

Doing Business in Austria — Payroll Operations

1. Government requirements

Registration requirements

Registration for wage tax

- The employer has to inform the respective tax authority about the launch of their business within one month.
- The company needs to apply for an Austrian wage tax ID.
- Application for wage tax ID must be submitted to the Austrian tax office (Betriebsstättenfinanzamt) of the city where the permanent establishment of the company is located.
- The tax ID is required to withhold and settle the taxes.
- If employees working in Austria are liable to Austrian wage tax an authorized representative can run an Austrian payroll for the foreign employer. The income tax has to be withheld and paid to the Austrian tax office. An Austrian compensation statement has to be prepared by the payroll provider on behalf the foreign employer. The compensation statement has to be submitted to the tax authority electronically by the end of February the following year.
- If no Austrian permanent establishment is available and the individual is limited taxable in Austria according to the Austrian legislation, the employees' income can be taxed within an annual Austrian income tax return.
- The tax year in Austria is the same as calendar year.

Registration as an employer for social security insurance

The company has to apply for a social security ID at the respective social security authority. All payments and de-registrations require this ID. The social security ID application can be done online.

Ongoing compliance requirements

Filing and payment obligations

In general there is a requirement for every employer to withhold payroll taxes and social security contributions from the wages of resident and non-resident employees rendering services in Austria. The employer has to run a payroll account where all employee-related information is included. All compensation should be included, even those that are tax-free.

The following types of payments or contributions have to be paid to the respective tax authority by the employer:

- Wage tax
- Contribution to the family burden fund (Dienstgeberbeitrag zum FLAF)
- Additional contribution to the family burden fund (Zuschlag zum Dienstgeberbeitrag)

The wage tax has to be withheld by the employer. The total withheld wage tax has to be paid to the respective tax authority of the employer's permanent establishment. This has to be done by the 15th of the following month.

The contribution to the family burden fund (3.9%) has to be paid by all employers who have employees in Austria. This includes also employees who are sent abroad. Also foreign employers whose employees are working in Austria must pay this contribution.

The additional contribution of the family burden fund has to be settled by the employer provided they are a member of the Austrian Chamber of Commerce. Foreign companies will not become a member of the Austrian chamber if they do not have an office in Austria. There is no obligation to settle the additional contribution of the family burden fund if the employees are sent abroad and are not covered by the Austrian social security system. The additional contribution of the family burden fund varies within Austria and is set between 0.34% and 0.42% as of 2019.

For social security purposes, there are monthly and annual reporting which are also sent electronically.

The following types of contributions have to be paid to the respective social security authority by the employer:

- Social security contribution employee
- Social security contribution employer
- Contribution to the severance pay fund (Betriebliche Vorsorge)
- Termination tax (Auflösungsabgabe) in the amount of EUR131.00
- termination
- e-card fee

In general, the contributions are due on the last day of the month and should be paid within 15 days.

The annual statement must be done electronically by end of February of the following calendar year.

The e-card fee has to be withheld from the employee. The annual fee is EUR11.95 as of (2019). The fee is due once a year on the 15th of November.

Contribution to the severance pay fund

The employment contract is covered by the Law of the Severance Pay Fund (Betriebliches Mitarbeiter- und Selbständigenvorsorgegesetz – BMSVG) provided that the employment contract is covered by the Austrian labour law. With the beginning of the employment contract the employer has to withhold 1.53% of the monthly remuneration. The contribution has to be settled to the respective social security authority who will forward it to the respective office (Betriebliche Vorsorgekasse). The employees are entitled to receive a severance pay when they leave the company (e.g., in case of retirement). The severance pay has to be settled at the end of the second month after it has been claimed.

Employer taxes

The following types of taxes have to be paid to the respective municipal body:

- Community tax (Kommunalsteuer)
- Employer tax for Vienna (Dienstgeberabgabe der Gemeinde Wien-U-Bahn-Steuer)

The community tax (3%) has to be settled for employees of an Austrian permanent establishment of the company. The community tax is due by the 15th of the following month. The community tax return has to be filed electronically by end of March of the following year with the municipal body.

The employer tax for Vienna has to be settled for all employment contracts if the place of work is located in Vienna. In general, the tax amounts to EUR2.00 per employee per week. It is due by the 15th of the following month. The tax return has to be filed by end of March of the following year.

Tax rates

Income below EUR11,000 is tax-free for ordinarily resident individuals, while the income of non-residents is tax-free up to EUR2,000. The following table includes the tax rates for the ordinarily resident individuals in Austria for regular payments.

| Taxable income (EUR) | Tax rate (%) |
|-----------------------------|---------------------|
| First 11,000 | 0 |
| Next 7,000 | 25 |
| Next 13,000 | 35 |
| Next 29,000 | 42 |
| Next 30,000 | 48 |
| Next 910,000 | 50 |
| Above 1,000,000 | 55* |

Special tax rates for vacation and Christmas bonus (non-regular payments)

Annual salary is paid in 14 equal instalments to achieve a more favourable income tax rate. Non-regular payments, such as the 13th and 14th months' salaries, are taxed at the following tax rates on the condition that they do not exceed one-sixth of the amount of the regular payments:

| Amount of payments (EUR) | Tax rate (%) |
|--------------------------|--------------|
| Up to 620 | 0 |
| For the next 24,380 | 6 |
| For the next 25,000 | 27 |
| For the next 33,333 | 35.75 |
| For more than 33,333 | 50 |

If one-sixth of the regular payments equals EUR2,100 or less, the non-regular payments are tax-free.

Social security insurance rates and obligations

In general, an individual working in Austria is subject to the Austrian mandatory social security system according to the Austrian social security law. The employee as well as the employer has to settle social security contributions to the Austrian social security authorities.

Social security system in Austria consists of the following elements:

- Health insurance
- Old-age pension
- Unemployment insurance
- Insolvency guarantee
- Accident insurance

The percentage rates as of 2019 are as follows:

| Name | Total (%) | Employer (%) | Employee (%) |
|---|-----------|--------------|--------------|
| Health insurance | 7.65 | 3.78 | 3.87 |
| Accident insurance | 1.20 | 1.20 | — |
| Old-age pension insurance | 22.8 | 12.55 | 10.25 |
| Unemployment insurance | 6.00 | 3.00 | 3.00 |
| Insolvency guarantee funds contribution | 0.55 | 0.55 | — |

The monthly ceiling for regular payments is EUR5,220 as of 2019. The annual ceiling for special payments is EUR10,440.

The employer has to register all new employees before the first workday and deregister them within seven days after the end of employment at the

responsible agency. This de/registration effects also the accident and old- age insurance. The de/registration has to be done electronically.

2. Pension requirements

Registration requirements

Statutory pension insurance

The rules included in the ASVG are applicable to persons born before 1 January 1955. Allgemeine Pensionsgesetz (APG)" is applicable to people born after this date. The contributions to the old-age pension insurance are paid to the pension insurance agency (Pensionsversicherungsanstalt – PVA).

Persons born after 1 January 1955 the so called individual pension account (Pensionskonto) is applicable. All old-age pension contributions are summed up within this pension account.

Voluntary company pension schemes

Company pension schemes can be set up in addition to the statutory pension insurance. Employees are part of the mandatory pension scheme.

Retirement

The general regular pensions are paid to women from the age of 60 (until the year 2024), 65 (starting with the year 2033) and for men from the age of 65. Future legislative developments cannot be foreseen, however it is expected that the pension age will be increased.

3. Employment obligations

Minimum wage

- The Austrian law against wage and social dumping (Lohn- und Sozialdumping-Bekämpfungsgesetz) regulates that similar wage condition applies for the employees working in Austria in the same branch.
- If the law is breached, penalties can be set between EUR1,000 and EUR50,000. Additionally the responsible authority can prohibit the foreign employer to perform any services in Austria for up to five years.

Vacation entitlement

Generally, vacation entitlement is regulated by law (Urlaubsgesetz – UrlG). The employee is entitled to receive paid vacation. For less than 25 years of work, the paid vacation amounts to 30 workdays which corresponds to 25 weekdays / 5

weeks per calendar year. For more than 25 years of work and other conditions, the paid vacation amounts to 36 workdays which corresponds to 30 weekdays / 6 weeks per calendar year. During the vacation, the employee is entitled to receive his regular wage.

Holiday

Holiday planning has to be arranged between the employer and the employee. During the holiday a normal business has to be ensured. Additionally the employer has to ensure that the employee can rest during the holiday. The holiday can fall under the statute of limitation. Therefore the employer has to make sure that the employees consume their holiday on time.