

Understanding Austrian tax implications

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➤ Personal income taxation

- Exemptions and general tax duties
- Taxation after retirement
- Taxation of capital gains
- Taxation on the sale of real estate

➤ Austrian capital yields tax for UN employees

➤ Common reporting standards (AIA)

➤ Value added tax

➤ Tax exemptions for UN employees

- Exempt from Austrian taxation on salaries and remunerations paid by the UN for current or former services
- Payments from the UN-Joint Pension Fund
- For non Austrian resident employees all non Austrian income is also tax exempt
- Exemptions also applicable for family members (sharing the same household) if they are not Austrian citizens or stateless persons with Austrian residence

➤ Tax exemptions for UN authorized experts

- Foreign authorized experts are treated as non residents during the time they work in Austria and their income received from the UN is tax exempt in Austria
- Austrian citizens or stateless persons with Austrian residence are only tax exempt with their UN income; all other income is taxable in Austria
- Exemptions only applicable for the duration of their UN duties

- For non Austrian employees all other income is exempt unless (limited tax liability)
 - Income from domestic agriculture or forestry
 - Income from self-employed work that is performed or utilized in Austria
 - Income from commercial operations in Austria
 - Income from other employed work in Austria (not for UN)
 - Income from the sale of land in Austria
 - Income from letting and leasing, if property or rights are:
 - located in Austria or
 - recorded in an Austrian public book or register or
 - used in an Austrian permanent establishment

- For non Austrian employees all other income is exempt unless (limited tax liability)
 - Income from capital investments (examples):
 - Austrian dividends
 - income from profit participation rights or participation rights according to Austrian Banking Act or Austrian Insurance Supervision Act
 - interest deriving from loans, obligations, mortgages, deposits (at credit institutions) if the investment is secured by Austrian property

- For non Austrian employees all other income is exempt unless (limited tax liability)
 - Income from capital investments (examples):
 - income from private foundations
 - distributions to silent partners
 - distributions of Austrian or foreign real estate funds, if the real estate is located in Austria
 - realised capital gains deriving from disposal of a (at least 1%) participation in an Austrian corporation

➤ Tax rates personal income tax

- Progressive income tax rate
- Average tax rates:

– up to EUR 11,000	0.00%
– at EUR 18,000	9.72%
– at EUR 31,000	20.32%
– at EUR 60,000	30.80%
– income > EUR 90,000 taxed at	50.00%
– income > EUR 1.000,000 taxed at	55.00%
- Final tax rate (capital yields tax, special tax)

– fixed rate of	(25.00%) 27.50%
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➤ Residence remains in Austria

- Austrian tax resident - taxable with worldwide income
- Virtual immigration to Austria for purpose of Austrian capital yields tax (KESt) determination

➤ Old property

- Acquisition date is decisive for taxation
- Transfer to a domestic deposit account – proof of the initial acquisition date (instruct the old bank to provide the relevant data to the new bank)
- Otherwise old property is to be treated tax wise as new securities
- Capital gains from sale of old property are tax exempt

➤ New property

- Acquisition after 31/12/2010 (shares, investment fund units, substantial participations)
- Acquisition after 31/03/2012 (debt securities, bonds, derivatives)
- Revaluation at market values at the date of immigration
- Capital gains are subject to taxation at 27.50% (25.00% for sales until 31/12/2015)

➤ Retired shareholder

▪ Shares purchased in 2016		EUR 100
▪ Sold in 2018		EUR 120
○ Taxable profit		EUR 20

➤ Alt.: Retired 2017

▪ market value 2017	EUR 110	EUR 130
○ Taxable profit / loss	EUR 10	EUR - 10

➔ Profits taxed at fixed rate of 27.50%

➔ Loss can be set off against other income from capital

- Taxation of sales of private real estate
 - For transactions after 31/03/2012 (contract date)
 - Higher tax rates since 01/01/2016
 - Applicable for
 - Land
 - Buildings (houses, apartments)
 - Rights
 - Also for domestic property of non Austrian residents
 - Different treatment of „old“ land and „new“ land

➤ Old Land / New Land

- New Land:
Purchased after 31/03/2002
- Old Land
Purchased before 01/04/2002
- Special treatment for old land, that was rededicated after
31/12/1987

- Principal residence exemption (including land)
 - Homes that the seller used since the purchase as his principal residence continuously for at least two years
 - Homes that the seller used as his principal residence for at least five continuous years during the last ten year before the sale
 - Seller must have had his principal residence, legal ownership during the full period is not required
 - Principal residence must definitely be abandoned (no partly sale)

➤ Self made buildings

- Who bore the economic risk (builder-owner)?
- Not applicable if building was used to achieve leasing income during the last 10 years
- Tax exemption is only applicable for the building, not for the land's value

➤ Sale due to governmental interaction
(or to avoid it)

➤ Purchase costs (new land)

- Purchase costs
- plus subsequent construction expenses
- plus maintenance
- minus depreciation claimed
- minus governmental subsidies received
- plus cost of lawyer/notary for real estate tax processing

➤ Taxable profit (new land)

$$\begin{array}{r} \text{Sales price} \\ - \text{minus purchase costs} \\ \hline = \text{Profit} \end{array}$$

➤ Not deductible (old and new land)

- Advertisements
- Agent commissions
- Contracting expenses
- Interest
- Lawyer/notary cost (except cost for processing of tax itself)
- Travel expenses
- Telephone costs
- etc

➤ Tax rates

- | | |
|------------------------------------|--------|
| ▪ new property | 30.00% |
| ▪ old land, rededicated after 1987 | 18.00% |
| ▪ other old land | 4.20% |

➤ Set off of losses

- Basically no set off with other sources of income, 60 % of loss can be set off against income from letting and leasing
- Set off against profits from other sales of land in the same year
- Only limited carry forward of losses, 60 % against income from letting and leasing can be split over 15 years

➤ Payment of tax

- Due by 15th day of the second month after payment
- Calculated and processed by notary or lawyer

➤ Tax return necessary/possible?

- No tax return necessary – special tax rate is final
- Option to file a tax return for special tax rate (set off losses from sale of land with profits from sale of other land)
- Option for regular taxation (no special tax rate) – e.g. set off losses from other sources with profits from sale of land

➤ New Land

▪ Land purchased 2005	EUR 150,000
▪ Sold 2018	EUR 200,000
○ Profit	EUR 50,000
	30.00%
taxed at	
tax	EUR 15,000

➤ Old Land

- | | | |
|------------------------------------|----------|-------------|
| ▪ Land purchased 1990 | | EUR 100,000 |
| ▪ Sold 2018 | | EUR 170,000 |
| | taxed at | 4.20% |
| | tax | EUR 7,140 |
| | | |
| ▪ Alt. option to regular taxation: | | |
| ○ Profit | | EUR 70,000 |
| | taxed at | 30.00% |
| | tax | EUR 21,000 |

➤ Old Land (rededicated after 1987)

▪ Farmland purchased 1985	EUR	5,000
▪ Rededicated to land for building - 1995		
▪ Sold 2018	EUR	30,000
	taxed at	18.00%
	tax	EUR 5,400
▪ Alt.: option to regular (new taxation)		
○ Profit	EUR	25,000
	taxed at	30.00%
	tax	EUR 7,500

➤ Tax on domestic capital income

- Interest from Austrian banks
- Interest from Austrian bonds or certificates
- Income from funds that hold such securities in their portfolio

➤ Tax rate, effective date, procedures

- 25.00 % (bank accounts), 27.50 %
- since 01/01/2017
- Withheld by Austrian banks at source
- Probably, partial refund possible if taxed in residence country with a double tax treaty

- AIA (Automatischer Informationsaustausch)
 - 2015 Austria joined the reporting system
 - Common reporting standard according to OECD rules
 - More than 100 countries worldwide (incl. all EU members)

- Reported data
 - Personal data for identification (name, tax number, etc)
 - Account information (account name/number, bank, etc)
 - Financial information (balances and activities, interest, dividends, proceeds from sales, etc)

- Cancellation of tax treaties Switzerland and Liechtenstein
 - Switzerland and Liechtenstein joined the AIA
 - Therefore obligation to report financial information to residence country
 - First reported year: 2017
 - Tax treaties with Austria established in 2012 and 2013 became void

- Former tax treaty Austria - Switzerland
 - Effective as from 01/01/2013
 - Applicable for Austrian residents (natural person) with accounts/deposits in Switzerland
 - Provided options:
 - to disclose Swiss income to Austrian tax authorities or
 - to be taxed at source in Switzerland with an initial one-time payment for the years up to 2012 (tax amnesty)
 - Similar agreement in force with Liechtenstein since 2014

- VAT is due for UN employees
- Only diplomats can reclaim VAT
 - Limited to EUR 2,900 per year
 - Application to Ministry of Finance required
 - VAT exemption for rent can be applied for
 - VAT exemption for purchase of cars can be applied for

Batman&Robin, Homer&Marge or Thelma&Louise?

There are many kinds of partnerships you can put your trust in.
In case of taxes and consultation you should trust in us.



Questions?



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