

## New Austrian Government presents Tax Program

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Following the elections to the Austrian National Assembly on 15 October 2017, the center and right wing parties, Austrian People's Party (ÖVP) and Austrian Freedom Party (FPÖ), formed the new Austrian Government, headed by Chancellor Sebastian Kurz of the Austrian People's Party.<sup>1</sup> On 16 December 2017, the new Government presented its Tax Program for the period 2017 to 2022. The program lists a long series of political declarations of intent but does not yet provide details on all aspects. The following is a short summary of the most relevant tax aspects of the program.

#### Reduction of the corporate income tax rate

- ▶ Decrease of the current corporate income tax (CIT) rate of 25% (flat rate) with a focus on non-distributed profits. The Tax Program does not specify any lower rate nor the entry into force of the lowered rate. A lower rate is expected to create incentives for further investment.

#### International tax

- ▶ The internationally coordinated aim to combat tax base erosion and profit shifting is high on the agenda. The Government wants to enable the taxation of digital permanent establishments by introducing the concept of digital permanent establishments at the Organisation for Economic Co-operation and Development and European Union (EU) level with a view to ensure fair taxation.

This shall enable national governments to tax profits of digital business models based on a significant digital presence, without the prerequisite of a physical presence.

- ▶ Obligation for platforms and operators of e-commerce/sharing economy to contribute to the levying of taxes by submitting relevant data.
- ▶ The new Government plans an initiative at the EU level to amend the EU Value Added Tax (VAT) Directive to enable a shift to a uniform reverse charge system between all resident entrepreneurs in Austria.
- ▶ Expansion of advance rulings to additional areas including international tax questions and VAT (currently only transfer prices, restructurings and group taxation).

### Other amendments

- ▶ Completely new condification of the *Austrian Income Tax Act* which is 30 years old and was amended more than 160 times in that period. The goal is to reduce the differences between Austrian Generally Accepted Accounting Principles (GAAP) and Austrian tax and the overall complexity of the tax code.
- ▶ Alignment of depreciation and amortization between Austrian GAAP and Austrian tax. The program mentions the reducing balance depreciation as one option to make Austria more attractive for investments.

- ▶ Decrease of non-wage labor costs and harmonization of tax base and tax audits. There shall be one authority for wage tax audits. There is the political statement to further simplify wage taxation. In a subsequent step, all non-wage labor taxes and contributions shall be levied by the tax office which shall then forward all contributions and taxes to the relevant authorities.
- ▶ Self-assessment of CIT, income tax and VAT. Currently, tax returns have to be filed electronically; the tax office subsequently issues a tax assessment.
- ▶ Tax audits: expansion of horizontal monitoring (currently at testing stage, limited to a few groups of companies).
- ▶ Enable tax audits upon application of the taxpayer.
- ▶ Optimization of the exchange of data on the basis of internationally accepted standards (e.g., standard audit file-tax).
- ▶ Introduction of a new family bonus (tax reduction of €1,500 per child living in Austria up to an age of 18); in return the child allowance of currently €440 and the possibility to deduct costs of childcare of up to €2,300 per annum for children up to an age of 10 will be abolished.

The enactment of the tax aspects of the Government program remains to be seen.

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### Endnote

1. The new Government was sworn into office on 18 December 2017.

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