suppliers are located here²¹



Why Export to the Czech Republic

(continued)



Irish companies are active in a number of industrial and service sectors in the Czech Republic. Most sell to international and Czech companies integrated in multinational supply chains but increasingly also to a growing consumer market. The Czech Republic benefits from foreign investment including unique OEMs from Asia Pacific.

The Czech Republic has daily direct flights between Prague and Dublin operated by Aer Lingus and Ryanair.

Sectoral success



Electrical engineering and electronics is the second largest and **fastest-growing sector** of the Czech economy with more than a **13% share** in overall manufacturing output²²



The Czech Republic has over **150,000 people working** in ICT. World-renowned Czech companies including **Avast, GoodData, Y-SOFT or Socialbakers**²³



It has **19 universities** and over **100 institutes** and specialised R&D centres. These institutions pioneered **ground-breaking technologies** including hologram production, nano-fibres, speech recognition, anti-AIDS drug compounds, cybernetics, and stem-cell research, among others²⁴



Going Global



Get Ready to Do Business in the Czech Republic

Czech companies usually look for long-lasting partnerships, but they are open to new ideas and partners especially if some added value can be provided. According to the World Bank, the country was ranked number one for ease of cross-border trading in the world for 2018. So, for international businesses, the Czech Republic is a great place to find business partners²⁵. The country's skilled workforce is equal in quality to those of Western European countries, while the attractive domestic market and the favourable geographic location at the heart of Europe make the Czech Republic one of the most-attractive destinations for doing business and investing.²⁶



Travelling and geography

The Czech Republic is almost the size of Ireland (78,866 square km) but contains more than twice the population (10.5 million), which means that distances between cities are not far. With a developed infrastructure, products can be moved around quickly and attending business meetings will not require travelling long distances.²⁷

In light of global travel restrictions we are advising all clients to regularly review the Government of Ireland advice at www.gov.ie/, travel advice from the Department of Foreign Affairs, business continuity advice from the Department of Enterprise, Trade and Employment and the World Health Organisation website.



Business culture

Though accommodating and forgiving, good business relationships in the Czech Republic start with your understanding of the business culture.

Czech business culture is hierarchical and ranking-based. Decisions are made by executives, and lower-level employees rarely question them. This structure applies to business meetings as well, and to get anywhere in negotiations or otherwise, you'll have to follow suit. With all of this formality, Czechs can be misunderstood as very formal.

While that may be true for some, the absolute majority of Czech business people are open to new ideas and practices. Czechs are non-confrontational and often take an indirect approach to business dealings. Initial meetings are scheduled as introductions to get to know each other and to build trust with your Czech associates. The first meeting may be with a middle manager, rather than the actual decision maker.

There are some particulars that will improve your relationship, and help land a deal with your potential partners. For example, regular eye contact is crucial. Though your Czech business partner may not maintain it consistently, you need to be aware of how often you avert your eyes. Czechs are known for their indirect communication style, but that shouldn't be read as inattentiveness or disinterest²⁸.



Get Ready to Do Business in the Czech Republic

(continued)



Language

Small talk is not significant in Czech business circles. Your business partner will want to get to know you, but generally only for legitimizing you as a business partner. Schooling, company ranking, experience, and other topics that prove you're a good fit are usual topics before business begins. Punctuality is highly regarded in Czech business culture. Foreign business contacts should inform their Czech counterparts of any potential delay with an apology²⁹.

A serious exporter should translate materials into Czech. Use professional help for the translation as Czech is not an easy language to master³⁰.

It should also be kept in mind that Slovak and Czech share a high level of intelligibility, meaning that speakers can understand each other's language fairly well. If you're considering the Slovakian market, your Czech partners can be of great help in translation³¹.

ROUTES TO MARKET



Importers

Having a local partner with existing contacts can greatly assist an Irish company in establishing a presence, translating materials and making sales.

Distributors or wholesalers

Finding a distributor or a wholesaler who can deliver products across the country can be a good way to access the market. Some companies also opt for having a distributor in each of the two regions in the Czech Republic; namely Moravia and Bohemia.

Online stores

In 2017, the eCommerce market in the Czech Republic was worth \$5.68 billion. The compound annual growth rate is projected to be 6.3% over the next five years³².

With the sudden closure of retail shops in 2020 due to the Covid pandemic, the Czech Republic made significant strides in eCommerce development. E-shop revenues rose by 26% compared to 2019 and reached a record almost \$9bn in sales. In 2020, the top products sold online included electronics (36%), followed by home & garden products (around 20%), and clothing & accessories (13%). The fastest growth of 65% was recorded in the health and beauty category, which also includes disinfectants. Food purchases were the second fastest growing category. The average revenue per user in 2018 was \$515³³.



Things to Consider

Each EU country has its own culture, traits and traditions, meaning that while they are very closely linked and often similar, there are some things that will work in one country and not another. As separate countries, they also go through different challenges and opportunities at different times such as construction booming in one country while declining in another. This needs to be considered when proposing your product to each market. The following questions and considerations can help guide you in your exporting decisions.



Market landscape

What is the size of your target market? Is it dominated by a few strong players or fragmented with many small competitors? There are regional clusters especially in the automotive, electronics and ICT sectors and finding the right channel to these markets is a key to success.



Market trends

What are the current market trends for the sectors you will be targeting? If there is an obvious gap in the market, find out why - it may exist for a reason.



Target market

How does your target market make buying decisions? Who are the relevant decision-makers – what are their job titles and responsibilities? For example, in the automotive sector a supplier must be included on an approved vendor list before any business can be done with producers and certain suppliers.



Market segmentation

Who are your most probable customers, where are they located, how and what else do they currently buy, who are their influencers and what “need” are you fulfilling?



Things to Consider

(continued)



Market competition

Who are your rivals in the market and how do their offerings compare with and differ from yours? Are there local producers or competitors with outsourced production in the country?



Market research resources

Being abreast of local market trends, especially in your sector, will help enormously when it comes to building your knowledge about the Czech market.

Enterprise Ireland's **Market Research Centre** offers client companies access to market intelligence in the form of company, sector, market, and country information to explore opportunities and compete in international markets.

Enterprise Ireland's website is a good source of more detailed market information. The Market Research Centre section features a database of sector-specific information that will indicate whether there is research available for the market you wish to target.



Key Growth Opportunities in the Czech Republic



Automotive and Engineering

The Czech automotive industry employs 133,375 people and accounts for more than 21% of both Czech manufacturing output and Czech exports (AIA, 2019). The Czech automotive 'Centre of Excellence' plays a key role not only in Europe, but globally too. While the country has the capacity and resources to accommodate three major carmakers – Škoda Auto (Volkswagen group), TPCA (Toyota/Groupe PSA joint venture) and Hyundai Motor Manufacturing, six out of 100 global top 100 tier-one suppliers have at least one of their locations in the Czech Republic.

Local transport machinery producers also include tractor manufacturer Zetor Tractors, tram and railway manufacturer Skoda Plzen and construction machinery producer Doosan Bobcat, refrigeration vehicles manufacturer Ingersoll Rand and construction machinery producer Amann. Tier 1 to Tier 3 suppliers include OEM names like Bosch, Continental, Denso, Faurecia, Magna, Johnson Controls, Valeo, TRW Automotive and many others.

There is a sub-supply opportunity to Tier 1, Tier 2 and Tier 3 suppliers to the automotive and engineering industries, especially since 2018 when these sectors experienced above-average growth. Indigenous exports from Ireland to this sector have shown a solid increase, while competition comes mainly from continental European companies, particularly from Germany, Holland, France, Italy, and local suppliers³⁴.

Electronics

The electronics industry is the second largest industry sector in the Czech Republic, with over 17,000 companies employing around 12% of the industrial workforce (160,000 people). The electronics sector accounts for 14% of GDP. There is a strong FDI presence including large OEMs from Japan (Panasonic, Alps Electric, Kyocera, Toyota, Daikin), Taiwan (Foxconn, AU Optronics, Asus), and Germany (Siemens, Robert Bosch, Kostal, Puls). Traditional Czech manufacturers include Jablotron, Polovodice, Era and many others. Some of the major OEMs have located their high-tech R&D centres here including Honeywell, Siemens and Cisco Systems.



Key Growth Opportunities in the Czech Republic

(continued)



IT and Business Process Outsourcing

According to the AT Kearney Global Services Location Index 2017, the Czech Republic ranks 16th in the offshoring destination league table and is a popular location for BPO centres and service companies in Europe³⁵. According to Outsourcing Advisors, a third of major outsourcing companies now come from Central and Eastern Europe.

This sector is now one of the fastest-growing industries in the country. Its role in the labour market is significant, as it currently employs over 50,000 people, with that figure projected to reach 120,000 by 2020 (ABSL Report 2019). Companies already established here are expanding their presence in the Czech Republic as the portfolio of their activities becomes more complex and advanced.

A major opportunity is in the vertical development of sales. Clients with customers in the BPO segment in the UK and US can extend their sales to Central Europe where US and UK multinationals have outsourcing operations. Another opportunity exists for companies offering solutions focused on operational efficiency improvements, service-delivery cost-savings, process management or recruitment.

Travel and Tourism

The Czech Republic has become a major tourist destination in Europe. According to the World Travel & Tourism Council, direct contribution of travel and tourism to GDP was 7.8% in 2019. Tourism was up in 2016 for both Prague and the Czech Republic as measured by both the number of visitors and by overnight stays³⁶. Some 10.2 million overseas tourists stayed in local hotels in 2017, an increase of 9% compared with the previous year. Numbers of visitors from China, Russia and South Korea were up sharply. The number of nights that visitors stayed also increased.

However, according to the Czech Statistical Office, tourism in the Czech Republic dropped by 51% in 2020 due to the global pandemic. The majority of 10.8m tourists being composed of domestic tourists

Incoming tourists are looking for more sophisticated services with higher added value. Irish companies have a substantial opportunity in this area including online reservation software, financial services (especially in tax refunds and currency conversions), ticketing and transport solutions or mobile telephone applications.



Legal & Taxation Information



Visa requirements

The Czech Republic is an EU member state and a member state of the Schengen Area, and thus any nationals from EU member states do not require visas or special permission to travel to the Czech Republic. The Czech Republic has a civil law system. EU law is directly applicable and takes precedence over national legislation. There are no exchange control or currency regulations³⁷.



Formation of companies

- The Act on Business Corporations recognises the following types of business entities:
- Limited liability companies;
- Joint-stock companies;
- General partnerships;
- Limited partnerships;
- Co-operatives; and
- Societas Europaea (SE, European Companies) and European Economic Interest Groupings (EEIG).



Taxation

'Foreign legal persons' may establish a branch in the Czech Republic. A branch is not considered a legal entity but must nevertheless be registered in the Commercial Register³⁸.

Some of the main taxes that may be relevant to your business include:

- Corporate income tax: general rate - 19%, investment funds – 5%, pension funds - 0%
- Withholding tax on dividends, interest and royalties³⁹
- Personal income tax (15% basic rate)
- Value-added tax (basic VAT 21%, reduced rates 15% and 10%)
- Taxes on capital - real estate tax and real estate transfer tax – 0% if it's under CZK100,000⁴⁰
- Other business-related taxes - road tax, excise and custom duties^{**41}

*The withholding tax rates may be reduced by double tax treaties. Payments to persons resident in a country with which the Czech Republic has not concluded a double tax treaty or an agreement for the exchange of information are subject to the 35% rate. Withholding tax normally becomes payable when the payer of the income accounts for the liability.

**Road tax is generally payable by the operator of a vehicle registered in the Czech Republic. The tax rate varies from CZK1,200 to CZK4,200 in the case of passenger vehicles and from CZK1,800 to CZK50,400 for other vehicles.



Helping You Win in the Czech Republic

After you get there...

As a first-time entrant to the Czech market, your brand may be totally unknown. To build market presence as efficiently as possible, take an integrated approach to marketing.

Your company website should be updated to accommodate international enquiries and sales, as well as operating as an online brochure. Ideally, you'll have a Czech language landing page with news relevant to the Czech market, and if possible, a significant customer endorsement.



Enterprise Ireland assists clients entering new markets with:

Supports sector overview

- Validation of the opportunity for your product or service
- Evaluation of your market entry strategy
- Suggested channels to market
- Competitor analysis
- Relevant contacts/suggested itinerary

In-market support

- Introductions to buyers and decision-makers
- Identification of potential partners
- Facilitating buyer visits to Ireland
- Assistance with product launches and workshops
- Securing reference sites

International trade events

- Inward buyers' missions to Ireland
- Group stands at international trade fairs
- Overseas trade missions
- Market study visits
- Client knowledge seminars
- Networking events with market contacts

Additional supports

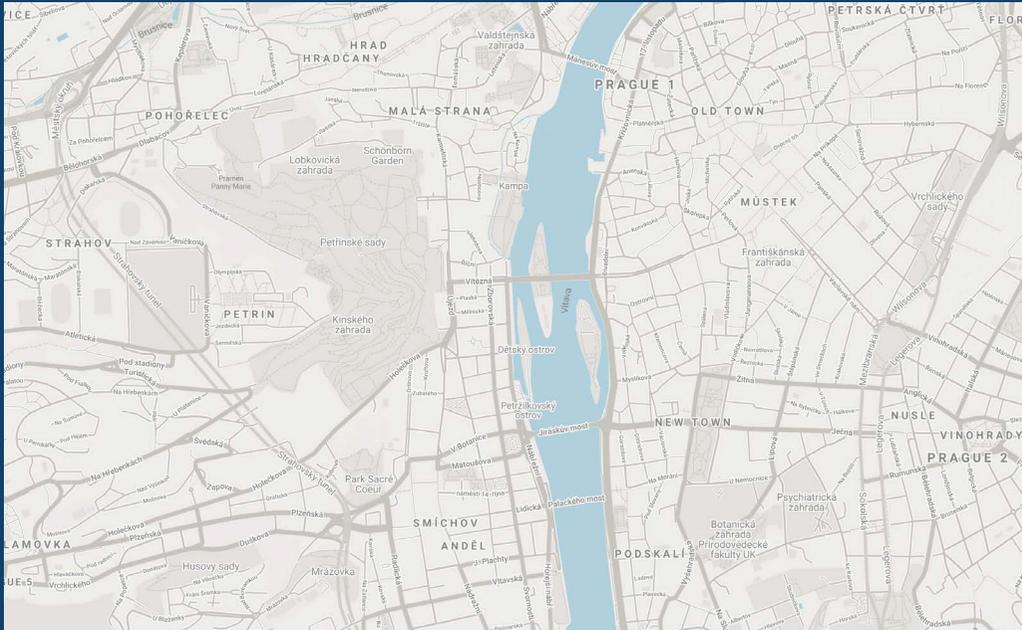
- Access to translation and interpreting services
- Introductions to specialists in all areas, including legal, recruitment, PR and taxation
- Access to mentors

Enterprise Ireland has also built up an excellent network of mentors in the Czech Republic who are available to work with client companies looking to develop their business. It includes market and sector specialists, business accelerators and members of Irish business associations.

For further information on the services of Enterprise Ireland overseas, please consult the Market Research Centre section on the [Enterprise Ireland website](#).



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