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Global Tax Alert

Austria publishes two draft bills: The Economic Strengthening Act 2020 and the Investment Premium Act

The Austrian Federal Government announced on 16 June 2020 a stimulus package to further support the economy in response to the COVID-19 pandemic. On 22 June, the Austrian Federal Ministry of Finance published the draft bill of the *Economic Strengthening Act 2020* (Konjunkturstärkungsgesetz 2020) to implement most of the proposed changes. In addition, the draft bill of the new *Investment Premium Act* (Investitionsprämiengesetz) was published on 23 June. The following legal changes are proposed:

- Introduction of a new degressive depreciation of up to 30%, applicable to acquisitions from 1 July 2020. The proposed depreciation of up to 30% applies to acquisition and production costs and in later years to the respective book value. Excluded from the degressive depreciation will be intangible and used assets, buildings and tenant investments, passenger cars and installations used to produce, transport or store fossil fuels, as well as installations that directly use fossil fuels. The transition to linear depreciation in subsequent years will be possible. For taxpayers determining taxable income based on Austrian GAAP books, degressive depreciation will have to be applied in the Austrian GAAP books as tax accounting is based on commercial accounting.

- For buildings purchased or manufactured after 30 June 2020, an accelerated straight-line depreciation shall apply. In the year of acquisition, the percentage of depreciation will be three times of the ordinary percentage (therefore 7.5% instead of 2.5% of the acquisition costs, and 4.5% instead of 1.5%), and in the following year, two times of the ordinary percentage (5% and 3% respectively).
- Introduction of a new COVID-19 investment premium:
  - The planned COVID-19 investment premium is intended to support new investments in tangible and intangible depreciable fixed assets at Austrian locations. The main exceptions are new investments in assets that are harmful to the climate, undeveloped land, financial assets, business takeovers and capitalized own services. The investment premium is provided in the form of a grant equal to 7% of the eligible costs. The grant will double to 14% if the investment is related to digitization, greening, or health and life science. Existing and newly founded companies of all industries and sizes shall be eligible to the investment premium.
  - The "COVID-19 Investment Premium" support program is due to start on 1 September 2020 and applications can be submitted by 28 February 2021. A budget of €1 billion is available for the funding program. Austria Wirtschaftsservice GmbH is to implement the funding program. The Federal Ministry for Digitization and Business Location will be authorized to issue a directive for the processing of the COVID-19 investment premium. There is no legal entitlement to a COVID-19 investment premium.
- New loss carryback: With a new provision it shall be possible to offset operating losses incurred in 2020 against profits from 2018 and 2019. The loss carryback is capped at €5 million. Where possible, the 2020 loss must primarily be offset against profits from 2019. For a loss carryback to 2018, further limitations shall be specified in a separate regulation (to be published). In order to strengthen the liquidity of loss-making businesses and to enable businesses to carry back losses already before the 2020 tax return is assessed, special regulations will be issued and announced at a later point of time.
- Reduction of the first income tax/wage tax bracket from 25% to 20% (applicable for taxable income exceeding €11.000 up to €18.000) with retroactive effect from 1 January 2020. Employers will be asked to recalculate and credit the wage tax levied from January 2020 applying the currently applicable tax bracket by no later than by the end of September 2020. This reduction was originally announced for 2021.
- The top income tax bracket of 55% applicable to taxable income of €1 million or more is to be extended beyond 2020 until 2025.
- Legal extension of deferrals of tax payments granted under COVID-19 from 30 September 2020 to 15 January 2021. The aim of the planned legal provision is to save taxpayers from submitting a new application and the tax authorities from issuing of a new decision. Deferral interest will not be levied for the period 16 March 2020 to 15 January 2021. Late payment surcharges will not be levied for the period of 15 March 2020 to 31 October 2020.
- Introduction of behavioral measures for the conduct of official acts by the tax authorities (in-person negotiations, discussion dates, hearings, (final) meetings, receipt of evidence) in (physical) presence of other persons in order to prevent the dissemination of COVID-19 with the legal regulation of the possibility of using appropriate technical facilities for the transmission of words and images for (partly) virtual participation of persons until end of 2020.
- Increase in the flight tax (Flugabgabe) for departures after 31 August 2020 to €30 per passenger if the distance between the domestic airport from which the departure takes place and the destination airport is less than 350 km. In all other cases, the air tax is €12 per passenger (previously staggered for short, medium and long-haul flights between €3.50 and €17.50).

Future Alerts will report on any developments regarding the above or additional legislation.

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