

Tax Short Cuts

Current tax information for Austria from EY

Minimum Taxation Act – Nomination of Austrian taxpayer for Pillar 2 purposes

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Global minimum tax (Pillar 2) was implemented in Austria with the Minimum Taxation Act (Mindestbesteuerungsgesetz, MinBestG), which entered into force on 31 December 2023. The Minimum Taxation Act is intended to achieve an effective minimum taxation of 15% for large groups with annual consolidated sales of at least EUR 750 million.

In case of several Austrian entities, the "highest" Austrian entity in the group structure or the economically most significant business entity in Austria would be obliged to file the local Pillar 2 tax return and pay top-up tax (if any) for the Austrian entities. Under Sec 76/2 MinBestG, any (other) Austrian constituent entity may be assigned by the UPE as the taxpayer for Pillar 2 purposes. The tax authorities must be informed about the nomination before the end of the first Pillar 2 financial year.

If the financial year of the group ends on 31 December 2024, the notification about the nomination must be filed until 31 December 2024. The notification, including proof of nomination has to be filed via FinanzOnline (see the MoF FAQ inquiry response dated 24 October 2024). As proof of the nomination a declaration of intent signed by the UPE must be uploaded in FinanzOnline.

The nomination will remain valid as long as it is not revoked vis-à-vis the Austrian tax office. There is currently no need for action if there is no plan to deviate from the basic rule (highest Austrian entity or, in the case there is no Austrian parent entity, the economically most important entity).

Minimum Taxation Act - Nomination of Austrian taxpayer for Pillar 2 purposes

The response to the inquiry can be accessed via the following link (German version only):

<https://www.bmf.gv.at/rechtsnews/steuern-rechtsnews/aktuelle-infos-und-erlaesse/Fachinformationen---Internationales-Steuerrecht/Beauftragung-einer-abgabepflichtigen-Gesch%C3%A4ftseinheit.html>

MoF: Electricity price 2025 for emission-free employer-owned vehicles and interest savings 2025 for employer loans

Non-Cash Remuneration Ordinance

Electricity price 2025

On 25 October 2024, the Federal Ministry of Finance (MoF) published the decree on the cost reimbursement of the electricity price for charging emission-free employer-owned vehicles in accordance with Sec. 4c/1/2/b Remuneration-in-kind Ordinance (2024-0.770.739). The electricity price for 2025 is set at 35.889 cent/kWh (2024: 33.182 cent/kWh).

Interest savings 2025

With the decree issued by the MoF on 25 October 2024 (2024-0.757.904), the percentage rate to be applied for the valuation of interest savings from non-interest-bearing or interest-subsidized salary advances and employer loans has been set at 4.5% p.a. for 2025 and thus remains unchanged from the previous year in accordance with Sec. 5/2 of the Non-Cash Remuneration Ordinance.

MoF: Building savings premium and premium for retirement savings for the year 2025

Income Tax Act

According to the decree of 25 October 2024 (2024-0.757.904) issued by the MoF, the building savings premium (Bausparprämie) for the calendar year 2025 remains unchanged from the previous year at 1.5% of the subsidized payments. The maximum amount of subsidized payments for the year 2025 is - unchanged from the previous year - EUR 1,200.00.

The state premium for subsidized pension plans (prämienbegünstigte Zukunftsvorsorge) remains unchanged at 4.25% for the calendar year 2025. In 2025, the premium will be granted on deposits up to an expected maximum amount of EUR 3,552.66 (2024: EUR 3,337.85).

Slovakia: Tax reform 2025

Slovakia

As of 1 January 2025, the following important tax changes will take place in Slovakia, among others:

Introduction of a Financial Transaction Tax

A tax of 0.4% (max. EUR 40.00 per transaction) will be levied on bank transfers of companies and self-employed persons as well as a tax of 0.8% for cash withdrawals. Exceptions that are not subject to the financial transaction tax are, among others, intrabank transfers between accounts of the same taxpayer (with the same bank), card payments (excluding cash withdrawals), payments of health and social security contributions and taxes.

The tax must be paid monthly by the payment service providers starting with April 2025.

Changes in income tax rates

For legal entities earning taxable income of up to EUR 100,000 (previously: EUR 60,000), a reduced tax rate of 10% (previously: 15%) will apply; if taxable income of more than EUR 5,000,000 is earned, a new tax rate of 24% applies.

For self-employed individuals, the taxable income threshold for the application of the 15% tax rate will be raised to EUR 100,000 (previously: EUR 60,000).

The withholding tax on dividends for individuals will be reduced to 7% (previously: 10%), with the reduction applying only to dividends paid from profits for tax periods from 2025 onwards.

Changes in VAT rates

The standard VAT rate will increase from 20% to 23%. The reduced VAT rate of 10% will be eliminated, instead a reduced VAT rate of 19% will be introduced, which will be applied on other food (other than basic food) and electricity, among others.

The second reduced tax rate of 5% (e.g. for basic food, medicines) remains unchanged.

Agreement on VAT regulations for the digital age ("VAT in a digital age" - ViDA)

Value Added Tax Act

Almost two years after the initial proposals, the Economic and Financial Affairs Council (ECOFIN) approved the ViDA package on 5 November 2024.

With the ECOFIN approval of ViDA, an important step has been taken towards a modern and efficient VAT system that meets the requirements of the digital economy. By implementing various measures in the areas outlined below, VAT collection is to become more transparent, more efficient and less susceptible to fraud. An initial proposal by the EU Commission had been on the table since

Agreement on VAT regulations for the digital age ("VAT in a digital age" - ViDA)

8 December 2022, and the agreement reached on 5 November 2024 now sets the course for far-reaching adjustments. The focus is on three areas:

1. **Digital Reporting Requirements (DRR)** - Introduction of common standardized digital reporting requirements and electronic invoicing for cross-border transactions in the EU.
2. **Platform economy** - Addressing the challenges of the platform economy in short-term accommodation rentals and passenger transportation services by strengthening the role of platforms in VAT collection.
3. **Single VAT registration** - reducing registration requirements in the EU by extending the scope of the one-stop shop regime and the reverse charge mechanism for B2B transactions.

It was originally planned that the new rules would generally be implemented from 2025 and the DRR obligations from 2028 onwards. With a few exceptions, the implementation dates have now been postponed to July 2027 (platform economy and single VAT registration), January 2030 (platform economy, optional from July 2028) and 2030 - 2035 for DRR obligations and the new e-invoicing obligations (all dates are still to be officially confirmed).

Businesses need to assess how their transactions, invoicing and reporting processes are affected. It is essential to set up systems appropriately with a high level of automation and accurate data to ensure that future VAT reporting requirements are met. Due to the introduction of B2B e-invoicing in some EU member states, including Germany, businesses are also required to make the necessary technical arrangements regardless of the ViDA timetable. For these reasons, now is a good time to get an initial overview of the upcoming changes and determine a timeline for a more detailed assessment with a subsequent implementation roadmap, even though the further legislative process still needs to be finalized.

Following a further hearing by the European Parliament, the text must then be adopted by the Council and published in the Official Journal of the EU. We will keep you informed about the pending implementation in Austria.

Further information can be found at the following link:

<https://www.consilium.europa.eu/de/press/press-releases/2024/11/05/taxation-council-agrees-on-vat-in-the-digital-age-package/>

CO₂ Border Adjustment Mechanism - Authorisation of CBAM applicants and CBAM registers

*Carbon Border Adjustment
Mechanism (CBAM)*

On 30 October 2024, the EU Commission published a draft implementing regulation for the implementation of the Carbon Border Adjustment Mechanism (CBAM). This regulation sets out the conditions and procedures that must be met in order to be able to act as an authorised CBAM declarant.

CO₂ Border Adjustment Mechanism - Authorisation of CBAM applicants and CBAM registers

From 1 January 2026 onwards, only authorised CBAM declarants will be permitted to import goods into the customs territory of the Union in accordance with the Regulation on the introduction of the CO₂ border adjustment mechanism (CBAM).

The main points of the draft regulation in brief and at a glance:

- **Application procedure and timeframe:** Applications must be submitted electronically in the Member State in which the applicant is established. If the importer himself is not established in a Member State, an indirect customs representative may submit the application for authorisation. The competent authority shall assess the application within 120 calendar days from the date of receipt of the application. Part of the assessment is a consultation phase in which the "consultation parties" (i.e. the Commission and other Member States) can submit their comments. The final decision on the application is entered in the CBAM register and is effective from the date of entry.
- **Evaluation criteria:** Applicants are assessed on the basis of the criteria set out in the CBAM Regulation:
 - Existence of an EU-EORI number
 - Submission of the application in the Member State of establishment
 - No serious/repeated violations of customs or tax regulations in connection with the CBAM Regulation in the last five years
 - Proof of financial and operational capacity to fulfil the obligations under the CBAM Regulation
 - The competent authorities also assess the expected import volume and the annual CBAM certificate obligations.
- **Detailed proof of financial and operational capacity:** In this regard, the applicant must prove that
 - the applicant is not subject to bankruptcy proceedings
 - there are no outstanding payment obligations regarding customs duties, taxes or other levies
 - sufficient financial resources are at hand to meet its obligations
 - an appropriate organizational structure and internal control mechanisms for proper CBAM processing are in place.
- **Guarantee:** Applicants who were not established throughout the two financial years preceding the year when the application was submitted require a guarantee. The amount of the guarantee is determined by the competent authority, and the guarantee is also entered in the CBAM register. It is the applicant's responsibility to ensure that the guarantee is sufficient to cover the required CBAM certificates.

CO₂ Border Adjustment Mechanism - Authorisation of CBAM applicants and CBAM registers

- **Revaluation, revocation and right to be heard:** The competent authority is responsible for monitoring compliance with the regulations by the authorised applicant. In certain cases, the status of the authorisation is reassessed. In the event of violations, the authorisation can be revoked. Like the application procedure, the revocation process includes a consultation phase in which the applicant can exercise his right to be heard before the authorisation is revoked. The applicant can also initiate the revocation by himself.

The draft regulation is still open for public consultation until 27 November 2024. The regulation will enter into force on the 20th day after publication in the Official Journal of the EU and should be applicable from 31 December 2024.

On 31 October 2024, a further consultation on the draft Implementing Regulation for the establishment of the CBAM Registry was launched. The CBAM register will be used in particular for the submission of CBAM declarations and the settlement of CBAM certificates. Entrepreneurs can participate in this consultation until 28 November 2024.

The complete drafts of the implementing regulations are available under the following link:

https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14116-Carbon-border-adjustment-mechanism-CBAM-authorising-CBAM-declarants_en

Supreme Administrative Court: Inclusion of profit distributions in the social security contribution basis of shareholder managing directors

Social Security for Self-employed Act

In its decision of 2 July 2024 (Ro 2023/08/0006), the Austrian Supreme Administrative Court (Verwaltungsgerichtshof, VwGH) dealt with the question whether in the case of shareholder managing directors of limited liability companies who are not members of the Chamber of Commerce, the profit distributions are to be included in the social security contribution basis for self-employed (gewerbliche Sozialversicherung).

For further details please refer to the German version of our Tax Short Cuts 23/2024 dated 12 November 2024 or contact us.

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Business Tax

Markus Stefaner
Phone +43 1 211 70 1283
markus.stefaner@at.ey.com

International Tax

Roland Rief
Phone +43 1 211 70 1257
roland.rief@at.ey.com

Transfer Pricing

Manuel Taferner
Phone +43 1 211 70 1104
manuel.taferner@at.ey.com

Indirect Tax

Ingrid Rattinger
Phone +43 1 211 70 1251
ingrid.rattinger@at.ey.com

People Advisory Services

Regina Karner
Phone +43 1 211 70 1296
regina.karner@at.ey.com

Global Compliance & Reporting

Maria Linzner-Strasser
Phone +43 1 211 70 1247
Maria.Linzner-Strasser@at.ey.com

Transaction Tax

Andreas Sauer
Phone +43 1 211 70 1625
andreas.sauer@at.ey.com

Editor and owner of the medium

Ernst & Young
Steuerberatungsgesellschaft
m.b.H. ("EY")
Wagramer Straße 19, IZD Tower
1220 Vienna

Responsible Partner

Klaus Pfleger
Phone +43 1 211 70 1179
Klaus.Pfleger@at.ey.com

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**Ernst & Young
Steuerberatungsgesellschaft m.b.H.**
1220 Vienna, Wagramer Straße 19
4020 Linz, Blumauerstraße 46
5020 Salzburg, Sterneckstraße 33
9020 Klagenfurt, Eiskellerstraße 5

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