

GLOBAL  
EMPLOYER  
GUIDE

**AUSTRIA**





## Basic Country Facts

### Full Name

- Republic of Austria (Republik Österreich)

### Capital

- Vienna

### Main Languages

- German (98%)
- Slovene
- Croatian (0.5%)
- Hungarian (0.1%)
- Slovak

### Population

- 9.01 million

### Monetary Unit

- Euro

### Internet Domain

- .at

### International Dialling Code

- +43

### Currency

- Euro



# STATUTORY LABOR REQUIREMENTS

## Probation Period

- Probationary period is agreed in which the employment relationship between employer and employee can be terminated without prior notice and without giving reasons.
- The probationary period lasts for 1 month in Austria
- Apprenticeships have a probationary period of 3 months.

## Annual Leave

- Employees have a minimum entitlement to paid annual leave of five weeks in each year of work.
- When calculating leave according to working days (incl. Saturday) one is entitled to 30 days leave in each year of work.
- After 25 years of service this entitlement increases to six weeks

## Public Holidays

- New Year (1st January)
- Epiphany (6th January)
- Easter Monday
- State Holiday (1st May)
- Ascension
- Whit Monday
- Corpus Christi
- Assumption (15th August)
- National Holiday (26th October)
- All Saints (1st November)
- Immaculate Conception (8th December)
- Christmas (25th December)
- St Stephen's Day (26th December)



## Maternity Leave

- The protection period (Mutterschutz) for pregnant employees normally begins eight weeks before birth and ends eight weeks thereafter.
- Thus, Austrian are entitled to paid maternity leave of 16 weeks.
- During the protection period the employment relationship continues to exist, and the employee receives a maternity allowance (Wochengeld) of about the same amount as the average remuneration during the last 13 weeks before the absolute employment prohibition.
- Since 1st January 2008, also freelance contractors receive maternity allowance.

## Paternity Leave

- Fathers are entitled to 1 months' paternity leave.
- Mothers and fathers are entitled to parental leave until the child reaches the age of 24 months (maximum), provided the parent in parental leave lives in the same household as the child.
- The minimum period of the parental leave is two months. The dismissal and termination protection ends four weeks after the end of the parental leave.

## Sick Leave

- The principle of continued remuneration ensures that in the event of sickness, industrial accident and occupational illness and during rest cure and convalescence leave, employees' remuneration will continue to be paid. After continued remuneration, one receives sick pay from the health insurance provider
- The amount of sick pay depends on the earnings in the last month before the illness and the amount of continued remuneration paid.

## WorkHours

- The Working Time Act (Arbeitszeitgesetz) applies to almost all private-sector employees over the age of 18.
- Generally, Austria has an eight-hour working day (working hours within a 24-hour period) and a 40-hour working week (working hours from Monday to Sunday).
- Collective agreements in many industries have shortened the regular weekly working hours, for example to 38 hours.
- To obtain a longer continuous period off work (e.g. long weekend), the normal working day can be extended from eight hours to the maximum of nine hours/day.
- Under certain conditions, a 4-day week (4 x 10 hours) is possible.

## Overtime

- Overtime is accumulated if the regular working hours (eight hours per day or 40 hours per week).
- Employees may only be subjected to overtime if this does not conflict with their own considerable interests (e.g. child care, urgent doctor's appointment).
- Overtime must be remunerated with an additional bonus of 50% in money or time balance.



## Notice Period

- The notice periods for employees are set out in section 20 of the Employees Act (Angestellten-gesetz).
- The notice period that the employer must give to employees depends on the employee's length of service:
  - Less than or equal to two years' service requires six weeks' notice.
  - More than two years' service requires two months' notice.
  - More than five years' service requires three months' notice.
  - More than 15 years' service requires four months' notice.
  - More than 25 years' service requires five months' notice.
- All employees must give at least one month's notice, regardless of their length of service.
- The notice period can be increased up to six months' subject to contractual agreement.

## Severance

- Employees who entered into a new employment relationship as of 1 January 2003 are entitled to a severance payment.
- This payment depends on the termination of the employment relationship.
- Employers must pay contributions to a severance payment fund for these employees at a rate of 1.53% of their gross monthly salary.
- Employees are entitled to a severance payment, unless the employment relationship is terminated by dismissal of the employee, lawful redundancy or unlawful withdrawal of the employee or less than three years have passed since the first payment into the fund.

## 13th Month

- A 13th month or 14th month bonus in Austria, equal to one month's salary, is a market-norm benefit typically paid at Christmas and upon the employee's vacation time (in the summer).
- This is not legally required and is only owed to the employee if included in the employment contract or collective bargaining agreement.





## Income Tax

- In Austria, income tax is known as Einkommensteuer.
- The tax system is pay-as-you-earn and is paid throughout the year.
- Anyone who lives in Austria is liable to pay an unlimited tax liability.
- Those who have no residence but work in Austria pay a limited tax liability.
- They are subject to tax only from the income earned in Austria and not elsewhere.
- All individuals' resident in Austria are subject to Austrian income tax on their worldwide income, including income from trade or business, profession, employment, investments, and property.
- Non-residents are taxed on income from certain sources in Austria only. Non-residents are subject to income tax on Austrian-source income at normal rates (including a fictitious income increase of 9,000 euros [EUR]).

Income (EUR)	Tax Rate (%)
11,000 and below	0
11,001 to 18,000	25
18,001 to 31,000	35
31,001 to 60,000	42
60,001 to 90,000	48
90,001 to 1,000,000	50
Above 1,000,000	55



## Social Security

- The social security system covers the following: Prevention, sickness, incapacity for work/invalidity, maternity, unemployment, old age, death of a person liable to provide maintenance, survivors' pensions, nursing care and social need.
- In Austria both the employer and the employee are required to pay social security contributions.
- The employee's part of the contributions is withheld by the employer and then paid together with its own contribution.
- The basis of assessment is the employee's monthly gross salary.
- The contributions cover insurance for health, unemployment, old age and disability.
- Sickness insurance (prevention, sickness, maternity, nursing care) is administered by the sickness insurance funds
- Accident insurance by the General Accident Insurance Institute (Allgemeine Unfallversicherungsanstalt - AUVA)
- Unemployment insurance by the Employment Service (Arbeitsmarktservice - AMS)
- Pensions insurance by the Pension Insurance Office (Pensionsversicherungsanstalt - PVA).

## Social Security Contributions

- Monthly rates of compulsory (pre-tax) social security contributions are shown below for pensions, sickness, unemployment, accident insurance, and certain minor contributions:

Social Security Categories	Employer (%)	Employee (%)	Total (%)
Sickness	3.78	3.87	7.65
Unemployment	3	3	6
Pension	12.55	10.25	22.8
Accident	1.2	0	1.2
Miscellaneous	0.7	1	1.7
<b>TOTAL</b>	<b>21.23*</b>	<b>18.12*</b>	<b>39.35*</b>

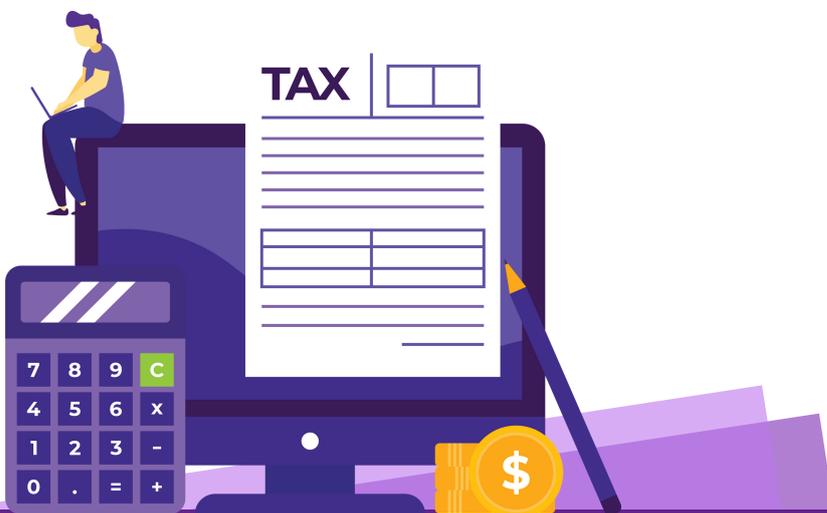


- There is also a possibility that family members can be co-insured without any additional contributions.
- An additional insurance contribution of 3.4% is collected, e.g., in cases when the co-insured person (a spouse, a registered partner, or a person running the household) does not bring up a child/children living in the common household or did it for at least four.
- In addition, the employer is liable to the Family Burdens Equalisation Levy at the rate of 3.9%, the municipal tax on payroll at the rate of 3% of monthly gross salaries and wages, and a public transportation levy of EUR 2 per week per employee in the city of Vienna.
- In addition, a contribution to the Chamber of Commerce is levied at a rate of approximately 0.38% (between 0.34% and 0.42%) of monthly gross salaries paid (depending on the province).
- Moreover, a contribution to the mandatory employee pension fund at the rate of 1.53% on monthly gross salaries is payable for employments subject to Austrian employment law.

## Deductible Expenses

### Employment Expenses

- Expenses incurred in 'acquiring, securing, and maintaining' income are deductible from the taxable income of the particular source of income concerned. All employees are entitled to a standard allowance of EUR 132. Expenses in excess of this amount will be allowed if supported by receipts (e.g. office in home, continuing education).
- Employee portions of mandatory contributions to Austrian and/or foreign social security are tax deductible.
- In computing income from employment, expenses related to the production and collection of income is generally tax deductible.
- These expenses include the following:
  - Membership fees to certain organizations (e.g. Chamber of Labor, workers' council).
  - Compulsory social and pension insurance contributions.
  - Commuting expenses between residence and place of work where a standard deduction can be claimed per month; the deductible amount depends on the distance and the possibility of using public transport.
  - Work equipment and special work clothes.
  - Business related travel expenses and per diems.
  - Technical literature.
  - Training costs.



## Personal Deductions

### Special Expenses

- Certain relief allowances are available against taxable income if the annual income does not exceed EUR 60,000. These allowances include:
  - Sickness, life, and accident insurance premiums.
  - Voluntary contributions to employer pension plans and/or state social security.
  - Expenses for the construction of a new house/apartment or renovation of housing space in Austria.
- Please notice that due to the Austrian tax reform 2015/16 these allowances are only available against taxable income if the contract with the insurance company in connection with the payments was closed before 1 January 2016 and only for the duration of five years (until 2020).
- For these types of expenses, a standard allowance of EUR 60 per year is granted, unless higher payments have been made. In the latter case, the deductible amount is limited to 25% of expenses up to EUR 2,920 per year for single taxpayers and 25% of expenses up to EUR 5,840 are tax deductible under the following conditions:
  - the individual is eligible for a sole earner or a single parent tax credit, or
  - the individual is not eligible for a sole earner or a single parent tax credit but the individual is married more than six months during the calendar year or living more than six months in a registered partnership and is not permanently separated from one's married/registered partner whose income is less than EUR 6,000 per year.

- For taxpayers who earn between EUR 36,400 and EUR 60,000 per year, the maximum deductible amount is reduced step-by-step on a ratable basis.
- The standard deduction of EUR 60 remains in any case tax deductible.
- Church tax is deductible up to EUR 400, and charitable contributions to certain institutions are deductible up to 10% of the current year's taxable income.
- Austrian tax adviser fees are fully deductible.

### Extraordinary expenses

- Individuals who incur extraordinary expenses can obtain some tax relief.
- This relief applies to resident individuals who are subject to unlimited tax liability who incur unavoidable expenses (e.g. funeral costs, medical expenses for special treatments not reimbursed by health insurance).
- Depending on income and family status, the taxpayer may be able to deduct an amount that exceeds a certain percentage of one's income. The retention rates are as follows:

Annual Income		Retention Rate (%)
Over	Not Over	
0	7,300	6
7,300	14,600	8
14,600	36,400	10
36,400		12

- The percentage is reduced by 1% for an individual:
  - who is eligible for a sole earner tax credit or a single parent tax credit, or
  - who is not eligible for a sole earner or a single parent tax credit but the individual is married more than six months during the calendar year or living more than six months in a registered partnership and is not permanently separated from one's married/registered partner whose income is less than EUR 6,000 per year,
  - as well as for every additional child if the taxpayer receives for more than six months the child tax-free amount or the alimony tax credit.
- Certain expenses (e.g. damage due to disaster) are generally fully tax deductible.

#### Family Bonus Plus

- From 2019, the child care deduction and the child tax-free amount are replaced through the family bonus plus.
- The family bonus plus is a tax credit, which reduces the amount of tax paid.
- The annual tax credit of EUR 1,500 per child can be claimed for children up to the age of 18 years, who live in Austria, and are entitled to family allowance.
- If both parents claim the family bonus plus, both taxpayers are entitled to 50% of the tax-free amount (EUR 750 per annum for each taxpayer).
- For children between 19 and 24 (in some cases until 25), the family bonus plus can be granted up to an amount of EUR 500 per annum.
- The family bonus plus can be taken into account in the payroll during 2019 or in the tax return for 2019 in 2020.



## Immigration

- Most migration to Austria is done on a flexible system which is known as the Red-White-Red Card and is designed to grant residence based on the skills of potential incoming workers and the shortages in the Austrian labor market.
- To qualify as a very highly qualified worker, you must score more than 70 points on the points based scheme described on the immigration authorities' website.
- Under this system you score different amounts of points for things like your professional qualifications, work experience, language ability and the salary levels you have previously earned.
- To be issued the Red-White-Red Card under this type, you must have a job already lined up, although there's a second option known as a Red-White-Red Card Plus.
  - This allows you to get entry to Austria to work without having a specified employer sponsoring you.
  - This card is only issued under certain circumstances and has strict criteria which are set out online.
  - If you have held a Red-White-Red Card already for 10 of the preceding 12 months, you can 'upgrade' your card to the 'Plus' version and get unlimited labor market access.
  - This means you can work for any employer rather than only the one originally named on your card.
- Another option for workers in in-demand occupations is to apply for the Red-White-Red Card under the shortage occupations stream.
  - In this case, you still have to complete the points based test, but you need score only 55 points for your application to be considered.
- In the case of Austria, if you've already got an EU Blue Card, or fulfil the criteria, you could be issued a Red-White-Red Plus Card which has more favorable terms than a regular work visa.
  - This means you might be eligible to come to Austria for the purposes of looking for work and without having defined employer sponsorship.
- Austria offers a specific visa for seasonal workers coming to work in tourism, agriculture and forestry.
- The quotas set for seasonal worker visas are reviewed regularly, and a visa will only be issued if the authorities are satisfied the work can't be done by a local person.
- EU Blue Card: -
  - Third-country nationals who have completed studies lasting more than three years at institutions of tertiary education and who earn a yearly salary for a job corresponding to their education that exceeds 62,265 Euro (2019) have access to the EU Blue Card Austria.
  - Employee will earn a gross annual income of at least one and a half times the average gross annual income of full-time employees (in 2020: at least € 63,672; annual salary plus special payments),
  - The labor market test (Arbeitsmarktprüfung) shows that there is no equally qualified worker registered as a jobseeker with the Public Employment Service (AMS) available for the job.

Type of Visa	Documentation	Validity	Eligibility
<b>Very High Qualified Workers</b>	<ul style="list-style-type: none"> <li>Valid travel document</li> <li>Birth Certificate</li> <li>Photo (not older than 6 months)</li> <li>Proof of local customary accommodation</li> <li>Proof of health insurance</li> <li>Proof of adequate means of subsistence</li> <li>Proof of graduation</li> <li>Proof of gross annual salary in a senior management position</li> <li>Proof of research and innovation activities</li> <li>Recognized awards and prizes</li> <li>Proof of work experience</li> <li>Language diploma or language course certificate at the A1 or A2 levels of the Common European Framework of Reference for Languages.</li> <li>Studies in Austria</li> </ul>	6 months (Job seekers visa)	<ul style="list-style-type: none"> <li>Applicants should attain a minimum of 70 points according to the eligibility criteria for very highly qualified persons as set up by the Austrian government.</li> <li>Special qualifications and skills are attributed 40 points</li> <li>Maximum allowable points for work experience are 20</li> <li>Maximum allowable points for language are 10</li> <li>Maximum allowable points for age are 20</li> <li>Maximum allowable points for study in Austria are 10</li> </ul>
<b>Skilled Workers in Shortage Occupations</b>	<ul style="list-style-type: none"> <li>Valid travel document</li> <li>Birth certificate</li> <li>Photo</li> <li>Proof of local customary accommodation</li> <li>Evidence of health insurance</li> <li>Evidence of adequate means of subsistence</li> <li>Qualification à vocational or educational training à Proof of eligibility for admission to university à Graduation</li> <li>Proof of work experience</li> <li>Language skills</li> </ul>	24 months	<ul style="list-style-type: none"> <li>Applicants should attain a minimum of 55 points according to the eligibility criteria Skilled Workers in Shortage Occupations</li> <li>Maximum allowable points for qualification are 30</li> <li>Maximum allowable points for work experience are 20</li> <li>Maximum allowable points for German language skills are 15</li> <li>Maximum allowable points for English language skills are 10</li> <li>Maximum allowable points for age is 15</li> </ul>
<b>EU Blue Card</b>	<ul style="list-style-type: none"> <li>a valid travel document</li> <li>a birth certificate</li> <li>a photo</li> <li>evidence of health insurance</li> <li>Bachelor or Master's Degree</li> </ul>	1 year	<ul style="list-style-type: none"> <li>Employee earns a gross salary of at least € 63,672</li> <li>High skilled worker</li> </ul>

## Value Added Tax (VAT)

- Generally, the Austrian VAT law is based on the 6th EU VAT Directive.
- Under the Austrian VAT law, companies and individuals carrying out an active business on a permanent basis are qualified as entrepreneurs for VAT purposes.
- As entrepreneurs, they have to charge the supply of goods or services provided to their customers with Austrian VAT at a rate of 20%.
- A certain limited range of goods and services is taxed at the reduced rate of 10% (e.g. books, food, restaurants, passenger transportation, medicine, hotel accommodation) or 13% (e.g. animals, seeds and plants, cultural services, museums, zoos, film screenings, wood, ex-vineyard sales of wines, domestic air travel, public pools, youth care, athletic events).
- Certain other transactions are exempted from Austrian VAT (e.g. export transactions).
- According to the Tax Reform Act 2020, several changes to the Austrian VAT law enter into force from 1 January 2020 (e.g. reduced VAT rate of 10% for the supply of e-books and e-papers, simplification rule for call-off stocks, new rules for chain transactions).

VAT	
General Rate	20%
Reduced Rate	10%* 13%**

\*This applies to books, food, restaurants, passenger transportation, medicine, hotel accommodation

\*\*This applies to animals, seeds and plants, cultural services, museums, zoos, film screenings, wood, ex-vineyard sales of wines, domestic air travel, public pools, youth care, athletic events.

## Withholding Tax

### Payroll Withholding Tax

- Assuming Austrian social security applies, wage tax and social security contributions on current salary are withheld as follows:

2020 (EUR)			
Annual Taxable Salary	Monthly Salary (paid 14 times)	Pre-tax monthly social security withholding	Monthly wage tax withholding
29,000	2,071.43	375.34	175.53
36,000	2,571.43	465.94	318.82
54,000	3,857.14	698.91	726.4
76,000	5,428.57	973.04	1,271.27

### Dividend Withholding Tax

- Dividends paid to another Austrian company are exempt.
- Under Austrian domestic law, there is generally a 25% WHT for corporations and 27.5% WHT for other recipients on dividends (profit distributions) paid to a foreign parent company.
- A refund of the withholding tax is possible for EU/EEA parent companies if the withholding tax cannot be credited in their residence state under a tax treaty.
- The WHT has to be deducted and forwarded by the Austrian subsidiary to the tax office.

### **WHT on dividends paid to EU companies**

- With regard to dividends paid to EU resident corporate shareholders, Austria has implemented the EU Parent/Subsidiary Directive according to which domestic WHT is reduced to zero.
- The requirements for the reduction are that the EU resident parent company, which also has to meet the substance requirements mentioned above (see Exemption at source method) at the moment of the dividend distribution, must directly own at least 10% of the share capital of the Austrian subsidiary for a period of at least one year.
- In case of foreign EU shareholders being qualified as pure holding companies, the Austrian tax administration does not allow an exemption at source but claims the application of the refund method.

### **Interest Withholding Tax**

- Interest payments to non-resident companies are currently not subject to WHT (provided no Austrian real estate property is used as security).
- Interest on Austrian bank deposits received by individuals' resident in the European Union is not subject to WHT. The background of this law is that Austria agreed on the automatic exchange of information (according to directive 2014/107/EU).
- Interest (accrued) on Austrian bank deposits or Austrian bonds received by non-resident individuals, where the paying/depository agent is located in Austria, is subject to 25% WHT (27.5% WHT for Austrian bonds).
- A tax exemption applies if an automatic system regarding the exchange of

### **Royalties Withholding Tax**

- On royalties paid to a non-resident company, Austrian WHT at a rate of 20% has to be deducted.
- This tax rate can be reduced under an applicable DTT or under the application of the EU Interest Royalty Directive, which was implemented in Austrian Tax Law.



## Technical Service Fee

- Fees for technical services are subject to a 20% withholding tax, unless the rate is reduced or the payments are exempt under a tax treaty.

Payment/Income	Withholding Tax
<b>Payroll WHT</b>	<ul style="list-style-type: none"> <li>• Assuming Austrian social security applies, wage tax and social security contributions on current salary are withheld</li> </ul>
<b>Dividend WHT</b>	<ul style="list-style-type: none"> <li>• Dividends paid to another Austrian company are exempt.</li> <li>• Under Austrian domestic law, there is generally a 25% WHT for corporations and 27.5% WHT for other recipients on dividends (profit distributions) paid to a foreign parent company.</li> </ul>
<b>Interest WHT</b>	<ul style="list-style-type: none"> <li>• Interest payments to non-resident companies are currently not subject to WHT</li> <li>• Interest on Austrian bank deposits received by individuals' resident in the European Union is not subject to WHT.</li> <li>• Interest (accrued) on Austrian bank deposits or Austrian bonds received by non-resident individuals, where the paying/depository agent is located in Austria, is subject to 25% WHT</li> </ul>



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## Termination

- Termination indemnities to be paid in the case of the termination of an employment contract by the employer Basically, there are 3 different ways in which an employment relationship can come to an end:
  - by expiration (of a fixed term employment contract)
  - by a mutual agreement on the termination
  - by unilateral termination
- Employment ends automatically when the term of the contract has expired (Expiration).
- When an employee and an employer end an employment relationship by mutual consent, no period of notice is required. It may be terminated verbally or in writing. Written termination is recommended (Mutual Consent).
- Notice can be given verbally, in writing or implicitly (handover of employment papers). No reason for termination needs to be given (Unilateral Termination)
- Dismissal terminates an employment relationship with immediate effect.
- There must be a reason for dismissal (e.g. persistent neglect of duties). Dismissal may be effected verbally, in writing or implicitly. An unjustified dismissal also terminates an employment relationship with immediate effect; you have the possibility to complain to the labor and social security court.
- Resignation by the employee also
- terminates a relationship of employment with immediate effect. This option is open to employees, for example in the case of gross neglect of duty by an employer.

## Statutory Benefits

- These are mandatory benefits as prescribed by law.
- Statutory benefits include pension fund, social security, 13th salary and additional pay.
- *Pension Fund*: - Austria follows the three pillar model for pension contribution.
  1. The public pillar: 20% tax and 80% contribution.
  2. Occupational: contributions by employer and employee based on collective agreements.
  3. Independent retirement provision. Under the occupational contributions - employer contributes 12.55%. The employee contributes 10.25%.
- *Social Security*: - In Austria, social security is comprised of pension insurance, accident insurance, health insurance, and unemployment insurance and are capped at 5,220 EUR for the regular monthly salary and at 10,440 EUR for payments that do not occur on a monthly basis (i.e. bonus and commissions).
- *13th Salary*  
There are mandatory 13th and 14th salaries that are paid out in June and December respectively.
- *Additional Pay*  
There are 14 salary payment annually, 12 monthly salary payments, one month's pay for Christmas bonus, and one month's pay for holiday bonus.



## Statutory Benefits

Pension Fund

Pension Insurance

Accident Insurance

Health Insurance

Unemployment Insurance

13th Salary

Additional Pay

Sick Pay/Leave

Maternity Leave

Paternity Leave

## Payments and Invoicing

- The Austrian tax system is a pay-as-you-earn system.
- Income tax returns can be filed with the local tax office after the end of each calendar year. Separate returns are required for the period in which an individual is resident and for the period in which an individual is non-resident (but with income subject to Austrian taxation).
- In general, income tax is withheld from salaries/wages, interest, and dividends (see Dividend income in the Income determination section for more information). Income tax on other types of income is payable quarterly, with an annual return filing requirement.
- The final tax will be assessed by an assessment note and is payable within one month after tax assessment.

- From 1 October of the following year until the date of tax assessment, interest is payable on the final tax amount due (or will be paid by the tax office in case of tax refund). Interest can be prevented if a sufficient down payment is made by 30 September. The interest rate is the basic interest rate of the ECB plus 2%.

## Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Austria ranked 27th in the World in 2019 in terms of ease of doing business.



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