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International Assignment Services
Taxation of International Assignees Austria

Human Resources Services

International Assignment Taxation Folio

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Country: Austria

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Introduction: International assignees working in Austria

This booklet was prepared by PricewaterhouseCoopers to provide expatriates going to work in Austria with a general background to Austrian tax and labor laws. It reflects tax law and practice in Austria in August 2015.

This booklet is not intended as a comprehensive and exhaustive study of Austrian tax law but just as a guide. We advise the reader against making decisions without taking professional advice.

For further information, please contact the office in Vienna listed in Appendix F.

Step 1:
Understanding basic principles

The scope of taxation in Austria

1. Individuals who either take up domicile in Austria or move their customary place of abode to Austria become subject to unlimited tax liability on their worldwide income regardless of citizenship. Individuals without a domicile or customary place of abode in Austria (non-residents) are subject only to income tax on income from Austrian sources. Nationals of EU member States and of countries belonging to the European Economic Area will be treated as Austrian residents for tax purposes although they are non-residents of Austria if they derive at least 90% of their worldwide income from Austrian sources or have income not subject to Austrian taxation that does not exceed EUR 11,000.

The tax year

2. For purposes of personal income tax, the tax year is generally the calendar year. Separate tax returns are required for the period in which an individual is resident and for the period in which an individual is non-resident (but with income subject to Austrian taxation).

Methods of calculating tax

3. A typical income tax computation is set out in Appendix C. Taxable income is gross income less deductions and allowances, special expenses and extraordinary expenses. Income tax rates for 2015 range from 0% on the first EUR 11,000 (EUR 2,000 in case of non-residents) of taxable income to 50% on income in excess of EUR 60,000 (see Appendix A). Generally, non-residents are taxed at the same rates that apply to residents. An amount of **EUR 9,000 p.a.** is added to taxable income if a voluntary or mandatory annual personal income tax return is filed by the non-resident. In case that a non-resident is subject to monthly Austrian wage tax withholding in the current payroll accounting and has no further Austrian taxable income, an Austrian annual income tax filing is not mandatory.

4. Generally, individuals earning more than EUR 11,000 (non-residents EUR 2,000) have to file a tax return. Income from employment with an Austrian employer is generally subject to withholding tax through which the total income tax liability is settled. Employees of Austrian employers are generally required to file a tax return if they have income from other sources exceeding EUR 730 or the filing of a tax return has been requested by the tax office. Returns are also possible if the taxpayer wishes to claim any deductions.

Husband and wife

5. The income of each spouse or child is assessed separately. Joint assessment is not possible.

   A "sole-earner credit" is granted per year as follows:

   – With one child - EUR 494;

   – With two children - EUR 669.

   This amount is increased by EUR 220 p.a. for the third and each further child.

   A sole-earner is a married individual or an individual living in a partnership with at least one child for at least 6 month in the calendar year. The annual income of spouse (partner) must not exceed EUR 6,000 per year.

Domicile and customary place of abode

6. Domicile is the place an individual resides as long as circumstances indicate that he/she will retain and continue to use this place of residence. A customary place of abode is where a person is located as long as circumstances show more than a temporary presence. A person with customary place of abode in Austria for more than six months is generally considered a resident from the beginning of such period. If a work permit for at least six months is provided, then the individual will be deemed to have a customary place of abode.

Foreign tax relief

7. Double taxation agreements between Austria and a number of countries provide tax relief in cases of double taxation (see Appendix D for further information).

Step 2:
Understanding the Austrian tax system

General remarks

8. Taxable income covers income from:

   – Agriculture and forestry;

– Independent personal services (including scientific, artistic, literary, educational, or other professional services);

   – Trade or business;
   – Dependent labor (services as an employee);
   – Invested capital (dividends and interest);
   – Rents and royalties; and
   – Annuities and other income of a recurring nature, capital gains, and income from special services.

As income from the different categories is measured differently, proper classification is important. Income falling into any of the seven categories is taxable only when it results from a serious participation in an economic activity carried on for profit. Total income is the excess of net profits over net losses from all categories. Income not falling into one of these categories is not taxable (e.g. private gifts, lottery winnings).

9. Non-resident individuals or legal entities may also be subject to limited tax liability on these categories of income if the income arises in Austria or if the activity is commercialized in Austria.

Taxation of employment income

Employment income

10. Income from employment consists principally of wages and employment salaries, and includes gratuities, commissions, bonuses, profit sharing and options to buy shares. Items such as a company car or a company house for the use of an employee are considered benefits in kind and liable to tax. Widows' and orphans' allowances, pensions paid by an employer, and other employer payments for past services are also subject to taxation, regardless of whether they are continuing or lump-sum payments and whether their payment is a legal obligation.

Wage tax (withholding income tax)

11. Austrian resident employers and non-resident employers maintaining a permanent establishment for payroll purposes in Austria are obliged to withhold income and social security tax for their employees.

Bonus taxation

12. Bonus payments (e.g. vacation and Christmas pay) up to an annual amount of 2 average monthly salaries ("Jahressechstel") are taxed at a flat rate of 6%; the first EUR 620 are tax free.

13. A solidarity tax will be applicable to persons with an annual income (paid out in 14 instalments) exceeding EUR 185,000. Other remuneration – e.g. 13th salary (holiday remuneration) and 14th salary (Christmas remuneration), bonuses – which is paid within the scope of the "Jahressechstel" will be taxed as follows:

Other remuneration	Wage tax
For the first EUR 620	0%
For the next EUR 24,380	6%

Other remuneration	Wage tax
For the next EUR 25,000	27%
For the next EUR 33,333	35.75%
Above EUR 83,333	Regular tax rate, typically 50%

Deductions and exemptions

14. In computing net income from employment, expenses related to the production and collection of income is generally tax deductible. These expenses include:
    - Membership fees to certain organizations (e.g. Chamber of Labor, workers council, professional representation);
    - Compulsory social and pension insurance contributions;
    - Commuting expenses between residence and place of work where a standard deduction can be claimed per month; the deductible amount depends on the distance and the possibility of using public transport;
    - Work equipment and special work clothes;
    - Business related travel expenses and per diems.
    - Technical literature
    - Training costs

Travel expenses

15. Reimbursements for travel expenses and per diems (if they do not exceed certain fixed amounts) are not treated as income (see also section 127 et seq.)

Overtime

16. Additional compensation received for special hours of work (overtime bonus) is tax exempt, within certain restrictive limits, if it is paid by the employer as a legal obligation, including a collective-bargaining agreement.

Remuneration packages

17. Apart from cash, other benefits in kind and non-monetary receipts granted to the employee constitute taxable income in Austria. This may include:
    - A company car for private use;
    - The use of company rented accommodation;
    - Allowances for difficult living conditions (cost of living allowances);
    - Most 'allowances', e.g. school fee;
    - Salary paid in a foreign currency or to a foreign bank account (split payments);
    - Payment of Austrian personal income tax by the employer because of a net-salary contract.

Relocation expenses

18. If an employee moves from one location to the other due to an international group transfer (within the "group company") a maximum amount of 1/15th of the employee's yearly gross compensation from the lump sum relocation allowance can be considered tax free (no proof of expenses necessary). The exceeding amount will be subject to Austrian income tax. In addition, reimbursements of travel costs for the employee and accompanying family members for the move to Austria, of the freight charges for the shipment of the furniture and other expenses in connection with the shipment (e.g. insurance on shipment of furniture) and of rent for the previous flat which has to be paid until the next cancelation date can be considered tax free (after proof by an invoice, pay slip, etc.).

19. Where the family of an employee stays in the home country, a deduction for double household and travel expenses to visit the family can be claimed. These amounts are limited. Housing expenses are limited to an appropriate rent for a 55 m^2 flat, travel costs are limited to a maximum amount of EUR 3,672.00 per year. In case the spouse in the home country earns an annual income of at least EUR 6,000 per year the deduction of expenses for double household is possible for an unlimited period of time – as long as the annual income of the spouse is more than EUR

6,000 per year. With no or less income, or when the family also moves to Austria but the home in the home country will be kept, the possibility for tax deduction is limited for married (partnered) persons with 2 years, and for singles with 6 months.

Nonresidents

20. Generally speaking, non-residents are taxed at the same rates as residents. An additional amount of EUR 9,000 p.a. is added to the taxable income if an annual voluntary or mandatory Austrian income tax return is filed by a non-resident individual.

Taxation of self-employment income

21. The general principles for determining industrial, commercial, and professional profits are the same for individuals and corporate entities. Taxable profit is the total income realized from carrying on business activities, whatever the nature of the income or business.

22. As a general rule, the taxable profit of a small business (up to a turnover of EUR 700,000) and special free-lance professionals (e.g. lawyers, tax advisors, artists, doctors) is calculated on a cash basis. For a larger business, the profit is calculated on an accrual basis of accounting.

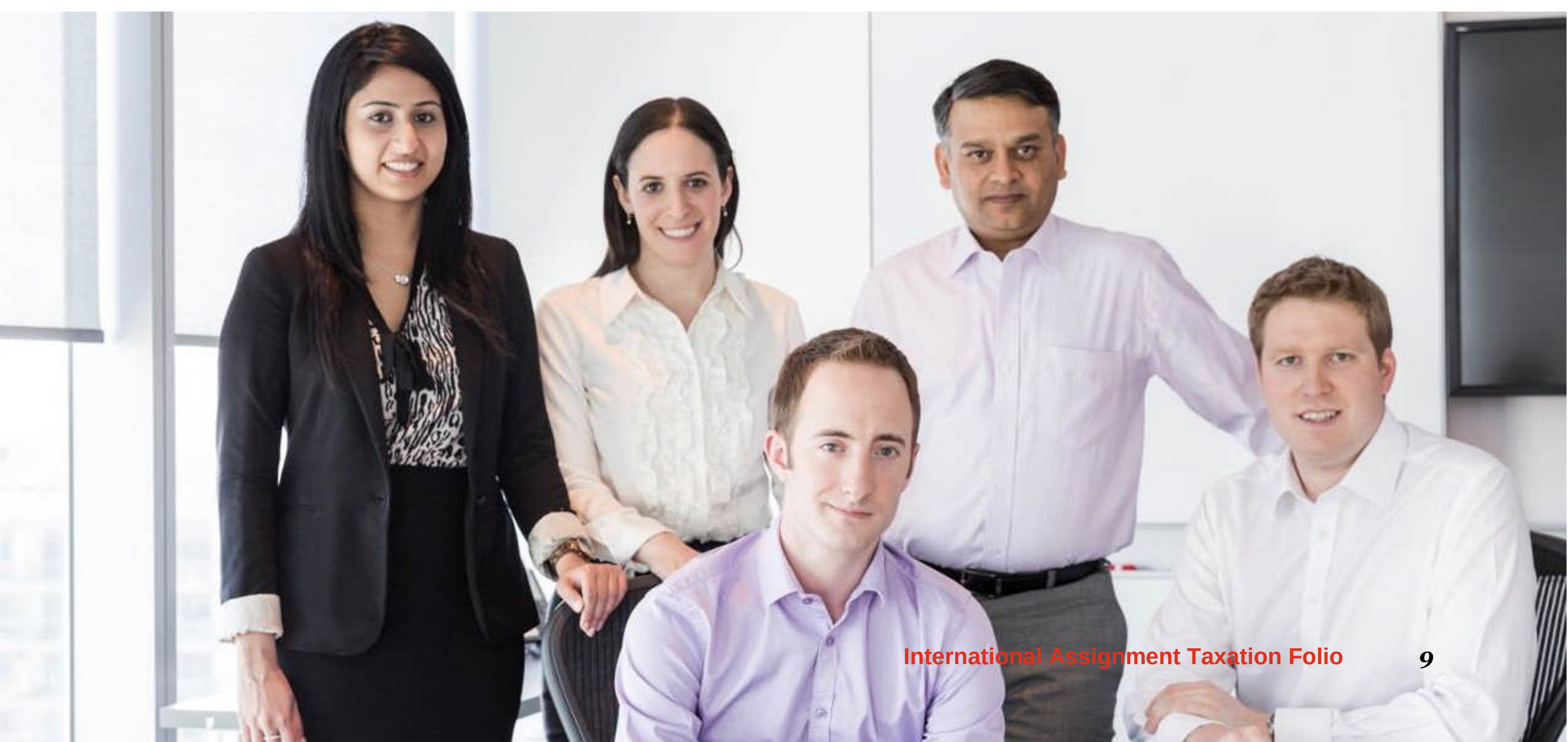
Withholding income tax (self-employment)

23. As no employer/employee relationship exists between the person rendering the independent service and the person paying for such a service, there are usually no withholding requirements.

However, there is a reporting requirement for the payer of fees for the following functions if the total annual fee (including reimbursement for travel costs) exceeds EUR 900 and each single fee (including reimbursement for travel costs) exceeds EUR 450 per activity (e.g. meeting of the supervisory board):

– Members of supervisory board;

– Representatives of "Bausparkasse" (home building loan society) and insurance companies;



- Managing directors of trusts;
- Teachers, lecturers;
- Free employment contractors.

24. Self-employment income derived on a regular basis with the same contractor (free employment) is subject to withholding for social security contributions if the monthly income exceeds EUR 405.98.

25. Non-resident artists, sportsmen, acrobats, architects, authors, lecturers, and members of a supervisory board are subject to a 20% withholding income tax for services performed in Austria. Alternatively, a 35% tax rate can be deducted at source based on evidenced net income. Non-residents receiving royalties and similar fees on Austrian sources are also subject to a 20% withholding income tax.

26. Double tax agreement relief may be granted for the withholding income tax described in section 25.

Tax assessment and payment

27. Tax on net income is collected by assessment on a prior year basis. Quarterly instalments are assessed on an estimated basis on income of the last assessed year, and credited against the final income tax liability. Prepayments have to be paid on the fifteenth of February, May, August and November.

Tax returns have to be filed by April 30th of the following year. In case of electronic filing, returns are due by June 30th of the subsequent year.

In case of filing obligation due to several employments or cancellation of sole earner/sole education allowance the deadline is September 30th of the subsequent year. Voluntary employee rollover returns can be filed within the following 5 years.

These deadlines may be extended by request. For returns filed by licensed tax advisors, there is an automatic extension up to maximum April 30th of the second following year (earlier request by the tax office to file the tax return possible).

If the tax liability is not paid by September 30th of subsequent year, interest will be levied as of this date (basic interest rate plus 2%). The period ends on the day of receipt of the respective income tax assessment. The interest payments are not deductible for income tax purposes.

Also, interest on overpayments will be credited to the individual, which is not considered taxable income to the individual.

Interest is levied for a maximum period of 4 years.

In order to prevent or reduce interest payments to the tax authority it is possible to make a down payment. This down payment is considered by the tax office when the income tax assessment notice is issued and reduces the tax due accordingly.

Taxation of investment income

28. Interest and dividend income as well as income from investment funds are subject to income tax as income from invested capital.

Withholding tax

29. Interest paid on deposits with Austrian banks, interest paid on bonds (including convertible bonds), dividend distributions from Austrian corporations, or if the shares and bonds of foreign corporations are deposited at an Austrian bank or if an Austrian bank as the custodian pays the dividend or interest on bonds, and income received from a "silent" partnership (see note below) are subject to a 25% withholding tax. By request, interest may be exempt from withholding tax (but not from income tax) if it can be proven that the interest is part of the income of a corporation or of a non-resident.

Note regarding "silent" partnership: A "silent" partnership is a participation in a business organized under Austrian law, the participation in which is not outwardly apparent to the public. A "silent" partnership is not disclosed to the public as a partnership, and has no separate legal existence or name. A silent partner is an investor who participates via capital contribution and shares in the profits and losses, but takes no active part in the management of the business.

Final taxation

30. For individuals, entrepreneurs, and partnerships (but not corporations), the withholding tax of 25% is the final tax. Interest or dividend income from a "silent" partnership. The withholding tax is then credited against the final income tax.

Non-residents

31. Non-residents are liable for tax on dividends received from Austrian corporations and on interest arising from a passive partnership in Austria. The rate of 25% withholding tax may be reduced by the terms of a Double Tax Treaty.

32. Non-residents are not liable for Austrian income tax on interest income received from Austrian sources, except interest secured by Austrian property or entitlements. Exemption from withholding tax on Austrian bank account income and from bonds is granted only if a special application is presented to the relevant bank proven by confirmation of residence in the other country.

Foreign sourced investment income

33. Dividend income from foreign corporations, comparable to Austrian corporations, and foreign interest income is subject to income tax at a special tax rate of 25%. If the foreign dividends are paid by an Austrian bank, the tax is withheld at source.

Otherwise this foreign capital income has to be declared in the annual income tax return and will be taxed at the special tax rate of 25%. Business expenses must not be deducted from taxable income.

A foreign withholding tax will be credited or reimbursed under the provisions of the respective Double Tax Treaty. Various exemptions exist for corporations.

Income from investment funds

33.a. Domestic capital income from domestic investment funds is subject to the 25% final taxation. This is also applicable for foreign dividend income in the fund.

Foreign investment funds

33.b. According to Austrian tax law, investment funds are tax transparent. Income of the fund is taxed at investor's level only. Please note that according to the Austrian Investment Fund Act, a foreign investment fund is defined as foreign property invested in accordance with the risk spreading principles, regardless of its legal form.

The Austrian tax authority distinguishes between the following two categories of foreign investment funds:

a Investment funds having a tax representative in Austria ("reporting" funds); generally the funds income has not to be included in the Austrian tax return if it is held on Austrian deposit, otherwise the annual accumulated income has to be included in the Austrian tax return;

b Investment funds having no tax representative in Austria ("black" fund); a lump-sum portion of the income of the fund has to be included in the Austrian tax returns.

For Austrian residents the taxable income deriving from foreign investment funds comprehends the distributed income (dividend) and the DDI (Deemed Distributed Income - accumulated income) and certain capital gains (deriving from the disposal of investment shares on the investor's level).

If a proof of DDI for foreign funds is provided by a domestic tax representative to the Ministry of Finance, the taxable income for the investor is determined on the basis of income derived in the fund rather than on a lump sum basis.

If the foreign black fund shares are sold during the financial year of the fund, all distributions made within the current year and the day the certificates are sold are fully taxable.

If the income of a foreign investment fund (DDI) is not notified or proved by a domestic tax representative (Austrian Certified Public Accountant or Austrian bank), i.e. no tax returns are filed by the fund, the income of Austrian investors from such a fund (so called "black" fund) must be estimated according to Sec 184 Austrian Fiscal Code. Such funds are, according to Sec 186 Investment Fund Law, subject to a lump-sum taxation.

If no proof of deemed income is provided by a domestic tax representative, a very unfavourable lump sum calculation rule is applicable, on basis of the increase of the share's value. The taxable amount is the higher of either 90% of the difference of the first and the last redemption price fixed in the calendar year plus in both cases the actual distribution, but at least 10% of the last redemption price fixed in the calendar year. The income calculated on this way is subject to 25% flat tax for individuals.

In case of purchase of certificates during the year the DDI of the whole year (see above) is taxable.

Capital gains within a business

34. Capital gains and losses within a business are generally treated as business profits or losses and are taxed at regular personal income or corporate income tax rates.

Private capital gains

35. If the assignment or relocation to Austria also has the consequence of switching the centre of vital interest (main residence, family residence, closer personal and economic relations) and therefore the tax residency according to the applicable Double Tax Treaty (DTT) to Austria, a person will be subject of unlimited liability to Austrian income tax on world-wide income.

36. This also means that the capital gain from the sale of movable assets, financial investments or of real estate and the increase in value of a financial investment between commence and a later termination of Austrian tax residence (exit tax) is subject to Austrian income tax.

37. The capital gain from assets other than financial investments and real estate i. e. movables is subject to income tax at tariff if the holding period does not exceed twelve month (short term capital gains, ‘speculative transactions’) and if the annual total of such capital gains exceeds the threshold of EUR 440.

38. Please note that the capital gain from the sale of real estate located in Austria is subject to income tax in Austria also in case of individuals not resident in Austria (limited tax liability).

39. So if the centre of vital interest switches to Austria a tax liability could arise on the following types of income:

- Retirement funds (401K, IRAs)
- Mutual fund income
- Interest on bank accounts
- Increase on individual stocks
- Rental income for property
- Increase in land value

40. The income tax rate in case of capital gains actually realised or determinable at exit date is 25 % as from 1 April 2012.

41. Special lump sum taxation applies for the capital gain from real estate acquired prior to 1 April 2002.

42. The capital gain from sale of a one family house or apartment is tax exempt if it has been the main residence for at least two years as from acquisition or construction or (as from 1 April 2012 also in case that) the individual lived in this home (main residence) without interruption for at least five years within the last ten years.

43. If the first exemption does not apply the capital gain related to the building but not for the land is tax exempt if the building was built by or on behalf of the seller and was not used as a source of income during the last ten years.

44. The capital gain from real estate sold till 31 March 2012 was tax exempt if held for at least 10 years (if special amortization of construction cost was applied, the period 15 years).

45. On application (if the other income is low, e.g. due to losses) instead of the flat income tax rate the lower tax tariff will be used.

46. For real estate acquired prior to 1 April 2002 special rules concerning the determination of the acquisition costs are applicable.

47. In case of real estate located outside of Austria a DTT may provide measures to avoid double taxation.

48. The following financial investments are exempt from capital gain tax if the holding period has been at least twelve month:

- Stock acquired prior to 1 January 2011 if it is not a substantial investment (i. e. the sale is prior to 1 April 2012 and the holding has been less than 1 % of the nominal capital of the corporation during five years prior to the sale or the sale is as from 1 April 2012 and the holding is less than 1 % of the nominal capital at 31 March 2012 and the holding has been less than 1 % of the nominal capital during five years prior to the sale).
- Shares in investment funds acquired prior to 1 January 2011.
- Bonds and derivatives acquired prior to 1 October 2011.

49. Till 31 March 2012 capital gain taxation applied only in case of short term capital gains (speculative income) with taxation at tax tariff (marginal tax rate up to 50 %) and in case of substantial holdings with taxation at half of the average income tax rate of the individual.

50. For financial investments acquired till 31 December 2010 taxation as a short term capital gain applied for a sale within twelve month. The sale after the holding period was tax exempt if it was not a substantial holding. For stock and investment funds acquired as from 1 January 2011 onwards and for bonds and derivatives acquired as from 1 October 2011 the holding period was deemed to cease 31 March 2012. A sale during this period was subject to taxation at income tax tariff at marginal tax rate of up to 50 %.

51. A substantial holding was defined as a direct or indirect participation in a corporation (joint stock company, Limited Liability Company) where the participation at any time within the last five years prior to the (partly) sale of shares or termination of the Austrian tax residence has been 1 % or more of the nominal capital. Also the volume of participation of the predecessor (in case of heritance or donation) within the five year period has to be considered. In the course of changes in legislation a participation of 1 % or more at 31 March 2012 now leads to tax liability also if the acquisition has been prior to 1 January 2011 whereas if the acquisition has been prior to 1 January 2011 and the participation at 31 March 2012 is less than 1 % a sale (exit) will only be taxable within the five year period as from reduction of the participation below 1 %.

52. For acquisitions as from 1 January 2011 onwards there is no difference in taxation between a small participation (stock) and a substantial holding. Therefore taxation applies at tax tariff till 31 March 2012 and taxation at 25 % as from 1 April 2012.

53. Losses from the sale of financial investments may be deducted only from capital gains from financial investments of the same calendar year, from dividends and from interest on derivatives (e.g. bonds). A loss carry forward is not possible.

54. In case the securities will be held on an Austrian bank deposit the bank is obliged to withhold the tax at source. Otherwise taxation takes place via the annual income tax return.

55. Similar exemptions apply from exit taxation (taxation of the increase in value during the period of Austrian tax residence) for:

- Stock acquired prior to 1 January 2011 if it is not a substantial investment
- Bonds and derivatives acquired prior to 1 April 2012
- Substantial investment if acquired prior to 1 January 2011 with exit till 31 March 2012 and the holding at exit date is below 1 % since at least five years
- Substantial investment if acquired prior to 1 January 2011 with exit as from 1 April 2012 onwards and the holding is less than 1 % of the nominal capital at 31 March 2012 and the holding has been less than 1 % of the nominal capital during five years prior to the exit date.

56. Also undue hardship of the taxation at termination of Austrian tax residence (termination of Austrian unlimited tax liability) the increase in value of a financial investment may be avoided on application at the Tax Authority if the individual moves from Austria to another State of the European Union or to Norway:

On application the payment of the tax may be postponed till actual sale of the investment and the tax may be reduced if the sales price is below the market value of the investment at the date of termination of Austrian tax residence. If the investment will be sold ten years after termination of Austrian tax residence or later, the Austrian tax will be dispensed.

57. In addition the rules of the applicable DTT have to be considered as the Austrian taxation rights may be limited or suspended.

58. The increase in value in case of a termination of Austrian tax residence as from 1 April 2012 onwards is subject to 25 % income tax for:

- Stock (disregarded the volume of participation) acquired as from 1 January 2011
- Investment funds acquired as from 1 January 2011 onwards
- Bonds and derivatives acquired as from 1 April 2012
- Substantial holdings acquired before 1 January 2011 if on 31 March 2012 stock is 1 % or more of the corporation
- Substantial holdings acquired before 1 January 2011 if on 31 March 2012 stock is below 1 % of the corporation but at the date of termination of Austrian unlimited tax liability the holding has not been below 1 % since at least five years

59. Till 31 March 2012 exit taxation only applied on substantial holdings. The increase in value was subject to half of the average income tax rate of the individual as from 1 April 2012 the flat tax rate of 25 % applies.

60. In case of acquisition prior to commence of Austrian tax residence (entrance/switch to unlimited Austrian tax liability) the market value at the date of commence has to be considered.

61. For investment funds the capital gain is the difference between the sales price (redemption price) and the acquisition cost without surcharge or higher entrance market value at commence date. Deemed distributed income (dividends) taxed during the holding period will be added, distributed dividends (tax free or not taxable) will be deducted from the acquisition cost.

62. For so called black funds (foreign investment funds not represented by a fiscal agent in Austria) the capital gain taxation and exit taxation already takes place in the lump sum taxation (minimum taxation) of the individual’s income from the investment fund. The start of Austrian tax residence is considered as acquisition of shares in the investment fund, the termination of Austrian tax residence is considered as a sale of shares in the investment fund.

Taxation of rental income

63. Rental income constitutes one of the seven categories of taxable income for an individual. Taxable income from renting or leasing of real or personal property is determined based on the excess of gross rental income over related expenses (including depreciation). However, if rents are received in the course of operating a business or profession, they are taxed as income from a business. In case of rental income for real estate abroad, the relevant Double Tax Treaty has to be considered.

64. Non-residents are taxed on their Austrian-source income only. Rental income received by a non-resident from Austrian sources will be taxed as rental income.

Tax calculation

65. After deducting actual expenses or standard amounts from each category of income, profits and losses in all categories are combined to receive a taxpayer's total income. Additionally, the taxpayer is entitled to deduct a number of other expenses that are known as "special expenses".

Special expenses

66. Special expenses are personal or family expenses for which a deduction is specifically allowed in income tax law. They are deductible only in the year in which they are paid and consist of:

    a. Annuity payments based on special obligations, other than operating or income-connected expenses - unlimited deduction;

    b. Voluntary premiums for personal insurance (health, accident, life insurance, etc.) - within certain limits;

    c. Expenses on the construction of new living accommodation - within certain limits;

    d. Certain expenses for the maintenance or reconstruction of living accommodation, including investments for energy conservation - within certain limits;

    e. Losses carried forward - unlimited deduction under certain circumstances;

    f. Church tax - up to EUR 400 per annum;

    g. Fees for tax consulting by professional tax advisers - unlimited;

    h. Contributions for scientific purposes and private grants to universities, museums, etc. - up to 10% of the current year's income;

    i. Contributions to certain charitable institutions – up to 10% of the prior year’s income;

    j. Amounts deposited in special securities ("Genußscheine") and the purchase price of certain newly issued shares - within certain limits (for acquisitions until 31 December 2010).

67. Items (b), (c), (d), and (j) have to be added. Thereof, the following maximum amounts can be claimed in the annual income tax return:

    – 25% of expenses up to EUR 2,920 per year for single taxpayers

    – 25% of expenses up to EUR 5,840 per year for the sole earner of a married couple or single-parent with one or two children; or if you are married for more than 6 month in the tax year but no sole earner and the income of the partner is not more than EUR 6,000 per year

    For taxpayers with at least three children, the following maximum amounts can be considered:

    25% of expenses up to EUR 4,380 per year for single taxpayers 25% of expenses up to EUR 7,300 per year for the sole earner of a married couple

    For income between EUR 36,400 and EUR 60,000, the deductible amount is reduced on a rateable basis between the income level of EUR 36,400 and EUR 60,000. If no special expenses are indicated, or the income exceeds EUR 60,000 a lump sum of EUR 60 is deducted.

Extraordinary expenses

68. In addition to the special expenses, taxpayers who incur extraordinary expenses can obtain some tax relief. This relief applies to resident taxpayers subject to unlimited tax liability who incur unavoidable expenses. If such expenditure exceeds those incurred by the great majority of taxpayers with similar income and net worth status, the taxpayer may apply for permission to deduct a part of those expenses. An example of such expenditure is a very large medical expense not reimbursed by health insurance. Depending on income and family status, the taxpayer may be able to

deduct an amount that exceeds a certain percentage of his/her income (retention amount). This percentage varies from 6% to 12%, depending on the kind of expense, income, marital status, and the number of children.

69. In addition to the general relief provision, the law gives specific cases of extraordinary expenses. A deduction is allowed for the following purposes:

   – Expenditure resulting from catastrophic losses or floods, etc. - without limitation;
   – Expenses for external training (school fees) of the taxpayer's children - up to EUR 110 per month;
   – Expenses for handicapped children - without limitation;
   – Expenses of handicapped persons - without limitation.

70. It is possible to deduct the costs for childcare services up to a maximum amount of EUR 2,300 per child per year (for children up to the age of 10). Prerequisite: the children must be looked after by an institutional establishment (e.g. nursery, kindergarten, crèche, boarding school etc.) or by a similar person, like a trained nanny. In addition, only the direct costs for the childcare service are deductible, including costs for food and handicraft, excluding school fees for private schools.

Child tax-free amount

71. A tax-free amount of EUR 220 (reduction of the taxable base) per child may be claimed annually. If both parents claim the tax-free amount, both income earners are entitled to 60% of the tax-free amount, which makes EUR 132 for each annually. In case an individual is entitled for the child alimony tax credit and when the child is not permanently living outside of Austria the tax-free amount is EUR 132.

   The tax payer can apply for the child tax-free amount in the annual income tax return if he/she (or his/her partner) is entitled to the child tax credit for that child for more than six months in the calendar year.

   If an individual claims the child tax-free amount he/she has to indicate the child’s (children’s) social security number/s in the tax return.

Tax credits

72. After computing taxable income and determining the appropriate income tax, the following personal tax credits may be deducted from the tax:

   – Credit for sole earner/single-parent per year (i.e. a single individual with at least on child):
      o With one child EUR 494 (sole earner/single-parent);
      o With 2 children EUR 669 (sole earner/single-parent);
      o For each further child EUR 220 (sole earner/ single-parent);
      o Limit of income for spouse/ partner for sole earner credit with at least one child: EUR 6,000 per year;
   – Credit for an employee, EUR 54 if on Austrian payroll;
   – Commuting credit for employees, EUR 291.
   – Credit for retirees:
      o EUR 764 if the following conditions are met:
         > The taxpayer has been married/partnered for at least 6 months in the calendar year

- > The pension income does not exceed EUR 19,930 in the calendar year (the tax credit phases out between income of EUR 19,930 and EUR 25,000)
- > The spouse/partner has a maximum (pension) income of EUR 2,200 in the respective calendar year
- > The taxpayer is not eligible to claim the sole earner credit

o EUR 400 in every other case;

Up to an annual income of EUR 17,000 the full tax credit will be granted. The tax credit phases out between income of EUR 17,000 and EUR 25,000. No tax credit is available for annual income exceeding EUR 25,000;

Tax rates

73. Income tax for individuals is levied on a graduated scale at rates between 0% and 50% (see Appendix A). Austrian corporate income tax is a flat rate of 25%.

74. The Austrian standard rate for VAT is 20%; the reduced rate is 10%.

Double-taxation agreement

75. Austria has entered into tax conventions or treaties with numerous countries (Appendix D). The provisions of these agreements aim at avoiding, completely or to a large extent, double taxation of income. This is accomplished through taxation at source, full or partial refund of the profits tax, or allowance of a foreign income tax credit. Some of these agreements also provide for the prevention of double taxation with regard to death duties. In addition, the Federal Ministry of Finance can, on application, grant certain relieves from double taxation.

Credit for foreign income taxes

76. A tax treaty may provide a resident taxpayer (subject to unlimited tax liability) with a special exemption for foreign income. Although, under Austrian law, the worldwide income of such a taxpayer is taxable, some treaties exempt some foreign source income (some treaties entitle Austria to fix the tax rate after taking worldwide income into consideration). If a treaty does not provide a taxpayer with this exemption, foreign income taxes paid on foreign income taxable in Austria are allowed as a credit against the Austrian tax on the same income. The credit allowed on the Austrian tax return is computed by multiplying the ratio of foreign income to total income by the total Austrian tax. Foreign taxes that will be credited may not exceed the Austrian tax on the foreign income for the assessment period, and this computation accomplishes this. Excess foreign tax credits cannot be carried forward or back; foreign taxes may only be credited in the taxable period for which the related income is included.

Social security taxes

77. Social insurance in Austria generally consists of old age, accident, health and unemployment insurance.

78. The Austrian Social Security system is based on the principle of a “legal mandatory social security”. All Employees, which are employed within Austria, are basically subject to the Austrian mandatory Social Security. The mandatory Social Security covers Sickness, Accident, Pension and Unemployment. If a

foreign Employer does not have a permanent establishment in Austria the Employee is subject to Social Security if he carries out his activity from a domestic residence and if he is not subject to another social system abroad due to his activity.

79. Employees working for an employer who is resident in the European Economic Area, who are sent to Austria for a limited period of time upon five years and if a form E 101/A1 can be presented, may stay in the social security scheme of their home country and be exempt from compulsory contributions in Austria. Persons from other (non EU) countries who are employed in Austria may be exempt from contributions for social insurance or may be entitled to refunds in certain situations. Such exemptions and refunds depend on agreements with the employee's country of residence and further circumstances. Countries with which Austria has entered into such agreements are listed in Appendix E.

80. If the Employee is subject to Austrian Social Security, he has to be registered prior taking up activity and deregistered upon termination of activity. The deadlines for registration are very short. Failures to comply with the deadlines result in considerable penalties.

81. Social security contributions are partly paid by Employee (Employee's portion) and by Employer (Employer's portion). The Employee's portions are withheld monthly from the salary of the Employee. Both portions are paid by Employer to the competent social security institution.

82. Contribution basis is the monthly gross salary of the Employee or the special payments, which are paid to the Employee. For both kinds of salary income the maximum contribution amount has to be considered. This is the applicable maximum amount, up to which contributions are levied and are changed every new calendar year (see Appendix A). For salary income exceeding this maximum contribution basis no social security contribution has to be computed.

83. Important exceptions are: daily and overnight allowances, mileage, severance payments, contributions to Employee (Pension) Provision Fund, company pensions, pension lump sums. For aged Employees part of the social security contributions are not payable after reaching a certain age (e.g. accident insurance after completion of 60th anniversary).

84. The social security contributions are registered monthly and electronically to the respective social security institution. The contributions have to be paid monthly to the respective institution by the 15th day of the subsequent month.

85. All compulsory social security contributions paid are deductible for tax purposes. Voluntary contributions to the state scheme are deductible as special expenses under certain circumstances.

Family allowance

86. A monthly tax-free cash payment for children up to age 18, or up to 24 if still in school/studying or handicapped (up to age 25 under certain conditions), is granted by the government upon formal request. Family allowance in Austria is only granted if no foreign entitlement to family allowance is given. For children living in Austria, the allowances depend on the number and age of the children and are as follows:

Age of child	With 1 child	With 2 children	With 3 children	With 4 children	With 5 children	With 6 children	With 7 and more children
Below 3	168.10	174.80	184.70	193.60	198.90	202.40	218.10
3 – 9	175.70	182.40	192.30	201.20	206.50	210.00	225.70
10 – 18	194.60	201.30	211.20	220.10	225.40	228.90	244.60
19 – 23/24	217.30	224.00	233.90	242.80	248.10	251.60	267.30

A 13th payment in the amount of EUR 100 will be granted in the month of September each year for children aged between 6 and 15.

These Family allowances are granted even in the case where no income tax is payable.

Additional increase for disabled children:

The family allowance for considerably disabled children is increased by EUR 150 per month per child.

Additional increase for families with 3 or more children:

In the case of 3 or more children and only a small annual family income of EUR 55,000 an additional allowance of EUR 20 per child and month is granted.

87. For children over 18 years an allowance is granted only if they have no or small personal income (up to EUR 10,000 per year).

88. For children not living in Austria, a reduced allowance is granted, as long as a social security treaty or the EC regulation provides for this (make-up payment).

89. Taxpayers who receive cash payments for children living in Austria are entitled to a monthly "tax credit" of EUR 58.40 per month for each child according to Austrian tax law.
This "tax credit" is disbursed together with the monthly family allowance.

Child care benefit

90. The monthly child care benefit ("Kinderbetreuungsgeld") depends on the length of maternity leave taken by the spouse and amounts between EUR 14.53 and EUR 66.00 per child and day for children who have passed the mother-child check up. If this examination is not taken, the child care benefit will be reduced. Income limit: differs due to different variants.

91. Additionally, applicants with minor income can receive a small financial contribution for their children.

Step 3:
What to do before you arrive in Austria

Work and residence permit

92. If you wish to take up employment in Austria, you need a work permit and a residence permit unless you are a citizen of a country which is a member of the European Economic Area. However, Croatian nationals still need a work permit (most likely for the entire transition period of 2 + 3 + 2 years starting from July 1, 2013).

EU/EEA and Swiss nationals have to apply for a registration certificate ("Anmeldebescheinigung") at the competent immigration authority within four months after arrival in Austria if they intend to stay longer than three months in Austria.

Work permit

93. If you come from a country outside the EU/EEA, your employer has to apply for a provisional work permit ("Einzelsicherungsbescheinigung") at the local Labor Authority ("Arbeitsmarktservice") before you come to Austria. After having obtained the valid residence permit the employer needs to apply for a final work permit. Only then, you can legally start working in Austria.

94. Currently, during an agreed transition period, Croatian citizens only need work permits if they have not yet (legally) worked in Austria for a consecutive period of 12 months. Otherwise they can apply for a free movement certificate.

Residence permit

95. In general, you have to apply for an Austrian residence permit from abroad at the Austrian embassy of your country presenting your provisional work permit. In the event that you are entitled to enter Austria without a visa, the application for residence permit can be filed directly in Austria which usually reduces the processing time tremendously.

Combined permits

96. In July 2011 combined residence and work permits got introduced.

The Red-White-Red-Card is issued for highly qualified persons, other key employees, and students having successfully completed their studies in Austria. From May 2012 it is available for persons applying for certain shortage positions. There is no annual quota anymore but points are being awarded per category, the applicant having to fulfill certain minimum points. The RWR-Card is valid for one year and can be extended.

The Blue Card is based on an EU directive and it can be issued if certain prerequisites are met (job offer of at least one year, high monthly salary, Bachelor degree, etc.). It enables its holder to accumulate times spent in other EU countries for the application of a permanent residence permit. The Blue Card is generally valid for two years and can be extended.

Duration and extension of work permit

97. A work permit is issued only for a specific job and for a maximum duration of one year but it can be extended upon request. The application for extension has to be filed with your local Labour authority prior to the expiry of the permit. Residence permits can also be extended at the competent immigration authorities prior to expiry.

Employment contract

(Due to professional law PwC Austria is not allowed to give legal advice, for this reason no. 98 and 99 can only be considered as recommendation but not as legal advice)

98. No special form is required for an employment contract. The contract can be concluded verbally, in writing, or by conclusive negotiation. If there is no written contract, the most important elements of the employment contract have to be summarized by the employer on a special form. If you are a manager, your agreement is usually in writing specifying the following items:

    - The parties to be bound by the contract terms;
    - The date on which your employment with your employer began and whether any previous employment is to be regarded as continuous with the present employment;
    - The expiry date (if your employment is for a fixed term);
    - Your rate of pay;
    - Any rules relating to hours of work, including normal working hours and overtime arrangements;
    - Entitlement to holidays if exceeding the legal entitlement;
    - The length of notice the employee is required to give and is entitled to receive in addition to the basic statutory minima;
    - The employee's job title.

99. Employment contracts in Austria may be terminated for the following reasons:

    - Agreement between the contracting parties (termination upon mutual agreement);
    - Notice by the employer or the employee within the stipulated or legal notice period;
    - Dismissal by the employer or withdrawal by the employee under special circumstances or due to special reasons.

Remuneration

100. The following issues should be considered in the contract concerning remuneration:

101. In order to obtain a favourable tax treatment on bonus payments, it is advisable that payment of annual salary in 14 instalments should be agreed in the employment contract (see paragraph 12).

102. Taxable benefits in kind (see paragraph 17) are in some cases more favourable from the tax point of view than more cash. Examples are accommodation or a car provided by an employer.

Importing personal possessions

103. The import of personal possessions and belongings are duty free if the goods have already been used. The same applies to an imported car if you have used it for at least six months. However, the first-time registration of cars in Austria is subject to a tax based on standard fuel consumption of vehicles (NOVA). The rate is dependent on fuel consumption and amounts up to 32% of the net value (excl. VAT) of the car.

Step 4:
What to do when you arrive in Austria

Establishing residence and domicile

104. If you wish to establish residency in Austria, you must register at the local community office within 3 days after your arrival in Austria and apply for an “Anmeldebescheinigung” as EU/EEA national within 4 months at the residence permit authority of your district.

Language course

105. Third country nationals (non EU/EEA-nationals) have to prove certain German language skills within the scope of the integration agreement.

You can apply for a family allowance for your dependent children if you are covered by the Austrian social security system. You would apply for this at the local tax office where you live, and would receive this allowance via payment from the tax office directly to your bank account.

Social security

106. If you are not covered by your home country's mandatory social security system under the EC regulations or the respective social security treaty, you will have to register with the Austrian mandatory social security scheme immediately.

Income tax

107. As an employee, you will be subject to income tax at source. Your employer has to withhold tax from your salary and remit the amounts to the local tax office.

108. If you are a sole earner with at least one dependent child or the distance from your residence to the employer is more than 20 km you should ask the payroll service of your employer for an application for a tax credit.

109. If you have other income in addition to your employment income (which is subject to wage withholding tax) exceeding the amount of EUR 730 or EUR 22 in case of investment income (e.g. interest and dividends, etc), you will have to file an annual income tax return. In order to reduce the final tax burden it is possible to make quarterly advance payments.

110. You should seek professional advice shortly after your arrival to confirm there are no other tax issues. Especially regarding filing for a tax number, quarterly prepayments, import of a car, church-tax. Your local PricewaterhouseCoopers office can provide these services.

Step 5:
What to do at the end of the year

Annual income tax return

111. If your income in Austria only consists of employment income from which tax has been withheld at source, you do not need to register with the tax office. However, you can file an income tax return with the local tax office after the end of each calendar year in order to

- apply for a refund between your higher preliminary monthly wage tax and your final annual income tax liability (e.g. because you have started/terminated working in Austria during the calendar year) and/or;
- claim possible deductions because of special kinds of income-related expenses, special expenses, and/or extraordinary expenses.

A tax return for the purposes mentioned above can be filed within a period of 5 years.

112. If you also have taxable income from sources in addition to your employment income exceeding EUR 730 you have to file an income tax return after the end of each calendar year. The filing deadline is April 30th of the subsequent year. In case of electronic filing, the deadline is extended to June 30th. If the tax return is prepared by a licensed tax consultant the deadline may be extended up to April 30th of the second following year. All these deadlines are usually extended by the tax office upon request, but interest will be levied if the tax liability is not paid by September 30th of the following year. A penalty of up to 10% of the tax liability may be assessed for late filing of tax returns.

Payment of tax

113. If your income in Austria only consists of employment income, tax has been withheld at source each month. Therefore, no further tax payments fall due.

In case of additional income, an annual tax return needs to be filed. The deadline for the payment of the final tax liability is one month after the tax assessment notice has been issued. If quarterly advance payments have been made they reduce or eliminate the final tax liability accordingly.

As of September 30th of the subsequent year interest falls due on the additional income tax to be paid. The applicable interest rate consists of the basic interest rate of the ECB plus 2%. In order to prevent or reduce interest payments to the tax authority a down payment can be made. This down payment is considered by the tax office when the income tax assessment notice is issued.

Similarly, for tax refunds you are entitled to receive interest from the tax office as of September 30th of the subsequent year.

Interest will only be assessed in case the amount of interest (due or what you receive) exceeds EUR 50.

114. If you pay tax late a penalty for late payment of tax may be assessed in the amount of 2% of the final tax liability assessed in the income tax assessment notice. Postponement of tax payment may be granted if a formal request is made. Interest for postponement will be charged, however, if the amount of interest due exceeds EUR 50.

A second penalty for late payment of tax is levied in the amount of 1% of the tax due if the amount has not been paid after 3 months of the due date of the income tax assessment notice. A third penalty for late payment of tax of 1% is levied if taxes have not been paid within other 3 months after the obligation to pay the 2nd late payment.

Income tax assessment notice

115. After filing of the tax return the tax office has 6 months to prepare a tax assessment note. With this note the final tax will be assessed.

If you do not agree with your assessment, you must file an appeal against it within one month of receipt.

In case the final tax will be reduced additional interest will be paid for the tax reduction. The applicable interest rate consists of the basic interest rate of the ECB plus 2%. Interest will only be assessed in case the amount of interest exceeds EUR 50.

Step 6:
What to do when you leave Austria

Reporting departure

116. When you terminate working in Austria, your employer has to notify the social security authority of the termination of your employment. If you also give up residence, you will have to de-register at the local community office.

Severance payments

117. In case the employer contributed to an Austrian employee care fund during the assignment to Austria you may be entitled to a severance pay which is taxed at the preferential tax rate of 6%.

In case you leave the money in the fund for a later pension payment it is tax exempt in Austria. The provisions of the respective Double Tax Treaty will have to be observed.

If no contributions to an employee care fund had to be made a tax favoured voluntary severance pay can be granted upon termination of assignment. It is taxed at the reduced rate of 6% if the amount does not exceed a quarter of your current gross salary of the last twelve months. Furthermore the amount is capped with nine times of the social security contribution basis (EUR 41,850)

Tax return filing

118. In order to receive a tax refund you may want to file a tax return with the local tax office. Current tax prepayments for the following years should be reduced or set to EUR 0.00 if no tax return needs to be filed for the following year. Because the tax return usually can only be filed after the end of the tax year, a representative such as PricewaterhouseCoopers should be appointed to receive your income tax assessment notice.

Moving lump-sum

119. A moving lump sum of up to 1/15th of the annual gross salary can be considered tax free when leaving Austria after termination of a group assignment. This lump sum can be granted in addition to actual moving costs reimbursed (for more information, see section 18).

Step 7:
Other matters requiring consideration

Real-property acquisition tax

120. Tax is levied on the acquisition and purchase of real estate, including land and buildings, or any entitlements to build on Austrian real estate. The rate is usually 3.5%.

121. Certain real estate transfers are exempt from tax.

Real estate tax

122. An annual tax on real estate is imposed by municipalities. The tax is based on standard assessments and is within the range of similar taxes assessed in other countries. The basic tax rate for real estate is 0.2%. This rate is increased by a coefficient determined by each municipality, which may range up to 500%. The total percentage is about 1%.

Church tax

123. A church tax can be imposed on resident individuals who are members of recognized religious groups, and can be collected by church authorities. For Roman Catholics the tax amounts to 1.1% of the individual's income tax or wage-tax basis, reduced by allowances for children (several other allowances are available). In certain circumstances, the tax can also be based on net property owned.

Stock options and equity participation

124. Austrian tax law provides some special rules for employee share schemes granted to all employees or certain company related groups of them. The acquisition of shares of an employer or a group company either at a favourable purchase price or free of charge is considered tax free up to an amount of EUR 1,460 per calendar year. Amounts exceeding EUR 1,460 are taxed at the progressive tax rate. Generally speaking, the shares have to be deposited with an EC bank or an Austrian branch of a foreign bank or with a legal entity (agreed between employer and employee representation). In case of transfer of shares within five years after acquisition the tax free amount will be taxed subsequently if the employment contract is still in force.

125. Income from the exercise of stock options exceeding EUR 1,460 per annum is taxed according to the general rules. The difference between the purchase (option) price and the market price is taxable income whereby the employer is obliged to withhold income tax as with other employment income. The taxable benefit arises on the date of exercise of the stock options.

126. For non-transferable stock options granted between January 1, 2001 and March 31, 2009, a beneficial tax treatment is applicable. Prerequisite: the options have to be granted to all employees or certain groups of them. The full benefit is available if the value of the participation does not exceed EUR 36,400 at the date of grant. Up to a maximum of 50% of the stock option income (bargain element) can be exercised tax-free. The taxability of the stock options (taxable portion) can be deferred up to a maximum period of 7 years after the grant of the option.

The shares have to be deposited with a domestic bank (EC-bank or Austrian Branch of a foreign bank) or with a legal entity (agreed between employer and employee representation).

Per Diem allowance for business trips

127. According to collective agreements between statutory employer associations and trade unions, an Austrian employer may provide his/her employee with a per-diem allowance for business trips. In order to benefit for tax exemption, the following requirements must be met for business trips in Austria:

- The allowance for food must not exceed EUR 26.40 per day (more than 12 hours up to 24 hours), for trips of less than 12 hours, the allowance has to be calculated proportionally;
- The allowance for accommodation must not exceed EUR 15 per night, if supported by documentation, higher actual costs are allowed for a tax-free refund;
- The business trips have to be substantiated by travel reports.

128. The above-mentioned amounts apply to domestic business trips. For business trips abroad, only amounts especially fixed for civil servants are tax-exempt.

Appendix A:
Austrian income tax rates for individuals

Tax rates applicable to individuals in 2015 are as follows (in EUR):

Taxable income over	Not over	Tax rate (%)
0	11,000	0.00%
11,000	25,000	36.50%
25,000	60,000	43.2143%
60,000	and above	50.00%

Tax computation 2015 (in EUR):

Taxable income over	Not over	Income tax computation	Add
11,000	25,000	*(Income - 11,000) * 5,110_14,000*	0
25,000	60,000	*(Income - 25,000) * 15,125_35,000*	5,110
60,000	and above	(Income - 60,000) * 0.5	20,235

Austrian social security rates for 2015

Contributions on current white collar salaries - based on January 2015

	Payable by employee (%)	Payable by employer (%)	On Monthly earnings up to
Old-age insurance	10.25%	12.55%	4,650
Health insurance	3.82%	3.83%	4,650
Accident insurance	–	1.30%	4,650
Unemployment insurance	3.00%	3.00%	4,650
Chamber of Labour etc.	1.00%	0.95%	4,650
Total	18.07%	21.63%	

Contributions on bonus

	Payable by Employee (%)	Payable by Employer (%)	On Annual Earnings up to
Old-age insurance	10.25%	12.55%	9,300
Health insurance	3.82%	3.83%	9,300
Accident insurance	–	1.30%	9,300
Unemployment insurance	3.00%	3.00%	9,300
Insolvency fund		0.45%	
Total	17.07%	21.13%	

For aged employees different rates can apply.

For employment commencing after December 31, 2002, the employer must pay 1.53% of the gross salary (without upper limit) as employer contribution to an employee care fund.

Supplementary contribution for relatives

Family members covered by national state insurance are now subject to contributions for health services.

A supplementary contribution has to be paid for spouses, partners, or relatives who are in charge of the household (§ 123 Abs.7 and 8 ASVG - General Social Security Act).

- For children, adopted children, step children, foster children, and grandchildren who are included in the insurance, no supplementary contribution has to be paid.

Further exceptions are available.

Stipulated contributions

The supplementary contribution is stipulated and charged annually by the health insurance authorities. The insured person (and not the relative person) must pay that contribution himself. The supplementary contribution amounts to 3.4% of the contribution base of the insured person.

Appendix B:
Directive concerning payroll accounting for expatriates

Directive concerning the payroll accounting for expatriates (GZ 07 0701/1-IV/7/9, Dec. 15, 1997)

Due to the increasing mobility and rising number of assignments of executives to foreign countries, a directive was issued in order to save taxes for the additional foreign service and housing allowances granted to the expatriates in form of a global allowance for such expenses in the current payroll accounting.

The directive understands that expatriates are individuals who have not been resident in Austria for the past ten years and who work temporarily for an Austrian employer (group company or permanent establishment) in Austria on behalf of a foreign employer. Austria as the state of activity has the right to tax this income.

The directive is only applicable if the temporary activity is not planned for a period of more than five years. The employee has to keep his residence in the home country. If a longer period of employment is fixed from the very beginning, the directive is not applicable.

The purpose of the directive is to facilitate the payroll accounting for expatriates. Foreign allowances paid to the expatriate by the employer can be considered tax free directly in the current payroll accounting.

The following allowances are included:

- Expenses for moving;
- Expenses for double household;
- Expenses for home leaves;
- Expenses for education of children (school fees)

Expenses for moving

Expenses for the change of residence due to an assignment are tax-free up to 1/15 of the annual gross salary.

Expenses for double household

The reasonable rental cost for a residence in Austria for the employee and his family are tax deductible up to a monthly amount of EUR 2,200.

Expenses for home leaves

If an expatriate makes a home leave and visits the foreign employer in his home country at the same time, it is assumed that these costs represent expenses for a business trip and remain tax-free. No per diem allowances for travels to the parent enterprise and home leaves can be claimed.

In addition, home leaves for the maintenance of the permanent residence (up to EUR 3,672 per annum) are tax-free.

Expenses for education of children (school fees)

If children of expatriates accompany their parents to Austria and have to attend a private international school instead of a public school e.g. for language reasons, a lump sum of EUR 110 per month and per child is tax deductible.

Additional special expenditures, business expenses, and extraordinary financial burdens can be considered in the annual tax return.

The directive is not applicable in the case that the above-mentioned items exceed 35% of the taxable income. Furthermore, if the above expenses are being claimed, no tax free per diems may be claimed for the activity in Austria.

The employer has to forward a written notification to the respective tax office at the beginning of the assignment as well as the beginning of every calendar year thereafter stating the names of the employees for whom the beneficial tax treatment is claimed. The employer must inform the tax authorities of the personal data of the expatriate, including his address in Austria and in the foreign country.

Appendix C:
Typical tax computation

Typical tax computation for 2015 - based on the projected law and tax rates in effect as of January 1, 2015.

Assumptions: Resident husband and wife, two dependent children; husband is sole earner: employment in Austria (Austrian employer), Austrian social security, employment income paid in 14 instalments, interest from foreign sources (EUR 11,250), dividends from abroad (double tax treaty country) (EUR 7,030 comparable to Austrian dividends), life insurance premiums EUR 7,300 per year.

Tax computation	EUR	EUR
Salary		65,400
Less: Tax-favored portion (13th and 14th salaries) (65,400 : 14 x 2)	(9,343)	
Less: Social insurance contributions (12 x 802.31)	(9,628)	
Less: Standard allowance: Business expenses	(132)	
Less: Non-business expenses relief: Insurance premiums (max)*	(873)	
Less: Child tax-free amount	(440)	(20,416)
Taxable Income		44,984
Tax thereon		13,746
Less personal allowances - Sole earner	(669)	
Less personal allowances - Employees general	(54)	
Less personal allowances - Employees & transportation	(291)	(1,014)
Income tax		**12,732**
Income tax on 13th and 14th salaries (65,400 : 14 x 2)	*9,343*	
Social security contributions	*(1,516)*	
For 13th and 14th salaries	*(620)*	*7,207*
Assessment basis (6% of 7,207)		432
Add: 25% special tax on interest and dividends		4,570
Income tax liability		**17,734**
Foreign tax credit for w/h tax on dividends (assume 10% of 7,030)		(703)
Total income tax payable		**17,031**
* (60,000 – 46,297.44) x (1,460-60)/23,600 + 60 = 872,86		

Appendix D:
Double-taxation agreements

Countries with which Austria currently has double-taxation agreements (other than for shipping and air transport only)

Algeria	Indonesia	Poland
Albania	Iran	Portugal
Armenia	Ireland	Romania
Australia	Israel	Russia
Azerbaijan	Italy	Saudi Arabia
Bahrain	Japan	San Marino
Barbados	Katar	Serbia
Belgium	Kazakhstan	Singapore
Belize	Korea	Slovakia *
Bosnia and Herzegovina	Kuwait	Slovenia
Brazil	Kyrgyzstan	Spain
Bulgaria	Latvia	South Africa
Canada	Liechtenstein	Sweden
China	Lithuania	Switzerland
Croatia	Luxembourg	Tadzhikistan
Cuba	Macedonia	Thailand
Cyprus	Malaysia	Tunisia
Czech Republic	Malta	Turkey
Denmark	Mexico	Turkmenistan **
Estonia	Moldavia	Ukraine
Finland	Mongolia	United Arab Emirates
France	Morocco	United Arab Republic (Egypt)
Georgia	Netherlands	United Kingdom
Germany	Nepal	United States
Greece	New Zealand	Uzbekistan
Hong Kong	Norway	Vietnam
Hungary	Pakistan	Venezuela
India	Philippines	White Russia (Belarus)

*Until the own double tax treaty comes into force, the double tax treaty for the ČSSR is applicable.

** Until the own double tax treaty comes into force, the double tax treaty for the USSR is applicable.

Appendix E:
Social security agreements

For countries of the European Economic Area the Directive 883/2004 has priority over bilateral agreements.

Countries with which Austria currently has social security agreements:

Australia *	Iceland	Poland
Belgium	India **	Portugal
Bosnia-Herzegovina	Ireland	Romania
Bulgaria	Israel	Serbia
Canada	Italy	Slovakia
Chile	Korea	Slovenia
Croatia	Kosovo (see also Yugoslavia)	Spain
Cyprus	Liechtenstein	Sweden
Czech Republic	Luxembourg	Switzerland
Denmark	Macedonia	Tunisia
Finland	Moldova	Turkey
France	Montenegro	United Kingdom
Germany	Netherlands	United States
Greece	Norway	Uruguay
Hungary	Philippines	Yugoslavia

* International Assignments are not covered by this treaty

** in force as per 1st July 2015

Appendix F:
Austria contacts and offices

Contacts

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