

Austria announces new digital tax

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On 10 January 2019, the Austrian Government announced its plan to introduce a new digital tax, with a focus on fair taxation of the digital economy. New rules are part of larger tax reform plans with a focus to reduce taxes for low-income individuals and smaller businesses. The budget is currently on track for a surplus and shall remain at a surplus also after the reform.

As background, the European Commission proposed in March 2018 new tax rules for fair taxation of digital business activities in the European Union (EU) which included a 3% tax on certain revenue from digital activities. In December 2018, the EU Member States were unable to reach agreement on a digital tax approach for the entire EU.

As the EU has not yet agreed on an approach for Member States, the Austrian Government, a coalition of Conservatives and the Freedom Party, now wants to introduce a country-specific digital tax. New levies on internet advertising, online retailers and sharing platforms would potentially add up to about €200m of additional tax revenue.

The Austrian Government announced its plan to introduce a 3% tax on internet advertising revenue for all groups with worldwide revenues of at least €750m and Austrian revenues of at least €10m. This measure aims to levy taxes on international groups that currently pay minimal taxes in Austria according to the Austrian Government.

The second measure shall close a loophole in value added tax (VAT) for imports from non-EU countries. Under current legislation, no VAT is levied on imports of goods from non-EU countries if the value of goods does not exceed €22. The Austrian Government has taken the position that the value of many goods is incorrectly declared to avoid VAT. That minimum threshold of €22 shall now be abolished.

The third measure aims at the taxation of online sharing platforms e.g., in tourism. Operators would be obliged to report certain information to the tax authorities which is relevant to levy taxes. In addition, operators could be held liable to enforce reporting obligations.

At the moment this is only an announcement of the Austrian Government; a legislative bill has not been published. Enactment of the new provisions is subject to future legislative action.

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