

# Tax Short Cuts

Current tax information for Austria from EY

## Government program 2025-2029: Overview of tax changes

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The parties ÖVP, SPÖ and NEOS parties have agreed on a three-party coalition and presented their joint government program on 27 February 2025. Below are the most important changes to tax law included in the government program, some of which are to be implemented shortly:

The inheritance, gift and wealth taxation demanded by the SPÖ during the election campaign was not implemented in the government program. The corporate income tax remains unchanged at 23%. However, the parties agreed on an increase in the **bank levy/stability levy** (Bankenabgabe/Stabilitätsabgabe), which should generate additional revenue of about EUR 500m in 2025 and 2026, and about EUR 200m in each following year. Details on the increase in tax rates and the calculation of the tax base have not yet been communicated.

The **energy crisis contribution for electricity** (Energiekrisenbeitrag Strom) and the **energy crisis contribution for fossil fuels** (Energiekrisenbeitrag Fossile Energie) are to be extended and adjusted so that revenue of EUR 200m will be generated in 2025 and subsequent years.

As concerns **real estate transfer tax** (Grunderwerbsteuer), existing loopholes shall be closed as of 1 July 2025 in order to tax large real estate transactions (share deals) more effectively (e.g. by aggregating related purchasers), which shall generate additional revenue of EUR 200m.

There are also plans to increase the **interim tax** (Zwischensteuer) for foundations to 27.5% (currently 23%), the **foundation entrance tax** (Stiftungseingangssteuer) and the **foundation entrance tax equivalent** to 3.5% (Stiftungseingangssteuer-äquivalent, currently 2.5%). In addition, the civil law framework for private foundations shall be reformed light of its economic importance, particularly with regard to ensuring functioning governance.



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The government program also states that **depreciation periods** should be evaluated as a whole and potential adjustments to the actual useful life should be examined. In order to reduce grid costs for energy grids, the extension of the depreciation period for investments shall be examined.

As part of the negotiations to form a new federal government between the parties ÖVP and FPÖ, a package of measures was already agreed upon in January 2025 and submitted to the EU Commission in order to prevent the initiation of EU excessive deficit procedure against Austria (see our Tax Short Cuts No. 02/2025 of 30 January 2025). Some of the measures set out therein can also be found in the new government program. In the following points, however, there are differences between the government program and the package of measures:

Government program	Package of measures
Abolition of the <b>climate bonus</b> with simultaneous partial compensation for commuters in the form of a deduction from 2026	Abolition of the <b>climate bonus</b>
Abolition of the existing model of <b>subsidized educational leave</b> with an appropriate successor regulation from 2026	Abolition of <b>subsidized educational leave</b>
<b>Craftsmen's bonus</b> remains in place for 2025 (subsequent evaluation), <b>"Waldfonds" support</b> will be continued	Cut of <b>subsidies</b>
<b>Subsidies</b> are to be reduced in principle, although the area of <b>environmental and climate protection</b> , among others, is named as a priority area as part of a "focused funding policy"	Cut of <b>climate related subsidies</b>
Reform of <b>additional income opportunities</b> for <b>jobseekers</b> : existing additional income can be continued, time limit of six months for new minor employment	Abolition of the <b>additional income option</b> for <b>minor employment</b> alongside unemployment benefit
Not explicitly addressed in the government program	<ul style="list-style-type: none"> <li>- 15% reduction of spending for materials of the Ministries in 2025</li> <li>- Abolition of the free of charge climate ticket (public transportation) for 18-year-olds</li> <li>- Reduction of the education budget: non-implementation of the pilot project "Administrators APS"</li> </ul>

# Government program 2025-2029:

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An overview of other tax changes planned under the government program:

### Income tax

- Tax-free bonus for employees up to EUR 1,000 (without collective labour agreement link) from 2025
- Reduction of the mileage allowance for bicycles and motorcycles to EUR 0.25 (currently EUR 0.50)
- Extension of the 55% top income tax rate by four years
- Suspension of one third of the inflation adjustment of the income tax rates (cold progression)
- Increase of the lump-sum taxation limit including input tax lump-sum to EUR 320,000 and 13.5% from 2025 and to EUR 420,000 and 15% from 2026 (currently EUR 220,000 and 12%)
- Tax benefits for overtime and bonuses from 2027 (subject to budget)
- Increase in the allowance for other remunerations (13th/14th salary)
- Comprehensive package of measures to simplify, reduce bureaucracy and digitalize payroll accounting and employee tax assessment
- Increase in the annual allowance for contributions to private pension insurance (Zukunftssicherung, employer expenditure for insurance or pension schemes such as payments for life insurance) within the scope of budgetary possibilities
- Increase in the luxury car allowance to EUR 55,000 from 2027 (currently EUR 40,000; further increase towards EUR 65,000 subject to budget)
- Profit allowance: increase in the basic allowance to 15% of EUR 50,000 from 2027 (subject to budget; currently 15% of EUR 33,000)
- Special depreciation on equipment investments and construction investments with a focus on refurbishment (subject to budget)
- Preferential treatment for business transfers from 2027: increase in the capital gains allowance to EUR 45,000 (currently EUR 7,300) and abolition of the occupational ban when applying the half-tax rate
- More effective structuring of exit taxation
- Simplification of withholding tax refunds for cross-border assessments by implementing the EU FASTER Directive (2025/50) as quickly as possible
- Work continues on the recodification of the Income Tax Act

### Value added tax

- Early abolition of the zero VAT rate for photovoltaic systems
- Abolition of input tax deduction for luxury properties
- Extension of the reverse charge system to real estate
- VAT exemption for feminine hygiene articles and related products from 2026

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- Examination of the amendment of the VAT Act for the art business and art sales, creation of incentives for art purchases (e.g. through tax deductibility) and reduction of VAT on artworks, tickets and books

### Working in old age / pensioners

- New supplementary income model for persons in a old-age pension (no early retirement pension) from 2026: supplementary income will be taxed at 25% (withholding tax), exemption from social security contributions for employees, halving of employer contributions to pension insurance and health insurance
- Increase in the health insurance contribution for pensioners to 6% from 1 June 2025, cushioning by freezing the prescription fee in 2026 and lowering the upper limit for medicines to 1.5% of net income

### Other tax law changes and relevant reforms

- Health insurance obligation for minor employment
- Post-valorisation of federal fees
- Extension of the motor-related insurance tax to electric vehicles (no change to the remuneration in kind exemption for electric vehicles)
- Motor vehicle registration tax (NOVA) exemption for all N1 vehicles/small trucks (light commercial vehicles) from 1 July 2025
- Abolition of the obligation to issue receipts up to EUR 35 and simplification of the cash register
- Redimensioning of subsidies and reform of the overall subsidy system in Austria
- Increase in tobacco tax and extension to alternative products from 2026
- Increase of the gambling levy by 10% and increase of the betting fee
- Adjustments to the digital tax
- Abolition of the energy levy for rail transport companies
- Examination of the abolition of ancillary state fees and real estate transfer tax on the purchase of the first home
- Examination of the possibility of a revaluation option for the recognition of land at fair value (also beyond the acquisition costs) under Austrian GAAP
- Reduction in payroll overhead costs

The government program can be accessed via the following link (German version only):

[https://www.dievolkspartei.at/Download/Regierungsprogramm\\_2025.pdf](https://www.dievolkspartei.at/Download/Regierungsprogramm_2025.pdf)

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