Austria Payroll & Tax Overview

A GUIDE TO DOING BUSINESS IN AUSTRIA 2017
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1.0 Key Country Facts and Public Holidays

1.1 Official Language
The official Language is Austrian German Language

1.2 Currency
The official Currency is Euro (EUR).

1.3 Country Dial code
The country dial code is +43.

1.4 Country abbreviation
The country abbreviation is AT.

1.5 Statutory Filing Payment Methods
Income taxes must be withheld from every pay and remitted monthly to the local tax office. All tax payments and reports must be filed with the local tax office.

1.6 National Minimum wage
National collective bargaining agreements set minimum wages by job classification for each industry and provide for a minimum wage of €1,200 per month. Wages where no such collective agreements exist, such as for domestic workers, janitorial staff and au pairs, are regulated by relevant legislation and are generally lower than those covered by collective bargaining. The national minimum wage legislation has lapsed, although is still in force by convention.

1.7 Filing Deadlines

Monthly filing deadline: 15th of following month
Annual filing Deadline: Annual wage tax declaration
Employer: April or via FinanzOnline June
Employee: April or via FinanzOnline June

1.8 Fiscal year
The Austrian tax year is the calendar year (Jan. 1 Dec. 31).

1.9 Time Zone
UTC/GMT +2 hours

<table>
<thead>
<tr>
<th>2016</th>
<th>2017</th>
<th>Holiday</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st January</td>
<td>1st January</td>
<td>New Year’s Day</td>
</tr>
<tr>
<td>6th January</td>
<td>6th January</td>
<td>Epiphany</td>
</tr>
<tr>
<td>26th – 28th March</td>
<td>17th April</td>
<td>Easter</td>
</tr>
<tr>
<td>1st May</td>
<td>1st May</td>
<td>National holiday</td>
</tr>
<tr>
<td>5th May</td>
<td>25th May</td>
<td>Ascension Day</td>
</tr>
<tr>
<td>16th May</td>
<td>5th June</td>
<td>Whit Monday</td>
</tr>
<tr>
<td>26th May</td>
<td>15th June</td>
<td>Corpus Christi</td>
</tr>
<tr>
<td>15th August</td>
<td>15th August</td>
<td>Assumption of the Virgin Mary</td>
</tr>
<tr>
<td>26th October</td>
<td>26th October</td>
<td>National holiday</td>
</tr>
<tr>
<td>1st November</td>
<td>1st November</td>
<td>All Saints’ Day</td>
</tr>
<tr>
<td>8th December</td>
<td>8th December</td>
<td>Immaculate Conception</td>
</tr>
<tr>
<td>25th December</td>
<td>25th December</td>
<td>Christmas</td>
</tr>
<tr>
<td>26th December</td>
<td>26th December</td>
<td>St Stephens Day</td>
</tr>
</tbody>
</table>
2.0 Business and Culture in Austria

2.1 Establishing as an Employer

There are a few different ways to register a business in Austria. The easiest way to establish a business is to set up as a sole proprietor. A sole proprietor is an individual who forms a business and operates that business as its sole owner, bearing full personal liability. Other options include setting up a foreign branch (zweigniederlassung), a partnership entity (personengesellschaft) or an incorporated entity (kapitalgesellschaft) (GmbH, AG).

Without a legal entity in Austria, employers are not directly bound by an Austrian collective agreement, though certain requirements of the collective wage agreement concerning remuneration (such as minimum wage/salary, overtime etc.) do apply for reasons of non-discrimination.

2.2 Employment

Average working hours are eight hours per day and a 40-hour workweek. Depending on the individual employment agreement, the hours per work shift may vary for some professions. Shift workers may not exceed twelve hours per day. Pregnant or nursing mothers and employees under eighteen years old may not work during the night. Night hours consist of shifts between 10pm and 5am. If employees work more than six hours in a single shift they are entitled to a half hour unpaid break. Employers must provide workers with at least an eleven-hour break in between shifts. In each calendar week, employees are entitled to 36 hours of uninterrupted rest. Typically, this rest period begins no later than 1pm. on Saturday and continues into Sunday.

A contract of employment can be terminated by both the employee and employer; there is no requirement for a formal dismissal. There are different legal dismissal period terminations between waged workers, the name given to all workers who are not employees, and salaried employees. Also the beginning of employment distinguishes the differing payment of redundancy.
3.0 Visas and Work Permits

3.1 Visas

Citizens of a country within the European Economic Area (EEA) or Switzerland may work and reside in Austria freely. If an EEA citizen is intending on residing in Austria for more than three months, they must file a certificate of registration to the appropriate local authorities. All non-EEA citizens must follow immigration law and apply for all appropriate visas and permits. Bulgarian and Romanian citizens require special permits to reside in Austria. All foreign workers must obtain residence and/or work permits.

3.2 Work Permits

Permits are issued by the local labour office for specified employment and are valid for one year with annual extensions available. Current practice is liberal with regard to permits for management and specialist staff, but limited by a quote system for other personnel. Citizens of non-EU countries require work and residence permits for all types of employment. Work permits need to be applied for by the future employer prior to leaving the country of residence and once in place a residence permit can then be applied for.

Residence permits

Resident permits are required for stays in Austria exceeding six months. Foreign employees must apply for the residence permit that corresponds to the field they intend on working in.

Red-White-Red Card

The Red-White-Red Card is issued as a combination of residence permit and employment permit. It is valid for one year and entitles its holder to settlement and to employment with a certain employer.
4.0 Tax and Social Security

4.1 Tax

Typical tax computation for 2017, based on the projected law and tax rates in effect as of 1 January 2017

<table>
<thead>
<tr>
<th>Tax computation</th>
<th>EUR</th>
<th>EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>68,600.00</td>
<td></td>
</tr>
<tr>
<td>Less: Tax-favoured portion (13th and 14th salaries) ($(68,600 / 14) x 2)$</td>
<td>(9,800.00)</td>
<td></td>
</tr>
<tr>
<td>Less: Social security contributions</td>
<td>(10,654.56)</td>
<td></td>
</tr>
<tr>
<td>Less: Standard allowance: Business expenses</td>
<td>(132.00)</td>
<td></td>
</tr>
<tr>
<td>Less: Non-business expenses relief: Insurance premiums (max) *</td>
<td>(60.00)</td>
<td>(20,646.56)</td>
</tr>
<tr>
<td>Taxable income</td>
<td>47,953.44</td>
<td></td>
</tr>
<tr>
<td>Tax thereon</td>
<td>13,420.44</td>
<td></td>
</tr>
<tr>
<td>Less: Personal allowances: Sole earner</td>
<td>(669.00)</td>
<td></td>
</tr>
<tr>
<td>Less: Personal allowances: Transportation credit</td>
<td>(400.00)</td>
<td>(1,069.00)</td>
</tr>
<tr>
<td>Income tax</td>
<td>12,351.44</td>
<td></td>
</tr>
<tr>
<td>Income tax on 13th and 14th salaries ($(68,600 / 14) x 2)$</td>
<td>9,800.00</td>
<td></td>
</tr>
<tr>
<td>Social security contributions</td>
<td>(1,677.76)</td>
<td></td>
</tr>
<tr>
<td>For 13th and 14th salaries</td>
<td>(620.00)</td>
<td>7,502.24</td>
</tr>
<tr>
<td>Assessment basis (6% of 7,502.24)</td>
<td>450.13</td>
<td></td>
</tr>
<tr>
<td>Add: 25% special tax on interest and 27.5% on dividends</td>
<td>4,745.75</td>
<td></td>
</tr>
<tr>
<td>Income tax liability</td>
<td>17,547.32</td>
<td></td>
</tr>
<tr>
<td>Foreign tax credit for WHT on dividends (assume 10% of 7,030)</td>
<td>(703.00)</td>
<td></td>
</tr>
<tr>
<td>Total income tax payable</td>
<td>16,844.32</td>
<td></td>
</tr>
</tbody>
</table>

* Maximum deduction of EUR 60 as the salary earned exceeds EUR 60,000.

4.2 Tax Registration

Within one month of commencing activities, employers must obtain a tax number and register with the local tax office or the Ministry of Finance if they are not residents in the locality in which they plan to operate. Employers who obtain a trade license or register with the commercial register. Employers who have revenues of greater than 700,000 euros for two consecutive years or revenues of 1,000,000 euros in a year must register with the commercial register.
4.3 Social Security

Residents and non-resident workers in Austria are required to pay social security contributions on their gross salary earnings, unless the foreign workers home country has a treaty with Austria. Austria has a social security system made up of 22 different health, pension and accident public insurance providers and one federal unemployment fund. Employers enrol in prescribed insurance based on their location and their industry. All providers are enrolled in the Main Association of Austrian Social Security Organisations, (Hauptverband der Österreichischen Sozialversicherungsträger). Reporting and registration are done using the Main Association of Austrian Social Security Organisation’s software, Electronic Data Exchange with the Austria Social Security Organisations, or Electronic Data Transfer.

The minimum social security contributions rates are about 40%. Employers are responsible for 21.7%-21.83% and employees are responsible for 18.07%-18.20%.
5.0 Compliance

5.1 Employer Registration

Employers must register with the Social Insurance Authority for Business (SVA) within one month of registering with the local tax authority. Employers must register all new employees with the relevant health insurance provider prior to the new employees hire date. All applications should be submitted electronically through the ELDA portal. (the employer or the authorised service provider must submit various notifications to the social insurance by means of electronic data transfer (ELDA). For this you must use uniform data records that have been established by the central institution. With the R/3 system, you can provide the notification data for transfer to the social insurance agencies. Data is transferred by means of electronic data interchange (DFUE) that is currently determined by the data collection system installed at the Upper Austrian regional health insurance fund (GKK). Data that is for other health insurance agencies or funds is passed on by the Austrian regional health insurance fund by means of the central institution’s data distributor.) Monthly payments of withholdings from employee’s salaries should be made by the 15th of the month following payroll. All payments and reporting are submitted through ELDA using a contribution statement.

5.2 Starters/Registration

Registration (Avisomeldung) of an employee must be transmitted to the social security authorities by fax, phone (or electronically via ELDA) before the employee starts working. The following information must be provided:

- employer code with social security authority (Dienstgeberkontonummer);
- the employee’s name, social security number, date of birth;
- the employee’s first day of work and place of work;
- temporary employment for less than a week (vorübergehende Beschäftigung) status;

Deregistration of a leaver with social security fund must be undertaken within seven (7) days of the last day of employment.

5.3 Leavers/De-registration

Termination pay is covered by Social Security. However, the following notice requirements apply in the case of dismissal. Neither employers nor employees are required to give noticed in the case of mutually agreed upon termination. In the case of unilateral termination, at least six weeks of notice must be provided to white collar workers, while at least two weeks of notice must be given for manual laborers. Notice in either case may be verbal, in writing or implicit (handover of employment papers). Termination with cause does not warrant any notice period.

Upon termination, employees must provide employees with outstanding payments and their employment papers which include:

- final salary statement,
- certificate of employment,
- certificate of deregistration from health insurance fund,
- confirmation of work and remuneration and
- final pay slip (form L 16).

Upon termination, employers must file the annual pay slip form L 16 by the end of the following month. Additionally, employers must provide employees with a final pay slip, which includes termination pay, upon termination.
6.0 Statutory Absence/Payments

6.1 Annual Leave
In Austria if an employee has less than 25 years of service, they are entitled to 25 days of annual leave. If the employee has 25 years of more, they are entitled to 30 days of annual leave. Every employee is also entitled to 13 paid public holidays.

6.2 Maternity leave
Maternity leave covers eight weeks prior to the estimated birth and eight weeks after the birth of the child. This period is known as Mutterschutz, or the protection period. During this time, the employee is guaranteed their position and receives maternity allowance, or Wochengeld.

6.3 Paternal leave
• Mothers and fathers are entitled to parental leave (release from work in return for suspension of wages/salary) 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 (a maximum of 18 months for one parent and 6 month for the other)
• During the time of parental leave, and provided the conditions are satisfied, childcare allowance (Kinderbetreuungsgeld) may be drawn
• From 1 January 2010, parents may choose from five models of childcare allowance; One model is income-based, the others provide a monthly lump sum

6.4 Sickness
All employed persons are required by law to participate in the health and social security scheme, which covers most medical expenses, including hospital treatment. Employees are entitled to sick pay amounting to 100 percent of the normal salary until the time of recovery for minimum of six weeks.

The employee receives a Social Insurance Card that contains the social insurance number and the date of birth. This card needs to be presented when you visit a doctor. A fee of 10 euros is deducted from the employee’s pay on November 15th of each calendar year and paid over to the social security authorities for the e-card. The same amount is deducted for co-insured spouses.

Employer must provide paid sick leave
• A minimum of six weeks and a maximum of 12 weeks on full pay dependent on service and employment type (employee Vs worker)
• A further 4 weeks on half pay
• If the absence is due to an accident at work full pay for 8 weeks for employees and 10 weeks for workers
• Thereafter the state pays generous sick benefits for 26/52 weeks
• Employers cannot recover state benefits from the employee

6.5 Other family leaves
Compulsory leave to be offered:
• Care for sick child under 12 – 2 weeks paid leave
• Care for close family members – up to 6 months unpaid leave
• Various paid leaves of 1-3 days for marriage and death
• Educational leave for those with at least 6 months service – those with 4 years’ service can have up to 12 months leave unpaid (allowance payable via social security)

6.7 Benefits
Other benefits need to be agreed between company and employee and often in Austria will include, Luncheon Vouchers, Jubilee Benefits, Stock Options and Travel expenses.
7.0 In-country Payroll Providers

F&L is an essential resource for companies, providing advice when they expand across borders. We set ourselves apart from other firms by employing the best people in the industry and through the range of services we provide including tax.

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Elanor was founded in 1991. From its beginning we have focused on development of the personnel and payroll software systems.

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8.0 About This Payroll and Tax Overview

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