

# Austria

## Contacts

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### What's new?

Summary of updates/Changes to R&D and government incentives from 1 January 2019 through 31 October 2020

Various temporary incentives and reliefs have been introduced in response to COVID-19, including an investment premium on eligible capital expenditure (CAPEX) and a fixed cost subsidy for companies affected by the pandemic.

### Featured government incentives

Incentive name	Description	Maximum percentage	Qualification standards	Key exclusions or issues
<b>R&amp;D tax credit</b>	Tax credit in the form of a direct cash grant for R&D expenditure (basic research, applied research, and experimental development), regardless of the applicant's profit or loss position and legal form	14% (No ceiling for eligible in-house R&D and a maximum of EUR 140,000 for subcontracted R&D at the level of the principal)	Costs of personnel, materials, and overhead relating to R&D activities and CAPEX for R&D equipment (laboratories, measuring instruments, facilities and real estate if used for R&D)	<ul style="list-style-type: none"> <li>In-house R&amp;D must be performed in Austria, subcontracted R&amp;D in an EU/ EEA member state</li> <li>FFG (Austrian Research Promotion Agency) approval is necessary</li> <li>"Double dip" in Austria is not possible (for subcontracted R&amp;D, only one party can claim the tax credit for the same expenditure if both the principal and subcontractor are Austrian residents)</li> </ul>
<b>General R&amp;D grant program</b>	Funding for R&D projects (new products, services, or processes), regardless of the area (technology, materials, production, energy, environment, etc.). Available to businesses of all sizes and forms	Maximum EUR 3 million of funding per R&D project: 19% for large enterprises, 25% for medium-sized enterprises, 28% for small enterprises, and 31% for start-ups	Costs of personnel, materials, travel, third-party services, facility/infrastructure use, depreciation and overhead	<ul style="list-style-type: none"> <li>A cap applies to hourly rates of personnel</li> <li>Ongoing application is possible</li> </ul>

### Industries most often affected by government incentives in country

Technology, Media & Telecom		Financial Services	
●	Telecom, Media & Entertainment		Banking & Capital Markets
●	Technology		Insurance
Consumer			Investment Management
●	Consumer Products		Real Estate
	Retail, Wholesale & Distribution	Life Sciences & Health Care	
●	Automotive		Health Care
	Transportation, Hospitality & Services	●	Life Sciences
Energy, Resources & Industrial		Government & Public Services	
●	Power & Utilities		Health & Social Care
●	Mining & Metals		Defense, Security & Justice
●	Oil, Gas, & Chemicals		Civil Government
●	Industrial Products & Construction		International Donor Organizations
		●	Transport

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Type	National incentive?	State, provincial, regional or local incentives? <sup>1</sup>	Filing deadlines imposed?	Is the claim made in advance or arrears? <sup>2</sup>	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
<b>Innovation</b>							
<b>R&amp;D tax credit</b>	●	●	●	Arrears	Refundable volume-based tax credit on costs of personnel, materials, and overhead relating to R&D activities and investments for R&D equipment. Any company conducting research, innovation and development may apply, regardless of its size, sector or structure	14% of qualified research expenses (the maximum credit is EUR 140,000 for subcontracted R&D)	14% of qualified research expenses (the maximum credit is EUR 140,000 for subcontracted R&D)
<b>R&amp;D grant (national):</b> General program "FFG Basisprogramm"	●	●	●	Advance	Cash grants, interest-free loans or government guarantees to fund costs of personnel, materials, travel, third-party services, facility/infrastructure use, and overhead for qualifying R&D projects. Program is open to all technology fields and companies	Maximum grant EUR 3 million (19% funding quota); 50% of total qualifying project costs are eligible for a combination of grants, loans and guarantees	Maximum grant EUR 3 million (25%-31% funding quota); 70% of total qualifying project costs are eligible for a combination of grants, loans and guarantees
<b>R&amp;D grant (national):</b> Mobility of the Future			●	Advance	Cash grant to fund costs of personnel, materials, travel, third-party services (capped at 20%), facility/infrastructure use, and overhead for qualifying R&D projects. Program is open to all companies and project sizes	Industrial research: 55%; experimental development: 35% (maximum EUR 2 million for cooperative projects)	Industrial research: 70%-85%; experimental development: 50%-60% (maximum EUR 2 million for cooperative projects)

Key: ● = PERMANENT INCENTIVE ||| = TEMPORARY INCENTIVE || = NEGOTIABLE ● = NO ● = LIMITED APPLICABILITY ● = NOT APPLICABLE

- Notes:
1. Green means that this incentive is currently in effect. Yellow means that the incentive has limited applicability, i.e., the requirements for this incentive limit its value to most companies. Red means that there is no incentive.
  2. If the response is advance, this means that the government must approve the award of the incentive prior to the commencement/completion of the project/activity. If the response is arrears, this means that the award of the incentive is determined at the end of the tax period or after the completion of the qualifying project or activity. Most tax incentives are considered to be claimed in arrears because they are reported on tax returns.

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<b>Innovation</b>							
<b>R&amp;D grant (national):</b> Production of the Future				Advance	Cash grants to fund costs of personnel, materials, travel, third-party services (capped at 20%), facility/infrastructure use, and overhead for qualifying R&D projects. Program is open to companies of all sizes and to research institutes	Industrial research: 55%; experimental development: 35% (maximum EUR 2 million for cooperative projects)	Industrial research: 70%–85%; experimental development: 50%–60% (maximum EUR 2 million for cooperative projects)
<b>R&amp;D grant (EU):</b> Horizon 2020/ Horizon Europe)				Advance	Cash grant	70% for innovation activities, 100% for research and innovation activities	70% for innovation activities, 100% for research and innovation activities
<b>Investment</b>							
<b>Capex</b>				Advance	Cash grant, interest-free loans or government guarantees	10%–20% of project costs	20%–30% of project costs
<b>Funding for CAPEX in R&amp;D infrastructure</b>				Advance	Cash grant to fund costs of acquisition of R&D infrastructure for basic and application-oriented research. Program is open to companies of all sizes and to research institutes	Maximum funding quota: 50% (maximum funding amount is EUR 2.5 million)	Maximum funding quota: 50% (maximum funding amount is EUR 2.5 million)
<b>Investment premium</b>				Arrears	Incentives for CAPEX investments from August 2020 to February 2021. Program is open to companies of all sizes	Premium base rate: 7%. For investments in the areas of environment, climate protection, digitalization, healthcare or life science: 14%	Premium base rate: 7%. For investments in the areas of environment, climate protection, digitalization, healthcare or life science: 14%

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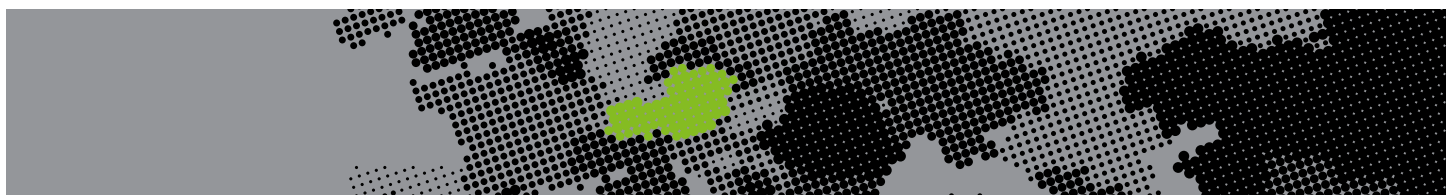
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<b>Environmental sustainability</b>							
<b>Raw materials management</b>	●	●	●	Advance	Cash grant to support reduction of raw material consumption, increase in material resource efficiency, and direct environmental effects	Funding quota: 30%. Maximum funding amount is EUR 4.5 million (EUR 500,000 for resource management)	Funding quota: 30%. Maximum funding amount is EUR 4.5 million (EUR 500,000 for resource management)
<b>Supporting Environmental Protection Measures</b>	●	●	●	Advance	Cash grant to support reduction of environmental pollution, noise protection, and demonstration plants for testing and new technologies	Funding quota: 30% (maximum funding amount is EUR 4.5 million)	Funding quota: 30% (maximum funding amount is EUR 4.5 million)
<b>Other</b>							
<b>Incentive for incoming researchers</b>	●	●	●	Arrears	Tax allowance of 30% of individual researchers' personal income tax for a five-year period if relocating to Austria	Not applicable	Not applicable
<b>Employment</b>	●	●	●	Advance	Cash grant	Varies	Varies
<b>Training</b>	●	●	●	Advance	Cash grant	Varies	Varies

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### Country background

Austria offers a diverse funding landscape for start-ups, SMEs and large companies. Cash grants, interest-free loans, government guarantees, and subsidies for companies are available at the federal, regional and municipal levels. There are various funding agencies (FFG, AWS (Austrian promotional and funding bank), Vienna Business Agency, etc.) that offer a variety of funding programs related to R&D and innovation, but also for CAPEX and environmental support. There are grants with application deadlines, as well as grants on an ongoing submission and decision basis. The funding level depends on the nature of the project and the size of the company.

### Innovation Incentives

#### Research & Development (R&D)

A volume-based R&D tax credit is available for all qualified R&D activities carried out in Austria. The credit is 14% of eligible costs and is refundable to the extent the amount exceeds the company's overall tax liabilities. As a result, the credit can provide the equivalent of a cash grant for companies irrespective of their profit or loss position. The tax credit itself does not constitute taxable income.

The definition of R&D includes basic and applied research as well as experimental development within the meaning of the OECD's Frascati Manual. In general, qualifying R&D activities aim to fundamentally improve materials, devices, products or processes and must be conducted systematically for the purpose of increasing knowledge. The tax credit is available even if the R&D project is a failure or terminated before reaching a successful conclusion.

The following categories of expenditure are eligible for the R&D tax credit if they are incurred in the course of a qualifying R&D project:

- Personnel costs for employees who are engaged in carrying out R&D;
- CAPEX in R&D equipment/infrastructure (including real estate if used for R&D), materials and other costs directly related to an R&D project;
- Financing costs that are directly attributable to an R&D project;

- Overhead, such as building rent, electricity, telecommunications and administrative expenses; and
- Subcontractor fees for outsourced R&D (subject to certain limitations outlined below).

"Implicit costs" (such as opportunity costs), sales, marketing and distribution costs, as well as non-deductible expenses for corporate income tax (CIT) purposes, do not qualify for the R&D tax credit.

If R&D is subcontracted, the principal (i.e., the party funding the R&D) rather than the subcontractor may opt to claim the qualifying expenses for purposes of the R&D tax credit. However, the subcontractor must be an EU/EEA institution/company and the principal may not have a controlling interest/shareholding in the subcontractor. Subcontractor fees that otherwise qualify for the R&D tax credit cannot exceed EUR 1 million annually (i.e., the maximum tax credit for subcontracted R&D is EUR 140,000 per year).

Grants and subsidies received by a taxpayer that are exempt from Austrian CIT must be deducted from the cost base for purposes of the R&D tax credit.

There is no intellectual property (IP) ownership or IP location requirement under the R&D tax credit scheme. Patent protection of the results of the R&D or proof of success of the R&D work is not required. However, Austria does not have a patent box regime.

Unlike many cash grants, it is not necessary to apply for the R&D credit before the project commences since the process follows an application in arrears. The application must be filed at the latest before the CIT assessment for the respective fiscal year becomes legally binding.

An application for an expert opinion issued by the FFG, which assesses the technical qualifications of the R&D activities performed during the relevant year, is required for in-house R&D work. The application must be submitted electronically on an annual basis



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for all R&D projects conducted. Although the taxpayer must apply for the expert opinion, an opinion does not need to be obtained before claiming the tax credit in the annual tax return. Alternatively, a taxpayer can request advance approval for future R&D endeavors, covering the current year and up to three following fiscal years (an EUR 1,000 fee applies for such approval).

## Incentive for training and skills development

Funding related to the support and training of new talent and/or upskilling of the existing workforce is available nationwide, although the requirements differ depending on the funding agency, province, etc. Many of the specific funding instruments are municipality based.

## Incentive for incoming researchers

Individuals relocating to Austria to promote science or research in the public interest (or if employed by a company carrying out R&D eligible for the R&D tax credit) may claim a special tax allowance. If the allowance is granted, 30% of the individual's income tax base is exempt from Austrian personal income tax in Austria for a five-year period. The application for the allowance must be submitted within six months after the individual relocates to Austria.

## General R&D Grant Program "FFG-Basisprogramm" (national)

The FFG-Basisprogramm is a funding program for all innovative R&D projects aiming to develop new or fundamentally improved commercially applicable processes, products or services. Funding can amount to up to 70% (50% for large enterprises) of total eligible project costs. The FFG applies a combination of several funding instruments (cash grants, interest-free loans, government guarantees for bank loans and interest subsidies). The maximum direct cash-grant is EUR 3 million for a project duration of 12 to 36 months, and the maximum cash grant portion of the total funding under the program is 31% for start-ups, 28% for small enterprises, 25% for mid-sized enterprises, and 19% for large scale enterprises. Eligible costs include all expenses and charges incurred and directly related to the funded project for the duration of the project. Funding is provided for personnel costs, investments in research infrastructure, and other costs (e.g., third-party services, materials, travel, patent applications). There is no submission deadline for proposals.

## Mobility and transportation funding schemes (national)

"Mobility of the Future" is a funding program for research, technology development, and innovation in the mobility sector, with an average of two funding calls per year. The focus is on sustainable development and to secure mobility, while minimizing the negative impact of transportation. Funded projects may cover, e.g., vehicle

technologies, automated mobility, and personal mobility. "Zero Emission Mobility" is a research and demonstration funding program that aims for 100% electrification (via batteries, fuel cells, high power capacitors) of vehicles, and the development and testing of intelligent e-mobility infrastructure and hydrogen infrastructure as well as their integration into publicly accessible mobility systems and logistics solutions. Funding limits are up to 55% for large enterprises and up to 85% for SMEs (depending on project scope and if planned activities are industrial research or experimental development), with a maximum funding of EUR 2 million for projects executed in cooperation/in a consortium among two or more companies.

## Production research funding schemes (national and transnational)

"Production of the Future" is a funding program to support cooperation between industry and science and human resource development as well as the construction of research infrastructure. The program focuses on the production of competitive products and the increase of productivity, with a particularly high innovation content and an increased development risk. On average there are three funding calls per year, with one call offering a national, another a transnational, and the third a bilateral submission (e.g., with China). Funded projects may cover, e.g., high performance composites, materials for additive manufacturing, Industry 4.0, nanotechnology, photonics, smart textiles, and bio-based industry. Funding limits are up to 55% for large enterprises and up to 85% for SMEs (depending on project scope and if planned activities are industrial research or experimental development) with a maximum funding of EUR 2 million for projects executed in cooperation/in a consortium among two or more companies.

## EU funding programs

There are extensive opportunities to apply for EU grants (Horizon 2020 and the upcoming program Horizon Europe, LIFE, Eurostars, etc.). Some grants permit a company to apply directly, while many require collaboration between three or more partners from three or more EU member states. EU schemes may offer a high level of assistance funding, but the application process is more complex than for national R&D grants. The funding rate for Horizon 2020 is up to 100% of R&D and investment expenditure for research and innovation activities and 70% for innovation activities (100% for nonprofit organizations (NPOs)). The European Horizon 2020 successor program, Horizon Europe, will increasingly focus on complex global challenges such as adaptation to climate change or climate neutrality. Horizon Europe will kick-off on 1 January 2021 and end on 31 December 2027.

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## Investment Incentives

### Investment premium

A new 7% or 14% CAPEX investment premium was introduced to provide incentives for certain business investments for Austrian business premises undertaken during the period from August 2020 through February 2021. The premium amounts to up to 14% of the eligible investment volume. Eligible investments are newly acquired depreciable fixed assets. However, climate-damaging investments, real estate and financial assets are not covered by the Austrian investment premium. For investments in the areas of environment, climate protection, digitalization, healthcare or life science, the premium rate is 14%. The investment premium is limited in time to investments undertaken (for which first measures are taken) during the period from August 2020 to the end of February 2021.

### Funding for investments in R&D infrastructure

"Funding for Investment in R&D Infrastructure" is a funding program open to all CAPEX projects to support R&D infrastructure to be used for basic and application-oriented research. Applications can be submitted for R&D infrastructure to be used for economic activities, with a maximum 50% funding, and for R&D infrastructure to be used for non-economic activities such as education, research, and dissemination of knowledge (e.g., universities and NPOs), with a maximum 85% funding. At least 10% of the annual capacity of the R&D infrastructure must be accessible to other users (beyond a possible consortium) and also to potential competitors in the same industry and field of business. Funding per project is available up to EUR 2.5 million, and the total program budget is EUR 18.6 million. Applicants can include companies, research facilities (e.g., universities and research institutions) and non-economic institutions (e.g., NPOs and autonomous self-governing bodies).

## Environmental Sustainability Incentives

### Raw materials management

Austria's raw materials management program supports measures to reduce the consumption of raw materials, increase material resource efficiency, and use products made from renewable raw materials. The aim is to significantly reduce the consumption of raw materials without compromising productivity in existing production processes, while maintaining the functionality of the product by optimizing production processes (e.g., by reducing or recycling waste).

The funding rate is 30%, with a cap of EUR 500,000 for resource management and EUR 4.5 million for the use of products made from renewable raw materials. Eligible projects must incur minimum costs of EUR 35,000. The raw materials management program can be accessed by any company, regardless of the company's size, industry or legal form. Eligible costs are costs of the plant and its components, including costs of planning and installation. Eligible plant costs include, e.g., manufacturing plants, production facilities, machines, and other plant components relevant for operation. In addition, the increased raw material costs resulting from the use of renewable raw materials can be subsidized.

### Funding for supporting environmental protection measures

The funding program "Supporting Environmental Protection Measures" supports measures for the reduction of environmental pollution, noise protection, and for demonstration plants for testing and introducing new or significantly improved technologies for the prevention of pollution. The funding rate is 30% for avoidance and reduction of climate-relevant gases and 40% for demonstration plants, with a cap of EUR 4.5 million. The program can be accessed by any company, regardless of the company's size, industry or legal form. Eligible costs include costs for the plant, planning, and installation. Funding is available for investments that are directly related to the creation of a positive environmental effect.

