AUSTRIA

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0- SYNOPTIC TABLE: TAXATION OF RESIDENTS AND NON-RESIDENTS

	RESIDENTS	NON-RESIDENTS
TAX RATES ON INCOME	24%	24% (only on Austrian source)
CAPITAL GAINS TAX (CGT)	Taxed as ordinary income	
WITHHOLDING TAX		
Dividends	27.5% or exempt (participation exemption)	27.5% (reducible)
Interest	25% Interest on bank deposits, securities and obligations if paid to individuals	0/ 25% (reducible)
Royalties	25%	20% (reducible)
INDIVIDUAL TAX RATES	0% - 55%	0% - 55% + Euro 9,000
OTHER TAXES		
Stamp duty	0.13% - 1%	
Land transfer tax	0.5% - 3.5% of the purchase price	
Social security contributions	For annual wage lower than Euro 66,600: employee: 17.12% employer: 20.53%	
Community tax on payroll	3% of payroll per month	
Incorporation duty	depends on the type of entity	
Tax on gambling	2%, 12%, 25%	
V.A.T.	5% 10% 13% 20% - Exports are exempt	
LOSSES		
Carried forward	Allowed	
Carried back	Not allowed	
DEPRECIATION		
Tangible assets	Buildings: $33^{1/3}$ - 50 years Plant and machinery: 5- 10 years	
Intangible assets	Goodwill: 15 years	

1- AN OUTLINE OF COMPANY LAW

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
Joint stock companies (AG)	They are legal entities that are separate from their owners, with shareholder liability limited to the capital contribution. The AG is the preferred corporate form when there is a large number of unrelated shareholders. The shares of an AG may be listed on the stock exchange and can be transferred easily. The minimum share capital requirements for an AG is Eur 70,000.	Registration with the commercial register is mandatory.	A listed AG is subject to stringent reporting and disclosure requirements. For tax law purposes, there is no difference between a GmbH and an AG; both are subject to corporate tax. Corporations are required to prepare financial statements according to Austrian accounting standards and must prepare a balance sheet and a profit and loss account. The financial statements must be audited by a certified auditor.
Limited liability companies (GmbH)	They are legal entities that are separate from their owners, with shareholder liability limited to the capital contribution. The GmbH is typically used for a smaller number of shareholders, usually known to each other. The management of a GmbH is more personalised than that of an AG. A GmbH can also be established by a single person. The transfer of shares is subject to notarisation and often requires the approval of the other shareholders. The laws applicable to a GmbH are more flexible and can be modified by an agreement of the Articles of Association. The minimum share capital requirements for a GmbH is EUR 35,000.	Registration with the commercial register is mandatory.	For tax law purposes, there is no difference between a GmbH and an AG; both are subject to corporate tax. Corporations are required to prepare financial statements according to Austrian accounting standards and must prepare a balance sheet and a profit and loss account.
General partnerships (OG)	It is an association of people who carry out an activity as members. It is a separate legal entity. The shareholders are jointly and severally liable for the debts of the partnership. Each partner is taxed on their share of the company's net income. Losses from the partnership business are generally available to the partner as a deduction against other income.	Registration with the commercial register is mandatory.	
Limited partnerships (KG)	A limited partnership has at least one non-executive partner with limited liability (limited partner) and at least one partner with unlimited liability (general partner). The liability of non-executive partners is limited to their contribution to the partnership.	Registration with the commercial register is mandatory.	

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
Silent partnerships (Stille Gesellschaft)	It occurs when a partner contributes to a business without managing it. The contribution of capital falls within the assets of the entrepreneur.	A silent partner is not registered with the commercial register.	Silent partners who participate only in the profits and losses of the company, but never have a stake in its assets, are called "typical silent partners". Silent partners who participate also in the hidden reserves and the goodwill, are called "atypical silent partners".
Civil law partnerships (GesbR)	It is a cooperative of at least two people with a common goal.	It has no legal form and is often used for trade union agreements.	It may be treated as a partnership for tax purposes. This treatment depends on the goals set forth in the civil law partnership's agreement.
Sole proprietorships	A sole proprietor is an individual who owns and operates a business. The sole proprietorship has unlimited liability and therefore very little asset protection. The business income of a sole proprietorship is taxed at the sole proprietor's marginal tax rate.	A sole proprietor must be registered with the commercial register if its turnover in one year exceeds EUR1 million, or if its turnover in two consecutive years exceeds EUR700,000. In all other cases, registration is optional.	It is not a separate legal entity because the owner-operator is effectively the business. A sole proprietorship structure involves the least number of formalities and minimal start-up costs.
Branches	A branch, or permanent establishment (PE), is a place where a person carries on a business. Foreign companies that generate profits in Austria are subject to Austrian tax to the extent that the profits are attributable to the Austrian branch.		When it reaches a certain size or complexity, registration with the Trade Register is required.

2- WHEN AUSTRIAN COMPANIES CAN BE CONSIDERED RESIDENT OR NON-RESIDENT

A company is a resident of Austria if it is incorporated in Austria or its activities are directed from Austria. A foreign incorporated company may be treated as Austrian resident if it has its place of management in Austria.

3- BUSINESS AND NON-BUSINESS ACTIVITIES (ADMINISTRATIVE OFFICES, LIAISON OFFICES, PURCHASING OFFICES, ETC.)

Austria occupies a strategic position for companies wishing to undertake business with Eastern European countries: for this reason, some international groups set up administrative offices or liaisons there to gather market information, advertise their products or purchase goods. Profits from these activities are exempt from taxes.
Profits deriving from the activity of a branch are calculated as for resident companies and subject to the same rates.
Profits of non-resident companies are subject to Austrian corporate tax only if the company in question has a branch, agent or permanent establishment in Austria.

4- WHICH FOREIGN LOCAL UNITS CAN BE OPENED IN AUSTRIA: SECONDARY ESTABLISHMENTS, BRANCHES, SUBSIDIARIES OR PERMANENT ESTABLISHMENTS?

Foreign enterprises that generate business profits through a PE in Austria are taxable only on Austrian source income to the extent that the profits are attributable to the Austrian PE.
If there is a tax treaty between Austria and the relevant foreign country, it will determine which country has taxing rights on the business profits of the PE.
Austrian branches are required to keep the branch's books and accounts in Austria according to Austrian tax law.
An Austrian branch's taxable trading profits and capital gains are calculated on the same basis as those of an Austrian resident company and taxed at the same rates as Austrian resident companies.
Tax exemptions for the participation privilege applies to a branch if the non-resident company is a company benefiting from the EU Parent Subsidiary Directive.

5- CALCULATING TAXABLE INCOME

The tax base for resident companies is worldwide income, while for non-resident companies it is Austrian source income.
Taxable income is calculated on the basis of the accrual method of the fiscal year.
Taxable profits and losses are calculated by comparing the net assets at the beginning and at the end of the fiscal year and the valuation of assets and liabilities for tax purposes is very important for this purpose. In general, all assets may be written down to going concern value.
There are a number of specific adjustments required to determine taxable profits, based on the taxpayer's balance sheets. Reversals and losses are subject to the following restrictions:

- Transfers of equity investments are non-deductible when due to the distribution of profits which form part of the acquisition costs of the equity investment. The same is true for losses from the sale of these holdings. The contribution must demonstrate that there is no relationship between the distribution of profits and the reduction in value, in order to deduct the reversal or loss.
- The transfers of participation not due to the payment of dividends must be equally distributed over seven years, starting from the year of cancellation. In this way, the 6/7 of the transfer must be added in the first year and 1/7 can be deducted in each of the following six years. The same is true for losses from the sale of these holdings.

These restrictions generally apply to all national holdings in Austrian companies. However, a taxpayer does not necessarily have to split the transfers over seven years in the case of smaller holdings, i.e. less than 5%.

- Expenses relating to tax-free income or profits are generally non-deductible. Since 2005, interest on loans used to acquire equity investments subject to the privilege of affiliation or participation are deductible even if dividends and capital gains deriving from such investments are tax free.
- Hidden profit distributions (i.e. benefits granted to a company’s shareholders which would not be granted to independent third parties) are considered to be profit distributions. Such expenses are not deductible at the company level and are taxed like dividends at the shareholder level.
- Accruals for the payment of pensions and liquidations can be non-deductible on the basis of their value in the financial statements. Accruals for the payment of pensions are deductible if based on binding written agreements between employer and employee and the accrual must be calculated with a mathematical interest of 6%. Accruals for the payment of liquidations are deductible up to 45%, but non-deductible for voluntary payments that exceed the amount required by law.

- Accruals for expenses not based on tax subjectivity to third parties are non-deductible.
- Entertainment expenses and gifts to employees and customers, including invitations to the theater or concerts, are non-deductible. Business lunches for advertising purposes are deductible up to 50%.
- Expenses for cars, boats and luxury items in general are deductible only within the limits established by law.
- 50% of the emoluments and fees paid to the members of the board of directors are deductible.
- Valuation deductions are deductible only if based on short-term receivables.
- A taxpayer cannot deduct personal taxes from taxable income nor can he deduct non-refundable VAT if paid in relation to non-deductible expenses.
- Donations in general are non-deductible, except if made to victims of disasters or to institutions such as museums or universities. Since January 2012, donations for research and development and to educational facilities in EU countries and those of the EEA (European Economic Area) are also deductible.
- The transfers to reserves are non-deductible; only those made by insurance companies towards their own mathematical reserves are deductible.
- Payments of penalties and those prohibited by law (e.g. bribes payoff) are non-deductible.
- The deductibility of salary costs, including severance payments and pension contributions, is limited to EUR500,000 per employee per year.
- Dividends received by a resident or non-resident company based on the privilege of affiliation are tax free. The expenses incurred in the production of this income are non-deductible. This rule does not apply to interest.
- Profits from the sale of foreign shareholdings are tax free if the shareholding is subject to the privilege of affiliation. The expenses incurred in the production of this income are non-deductible. This rule does not apply to interests.
- Profits, rentals, etc. in foreign currency received from abroad and exempted from the provisions of a tax treaty are deductible. The expenses incurred in relation to this income are non-deductible.
- Losses of the foreign branch are deductible from Austrian income. The tax benefit deriving from the deduction from the Austrian income of the losses of the foreign branch must be recovered if the foreign losses can subsequently be used abroad.
- Losses not used early can be carried forward to offset future profits.
- Goodwill may be amortized over 15 years in some cases.
- An education allowance and research and development allowance can be deducted from taxable income

6- TREATMENT OF LOSSES

For Austrian tax purposes, trading losses and capital losses are generally offset equally against all trading income and capital gains received in the same accounting period. Losses that arose before 2001 from an investment allowance related to a specific permanent establishment (PE) may only be offset against future profits from the same PE.

If the capital losses cannot be offset against the income for the year in which they arise, up to 75% of the income from the reference year can be carried forward. There are two types of capital losses:

- ordinary losses generated in the years from 1991 up to the present can be carried forward for an indefinite period and can be offset against profits from any source of income, and

- extraordinary losses (ie losses that arose from an investment allowance before 2001) may only be offset against future profits stemming from the PE that generated the losses. They can be carried forward for an indefinite period.

Losses cannot generally be carried back. However, losses of up to €5m incurred in the 2020 tax year may be carried back to the 2019 and 2018 tax years.

There are no limitations on the forward carry-over of losses in the event of a change of ownership of the company, provided the same business is maintained.

Capital losses of a foreign affiliate or subsidiary can be offset against the Austrian taxable income. From 1 January 2015, branch losses from countries that do not have a comprehensive agreement with Austria will automatically be recaptured in the third year after recognition of the losses, unless these losses have already been recaptured.

7- IS INTEREST DEDUCTIBLE?

Interest on loans used to acquire participations subject to the affiliation privilege or participation privilege, is tax-deductible.

Interest or royalties paid to a related company in a jurisdiction where the beneficiary is subject to taxation on income at a rate of less than 10% are not deductible.

Interest or profit paid on mezzanine capital may be tax deductible in the hands of the payer and taxable in the hands of the recipient, depending on the type of financing and the exact wording of the agreement.

8- IS DEPRECIATION DEDUCTIBILITY ACKNOWLEDGED?

Under Austrian tax law, a taxpayer may generally depreciate assets by using the straight line method of depreciation. From 1 July 2020, a taxpayer may also depreciate assets using the declining balance method at the rate of up to 30% per year.

Depreciation is based on the useful life of the assets. Tax authorities accept the useful life of an asset when it is included in the following brackets:

Asset	***Years***
Buildings	33,3-50
Plant, machinery	5-10
Office equipment	4-5
Motor vehicles	8
Trucks	5
Software	3 – 5

Land is not depreciable.

Goodwill acquired in the course of taking over another business via an asset deal is written off pro rata over 15 years for tax purposes.

Before 1 March 2014, goodwill arising from share deals could be amortized. From 1 March 2014, goodwill may not be amortized on share deals, unless they were made before 1 March 2014, the acquired company is to become a member of the group of companies and group taxation rules will apply or the tax benefits arising from the rules regarding the deductibility of goodwill which were in force before 1 March 2014 can be shown to have affected the share price.

Special depreciation can be claimed where an asset’s value on a going concern basis is lower than the asset's depreciated book value.

9- WHAT TAX TREATMENT IS APPLIED TO RESIDENT COMPANIES?

Austrian resident companies are subject to corporate income tax on their worldwide income and gains.

Capital gains arising from the disposal of assets are taxed as ordinary income. There is no distinction between ordinary income and capital gains for corporations. A taxpayer is allowed to carry forward capital losses to offset future capital gains under the general rules applicable to loss carry-forwards

A company is subject to corporate income tax at a flat rate of 24% on income and capital gains, whether retained or distributed.

A minimum corporate income tax is levied on corporations as follows:

- Limited liability companies: 1,750 euro per years
- Newly established limited liability companies: 500 euro per year in the first five years and 1,000 euro per year in the following five years
- Joint stock companies: 3,500 euro per years
- Banks and insurance companies: 5,452 euro per years.

A taxpayer may carry forward all minimum taxes indefinitely as a credit against future tax payments. These credits may be carried forward without limit as to the number of years or the amount. The minimum tax is not paid back if the company is dissolved before this tax credit is utilized.

10- ARE GROUP COMPANIES CONSIDERED SINGLE COMPANIES FOR FISCAL PURPOSES?

Since 2005, the rules relating to groups of companies have undergone significant changes.

Under the rules of tax consolidation, the tax results of domestic group members are attributed to their respective parent company and taxed at the level of the group parent. Tax losses of group companies can be consolidated with taxable profits of other group companies. However, from the 2015 tax year, the amount of losses from foreign group companies that may be used to reduce the taxable profits of Austrian companies is limited to 75% of the taxable income of the Austrian group members.

Profits are only attributed for tax purposes.

For a group of companies to qualify as such:

- a parent company must have a qualifying participation of more than 50% (directly or indirectly, e.g. via a partnership)
- a written application to form a tax group must be filed with the competent tax office and must include an agreement on the allocation of tax costs, and
- the group must be in existence for at least three full years.

From 1 March 2014, foreign members of a tax group are limited to be resident of the EU or of a non-EU country with which Austria has a TIEA, or similar comprehensive information exchange agreement. Existing foreign group members which do not meet either of these conditions will be suspended from membership of the tax group as of 1 January 2015.

In the past it was possible, under certain conditions, to form groups with two or more parent companies. The 2010 Reform provided that groups with multiple parent companies are dissolved by 31 December 2020 and that, in the meantime, no other new members can be added, on pain of immediate dissolution of the group.

A tax group can also include foreign members. The parent company can use the losses of foreign subsidiaries within the group in proportion to the direct shareholdings held by group members. Foreign losses are calculated according to Austrian tax law. Profits made by foreign subsidiaries are not subject to Austrian corporate tax and are not attributed to the parent company.

11- WHAT TAX TREATMENT IS APPLIED TO FOREIGN LOCAL UNITS AND NON-RESIDENT COMPANIES?

A company is considered non-resident if it was not incorporated in Austria or if it does not manage its business from Austria. Non-residents are subject to tax only on their Austrian source income. Corporate income tax is applied on trading or business profits only if they have established a branch, a permanent establishment (PE) or an agent in Austria. Merely exporting in the absence of these factors does not give rise to taxable profits, even if the non-resident company concludes sales contracts in Austria.

The profits and capital gains of a foreign local unit in Austria are calculated as those of a resident Austrian company and are subject to 24% income tax, with a credit for the tax paid abroad. Remittances abroad are exempt from withholding tax.

Tax treaties may impose further restrictions on the taxation of non-residents.

A non-resident company is also subject to Austrian corporate tax on income derived from real estate situated in Austria. The performance of services in Austria leads to Austrian tax liability.

12- ARE CAPITAL GAINS TAXED?

Capital gains arising from the disposal of assets are taxed as ordinary income. There is no distinction between ordinary income and capital gains for corporations. A taxpayer is allowed to carry forward capital losses to offset future capital gains under the general rules applicable to loss carry-forwards.

Under the international affiliation privilege, gains on disposals from investments in foreign companies are not subject to Austrian corporate income tax under certain conditions, including a minimum shareholding of 10% held for at least one year, and that the foreign company should be comparable in form to an equivalent Austrian company.

Since 2012, the taxable capital gains accrued by individuals are also subject to withholding tax, at rates that vary according to the period of possession before the sale.

13- WHAT TAX TREATMENT IS APPLIED IN CASE OF COMPANY LIQUIDATION?

The taxable profit resulting from the liquidation of an Austrian company is determined by the difference between the value of the distributions to shareholders and the value of the company's net assets before liquidation.

There is no withholding tax on liquidation distributions.

A gain arising from an Austrian company's liquidating distribution is subject to 24% corporate income tax in the hands of an Austrian parent company. Losses are deductible from other income. Gains from liquidation of a foreign company are exempt - if the company benefits from the affiliation privilege - and losses are deductible.

14- TRANSFER OR REPURCHASE OF SHARES: HOW ARE THEY TAXED?

An Austrian company is not allowed to reduce its capital without protecting creditors’ claims. Payments made to shareholders in an allowable capital reduction must be split into two groups for tax purposes: repayments of capital and dividends.

Repayments of capital are tax-free and reduce the shareholders' book value. If a repayment of capital exceeds the book value of a shareholder's shareholding, the excess amount is a taxable capital gain.

An Austrian company may repurchase its own shares under specific circumstances. For example, an Austrian company may repurchase its shares to avoid damages to the company, for stock options or to avoid a take over in the case of equity decrease.

An Austrian company's repurchase of its own shares is subject to strict guidelines. For example, the repurchase is restricted to a maximum of 10% of the stock capital.

The tax treatment of a share repurchase is the same as a reduction of capital.

15- WHAT OTHER TAXES ARE APPLIED IN AUSTRIA?

VAT

Generally, the Austrian VAT law is based on the 6th EU VAT Directive. Under the Austrian VAT law, companies and individuals carrying out an active business on a permanent basis are qualified as entrepreneurs for VAT purposes. As entrepreneurs, they have to charge the supply of goods or services provided to their customers with Austrian VAT at a rate of 20%. A certain limited range of goods and services is taxed at the reduced rate of 10% (e.g. books, food, restaurants, passenger transportation, medicine, hotel accommodation) or 13% (e.g. animals, seeds and plants, cultural services, museums, zoos, film screenings, wood, ex-vineyard sales of wines, domestic air travel, public pools, youth care, athletic events). Certain other transactions are exempted from Austrian VAT (e.g. export transactions, cross-border passenger transport by air or sea). In two areas, Jungholz and Mittelberg, a reduced VAT rate of 19% applies.

Payments to individuals

The remuneration of authors, artists, architects, sportsmen, coaches and emoluments to members of a commission of supervisors are subject to the rate of 20%.

Capital transfer tax

Transfers by companies are taxed in the same way as for capital gains.

Land transfer tax

All transfers of land and buildings located in Austria are subject to land transfer tax. The standard rate is 3.5% of the purchase price. For transfers without consideration or with partial consideration, the tax rates are 0.5% for the first €250,000 of the land value, 2% for the amount exceeding €250,000 to €400,000, and 3.5% on the excess. This tax is also due on certain transfers of shares in companies owning Austrian land. A registration fee of 1.1% is also due to the real estate register.

Real estate tax

Property owners are subject to an annual tax calculated on the value of the property located in Austria and collected by the municipal authorities.

Excise

Austria imposes an excise tax on specialty consumer goods such as tobacco and alcohol. Generally, the tobacco tax from 1 April 2022 amounts to 33% of the sales price for cigarettes, and 13% of the sales price for cigars and small cigars. Generally, the tax in connection with alcohol amounts to €1,200 per 100 litres.

Stamp duty

Stamp duty is payable in respect of certain transactions established by means of documentation recorded in writing or by electronic means. These include assignments of debts, bills of exchange, lease agreements, and certificates of bonds. Rates range from 0.13% to 1% of the value of the transaction. Loan agreements and certain kinds of credit agreements are not subject to stamp duty.

Social security contributions

Social security contributions are paid both by the employer and the employee. The part of the employee is retained by the employer and sent to social security, together with the part paid by the employer. The rate for 2023 is 17.12% of the paycheck for the worker and 20.43% for the employer, with a maximum contribution base of EUR 70,200 (2023). The higher amounts are exempt from the payment of contributions.

The maximum contribution base for self-employed workers is EUR 81,900 in 2023.

Community tax (on payroll

Community tax is payable by employers to local authorities at the rate of 3% of payroll per month, with no ceiling.

Additional payroll charges
Additional payroll charges include:

- employers' contributions to the child benefit fund (Dienstgeberbeitrag): 3.9%
- surcharge on employer's contributions (Zuschlag zum Dienstgeberbeitrag): 0.34%–0.42% (depending on the province), and
- (in Vienna only) employer's tax for subway construction (U-Bahn Steuer): €2.00 per week per employee.

These additional payroll charges amount to approximately 5% of payroll and are payable by employers, with no ceiling.

Incorporation duty
The incorporation of a new company in the commercial register has a cost that varies according to the type of company, but only partnerships or corporations in which none of the partners is a natural person are required to register.

Fee for rental agreements and hire contracts
Agreements which enable a person to use something (ie buildings, cars, systems, etc) are subject to a fee of 1% of the rental amount. Rental agreements for residential buildings or apartments which are for three or fewer months, rental agreements with total payments that do not exceed €150 and royalty agreements are not subject to the fee.

Taxes based on environmental issues
Austria applies taxes on natural gas, electricity, coal and oil, at amounts that are often subject to revision. If these taxes exceed the net production value by 0.5%, the taxpayer can be refunded.

Tax on insurance premiums
Different rates are provided for the different types of insurance and vary between 1% and 11% of the gross insurance premium. Some types of insurance are exempt (eg social security contributions).

Tax on gambling
Austria imposes a tax on several types of gambling. The withholding rates are as follows:

- for betting in connection with sporting events, the rate is 2% (exception: Toto)
- for gambling with non-cash prizes, the rate is 12%, and
- for gambling with cash prizes, the rate is 25%.

Workers' council tax
It applies to companies that have a works council and is used for executive committee expenses and employee social facilities and programs. The maximum amount of the tax is 0.5% of the gross remuneration.

Tax on motor vehicles
Austria imposes a vehicle tax that varies according to weight and kilowatts / hour.

Advertising tax
It is applied to advertising services at a rate of 5% calculated on the VAT due on the sale.
From 1 January 2020, a 5% tax is applied to the turnover of companies offering digital advertising services with an annual worldwide turnover exceeding Euro 750 million and which receive at least Euro 25 million nationally from the sale of digital advertising.

Carbon tax
A carbon tax on CO2 emissions applies in Austria from 1 October 2022. The tax rate for 2023 is EUR35 per tonne (EUR30 per tonne from 1 October 2022 to 31 December 2022).

16- DIVIDENDS, INTERESTS AND ROYALTIES: HOW ARE THEY CONSIDERED AND TAXED?

Dividends received from companies located in the EEA do not incur any tax.
Dividends received by the company outside the EEA area are tax free, if the participation meets the criteria of the "affiliation privilege" (EU Parent Subsidiary directive).

There is a withholding tax of 27.5% on dividends paid by an Austrian company to residents, which is not applicable if the recipient Austrian resident company owns at least 10% of the capital of the paying company. The same withholding tax is applied to dividends paid to non-residents who do not benefit from the affiliation privilege, but can be reduced by tax agreement. The withholding tax for royalties, fees, profits and other forms of remuneration received from non-resident companies is generally 20%, which can be reduced in the presence of bilateral tax agreement or the EU Interest and Royalties Directive.
Interest paid by an Austrian company to a non-resident is tax free, except in the case of asset-backed loans. Interest on current accounts and bonds incurs the rate of 25% only if paid to individuals, while no withholding tax is applied or is applied in reduced form on interest paid to foreign companies.

17- HOW ARE CALCULATED STOCKS OR INVENTORIES?

Goods and semi-finished products are valued at the lower of cost price and current value. The FIFO and weighted average methods are accepted, while the LIFO is only acceptable if it is in line with the taxpayer's practice.
There are no specific deductions for inventories due to inflation.

18- HOW ARE RESIDENT INDIVIDUALS TAXED?

Tax liability criteria

Tax residence is the main criterion for determining tax subjectivity. Resident natural persons are subject to Austrian tax on world income. Non-residents are subject to tax only on certain Austrian sourced income.
Tax residence is established by a person who occupies an apartment or house (living quarters) under circumstances that allow the conclusion that the person will continue to keep or use it.
An individual is also deemed to be resident for tax purposes when the individual establishes domicile in Austria or is deemed to be domiciled by virtue of over 6 months' presence.

Tax rates

The following progressive tax rates apply for individuals for 2024:

Taxable income €	***Marginal tax rate %***
0 – 12,816	0
12,816–20,818	20
20,818–34,513	30
34,513–66,612	40
66,612–99,266	48
99,266–1 million	50
Over 1 million	55

Each individual must file a separate tax return and is subject to taxes separately, regardless of their family situation.

Main deductions and reliefs

A tax credit of EUR813.60 per year is granted for each minor student child.
A taxpayer who pays legal alimony for a child, not residing in the taxpayer’s household in Austria, another EU/EEA country or Switzerland, is entitled to an additional tax credit of EUR372 per year for the first child, EUR564 per year for the second child, and EUR744 per year for the third and each subsequent child.
A sole provider is entitled to an additional tax credit of EUR572 for one child, EUR774 for 2 children and an additional EUR255 for the third and each subsequent child. A taxpayer

qualifies as a sole provider if they are a single parent or if their spouse or registered partner's income does not exceed EUR6,000 where the couple has at least one child living with them in Austria for at least 6 months during the tax year.

The family bonus plus allows taxpayers to deduct a maximum of EUR2,000 per year for each child under 18 years of age and EUR700 per year for each child of 18 years of age or over.

The threshold for the extraordinary burden deduction is reduced where there are children in the household.

Alimony and maintenance payments are not tax deductible.

Inheritance and gift tax

As from 1 August 2008, inheritance income and donations are no longer taxed.

Pension, social security and national health policy

Austria has an excellent health and social security system, paid through contributions which are calculated as a percentage of the wage or salary subject to insurance and borne, in due proportion, by the employee and the employer.

	Employee's share %	***Employer's share %***	***Total %***
Pension (old age) insurance	10.25	12.55	22.80
Accident insurance	-	1.10	1.10
Health insurance	3.87	3.78	7.65
Unemployment insurance	2.95	2.95	5.90
Total	17.07	20.38	37.45

These percentages apply up to a maximum monthly salary of 6,060 EUR (2024).

Social security contributions are not taken from older employees when they reach a certain age.

19- HOW ARE FOREIGN INDIVIDUALS TAXED? WHEN ARE THEY CONSIDERED RESIDENT?

Tax liability criteria

Tax residence is the main criterion for determining tax subjectivity. Resident natural persons are subject to Austrian tax on world income. Non-residents are subject to tax only on certain Austrian sourced income.

Tax residence is established by a person who occupies an apartment or house (living quarters) under circumstances that allow the conclusion that the person will continue to keep or use it.

An individual is also deemed to be resident for tax purposes when the individual establishes domicile in Austria or is deemed to be domiciled by virtue of over 6 months' presence.

Tax rates

The Austrian source income of non-residents is either subject to withholding tax or taxable by assessment. Income that is not subject to withholding tax is aggregated and assessed at the same rates as those applying to residents. Citizens of the European Union (EU) or the European Economic Area (EEA) member countries, may, on request, be treated as subject to unlimited tax liability, provided 90% of their income is subject to Austrian income tax, or the income generated in other countries is not higher than EUR12,465 pa. Domestic income that may be taxed by Austria under limits determined by double tax treaties is not regarded as Austrian source income. The responsible foreign taxation authority must confirm the amount of foreign income.

The following progressive tax rates apply for individuals for 2024. It is important to note that EUR10,486 is added to taxable income for tax calculation purposes and non-residents are not entitled to all the deductions or tax credits available to residents.

Taxable income ***€***	***Marginal tax rate*** ***%***
0 – 12,816	0
12,816–20,818	20
20,818–34,513	30
34,513–66,612	40
66,612–99,266	48
99,266–1 million	50
Over 1 million	55

Each natural person must file a separate tax return and is subject to taxes separately, regardless of their family situation.

Main deductions and reliefs

Non-residents do not benefit from the deductions and tax credits provided for residents

Inheritance and gift tax

As from 1 August 2008, inheritance income and donations are no longer taxed.

Pension, social security and national health policy

Non-residents receive essentially the same treatment as residents with regard to social security.

Foreigners receive the pension only if they reside in Austria, if there is an agreement to that effect with the country of origin or if their stay abroad has been approved by the Austrian authorities. These agreements are currently in place with: Albania, Australia, Belgium, Bosnia Herzegovina, Bulgaria, Canada, Chile, Cyprus, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, India, Ireland, Iceland, Israel, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Montenegro, Norway, Netherlands, Philippines, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, South Korea, Spain, Sweden , Switzerland, Tunisia, Turkey, United Kingdom, United States.

20- TERMS FOR TAX PAYMENTS: THE FISCAL YEAR IN AUSTRIA

Since the Austrian fiscal year coincides with the calendar year, to determine the tax rate, the profits of an accounting period other than the calendar year will be placed in the year in which the accounting period ends. Tax returns of legal entities must be submitted within 6 months of the end of the calendar year and electronic submission is mandatory, unless technically impossible. In this case, the declarations must be submitted within 4 months of the end of the calendar year. Taxes are generally to be paid one month after submission.

Advance payments must be made in quarterly installments and are based on the tax assessment of the previous year, increased by 4%, while the advances calculated on the previous year's taxes are increased by a further 5% for each subsequent year.
The withholding tax on dividends is applied one week after the distribution of profits has been made. Other withholding taxes must be paid to the tax authorities within 15 days of the end of the month.
The delay in the payment of income tax is subject to a rate of 2% over the base interest rate, ie that applied by the European Central Bank.
The interest on late payments amounts to 4% per year, while, in the event of failure to submit the return within the deadline, a penalty of 10% is applied.

21- WHAT TAX INSPECTIONS ARE MADE?
Taxpayers must submit their tax return to the Austrian tax authority and provide all required information.
The tax authority is represented in each district by a decentralized office which assesses the tax on the basis of the taxpayer's tax return. Most assessments are subject to review which allows the tax office to correct the assessment at any time.
The inspection can be carried out at the taxpayer's headquarters every 5, 7 or 10 years and can last for years.

22- CAN TAXPAYERS AGREE IN ADVANCE THEIR TAX TREATMENT?
The tax authority can issue preventive resolutions for the following cases:
1. changes from general partnership to limited liability company;
2. reorganization in order to take advantage of tax incentives;
3. company wishing to set up a foreign local unit in Austria and would like information on the calculation of the profits of the foreign local unit.

23- WHAT EXCHANGE CONTROLS ARE CARRIED OUT?
Foreign investments in Austria are generally not subject to any limitations. An Austrian subsidiary or branch that takes out loans abroad does not require prior permission, except in some countries. Transactions of an Austrian branch or company abroad must be notified to the Austrian National Bank for statistical purposes. In some cases, foreign entities must obtain prior permission in order to purchase real estate in Austria.

24- WHAT TAX RELIEFS AND INCENTIVES ARE GRANTED BY THE AUSTRIAN GOVERNMENT?
Education allowance
Austrian companies can deduct 20% from their taxable income for costs incurred at external institutions for employee education and training. Alternatively, they can request a cash bonus equal to 6% of the expenses incurred.
They can also deduct 20% of the expenses paid for internal education and training costs, with a limit of 2,000 Euros for each event or day.
Cash bonus for apprenticeships
Companies are entitled to a bonus of Euro 1,000 per year for apprenticeships started before June 30, 2008. For apprenticeships started after that date, a new incentive system was introduced whereby companies get a bonus equal to the corresponding amount up to 3 months' pay for each new apprenticeship.
Research and development
Expenses for research & development activities, conducted by the company or commissioned to third parties, can be deducted by 100%. These costs include salaries, capital expenditures, financial charges and indirect costs.

There is an additional grant of 14% of the expenses incurred, which can be deducted from taxes or, if necessary, paid in cash. The expenses that benefit from this grant have an unlimited amount if incurred directly by the company, but are limited to Euro 1 million if commissioned to third parties.

Subsidies and grants

Low interest subsidies and loans are available, particularly for industries in crisis, both to help face the problem of unemployment, and to encourage the use of new technologies, environmental protection, energy saving, tourism, etc. They are usually granted both by the state and by one of the federal provinces, depending on the geographical location of the company.

Export incentives

The Austrian Kontrollbank AG manages various export incentives ranging from export credit guarantees to export loan guarantees guaranteed by the Republic of Austria.

Tax sparing

Austria has entered into tax treaties containing tax sparing rules under which taxes forgiven by the developing countries still qualify for an Austrian foreign tax credit.

25- HAS AUSTRIA SIGNED BILATERAL TAX AGREEMENTS WITH OTHER COUNTRIES? TABLE OF WITHHOLDING TAXES

In the tax treaties signed by Austria with different states, the withholding tax applied is specified. The rates of non-signatory countries apply when these are lower than those indicated in the agreement. Interest paid to non-residents is generally not subject to withholding tax.
The rates shown below apply to non-residents.

	Dividends %	*Interest* %	*Royalties* %
Non-treaty	27.5	0	20
Treaty			
Albania	5/15	0	5
Algeria	5/15	0	10
Armenia	5/15	0	5
Australia	15	0	10
Azerbaijan	5/10/15	0	5/10
Bahrain	0	0	0
Barbados	5/15	0	0
Belarus	5/15	0	5
Belgium	0/15	0	0/10
Belize	5/15	0	0
Bosnia and Herzegovina	5/10	0	5
Brazil	15	0	10/15/20
Bulgaria	0/5	0	0/5
Canada	5/15	0	0/10
Chile	15	0	5/10
China	7/10	0	10
Croatia	0/15	0	0
Cuba	5/15	0	0/5
Cyprus	0/10	0	0
Czech Republic	0/10	0	0/5
Denmark	0/15	0	0
Egypt	10	0	0/20
Estonia	0/5/15	0	0/5/10
Finland	0/10	0	0/5
France	0/15	0	0

Georgia	0/10	0	0
Germany	0/5/15	0	0
Greece	0/5/15	0	0/7
Hong Kong	0/10	0	3
Hungary	0/10	0	0
Iceland	5/15	0	5
India	10	0	10
Indonesia	10/15	0	10
Iran	5/10	0	5
Iceland	5/15	0	5
Ireland	0/10	0	0/10
Israel	25	0	0/10
Italy	0/15	0	0/10
Japan	10/10	0	10
Kazakhstan	5/15	0	10
Korea, Republic of	5/15	0	2/10
Kosovo	0/15	0	0
Kuwait	0	0	10
Kyrgyzstan	5/15	0	10
Latvia	0/5/10	0	0/5/10
Liechtenstein	0/15	0	5/10
Lithuania	0/5/15	0	0/5/10
Luxembourg	0/5/15	0	0/10
Macedonia	0/15	0	0
Malaysia	5/10	0	10/15
Malta	0/15	0	0/10
Mexico	5/10	0	10
Moldova	5/15	0	5
Mongolia	5/10	0	5/10
Montenegro	5/10	0	5/10
Morocco	5/10	0	10
Nepal	5/10/15	0	15
Netherlands	0/5/15	0	0/10
New Zealand	15	0	10
Norway	0/15	0	0
Pakistan	10/15	0	10
Philippines	10/25	0	15
Poland	0/5/15	0	0/5
Portugal	0/15	0	0/5/10
Romania	0/5	0	0/3
Russia	5/15	0	0
San Marino	0/15	0	0
Qatar	0	0	5
Suadi Arabia	0/5	0	10
Serbia	5/15	0	5/10
Singapore	0/10	0	5
Slovakia	0/10	0	0/5
Slovenia	0/5/15	0	0/5
South Africa	5/15	0	0
Spain	0/10/15	0	0/5
Sweden	0/5/10	0	0/10
Switzerland	0/15	0	0
Taiwan	10	0	10
Tajikistan	5/10	0	8
Thailandia	10/27.5	0	15
Tunisia	10/20	0	10/15

Turkey	5/15	0	10
Turkmenistan	0/15	0	10
Ukraine	5/10	0	0/5
United Arab Emirates	0	0	0
United Kingdom	0/5/15	0	0
United States	5/15	0	0/10
Uzbekistan	5/15	0	5
Venezuela	5/15	0	5
Vietnam	5/10/15	0	7.5/10

Tax Information Exchange Agreements (TIEAs) have also been signed with: Andorra, Gibraltar, Guernsey, Jersey, Mauritius, Monaco, Saint Vincent and the Grenadines.