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Tax Short Cuts - English

Latest tax news for Austria by EY

Measures to avoid an EU excessive deficit procedure

Contents

In November 2024, the EU Commission determined that Austria is currently unable to meet the criterion of a general government deficit of no more than 3% of GDP. Non-compliance could result in EU excessive deficit procedure.

As part of the negotiations to form a new federal government, the parties (FPÖ and ÖVP) agreed on a package of measures totaling EUR 6.39b, which was submitted to the EU Commission on 13 January 2025 (letter dated 13 January 2025). The EU Commission subsequently decided (letter dated 16 January 2025) not to initiate an excessive deficit procedure against Austria for the time being and to reassess the situation in a few months' time.

The measures in an overview:

Expenditure		
Measure		Impact (EURm)
Abolition of the climate bonus	The climate bonus serves as compensation for the additional costs incurred as a result of national CO_2 pricing (currently paid once a year from September in the amount of EUR 145 to EUR 290 per person).	1,970
Cut of subsidies	e.g. craftsmen's bonus, energy cost subsidy for NPOs, adjustment of the investment premium, e-mobility subsidy, "Waldfonds" support, broadband subsidy, etc.	400

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Measures to avoid an EU excessive deficit procedure

Measure		Impact (EURm)
Abolition of subsidized educational leave	Possibility for an educational leave of up to 12 months (every 4 years) with entitlement of unemployment benefit	350
Cut of climate related subsidies	e.g. subsidy for heating boiler replacement, etc.	500
Cut of government spending	15% reduction of spending for materials of the ministries in 2025.	1,100
Transportation	Abolition of the free of charge climate ticket (public transportation) for 18-year-olds.	440
Unemployment measures	Tightening of possibility for minor employment alongside unemployment benefit.	80
Pensions	The effective retirement age is to be increased through various measures.	150
Reduction of the education budget	Non-implementation of the pilot project "Administrators APS" as part of the school relief package for the recruitment of administrative staff in compulsory schools.	50
Revenue		
Dividends	Increase in dividends from partly state-owned companies (energy companies).	430
Health insurance	Closing of gaps in the coverage of the health insurance system.	50
VAT on photovoltaic systems	The VAT exemption for the procurement of photovoltaic systems is to be abolished from April 2025.	170
Tobacco tax	Increase in tobacco tax revenue from 1 July 2025 by freezing the price component and including other tobacco products (such as nicotine pouches and e-liquids).	50
Insurance tax on e-cars	Abolition of the exemption from motor-related insurance tax for large and heavy electric vehicles.	70

Measure		Impact (EURm)
Increase in federal fees	Valorization of federal fees (e.g. for driving licenses, passports) has not been carried out since 2011. From 1 July 2025, federal fees are to be adjusted for inflation.	70
Increase in digital tax	Online advertising services are currently subject to a 5% digital tax.	50
Health insurance	Adjustment of health insurance contributions (for pensioners).	270
Real estate transfer tax	If shares in properties are transferred as part of share deals, lower tax-related values are applied in the assessment basis for real estate transfer tax (currently: 0.5% of the property value) - closing "loopholes".	50
Gambling tax	Increase by 10%.	30
Mileage allowance for motorcycles and bicycles	Reduction of the official mileage allowance for motorcycles and bicycles.	110

According to information from the MoF, the necessary legislative amendments are to be submitted to Parliament by way of initiative motions. The first measures are scheduled to enter into force on 1 April 2025.

Minimum Taxation Act: Tax jurisdictions with transitional qualified regulations

Minimum Taxation Act

The Austrian Minimum Taxation Act (Mindestbesteuerungsgesetz, MinBestG) for the implementation of global minimum taxation (EU Directive 2022/2523, BEPS 2.0 Pillar 2, OECD GloBE Model Rules) entered into force in Austria on 31 December 2023. In accordance with the OECD and EU requirements, Austria implemented an income inclusion rule (IIR), an undertaxed profits rule (UTPR) and an optional domestic top-up tax (QDMTT). Austria has implemented all three types of top-up taxes, as well as QDMTT Safe Harbour. The presence of qualified regulations and the criteria for the QDMTT Safe Harbour are crucial in determining the order of application of these regulations within the group by Austria and other implementing tax jurisdictions.

The OECD has adopted a procedure for the transitional assessment of IIR and QDMTT rules, including QDMTT safe harbour status. This is a simplified procedure based on a self-assessment by the countries. The result of this self-assessment was published by the OECD on 13 January 2025.

Minimum Taxation Act: Tax jurisdictions with transitional qualified regulations

According to this list, the Austrian MinBestG contains a transitional qualified IIR and QDMTT regulation and meets the requirements for the QDMTT Safe Harbour. The results for the other countries are also listed. If a tax jurisdiction is not listed (yet), this does not necessarily mean that it has not implemented a qualified IIR or QDMTT, but only that the procedure for transitional qualified status has not yet been completed. A more comprehensive procedure for reviewing national implementation rules is to be developed by the OECD/G20 Inclusive Framework on BEPS.

On 21 January 2025, the MoF published information on the tax jurisdictions with transitional qualified IIR or QDMTT regulations including QDMTT Safe Harbour status (as of 13 January 2025) (2025-0.047.119).

The MoF information contains a list of all tax jurisdictions with transitional qualified IIR rules or QDMTT rules including QDMTT Safe Harbour status (including start of application).

The MoF information can be accessed via the following link (German version only): https://findok.bmf.gv.at/findok/resources/pdf/b4ad854b-302f-4547-a7bb-a7098c946190/83340.1.1.pdf

Sustainability Reporting Act ministerial draft: Increase in penalties for non-disclosure

Sustainability Reporting Act

On 13 January 2025, the MoJ submitted the ministerial draft of the Sustainability Reporting Act (Nachhaltigkeitsberichtsgesetz, NaBeG) for review. The review period ends on 10 February 2025. If no specific date is set for entry into force, the amendments will enter into force on the day after publication in the Federal Law Gazette, subject to further amendments in the legislative process.

With the review draft, the EU Corporate Sustainability Reporting Directive (EU 2022/2464), which was already to be implemented by 6 July 2024, is now to be transposed into national law after a delay. In addition, the draft law provides for the following significant changes to the Austrian Commercial Code (Unternehmensgesetzbuch, UGB).

Increase in penalties for late disclosure
In the event of repeated failure to disclose annual financial statements to the commercial register on time in accordance with Sec 277 and 280 UGB, the penalties shall increase to EUR 4,500.00 (previously: EUR 2,100.00) for medium-sized corporations and to EUR 20,000.00 (previously: EUR 4,200.00) for large corporations from the second penalty.

In the event of repeated failure by medium-sized and large corporations, it should in future be possible for the commercial register court (with judicial jurisdiction) to initiate ordinary proceedings with increased penalties. In the case of ordinary proceedings, the upper penalty limits shall increase to EUR

Sustainability Reporting Act ministerial draft: Increase in penalties for non-disclosure

20,000.00 for medium-sized corporations and to EUR 50,000.00 for large corporations. If no disclosure is made within two months of the penalty being imposed, a further penalty of up to 5% of turnover shall be imposed on the company. The most recently submitted annual or consolidated financial statements can be used as the basis for the size category and turnover.

The stricter regulations shall apply to financial statements with a balance sheet date after 30 June 2025.

Size categories for parent companies
The provision of Sec 221/4a UGB, according to which stock corporations that are parent companies must determine the thresholds for the size categories on a consolidated basis, is to be extended to all corporations. The regulation is to be applied for fiscal years beginning after 31 December 2024.

The full text of the ministerial draft can be accessed via the following link (German version only):
https://www.parlament.gv.at/dokument/XXVIII/ME/4/fname_1665580.pdf

Wage Tax Guidelines - Maintenance Decree 2024

Income Tax Act

The wage tax guidelines (Lohnsteuerrichtlinien, LStR) were updated by the MoF maintenance decree published on 4 December 2024 (2024-0.859.433). Legal changes and Supreme Court decisions were incorporated.

For further details please refer to the German version of our Tax Short Cuts No. 02/2025 of 28 January 2025.

COVID-19 investment premium: Deadline 28 February 2025 for major investments

COVID-19 investment premium

The COVID-19 investment premium was intended to create an incentive for companies to make new investments in depreciable fixed assets in Austria after the COVID-19 crisis. Subsidies of 7% or 14% of the eligible acquisition and production costs were granted.

While the relevant deadlines for investments of less than EUR 20m have already expired (the investment implementation period ended on 28 February 2023 at the latest), the deadline for major investments with an investment volume of more than EUR 20m is two years longer, until

28 February 2025. The commissioning and payment of all investments included in a subsidy application, which is decisive for the settlement, must have taken place by this date at the latest. There are then three months left for the investment premium to be settled with aws (i.e. by 31 May 2025).

Further information on settlement is available on the aws website at the following link (German version only): https://www.aws.at/corona-hilfen-des-bundes/aws-investitionspraemie/investitionspraemie-abrechnung/

Changes to the Beneficial Owners Register Act

Beneficial Owners Register Act

The Financial Markets Anti-Money Laundering Amendment Act (Finanzmarkt-Geldwäsche-Anpassungsgesetz) was published in the Federal Law Gazette I No. 151/2024 on 13 December 2024 and further tightens and expands the due diligence and reporting obligations of legal entities. Important changes affect the Beneficial Owners Register Act (Wirtschaftliche Eigentümer Registergesetz) and introduce the concept of nominee agreements.

For further details please refer to the German version of our Tax Short Cuts No. 02/2025 of 28 January 2024.

DTC Austria-Chile: Amendments in force

DTC Austria - Chile

The protocol of amendments to the Double Taxation Convention (DTC) between Austria and Chile was published in the Federal Law Gazette III No. 67/2024 on 16 May 2024. The convention was revised due to a most-favored-nation clause that had become effective. For withholding taxes (reduction of WHT rates), the protocol of amendments applies retroactively from 1 January 2017. The main changes include:

Changed WHT for interest
The WHT rate on interest was reduced from 15% to 10% (reduction from 1 January 2019). In addition, the reduced WHT rate on interest was lowered from 5% to 4% and applies in particular to the interest payments to credit institutions and other beneficiaries. In connection with regularly exchange-traded bonds, the WHT rate remains at 5%.

There is also a new regulation for "back-to-back" loans and economically comparable agreements in order to restrict abusive structures.

Changed WHT on license fees
The WHT rate on license fees for the use of industrial, commercial or

scientific equipment has been reduced from 5% to 2%. The WHT rate of 10% for royalties in all other cases remains unchanged.

The protocol can be accessed via the following link: https://www.ris.bka.gv.at/Dokumente/BgblAuth/BGBLA_2024_III_67/BGBLA_2024_III_67.pdfsig

Pillar 2: Mandatory Minimum Tax Group Head Notification in Germany by 28 February 2025

BEPS Pillar 2

Groups of companies that are affected by Pillar 2 and have a Constituent Entity in Germany are affected by the obligation in Sec 3/4 of the German Minimum Taxation Rules (Mindeststeuergesetz, MinStG). Affected groups must submit a so-called Minimum Tax Group Head notification electronically to the German Federal Central Tax Office (BZSt) no later than two months after the end of the first fiscal year. If the fiscal year aligns with the calendar year, the notification must be submitted by 28 February 2025 at the latest for fiscal year 2024; in the case of a different fiscal year ending in 2025, by 28 February 2026 at the latest (Sec 3/4, Sec 94 MinStG).

The report specifies the Minimum Tax Group Head who owes the minimum tax to the tax office and submits the minimum tax return for the Minimum Tax Group ("Mindeststeuergruppe"). Group Head is in the following order:

(1) the Ultimate Parent Entity (UPE) resident in Germany,

(2) a parent entity located in Germany, provided that it is the joint parent of all business entities located in Germany,

(3) a German Constituent Entity designated by the UPE or, if no designation has been made,

(4) the economically most significant German Constituent Entity.

The notification must contain the following information, among others:

- Name and address of the German Minimum Tax Group Head and the UPE (information on other Constituent Entities is not required)
- Tax identification number of the Minimum Tax Group Head and the UPE
- Contact data for the filing entity's contact person
- Name and address of a representative if the notification is filed by a representative (e.g. a tax consultant)

In contrast to the notification of the Austrian Pillar 2 Taxpayer according to Sec 76 of the Austrian Minimum Taxation Act, a notification must be made in Germany in any case – even if there is just one Constituent Entity in Germany.

If you have any questions or wish to submit your declaration electronically via the BZSt online portal, please contact EY.

MoF: Tax deductibility of Hungarian special taxes

Income tax
Corporate Income tax

On 8 January 2025, the MoF published an answer to a query on the tax treatment of Hungarian special taxes on its website. The question was whether these are to be treated as business expenses and therefore tax deductible when converting income under Austrian tax law or whether they are to be treated as taxes on income or personal tax.

For further details please refer to the German version of our Tax Short Cuts No. 02/2025 of 28 January 2024.

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