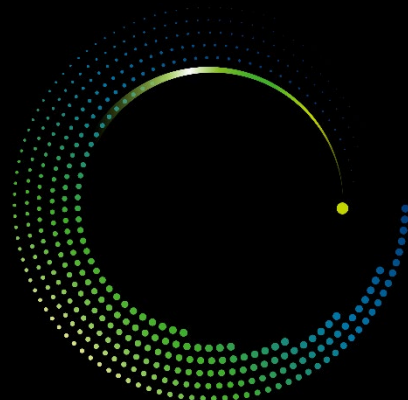


International Tax Austria Highlights 2024

Updated January 2024



Recent developments

For the latest tax developments relating to Austria, see [Deloitte tax@hand](#).

Investment basics

Currency: Euro (EUR)

Foreign exchange control: No restrictions are imposed on the import or export of capital. Repatriation payments may be made in any currency. Both residents and nonresidents may hold bank accounts in any currency.

Accounting principles/financial statements: UGB (Austrian Commercial Code) and IAS/IFRS apply. UGB financial statements in EUR must be prepared annually.

Principal business entities: These are the public limited company, private limited liability company, “flexible” private limited liability company, partnership, sole proprietorship, and branch of a foreign company.

Corporate taxation

| Rates | |
|---------------------------|--------|
| Corporate income tax rate | 23% |
| Branch tax rate | 23% |
| Capital gains tax rate | 0%/23% |

Residence: A company is resident if it is incorporated in Austria or managed and controlled in Austria.

Basis: Residents are taxed on worldwide income; nonresidents are taxed only on Austrian-source income. Branches generally are taxed in the same way as subsidiaries.

Taxable income: Corporate income tax is imposed on a company’s profits, which consist of business/trading income, passive income, and capital gains. Normal business expenses may be deducted in computing taxable income. Interest and royalties paid to group companies that are subject to an effective or statutory tax rate of less than 10% are not deductible.

Rate

General

The corporate income tax rate is 23%.

Surtax

There is no surtax.

Alternative minimum tax

There is an annual minimum corporate income tax of EUR 500 for a private limited liability company and EUR 3,500 for a public limited company.

Global minimum tax (Pillar Two)

Austria has transposed into its domestic legislation the EU “Pillar Two” directive that is designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups and large-scale domestic groups within the EU with annual consolidated revenue of at least EUR 750 million. The IIR (income inclusion rule) applies for accounting periods beginning on or after 31 December 2023 and the UTPR (sometimes referred to as the undertaxed profit(s) rule or the undertaxed payments rule) applies for accounting periods beginning on or after 31 December 2024. Austria also has opted to adopt a tax that is intended to be a qualified domestic top-up tax (sometimes referred to as a QDMTT), applicable for accounting periods beginning on or after 31 December 2023.

Taxation of dividends: Dividends received from a resident company are exempt from tax. Portfolio dividends (i.e., where there is a participation of less than 10%) received from a type of company listed in the EU parent-subsidiary directive, or a nonresident company comparable to an Austrian company that is resident outside the EU and where there is a broad exchange of information clause in a tax treaty between Austria and the nonresident company’s jurisdiction, are exempt from tax (“domestic/EU/non-EU portfolio dividend exemption”).

Dividends received from a nonresident company that do not satisfy the above criteria are exempt from tax if the following criteria are met (“international participation exemption”): (i) the nonresident is a company comparable to an Austrian company or a type of company listed in the EU parent-subsidiary directive; (ii) the parent company holds directly or indirectly at least 10% of the equity capital of the nonresident company; and (iii) the minimum 10% shareholding is held continuously for at least one year.

The EU/non-EU portfolio dividend exemption and the international participation exemption do not apply if the dividends are tax deductible at the level of the distributing nonresident company (see “Anti-hybrid rules” under “Anti-avoidance rules,” below).

Capital gains: Capital gains generally are taxed at the same rate as ordinary income. Under the international participation exemption, gains from the sale of a participation in a nonresident company are exempt unless the resident company has exercised an option to have capital gains treated as taxable income.

Losses: Losses may be carried forward indefinitely, but generally may be offset against only 75% of the profits of a given year. The carryback of losses generally is not permitted.

Foreign tax relief: Depending on the applicable tax treaty, foreign tax paid may be credited against Austrian tax, but the credit is limited to the amount of Austrian tax payable on the foreign income.

Participation exemption: See “Taxation of dividends” and “Capital gains,” above.

There is a “switch-over” clause in the participation exemption (i.e., to switch from the exemption method to the credit method for certain dividends and capital gains). The credit method applies to distributions from international participations and qualified portfolio shareholdings (above 5%) where the nonresident company derives low-taxed passive income of more than 50% of total income in the relevant year. The switch-over mechanism does not apply where the profits distributed already have been attributed to and taxed in the hands of the Austrian controlling parent company under the controlled foreign company (CFC) regime (see “Controlled foreign companies” under “Anti-avoidance rules,” below).

Holding company regime: See “Participation exemption,” above.

Incentives: Various incentive programs are available, including a 14% cash premium on certain research and development expenses. Due to the COVID-19 pandemic and energy prices, further incentive programs and support have been implemented. A tax credit also has been introduced for certain investments in depreciable fixed assets of 10% or 15% of the acquisition or production costs (with a maximum of eligible investments of EUR 1 million per year).

Compliance for corporations

Tax year: A tax accounting period generally may not exceed 12 months.

Consolidated returns: Companies may form a consolidated tax group. To be eligible to file a consolidated return, a parent company must hold more than 50% of the affiliated company. Nonresident companies resident in the EU or in jurisdictions that have concluded broad mutual assistance agreements with Austria also may participate in a tax group and their losses may be used in Austria. However, foreign losses of nonresident companies are subject to a recapture rule if the nonresident company leaves the Austrian tax group, changes its business significantly compared to the year in which the losses were incurred, or subsequently is liquidated. An annual corporate income tax return must be filed for each member of the tax group subject to unlimited tax liability in Austria, as well as for the head of the tax group.

Filing and payment: The tax return must be filed electronically by 30 June of the year following the tax year. Filing deadlines may be extended if the company is represented by a tax adviser. Advance payments of corporate income tax are required in four installments.

Penalties: Penalties apply for failure to comply with the tax rules.

Rulings: Taxpayers may request nonbinding rulings on the tax consequences of a proposed transaction, and binding rulings on issues relating to restructurings, tax groups, transfer pricing, international tax law, VAT, and abuse of law. For a binding ruling, the taxpayer will be charged a fee of up to EUR 20,000 by the tax authorities.

Individual taxation

| Rates | | |
|----------------------------|----------------------|------|
| Individual income tax rate | Taxable income (EUR) | Rate |
| | Up to 12,816 | 0% |
| | 12,817-20,818 | 20% |
| | 20,819-34,513 | 30% |
| | 34,514-66,612 | 40% |

| | | |
|-------------------------------|------------------|-----------|
| | 66,613-99,266 | 48% |
| | 99,267-1 million | 50% |
| | Over 1 million | 55% |
| Capital gains tax rate | | 27.5%/30% |

Residence: Individuals are resident if they are domiciled or have a habitual abode in Austria. A habitual abode is generally assumed if the individual stays in Austria for more than six months.

Basis: Residents are taxed on their worldwide income; nonresidents are taxed only on Austrian-source income.

Taxable income: Taxable income is the sum of income from all sources, including income from employment, the carrying on of a business or profession, and income from investments.

Rates: Rates are progressive up to 55%. Certain types of investment income are not included in the computation of the taxpayer's income but are subject to a special withholding tax of 27.5% (25% for certain interest on cash deposits and non-securitized claims with credit institutions).

Capital gains: Capital gains relating to investments are subject to a 27.5% tax, and capital gains from real estate are subject to a 30% tax. The alienation of real estate acquired before 1 April 2002 usually is subject to more favorable rules.

Deductions and allowances: Deductions from income are available for various losses, special and exceptional expenses, and for disabled individuals and farm and forestry workers. Tax credits are available based on a taxpayer's personal circumstances (for sole earners, sole educators, and employees).

Foreign tax relief: Depending on the applicable tax treaty, foreign tax paid may be credited against Austrian tax, but the credit is limited to the amount of Austrian tax payable on the foreign income.

Compliance for individuals

Tax year: The tax year is a calendar year.

Filing status: Each taxpayer must file a return; joint filing is not permitted.

Filing and payment: Tax on employment income is withheld by the employer. The taxpayer must pay advance income tax in four installments. The tax return must be filed electronically by 30 June of the year following the assessment year. Filing deadlines may be extended if the individual is represented by a tax adviser.

Penalties: Penalties apply for failure to comply with the tax rules.

Rulings: Taxpayers may request nonbinding rulings on the tax consequences of a proposed transaction, and binding rulings on issues relating to topics including restructurings, tax groups, transfer pricing, international tax law, VAT, and abuse of law. For a binding ruling, the taxpayer will be charged a fee of up to EUR 20,000 by the tax authorities.

Withholding tax

| Type of payment | Residents | | Nonresidents | |
|------------------|-----------|------------|--------------|------------|
| | Company | Individual | Company | Individual |
| Dividends | 0%/23% | 27.5% | 23%/27.5% | 27.5% |
| Interest | 0%/23% | 25%/27.5% | 0%/23%/27.5% | 25%/27.5% |
| Royalties | 0% | 0% | 20% | 20% |

Dividends: Dividends paid to a resident company are exempt from withholding tax if the recipient company holds at least 10% of the shares in the distributing company; otherwise, the rate is 23%. A 27.5% rate applies to dividends paid to a resident individual.

Dividends paid to a nonresident are subject to a 23% withholding tax (for taxpayers subject to (limited) corporate income tax) or a 27.5% withholding tax (for all others), unless the rate is reduced under a domestic provision or a tax treaty, or the dividends are exempt under the EU parent-subsidiary directive. A refund of the withholding tax is possible for EU/European Economic Area (EEA) parent companies if the withholding tax cannot be credited in their residence state under a tax treaty. Under certain conditions, a refund is also available to parent companies in non-EU/EEA jurisdictions.

Interest: Interest paid to a resident company is subject to a 23% withholding tax. If the company confirms in writing to the interest-paying institution that the interest income is taxed at 23% as part of its business income, generally no taxes are withheld. A 25% rate applies to certain interest paid by a financial institution to a resident individual; otherwise, the rate is 27.5%.

No withholding tax is imposed on loan interest paid to a nonresident company. Payments made to a nonresident silent partner in an Austrian company are subject to a 27.5% withholding tax (23% if the silent partner is a taxpayer subject to (limited) corporate income tax), unless the rate is reduced or the payments are exempt under a tax treaty or the EU interest and royalties directive. A 25% rate applies to certain interest paid by a financial institution to a nonresident individual; otherwise, the rate is 27.5%, unless the rate is reduced under a tax treaty.

Royalties: No withholding tax is imposed on royalties paid to a resident. Royalties paid to a nonresident are subject to a 20% withholding tax, but the rate may be reduced or the payments may be exempt under a tax treaty or the EU interest and royalties directive.

Fees for technical services: No withholding tax is imposed on fees for technical or commercial services paid to a resident. Fees for technical or commercial services paid to a nonresident are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty.

Branch remittance tax: There is no branch remittance tax.

Anti-avoidance rules

Transfer pricing: Standardized transfer pricing documentation (a master file, local file, and country-by-country report) is required in line with the OECD BEPS recommendations. Penalties of up to EUR 50,000 can be assessed if documentation requirements are not met. Apart from that, no special transfer pricing provisions exist, but the Ministry of Finance has issued guidance based on the OECD guidelines. Transactions between affiliated companies must be at arm's length. Taxpayers may obtain binding rulings on transfer pricing issues.

Interest deduction limitations: There are no specific thin capitalization rules, but, in accordance with case law, interest may be reclassified as a dividend in certain situations. The tax authorities usually accept a debt-to-equity ratio of 4:1 in tax audits, although this is not considered a safe harbor.

Interest on debts obtained to acquire a participation is not deductible if the acquisition is intragroup. Interest paid to group companies that are subject to an effective or statutory tax rate of less than 10% is not deductible.

An interest limitation rule applies to limit the deductibility of "excessive borrowing costs" (i.e., an excess of borrowing costs over the taxpayer's interest income) that are greater than EUR 3 million and exceed 30% of the taxpayer's adjusted

EBITDA (earnings before interest, taxes, depreciation, and amortization). The rule does not apply to taxpayers that: (i) are not fully included in consolidated financial statements; (ii) do not have any associated enterprises; and (iii) do not have any foreign permanent establishments.

For tax groups, the interest limitation rule applies to the entire group. EBITDA and borrowing costs are calculated at the group parent level and comprise results from all group members. Furthermore, the EUR 3 million de minimis threshold applies to the group as a whole (and not at a stand-alone level).

Any excessive borrowing costs that cannot be deducted under the interest limitation rule may (upon application) be carried forward for an unlimited period of time. Any excess EBITDA (i.e., EBITDA not set off by excessive borrowing costs) may be carried forward for five years.

If the equity ratio of the taxpayer is equal to or higher than the equity ratio of the group (within two percentage points) and all financial statements (i.e., stand alone and group) are prepared using the same accounting standards (as well as applying the same valuation methods), the interest limitation rule does not apply.

For loans concluded before 17 June 2016, the interest limitation rule does not apply through tax year 2025.

Controlled foreign companies: CFC rules attribute low-taxed passive income earned by CFCs to an Austrian parent company. Control is deemed to exist if an Austrian company owns directly or indirectly more than 50% of the shares or voting rights or is entitled to more than 50% of the profits.

The CFC rules apply if passive income (determined under Austrian tax provisions) exceeds one-third of the CFC's annual income. Passive income includes dividends, interest, royalties, and capital gains from shares (if the income would be subject to tax in the hands of an Austrian income recipient), finance lease income, income from banking and insurance activities (with certain exemptions), and income from settlement companies. Low taxation is presumed if the effective tax rate in the jurisdiction of the CFC does not exceed 12.5%.

The CFC rules do not apply if the CFC carries out a substantive economic activity supported by staff, equipment, assets, and premises.

Anti-hybrid rules: The hybrid mismatch provisions of the EU anti-tax avoidance directive were implemented through a special regulation. As a rule, only the minimum requirements of the directive were implemented. A hybrid mismatch is, basically, considered to exist where expenses are deducted in one state and there is no taxation of the corresponding revenue in the other state (deduction/no inclusion) or where expenses can be deducted in more than one state (double deduction). The tax effects of such hybrid mismatches are essentially neutralized either by the disallowance of a deduction for the expenses in Austria or the inclusion of a corresponding amount of revenue in Austria.

Economic substance requirements: To claim immediate relief from withholding tax at source under the EU parent-subsidiary directive, the EU interest and royalties directive, or an applicable tax treaty, the recipient of the income must provide the Austrian payer entity a certificate of residence issued by the tax authorities of the recipient's jurisdiction and confirm to the Austrian payer entity in writing that it has (i) its own office; (ii) its own employees; and (iii) activity going beyond mere asset administration (i.e., active operations).

The existence or lack of substance also plays an important role in the case of issues concerning beneficial ownership and under the general anti-avoidance rule, but there are no statutory thresholds relating to substance for these purposes.

Disclosure requirements: See "Transfer pricing," above. In addition, Austria has transposed an EU directive ("DAC 6") into its domestic law that requires disclosures to be made to tax authorities in respect of certain cross-border tax advice. Although the directive states that it is aimed at "aggressive tax practices," it is broadly drafted and may require disclosure

of common cross-border investment structures. The list of “hallmarks” requiring reporting under the Austrian legislation implementing the directive is based on the hallmarks listed in DAC 6 (with relevant arrangements dating back to 25 June 2018 requiring reporting). The reporting obligation generally applies to financial intermediaries but may be transferred to the taxpayer under certain conditions. This may be the case, e.g., where the intermediaries are bound by an obligation of professional secrecy (e.g., for tax advisers, public accountants, lawyers, or notaries) and act within their competencies.

Exit tax: Under domestic tax law, the transfer of Austrian business assets or (parts of) a business outside Austria precluding or restricting Austrian taxation rights with respect to the (unrealized) built-in gains generally triggers exit taxation (under section 6, paragraph 6 of the Income Tax Act). The purpose of this provision is to ensure that built-in gains that have accrued in Austria are effectively taxed by the Austrian tax authorities and to implement the arm’s length principle.

General anti-avoidance rule: Austria has a general anti-avoidance rule, which relies on the substance-over-form concept. In tax matters, the true economic substance of a transaction prevails over its formal appearance. Liability to tax cannot be avoided or reduced by abusing the instruments of civil law. In cases of abuse, the tax authorities have the power to impose tax as if the transaction were structured in line with the true economic circumstances.

Value added tax

| Rates | |
|---------------|------------|
| Standard rate | 20% |
| Reduced rate | 0%/10%/13% |

Taxable transactions: VAT is imposed at each stage of the production and distribution chain. In general, taxable supplies of goods or services within the Austrian territory that are carried out by a VAT entrepreneur, as well as intra-community acquisitions and imports of goods, fall within the scope of Austrian VAT.

Rates: The standard rate is 20%. A lower rate of 13% applies to cultural services, among other items; a 10% rate generally applies to accommodation, foodstuffs, pharmaceuticals, agricultural products, rent for residential purposes, and entertainment. Banking transactions are exempt, and a zero rate applies to exports.

Registration: Austrian entrepreneurs whose annual turnover (reduced by certain VAT-exempt transactions) exceeds EUR 35,000 must register for VAT purposes.

Nonresidents that make taxable supplies of goods or services in Austria are also required to register.

Filing and payment: VAT returns are filed electronically on a monthly/quarterly basis. Annual returns must be filed electronically by 30 June of the year following the tax year. Filing deadlines may be extended if the entrepreneur is represented by a tax adviser.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: The employer is required to make pay-related social insurance contributions. The employer’s contribution generally amounts to 20.98% of an employee’s salary up to EUR 6,060 per month. The employee’s corresponding contribution of 18.07% must be withheld by the employer and remitted to the social insurance

agencies. For self-employed individuals, the social security contributions are slightly lower (20.48% representing the employer portion and 17.57% representing the employee portion).

Payroll tax: Municipalities impose a general payroll tax of 3% on total salaries and wages paid monthly by permanent establishments based in Austria. Other payroll-related taxes between 5.55% and 5.63% also must be paid.

Capital duty: There is no capital duty.

Real property tax: Municipalities impose an annual real estate tax of up to 0.2% on up to five times the assessed value of property.

Transfer tax: Transfers of real estate are subject to an acquisition tax of 3.5% of the consideration (plus a 1.1% registration fee with the land register). If there is no consideration, the real estate transfer tax and registration fee usually are based on the fair market value (with a tax rate between 0.5% and 3.5%). For certain privileged transactions (e.g., reorganizations or transfers of at least 95% of the shares in a company holding Austrian real estate), a real estate transfer tax of 0.5% and the registration fee are based on the lower of: (i) three times the assessed value of the land plus the value of the building; (ii) standardized values provided by the Ministry of Finance; or (iii) the fair market value.

Stamp duty: Stamp duty is imposed at a rate ranging from 0.8% to 2% on various transactions (e.g., the assignment of receivables, rent (but not for residential purposes) and lease contracts) if the transaction is evidenced in a stamp duty-relevant deed in Austria. Loan/credit contracts are not subject to stamp duty.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax. There is a statutory notification requirement for gifts. Transfers of real estate are subject to an acquisition tax of 3.5% of the consideration (2% for transfers of agricultural and forestry land between close family members), with the fair market value being the minimum (plus a 1.1% registration fee with the land register). If there is no consideration, the real estate transfer tax and the registration fee generally are based on the fair market value of the real estate. The tax rate ranges between 0.5% and 3.5%, depending on the value of the real estate.

Other: Austrian banks and foreign banks with an Austrian branch are subject to a banking tax based on the balance sheet total, reduced by equity and covered contributions. The banking tax applies to a tax base of more than EUR 300 million, at a rate of 0.024% to 0.029%. It is not tax deductible for corporate income tax purposes. Cap and floor sets apply.

Tax treaties: Austria has concluded more than 90 tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) entered into force for Austria on 1 July 2018.

For further information on Austria's tax treaty network, visit [Deloitte International Tax Source](#).

Tax authorities: Revenue offices of the Austrian Ministry of Finance

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