

Austria Authorizes Negotiations for Protocol to Tax Treaty with Liechtenstein

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Report from IBFD Tax Treaties Unit

On 6 September 2023, the Austrian Council of Ministers authorized the Minister of Finance to negotiate an amending protocol to update the [Austria - Liechtenstein Income and Capital Tax Treaty \(1969\)](#), as amended by the 2013 and 2016 protocols.

According to the [letter](#) submitted to the Council of Ministers, the existing provisions of the treaty allow for the occurrence of double taxation. Namely, Austrian residents employed in Liechtenstein who do not fall under the cross-border commuter provision in accordance with article 15 paragraph 4 of the treaty, have income subject to the crediting method, which is generally taxed in Liechtenstein. However, as the residence country, Austria also taxes this income, with the tax paid in Liechtenstein offset against the Austrian tax liability. Additionally, residents of Austria who are covered under article 14 and article 19 of the treaty and carry out their activities in Liechtenstein are taxed in Liechtenstein, whereas Austria considers this income exempt under article 23 paragraph 1 of the treaty. For these reasons, Austria has authorized negotiations to amend the existing treaty.

Further developments will be reported as they occur.