Introduction

The Moore Stephens Europe Doing Business In series of guides have been prepared by Moore Stephens member firms in the relevant country in order to provide general information for persons contemplating doing business with or in the country concerned and/or individuals intending to live and work in that country temporarily or permanently.

Doing Business in Austria has been written for Moore Stephens International Limited (MSIL) by Moore Stephens City Treuhand GmbH. In addition to background facts about Austria, it includes relevant information on business operations and taxation matters. This Guide is intended to assist organisations that are considering establishing a business in Austria either as a separate entity or as a subsidiary of an existing foreign company. It will also be helpful to anyone planning to come to Austria to work and live there either on secondment or as a permanent life choice.

Unless otherwise noted, the information contained in this Guide is believed to be accurate as of 31st March 2017. However, general publications of this nature cannot be used and are not intended to be used as a substitute for professional guidance specific to the reader’s particular circumstances.

Moore Stephens Europe Ltd provides the Regional Executive Office for the European Region of Moore Stephens International. Founded in 1907, Moore Stephens International is one of the world’s major accounting and consulting network comprising 300 independently owned and managed firms and 657 offices in 106 countries around the world.

Our member firms’ objective is simple: to be viewed as the first point of contact for all our clients’ financial, advisory and compliance needs. They achieve this by providing sensible advice and tailored solutions to help their clients achieve their commercial and personal goals. Moore Stephens firms across the globe share common values: integrity, personal service, quality, knowledge and a global view.

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1. Austria at a glance

Geographical location and population
The Federal Republic of Austria is located in the heart of Europe and borders on eight other countries: The Czech Republic, Germany, Hungary, Italy, Liechtenstein, Slovakia, Slovenia and Switzerland. According to the Austrian Statistic Centre (Bundesanstalt Statistik Österreich) the population of Austria in 2016 was estimated at 8.7 million inhabitants, an increase by 1.3% compared to the year 2015. The largest growth was recorded in urban agglomerations through immigration. At the end of 2016 about 1.267 million individuals without Austrian citizenship were living in Austria, which is about 14.6% of the population, half of them coming from non EU-countries. Most of the migrants are coming from Germany, followed by Eastern European countries.

The territory of Austria covers an area of approximately 84,000 square kilometres, which stretches from the Alps in the West to the flatter and sloping regions in the East. Austria has nine independent federal states: Burgenland, Carinthia, Lower Austria, Salzburg, Styria, Tyrol, Upper Austria, Vorarlberg and Vienna. Vienna is also the capital city of Austria.

Since 1995 Austria is a member of the European Union (EU) and has adopted the Euro as its currency.

Language and climate
The official language is German. Austria shares German as an official language with Germany, Switzerland and Liechtenstein. In small regions minority languages are used as alternative official languages.

Austria is located in a temperate climate zone influenced by the Atlantic climate and an Alpine climate in the central and western regions.

Politics and government
Austria is a democratic republic, with currently six political parties represented in the Austrian Parliament. The Austrian Parliament consists of two chambers: The National Assembly (Nationalrat) and the Federal Council (Bundesrat). The national Assembly is the main legislative body. The Federal Council represents the interests of the federal states.

The Federal Government is headed by the Federal Chancellor (Bundeskanzler), who along with the Vice Chancellor, federal ministers and state secretaries conducts government business. The currently ruling parties in the Federal Government are the Social Democratic Party (SPÖ) and the Austrian People’s Party (ÖVP), which together form a coalition since both parties received most of the votes in the last legislative elections in 2013.

The Federal President (Bundespräsident) is the Head of the state and the military. The current incumbent is Dr. Alexander van der Bellen, elected by popular vote for a period of six years. The president's function is mainly representative. All Austrians who have reached the age of 16 are entitled to vote.

As a federal republic, not all legislation and government administration is done on the national level, but some responsibilities are taken care of by the governments and the parliaments of the 9 federal states. Further political business is done on municipal level.

Currency, time zone, weights and measures
The Euro (ISO designation: EUR) is the unit of currency. One Euro is equal to 100 cents. The European Central Bank is the central banking system that manages the European currency. On 31st January 2017, the Euro was quoted against the US dollar at EUR 1 = USD 1.0755.

In Austria, there is a single time zone, Central European Time (CET), being GMT (Greenwich Mean Time) +1. In summer, Austria follows the daylight-saving time system (Central European Summer Time – CEST), starting on the last Sunday in March and ending on the last Sunday in October, which means that clocks are turned forward by one hour.

Austria uses the metric system of weights and measures. Temperature is measured in degrees Celsius.
General economic outlook

Although Austria, together with most other economies, was hit by the global financial crisis in 2008, it is still the 12th richest Country in the world in terms of GDP (Gross domestic product) per capita.

The Austria National Bank (Oesterreichische Nationalbank, OeNB) expects the Austrian economy to stage a modest recovery. Beginning in 2016, GDP growth reaches 1.5% after four years of growth rates below 1.0%. This increase in growth is driven by two main domestic factors: the income tax reform that came into force in January 2016 and the decreasing numbers of asylum seekers and recognized refugees, who are allowed to work from the time, when their status is recognized.

The harmonised index of consumer prices inflation (HICP) rate has stayed at 0.9% in 2016, but is expected to climb thereafter, to 1.7% in 2017 and 1.9% in 2018.

The unemployment rate (Eurostat definition) rose up to 6.1% in 2016 and is predicted to peak at 6.2% in 2017, but is expected to ease back slightly to 6.0% in 2018.

Investment climate

Austria is a very attractive location for doing business for many reasons: highly skilled workers, excellent infrastructure, research funding, good industrial relations, political stability, optimal location for holdings with group taxation and its seat of many international organizations, too.

Due to its history and proximity to Central and Eastern Europe (CEE), Vienna has the reputation of bridging Western and Eastern Europe and is a popular location for headquarters. Changes can be seen in the origin of the parent company. The number of Austrian holding companies for the CEE region belonging to a German group of companies fell whereas the number of regional headquarters from CEE and Asia are increasing.

Vienna is the home of many international organisations and institutions. It is one of the four headquarters of the United Nations located in the Vienna International Centre (VIC). Further seats of the UN are in New York, Geneva and Nairobi. Vienna is also the seat of the Organisation of Security and Cooperation in Europe (OSCE), the Organisation of Petroleum Exporting Countries (OPEC) and several non-government organisations (NGOs).

Austria is a member state of the European Union, as well as a member of the OECD. As a member of the European Union, Austria must comply to all EU directives and regulations and it is bound by the EU trade treaties, import regulations, customs duties, import quotas and other trade regulations.
2. Doing business

In Austria a business can be established either in the form of a incorporated entity (Joint-Stock Company or Limited-liability Company) which is subject to corporate tax or in the form of a partnership which is subject to income tax.

Main forms of business organisations in detail
The most popular forms of business organisations in Austria are:

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<td><strong>Abbreviation</strong></td>
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Limited-liability Company (GmbH)
The GmbH is one of the most popular forms of business organisations in Austria. It can be established by one or more individuals as well as by legal entities, resident or non-resident, Austrian or foreign citizens. Shareholder liabilities are restricted to their subscribed share capital. Generally, the minimum share capital of a GmbH is EUR 35,000 of which at least EUR 17,500 have to be contributed at the foundation. The capital contribution of each shareholder must be at least EUR 70, non-cash contributions are also possible.

Optionally, a GmbH can be founded using foundation privileges (“Gründungsprivilegierung”): In this case, the required share capital is limited to EUR 10,000 within the first ten years from foundation. At least EUR 5,000 have to be contributed in cash when establishing the company. The foundation privilege ends 10 years after the registration in the Commercial register which means that the share capital has to be increased up to the minimum share capital of EUR 35,000 within this period. The use of the foundation privileges must be indicated in the Commercial register.

A GmbH is legally established when its record is entered in the Commercial register (Firmenbuch), a procedure which primarily requires the preceding notarization of the articles of association (Gesellschaftsvertrag). For any action starting before the articles of association have been notarized, the founders are personally liable (without limitation) for any debts incurred. In the period after the articles of association have been notarized, but before the company is officially registered, a ‘pre-GmbH’ exists which is liable with its assets. The shareholders of the pre-GmbH are not directly personally liable to the company’s creditors. They are only liable for pre-registration losses that have reduced the statutorily subscribed share capital.

The costs of incorporating a GmbH include professional fees for drafting the articles of association, translation fees (if applicable), notarial fees (based on the amount of share capital) as well as a fee for publishing obligatory information in the Commercial Register.
At least one managing director is needed, appointed by the shareholders.

Under certain circumstances also a supervisory board, consisting of at least 3 board members, must be appointed:
1. The share capital exceeds EUR 70,000 and there are more than 50 shareholders
2. The average number of employees exceeds 300
3. or if a company itself is the controlling company of a group whose subsidiaries are obliged to have a supervisory board and the number
   if the employees of all companies together exceeds 300; or
4. if the company is general partner of a Kommanditgesellschaft and if again more than 300 employees are employed altogether on average

In addition, a supervisory board may be established voluntarily.

Corporations can be classified into small, medium and large companies, this is important for the application of accounting and auditing rules (see below Chapter 4. The accounting and audit environment).

Joint-stock Company (AG)

An Aktiengesellschaft (AG) can be established by one or more shareholders. The minimum share capital is EUR 70,000, of which at least EUR 35,000 have to be contributed. Contributions in kind are possible under circumstances, which would need a more sophisticated (and expensive) process of setting up the company. Shareholders may be individuals or companies. The liability is restricted to the equity capital subscribed by that member. The AG comes into legal existence at the time of its registration in the commercial register. The shares of an AG may be listed at a stock market. Each share must have at least a nominal value of EUR 1 or a multiple of it. The structure consists of an executive board (Vorstand), appointed by a non-executive, separate supervisory board (Aufsichtsrat), whose main role is to supervise the executive board. The Supervisory board is generally elected by the shareholders’ meeting (Hauptversammlung). The AG’s employees have the right to send their delegates to the supervisory board (generally: one third of the supervisory board’s members) due to co-determination rights. The shareholders’ meeting must convene at least once per year. An external auditor must be appointed to inspect the accounts and issue an auditor’s report. The auditor is elected by the shareholders in the annual general meeting, whereas the audit engagement is prepared by and contractually fixed by the supervisory board.

The costs for incorporating a Joint-stock Company include professional fees for drafting the articles of association, translation fees (if applicable), notarial fees (based on the amount of subscribed capital) as well as a fee for publishing obligatory information in the Commercial Register and the fees for a mandatory audit of the annual financial statements.

Societas Europaea (SE)

Since 2004, it has been possible to establish a “European Company”, a so called “Societas Europaea” (SE) within the European Union. It is a type of joint-stock company regulated by EU law. The minimum capital of a SE is EUR 120,000. The organizational structure is more flexible than the Austrian AG’s, as the board can be organized following a single-tier or a two-tier system.

A SE is incorporated in one Member state and may have branches in other member states. It facilitates cross-border transactions as the SE can operate under one single legal entity more easily. It also helps moving headquarters within the European Union (EU) territory with a minimum of formalities required, because a SE is allowed to move freely within the EU, while corporations founded under Austrian domestic law would not be allowed to move their corporate seat abroad.

The process of establishing a SE is more complicated than founding a AG, which may be the reason that only very few SE’s exist.
Branch office (Zweigniederlassung)
A non-resident business organization can do business in Austria either through a local subsidiary (GmbH or AG) or through a branch office. Austrian branch offices of foreign legal entities are required to register with the Austrian Commercial Register; an evidence of the existence of the foreign legal entity must be provided by an official document.

In contrast to a subsidiary there are no capital requirements for a branch office (except for certain sectors of business like banks or insurance companies). Consequently the initial costs are lower than in the case of a subsidiary. Profits attributed to the Austrian branch will be taxed at the normal corporate tax rate of 25%.

An Austrian branch office has no separate legal personality, liability or share capital. Therefore, activities of branch offices are not separated from the activities of its corporate headquarters; so company remains fully liable for the debts caused by the branch. Companies with a registered office outside the EU/EEA (European Economic Area) need to appoint a ‘local representative’ for its Austrian branch.

In general a branch office can change its legal form to a subsidiary under the Austrian Reorganisation Tax Act without triggering corporate tax as the assets and liabilities can be transferred to the receiving entity at their book values rather than market values, if the legal requirements are met.

Private foundation (Privatstiftung)
A private foundation is a legal entity under private law which is a legal person independent of its founders. It can be founded for any legal purpose. Unlike corporations the private foundation does not have any owners or shareholders. However, it normally has beneficiaries.

It is established by a declaration of foundation and comes into legal existence with its registration in the Commercial register. In the declaration the grantor donates certain assets of at least EUR 70,000 to the private foundation.

The private foundation’s purpose is to carry out the intention of the grantor in accordance with the foundation deed. Often the grantor wants to protect assets followed by the wish to support family members or other persons close to the grantor. The beneficiaries of the private foundation can be individuals as well as partnerships or incorporated entities. Private foundations need to inform the competent tax authorities without delay about the beneficiaries and additionally have to forward the foundation deed to the tax authorities. Banks are required to identify the beneficiaries due to the Austrian and European Anti-Money-Laundering and Counter-Terrorist-Financing regulations.

The private foundation itself is not allowed to operate a business, lead the executive board of a legal entity or be a general partner of a partnership.

There are at least two bodies of a private foundation: the board of directors and the auditor. In addition, a supervisory board must be established, if the number of employees exceeds 300. The board of directors must consist of at least 3 individuals. Beneficiaries and their close relatives must not be members of the board.

Information available to the public is limited to the Foundation Deed filed to the commercial register, ownership of real property which can be retrieved from the land register and/or information in financial reports filed by companies/corporations held by the foundation.

Partnerships
A partnership (Personengesellschaft) can be established by at least two parties agreeing on a certain legal objective. The partnership as such is not subject to income tax, but the shareholders themselves are taxed at their individual income tax rate on their share of the partnership’s income (so called “transparent body”). In general, the partnership agreement needs to be neither written nor notarized, but written contracts are preferred for legal security. There are different types of partnerships as described below:
General partnerships (OG)
The general partnership can be founded for any legal purpose by at least two shareholders, individuals or legal entities. The shareholders are personally, directly and jointly liable without limitation for any debts of the company, extending to their entire private assets. The OG must be registered in the Commercial register to be established. If not decided and recorded in the commercial register otherwise, every shareholder is individually authorized to manage and represent the OG.

Limited partnership (KG)
The limited partnership consists of at least two partners, at least one limited partner (Kommanditist) and at least one general partner (Komplementär). The general partner has unlimited liability for the partnership’s debts like a shareholder of an OG, whereas the limited partner is liable only up to his contractually agreed amount of liability which is registered in the commercial register. The power of representation and management of the KG only applies to the general partner(s) whereas the limited partner is generally excluded from the management of the partnership.

A quite common legal form of an Austrian business organisation is a hybrid between a limited partnership and a private limited company, the so called “GmbH & Co KG”. This hybrid combines the advantages of the limited liability with the flexibility and transparent tax nature of a partnership. For this reason, a GmbH & Co KG could also be attractive for foreign investors.

Civil-law partnership (GesbR)
A civil-law partnership can be founded between two or more shareholders, in practice they are often used for single-project joint ventures or working communities. Under Austrian civil law, the GesbR has no separate legal entity, so a GesbR cannot sue or be sued and it is not registered in the commercial register. A GesbR that exceeds a yearly turnover of EUR 700,000 in two subsequent fiscal years or 1 Million Euro in a single fiscal year has to be registered in the commercial register as a general partnership or a limited partnership.

Silent partnership (stG)
In a silent partnership, a person invests in a business operated by another person (“principal”). The silent partnership neither has a legal personality nor a company name and it does not surface as a business organisation towards contracting parties. The management and the representation are solely fulfilled by the principal. The silent partner has a right to a share in the profit and he bears his share of any loss incurred; however, the loss sharing may be excluded.

A silent partnership can be distinguished into two different types:
1. A ‘typical’ silent partner partakes in the profits and losses of the business, but does not take part in the business activities. His income is classified as investment income.
2. An ‘atypical’ silent partner partakes in the profits and losses of the business including goodwill or liquidation profits; he may be involved in the business activities. His income is classified as income from business activities.

Sole proprietorship (Einzelunternehmer)
Sole proprietorship is the easiest way to establish a business and the most common legal form in Austria. In 2015 about 78 % of the 619,203 businesses in Austria were sole proprietorships.

A sole proprietor is a natural person who operates the business in his own name and on his own account. This also means full liability for the business debts. Any person holding an Austrian, Swiss or EEA state citizenship, can create a sole proprietorship. Persons from other (essentially non-EEA) countries will need an individual permission to conduct a trade in Austria.
Association (Verein)

An association is a legal entity. Its organisational structure is based on by-laws. At least two persons are needed to establish an association. Most non-profit organisations are set-up as an association. It is usually not a suiting set-up for business purposes, but for sportive and cultural purposes. According to numbers, associations are very common in Austria, but most associations are not relevant business players.

Labour regulations and working conditions

Labour law belongs to one of the most complex areas of Austrian legislation as the legal framework is multi-layered. Due to its EU-membership Austrian labour law is effected by EU labour law and CJEU (Court of Justice of the European Union) case law.

Besides statutory regulations collective bargaining agreements play a vital role in governing employment. Collective bargaining agreements are concluded between authorised associations of employers and of employees and are a supplement to the statutory regulations.

In Austria there is a legal regime for blue-collar workers and white-collar employees, resulting in different levels of protection in various contexts, for example sick leave, notice terms, etc.

Austria is among the European countries with the fewest strikes. One potential reason is the well-established cooperation between representatives of employers and of employees, referred to as the so-called “Sozialpartnerschaft” (“social partnership”).

“Social partnership”, representatives of employees and employers

“Social partnership” means a phenomenon, in which representatives of employees and employers work together closely on regulations anticipating potential conflicts on an industry-wide level. Sometimes, agreements concluded by the social partnership are transformed to legal regulations by legislators in the competent Ministries of the government and finally adopted by Parliament.

The nine public Chambers of Employees (one in each federal state) represent more than three million employees, and they are united in the Federal Chamber of Employees. Membership is mandatory for every employee. The Chamber of Employees is an important pillar within the “Social partnership” and works together closely with the trade unions.

Trade unions have a long tradition in Austria and are organised in the Austrian Trade Union Federation (Österreichischer Gewerkschaftsbund, ÖGB). Membership is voluntary. Currently, about 1.4 million employees are trade union members.

Apart from their role as representative bodies, the Chambers of Employees as well as Trade Unions provide services to their members and they also act as lobbyists for them.

Works councils exist in many firms and plants of the industrial and service sector. Employees have the right to elect a works council, if five or more permanent full-time employees work in an establishment. Law regulates the competences of works councils. Works councils represent the interests of the employees and they also act as a link between the employer and its employees.

The most important representative of employers is the Federal Chamber of Commerce (Wirtschaftskammer Österreich, WKO) with more than 450,000 member companies. Besides the Chamber of Commerce there are smaller public bodies for special sectors of business like the Chamber of Chartered Accountants, the Chamber of Pharmacists, the Chamber of Architects etc. Membership is compulsory.

Furthermore, there are associations like the “Industriellenvereinigung” (Association of industrial companies), who represent their members. Membership in such private bodies is voluntary.

Apart from their role as representative bodies, the Chamber of Commerce and other industry-specific chambers as well as representative associations provide services to their members and they also act as lobbyists for them.
Working hours, remuneration and holidays

In general, an Austrian working day consists of eight hours plus a prescribed break of at least half an hour after 6 hours of working. This break is not part of the remunerated working hours. After the end of the daily working time the employee is entitled to an uninterrupted rest period of at least eleven hours. The working day can be extended up to 10 hours by collective bargaining agreement. Overtime must be remunerated with an additional bonus of 50%, during night or on Sundays or Public Holidays of 100%. Overtime compensation (including the bonus) may be paid in cash or taken as compensation time off, depending on agreements between the employer and the employee. The statutory maximum working week is 40 hours. The actual average working hours per week including overtime for full-time employees during 2015 was 42.9 hours which was above the EU average of 41.4 hours.

There is no statutory minimum wage in Austria. The minimum wages of an industry are agreed during collective bargaining negotiations between the unions and the representatives of the employers; so factually there is a minimum wage for almost all employees.

The Act on fighting social and wage dumping (Lohn- und Sozialdumping-Bekämpfungsgesetz, LSDB-G) includes more and more restrictive rules. Employers who were found guilty of underpayment must pay the outstanding salary and may face fines up to EUR 50,000 for every single infringement. Additionally there are fines for failure to keep proper wage documentation ranging from EUR 5,000 to EUR 50,000 for every missing or improper wage documentation.

In general Austrian employees get paid 14 times a year (special bonus for annual leave and Christmas) at least. As the 13th and 14th salary are subject to a preferential tax rate, it is most common to stick to the 14 payments.

Employees are entitled to paid annual holidays of 30 working days or five weeks respectively (when Saturday is considered as a working day), increasing to 36 working days (6 weeks) after having reached 25 years of employment at the same employer; annual holiday does not include public holidays.

Notice periods

Generally, employment can be terminated by the employer and the employee giving prior notice. The specific termination procedure required by law depends on different factors. The general requirements regarding white-collar workers employees are set forth in the “Salaried Employees Act” (Angestelltengesetz), the requirements regarding blue-collar workers are set forth in the specific bargaining collective agreement.

An employer has to give notice 6 weeks before termination within the first 2 years of employment. Longer periods of notice apply to employees who have worked for more service periods.

For blue-collar workers, the legal term of notice for the employer amounts to one week after four weeks employment, two weeks after one year employment, four weeks after five years employment and six weeks after ten years employment.

An employee needs to observe a standard period of notice of only 4 weeks. However, it is common to adapt these general rules in the collective bargaining agreements, in collective employment agreements on the company level, or in individual employment contracts.

It must be noted that Labour Law generally provides a comfortable level of protection to the employees, so in most cases it is not possible to overrule higher-level rules to the detriment of the employee in lower-level agreements or contracts. Generally, EU law overrules domestic law, which overrules collective bargaining agreements, which overrule collective agreements on company level, which overrule individual employment contracts.
Foreign labour law

Employers and employees are free in agreeing on a labour law of a different country, however also a foreign employer has to respect the collectively agreed minimum wages, working time regulations and the whole range of applicable Austrian employee protection regulations.

Social security system

The Austrian social security system provides benefits for employees facing unemployment, sickness, accident or disability. In addition, pension payments are provided to retired employees. The official retirement age for men is 65 and those of women 60. Starting from 2024, the official retirement age for women will be raised slowly to achieve a unified retirement age for men and women at 65 until 2033.

In return, employers and employees have to pay social security contributions. The social security contributions are determined as a percentage of total monthly earnings (up to a maximum amount). The employee’s contributions is withheld by the employer and paid together with the employer’s contributions to different social security institutions.

Working permits, visas, etc.

Citizens of the European Economic Area do not need a visa to enter the country, nor do they need a residence permit or a work permit to live or to be employed for a short period. For all EU/EEA citizens intending to stay in Austria for more than three months, it is necessary to apply for a permanent resident permit within four month after the arrival. This means that for longer stays, a certificate of registration is necessary. In order to receive this registration certificate, they either need to have a steady job or to provide evidence that they can cover the Austrian cost of living.

Third country citizens generally need a visa to come to Austria as well as a residence title to stay in Austria. An overview of visa regulations for certain countries can be found on the website of the Austrian Foreign Ministry, or by contacting the nearest Austrian Embassy or Consulate.

Since 2011, the European Union offers a Blue Card which allows highly qualified non-EU citizens to live and work in Austria for up to two years. The Blue Card is tied to a confirmed job offer and will only be granted if the Austrian Labour Market Service (Arbeitsmarkt-service, AMS) can be convinced that no Austrian or EU citizen is available to do this specific job. Only applicants who have completed a university degree course of at least three years are eligible for a Blue Card. Their qualifications must match the job profile, and the salary specified in the work contract must be 1.5 times higher than the average annual salary of full-time employees in Austria. The application process normally takes approximately eight weeks.

Non-EU citizens who qualify as so called ‘key workers’ can apply for a “Red-White-Red-Card“, which entitles the holder to fixed-settlement and employment for a specified employer for a period of 12 months. Key workers are especially highly qualified worker, skilled workers in a shortage occupation, self-employed key workers or graduates of Austrian universities or a college of higher education. The Red-White-Red Card is granted after passing a points-based test which is intended as a immigration control system. The applicant must fulfill certain criteria before applying for the card, for example a fixed and regular income that covers the cost of living without resorting to welfare aid from local authorities.

After ten months of working and living in Austria, Red-White-Red Card holders may apply for a Red-White-Red Card plus, which entitles them to free access to the Austrian labour market. Family members of Red-White-Red or of Blue Card holders are also eligible to apply for a Red-White-Red Card plus.
Starting business in Austria

In order to trade in Austria a trade licence (Gewerbeberechtigung) is required. This applies to sole proprietors, partnerships and incorporated entities. However, no Austrian trade license is required for individuals and companies from EEA countries if they hold a relevant license in their country of origin and supply services in Austria on a temporary and occasional basis.

The pre-condition for sole proprietors to obtain a trade license in Austria, is an Austrian, EEA country or Swiss citizenship. A foreign entrepreneur from a non-EEA country may be granted a trade license if this is covered by an international treaty or a residence permit is provided. Foreign partnerships or incorporated entities must establish a branch office in Austria for carrying out a trade in Austria.

According to The Austrian Trade and Industry Regulation Act 1994 (Gewerbeordnung – GewO) there are “free” and “regulated” trades. The list of regulated trades is exhaustive. All trades not listed are free trades. Regulated trades require a certification of professional competence, diploma or other proof and must not be carried out before prior approval of the trade authority.

Some examples of regulated trades:
- dental technicians,
- ophthalmic optics,
- orthopaedic technicians,
- pharmacists,
- chiropodists,
- commercial investment consultants,
- catering and hotel trade,
- mechatronics,
- real estate agents,
- employment agencies,
- insurance brokerage,
- gardeners,
- etc…

Incorporated entities and partnerships need to appoint a “Gewerberechtlicher Geschäftsführer” (statutory manager for trade licensing law purposes). The statutory manager is responsible for the compliance with the rules of Austrian trade licensing law.

The statutory manager does not have to be a managing director or an authorized representative; employees that are employed on a full-time or at least 50% of the full-time basis can be appointed. For regulated trades the statutory manager needs to hold the certification of proficiency provided in this area.

Please also note that certain business sectors are subject to other regulations, which are not covered by the GewO. Examples are Banks, Investment firms, Insurance Companies, Lawyers, Doctors, Notary Publics, Certified Public Accountants/Auditors, Certified Tax Advisors, Architects, etc. In these cases, special Professional Laws exist. These Laws also contain rules which apply to foreign businesses which want to start activities in Austria.
Most of Austrian Banks are universal banks, which offer a wide range of services for private persons and businesses. They may e.g. provide loans, payment processing, securities transactions, deposits, asset management and investment advisory. This strategy helps to mitigate risks. Austrian Banks have a remarkable number of subsidiaries in Central Eastern countries.

The Austrian National Bank (Oesterreichische Nationalbank, OeNB) is the central bank in Austria. Due to its EU membership, the Austrian National Bank is integrated into the European System of Central Banks (ESCB). The Austrian National Bank fulfils a wide range of tasks. One core competence is to safeguard price-stability and to contribute to the stability-oriented monetary policy of the Eurosystem.

The financial centre of Austria is Vienna, where the Vienna Stock Exchange has its seat. Vienna may not have the reputation of being such a vibrant financial centre as London or Frankfurt, but still plays an important role in Central Europe.

Austrian banks, insurance companies, pension funds as well as securities firms are subject to a specific supervision, namely The Financial Market Authority (Finanzmarktaufsichtsbehörde, FMA). Besides the national supervision, Austria also benefits from the European system of financial supervision.

Austrian legislation sets a high level of liberalisation in cross-border capital transactions. Since Austria is part of the Eurozone there are no exchange controls on foreign currency or the import or export of capital. Residents and non residents can hold accounts in any currency.

To comply with anti-money laundering and counter terrorist financing regulations, banks have to identify their clients and the beneficial owners, and they have to report suspicious transactions to the relevant authority. These rules follow EU regulations in principle.

Austrian regulations do not provide a specific Anti-Money-Laundering act. Relevant provisions are included e.g. in the Austrian Banking Act (BWG), Insurance Supervision Act (VAG) and Securities Supervision Act (WAG) as well as in the Codes of Professional Conduct for Attorneys at Law (RAO), Notary Publics (NO) and Auditors and Tax Advisors (WTBG). All these regulations underline the core principle “know your customer”. Due to this principle, clients need to identify themselves when establishing a business relation with a bank or transfer, deposit or withdraw EUR 15,000 or more.

In August 2015 Austria adopted the so-called “banking package”, resulting in extensive reporting requirements of Austrian Banks to the Austrian Federal Minister of Finance. In parallel, the amendment of the Austrian Banking Act abolished/loosed the prior applicable bank secret.

In particular three individual laws were introduced:

- Federal Law on the implementation of the Common Reporting Standard for the Automatic Exchange of Information regarding Financial Accounts (Gemeinsamer Meldestandard-Gesetz – GMSG )
- Federal Law on the Establishment of a Register of Accounts and on Access to Accounts (Kontenregister- und Kontoinschaugesetz – KontRegG)
- Federal Law on Mandatory Reporting of Capital Outflows and Inflows (Kapitalabfluss-Meldegesetz)

The first law provides that Austria will participate in an automatic information exchange regarding financial account data in general as of 1st January 2017. At the same time, it designates an implementation of the EU Directive of Mutual Assistance.

The second law requires the Austrian Ministry of Finance shall keep a central register of bank accounts and security depots in Austria. According to the third law Austrian banks shall report capital outflows exceeding EUR 50,000 from bank accounts and security depots of individuals to the Austrian Ministry of Finance. But the Act also provides an obligation to report capital inflows of at least EUR 50,000 that originate from Switzerland and from Liechtenstein (with retroactive effect).
Investment climate

The investment climate in Austria is generally favourable, with only few restrictions on foreign investment, such as specific requirements for acquisition of real estate or import and export restrictions outside the EU.

Over the past 15 years Austria has caught up significantly in the field of research to attract foreign investors. With a R&D ratio of above 3% Austria exceeds the EU average of 2%.

For research and for experimental developmental expenditures, taxpayers can claim a research premium amounting to 12% of the costs. With respect to research done on a contractual basis, the research premium can be claimed for expenditures of up to 1 million Euro per financial year. In case of in-house research an expert opinion of the Research Promotion Agency FFG (Forschungsförderungsgesellschaft) is required for proving entitlement to the research premium.

Besides the premium also direct investment incentives are available, depending on the type of project, the geographic location, technology or the number of jobs created.

Table 2: Gross domestic expenditure on R&D in percent of GDP

Source: Statistik Austria
4. The accounting and audit environment

**Accounting regulations & the audit requirement**

The legal basis for financial accounting is the Austrian Commercial Code (*Unternehmensgesetzbuch*; UGB). The following business organisations are obliged to use double-entry bookkeeping and to prepare financial statements according to Austrian Generally Accepted Accounting Principles regardless of their activities or size:

- Corporations (limited liability companies and joint-stock companies)
- Business partnerships with no individuals as fully liable partner (e.g. GmbH & Co KG)

All other enterprises with turnovers in excess of EUR 700,000 in two consecutive financial years or more than 1 Million Euro in a single financial year must keep books complying with Austrian GAAP, with the exception of farmers, foresters and members of the liberal professions.

According to the UGB, Austrian local financial statements consist of:

- Balance Sheet
- Profit and Loss Account
- Notes

The accounting and financial statements need to enable a competent third person to get an overview of the business activities and ascertain the financial position of the business within a reasonable period of time.

Taxpayers obliged to keep accounts under commercial law (UGB) have to keep accounts for tax purposes as well. Businesses that are not subject to the general accounting obligations mentioned above can either prepare an accounting voluntarily, they can prepare a cash accounting for tax purposes or – if available in the specific situation – use simplified tax profit determination methods.

Since the Austrian Act on Changes in Accounting Practices of 2014 (*Rechnungslegungs-Änderungsgesetz 2014, RÄG*), so called ‘micro-entities’ may use newly implemented simplified rules: for example no notes need to be prepared by Micros any more starting from the financial year 2016. Investment and holding companies are excluded from the group of micro-entities.

Companies are classified according to the following criteria:

- Balance-sheet total,
- Turnover,
- Average number of employees

Corporations qualify as Micros, if their two out of three individual key figures do not exceed the below-mentioned limits in two consecutive financial years:

<table>
<thead>
<tr>
<th></th>
<th>Micro-entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance-Sheet Total</td>
<td>EUR 350,000</td>
</tr>
<tr>
<td>Turnover</td>
<td>EUR 700,000</td>
</tr>
<tr>
<td>Average Number of Employees</td>
<td>10</td>
</tr>
</tbody>
</table>

The limits to differentiate between small, medium-sized and large companies are shown in the following table:
Table 4

<table>
<thead>
<tr>
<th></th>
<th>Small</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance-Sheet Total</td>
<td>EUR 5,000,000</td>
<td>EUR 20,000,000</td>
</tr>
<tr>
<td>Turnover</td>
<td>EUR 10,000,000</td>
<td>EUR 40,000,000</td>
</tr>
<tr>
<td>Average Number of Employees</td>
<td>50</td>
<td>250</td>
</tr>
</tbody>
</table>

A large company exceeds two of the criteria of a medium-sized company mentioned above. Public interest entities including listed companies and companies selling bonds on a stock exchange, financial institutes or insurance companies are always considered to be large companies.

The following table shows the differences between the size categories in relation to auditing obligations and the obligation to prepare the individual components of the financial statement.

Table 5

<table>
<thead>
<tr>
<th>Size of the entity</th>
<th>Auditing duty</th>
<th>Balance sheet and Profit/Loss statement</th>
<th>Notes</th>
<th>Management report</th>
<th>CG-Report*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro-GmbH</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Micro-AG</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Small GmbH</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small AG</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Medium GmbH, AG</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Large GmbH, AG</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Listed AG</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* CG-Report = Corporate Governance Report

For a group of companies, consolidated financial statements need to be prepared and published if the group exceeds certain thresholds. Parent companies that are themselves subsidiaries of a parent resident in an EU Member State or a member of the European Economic Area (EEA) may be exempt from the requirement to prepare consolidated financial statements under certain conditions. Listed companies and companies which emitted debt instruments on the stock exchange must prepare their consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs). All other companies can choose between local GAAP (Generally Accepted Accounting Principles) and IFRS for their consolidated financial statements.

Statutory audit requirements exist for annual financial statements and annual consolidated financial statements of medium-sized and large companies as well as for joint-stock companies of all sizes. Small or micro private limited companies with no obligation to appoint a supervisory board are excluded from audit obligations. The audit of annual reports must be performed by a certified public accountant.

Corporate enterprises are required to file financial statement data to the Austrian Commercial Register within 9 months from the Balance Sheet date. The extent of financial statement data to be filed depends on the size of the company.

Foreign entities with registered branches are required to file a German translation of their statutory financial statements which have been prepared and disclosed according to the entity’s home country legislation within 9 months from the Balance Sheet date.
5. Overview of the tax system

Main taxes
In 2015, the Austrian government collected a total revenue from taxes amounting to EUR 82.4 million. According to the volume the most important categories of taxes are:

- Value added tax (Umsatzsteuer)
- Personal income tax (Einkommensteuer)
- Corporate income tax (Körperschaftsteuer)
- Tax on investment income and Capital gains tax (Kapitalertragsteuer)
- Real estate capital gains tax (Immobilienvermietungsteuer)
- Property transfer tax (Grundbuchsteuer)
- Real estate tax (Grunderwerbsteuer)
- Excise taxes (Verbrauchsteuern)
- Municipal tax (Kommunalsteuer)

Tax authorities / deadlines
40 tax offices across Austria are responsible for collecting taxes and for tax audits/inspections. Some tax offices have specific duties: E.g., the tax office Graz-Stadt is responsible for the VAT of foreign taxpayers; a special tax office is responsible for Stamp Duties and Transfer Taxes in Vienna. Besides tax offices there are nine customs offices. The Austrian Ministry of Finance is the superior authority of all tax and customs offices.

Generally, the calendar year is the taxation period for income taxes (exceptions exist). Tax returns must be filed by 30 April of the following year, the deadline for electronic filing is the 30 June of the following year. For tax returns prepared by a tax professional there are automatically extended deadlines. Furthermore, extension can be applied for individually.
6. Taxes on business

Scope of Corporate Income Tax
The Austrian Corporation Tax Act (CTA) applies to:
• Joint-Stock companies
• Limited liability companies
• Private foundations
• Business operations of public bodies
• Associations and funds without a legal personality (if their income is not directly taxable in the hands of another person)

(Un)limited tax liability
Corporations having their seat or place of effective management in Austria are subject to unlimited tax liability. Consequently, their worldwide income is subject to tax. Double tax treaties may restrict taxation rights.

Corporations incorporated under Austrian Commercial Law must have their legal seat in Austria. The place of effective management is the place where the essential business decisions are made.

Corporations having neither their seat nor their place of effective management in Austria are subject to limited tax liability. Only their income from Austrian sources are subject to Austrian tax.

Taxable income
Corporations are taxed on their profits derived within one fiscal year (taxation period). Tax base is the income of the assessment period; this also applies for corporations with a financial year that differs from the calendar year.
In general, expenses that are necessary to run the business, are deductible e.g. costs of goods sold, personnel expenses, transportation costs, rent, lawyer’s and accountant’s fees, maintenance, depreciation of fixed assets, etc.

Depreciation, Amortization and Depletion
In general, fixed tangible assets with a useful life exceeding one year are subject to a straight-line depreciation over their useful life. Correspondingly, intangible assets with a useful life exceeding one year are subject to a straight-line amortization over their useful life.

Assets, which do not lose value from wear and tear (e.g. land), are not subject to depreciation/amortization.

Some examples for useful lifes mandatory or common under Austrian tax law are shown in the table below:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Useful life (years)</th>
<th>Depreciation rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Buildings</td>
<td>40</td>
<td>2.50</td>
</tr>
<tr>
<td>Residential Buildings</td>
<td>66.67</td>
<td>1.50</td>
</tr>
<tr>
<td>Derivative Goodwill</td>
<td>15</td>
<td>6.7</td>
</tr>
<tr>
<td>Office equipment</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Passenger cars¹</td>
<td>8</td>
<td>12.5</td>
</tr>
<tr>
<td>Computer and Notebooks</td>
<td>3-5</td>
<td>20-33.3</td>
</tr>
<tr>
<td>Printers and screens</td>
<td>3-4</td>
<td>25-33.3</td>
</tr>
<tr>
<td>Heating installations</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Alarm systems</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Wind Power plants</td>
<td>16</td>
<td>6.25</td>
</tr>
<tr>
<td>Solar Energy plants</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>
The fixed useful life does not apply to driving school cars or taxis. Trucks, transporters and minibuses can have a different useful life, if they are VAT deductible. For tax purposes, the deductible acquisition costs of passenger cars are limited with EUR 40,000, so the maximum deductible depreciation is EUR 5,000.

Some further major expenses, which are particularly relevant to determine the taxable income, are mentioned below:

**Interest on debts:**
With effect from 2011 onwards, interest on leveraged share acquisition within a group of companies is not tax deductible.

**Royalties:**
In general royalties are deductible. However, royalties paid to group entities, which are subject to an effective tax rate of less then 10% are not tax deductible.

**Write-off of participations:**
A write-off of a participation value is possible, but for taxation purposes the amount must be apportioned over a seven-year period.

**Losses:**
Losses can be carried forward indefinitely and can be offset against 75% of the profit of the current year. Austrian tax regulations do not provide a carry-back of losses.

Due to Austrian regulations certain expenses are non-deductible, for example:

- Excessive expenses for passenger cars: Expenses related to cars are considered adequate, if the acquisition costs do not exceed EUR 40,000. If this amount is exceeded, all expenses related to this car are cut on a pro-rata basis.
- 50% of representative expenses (e.g. business-related meals)
- Please note the list is non-exhaustive.

**Participation Regime**

**International participation exemption**
According to the national participation exemption regime dividends derived from a participation received by a domestic corporation from another domestic corporation is tax exempt irrespective of the percentage or period of the holding. The exemption does not include capital gains and liquidation proceeds.

Under the **international participation exemption** regime dividends may be exempt when meeting the following criteria:

- The parent company is an Austrian company or a comparable foreign company
- The foreign subsidiary has a legal form listed in the Parent-Subsidiary Directive or is comparable to a domestic company.
- The parent company holds directly or indirectly at least a 10% stake in the capital of the subsidiary
- The minimum holding period of one year is fulfilled prior to the receipt of the dividend
- there is no abuse of law

Capital gains and losses from international participations are treated differently:

- “Tax-exempt” status: Capital gains and losses realized by the sale of an international participation and by the impairment of the participation are tax neutral.
- “Tax-effective” status: Due to Section 10 para 3 of the Austrian Corporate Tax Act the taxpayer may opt for the tax deductibility of capital losses and write-offs. The capital gains are fully taxable at the rate of 25%. Please note that dividends are not covered by this option and will therefore still be tax exempt. Once the option is taken it is irrevocable and binding.
Please note the international participation exemption for dividends and for capital gains is not applicable if the foreign subsidiary earns passive income primarily and the subsidiary is subject to a income tax rate of less than 15%.

Furthermore, the exemption does not apply if the dividends are deductible in the foreign state.

**Portfolio Dividends**
The term “Portfolio” means a participation of less than 10%.

Dividends received from
- a company comparable to the EU Parent-Subsidiary directive or
- a company and comparable to an Austrian company resident outside the EU in a country with a broad exchange of information clause in the relevant Double-Tax-Treaty

are tax-exempt, as long as the subsidiary is effectively subject to income tax at a rate of at least 15%.

**Tax rate and minimum-corporation tax**
The corporate income tax rate is 25%. In contrast to the progressive income tax rate, the corporate income tax is a flat tax rate.

Domestic corporations and comparable foreign corporations with unlimited tax liability (e.g. foreign corporations with their effective place of management in Austria) have to pay minimum corporation tax. The annual minimum corporate tax is EUR 500, EUR 1,000 or EUR 1,750 for limited liability companies (depending on the date of incorporation) and EUR 3,500 for joint-stock companies.

**Tax administration**
The taxpayer has to file a corporate income tax return annually. The filing deadlines were mentioned above (see section 5).

After filing the tax return, an assessment note will be issued by the tax authorities. Within one month of receipt the taxpayer may hand in an appeal against the assessment. The assessed tax is payable within one month after the assessment note was received.

Prepayments of corporate income tax must be paid in four quarterly instalments. The relevant due dates are: 15 February, 15 May, 15 August and 15 November of each year. Basically, the prepayment is based on the prior year’s tax payments.

If the actual corporate income tax of the current year is lower than the minimum corporate tax, because of a lower profit or a loss, the overcharged tax can be compensated with future payable amounts from future final corporate income tax assessments.

**Taxation of Groups**
Legally independent corporations forming a tax group of companies are regarded as one single unit for corporate income tax purposes. Consequently, the profits and losses of the group members are pooled. 100% of the profits or losses of a domestic member are attributed to the parent company even if the parent company’s stake in the subsidiary is lower. With respect to foreign group members only losses are attributable corresponding to the actual holding percentage. Taxation takes place at the level of the parent company. A tax group agreement must be concluded by all tax group members including a system for settlement and distribution of the corporate income tax payable.

In brief the requirements
- The parent company is a domestic company or a foreign company with a Permanent Establishment registered in Austria
- Group members can be either domestic or foreign. Only first-tier foreign subsidiaries may become tax group members (subsidiaries of foreign subsidiaries cannot).
• Equity participation of more than 50 % (including the majority in voting rights)
• The group taxation regime must be operated for at least 3 full years (otherwise the tax assessments would be cancelled and redone on a stand-alone basis)
• Filing a corresponding application with the competent tax authorities

Taxation of private foundations
As a legal entity, a private foundation is generally subject to corporate income tax. A private foundation that does not comply with the disclosure requirements of the Austrian Corporation Tax Act is not subject to the following taxation rules, but taxed like a normal corporation. Foundations are taxed as a corporate entity with the regular corporate tax rate of 25%.

Contributions of assets to a private foundation are subject to a so called foundation entrance tax (Stiftungseingangsteuer) at a tax rate of 2.5%. The contribution of Austrian land is not subject to the foundation entrance tax. To compensate for the exemption from foundation entrance tax, the tax rate of land transfer tax is increased from 3.5% to 6%.

Some special provisions apply to the current taxation of a private foundation. The Corporate Tax Act provides an interim taxation at a rate of 25% for certain income from the non-business sphere of a private foundation, for example interest or capital gains from the sale of private real estate. Domestic dividends received by a private foundation are tax exempt. All other income not covered by these special provisions is subject to corporate taxation at the standard rate of 25%.

In general, distributions to beneficiaries represent investment income. They are subject to a withholding tax at a rate of 27.5%. Any remaining interim tax amount (see above) will be credited in case of a later money distribution to the beneficiaries. Since the abolition of the inheritance and gift tax in 2008 it is possible for a private foundation under certain conditions to make a tax-neutral repayment of assets which were contributed to the private foundation.

CFC Rules (=Controlled Foreign Company)
As of January 2017 there are no explicit CFC Rules. But there are restrictions to the participation exemption regime (see above), which could trigger Austrian tax on a foreign subsidiaries profits at the time of their repatriation. Furthermore, the place of effective management rule could trigger unlimited tax liability of foreign entities.

Thin capitalisation rules
As of January 2017, Austrian tax regulations do not provide any specific thin capitalisation rules. However, under certain conditions a shareholder’s loan qualifies as hidden equity in case a supply of equity would have been clearly necessary at the time the loan was granted.

Transfer pricing issues
• In August 2016, the Transfer Pricing Documentation Act came into force (Verrechnungspreisdokumentationsgesetz, VPDG). This new regulation is based on BEPS Action 13 and it follows a three-tier documentation approach. Depending on the group structure and turnover, the following documents must be prepared for fiscal years starting on 1 January 2016 or later:
  • Master file
  • Local file
  • Country-by-Country Report (CbC-Report)

Master file and Local file
Local entities with a turnover exceeding EUR 50 million in the two preceding fiscal years need to prepare a Master file and a Local file. It must be submitted to the tax office only after this was requested by the tax office. The tax office must not request them before the corporate income tax return for the relating tax period has been filed.
The Master file provides an overview of the business of the multinational group whereas the Local file contains information on specific intragroup transactions involving the Austrian taxpayer and the determination of transfer prices.

The specific content and information required in the Master and Local file were defined more closely in a Ministerial Decree.

**Country-by-Country Report (CbC Report)**
Austrian parent companies of a multinational enterprise with a global consolidated group turnover of at least EUR 750 million in the previous year or Austrian surrogate entities of such MNE's are obliged to provide a CbC Report containing the information in Annex III of the OECD's BEPS (=Base Erosion and Profit Shifting) Action 13 final recommendations. The CbC Report must be filed within 12 months after the end of the relating tax period.

**Advanced rulings**
Binding advanced rulings to specific questions with regard to
- transfer pricing
- reorganisations
- group taxation

can be obtained from the responsible tax office.

The fees charged by the tax authorities vary from EUR 1,500 to EUR 20,000 depending on the applicant's turnover as well as on the applicant's integration into a group.

**Value added tax (VAT)**
Value Added Tax is charged on the supply of goods or services, if the place of supply is in Austria, no matter whether the customer is a private person or a business.

As elsewhere in the European Union, supplies may be taxable, exempt (with or without the right to deduct input VAT) or out of scope. Businesses who do taxable transactions (or zero-rated supplies with the right to deduct input VAT) only, qualify for full deduction of input VAT. Businesses who make exempt supplies without the right to deduct input VAT only, do not qualify for deduction of input VAT. Businesses doing both, may fully deduct only the input VAT directly linked to the taxable or zero-rated supplies (with right to deduct input VAT). Input VAT incurred for overheads and other indirect costs may be deductible on a pro-rata basis.

**Taxable transactions**
VAT applies to
- any supply of goods or services which is carried out within the territory of Austria,
- the use of taxable goods or services for non-business purposes,
- the import of goods from non-EU Member States as well as
- intra-EU acquisition of goods.
VAT rates
- standard rate: 20%
- reduced rates: 10% and 13% (e.g. tourism)
- special rates:
  - 19% for supplies and services carried out in the regions Jungholz and Mitterberg and
  - 12% for the supply of wine by wine-growers.
- zero-rate for intracommunity supplies of goods (to other EU member countries) and exports (to third countries)

VAT grouping (Umsatzsteuer-Organschaft)
A parent entity and its subsidiaries are considered as a VAT group (Organschaft) if the subsidiaries are closely linked
- financially
- economically and
- organizationally
to each other.

Consequently only the parent company is registered for VAT purposes and can recover the input VAT incurred by the subsidiaries. Transactions between members of the VAT group are disregarded for VAT purposes (out of scope transactions).

VAT Grouping is only possible for domestic establishments of the VAT group members.

VAT MOSS
From 1st January 2015 businesses which provide electronically supplied services, telecommunications, radio and television broadcasting services to private persons in other EU Member States can apply to use the MOSS (“Mini-One-Stop-Shop”).

Before, taxable businesses were required to register for VAT purposes in each Member State in which they provided the above-mentioned services. By using the MOSS, registration in each Member State can be avoided. The taxpayer files the tax returns and pays to his home country's tax authorities. The deduction of input VAT is not possible through the MOSS. Any input VAT must be claimed under the VAT refund procedure, which is also done centrally in the taxpayer's home country. Businesses from non-EU countries are eligible for the MOSS regime, too, if they register as a VAT payer in an EU country.

Tax returns are filed on a quarterly basis generally. The due date for filing is 20 days after the end of the taxation period. On the same day, the VAT payable amount is due. The amount is distributed to the corresponding other EU member countries by the home country's tax administration.

While filing and payments are done centrally, the administrative processes remain in the responsibility of the different EU member countries. Therefore, any tax inspections relating to supplies declared through the MOSS system would be performed not by the home country's tax authorities, but the tax authorities of the country, in which the recipients of the services are living.

Special measures for non-resident companies
Reverse Charge Mechanism
The Reverse Charge Mechanism is applicable for numerous supplies of services provided by a non-resident provider if the customer is a taxable or non-taxable legal person under public law. The Reverse Charge mechanism does not apply for the admission to cultural, artistic, scientific, educational, athletic, entertaining and similar events.
The Reverse Charge Mechanism even applies to some mere domestic deliveries or services (e.g. delivery of scrap metals, construction services, etc.).

**Simplification Rule ("Triangulation Regime")**
Austria does apply the Triangulation Regime, which avoids the need to register as a VAT payer in the country of destination, if merchandise is transported directly from party A to party C on the basis of two contracts of sale (between party A and B, and party B and C), if the parties A, B and C are identified for VAT purposes in three different EU member countries. However, a correction of an unsuccessful triangular case is only possible under very strict conditions.

**VAT liability for foreign Businesses**
If a VAT payer with no legal seat or fixed establishment in Austria carries out taxable deliveries of goods in Austria, the recipient of the supply must withhold the VAT due for the supply, if the recipient is a VAT payer himself. If the recipient fails to comply, he can be held liable for any tax loss.

**Fiscal Representative**
Businesses with a legal seat or fixed establishment outside the EU territory have to appoint a fiscal representative in case of providing
- transactions subject to Austrian VAT
- intra-EU supplies of goods and/or
- intra-EU acquisitions.

No fiscal representative is required if the non-EU taxable person carries out taxable supplies for which the recipient has to withhold the VAT charged or if the reverse charge system applies to the rendered services.

Businesses with legal seat or fixed establishment within the EU territory can appoint a fiscal representative voluntarily.

The fiscal representative is liable for all VAT related obligations of the foreign businesses.

**Call-off stock**
There are simplifications applicable. Foreign businesses do not have to register for VAT purposes in Austria provided the conditions are met.

**VAT Registration**
Non-resident taxpayers which have a fixed establishment in Austria or which carry out taxable transactions in Austria need to register for Value Added Tax purposes. The competent tax authority is the tax office where the fixed establishment is located.

Non-resident businesses with no fixed establishment in Austria need to register for Value Added Tax purposes at the following tax office:
Finanzamt Graz-Stadt
Referat für ausländische Unternehmer
Conrad-von-Hötendorfstraße 14-18
A-8018 Graz
AUSTRIA

VAT payers normally get assigned a domestic tax number and a uniform VAT ID number. The Austrian VAT ID numbers follow the model ATU12345678.
VAT liability and due date

Basically, VAT liability arises at the end of the month in which the supply has been carried out. VAT liability for supplies may be postponed, if the invoice is issued after the relating month.

In general, VAT liability is levied on an invoice basis, however for some taxpayers the VAT liability arises on a cash basis, e.g. certain small businesses, certain utilities providers, members of liberal professions.

The taxpayer has to calculate the VAT liability and pay it to the tax authorities within 45 days from the end of the taxation period.

Returns

VAT return

The taxpayer has to report its VAT liability on a monthly basis given the annual turnover of the preceding tax year exceeded EUR 100,000. In case the threshold of EUR 100,000 was not exceeded, quarterly filing is applicable.

Besides periodic filings, an annual VAT return must be filed. The deadlines mentioned in section 5 apply to these annual returns.

EC sales list

When carrying out

• intra-EU supplies of goods,
• intra-EU movements of goods,
• triangular transactions and
• intra-EU services with place of supply in another Member State

the taxpayer has to file a EU Sales list by the end of the month following the month concerned. If the VAT returns are filed on a quarterly basis, the filing of EU Sales lists has to be done on a quarterly basis, too.

Intrastat

Intrastat forms are required by the 10th working day following the respective month in case of inbound and/or outbound intra-EU movements of goods exceeding EUR 750,000 per annum.

Thresholds

Inbound Distance Sales: EUR 35,000
Intrastat: Dispatches and Arrivals: EUR 750,000
Intra-community acquisitions by Tax exempt Businesses: EUR 11,000
7. Personal taxation

Scope of Income Tax
Individuals are deemed resident if Austria, if they either have a permanent residence or their habitual abode in Austria. Resident individuals are subject to so-called “unlimited tax liability”, which means that they are liable to Austrian income tax on their worldwide income.

A residence in the sense of the Austrian Fiscal Code is constituted at a place where a home is possessed under circumstances indicating that it will be maintained and used not merely on a temporary basis.

A habitual abode in the sense of the Austrian Fiscal code is constituted at the place where a person is present under circumstances indicating that he will stay at that place not just temporarily. If statutory regulation bases unlimited tax liability on the habitual code, physical presence in Austria (at the latest) in excess of six months results in unlimited tax liability. In that case unlimited tax liability starts retroactively at the beginning of the first six months. The Ministry of Finance is entitled to suspend the application of this regulation if the person does not stay in Austria for more than a year and the person does not carry on a business or practice his profession.

EU and EEA citizens who neither have their residence nor habitual abode in Austria but receive 90 % of their income from Austrian sources or the total amount of income generated abroad does not exceed EUR 11,000 may apply to be treated as a person subject to unlimited tax liability. The benefit of using this option is that tax benefits applicable only to resident taxpayers become available, e.g. sole-earner deduction, extraordinary expenses as well as the general income tax threshold of EUR 11,000.

Special rules apply if a taxpayer has had his centre of vital interest abroad for more than five years and maintains a secondary residence in Austria. Maintaining a secondary residence triggers unlimited tax liability for calendar years only, in which the taxpayer uses the residence alone or together with other domestic residences for more than 70 days. The person must keep records, proving the days spent in Austria. If the taxpayer uses the residence for less than 70 days, the person would only be subject to limited income tax liability (referring to income from Austrian sources, see below). However, unlimited tax liability is constituted irrespective of the 70-days-rule, if the taxpayer uses the Austrian residence of his (or her) spouse who is subject to unlimited tax liability in Austria.

The Ministry of Finance may grant special reliefs to individuals moving to Austria for work in the field of science, research, arts or sports and their work is in public interest for Austria. Such reliefs can have significant impact on the tax burden.

Non-resident individuals are subject to limited taxation on their Austrian source income.

(U)n-limited tax liability
Residents are subject to income tax derived from the following source:
• Income from agriculture and forestry
• Income from independently performed services (e.g. scientific, artistic, literary, teaching or educational activities and professional activities of doctors, lawyers, tax advisors, etc.)
• Business income from commercial activities
• Income from employment, including pension income
• Income from capital investment (e.g. dividends, interest, capital gains)
• Income from rental, leases and royalties
• Other specific income, including annuities, capital gains from private real estate sales, speculative trading and private long-term and short-term capital gains
Income not belonging to one of the above mentioned seven categories is not subject to income tax, e.g. income derived from:

- lottery wins;
- awards;
- compensation for pain, other than that paid in the form of annuities; alienation of private property, other than speculative gains.

**Non-residents**

- Individuals subject to limited tax liability are only taxable with certain income from Austrian sources:
  - Income from domestic agriculture or forestry.
  - Income from independently performed personal services that were performed or utilized in Austria.
  - Income from commercial activities, if
    - a permanent establishment is maintained in Austria; or
    - a permanent agent is appointed in Austria; or
    - immovable property is located in Austria;
  - no permanent establishment or agent is needed in case of
    - income from technical or commercial advisory services performed in Austria;
    - income from personnel leasing, if the personnel is working in Austria;
    - income of a sportsman, an artist or as a participant in an entertainment performance, if the activity is performed in Austria.
- Income from employment in Austria
- Income from Austrian capital investments
- Income from leasing of property, conglomerations of assets or rights, in particular patents or know-how, if such property is located in Austria or registered in a domestic public register or used in a domestic permanent establishment.
- Income from alienation of private real estate if the real estate is located in Austria

**Taxable income**

Profit determination rules depend on different factors: The most important one is, which of the seven categories of income needs to be determined (see above under the heading “(Un-)limited tax liability”); further factors are the sector of business, the size of the business, and further specific income determination rules. Generally, accrual basis accounting, cash basis accounting or very simplified schemes (lump-sum based) are used.

**Taxation of personal business income & income from self-employment**

Business income (irrespective of the profit determination method) is taxed at the standard tax rate (see below in Table 10).

Austrian tax system provides a specific tax allowance for all individuals gaining business income:

In general, there is a tax-free profit allowance (“Gewinnfreibetrag”) of 13 percent of the profit up to a maximum of EUR 45,350. For profits up to EUR 30,000, there is a generally available tax allowance (therefore limited to EUR 3,900). If the profit exceeds EUR 30,000 taxpayers can take advantage of the investment-related profit allowance, if they acquire certain tax-preferential tangible assets (“begünstigte Wirtschaftsgüter”) with a useful life exceeding 4 years or bonds issued to finance the construction of residential buildings by certain issuers. The tax allowance is not available for the purchase of cars, airplanes, low-value assets or used assets (non-exhaustive list).
The tax-free profit allowance is reduced if profit rises, as shown by the following table:

### Table 7

<table>
<thead>
<tr>
<th>Profits in EUR</th>
<th>Percentage</th>
<th>Max. tax allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to EUR 175,000</td>
<td>13 %</td>
<td>EUR 22,750</td>
</tr>
<tr>
<td>For the next EUR 175,000</td>
<td>7 %</td>
<td>EUR 35,000</td>
</tr>
<tr>
<td>For the next EUR 230,000</td>
<td>4.5 %</td>
<td>EUR 45,350</td>
</tr>
<tr>
<td>Above EUR 580,000</td>
<td>0 %</td>
<td>-</td>
</tr>
</tbody>
</table>

If income is determined using a lump-sum method, no investment-related profit allowance is available.

**Taxation of employment income**

Employment income comprises compensation in cash as well as compensation in kind (benefits = Sachbezüge, for which specific lump-sum valuation rules and tax-free amounts exist), e.g. the private use of a company car or employee discounts. Generally, wage tax is a withholding tax calculated and paid to the tax office by the employer. In principle, the normal progressive income tax rates apply (see below in Table 10).

Employment income includes also “special payments”. The most important example for these are the common 13th and 14th salaries, bonuses etc. The first EUR 620 of special payment is tax exempt, above that amount respective special payments are taxed at 6% unless the special payments are higher than two months’ regular salary.

The taxpayer may deduct costs that are directly connected with the employment, such as costs of necessary equipment, for subscriptions to professional organisations, business-travel expenses, further education or training and the additional expenses of a double household, as far as the costs are not reimbursed by the employer. A lump-sum deduction (Werbungskostenpauschale) of EUR 132 is granted to all employees who do not have higher expenses.

Costs for commuting to the work place are largely subject to specific lump-sum based rules.

**Taxation of rental income**

Taxation of rental income is taxed at the normal progressive income tax rate (see below in Table 10). Primarily, rental income from Austrian sources are relevant, as most Double Tax Treaties allocate taxation rights to the country in which the real estate is located. Nevertheless, also foreign rental income needs to be evaluated, as it could have an impact on the Austrian taxation.

There are specific profit determination rules e.g. regarding depreciation and deferral of repair costs. There is no loss carry-forward. Loss relief by compensation with income from other categories is widely available, as long as the income from other categories is subject to the normal income tax rate, and as long as the rental activity is accepted as relevant economic activity by the tax authorities (which could be denied, if the rental activity seems not to be covering the related costs within reasonable time).

**Taxation of investment income and relating capital gains**

In general, dividends and interest received by a resident taxpayer are subject to a tax at a rate of 27.5%, whereas interest from bank deposits and non-bonded receivables at financial institutions are subject to reduced tax at 25%. Sales of privately held securities are subject to capital gains tax at a rate of 27.5% if the following conditions are met:

- No tax falls due if the shares were acquired before 1 January 2011 and sold after one year holding period, unless the individual taxpayer held a stake of 1 % or more of the company within the last 5 years.
• If shares were acquired after 1 January 2010 and sold after 31 March 2012 but before 1 January 2016 capital gain tax is levied at 25% regardless of the period the shares were held.
• For other asset classes (bonds, investment funds) further rules and cut-off dates are relevant

Investment funds are treated as transparent bodies, triggering immediate attribution of income generated within those funds to the fund shareholders. All income will be subject to appropriate tax at the rate of 27.5%, whether it is distributed or withheld in the fund. Taxed withheld amounts may be added to the acquisition costs, raising the relating deduction which can be used when the fund shares are sold later. Capital gains from the sale are subject to tax at the rate of 27.5%.

Generally, these taxes are withheld and paid directly to the tax office by depository banks, if the securities are held in Austrian accounts. Also, dividend payments paid by Austrian non listed companies will be subject to the tax withholding, which will be taken care about by the company paying out the dividends.

Investment income and relating capital gains are finally taxed at the level of the recipient in case of an individual taxpayer, if the above-mentioned tax withholding was applied. Consequently, they need not be included in the Austrian income tax return.

If the investment income or capital gains are derived from a foreign source, the income needs to be reported in the Austrian income tax return; tax will be assessed by the tax office at the same tax rates of either 27.5 % or 25%.

Loss relief is available, but only on a very restrictive basis within certain parts of the category of investment income, and only if profits and losses were incurred within the same calendar year. There is no loss carry forward.

Taxation of sale of private property
In 2012, Austria introduced a new taxation regime regarding the sale of private property (with limited grandfathering-rules).

For taxation purposes it is necessary to distinguish between “new property” and “old property”.

The term “new property” denotes real estate which had qualified as “speculative” on 31 March 2012 or if it was acquired later. On simplified terms, a property was considered “speculative” on 31 March 2012, if it was acquired after 31 March 2002. The sale of the new property is always considered as taxable event, taxed at a special tax rate of 30 %.

The term “old property” denotes every property, which is not new property. The sale of “old property” is considered as taxable event under this new regulation at the same tax rate, but a deemed amount of acquisition costs (amounting to 86% or 40%) can be claimed as a deduction. For the majority of these old properties, the 86% deduction is available, resulting in an effective tax burden amounting to 4.2% of the sale price.
Generally, there is a tax exemption for capital gains realized when selling a real estate which was used as the seller’s primary residence, if one of the following conditions are met:

- the property was used as primary residence from the acquisition until the sale, but for at least 2 years
- the property was used as primary residence for at least 5 consecutive years within the 10-years period directly prior to the sale

Many specific rules should be taken care about to avoid negative effects. Generally, the capital gains tax on the sale of domestic real estate should be calculated by the Lawyer or the Notary Public who prepares the necessary contract of sale. The tax it withheld and paid to the tax office directly.

**Income-related expenses**

As a general rule expenses related to a business are deductible, if they are caused by the conduct of business. Expenses related to non-business income are deductible if they are related with acquiring, securing and maintaining taxable income. Expenses which are directly related to non-taxable income are non-deductible. The same is true for expenses (other than acquisition costs of the asset sold) related to income subject to a final withholding tax (mainly applicable to investment income, related capital gains, and real estate sale).

**Special expenses (Sonderausgaben)**

Special expenses are not related to the generation of income, but are specially enumerated in the law and can be deducted when calculating the income tax base:

- certain annuities;
- compulsory contributions to qualified churches and religious communities, limited to EUR 400 per year;
- Special donations to registered charities and similar institutions up to 10% of the income (after loss set-off) of the preceding year;
- expenses for tax advice

Grandfathering rules allow for the deduction of certain further costs until the year 2020. Starting from 2017, payments to churches, religious communities, charities and similar institutions will be subject to a mandatory electronic reporting: The recipients must report the received amounts directly to the tax authorities, who will then accept the corresponding amounts as deductible expenses. There will be no possibility to claim the deduction of such amounts by entering them into the tax returns manually any more. Of course, this is restricted to domestic recipients; eligible payments to foreign institutions need still to be declared in the tax return.

**Extraordinary expenses (außergewöhnliche Belastungen)**

Extraordinary expenses are deductible if they are extraordinary and inevitable with a significant impact on the taxpayer’s economic performance without being income-related or special expenses. Extraordinary expenses reduce the tax base to the extend they exceed a certain percentage of the income as shown in the table below:

<table>
<thead>
<tr>
<th>Maximum</th>
<th>EUR 7,300</th>
<th>6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than</td>
<td>EUR 7,300</td>
<td>8%</td>
</tr>
<tr>
<td>More than</td>
<td>EUR 14,600</td>
<td>10%</td>
</tr>
<tr>
<td>More than</td>
<td>EUR 36,400</td>
<td>12%</td>
</tr>
</tbody>
</table>

The deductible percentage is reduced by 1% point, if the taxable person is entitled to the sole-earner deduction or single-parent deduction or the spouse has an income that is less than EUR 6,000 per year.

Expenses for childcare are deductible up to EUR 2,300 per child for children under the age of 11.
Other extraordinary expenses which are deductible under specific circumstances:
- Cost of an illness
- Cost for a health resort
- Cost for nursing or retirement homes
- Cost of a funeral
- Childcare cost for single-parents that exceed EUR 2,300

**Tax credits (Absetzbeträge)**

Tax credits do not reduce the tax base but the amount of tax payable. The most important tax credits are:
- sole-earner and single-parent credit
  - for one child: EUR 494 per year
  - for two children: EUR 669 per year (further raised for additional children)
- child tax credit: EUR 58.40 per Month and child
- child support credit: EUR 29.20 up to EUR 58.40 per Month and child
- tax credit for active employees (relating to costs of commuting): EUR 400 per year

**Tax allowance for children**

For every child there is a child allowance of EUR 440 (yearly) available for one parent, which reduces the tax base. If parents choose to split the child allowance, both can claim EUR 300 each.

**Calculation of income tax and tax rates**

Taxable income is the total amount of income from all categories described under the Income Tax Law after setting off losses arising from these categories and after deducting special expenses, extraordinary expenses, allowances and tax credits.

<table>
<thead>
<tr>
<th>Table 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from agriculture and forestry</td>
</tr>
<tr>
<td>Income from independent personal services</td>
</tr>
<tr>
<td>Income from business activities</td>
</tr>
<tr>
<td>Income from employment</td>
</tr>
<tr>
<td>Income from capital investment</td>
</tr>
<tr>
<td>Income from rental</td>
</tr>
<tr>
<td>Other specific income</td>
</tr>
<tr>
<td><strong>= Total amount of income</strong></td>
</tr>
<tr>
<td>- Special expenses</td>
</tr>
<tr>
<td>- Extraordinary expenses</td>
</tr>
<tr>
<td>- Deductions</td>
</tr>
<tr>
<td><strong>= Taxable income</strong></td>
</tr>
<tr>
<td>* Tax amount</td>
</tr>
<tr>
<td>+/- Taxes at special tax rates (e.g. from investment income)</td>
</tr>
<tr>
<td>- Tax credit</td>
</tr>
<tr>
<td><strong>= Annual tax due</strong></td>
</tr>
<tr>
<td>- Taxes withheld</td>
</tr>
<tr>
<td><strong>= Assessed annual tax</strong></td>
</tr>
<tr>
<td>- Tax prepayments</td>
</tr>
<tr>
<td><strong>= Tax to be paid/refunded</strong></td>
</tr>
</tbody>
</table>
For residents, the first EUR 11,000 of earned income are tax-free, for non-resident the tax-free amount is effectively reduced to the first EUR 2,000. Since 2016, the new marginal tax rates are applicable. They are shown in the table below.

Table 10

<table>
<thead>
<tr>
<th>Income in EUR</th>
<th>Marginal Tax Rate</th>
<th>Max. tax allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to EUR 11,000</td>
<td>0.00%</td>
<td>EUR 22,750</td>
</tr>
<tr>
<td>From EUR 11,000 to EUR 18,000</td>
<td>25.00%</td>
<td>EUR 35,000</td>
</tr>
<tr>
<td>From EUR 18,000 to EUR 31,000</td>
<td>35.00%</td>
<td></td>
</tr>
<tr>
<td>From EUR 31,000 to EUR 60,000</td>
<td>42.00%</td>
<td></td>
</tr>
<tr>
<td>From EUR 60,000 to EUR 90,000</td>
<td>48.00%</td>
<td></td>
</tr>
<tr>
<td>From EUR 90,000 to EUR 1,000,000</td>
<td>50.00%</td>
<td></td>
</tr>
<tr>
<td>Above EUR 1,000,000</td>
<td>55.00%*</td>
<td></td>
</tr>
</tbody>
</table>

* temporary tax rate for calendar years 2016 until 2020, abolished afterwards

**Returns and Prepayments**

Please see section 6.
8. Other taxes

In this section we present a number of other taxes which exist in Austria. This list covers those taxes, which are most relevant besides the above-mentioned taxes, but it is not exhaustive.

Real estate tax (Grundsteuer)
Immovable Austrian property (e.g. agriculture and forestry property or business property) whether developed or not, is subject to real estate tax. Foreign property is not taxable in Austria. A special ‘assessed value’ (Einheitswert) is used as the tax base, which is usually lower than the market value. The basic federal rate (Steuermesszahl) of this annual tax is usually 0.2%, multiplied by a municipal coefficient ranging up to 500%. Thus the effective rate amounts to a maximum of 1 % of assessed value of the property. The real estate tax is imposed by the local authorities and must be paid in quarterly instalments, if the yearly amount exceeds EUR 75.

Real estate transfer tax (Grunderwerbsteuer)
All real estate transfers in Austria trigger real estate transfer tax. Real estate property in the sense of the Austrian real estate transfer tax law are:

- land and property;
- buildings;
- growth (Plants and animals) and attachments;
- building rights and properties built on third land (e.g. Superädifikate)

The real estate transfer tax relates to the objective transfer of a domestic real estate. Therefore, it does not make any difference, whether the seller or the purchaser are residents of Austria.

In general the tax base is the consideration paid; irrespective of the contractually agreed price, the tax base must not fall below the fair value (market value).

The standard tax rate is 3.5%. If a real estate is transferred without a payment obligation for the acquirer or if it is transferred between close relatives the tax rates are reduced as shown in the table below:

<table>
<thead>
<tr>
<th>Property value</th>
<th>Tax rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the first EUR 250,000</td>
<td>0.5%</td>
</tr>
<tr>
<td>For the next EUR 150,000</td>
<td>2%</td>
</tr>
<tr>
<td>Above EUR 400,000</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

Intra-family transfers of agriculture and forestry property are taxed at 2% of the above-mentioned ‘assessed value’.

Real estate capital gains tax (Immobilienertragsteuer)
This tax is a special variant of the income tax. For details see above in section 7, subsection “Taxation of sale of private property”.

Municipal tax
Businesses must pay municipal tax to the municipality in which a business establishment is located. In Vienna, an additional employer’s levy has to be paid. The municipal tax must be calculated and paid on a monthly basis. The tax rate is 3% of the assessment base (the total of all employees’ gross salary). A yearly tax return has to be filed by the 31th March of the following year.
Inheritance and gift taxes
In Austria there is no inheritance or gift tax. However, certain donations inter-vivos must be disclosed to the competent tax authority within three months according to Sec 121a of the Austrian Fiscal Code (§ 121a Bundesabgabenordnung, BAO). The regulation applies to donations of cash, payable amounts, shares, interest in a (silent) partnership, businesses, moveable tangible assets, if the recipient or the donor has a seat or a residence or a habitual abode in Austria. There is no obligation for notification if the fair market value of the donations between related persons does not exceed EUR 50,000 per annum or the value of EUR 15,000 for donations between other persons. Donations or inheritance of real estate need not be reported (as the tax authorities will automatically be informed due to the need to pay real estate transfer tax).

Wealth tax
Austria does not levy a specific net wealth tax.

Stamp duty
Stamp duty is at a rate ranging from 0.8% to 2% on a number of transactions (e.g. assignment of receivables, rent and lease contracts), if corresponding documents are issued in writing. Loan contracts are no longer subject to stamp duty.
9. Social security contributions

Employers and employees
The Austrian social insurance is widely compulsory and comprises health insurance, pension insurance, unemployment insurance and accident insurance.

Health insurance may cover also family members of the insured person under certain circumstances (e.g. minor children; spouse without own income, if minor children exist).

In total, there are 22 social security bodies in Austria: 15 providing health insurance and 7 general insurance institutions – some of which are also responsible for more than one type of social security coverage.

Social security contributions for employees are determined as percentage of total monthly earnings (up to a maximum amount). The liability is shared partly by the employers and partly by the employees. Both parts will be paid to the social security body by the employer directly (so the employee's parts will be withheld from his gross salary).

The contribution levels are set on the basis of 14 salaries. The different values of 2017 are set out in Table 12.

Table 12: Compulsory social security contributions (white-collar workers)

<table>
<thead>
<tr>
<th>Type of insurance</th>
<th>Up to</th>
<th>Employer</th>
<th>Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>EUR 4.980 p.m.</td>
<td>3.78%</td>
<td>3.87%</td>
</tr>
<tr>
<td>Accidents</td>
<td>EUR 4.980 p.m.</td>
<td>1.30%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Pension</td>
<td>EUR 4.980 p.m.</td>
<td>12.55%</td>
<td>10.25%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>EUR 4.980 p.m.</td>
<td>3.00%</td>
<td>3.00%</td>
</tr>
<tr>
<td>Other</td>
<td>EUR 4.980 p.m.</td>
<td>0.85%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Ordinary Payments</td>
<td></td>
<td>21.48%</td>
<td>18.12%</td>
</tr>
<tr>
<td>Total p.m. (max.)</td>
<td>EUR 1.069,70</td>
<td>EUR 902,38</td>
<td></td>
</tr>
<tr>
<td>Total p.a. (max.)</td>
<td>EUR 12.836,40</td>
<td>EUR 10.828,56</td>
<td></td>
</tr>
<tr>
<td>Extraordinary payments</td>
<td>EUR 9.960,00</td>
<td>EUR 2.089,61</td>
<td>EUR 1.705,15</td>
</tr>
<tr>
<td>Total p.a. (max.)</td>
<td>EUR 14.926,01</td>
<td>EUR 12.533,71</td>
<td></td>
</tr>
</tbody>
</table>

1 Blue-collar workers have slightly modified security rates

Besides these contributions, contributions to an employee provision fund amounting to 1.53% of the gross salary must be paid by the employer. This amount is paid to the relevant social security body, which forwards the amount to the competent provision fund. The employee has the right to claim his credit at legally specified occasions. If the credit is still available at the employee's retirement, he can also choose to convert it into an additional pension.

Self-employed and other specific groups are covered by different individual social security bodies. Most self-employed persons will be covered by the GSVG (Act on Social Insurance of Entrepreneurs). The minimum and maximum social security contributions, which are applicable to most self-employed persons can be found in the table below. In contrast to the social security calculations for employees, where 14 monthly periods are used, the social security for self-employed persons use 12 months. Due to this difference, the monthly maximum base amounts differ; on a yearly basis they are equal (EUR 69,720.00 per year for the year 2017).
Table 13: Contribution according to the GSVG (= Act on social insurance of entrepreneurs)

<table>
<thead>
<tr>
<th>Type of insurance</th>
<th>Base in EUR</th>
<th>Rate</th>
<th>Contribution p.m. in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health (minimum)</td>
<td>425.70 p.m.</td>
<td>7.65%</td>
<td>32.57</td>
</tr>
<tr>
<td>Health (maximum)</td>
<td>5,810.00 p.m.</td>
<td>7.65%</td>
<td>444.47</td>
</tr>
<tr>
<td>Pension (minimum)</td>
<td>723.52 p.m.</td>
<td>18.50%</td>
<td>133.85</td>
</tr>
<tr>
<td>Pension (maximum)</td>
<td>5,810.00 p.m.</td>
<td>18.50%</td>
<td>1,074.85</td>
</tr>
<tr>
<td>Accident</td>
<td>(fixed amount)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9.33</td>
</tr>
</tbody>
</table>
### 10. Moore Stephens in Austria

Moore Stephens is represented in Austria by a network of 13 member firms, with offices in 10 Austrian towns and cities, in seven of the nine federal states.

<table>
<thead>
<tr>
<th>Firm Name</th>
<th>Address</th>
<th>City</th>
<th>Additional Cities</th>
<th>Tel.</th>
<th>Fax</th>
<th>Email</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moore Stephens City Treuhand</td>
<td>Kaerntner Ring 5-7</td>
<td>A-1015 Vienna</td>
<td>(also office in Krems/Lower Austria)</td>
<td>+43 1 532 74-0</td>
<td>+43 1 531 74-950</td>
<td><a href="mailto:office@msct.at">office@msct.at</a></td>
<td><a href="http://www.msct.at">www.msct.at</a></td>
</tr>
<tr>
<td>Moore Stephens Schwarz Kallinger Zwettler</td>
<td>Volksgartenstrasse 32</td>
<td>A-4020 Linz</td>
<td>(also offices in Steyr/Upper Austria and Vienna)</td>
<td>+43 (0) 502067-0</td>
<td>+43 (0) 502067-9100</td>
<td><a href="mailto:office-linz@skz-moorestephens.at">office-linz@skz-moorestephens.at</a></td>
<td><a href="http://www.skz-moorestephens.at">www.skz-moorestephens.at</a></td>
</tr>
<tr>
<td>Moore Stephens Salzburg</td>
<td>Innsbrucker Bundesstrasse 126</td>
<td>A-5020 Salzburg</td>
<td>(also office in Wels)</td>
<td>+43 662-251500</td>
<td>+43 662 251500-500</td>
<td><a href="mailto:office-salzburg@moorestephens.at">office-salzburg@moorestephens.at</a></td>
<td><a href="http://www.moorestephens-salzburg.at">www.moorestephens-salzburg.at</a></td>
</tr>
<tr>
<td>Moore Stephens Alpen Adria</td>
<td>August-Jaksch-Strasse 2</td>
<td>A-9020 Klagenfurt</td>
<td></td>
<td>+43 463 592500</td>
<td>+43 463 592500-10</td>
<td><a href="mailto:office@alpen-adria-wp.at">office@alpen-adria-wp.at</a></td>
<td><a href="http://www.alpenadria-wp.at">www.alpenadria-wp.at</a></td>
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<tr>
<td>Binder, Grossek &amp; Partner</td>
<td>Neufeldweg 93</td>
<td>A-8010 Graz</td>
<td></td>
<td>+43 316 427428</td>
<td>+43 316 427428-230</td>
<td><a href="mailto:office@bgundp.com">office@bgundp.com</a></td>
<td><a href="http://www.bgundp.com">www.bgundp.com</a></td>
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<tr>
<td>Stauder Schuchter Kempf</td>
<td>Ing—Etzel-Strasse 17</td>
<td>A-6020 Innsbruck</td>
<td></td>
<td>+43 512 908320</td>
<td>+43 512 908320-30</td>
<td><a href="mailto:office@stauder-schuchter-kempf.at">office@stauder-schuchter-kempf.at</a></td>
<td><a href="http://www.stauder-schuchter-kempf.at">www.stauder-schuchter-kempf.at</a></td>
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</table>
## Appendix 1: Double tax treaties

### The Austrian Tax Treaty Network
Double Taxation Conventions regarding income and capital (as of 26 May 2015)

<table>
<thead>
<tr>
<th>Country</th>
<th>Country</th>
<th>Country</th>
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<tr>
<td>Albania</td>
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<td>CSSR ***</td>
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<td>Cuba</td>
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<tr>
<td>Hungary</td>
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</tbody>
</table>

* An amending protocol has been signed but not yet in force.

** An amending protocol implementing the full OECD-standard regarding transparency and exchange of information has been signed but not yet in force.

*** The DTC with the CSSR remains applicable in relation to Slovakia.

**** The DTC with the USSR remains applicable in relation to Tajikistan and Turkmenistan until a separate double tax convention is concluded.
Double Taxation Conventions regarding inheritance and gift taxes (as of 15 January 2014)

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<th>Country</th>
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<td>Germany (terminated)</td>
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<tr>
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<td>USA (Inheritance &amp; Gift)</td>
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Tax information Exchange Agreements (as of 26 May 2015)

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<td>St. Vincent &amp; the Grenadines</td>
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For further information, please visit the Website of the Austrian Federal Ministry of Finance [www.bmf.gv.at](http://www.bmf.gv.at)
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*denotes a correspondent firm only

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