

Austrian Tax News

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Amendment to the DTC Austria-Switzerland

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On 1 July 2026, the Austrian Federal Government approved an amendment to the Double Taxation Convention (DTC) between Austria and Switzerland, which has been in force since 1974. The amending protocol implements the BEPS minimum standards and introduces significant changes regarding tax residence, permanent establishments (PE), dividends, pensions and the elimination of double taxation. In addition, the rules on exit taxation will be fundamentally revised.

Residence

In the event of a change of residence, the beginning or end of tax residence will in future be determined directly by the actual date of the relocation. The current provision, under which residence is deemed to begin or end only at the end of the calendar month following the move, will be abolished. For companies, the place of effective management will generally remain the determining factor. In case of doubt the competent authorities will determine residence through a mutual agreement procedure.

Permanent Establishments

A depending agent PE may in future be established even where a person does not formally conclude contracts, but if the person habitually plays the principal role leading to the conclusion of contracts that are routinely concluded by the company without material modification. From an Austrian perspective, this OECD-aligned amendment is primarily of a clarifying nature.

For activities performed within a group of companies, no depending agent PE should be established where the otherwise PE-creating functions are remunerated through appropriate transfer pricing, including a profit margin retained by the acting company. The protocol also clarifies that an independent agent acting in the ordinary course of business generally does not constitute a PE. However, a person will not be regarded as an independent agent if they act exclusively or almost exclusively on behalf of one or more closely related companies.



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Dividends and Interest

Under the current DTC, the source state loses its taxation right on dividends where the recipient holds at least 20% participation. In the future, following the OECD Model Convention, a withholding tax (WHT) exemption will already be available for direct shareholdings of at least 10%, provided there is an uninterrupted holding period of at least 365 days. The conditions for the WHT exemption will also be revised, and the definition of dividends will be broadened and aligned with the OECD Model Convention.

With respect to interest income, the exclusive taxation right will belong to the state of residence only if the recipient is also the beneficial owner of the interest.

Exit Taxation

The physical relocation of individuals to Switzerland will generally be treated in the same manner as a move to an EU Member State. The current DTC-specific exit tax provision will therefore be replaced with the non-assessment regime.

This favorable treatment will no longer be limited to specific shareholdings but will be extended to all privately held assets subject to exit taxation, including, e.g. investment funds, debt securities, derivatives and cryptocurrencies.

Where the non-assessment regime applies, exit tax will generally not be assessed immediately upon relocation, instead unrealized gains will be deferred until a later actual realization event occurs.

Unlike relocations to EU Member States, application of the non-assessment regime will depend on the provision of adequate security. Acceptable forms of security may include cash deposits, mortgages on Austrian real estate, bank guarantees or Austrian resident guarantors.

Expansion of the Credit Method

For Austrian residents, the exemption method will generally continue to apply. However, in order to prevent double taxation and double non-taxation, the credit method will be significantly expanded. In particular, the credit method will apply to dividend income, employment income, supervisory board and board member remunerations, pensions and certain remuneration received from public service.

For pensions from public service with entitlement already existing on 31 December 2025, the switch from the exemption method to the credit method will not take effect until 2036. Remuneration for current services performed by staff of Swiss diplomatic missions in Austria will continue to be treated under the exemption method.

In addition, new provisions will be introduced to prevent unintentional double non-taxation resulting from positive or negative qualification or attribution conflicts. In such cases, the state of residence will not be required to grant an exemption.

Anti-Abuse Rule and Mutual Agreement Procedure

By introducing a Principal Purpose Test, the DTC will be aligned with the current OECD standard aimed at preventing the abuse of DTC benefits. DTC benefits will not be granted where it is reasonable to conclude that obtaining such benefits was one of the principal purposes of an arrangement or transaction.

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The provisions governing the exchange of information and the mutual agreement procedure will also be aligned with OECD standards. For the first time, a time limit for initiating will be introduced. A request must be submitted within three years of the first action resulting in taxation that is not in accordance with the DTC.

Before entering into force, the amending protocol must still complete the parliamentary approval and ratification processes in both Austria and Switzerland. No specific entry-into-force date has yet been determined. The amendments are expected to apply no earlier than 2028.

Federal Fiscal Court: tax-exempt overtime premiums for All-in and flexitime

Income Tax Act In its decision of 16 July 2026 ([RV/7100496/2026](#), German version only), the Austrian Federal Fiscal Court (Bundesfinanzgericht) confirmed that the tax exemption for overtime premiums under Sec 68/2 Austrian Income Tax Act (Einkommensteuergesetz) is also be available for a combination of an all-in agreement and a flexitime arrangement. The application of the exemption requires a separately stated base salary, a specific contractual obligation to perform overtime, and evidence of the actual overtime hours worked in the respective month.

For further details please refer to the German version of this [article dated 28 July 2026](#).

MoF decree on proof of residence for withholding tax relief

International Tax Law On 10 July 2026, the MoF published an [updated decree on the use of certificates of residence for withholding tax relief in Austria](#) (2026-0.590.709, German version only). The new decree replaces the previous decree dated 19 December 2025 (2025-1.046.929), see our [article dated 2 February 2026](#).

The decree mainly contains two clarifications. First, it confirms that, even under the simplified documentation procedure pursuant to Sec 2/2 DTC Relief Ordinance (DBA-Entlastungsverordnung), the recipient's written declaration must be available in original form and must bear either a handwritten signature or a qualified electronic signature.

Second, it clarifies the proof of residence requirements where a foreign tax authority confirms residence only on a scanned and printed ZS-QU form, resulting in the recipient's signature being available merely as a copy. In such cases, either an additional fully completed and signed ZS-QU form may be enclosed, or the original form may be signed again by hand. Where the foreign tax authority certifies the scanned form using a qualified electronic signature, an equivalent qualified electronic signature by the income recipient is considered sufficient.

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