



Independent legal & accounting firms

---

## Doing Business in Austria

---

Edition No. 1 / May 2024



# Doing Business in Austria



**MSI's guide on Doing Business in Austria provides current information about the financial, regulatory and legal considerations that could affect business dealings within Austria. For further assistance, please contact our MSI member firms in Austria.**

## Country overview

### Population

According to population statistics taken in January of 2024, from "Statistics Austria", Austria has a population of around 9.1 million people.

### Government

Austria is a democratic republic with a parliamentary democracy. Austria is composed of nine independent federal provinces.

An elected president is the head of state and a chancellor is the head of government and chief executive.

The current President is Alexander van der Bellen and the current Chancellor is Karl Nehammer.

The head of state is the Federal President, who is directly elected by popular majority vote, with a run-off between the top-scoring candidates if necessary. The head of the Federal Government is the Federal Chancellor, who is sworn in by the President and tasked with forming a government based on a parliamentary majority, often requiring coalition support from at least one more political party.

### Languages

The national language is German. However, many people are proficient in English, especially in the urban areas like Vienna, Graz, Linz and Salzburg.

### Currency

The national currency is the Euro.

### Economic summary

GDP: €480 billion

Income per capita: €52,000

Inflation rate: 5%

### Main sectors of the economy

Austria has a strong manufacturing sector and is known for producing high-quality goods and machinery, which are exported globally. The service and tourism sectors also play a vital role in the country's economy. Vienna serves as a hub for financial and business services, while Austria is renowned for its beautiful landscapes, cultural attractions and outdoor activities such as skiing or hiking.

Germany remains Austria's most important trade partner, due to geographical proximity and strong economic ties. Other notable trade partners are Italy, the United States, Switzerland and China.

### Austria's appeal as an investment or business hub for EU and Non-EU Nations

Austria is a member state of the European Union, located in the middle of Europe, making it an attractive location for doing business and for investment. Austria's main advantages are its economic, political and labour stability, its highly skilled workforce, a high standard of living, internal security and its well-established business ties to Central and Eastern Europe.

Additionally, Austria offers beneficial tax solutions. It provides a competitive corporate income tax rate of 23% by 2024 and additionally offers several tax relief measurements not available in other countries with lower nominal rates. Additional benefits include several tax incentives, notably for R&D expenditure and groups of companies, and the absence of wealth, inheritance and trade taxes. Austria's extensive list of double tax treaties enables interesting possibilities for internationally active

groups. International companies and groups with subsidiaries can reap significant advantages from the group taxation provisions when relocating operations to Austria, especially for establishing headquarters for the Eastern European region.

## Setting up a business

Under Austrian law a company needs to acquire a trade license (dependent on the type of business), if a company wishes to conduct business in Austria.

### Legal types of business entities

1. Branch
2. Sole Proprietorship
3. General Partnership (OG)
4. Limited Partnership (KG)
5. Civil law Partnership (GesbR)
6. Limited Liability Company (GmbH)
7. Flexible Limited Liability Company (FlexKapG)
8. Joint-Stock Company (AG)
9. Cooperative (Gen.)
10. Foundations (Privatstiftung)

The most commonly used business entity is the Private limited liability company (GmbH). In this structure, the liability of each shareholder is limited to the total amount of their share investment. These limited liability companies can be established by one or more shareholders, but shares cannot be traded on a stock exchange and must be transferred through a notarial deed.

On the other hand, Austrian stock-held companies are referred to as AG (Aktiengesellschaft), indicating a corporation whose shares are publicly traded. Unlike a GmbH, an AG offers more flexibility in share transfer, allowing it to raise funds on capital

markets. However, an AG requires a supervisory board, unlike the common GmbH, and shareholders' meetings are subject to stricter formalities. Additionally, an AG's financial statements must undergo compulsory auditing by a certified public auditor, whereas for a GmbH, auditing is only mandatory for medium-sized and large entities.

#### **Process of how to set up a business**

The GmbH is set up by one or more shareholders and becomes a legal entity upon registering on the commercial register, while fulfilling a minimum share capital of € 10,000.

Opening a branch in Austria has the following requirements:

- A registered office and managing director
- An Austrian bank account
- The Registration in the commercial register

#### **Financial year of taxes and financial accounts**

The standard Austrian financial year is the calendar year. Legal entities may choose a differing financial year, as long as it comprises 12 months.

#### **Accounting and auditing**

The management must submit the financial statements together with the notes to the supervisory board within a period of five months following the close of a company's financial year. A statutory audit is required for:

- Stock companies
- Banks, insurance companies and investment funds
- Large and medium-sized companies with limited liability

#### **Economic and fiscal incentives**

Austria offers foreign investors a wide array of incentives, grants and subsidies. There is a broad range of tailor-made funding for any project a company decides to start, including options like cash grants, interest subsidies and loan guarantees.

Austria ranked first internationally in

2023 in supporting company research and development.

One of the incentives for doing R & D in Austria is a system called the "14% research tax credit", which is accessible regardless of a company's size and applies to costs incurred for research and experimental development.

#### **Incentives foreign investors/ local investors**

There are four important focal points applying to investment projects of companies that have established business operations in Austria:

- Regional Assistance
- SMEs
- Technology promotion
- Environmental protection.

## **Taxation**

A country's tax system is one of the most important criteria for a company deciding to establish operations or create branches there. Austria offers a highly competitive system with a flat corporate tax rate of 23%, with no other taxes levied on corporate income. Individuals who are residents of Austria are liable to Austrian income tax at graduated marginal rates ranging from 0% to 55% (55% for income exceeding €1 million). The Austrian Income Tax Act distinguishes between unlimited and limited tax liability.

Austria has entered into agreements known as double taxation agreements with the most important countries to prevent traders who undertake cross-border activities from being taxed twice – that is, both in Austria and abroad.

#### **VAT**

The general VAT rate is 20%, while there is a reduced tax rate of 10% for example for most food related things, books, newspaper, rent, and public transport tickets or 13% for example for animal feed, seeds and entrance to sporting and cultural events.

#### **Income tax**

The Income Tax Act lists types of income:

- income from
  - agriculture and forestry
  - self-employed work
  - trade and craft activities
  - employment
  - capital assets
  - rents and leases
  - others (which are explicitly defined)

#### **Corporate income tax**

As mentioned Corporate income tax is a flat rate of **23 per cent** of taxable income.

#### **Registration procedures**

Private individuals and companies are registered with the tax authorities and given a fiscal registration number. Communication with the tax authorities, including tax returns and assessments, is largely conducted via an online platform.

#### **Participation exemption**

In Austria, the participation exemption generally applies to dividends and capital gains derived from qualifying shareholdings in domestic and foreign companies. To qualify for the exemption, the Austrian company must hold at least 10% of the subsidiary's nominal capital. Additionally, certain conditions related to the duration of ownership and the subsidiary's activities must be met.

Cooperative memberships may also qualify for the participation exemption under specific circumstances, but the rules can vary.

It is crucial to consult official sources or seek professional advice for accurate and up-to-date information on tax regulations in Austria.

#### **Wage tax**

The basis and rates of wage tax are similar to the income tax for individuals. Wage tax is a withholding tax and therefore is an advance payment on income tax.

In Austria employees are paid the normal 12 months of wages and additionally also receive a one month-

wage of Holiday pay, as well as Christmas pay totalling “14 months” of wages. These additional bonuses incur a flat tax of 6% (with a small tax-free amount and then up to a certain limit), which complicates comparisons with countries not using this system. When comparing the tax, it is important to consider this attractive flat rate of 6% for 1/6 of a years' wage.

#### **Withholding taxes**

In Austria, dividends paid to individuals are typically subject to a 27,5% (interest – 25%) withholding tax, but this rate can be reduced under double taxation treaties. Individuals must apply for a refund from tax authorities if the full rate is withheld. For resident individuals, this withholding tax is generally the final tax. Corporate shareholders can enjoy exemptions from corporate income tax under the domestic participation exemption, and paid withholding tax can be refunded or credited. Domestic corporate shareholders holding at least 10% of a company are exempt from withholding tax on dividends.

Austria follows the EU Parent-Subsidiary Directive, exempting dividends to EU parent companies from withholding tax if specific conditions are met, with any initial withholding tax refunded after a minimum holding period.

## **HR/ Labour Law**

---

#### **Employment law**

Employment law in Austria is comprehensive and provides protections for both employees and employers. It covers various aspects such as, working hours, paid leave entitlements, termination procedures, and workplace safety standards. Austria also emphasizes collective bargaining agreements negotiated between trade unions and employers' associations, which often set industry-specific standards for wages and working conditions. Additionally, Austrian employment law prioritizes principles of non-discrimination and equal treatment in the workplace.

#### **Social security**

In Austria, social security contributions are mandatory and include provisions for health insurance and pension insurance, among other benefits. These contributions are calculated as percentages of an individual's total monthly earnings, but only up to specified maximum amounts. Both employees and employers share the responsibility for paying these contributions.

#### **Pension**

In Austria, there is no specific national pension fund, instead Austria operates a social security system that includes various components. One such component is public pension insurance, which provides retirement benefits based on contributions made during an individual's working life.

#### **Payroll**

When establishing a business and hiring employees, the company is required to register with the relevant tax authorities. This registration process typically takes several weeks to complete. During this period, the company must also make monthly payments for wage tax and social security contributions to these authorities. Nevertheless, it is permissible to employ staff prior to the completion of the registration process.

#### **Visa and work permits**

All EU citizens are permitted to work in any EU country without the need for a special working permit or visa. Should an EU national from a country outside Austria be employed in Austria, they are required to register with the tax office and obtain a personal tax identification number.

Non-EU citizens must apply for a work permit before commencing employment in Austria.

## Contact us

---

The information provided in this guide cannot be exhaustive and we recommend anyone considering doing business in Austria should seek professional advice from our member firms before making any business or investment decision.

### Contact our member firms in Austria to discuss your requirements:

#### Accounting member

**PFK+Partner Steuerberatungs-und Wirtschaftsprüfungs-GmbH & Co KG**

[www.pfk-partner.at](http://www.pfk-partner.at)

#### **Peter Kollermann**

peter.kollermann@pfk-partner.at

+43 1 5220800

Mariahilfer Str. 54

1070 Vienna

Austria

#### Legal member

**Alix Frank Rechtsanwaelte GmbH**

<https://www.alix-frank.com>

#### **Dr. Alix Frank-Thomasser**

a.frank@alix-frank.co.at

+43 1 523 27 27

Schottengasse 10

1010 Vienna

Austria

MSI Global Alliance

10 Queen Street Place

London EC4R 1AG

United Kingdom

[www.msiglobal.org](http://www.msiglobal.org)