Austria

Capital city:
Vienna

Language:
German

GDP/capita 2015:
USD 43 775

Telephone code:
+43

Superficy:
83 879 km^2

Political system:
Federal semi presidential republic

Currency:
Euro

National day:
October 26th

Population:
8’665 M.

ISO Code:
AUT

Austria

1. Corporate taxation

1.1 Taxes on entities

Legal entities are subject to corporate income tax on their profits.

1.2 Residence and non-residence

Unlimited liability to tax applies to companies having their seat or place of management in Austria, which means that their worldwide income is subject to tax. Companies established under Austrian commercial law must have their legal seat in Austria as the Austrian company law follows the legal seat theory.

Limited liability to tax applies to companies having neither their seat nor their place of management in Austria, which means that they are only subject to tax on their income from Austrian sources

1.3 Tax year and filing

The tax year in Austria is the calendar year. However, a company may choose a different fiscal year with the approval of the Austrian tax authorities.

The corporate tax return should be filed by 30 April the following year (if a paper version is filed) or 30 June (if filed electronically), An automatic extension up to 31 March of the next following year is granted if the company is represented by a tax adviser. Further extensions are available on request in special circumstances.

1.4 Types of income

The taxable profit is based on the accounting profit subject to certain adjustments for tax purposes only. Expenses relating to the business are generally deductible, although the deduction of certain expenses is limited (for ex. gifts, entertainment expenses, automotive costs over a certain amount,).

1.5 Group income and grouping arrangements

An Austrian resident company can form a consolidation for tax purposes with its more than 50% owned subsidiaries. The grouping must be based on a profit

and loss transfer agreement and to be maintained for at least 3 years. Additional conditions apply.

1.6 Capital gains

Capital gains are classified as ordinary income and subject to corporate income tax.

National dividends

Under the national participation exemption any capital yields from a participation received by a resident company from another resident company or cooperative is exempt from corporation tax. There is no minimum participation requirement and no minimum holding requirement.

Foreign dividends

Under the international participation exemption scheme any capital yields from a participation of 10 % or more are exempt from corporation tax under the following conditions:

- the parent company is legally required to keep books and records according to the Austrian Commercial Code (cooperatives, mutual insurance entities, savings banks) or the parent company is a foreign company that qualifies as a resident of Austria for corporation tax purposes (i.e. dual resident companies);
- the participation is held for at least a one-year period incessantly;
- the foreign subsidiary has a legal form listed in the Parent Subsidiary Directive (90/435/CEE) or is comparable to a domestic company.

Capital gains from such participations in foreign companies are exempt from corporation tax. Losses, however, are not deductible. If the taxpayer opts to treat potential capital gains as taxable income, then occurring losses remain deductible. The option has to be done in the year of the acquisition of the participation and is irrevocable.

According to the Corporation Tax Act a switch-over from the exemption to the credit method takes place if:
foreign-source income is subject to taxation which is not comparable to the Austrian corporation tax (if the foreign tax does not exceed 15 %); and the main aim of the business of the foreign company is to directly or indirectly derive interest, income from leasing of movable or intangible assets or the alienation of participations (tainted passive income). In such cases the underlying foreign corporation tax, if any, is credited.

Under the international participation exemption scheme any capital yields from a participation of less than 10 % are exempt from corporation tax under the following conditions:

- the foreign subsidiary has to have a legal form which is listed in the Parent Subsidiary Directive (90/435/CEE) or
- the foreign subsidiary has to be comparable to a domestic company and there has to be an extensive exchange of information and administrative assistance in the recovery of taxes with the foreign country in which the company is a resident

According to the Corporation Tax Act a switch-over from the exemption to the credit method takes place if:
the foreign company is actually not subject to a tax which is comparable to the Austrian corporation tax,
neither directly or indirectly; the profits of the foreign company are subject to a tax which is comparable to the Austrian corporation tax, but the rate applicable is less than 10% lower than the austrian coporate tax rate; the foreign company benefits from an extensive exemption from tax (except exemptions for domestic capital yields). In such a case the underlying foreign corporation tax, if any, is credited.

Foreign companies resident in another EU Member State are entitled to the participation exemption if the qualified participation is held by a permanent establishment located in Austria.

1.7 Losses

Losses may be carried forward indefinitely. A maximum amount of 75 % of an anual profit can be offset with previous losses.

1.8 Exemptions

The Corporate Tax Act exempts certain legal entities from tax, e.g. charitable entities under certain conditions.

1.9 Rates

Corporate income tax is levied at a national level. The tax rate currently is 25%.

1.10 Double taxation relief

Austria has concluded taxation conventions for the avoidance of double taxation (for a list see the link below).

https://www.bmf.gv.at/steuern/int-steuerrecht/oesterreichische-doppelbesteuerungsabkommen.html

2. Personal income taxation

2.1 Taxes on income

Individuals are subject to income tax. Under the Austrian Income Tax Act each individual is taxable on his/her own income. There is no joint taxation of married couples or households.

Employment income of residents and non-residents is subject to wage tax. Wage tax is part of the income tax. The employer is liable to withhold wage tax and transfer the tax to the competent tax authority.

2.2 Residence and non-residence

Unlimited tax liability applies to persons having either their residence or habitual abode in Austria. If that is the
case, those persons are subject to tax on their worldwide income

Limited liability to tax applies to those persons who neither have their residence nor their habitual abode in Austria. They are subject to tax only with their income from Austrian sources

2.3 Tax year and filing

The tax year is the calendar year.

The corporate tax return should be filed by 30 April the following year (if a paper version is filed) or 30 June (if filed electronically), An automatic extension up to 31 March of the next following year is granted if the company is represented by a tax adviser. Further extensions are available on request in special circumstances.

2.4 Types of income

Taxable income is the total amount of income from all categories described under the Income Tax Act. The Income Tax Act comprises seven categories of income:

Income from agriculture and forestry, e.g.

- income earned by farmers, market-gardeners, winegrowers, stockbreeders.

Income from independent personal services, e.g.

- income from scientific, artistic, literary, teaching or educational activities;
- professional activities of doctors, lawyers, tax advisers, notaries, architects, journalists or interpreters;
- income from the administration of property (e.g. income derived by facility managers, trustees, also including income derived by members of a supervisory board of directors);
- salaries and other forms of compensation of any kind granted by a company to substantial shareholders. A person is deemed to be a substantial shareholder, if his or her share in the share capital of the company amounts to more than 25 %;
- income of partners of a partnership, if the activity of the partnership is of an independent professional character and each of the partners perform professional services.

Income from commercial activities,

which is income from any business that is not considered as agricultural or forestry activity or as income from professional services.

Income from employment, which includes

- any remuneration, in cash or in kind, derived by an employed person;
- pension income received by a retiree from social security, from a pension fund or from the employer himself.

Income from capital investment,

unless this income derived is covered by one of the first four categories of income. It includes e.g.:

- dividends and other distributions from participations in stock companies, in limited liability companies or commercial cooperatives;

- income from a participation in a commercial business as a silent partner;
- distributions from a private foundation;
- all kinds of interest,
- income from the sale of shares, bonds or other capital investments

Income from rental, leasing and royalties,

unless the income is covered by one of the first five categories of income. It includes e.g.:

- income from renting or leasing out real estate and rights governed by the rules of civil law on real estate;
- income from renting or leasing out conglomerations of assets, such as those of an enterprise;
- royalties from the licence of the right to use works protected by the Austrian Federal Copyright Act, like literary and artistic works;
- royalties from the assignment of industrial property rights, patents and know-how.

Other specific income,

which is exhaustively defined if the income is not a attributable to one of the first six categories of income.
It includes:

- recurring earnings, e.g. certain annuities;
- income from occasional services, including income from services as an agent;
- income from the leasing of movable property;
- income from sale of personal property within a period of 1 year,
- income from the sale of real estate

Income not belonging to one of the above-mentioned categories, is not subject to income tax, e.g. income derived from:
- lottery winnings;
- awards;
- compensation for pain

2.5 Capital gains (including income from the sale of capital investments)

Capital gains are taxed with a 27,5 % flat rate (except interest from bank accounts which is taxed with 25 %).

2.6 Losses

Losses may be carried forward indefinitely if they are derived from the first three categories of income.

2.7 Exemptions

There are exemptions from income tax e.g. :

- benefits in kind or reimbursements of the statutory social security system;
- certain social payments such as: unemployment compensations, maternity allowances; parental-leave benefits, parental-leave assistance and child-care benefits;
- payments from certain funds in order to enhance art and science;
- income from certain qualified employees of development aid organisations for their work in developing countries according to the Development Cooperation Act;

2.8 Social security

There is a mandatory social security levied on income from the first four categories.

The social security system covers the following: Prevention, sickness, incapacity for work/invalidity, maternity, unemployment, old age, death of a person liable to provide maintenance, survivors' pensions, nursing care and social need.

The contribution on income from the first three categories is 27,68 %.

The contribution on income from the fourth category (wages) is 37,75 % and is split between the employer (20,63 %) and the employee (17,12 %)

There is an income cap on social security contributions, above this cap no contributions are due.
The cap for 2017 is € 69.720,00.

2.9 Expatriates

There are no special tax rates for expatriates.

2.10 Pensions

Pension are generally taxed as income from the fourth category.

3. Inheritance and gift tax

There is no inheritance or gift tax.

4. Wealth Tax

There is no wealth tax.

5. Value Added Tax

Rates

• Normal rate 20%.

All taxable operations not subject to a reduced rate are subject to the normal rate.

• Reduced rate 10% e.g. :

- agricultural and similar products: vegetables, fruits, cereals and other plants, fish, meat, milk, water,
- provisions
- miscellaneous products: books, newspapers, drugs,

• Reduced rate 13% e.g. :

- live stock, flowers and plants,
- fertilizers,
- wood,
- art,
- lodging,
- tickets for theatres, cinemas, shows…….

6. Other taxes

real estate transfer tax

Rate of 3,5 %, reduced rate of 0,5 % or 2 % for inheritance or real estate transfer between certain family members.

Church tax

Church tax is not deducted from the income. It is levied directly by the respective church (for roman catholics it is 1,1 % of the income).

Municipal tax

Businesses pay municipal tax to the municipality in which the business is located (3 % of the monthly wages paid to employees).

Contact

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