

## Austrian Government introduces phased-in tax reform including a decrease in corporate income tax rate

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On 30 April 2019, the Austrian Federal Government presented its plans for tax reform, titled "Relief for Austria." Until 2022, the annual total relief, including the measures that have already come into force (family bonus plus, reduction of unemployment insurance contributions and value added tax (VAT) reduction in tourism), shall amount to €8.3 billion. The planned tax reform comprises the following actions and will enter into force in stages over several years. A bill has not been published yet.

#### **Effective from 2020:**

- ▶ At the beginning of 2020, a reduction in health insurance contributions would become effective with a "social insurance bonus" for salaries and pensions. The main aim is to relieve the burden on smaller incomes. For low income earners a bonus of up to €350 per year is proposed.
- ▶ For small entrepreneurs, the small business limit (turnover limit above which VAT is payable) would increase from the current €30,000 to €35,000 annually and in addition, a flat-rate option would be created in the future for small entrepreneurs with a turnover of up to €35,000 as part of the income taxation.
- ▶ The limit for the immediate depreciation of low-value assets would be increased from the current €400 to €800 and as of 2021 to €1,000.
- ▶ Up to 400,000 tax returns would be significantly simplified through new flat-rate options.

- For car-related taxes, low emission vehicles shall be privileged. Further, also privileges/tax advantages for electric bicycles, photovoltaic systems, for biogas, hydrogen and liquefied natural gas are proposed.
- Books, newspapers and periodicals would, in the future, also be subject to the reduced VAT rate of 10% if they are purchased in electronic form.

#### Effective from 2021:

- Austria's individual progressive income tax rates would be reduced. The first individual income tax bracket (income tax rate for income between €11,000 and €18,000) would be reduced from 25% to 20%. All other tax rates would remain unchanged in 2021. Additional relief (also for the other individual income tax brackets) would become effective in 2022.
- A lump-sum allowance (currently €132) would be increased to €300 per year.

#### Effective from 2022:

- The corporate income tax rate would be reduced to 23% from the current rate of 25%.
- The second individual income tax bracket (for income between €18,000 and €31,000) would be reduced from 35% to 30%, and the third bracket (for income between €31,000 and €60,000) would be reduced from 42% to 40%.
- In addition, the tax-free profit allowance for individuals with operating income would be increased.

#### Effective from 2023:

- The corporate income tax rate would be reduced to the final rate of 21%.

The following topics were also announced (without further details): (i) a new codification of the *Income Tax Act*; (ii) an extension of the preferential treatment for employee profit-participations with a maximum of 10% of profit and up to €3,000 per employee per year; (iii) simplifications in payroll accounting through a uniform assessment basis for ancillary wage costs; (iv) option for taxpayers to apply for a tax audit in certain cases; (v) the abolition of the sparkling wine tax; and (vi) an extension of the research premium and a faster duration of the procedure. In addition, certain stamp duties, such as stamp duties for assignments and guarantees, would be abolished.

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