

Tax Short Cuts - English

Latest tax news for Austria
by EY

Federal Budget Accompanying Act 2025 - Tax Law -Draft

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On 2 May 2025, the Federal Ministry of Finance (MoF) published the Federal Budget Accompanying Act 2025 (Budgetbegleitgesetz 2025, BBG 2025) amending the Income Tax Act (Einkommensteuergesetz, EStG), the Foundation Entrance Tax Act (Stiftungseingangsteuergesetz), the Value Added Tax Act (Umsatzsteuergesetz, UStG), the Real Estate Transfer Tax Act (Grunderwerbsteuergesetz), the Federal Fiscal Code (Bundesabgabenordnung), the Gambling Act (Glücksspielgesetz) and the Federal Acts on the Energy Crisis Contribution - Electricity (Energiekrisenbeitrag - Strom) and Fossil Fuels (Energiekrisenbeitrag - Fossile Energieträger) for public consultation. The consultation period ends after just one week on 9 May 2025.

The first changes announced in the government program 2025-2029 (see our Tax Short Cuts No. 5/2025 from 28 February 2025) have already been implemented as part of the Budget Restructuring Measures Act 2025 (Budgetsanierungsmaßnahmengesetz 2025, BSMG 2025; see Tax Short Cuts No. 6/2025 from 11 March 2025). The most important planned changes at a glance:

Income Tax Act

- In accordance with the 2025-2029 government program, the scope of application of the simplified cash method when computing the business expenses for income tax purposes according to Sec 17 EStG shall be extended. The lump-sum taxation limit for the 2025 calendar year shall increase to EUR 320,000 and the flat-rate operating expenses from 12% to 13.5%; from the 2026 calendar year, the lump-sum taxation limit shall increase to EUR 420,000 and the flat-rate operating expenses to 15%.
- Value increases of land resulting from rezoning shall be recognized for tax purposes with a 30% rezoning surcharge (on capital gains) for property sales after 30 June 2025. For further details, please refer to the Real Estate Tax Short Cuts from 5 May 2025 (German version only).



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- Inflation adjustments to the progressive income tax rates shall only to be made to the extent of two thirds in the calendar years 2025 to 2028.
- In the calendar years 2025 and 2026, employers shall have the option of granting their employees a tax-free bonus (as additional payment previously not granted) of up to EUR 1,000 per calendar year. If a tax-free employee participation is also granted, they together must not exceed EUR 3,000.
- The additional deduction for commuters (Pendlereuro) previously amounted to EUR 2 per kilometer of one-way travel between home and work if the employee is entitled to the commuter allowance (Pendlerpauschale). As partial compensation for the abolition of the climate bonus, this shall amount to EUR 6 from 2026. As part of the social security reimbursement, the maximum reimbursement for employees entitled to the commuter allowance shall increase from EUR 608 (value for 2025) to EUR 737.
- The valorization of certain family benefits shall be suspended for the calendar years 2026 and 2027 and thus the child tax deduction (Kinderabsetzbetrag) for the calendar years 2026 and 2027 shall not be adjusted for inflation.

Value Added Tax Act

- In accordance with the 2025-2029 government program, sales of contraceptives and feminine hygiene products shall be exempt from VAT from 1 January 2026.
- In line with the adjustment of Sec 17 EStG, the input tax lump-sum for VAT purposes shall also increase.

Real Estate Transfer Tax Act

The extensive measures in the Real Estate Transfer Tax Act (including a reduction in the participation threshold, changes to the assessment basis and the tax rate for real estate companies) shall implement the plan of the 2025-2029 government program to align the real estate transfer tax consequences of share deals with those of asset deals. For a detailed description, please refer to the Real Estate Tax Short Cuts from 5 May 2025 (German version only).

Federal Fiscal Code

The group of persons obliged to accept electronic delivery shall be extended from 1 September 2025 to all participants who are obliged to submit advance VAT returns (this also includes small businesses).

Foundation Entrance Tax Act

The foundation entrance tax (Stiftungseingangssteuer), levied on contributions to domestic and foreign private foundations shall increase from 2.5% to 3.5% from 1 January 2026.

Energy crisis contribution - electricity

With the BSMG 2025, the energy crisis contribution for electricity was extended by five additional periods - from April 2025 to March 2030 (collection periods 3 to 7). In order to consolidate the federal budget, the upper limit for market revenues above which surplus profits relevant to the contribution are available was lowered and the contribution rate was raised. Based on an evaluation, the maximum amount of the deduction for subsidized investments shall now be reduced from EUR 72 to EUR 20 per MWh.

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The change to the maximum amount shall enter into force on 1 July 2025 and apply to the entire collection period 3 and subsequent periods.

Energy crisis contribution - fossil fuels

In the case of the energy crisis contribution for fossil fuels, which will be levied until the end of 2029, the offsetting of eligible investments shall also be reduced to 5% (previously 17.5%) of the relevant amount from April 2025.

The draft of the BBG 2025 - Tax Law can be accessed via the following link (German version only):

https://ris.bka.gv.at/Dokumente/Begut/BEGUT_A8C54A48_57A1_4B1E_82E8_D62C82D4A174/BEGUT_A8C54A48_57A1_4B1E_82E8_D62C82D4A174.pdf

Federal Fiscal Court on the place of supply of service of self-consumption pursuant to Sec 3a/1a/2 VAT Act

Value Added Tax Act

In its decision of 25 February 2025, RV/2100074/2024, the Austrian Federal Fiscal Court (Bundesfinanzgericht, BFG) ruled (referring, inter alia, to ECJ case QM, C-288/19) on the place of supply of service of "self-consumption" pursuant to Sec 3a/1a/2 Austrian VAT Act that the self-consumption is realized at the place where the reduction in the company's assets took place.

In the underlying case, the BFG had to deal with an alleged own use (for the purpose of claiming input tax in the assessment procedure) in the form of the private use of a mobile phone provided free of charge by the entrepreneur to his employee. However, the BFG assumed that the gift is insignificant for VAT purposes and further states - as an obiter dictum - that even if there were own use, this would be deemed to have taken place at the place where the reduction in the company's assets occurred.

The statements of the BFG contradict the opinion of the Austrian tax authorities (margin no 487 Austrian VAT Guidelines), according to which the place of "self-consumption" within the meaning of Sec 3a/1a/1 and 2 Austrian VAT Act is determined by the rules on the place of supply of service that would apply to other services provided for consideration.

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