

The image shows three individuals in a modern cafe or bar setting. Two men are seated at a wooden table, looking at a laptop screen. A woman stands behind them, smiling. All three are wearing black t-shirts with the text "Rebel MEAT". The background features shelves with various bottles and glasses. Overlaid on the image are several dotted lines connecting icons to descriptive words: a coffee cup to "alert", a cloud to "visionary", a briefcase to "enduring", and a smiley face to "connected". The website "www.gruenderservice.at" is visible in the bottom left corner, and the text "19th edition" is in the bottom right corner. The overall theme is entrepreneurship and business development.

www.gruenderservice.at

19th edition

GUIDE
FOR BUSINESS START-UPS

IMPRINT

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In the interests of easier readability, we have dispensed with the feminine forms (e.g. she, her).
However, we do feel it important to emphasise that this brochure is intended for use by both genders.

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FOREWORD

Founding a company does not create a problem, but rather solves many problems. Customers, employees, society, location, environment – they can all benefit from entrepreneurial ideas and services. This is why more national entrepreneurship is the right way forward. Our companies enjoy many achievements that push all of Austria forward – and they naturally need the best possible framework conditions for this.



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As the Austrian Federal Economic Chamber, we support you through every phase of your founding and business development: for example, we are committed to convincing the government to enable fewer taxes, less bureaucracy and better conditions for entrepreneurship. Above all, however, we support you with a wide and constantly expanding range of services, so that your start-up can achieve true success.

Our range of services for you starts now: in this Start-up Service guide, you will find expertise and tips for all important aspects of your prospective career. The wide spectrum covers everything from checking your entrepreneurial personality and your business idea, through legal frameworks, marketing and financing to social insurance, employees and your business plan.

We provide such comprehensive support during your preparation for self-employment because we have found time and again that the best possible preparation will prevent unpleasant surprises and will accelerate your business success. And we are committed to helping you achieve this success.

With this in mind, congratulations on your decision to become self-employed – and welcome to Austria's large family of entrepreneurs! Together, we will achieve more for a successful entrepreneurial career and a strong business hub in Austria.

A handwritten signature in black ink, appearing to read "Harald Mahrer".

Dr Harald Mahrer

President of the Austrian Federal Economic Chamber

■ PLANNING EFFECTIVELY FOR SUCCESS

Dear founder,

Do you want to become an entrepreneur? An excellent opportunity if you want to shape your career, like to go above and beyond and enjoy taking on challenges. Set up your business independently – your business ideas are practically limitless.

There are no guarantees for business success. As a founder, you should be aware of the opportunities and risks.

We have provided you with a short checklist for your first considerations – please consider the following points:

- What is your founding principle? What products/services do you want to offer?
- Do you want to start your business on your own or with a partner?
- Do you want to become self-employed full-time or part-time?
- Where do you want to start your business?
- What education/training do you have and how many years of experience can you provide evidence for in each sector in which you would like to become self-employed?
- Who are your potential customers and why will they buy from you?
- Who are your competitors?
- How high do you estimate your financial requirements to be and what financing sources can you rely on?

You will find plenty of helpful knowledge here in the Guide for business start-ups.

If you need more information, take advantage of our internet services.

For more details please visit: www.gruenderservice.at.

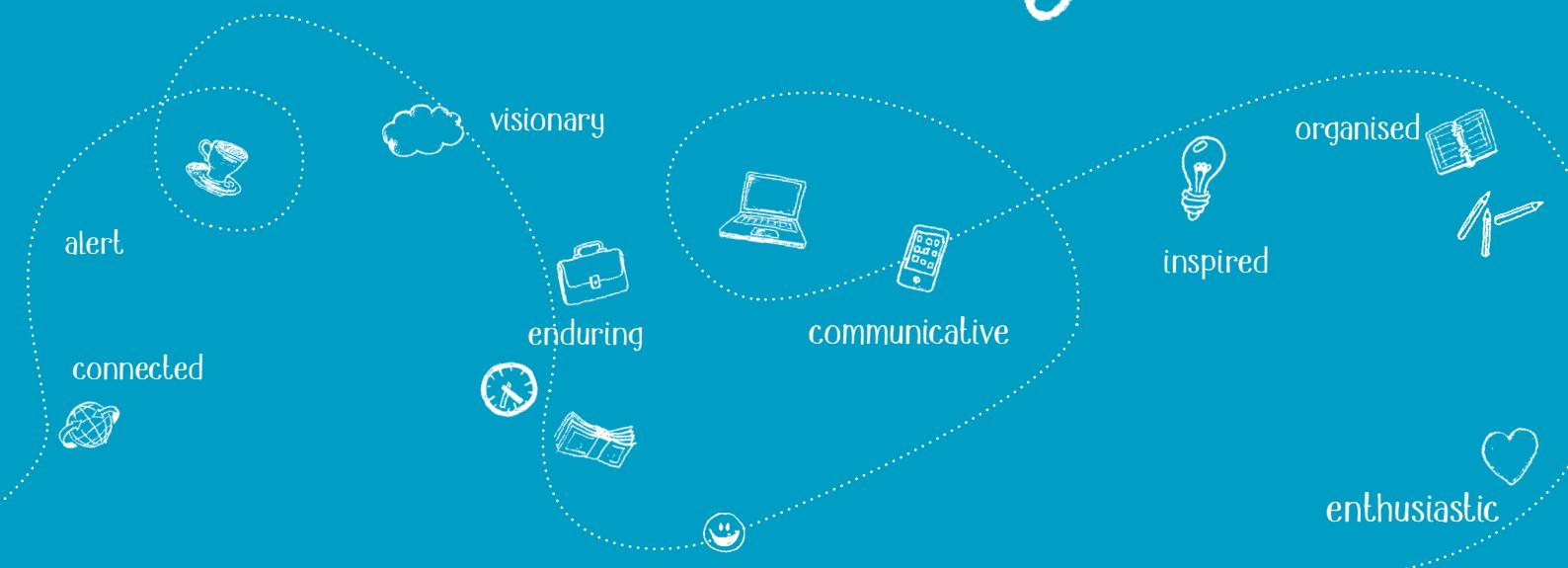
Would you like to discuss your concept and next steps with an expert?

Then contact the Start-Up Service at the Austrian Federal Economic Chamber (Wirtschaftskammer, WKO) in your province directly. The contact addresses can be found on page 119.

1

IDEA

- How did you develop your business idea?
- What value does it create?
- Do you have the potential to be an entrepreneur?



1.1 BUSINESS IDEA

1.1.1 Brainstorming

Your self-employment starts with a good idea. You need to have a new business idea, but the concept doesn't always have to be completely new. Improve something 'tried and tested', for example, or jump on board an existing business in the form of succession or through franchising.

- **New ideas:** New products and services are constantly being created through technological and social developments. If you recognise the trends early on and implement them on the market, you will have the clear competitive advantage.
- **Improve on the tried and tested:** You don't need to reinvent the wheel. Often, just small changes to products and services – or simply better customer service – can set you apart from other offers. Your business idea can thus also consist of expanding on or improving established ideas as well as offering them in new ways or transferring them to new or different markets. In doing so, however, you should always check whether the idea is suitable for the circumstances in the respective regional market.
- **Business succession:** You can also take over an existing business. Succession no longer takes place automatically within a family, which is why more and more entrepreneurs are looking elsewhere for suitable successors. You can find more information about this in our extensive special brochure 'Guide to Business Succession' or online at www.gruenderservice.at/nachfolge. You can also visit our successor exchange www.nachfolgeboerse.at

■ **Franchising:** When you franchise, you take on a tried-and-tested business concept for a fee, yet still become self-employed. You will reap the benefit of an established brand name or trademark, as well as receiving assistance from the franchiser and enjoying a mutual exchange of ideas and experience. More information on franchising can be found in our extensive special brochure 'Guide to Franchising' and on our internet platform www.gruenderservice.at/franchise. Simply consult our franchise exchange www.franchiseboerse.at to search directly for franchise offers in Austria.

■ **Outsourcing:** Outsourcing is when companies commission work that was previously completed internally to be performed externally – for example by former employees who now complete these tasks on a self-employed basis. Outsourcing entails risks and opportunities alike for both the company and the external worker. Please note: If you are working for someone in a manner similar to an employment situation, the Austrian Health Insurance Fund may classify you as employed, despite your wish to achieve your independence and despite holding a trade licence.

1.1.2 Opportunities and risks

Above all, you need to convince your future customers and partners of your idea. In doing so, do not place your products or services in the foreground, but highlight the associated solutions to problems and the benefits for your customers. They will only buy from you if you offer them a solution which is favourable for them. Ask yourself: What benefits does your idea create?

How good is your business idea?

- Do I fulfil the requirements for this business activity?
- Who benefits from my product or service?
- Why should a customer buy from me instead of from someone else?
- Who are my competitors?
- How big is the market and how is it developing?
- How do I reach my customers?
- What financing will I require?
- What subsidies are available?
- What costs will I face?
- What fees and taxes will arise?
- What are my expected profits?
- Will I be able to make a living from this?
- What social protection will I receive?
- What legal conditions must I take into account?
- How do I best organise the processes, the accounting, etc.?

If you can give good answers to these questions, then you are on the right track. There are no guarantees for success – but you can safeguard the founding of your business through careful consideration and planning. This can be done using a business plan, for example. All the important information can be found starting on page 12.



UNIKAT EVENTS
unikat-events.at

1.2 PERSONAL QUALITIES

Becoming self-employed means giving up the security of a well-paid job. You will have to face the fact that your business development will be unpredictable, and that you will be continuously confronted with new tasks and problems to master and overcome. However, these factors can form the very appeal of being self-employed. Overcoming such tasks and problems is a great boost to self-confidence. The rewards of self-employment include job satisfaction, putting your own ideas into action, the freedom to resolve and act on your own, and building up something independently and autonomously.

1.2.1 Do you have the potential to be an entrepreneur?

Before rushing into establishing your own business, you should have a clear idea of your personal objectives. Do you wish to become an entrepreneur? If so, do you have the essential requirements? Confidence in your own abilities can move mountains. However, a healthy portion of self-criticism is also required when setting up a company.

The prime keys to success include believing in your idea, having confidence in your own strengths, being willing to take risks, the desire to stand on your own two feet, having good interpersonal skills and unshakeable motivation, the desire to think and organise, a fertile imagination and persistent dedication. Professional qualifications must not be neglected when founding your company; basic commercial knowledge and experience in your line of business are also central factors. It is also important that your partner and your family approve of your start-up and support you in realising your project.

Of course, it is not necessary for you to have all of these entrepreneurial qualities and qualifications from the very outset; you will also learn a great deal through experience.

Some tasks can be outsourced to experts, like accountants, tax advisers and marketing agencies for example.

1.2.2 Entrepreneur test

Being self-employed gives you the freedom to take decisions independently, however you must also take full responsibility for those decisions.



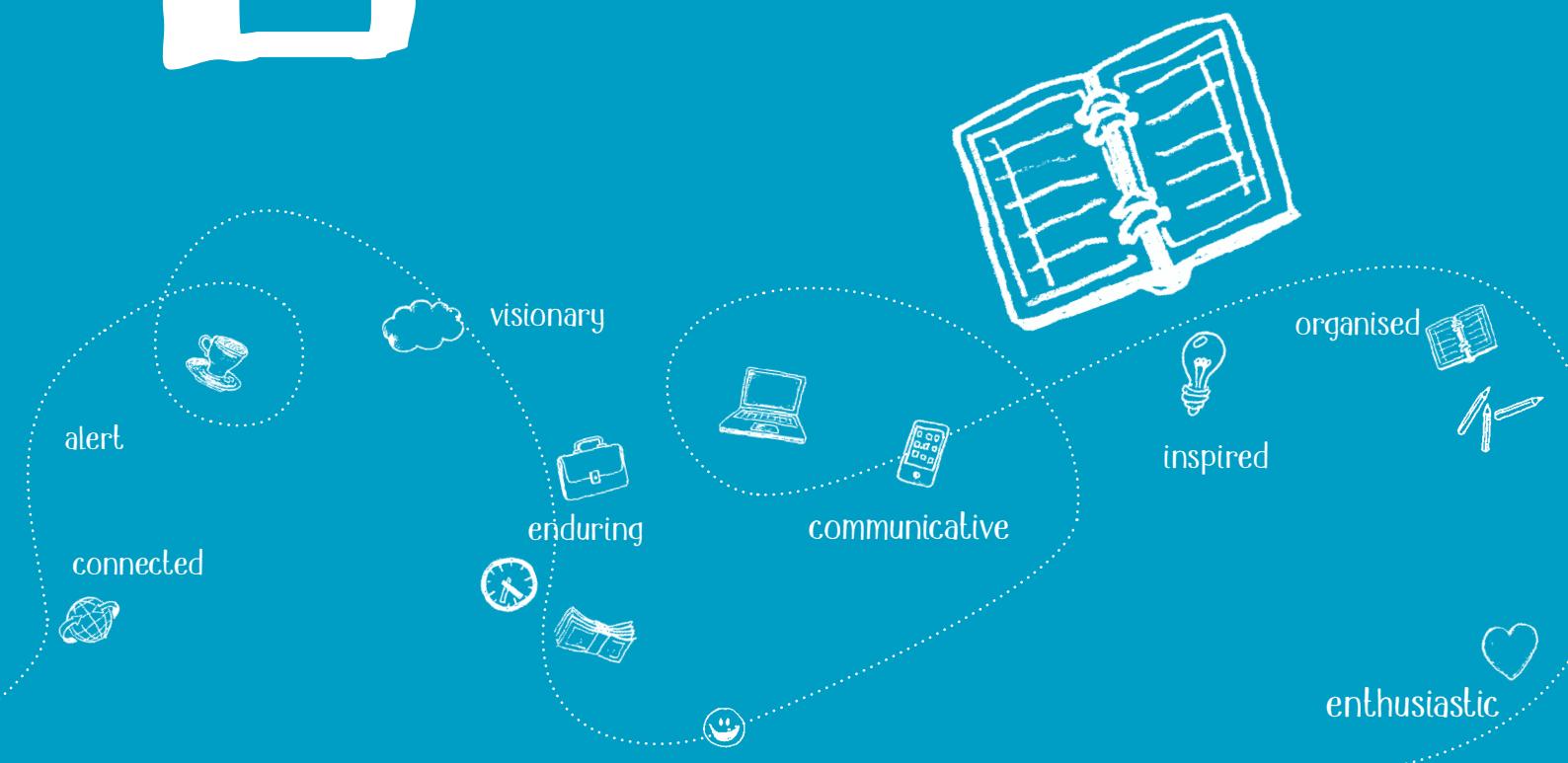
OUR TIP: You can also receive guidance from our entrepreneur test at www.gruenderservice.at/unternehmertest.

Test your entrepreneurial suitability and give yourself approximately 15 minutes for the questionnaire. The test was created by psychologists and provides information on the most important aspects of successful entrepreneurship. Try to answer spontaneously and with an open mind. This way, you will get a conclusive result. We hope that the analysis of your results will help you to successfully establish your business. Good luck!



PLANNING

- How do you prepare a business plan?
- How do you market your business idea?
- How do you finance your business?
- Which legal form is right for you?
- What legal bases are there?
- When do you pay social insurance and taxes?



2.1. PREPARING A BUSINESS PLAN

2.1.1 What is a business plan for?

A business plan is a written business concept in which all key aspects of your business idea are documented. Numerous young entrepreneurs are still starting their businesses without a business concept. A business plan can help to greatly reduce your commercial risk – it serves as an important planning and monitoring tool for you. It will allow you to professionally convey to potential investors (e.g. banks) just how plausible your business idea and implementation steps are. There are several advantages to setting down the business plan in writing:

- Writing something down requires you to think it through.
- You will have a guideline for your targets and activities.
- It will strengthen your position in negotiations, e.g. with suppliers.
- A business plan is a requirement for financing via banks or other providers of capital and for subsidies.

2.1.2 Business plan content

Executive summary

The executive summary provides a quick overview of the entire plan; it should also stimulate their interest in being involved with your project. Present the core issues of the business plan and the key figures briefly, concisely and in a manner interesting to the reader. Interested parties will gain insight into the company and its objectives. This is why the executive summary is especially important. Tip: Although it is at the head of a business plan, only write it at the end as a summary once you have already established all of the details.

Product or service

Describe your products and services in detail, their strengths and weaknesses, stage of development (e.g. prototype), customer benefits, potential unique characteristics and major competing offers.

Market and competition

Present the business-branch and market analysis data, such as: What is your market and how large is it? What are the recognisable trends and developments? Which groups of customers are you addressing?

Marketing and sales

Describe the envisaged measures for implementing your business concept.

- Offer: Which products, services and consultations will you offer and to whom?
- Prices: What will your prices and payment conditions be?
- Communication: Which advertising measures are you planning and for which channels?
- Distribution: How will you be selling: privately, in a speciality shop, in an online shop, etc.?

Company and management

Detail the company form, organisation, involved persons, etc.:

- Company name, business nature and purpose
- Date of incorporation, legal form
- Shareholders, managing directors
- Ownership structure
- Team members and their competencies
- Responsibilities/organisation
- External partners, e.g. tax advisors
- Location(s)

Success planning and financial planning

Answer the following questions in detail:

- What are the capital requirements – investments, initial and establishment costs?

- How will you finance – own resources, borrowed capital, subsidies, etc.?
- What costs will arise – fixed costs, running costs, private lifestyle?
- What are your estimated sales volumes and revenue?
- How will the numbers develop – expenses and earnings, etc.?

Implementation planning – milestones

What steps have you planned for putting your business idea into action? Give a specific description of your action plan: who does what and by when? What steps and events are particularly important (milestones)?

Annex

According to your business idea, degree of innovation and investment requirements, a business plan can be up to around 20 pages. Place more detailed or supplementary documentation (such as offers for planned investments, founders' résumés, any memoranda of understanding, action plans, etc.) in an annex to your business plan.

2.1.3 Planning aids and competition

Plan4You

The Austrian Federal Economic Chamber Start-Up Service and the aws (Austria Wirtschaftsservice GmbH) offer you 'Plan4You,' a free, professional business-plan tool. This will help you to develop a professional and informative business concept and automatically present your company or project in the form that is required by funding institutions or banks. For more information, please visit:

www.gruenderservice.at/businessplan

ideas to business (i2b)

Take advantage of i2b's service and get comprehensive planning help as well as free, written feedback on your business plan. You can find more information on Austria's largest business-plan initiative i2b at www.i2b.at

Business plan competitions

Enter your business plan in business plan competitions, which are held in individual provinces or throughout Austria. Apart from the chance to win attractive prizes, you will also often benefit from the feedback given by a jury of experts, from seminars and coaching offers, as well as the use of planning aids. If you do well, your value to partners and investors will increase. Enquire about current competitions at your Start-Up Service.

2.2. MARKETING AND COMPETITION

2.2.1 From the idea to the concept

You have a business concept that you are excited about and you think there is a demand amongst customers? Your product is a technical masterpiece, your product range is so extraordinary or your service is so ingenious that you are sure you have a strong advantage over potential competitors?

These are indubitably important prerequisites for your business to be successful; but have you also considered

- who is going to profit from your product?
- how much will a customer be willing to pay for it?
- who are your competitors, and where do their strengths and weaknesses lie?
- which customer groups are important to you?
- which geographical regions or social classes do these groups belong to?
- how will you reach your customers?
- which channels will you use to reach your customers?
- how will your sales opportunities develop over the years to come?
- what else could you offer in order to improve those opportunities?

As an entrepreneur, you are operating in a constantly changing environment. Social trends, consumer behaviours and the use of new technology will change the way you communicate with future customers. The internet is no longer a one-sided medium – a continuous dialogue takes place between the vendors and purchasers. Mobile internet use has become a common everyday activity.

Therefore, you should absolutely consider the internet and its digital networks in your marketing strategy. Before you concern yourself with individual channels, there are a couple of fundamental marketing questions to answer:

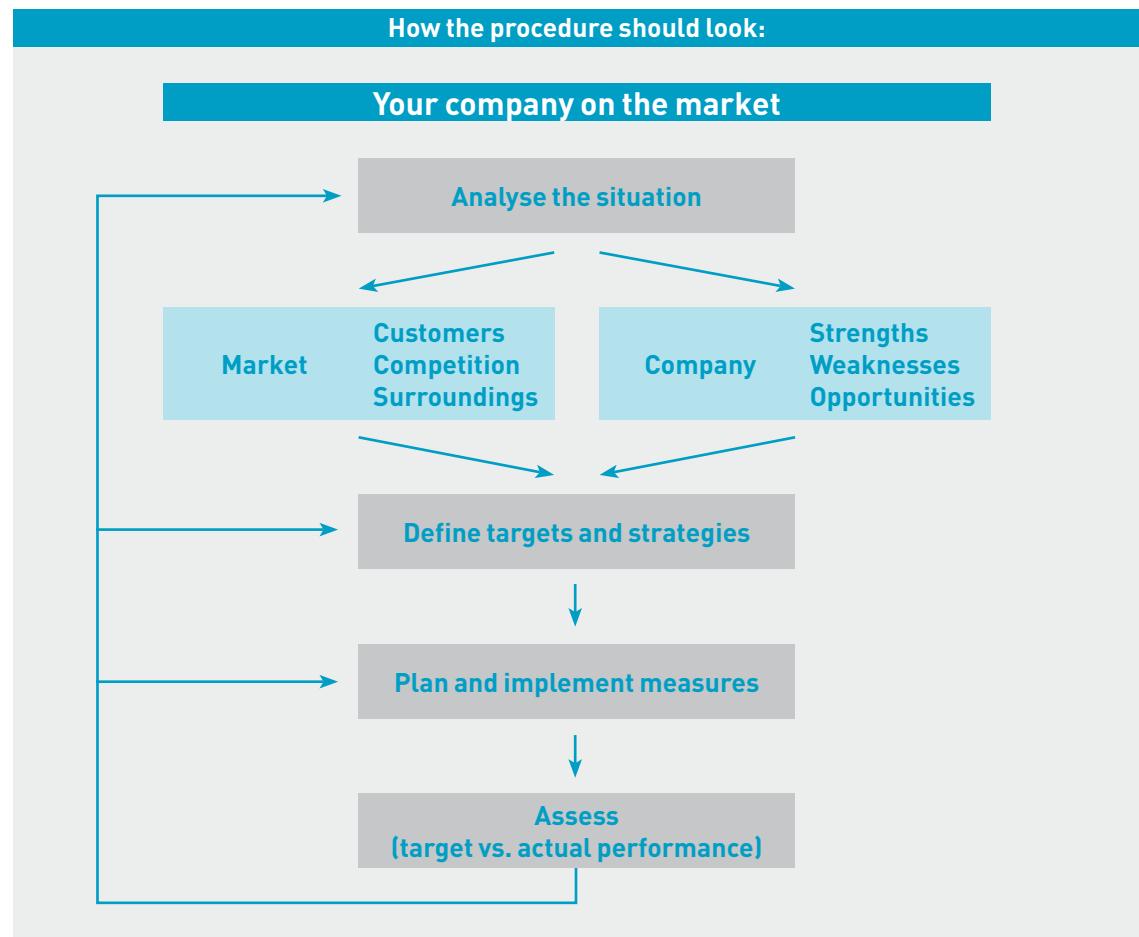
Marketing – 360° perspectives on markets, customers and environment

This means: you should be concentrating your thoughts on your current and potential customers'

problems, wishes and requirements, not just on the product itself. Your focus should be set on the needs and habits of your customers as much as possible. Know your customers! Relevance and addressing your target audience is what counts in marketing – key word: content marketing.

You should also bear in mind another important thought: each marketing decision fundamentally depends on your own situation, sizing up the competition and the means you have at your disposal.

Carefully work out your marketing strategy, by understanding each of the following components of your marketing decisions and recording the results. Put your concept down on paper; do not simply carry it around in your head. Writing it out obliges you to formulate your ideas precisely, giving you the opportunity to reconsider your strategy after a certain period of time and perhaps improve it at a later stage.



This control loop makes it clear: the concept process is a never-ending one; it constantly adapts to the circumstances of the environment and to internal circumstances.

Start to develop your first concept by analysing the current situation.

2.2.2 Analysis and prognosis of the starting situation

Market situation

- How big is my market – district, state, Austria, Europe, world?
- How is the economy developing in general? And my sector?
- How will economic fluctuations likely affect my company?
- Which legislative changes and changes in standards can I expect in the future?
- What is the purchasing power of my customer group?
- What changes in consumer trends must I reckon with?
- Are there any market niches, i.e. requirements not being satisfied?

Customers

- Do you know your customers – age, social status, etc.?
- Do you know your customers' buying motives/buying habits and use behaviour?
- Have new customer needs been considered – e.g. increased environmental awareness?
- What about consultation and service requirements?
- Are there any current trends that will impact your clients?

Competitors

- Who are your main competitors – how many, how large, their market share?
- On which price and quality levels are these competitors working?

- What is the situation regarding their technical standards and financial power?
- Must you consider the possibility of new competitors appearing on the scene?
- Are product innovations expected among current and new competitors?

Market research

Procuring all this information is called doing market research. Where/how can you gather this information? Here are a few sources:

- The relevant specialist board of the Austrian Federal Economic Chamber with responsibility for your professional association
- Trade journals
- Customer surveys
- Observations, e.g. at trade fairs
- Internet research
- Statistics Austria (www.statistik.at)

Of course, you could also commission a market research institute to provide you with the data you are interested in – but you can expect this service to be quite expensive.

2.2.3 Marketing objectives

The information you gain from analysing your initial position and forecast will provide you with the basis from which you will derive your marketing image (basic business design) and objectives in Phase Two.

What are the possible objectives?

- Sales, revenue, profitability, etc.
- Market share (e.g. "In five years' time, I want to be the largest manufacturer of wooden staircases in Western Austria")
- Increase name recognition
- Retain/find employees
- Increase customer loyalty
- Strengthen image
- Find new customers
- Take care of existing customers

The list of objectives can go on as long as you wish. Generally speaking, though, you will want to aim at a combination of several objectives, not just one. Important: Never lose sight of your fundamental objectives! It is just as important that you define your aims precisely, since this is the only way to discover whether you have met your objectives – e.g. annual sales growth of 12% at an increase in revenue of 9%, or similar objectives. You should therefore use a formula such as the SMART formula: SMART stands for goals

that are ‘specific, measurable, active, realistic and time-bound’. Even qualitative goals are measurable through key figures defined in advance. Once you have planned your marketing objectives, the next step is to find the ways and means or the strategy to achieve them. To do this, use marketing policy instruments and combine these tools in the most complete and contextually coordinated marketing strategy possible to raise yourself above the competition.

2.2.4 Marketing Tools



Designing your offers –

product and assortment policy

Product policy comprises all the issues related to the products and services you provide. Product policy deals especially with customer expectations, which should be kept in mind when creating your product range. The product/service must meet customers' requirements!

- Product innovations: Bring new products to market
- Product variation: Change products that are already on the market
- Product elimination: Remove products from your product range
- Additional benefits: E.g. customer service after purchase
- Packaging: Develop sales-effective and practical packaging
- Brand: Develop a brand name and set your product apart from others

Keyword 'USP – Unique Selling Proposition': The success of a Unique Selling Proposition depends essentially on the unique characteristic being recognised by customers, having special significance for customers and being difficult for the competition to catch up with. Your USP is an essential component for the success of your business!

Pricing – pricing policy

Pricing policy covers all decisions on finding the 'right' price and ultimately establishing it on the market. The realistic price is influenced by factors such as:

- Discounts
- Delivery terms
- Payment terms
- Credit terms

You must take these pricing elements into account when calculating your prices. How should you price your product? Base it on

- Your own calculation – cost-plus-profit margin
- Competitors' products
- Your customers' 'value expectations'

Goods distribution – distribution policy

A distribution policy provides for product availability

- in good condition,
- at the right time,
- at the right place,
- in the demanded quantity.

It is up to you to decide how you want to distribute your product or service – using your own sales staff, via retail or wholesale outlets, or directly over the internet. You will also need to look into the aspects of storage and transportation.

Working the market – communication policy

Think about a standardised image, standardised conduct and standardised communications (branding, corporate identity). Our tip: Your employees are also brand ambassadors.

Before you start planning an advertising campaign or contacting an advertising agency, think about this: What aims do I want this advertising to achieve – e.g. reaching a certain level of name recognition, increasing turnover by 10%, etc.?

- Who exactly do I want to address?
- How should I formulate my advertising message?
- Which advertising materials and communication channels should I use?
 - insert
 - flyers
 - posters
 - direct marketing: phone, customer clubs/cards, SMS marketing
 - television, radio, cinema
 - online: website, search engine advertising, social media, etc.
 - personal sales
 - sales promotions: campaigns, testing, promotions, flyers, etc.
 - events, sponsoring
- What financial resources are available to me?
- How will I measure the results?

Direct marketing has proven to be a very successful form of advertising. It involves preparing advertising letters bearing a personal salutation and sending them out to a precisely defined target group. Then these people are contacted by telephone. This targeted contact allows you to reach your target audience without great scattering losses.

Email newsletters (email marketing) allows for electronic communication with a very specific target group. This has become a very attractive option:

- quick and cheap(er)
- wide reach
- can be used for products and/or PR
- adaptable for individual target audiences
- linked to your website/directs customers to your website
- electronic customer magazine and effective tool for marketing and promoting customer loyalty
- activities usually very easy to measure

Email marketing is cheap but not free. The highest cost factor is the production of the contents. This should provide customers with a noticeable benefit. The success factors: Relevance and individualisation. Sometimes free newsletter software tools offer good statistics on opening and click rates, as well as layout templates. Learn from these statistics for your next transmission of emails. Remember that it's the active receivers rather than the size of the distribution list that matters. Collect your customers' email addresses in a customer database and keep this up to date. Pay attention to data protection regulations.

The legal factors regarding disclosure and unsubscribing (e.g. opt-in and opt-out) are also important to email marketing. Consider the current legal framework conditions when you implement the direct marketing measures.

OUR TIP: You can find more information on this and e-marketing in general in the 'E-marketing Guide' from the WIFI entrepreneurial service at wko.at.

Helpful checklists about deciding on prices, advertising budgets etc. can be found at www.gruenderservice.at (under Planning/Marketing and Competition).

Company website

A professional internet presence is especially important. Think very carefully about getting your advertising message across to potential customers quickly and easily. The design and user-friendliness (usability) are important success factors in this regard. With the internet, there are no regional borders – you are present all over the world, regardless of your company's size. Therefore, keep in mind that you should build a multilingual website that at least includes English. Optimise your website for mobile devices too (responsive). Also consider that a website, once programmed, should be constantly developed and updated with current information. You should also consider the question of how you will generate visitors or clicks to your website. Use your homepage as a sales tool. There are several ways to achieve this.

Pay attention to the conception and programming of search engine optimization (SEO) so that you are among the search engine's top results. However, the number of visitors your website receives can also be improved through paid clicks in the form of search engine advertisements (e.g. Google AdWords), banners, newsletter links, and collaborations. This is one area in which you should request assistance from experts. The Austrian Federal Economic Chamber Companies A-Z offers a range of options for taking your first steps online. Use it as an initial 'mini website' or additional presentation platform with broad coverage. Editing is free.

Present your product portfolio including product pictures, business logo, contact person, e-mail and website address and QR code. Add a link to your social media profiles, such as Facebook and Xing. Use the ECG service of the Federal Economic Chamber. Every company with a website needs to have a valid disclaimer. Companies A-Z allows you to present all relevant data through a link or button on your web page in accordance with section 25 of the media law.

<https://firmen.wko.at>

Sales promotions

Apart from classic online and offline advertising, direct sales promotion is especially important. It extends from an attractive place of business all the way to personal sales discussions. Therefore it is important to have qualified sales employees. Besides expertise and product knowledge, good sales employees especially require empathy – they have to enquire about a customer's exact needs and be able to react to these. Create customer loyalty: through samples, testers, vouchers, promotional gifts, sweepstakes, birthday cards, etc.

Public Relations (PR)

The aim of this is: to generate trust and interest in the public sector and to create a positive corporate image for your company. How can you influence your image? Try to stay prominent in public discussions. Reports in newspapers, open houses, tours of your business premises and supporting social or cultural organisations all contribute to enhancing your public image. Give your creativity free rein – the sky's the limit – but do not forget about the online world! Keep your eye on your business, product or brand through online research, local rating platforms and social media networks.

Be sure there is a constant thread running through all your work when combining these marketing tools. A uniform corporate image (corporate design/branding) implants your company in the minds of existing and potential customers and raises recognition. This not only applies to advertising and communication, but also to the entire marketing mix. It is no longer sufficient to consider the classic parameters such as the age, gender and income of your target group to communicate a goal-oriented and successful company message. Utilise your content across several channels at the same and provide your customers with exciting articles on your website, an appealing product folder, interesting newsletters, attractive apps, authentic social media engagement, interactive infographics or videos, informative studies and customer magazines. There are many options available to you. Only by optimally combining your actions within your product, pricing, distribution and communication policies will you achieve your objectives.

IMPORTANT: Once you have drafted your marketing concept, ask yourself these questions:

- Product/service range: What customer benefits can I offer and how should I design my range?
- Market analysis: Who are my customers, who are my competitors?
What customers should you approach?
What are these customers' wishes?
- Advertising costs money – how much will my advertising cost?
- Decide on measures, think about costs!
- How will I measure my success?

2.3. CAPITAL REQUIREMENTS

2.3.1 Capital requirements planning

One of the essential tasks every new entrepreneur or transferee must complete is the exact calculation of their capital requirements. A detailed capital requirements planning helps to secure liquidity and prevent insolvency.

Depending on the business idea, sector and implementation planning, you will require more or less capital to set up your business. It is therefore very important to have a realistic estimate of the capital requirements for starting the business, but also for the initial stage. In addition to any purchases of machinery, equipment, land or buildings, financial resources for purchasing (stored) goods should be taken into account, as well as ongoing costs in the development stage of the business. With regard to all planned purchases, however, you should consider whether it is necessary to fund these yourself. For example, do you need to purchase your own vehicle for transporting your goods or could this be organised for you by a professional transport company? Through careful planning, it is possible to reduce capital requirements considerably.

Many entrepreneurs make the mistake of starting undercapitalised. That can be their downfall. Keep in mind that it is easier to gain capital before you start a project than after several months with poor turnover. You should factor in a reserve margin of about ten percent in any case.

Capital requirements for investments – real-estate property, buildings, machinery, etc.

Capital requirements for planned investments are relatively easy to determine if you gather offers from various sources, but do not forget to consider additional costs such as property acquisition tax, notary costs, fees and costs of acquiring capital. Do not estimate your capital requirements too tightly.

Capital requirements for goods and material stocks

A specialist retail business requires the purchase of an initial amount of stock that must be financed. Craftspeople must usually keep a number of products and replacement parts in stock to ensure continuous operation. Production businesses require raw materials to manufacture their products and the products produced must have temporary and final storage sites. Goods storage facilities cost money and must be financed. You should therefore keep your goods stock as low as possible.

Ongoing financial requirements

You will need to wait a long time from the date an order is received until you actually receive payment for that order. You will also require the financial means to bridge this gap. In this regard, it is highly important to determine whether deferment of payment is common practice or necessary in your branch of business or whether goods are paid for at once. In any event, you will have to take a starting-up period into account in which income will be less than expenditure.

In addition to operating expenses for outstanding bills, rent, employees, offices, energy, vehicles, interest, etc., you should take account of personal living costs in particular!

Estimating working capital requirements is often not at all a simple matter. A financial plan can be a great help.

2.3.2 Financial planning as a helpful tool

In your financial planning, you offset your received payments against your expenditure on a monthly basis (see diagram on p. 22).

- Received payments: sales, private investments, loan commitments, etc.
- Expenditures: for ongoing costs, investments, personal livelihood, etc.

At the outset, orders numbers are often lower and existing orders are frequently executed some time before they are paid for; therefore, the first few months' revenue will usually be lower than the expenses. Juxtaposing payments and receipts in a list will show you the monthly minus (deficit) or monthly plus (surplus). At the outset, if several months have expenses which are greater than revenues, a large deficit sum can accumulate quickly which must often be pre-financed via a current-account loan (credit line) until the time when the outstanding sums come back into the firm through sales. Therefore, applying your financial plan, you can estimate the

amount of credit line you will need to cover your ongoing financial requirements. You should plan your sales with a rather conservative approach.

IMPORTANT:

- Make sure you allow for sufficient financial reserves!
 - Try to plan ahead for any 'unforeseeable' events you might come up against.
 - Increase your liquidity, e.g. via rapid accounting.
 - Take into account that as your sales rise, your funding requirements will also increase.

Determining capital requirements	
INVESTMENTS	EURO
Property: purchase price, incidental costs for estate agents, contract costs, taxes, development, etc.	
Investment in buildings: new buildings and conversions, adapting premises, security deposits for rentals and leases	
Equipment: office equipment, machines and tools, storage facility, exhibition spaces, etc.	
Vehicle fleet: cars, vans, lorries, etc.	
Other investments:	
WAREHOUSE	
Starting warehouse for raw materials, auxiliary materials and operating materials, potentially merchandise	
ONGOING COSTS – START-UP COSTS	
Start-up costs such as registration fees, company formation (notary, accountant, tax adviser or lawyer, Company Register) and ongoing costs to bridge the start-up phase for, inter alia, opening advertisement, rent, telephone, personal livelihood and wages, until adequate turnover is reached.	

Financial Plan

Financial Plan = a list juxtaposing payments received and outgoing payments
 Amounts in euros per month/quarter/year

	Month 1	Month 2	...	Month 12
1. Initial available funding				
2. Planned incoming payments				
Sales (incl. VAT)				
From loan commitments				
Private investments				
Other incoming payments (incl. VAT)				
Total incoming payments (1) + (2)				
3. Planned outgoing payments				
Costs affecting ongoing payments (incl. VAT)				
Payments for investments (incl. VAT)				
Payments for materials (incl. VAT)				
Private withdrawals				
Payments to the Revenue Office				
Interest payments / bank charges				
Capital repayments				
Other payments (incl. VAT)				
Total outgoing payments				
Deficit / surplus (1) + (2) - (3)				
Deficit coverage				
Current-account credit / loan				
Private investments				
Other				

2.4. FINANCING

Adequate financing is the basis for setting up your company successfully. However, financing is often a problem for new companies. You have very little of your own capital, and you don't have commercial success or references to show yet. Potential investors can only assess your chances of success with difficulty and thus contributing capital is a big risk for them.

Therefore you should prepare your financing thoroughly and put it in your business plan. Remember, potential investors will need a certain amount of time to review your proposal.

For this reason, make sure you know from the start

- exactly what financing will you require,
- how you will go about getting it and what amount you can contribute on your own, and
- what kind of subsidies are available to you.

2.4.1 Forms of financing

Financing with your own capital

The capital requirement plan you have prepared yielded a sum that you will definitely need at the outset when you start up your company. Remember, you are the very first financer of your company – if you cannot contribute any money to it, why should others do so? A certain portion of your own capital is thus important and advantageous: you do not have any fixed payments to make and do not need to provide any collateral. Consider first how much of the capital requirements you can contribute yourself. Make a list of your assets – savings, securities, etc. Think about what collateral you can put up for loans (life insurance policies, building loan contracts, real estate, objects of value). Or can you incorporate machines, vehicles or items of furniture that you already have into the business? Some things you will also be able to do yourself, such as adaptation and renovation works, etc.

There is no hard and fast rule about how much capital you should provide yourself. Depending on the branch of business and financing volume, many banks usually require a capital share of your own between 20% and 30%.

Think about whether you can also increase your own capital share

- by getting relatives, friends and acquaintances involved,
- by taking on partners by way of incorporation or
- with the help of public or private venture capitalists.

Financing with borrowed capital

Once you have amassed your own capital and whatever contributions you can make yourself, you will perhaps discover that you need additional third-party capital, i.e. loans, to finance your business-founding plans completely.

IMPORTANT: Third-party capital equals debt. Interest and repayments must be paid, irrespective of revenue. As a rule, you cannot acquire third-party capital without providing collateral and assuming personal liability.

Investment loan

Investment loans from your bank serve to finance fixed assets (real estate property, buildings, machinery, vehicles, etc.) and the renovation of buildings. You can get medium-term to long-term investment loans i.e. over a period of four to twenty years. The term of a loan should correspond to the useful life of the goods concerned. Apply for a loan in sufficient time prior to investing. Also remember in this context that large investment loans and the major share of third-party capital usually connected with it can entail a large risk due to heavy interest encumbrance and high redemption instalments – especially in the case of revenues which are declining or too low, since the loan must be redeemed out of the profits. Discuss with experts (corporate consultants, financial consultants, the bank,

etc.) whether it is sensible and feasible to take out a large investment loan.

Overdraft

Overdrafts (also known as working capital loans) serve to finance current business and payment transactions. All ongoing transfers are made via this account. You can dispose of such a loan freely up to the amount arranged with the bank (credit line). It is flexible and not bureaucratic, and interest is only calculated on the loan amount actually used. However, overdrafts should only be used as a means of short-term financing, i.e. for ongoing payments and not for investments, as there are additional charges and fees, as well as higher interest rates, for such a flexible form of loan; Your financial plan will give you an idea of how big your overdraft should be.

Leasing

Simply stated, leasing is paying a fee for the use of something – just like renting. Nowadays you can lease almost anything – from telephone equipment to an industrial building. As opposed to a bank loan, which you use to purchase something that then becomes your property, a leased object remains the property of the leasing company for the duration of the contract. Thus there is a distinction between the user of the object and its owner.

A word of caution: Although you are not the owner of the leased object, you bear all the risks connected with the leased object and its use. As a rule, the lessee is also responsible for maintenance and repair as well. But leasing does have its advantages: Instead of paying out a large, one-time sum, the leasing instalments spread your outlays over a longer period. The aim of this is: to be able to cover the outlays by ongoing revenue. Moreover, collateral is rarely required in a leasing arrangement, which makes financing easier or even possible at all. Depending on the leased property, the lease provider may ask for a deposit. This will be in the form of an advance payment, which will reduce the amount of the

lease payments. Your existing collateral remains available for further financing. Depending on the lessor's standing in the market, they may be able to offer you price advantages, such as more economical insurance premiums when leasing a motor vehicle.

OUR TIP: During the lease contract negotiations, adjust the amount of the leasing rate to your finances over the terms of the lease agreement, down payments, and agreements on the residual value.

Venture capital financing

Venture capital is a type of equity investment financing and thus a form of risk capital or equity capital. Venture capital companies maintain holdings in new companies with the objective of profiting from the invested capital when the holdings are further sold. Equity investment companies generally focus on a limited circle of new entrepreneurs

- with innovative ideas,
- above-average chances for growth and revenue,
- who submit a detailed business plan,
- who are persuasive in demonstrating their entrepreneurial capabilities and
- who are asking for a correspondingly high level of financing – approx. EUR 400,000 and above – depending on the individual case and on the venture capital provider.

Therefore, private venture capital is not an option for most company founders.

The state-run aws Start-up Fund provides investment capital for young, growth-oriented companies with innovative products or services. Investment is arranged in line with market conditions. The investment amount is between EUR 100,000 and EUR 3 million. The state busi-

ness development bank, Austria Wirtschaftsservice GesmbH (aws), handles the procedure.

Further information on venture capital is available: 'Angels, VC & Co brochure at www.gruenderservice.at (publications).

Business Angels

Business angels are persons who assist new companies with equity capital and also with management experience and business contacts. They are commercially independent, most of them are successful entrepreneurs or managers and are experienced in business life. They often invest smaller amounts too – from EUR 20,000 upwards – in young companies with innovative ideas and high growth potential, and can thus provide a useful stopgap especially when the risk is too great for a bank and when the capital requirement is too low for an investment company. Business angels generally participate in the company.

In the framework of co-investments, the state-run fund known as the aws Business Angel Fonds doubles the risk capital invested in young, Austrian companies by business angels. For more information, please visit www.aws.at

Crowdfunding

In contrast to venture capital and business angels, crowdfunding does not involve individual investors. Instead, a large group of people supports an idea by investing relatively small amounts of money. With the support of crowdfunding, ambitious and high-risk projects can be implemented. Therefore, crowdfunding is a collective term for various kinds of investment. This usually involves crowd investing in the business world. This is when crowd investors invest small amounts, usually from EUR 100 upwards, in young companies using a platform.

Since crowd investors generally do not have co-determination rights, the entrepreneur fully reserves the right to make decisions. Crowd investors hold a stake in the company and are either in possession of profit participation securities or fulfil the conventional role of silent partners and may possibly lose money, but no more than the amount they originally invested. The money invested in this way is therefore also used to provide equity capital for the company.

The transaction is usually carried out through crowdfunding platforms that present the concept online, prepare contracts, provide consultation, and support the implementation using technology and standardised processes.

You can obtain information on crowd investing and Austrian crowd platforms in the brochure 'The Power of the Crowd' www.gruenderservice.at (under Publications).

Supplier credit

Supplier credit is the easiest but most expensive form of loan. You do not have to apply for it and it is granted informally. This 'supplier credit' is created by not paying for a good or service upon receipt, but rather at a later date. You do not need to provide any security.

The supplier generally grants you a payment period (payment target) of 30 days, for example. This may seem like an attractive offer at first. If you pay earlier, however, you may get a discount. The payment condition may read, for example, 'payable within ten days of date of invoice with a discount of 2%, or within thirty days without any discount'.

This means you pay 2% for 20 days' credit (30 days minus 10 days) – this is equivalent to an annual interest rate of 36% (2% for 20 days means 36% for 360 days, i.e. a year).

It is therefore more cost-effective to pay the invoice within the discount deadline, using the credit facility you have agreed with your bank in order to do this if necessary.

Customer down payments

Down payments are an extremely advantageous form of financing. The customer pays you part of the bill in advance, via which you can settle your preliminary accounts for the order, purchasing goods, preliminary work, etc. without outside financing. However, there is a catch; down payments are not customary in all branches of business and you, as a newcomer on the market, must first of all attract customers – which means that down payments are not always a workable option. Where they are possible, however, you should definitely take advantage of them.

Factoring

Factoring is a financing alternative if your current receivables (outstanding invoices with payment deadlines) are worth EUR 150,000 or more. With this method, you assign a part of your customer receivables to a factoring company and a part of the invoice total (generally about 80%) is paid out to you at once. You receive the remaining part of the sum when your customer has paid the factoring company. But of course, this financing instrument is not free.

The factoring company deducts interest from the sum to be paid in order to pre-finance the receivables (customary bank interest payable on loans), as well as a factoring fee. The latter fee depends on the amount of the factoring sum, the number of receivables assigned and the suppliers. It is usually 0.2% to 1.5% of the gross sum.

As a rule, factoring companies also provide additional services such as debtor bookkeeping, dunning and cash collecting.

Purchase financing – finetradings

Finetradings is a way of financing goods purchases. It serves as an alternative to traditional overdraft facilities or supplier credit. The finetrauder acts as an intermediary between the supplier and the purchaser. The goods are ordered by the finetrauder according to the terms negotiated between the supplier and the purchaser. After the goods have been delivered to the purchaser, the finetrauder settles the supplier's invoice within the discount deadline and grants the purchaser a longer payment deadline of up to 120 days.

With finetradings, purchases can be financed independently of normal bank financing. The supplier gets paid immediately, and the purchaser gets more time to pay.

Finetradings is mainly intended for sectors with high levels of goods purchases, and comes at a cost. The fees depend on various factors, such as the customer's creditworthiness, the payment terms or credit insurance and are usually negotiated individually.

2.4.2 Financing discussions/ Bank meetings

Whether you wish to take out a bank loan, use equity capital or take advantage of subsidies to found your business – your potential investors will want to know precisely what they are investing their money in. It is absolutely necessary that you have a business plan ready for every financing discussion. The more professional and persuasive your business plan, the easier it will be for you to get the money you need.

The meeting with the bank – checklist

Naturally, the bank is an essential partner for the borrowing process. Consider the following tips to prepare for meetings with the bank:

- Plausible documents: Be well prepared: draw up a business plan, concept and plan calculations. The plan calculations must show that you can pay back your debt!
- What is to be financed? Consider in advance what exactly you want from the bank. An investment loan, an overdraft, for which investments or working capital, how much, for what term, etc.
- Compare offers: Obtain offers from several banks.
- Capitalisation: Negotiate quarterly capitalisation as a maximum (loan accounting basis on which interest is charged). High-frequency capitalisation can make your loan significantly more expensive.
- Negotiate an effective interest rate: An effective interest rate takes into account all one-time and ongoing charges as well as an annual interest settlement. It allows you to compare costs directly among various loan quotes.
- Written loan commitment: Have the loan commitment confirmed in writing.
- Coupling to the reference interest rate: Negotiate to have the interest rate coupled to a reference interest rate (e.g. EURIBOR). In this way, you will spare yourself ongoing negotiations on the interest rate with the bank and you can assume that interest changes will correspond to the market. Find out how long the interest rate is fixed and the variable on which it will subsequently be dependent.
- Possible subsidies: Enquire right at the outset about possible subsidies (e.g. at your Austrian Federal Economic Chamber).
- Collaterals: Think about which collaterals you can/want to offer the bank (guarantees, mortgages and similar).
- Think of the bank as your partner in monetary matters and keep it informed of your ongoing business success level. Should you have additional financing requirements (e.g. a short-term extension of your overdraft limit), talk to your bank about it right away. Do not wait until the bank contacts you about such an overdraft extension.
- Financing principles: When seeking financing, take into consideration the various 'financing principles'. For example, the term of a loan should correspond to the usable life of the investment goods.
- Consult experts: Loan agreements are generally comprehensive and contain a multitude of clauses; laymen often find it impossible to understand their meaning and consequences. We recommend that you consult neutral experts (corporate or financial consultant) to choose the best financing.

What does a loan really cost?

The cost of a loan is more than just the interest rate. It also depends on the loan's term, the instalment frequency, and the due dates of the instalments. Moreover, you should determine any expenses and costs they generate, the amount of loan commission fees, how interest is calculated (the date on which the interest portion of the instalment is fixed) and the way redemption is calculated (i.e. the time at which redemption is deducted from the residual debt). In other words, don't judge the cost of a loan merely according to the interest rate; take into account all the other terms and conditions involved. When comparing two quotes, it is therefore entirely possible that you will find that the one with the apparently lower interest rate is in fact less economical due to other terms and conditions of the loan. Have an expert look over the loan quotes (corporate or financial consultant).

OUR TIP: Show your bank documentation on planning and calculation.

By doing this, you will help the bank to understand your business more clearly, which may have a positive effect on your creditworthiness.

To be able to establish yourself as a prospective independent with a budget, a range of preparations are useful and even necessary. With a minimum turnover calculation, for example, you can determine how much turnover you will need to generate in order to cover fixed costs, expected operating costs and private expenses (employer's salary). The various costs will be explained later. In this way, you can calculate how much you will need to turn over in order to cover business expenses and your desired employer's salary. This is particularly helpful when carrying out your initial calculation of prices and hourly wages.

Our free minimum sales calculator will guide you in calculating the minimum turnover. Find it here: <https://www.gruenderservice.at/mindestumsatzberechnung>

You can use this to calculate the absolutely necessary turnover you will need in order to cover your private expenses, forthcoming fixed costs and expected operating costs.

The online minimum sales calculation is a rough overview calculation: it is not about determining exact numbers, but about providing prospective entrepreneurs with a focused sensitisation to business questions. This facilitates a realistic view of the financial challenges, and prevents unpleasant surprises that could put the success of the founding into question.

2.5.1 The basic schema for planning results

Essentially, you take four factors into account in your planning when calculating your overall operation:

- the planned revenues,
- the variable costs,
- the staff costs and
- the fixed costs.

Planned revenues (quantity/hours x price)

- planned variable costs

Contribution margin/gross yield

- planned personnel costs
- other planned fixed costs

Operating income

influences on the planning, you need to determine the most important influential factors and include them in the calculation. For example, such framework data includes the economy: economic growth, inflation, trend of interest rates, and sector/market: collective bargaining agreements, development in the branch of business (concentration, growth, saturation, etc.), developments in raw materials and suppliers.

Note: The price of a product or an hour of service is the result of supply and demand on the market, the competition situation and your own cost situation.

The time frame for budgeting

It makes sense to draw up a budget on an annual basis for the first three years. For the first year, the budget should be split into months or quarters. This way you can draw up a comparison of target/actual figures later on using the data from your accounting. Depending on the operation type and the purpose of the plan, however, there must be individual differences.

2.5.1.1. Framework data for planning

Your plan calculation is always aimed at the future. In order to take account of the anticipated



2.5.1.2. Planning of costs

In the first step, you should clarify the situation with regard to costs that you will incur. These concern operating costs on the one hand, but also personal costs (required for the entrepreneur's salary). In order to determine the personal costs, it is recommended that you draw up what is known as a 'budget sheet'. This budget sheet gives you information about which private expenses you have to cover with your employer's salary.

It is advisable for entrepreneurs who are producers to allocate operating costs according to fixed and variable costs. This is a greatly simplified approach which has proved to be very helpful in practice. Fixed costs are those that are incurred independently of production, while variable costs only arise upon production per item and therefore directly depend on the production volume.

Industry figures (such as the ratio of turnover to materials used or staff expenditure) can also be helpful in determining costs, as they show whether the planned approaches you have selected are realistic. Industry figures can be found here wko.at, for example.

A realistic, conservative approach has proved its worth in the planning of costs. You should therefore also consider costs that you may potentially be faced with.

2.5.1.3 Calculating variable costs

In principle, variable costs depend on the volume produced and sold. For example, a carpenter always incurs variable costs when building a kitchen. In this case, the costs would be for materials such as wood, fixtures, screws and of course the expense of buying the kitchen appliances. But even for service providers such as advertising agencies, for example, outsourced services

can often present a large and variable cost centre. For this reason, services that you also buy in (graphic designers, programmers, etc.) are to be budgeted into your revenue plan.

Take the following factors into account when calculating variable costs:

- material costs
- cost of goods
- auxiliary material etc.
- purchased services

2.5.1.4 Calculation of personnel costs

Personnel costs are a major expense factor in every company. Therefore, you need to plan them for all your employees, including incidental wage costs. Annual personnel costs are made up of the following costs (outlined below in a simplified form):

- gross wages (salary), at least within the range of the collective agreement, 12 x per year
- plus two separate payments for holiday pay and Christmas bonuses
- plus the employer's social insurance contributions
- plus employer contribution and surcharge, municipal tax and employee pension fund

On the homepage of the Federal Ministry of Finance (www.bmf.gv.at), you will find a wide variety of online calculators to help you simplify the calculation of labour costs. The wage cost calculator will help you determine the labour costs for one employee and even the costs of attendance and production per hour.

OUR TIP: To simplify things, annual personnel costs can be calculated as follows: (gross monthly wage x 14) + 32% for incidental wage costs

Do not forget the entrepreneur's salary! In the case of sole proprietorships and entrepreneurial partnerships, it is necessary to take the imputed entrepreneur's salary into account. This should amount to between EUR 20,000 and EUR 50,000 per year, and should at least cover the private living expenses of the entrepreneur.

2.5.1.5. Calculating fixed costs

Fixed costs are independent of orders and cannot be cut within a short period of time. They accrue in every company, although they differ in terms of amount, type of expenditure and composition. It is therefore important to consider all fixed-cost items and to determine the expenses clearly and comprehensibly. Fixed costs include:

- maintenance, repairs
- electricity
- water
- heating
- business premises rental
- equipment rental
- franchise fees
- office expenses
- telephone, fax, postage, internet
- social insurance
- property insurance
- vehicle costs
- travel expenses, allowances
- training
- legal and consultancy costs
- marketing
- low-value assets, tools
- other costs
- other taxes, levies, contributions
- leasing
- investment depreciation
- interest, bank charges

2.5.1.6. Calculation of depreciation

For depreciable fixed assets such as office furniture, PCs or vehicles, the loss of value should be distributed evenly across the average useful life of the asset and recorded in the form of a depreciation to the acquisition or production costs of the asset. Each year it is used, only an invariable depreciation amount can be declared – linear AfA (deductions for wear and tear). To calculate the annual AfA amount, divide the asset or production costs by the operating life in years. The law only prescribes an operating life for a few fixed assets. An example is the statutory depreciation period of a car over eight years. Empirical values can also be seen in AfA tables for general assets. When the costs have been determined, the next step is to plan the income (sales).

2.5.3 Planning the revenue

There are various surcharges or hourly rates, depending on the industry (service, trade or production).

You must always take account of bottleneck situations in your company when planning revenues. A bottleneck can occur in sales (quantity), personnel (skilled employees, know-how, etc.) or in production (technology, supplies, raw materials).

Two main factors influence the amount of revenue: the price and the quantity of a sale (price/sale function). You can apply available past figures, your own market experience and forecasts to help calculate the sales volume. Sale prices will be oriented to existing market prices, including possible modifications, innovations, etc.

From experience, the revenue plan is the most difficult because you are heavily reliant on your customers. For this reason it is advisable to plan very conservatively. When planning turnover, it is often helpful to break down the turnover into days, items, guests, average consumption etc. This will create a framework of figures that will enable the turnover to be extrapolated more easily.

Use scenarios for your calculations in this area too. In practice, three scenarios are often used: an aggressive scenario (best case scenario), a realistic scenario (most likely scenario) and a conservative scenario (worst case scenario). This will enable you to analyse different developments.



OUR TIP: Always try to provide comprehensible reasons for your assumptions regarding quantity and prices. Also explain the planned sales measures.

Revenue in the service sector

In the pure service industry, the saleable hours must be determined in advance. It should be taken into consideration here that travel time, hours spent on administrative activities, preparation, etc. are not regarded as saleable hours, as your customer will not normally pay for them. Begin by planning on the basis of one week and extrapolate the result (leave, public holidays and any sick days must not be disregarded in the extrapolation, however).

Ask yourself the following questions, for example:

- How many hours do I want to work per week?
- What does my typical weekly plan look like?
- How long will preparations take?
- How many hours will I need for administrative tasks?
- Should travel time be taken into account?
- How many saleable hours can I really manage per month?

OUR TIP: Calculate the total billable hours in a traceable and logical manner. In the process, also think about public holidays, leave, illness and other non-billable hours (administration, preparatory work, setting-up time, etc.).

An example calculation: To calculate the saleable hours, we take the number of weeks in a year (52 weeks) and subtract leave, public holidays and absences (e.g. six non-working weeks per year). This gives us the actual number of working weeks available per year to you as an entrepreneur: 46 working weeks. In this example, with a calculation of five days per week and eight hours per day, you will have 1,840 hours per year available for work (46 working weeks x 5 days x 8 hours = 1,840 working hours per year). These yearly hours are of course not 100% calculable and are reduced by the 'unsaleable hours'.

Unsaleable hours are those which you as the business owner spend on marketing, canvassing for customers, administrative tasks, writing invoices, preparing accounts, or performing other non-chargeable work such as compiling quotations. Of course, as a business owner, you will normally spend more time on administration and therefore have more non-saleable hours

than an employee. That must also be taken into account. It is extremely useful to plan saleable and non-saleable hours on the basis of a short time span, such as one week, and then to extrapolate this to one month or one year.

To get a feel for what hours you can actually charge for, it is advisable to record your hours in a calendar. This is because even if you make estimates in the beginning, you can adjust your calculations with post controls.

To continue the example we have begun, let's assume an adjustment for non-saleable hours of 30% of the yearly working hours for the entrepreneur as well as for an employee. After the adjustment, we are left with 1,288 saleable working hours per person per year [46 working weeks x 5 days x 8 hours x [1-30%] = 1,288 saleable working hours per person per year].

The minimum sales calculator divides the minimum sales by the saleable hours; this way, you

will arrive at the minimum billable hourly rate. This allows for a comparison with other services in your industry, especially in the service industry.

If the minimum billable hourly rate is well above the comparable hourly rates in the industry, this may be because your fixed costs are very high or the selected entrepreneur wage was set very high, for example. By contrast, an hourly rate below the industry average is a sign that your cost structure might be more efficient than those of the average entrepreneur. This occurs, for example, when you don't require any office space as a business owner or plan few investments to start business operations.

OUR TIP: Use 'Plan4You' to create a complete business plan for free. Further information and a link to the tool can be found at www.gruenderservice.at/businessplan.

Example: Determining saleable hours

	Business owner	1 employee
Weeks in a year	52	52
- Leave	3	5
- Public holidays	2	2
- Sick days and other time off	1	2
Work weeks	46	43
Number of employees		1
Days/week	5	5
Hours/day	8	8
Hours in a year	1,840	1,720
- Correction (unsaleable hours) in %	30	15
Saleable hours	1,288	1,462
Total saleable hours (employer and employee)		2,750

■ 2.6. SUBSIDIES

There is a wide range of subsidies available. There are subsidies for existing businesses and for start-ups at national, state and sometimes even municipal levels. Options and types of subsidies are dependent on several factors (e.g. new start-up or takeover, amount of investment, industrial sector, location of business, business concept, degree of innovation or growth potential).

IMPORTANT TIPS:

- **Planning your project and developing your concept:** The first step towards obtaining funding is to draw up a detailed plan of your project. The project plan is important both for you and for your financing meeting with your bank. It is often an essential part of your funding application.
- **Making use of guidance:** The subsidy database of the Austrian Federal Economic Chamber at wko.at/foerderungen will give you an initial overview of possible subsidies. You can also get advice about funding options at your local branch of the Federal Economic Chamber or from your bank.
- **Applying for a subsidy:** As a rule of thumb, first apply for a subsidy and then invest. It is important in this regard that the application is submitted in good time; i.e. before the first binding order of system parts and/or machinery, before delivery, before the start of construction or before any other obligation that makes the investment irreversible, whichever of these is earlier. A subsidy is generally not possible if the application is made later. It is therefore all the more important that you find out about subsidy opportunities in good time.

NOTE:

- There is no legal right to a subsidy.
- Submit subsidy applications in sufficient time, remembering that processing can take quite some time.
- The bank will ask for securities from you, e.g. savings deposits, mortgages, guarantees, before issuing low-interest loans.
- You usually have to submit your documents to your local bank.
- You must usually be self-employed 'full-time' in order to apply for subsidies.
- Subsidies only represent support for your financing proposal, but should never be the basis of your decision as to whether to implement your business idea or not.

THE MOST IMPORTANT STATE FUNDING BODIES

Austria Wirtschaftsservice (aws)

Business-related economic support (except for the tourism and leisure industries)

www.aws.at

Österreichische Hotel- und Tourismusbank (ÖHT)

Subsidies for investment in the tourism and leisure industry

www.oeht.at

Kommunalkredit Public Consulting GmbH (KPC)

Subsidies for businesses in the environmental and energy sectors

www.umweltfoerderung.at

Österreichische Forschungsförderungs-gesellschaft (FFG)

Subsidies for business-linked research and development

www.ffg.at

Arbeitsmarktservice Österreich (AMS)

Support for people going fully self-employed for the first time, and subsidies to help with employing and training staff

www.ams.at

Riding Dinner
ridingdinner.com



Chocolatier and hotel 'Der WILDe EDER'
der-wilde-eder.at



2.6.1. Overview of key state subsidies

GRANTS

Grants are usually understood as subsidies that do not need to be paid back. The grants therefore reduce your investment/cost expenditure.



Support for new tourism businesses (up to one year after start-up) for investments between EUR 20,000 and EUR 250,000.
-> [Grant up to 15%](#)
All information at www.oeht.at

STATE-SUPPORTED CREDIT FACILITIES

State-supported credit facilities are a form of borrowing with government support and thus more favourable conditions. This borrowed capital must be secured and paid back.



Support for investment in fixed assets
-> [low-interest loans between EUR 10,000 and EUR 500,000](#)
All information at www.aws.at or www.oeht.at



Support for investments in takeovers of tourism businesses
-> [low-interest loans between EUR 350,000 and EUR 1 million](#)
All information at www.oeht.at



Support for investments in business start-ups in the capital market for disadvantaged persons
-> [up to EUR 12,500 loans with fixed interest rates](#)
All information at www.dermikrokredit.at

GUARANTEES/ASSUMPTION OF LIABILITY

If the security offered by the subsidy applicant is not sufficient for a bank loan, institutional guarantors can assume (some of the) default liability in relation to the lending bank.

Start-up guarantee (aws)	Assumption of liability for investment loans -> guarantees up to 80% of the loan, max. EUR 2.5 million All information at www.aws.at/foerderungen/aws-garantien-fuer-junge-unternehmen/
Tourism industry new entrepreneur liability assumption (ÖHT)	Assumption of liability for investment loans for tourism businesses -> guarantees for up to 80% of the loan, max. EUR 4 million All information at www.oeht.at
Double equity guarantee (aws)	Assumption of liability for doubling equity capital to facilitate the financing of innovation and growth projects -> guarantees up to 80% of the equity capital contributed All information at www.aws.at/foerderungen/aws-double-equity

EQUITY INVESTMENT

These improve the equity capital situation of the business. Different investments vary in duration, intensity and repayment terms. There are investments with and without the right to have a say in how the business is run.

Start-up fund (aws)	Investment in young companies with growth potential which do not manage to obtain sufficient bank financing in the high-risk early stages. -> investments of between EUR 100,000 and EUR 3 million All information at www.gruenderfonds.at
Business angel funds (aws)	Support in the form of an investment by the aws in connection with a business angel investment -> co-investments of EUR 250,000 upwards All information at www.aws.at/foerderungen/aws-business-angel-fonds
i2 Business Angel Exchange	Arranges private investors for growth projects -> private venture capital up to EUR 500,000 All information at www.aws.at/foerderungen/aws-i2-business-angels

EMPLOYING STAFF

There are non-repayable grants available for employing staff.

One-person business support for entrepreneurs taking on their first employee (AMS)

Support for one-person businesses in which the entrepreneur has been self-employed for at least three months (GSVG-insured) and which are now taking on their first employee
-> 25% of the gross salary for 12 months

All information at ams.at

SUBSIDISED CONSULTATION AND INFORMATION

Get free or subsidised advice on developing and planning your business idea.

Consultation services from the economic chamber

The Business Start-up Service, the service departments and the district and regional branches of the Austrian Federal Economic Chamber can provide you with free advice about setting up your business. For all information, see 5.3. Start-up services in Austria, page 119

Subsidised business consultation

In many states, consultations with business advisers e.g. on drawing up a business plan, marketing and financing are subsidised by the Austrian Federal Economic Chamber and/or the federal and state governments. For all information, see 5.3. Start-up services in Austria, page 119

Scale Up

Scale Up provides technologically innovative start-ups with advice and support.
All information at:
<https://www.aws.at/foerderungen/aws-aplusb-scale-up/>

Pitch your idea (aws)

You can present your innovative business model to experts in a five-minute pitch and get feedback from the aws team of experts about suitable funding programs and financing solutions. All information and relevant dates at:
<https://www.aws.at/foerderungen/pitch-your-idea/>

START-UP SUPPORT FOR UNEMPLOYED PEOPLE

The AMS supports unemployed people starting their own businesses.

Business start-up programme of the Arbeits- marktservice (AMS)

Support for unemployed persons who want to become self-employed full-time. This support can take the form of advice, training and start-up aid.
Applications can be submitted to your regional AMS office.
All information can be provided by your AMS or found at www.ams.at -> Subsidies for businesses

2.6.2 Other federal subsidies

■ Exemption from certain charges and taxes (NeuFöG)

Under the New Business Foundation Support Act (NeuFöG), new businesses and business transfers may be exempted from certain taxes and charges under certain conditions. The exemption mainly relates to:

- court costs for entries in the Company Register
- start-up stamp duties and federal administration fees
- property acquisition taxes and the court costs for entry into the Land Register, if corporate rights or shares are granted for obtaining real estate in newly-founded companies. For business transfers there is a tax-free allowance for property acquisition taxes.
- if you take on employees within the first 36 months of setting up a new business, you will be exempt from certain wage taxes in the amount of approx. 6%. Please note: this does not apply to business transfers.
- vehicle registration and re-registration, if this procedure involves essential operational bases (e.g. bus companies, firms forwarding goods, taxi and car rental enterprises). Please note: only for business transfers.

For a business to be classed as a new business, a new operational structure must be created. To be classed as a facilitated business transfer, the business must be owned by a different person. The business owner (the person who has started up or taken over the business) must not have performed the same activity on a self-employed basis during the last five years, either in Austria or abroad.

If an application is made for an exemption from fees, a NeuFöG form (declaration of start-up) must be submitted along with the application to the bodies concerned (e.g. Company Register, Revenue Office). A retrospective submission of the form and the refunding of payments already made is not possible.

The form in question can be obtained from the Start-up Service, the technical groups and the district/regional offices of your Austrian Federal Economic Chamber or, if you have the technical resources to access it, it can be sent by electronic means via the Business Service Portal (www.usp.gv.at).

■ **Subsidies other than young entrepreneur subsidies**

Please note that there are also other kinds of special subsidies available apart from the young entrepreneur subsidies, e.g.

- **Innovative investments:** Funding programmes from Austria Wirtschaftsservice GmbH (aws), www.awsg.at
- **Research and development:** aws funding programmes, www.aws.at and funding programmes of the Austrian Research Promotion Agency (FFG), www.ffg.at
- **Energy and environmental conservation:** Funding programmes from Kommunalkredit Public Consulting (KPC), www.umweltfoerderung.at
- **Internationalisation activities:** internationalisation campaign 'go international' offers a wide range of export subsidies for companies which are starting to export for the first time or entering new markets, www.go-international.at

- **Creative business services:** There are special subsidies available for businesses in the creative industries (Impulse XS and XL subsidies). Support is provided for projects in creative fields such as design, architecture, multimedia/gaming, fashion, music business/utilisation of music, audio-visual media and film/film utilisation, media and publishing, graphics, advertising and the art market. The support on offer ranges from financial assistance to training opportunities to awareness campaigns. Information at www.aws.at/kreativwirtschaft

2.6.3. Regional support

Apart from the aforementioned nationwide programmes, the federal states and some communities support business founders with support programmes of their own. Enquire in your state about the regional subsidies available there.

Die Zuckerwerkstatt e.U.
zuckerwerkstatt.at



2.7. SELECTING A LEGAL FORM

What is the right legal form for my company? Every entrepreneur is faced with this question. There is no blanket answer to this question as every start-up is different. Certain features of a legal form could be seen as especially suitable and attractive in one case, but could be impractical and disadvantageous for others.

It is important to analyse the respective features with regard to liability, powers of representation, capital expenditure, formation expenses and taxes and to carefully weigh the perceived advantages and disadvantages of the various legal forms. Our online guide leads you through these relevant aspects. You will receive targeted suggestions and the practical guide will explain why a legal form appears suitable or inappropriate.
<https://www.gruenderservice.at/rechtsformratgeber>

Alone or with a partner?

This is one of the most important decisions you will have to make. It is also contingent upon the business concept and the framework conditions relating to your planned business start-up.

Advantages of founding a business with a partner/partners

- complementary experience, knowledge and skills
- better work distribution and time saving
- easier raising of capital
- less founding risk
- more dynamic company growth
- greater chances of success

However, the drawbacks lie in the fact that your individual decision-making is restricted, every partner is liable for the others' errors and it often takes longer to reach firm decisions. The alternative? It is worth looking into whether,

as an individual, it is possible to agree on co-operations with others. The areas that lend themselves to collaboration can cover all business functions, from acquiring raw and auxiliary materials and supplies, to manufacturing, all the way to distribution and service provision or sharing equipment. The level of the co-operation can be freely organised. Depending on the objective, both a loose co-operation with independent enterprises and the founding of a joint company are conceivable.

What to take into account when founding a partnership?

When founding a partnership there is always the risk of choosing your partner on an emotional basis rather than a purely professional one. However, this does not mean that you should ignore your feelings and your intuition. The most important prerequisite for success in business is trust in your partner.

Still, consider carefully all the same whether you have indeed found the right business partner by asking yourself these questions:

- Do you know your future business partner? Have you already worked with them constructively and efficiently in a team?
- Are their personal finances in order?
- Does your business partner have the personal aptitude to be an entrepreneur? Do they enjoy a good reputation in the business sector in which you are aiming to work?
- Is the 'chemistry' good between you and your business partner?
- Could your business partner also successfully found and run a business without you? Why do they need you?
- What would be the consequences for you if the partnership were to fail?
- Since this matter is an extremely complex one, we recommend that you reflect upon the adage, 'Look before you leap.' Maybe even discuss these questions with your life partner.

What legal forms are there?

A company's legal form defines both the legal relationships within the enterprise and those with external parties. Carefully consider the personal, tax, administrative and commercial law criteria when choosing a legal form for your business.

It is as complex as it is important to consider the optimal entrepreneurial form and thus the issue of company law. Your decision must take into account the factors of trade law, liability, social insurance and tax law. You must also determine how decision-making is to be structured and establish whether the legal form you are considering seems expedient in terms of founding costs, ongoing expenses and business management alike.

For just these reasons, it makes sense to reach your final decision with the help of experts who can estimate the advantages and drawbacks involved in individual plans and circumstances.

The comparison below is intended to give you a rough overview of the options available when determining a legal form, and can essentially provide an initial broad assessment by applying these four preliminary questions:

- 1) How deeply do you want to commit with your potential business partner(s)?**
- 2) Do you wish to assume personal liability – perhaps for your business partner's errors as well?**
- 3) How can you minimise taxes and/or social insurance contributions?**
- 4) Does the legal form make sense in terms of business management as well?**

There is no such thing as an 'ideal' legal form; everything depends on the function it is to have.

Remember, no legal form will be permanently advantageous. After all, no matter how many reasons there are for making a selection at the outset, any one of them can change considerably over time. Therefore, review the legal form you choose at regular intervals, every few years. Here is an overview of the most common legal forms:

2.7.1 Sole proprietorship

The 'owner' of such a business is an individual person who runs the business – and can either be the proprietor of the company or a lessee. As sole proprietor, you are liable without limitation – with all your personal assets at risk – for your business's debts. You bear all the risks – but because you do so, you also reap all the benefits.

The fact that you are a sole proprietor does not mean that you are entirely dependent upon yourself alone. You can also, of course, employ staff – i.e., conclude employment contracts – and avail yourself of the support and cooperation of your family.

■ **Founding:** As a rule, a sole proprietorship commences upon registering the trade and/or with the validity of the assessment decision.

■ **Company Register:** As a sole proprietor, you must have yourself entered in the Company Register once you have reached the level of accountability. The accountability limit is usually an annual turnover of EUR 700,000. If you do not reach this threshold, you may register voluntarily but without being obliged to disclose accounts.

- **Company:** If you are not entered in the Company Register, you are required to use your surname and at least one written-out given name to externally designate your place of business and business documents. Registered sole proprietors may use the names of people, objects or imaginary names, but an addition indicating the legal form must be appended, such as 'eingetragener Unternehmer' ['registered proprietor'] or else a generally comprehensible abbreviation of that designation, e.g. 'e.U.'

For example:

Name derived from the surname: Springer e.U.

Name derived from the object of the company: XY Holzhandel e.U.

Imaginative designation: Complex e.U.

In the case of tradesmen, if their exact first name and surname are not included, then these are to be added. You may also use an additional designation indicating the type of business e.g. 'The Riverside Inn'.

- **Trade licence:** You must have a trade licence (a trade licence certificate) if you are a sole proprietor practising a trade. You must personally meet the general and specific requirements stipulated in order to obtain one. If you are unable to demonstrate the required special (professional/commercial) requirements, you may appoint a managing director under trade law. The latter must have a job within the company, be employed for at least one-half the normal weekly working hours and be fully liable to pay mandatory social security contributions.

- **Social insurance:** If you are a sole proprietor operating a trade business – i.e. if you are a member of the Austrian Federal Economic Chamber by virtue of trade or other professional authorisation – you must be covered under mandatory insurance with the Austrian Social Insurance for Self-Employed Persons

(Sozialversicherung der Selbständigen – SVS). If you are self-employed in a secondary occupation, you can be exempted from full insurance within the framework of the micro-business regulation (see the chapter on social insurance). Students and other domestic workers can also take advantage of this regulation.

- **Taxes:** As a sole proprietor, you are assessed for income tax; you are also obligated to pay VAT (possible exception: see the section concerning small-business arrangements in the chapter Taxes – Invoices).

Advantages:

- the enterprise is founded quickly and easily – entry in the Company Register provides the business with its legal status
- cash-basis accounting until you reach an annual turnover of EUR 700,000
- possibility of exemption from mandatory commercial insurance (small business regulation)

Drawbacks:

- unrestricted personal liability
- personal contribution of the commercial law qualification, otherwise it is necessary to employ a legally authorised managing director

2.7.2 General business partnership (Offene Gesellschaft – OG)

A general business partnership is composed of at least two partners who are directly liable, jointly and severally, and are therefore not liable proportionately and whose personal assets are at risk. In case of doubt, the partners must effect equal contributions; however, the contributions may also be made in the form of services.

- **Founding:** Articles of Association between at least two partners are a prerequisite for founding a general business partnership. The Articles are not bound to any legal form; they can even be concluded verbally. However, we do recommend that you make them in writing. Notaries or attorneys need not be involved. All the partners' rights and obligations in respect of one another and the company should be set out in the Articles, including company management and representation, profit and loss sharing, voting ratios for important decisions, provisions for death, resignations and dismissals, liquidating the company, etc.
- **Company Register:** After you have concluded the Articles of Association, you must apply to have the partnership entered in the Company Register. All facts are entered in the Company Register which are important to all persons having business contacts with the partnership (e.g. partner liability, powers of representation, company name, etc.). Only the entry in the Company Register gives the general business partnership its legal status.
- **Company:** The company name of an OG may be derived from a surname, the object of the company or an imaginative name, whereby the designation 'offene Gesellschaft' or a generally comprehensible abbreviation of that term (e.g. 'OG') must be used.

For example:

*Name derived from the surname: Springer OG,
Name derived from the object of the company:
XY Holzhandel OG,
Imaginative name: Complex OG.*

You may also use an additional designation indicating the type of business (e.g. 'The Riverside Inn').

■ **Business management/representation:** All partners have representational authority, each individually. In the Articles of Association, individual partners can be excluded from representation or a collective responsibility can be agreed in place of individual representation. Such provisions must be entered into the Company Register. All partners have executive powers for themselves. However, if another managing partner disagrees, the action must remain undone. A unanimous shareholder resolution is required for unusual management measures which go beyond the usual business operations. It is possible to set different rules in the Articles of Association.

■ **Trade licence:** A trade licence in the name of the company is necessary in order to carry out trade activities. Appointing a managing director under trade law is necessary for this. In a regulated profession, this director must either be a partner or an employee of the OG who is fully liable to pay mandatory social security contributions, must be employed for at least one-half the normal weekly working hours and must have the authority to issue directives independently.

■ **Social insurance:** All partners in an OG in the trade industry must be covered under the compulsory Austrian Social Insurance for Self-Employed Persons (SVS).

■ **Taxes:** OGs are not liable to income taxation; however, the partners must declare their share of profits. The company pays the applicable VAT. A partner can also have other income if they receive certain emoluments from the company (e.g. for cooperative work, transfer of assets or the use thereof). These are also liable to income taxation.

Accounting is not compulsory until annual sales reach EUR 700,000.00.

Advantages:

- the enterprise is founded quickly and easily – no formal contractual regulations
- cash basis accounting until attaining the compulsory accounting level
- only one partner need be qualified under trade law

Drawbacks:

- personal, unrestricted liability – on a joint basis (even if authority of representation or management is restricted)

2.7.3 Limited commercial partnership (Kommanditgesellschaft – KG)

KGs consist of at least one partner who is liable without limitation (general partner) and at least one shareholder with limited liability (limited partner).

As the former, you are directly and personally liable without limitation towards creditors, whereas as the latter you are liable for only that sum entered as a liability contribution [Hafteinlage] in the Company Register. The amount deposited is arbitrary. Your municipal tax liabilities are unlimited, however.

■ **Founding:** Articles of Association between at least one general partner and one limited partner are a prerequisite for founding a KG. The Articles are not bound to any legal form; they can even be concluded verbally. However, we do recommend that you make them in writing. Notaries or attorneys need not be involved. All the partners' rights and obligations in respect of one another and the company should be set out in the Articles, including deposits and participation of shareholders, managing directors and representatives, profit and loss sharing, voting ratios for important decisions, provisions for death, resignations and dismissals, liquidating the company, etc.

■ **Company Register:** After you have concluded the Articles of Association, you must apply to have the partnership entered in the Company Register. All facts are entered in the Company Register which are important to all persons having business contacts with the partnership (e.g. partner liability, powers of representation, company name, etc.).

Entry in the Company Register gives a KG its legal status.

■ **Company:** The name of a KG must be derived from a surname, the object of the company or an imaginative name; it must be followed by 'Kommanditgesellschaft' or a generally comprehensible abbreviation (e.g. 'KG'). The limited partner's name must not be included in the wording.

For example:

Name derived from the surname: Springer KG,

Name derived from the object of the company:

XY Holzhandel KG,

Imaginative name: Complex KG.

In addition, a designation of the type of business may be used e.g. 'The Riverside Inn'.

■ **Business management/representation:** Only the general partners have representational authority, and each individually. In the Articles of Association, individual general partners can be excluded from representation or a collective responsibility can be agreed in place of individual representation. These changes must be entered in the Company Register. Only the general partners, each individually, can take the usual management measures. However, unusual management measures require consent from all partners, including the limited partners.

■ **Trade licence:** A trade licence in the name of the company is necessary in order to carry out trade activities. Appointing a managing director under trade law is necessary for this. In a regulated profession, the managing director under trade law must either be a personally liable partner who is authorised to represent the company or an employee of the KG who is fully liable to pay mandatory social security contributions and is employed for at least one-half the normal weekly working hours.

■ **Social insurance:** All partners with unlimited liability (general partners) in a KG engaged in a trade or business must be covered under social insurance as set out in the GSVG (Social Insurance Act for Trade and Industry). Partners having limited liability (limited partners) with a minor share may also be covered under compulsory social insurance as set out in the General Social Insurance Act (Allgemeines Sozialversicherungsgesetz – ASVG) if they are employed at the company. If they are not employed by the company, i.e. they merely hold capital in it (no company management authorisation or obligation to make further contributions), limited partners are generally insurance-exempt. If they bear entrepreneurial risk, they may be subject to compulsory insurance according to the GSVG.

■ **Taxes:** KGs are not liable to pay income tax; however, the partners must declare their share of profits. The company pays the applicable VAT. A partner can also have other income if they receive certain emoluments from the company (e.g. for cooperative work, transfer of assets or the use thereof). These are also liable to income taxation.

Accounting is not compulsory until annual sales reach EUR 700,000.00.

Advantages:

- limited partners have restricted liability
- the enterprise is founded quickly and easily – no formal contractual regulations
- cash basis accounting until attaining the compulsory accounting level
- limited partners' functions can be flexibly planned (pure capital contribution, true employment relationship or self-employed business activity)
- only one general partner need evidence qualification under trade law

Drawbacks:

personal, unrestricted liability for general partners

2.7.4 Limited-liability company [GmbH = Gesellschaft mit beschränkter Haftung]

After the sole proprietorship, the limited-liability company is the most common legal entrepreneurial form. The appeal is self-explanatory; liability is limited to the company. Thus, it is a particularly suitable form for associations of partners who wish to work in the company and yet limit the risk to the capital investment.

But please note that in practice, this restriction of liability can be disregarded. This means that banks granting loans require suretyships from the shareholders for the company, for example. Additionally, company management liability may apply to managing shareholders in the event of negligence in corporate management.

■ **Equity capital:** The equity capital to be provided by the shareholders must be equivalent to a minimum of EUR 35,000. Half of that amount must be paid in cash. Of these cash investments, at least EUR 17,500 must be paid immediately. GmbHs that are founded FOR THE FIRST TIME after 1 March 2014 and are declared for entry into the Company Register are

able to make use of what is known as the founding privilege: the equity capital amounts to EUR 35,000. However, the Articles of Association (drawn up when the business is founded) can stipulate that capital contributions using the founding privilege be limited to EUR 10,000. Half of that amount must be paid in cash. Of these cash investments, at least EUR 5,000 must be paid up immediately. Businesses whose equity capital is less than EUR 35,000 must ensure the capital contributions reach EUR 35,000 or more by 1 March 2024.

■ **Founding:** If you found a GmbH, you require Articles of Association. They must be concluded in the form of a notarial deed. The cost of this is linked to the level of equity capital. The lowest notarial charge may be possible if the foundation is a one-person foundation, the subsidy criteria according to the New Business Foundation Support Act (NeuFöG) are fulfilled and the Articles of Association are aligned with the minimum specifications of the Law on Limited-liability Companies Act (GmbHG).

■ **Company Register:** GmbHs do not legally exist until they have been entered in the Company Register.

■ **Company:** The name of a GmbH can be derived from a surname, the object of the company or be an imaginative one, but it must contain the designation 'Gesellschaft mit beschränkter Haftung'; this designation may be abbreviated.

For example:

Name derived from the surname:

Springer GmbH,

Name derived from the object of the company:

XY Holzhandel GmbH,

Imaginative name: Complex GmbH.

You may also use an additional designation indicating the type of business (e.g. 'The Riverside Inn').

■ **Representation:** Although GmbHs are legal entities, they have no capacity for acts of law, so they are publicly represented by one or more managing directors under commercial law who are fully liable for losses in a case of fault.

■ **Trade licence:** For activities which are subject to the Trade Regulations Act (GewO), a trade licence in the name of the company is required. A trade licence in the name of one of the partners is not enough. Furthermore, a managing director must be appointed under trade law who must meet all trade law requirements. The appointed managing director under trade law can only be, provided they have a certificate of professional competence, the commercial managing director or an employee who is fully liable to pay mandatory social security contributions and is employed for at least one-half the normal weekly working hours. Moreover, the managing director under trade law must be appropriately active in the company.

■ **Social insurance:** In general, as a simple shareholder in a GmbH, you are not subject to compulsory insurance. However, if you are a shareholder in a GmbH and also a managing director under commercial law, you must be covered by compulsory social insurance as set out in the GSVG. Exception: the managing director-shareholder cannot exercise a dominating influence on the company, i.e. if he holds less than 25%. Another exception consists of holdings of between 26% and 49% and dependency of instructions; in these cases, compulsory insurance coverage according to the ASVG applies.

■ **Taxes:** A company's profits are subject to corporation tax (25%). Should a company not turn a profit or post a loss for a fiscal year, annual minimum corporation tax of 5% of the statutory equity capital must be paid. For all GmbHs established after 30.06.2013, the minimum corporation tax is EUR 500 per year for

the first five years and EUR 1,000 per year for the next five years. Profit distribution is subject to capital gains tax (27.5%). Salaries that the shareholders additionally draw for their work for the company are subject either to wage tax or to income tax. Emoluments are subject to income tax.

Advantages:

- basically, the amount of equity capital is the upper liability limit (note: managing directors under commercial law may be liable in excess of this amount)
- only one trade licence in the company's name is required (cf. Trade licence)

Drawbacks:

- higher start-up costs
- obligation to prepare a balance sheet
- the managing director under commercial law may also be personally liable
- possible shareholder liability to institutes granting loans
- only sensible with regards to tax from a profit limit of around EUR 300,000

■ **Simplified founding:** The simplified founding of a GmbH using electronic communication means without a notarial act is only permissible if the founding is by a single physical person who is also the sole shareholder and managing director. The declaration of the founding of the company ('Articles of Association') must have standardised content and is made electronically via the entrepreneur service portal (Unternehmerserviceportal – USP). An electronic signature is required for this process (citizen card [Bürgerkarte] or mobile phone signature). In a first step, the founder chooses a credit institution to issue the bank confirmation that the equity capital has been paid in, proves their identity there with an official photo ID, pays in the equity capital at least to the amount necessary and signs with their sample signature. In any case, it should be clarified in advance whether the respective credit institution offers a service for simplified founding.

2.7.5 Company constituted under civil law [Gesellschaft bürgerlichen Rechts – GesbR]

A GesbR consists of at least two companies and can be called a joint roof. The idea is to unite money and/or monetary-value services or labour for purposes of joint benefit.

A GesbR differs from other partnerships and corporations in that it has no legal personality. Consequentially, a GesbR has no qualification under trade law (cf. the chapter on trade qualification) and cannot be entered into the Company Register.

There is an exception under value added tax law; a GesbR also has a type of legal personality within this framework.

■ **Founding:** Articles of Association between at least two partners are a prerequisite for founding a GesbR. In terms of the law, the Articles are not bound to any legal form; they can even be concluded verbally. However, we do recommend that you make them in writing. Notaries or attorneys need not be involved. All the partners' rights and obligations towards each other and to the company should be set out in the Articles, including company management and representation, profit and loss sharing, voting ratios for important decisions, provisions for death, resignations and dismissals, liquidating the company, etc.

■ **Company Register:** GesbRs cannot be entered in the Company Register.

■ **Company:** The company name is not a company since it is not entered into the Company Register. However, the company can choose a name that indicates the existence of the GesbR such as 'Gesellschaft bürgerlichen Rechts' or 'GesbR'.

- **Business management/representation:** The principles of sole management authority and power of representation apply to each partner. Different rules for management authority and power of representation can be agreed upon in the Articles of Association.
- **Trade licence:** Due to the lack of a trade licence, all the partners must register all trades.
- **Social insurance:** Partners must be covered under compulsory insurance as set out in the GSVG if they are carrying out trade activities.
- **Taxes:** GesRs are not liable to pay income tax. However, the partners' profit shares are taxable. The company pays turnover tax.

ness as long as the sales are put toward their non-material objectives. They are independent, i.e. they may have rights and obligations independent of those of their members. They may acquire possessions and property, conclude contracts, order services, act as an employer, etc. – but they are also liable to taxation and for compensation. They may become insolvent, whereby they are liable with their association's capital. Just like other legal entities, associations must have a trade licence, and their co-active bodies and employees must be covered under compulsory social insurance. This is the legal form to choose for co-op activities whenever a large number of people join together to work towards a common ideal over a longer period of time. Before making the final decision to found an association, verify that its purpose is permissible and consider whether it is the most suitable organisational form for realising your objectives.

Advantages:

- the enterprise is founded quickly and easily
- no formal contractual regulations
- no entry in the Company Register
- simple form for consortia

Drawbacks:

- no legal personality and therefore
- no qualification under trade law (each partner requires one or more trade licence certificates)
- no company name
- unlimited joint and personal liability

Cooperatives and Industrial Societies (Erwerbs- und Wirtschaftsgenossenschaft): Cooperatives are associations of an unlimited number of members serving to support their members' earnings and commercial activities. In practice, there are many kinds of cooperatives, including those relating to loans, purchasing, sales, consumers, utilisation, exploitation, construction, residential and establishment. A cooperative is a legal entity and has its own legal personality. The cooperative's bodies include the board of directors, the supervisory board and the general shareholders' meeting. The board of directors manages and represents the cooperative.

2.7.6 Other legal forms

Associations: As defined under the Associations Act (Vereinsgesetz – VerG), an association (Ver- ein) is a legal entity. It has its own legal personality, its executive body handles legal affairs and it functions according to its own philosophy and objectives. They may also do commercial busi-

IMPORTANT: No legal form will be permanently advantageous. No matter how many reasons there are for making a selection at the outset, any one of them can change sooner or later in any number of ways. Take time at regular intervals to think about what is the best legal form for you.

Overview of legal forms

	Liability	Trade law	Tax law	Social insurance	Company/Trade register	Official company name/ designation
Sole proprietorship	Full liability, up to the limit of personal assets as well	The entrepreneur or managing director under trade law must possess a certificate of professional competence	Income tax on profit up to max. 55%	Compulsory insurance in accordance with GSVG (= Social Insurance Act for Trade and Industry) with the Social Insurance Authority for Business*	Entry from point of reaching level of mandatory submission of accounts, optional before that	Unregistered sole proprietor: first name and surname; registered sole proprietor: company name derived from surname, the object of the company or imagination
Company constituted under civil law (GesbR)	All shareholders fully liable, up to the limit of personal assets as well	Every shareholder must have all trade licences	Each individual shareholder liable for income tax	Compulsory insurance for shareholders in accordance with GSVG for business activities	No registration	Indication of the existence of such a company under civil law (GesbR)
General business partnership (OG)	All partners fully liable, up to the limit of personal assets as well	The company carries the trade licence: one fully liable partner or an employee liable for full social security contributions must provide a certificate of professional competence	Each individual partner liable for income tax	Like sole proprietorship: every partner is insured with the Social Insurance Authority for Business	Registration required – company does not exist until it is registered	Company name derived from surname, the object of the company or imagination plus 'OG'
Limited commercial partnership (KG)	Full partner fully liable, limited partner only liable to the amount of the limited-partner capital contribution (=freely determinable)	The company carries the trade licence: one fully liable partner or an employee liable for full social security contributions must provide a certificate of professional competence	Each individual partner liable for income tax	Full partner compulsory self-employed insurance (GSVG). Limited partners: ASVG insurance if working in the company, otherwise compulsory insurance in accordance with GSVG	Registration required – company does not exist until it is registered	Company name derived from surname, the object of the company or imagination plus 'KG'; limited partner's name may not be used

* Option to apply for exceptions in health and pension insurance plans and self-employed pension schemes if income and sales are low.

	Liability	Trade law	Tax law	Social insurance	Company/ Trade register	Official company name/ designation	Other
Dormant partnership (1) typical	No dormant partner liability, merely share in profit & loss (the latter up to the amount of the dormant capital contribution)	Trade licence only held by the business owner	Dormant partner liable for income tax on the profit share (income from capital investments)	Independents' Compulsory self-employed insurance applies to those with trade licence only	No registration	Dormant partnership not disclosed to the public	Entitlement to repayment of contributions upon dissolution of company
(2) atypical	Legal position similar to a limited partner	Trade licence only held by the business owner	Dormant partner liable for income tax on the profit share (income from trade operation)	Independents' compulsory insurance applies to those with trade licence only	No registration	Dormant partnership not disclosed to the public	Entitlement to undisclosed reserves and goodwill pro rata upon dissolution of company
Limited liability company	In principle, the company's assets (minimum share capital of EUR 35,000 or EUR 10,000 with the founding privilege) cover the company's liabilities payable; managing director under trade law may be liable in some cases	The GmbH carries the trade licence; managing director under trade law with certificate of professional competence must also be managing director under commercial law or an employee liable for full compulsory insurance coverage	GmbH liable for corporation tax (25% for retained and distributed profits); distributed profits subject to capital gains tax (27.5%); minimum corporation tax – EUR 500 p.a. for first five years	According to ASVG for company-managing shareholder with limited shares, otherwise compulsory insurance according to GSVG	GmbH only exists upon registration: articles of association in the form of a notarial deed	Name derived from surname, the object of the company or imagination plus 'GmbH'	High funding costs – often a drawback for small-scale companies in terms of taxation
Limited partnership with a limited liability company as general partner (GmbH & Co. KG)	Full partner fully liable (= GmbH with company assets), limited partner only liable for the amount of the limited partner investment	The KG carries the trade licence; managing director under trade law evidencing with certificate of professional competence must also be managing director under commercial law of the partnership GmbH or an employee liable in full compulsory insurance coverage	Limited partners liable for income tax; corporation tax on the GmbH (for GmbH profits); shareholders liable for final taxation on distributed GmbH profits	Independents' compulsory insurance (GSVG) for the company-managing shareholder of the full-partner GmbH only an option if the GmbH has special trade licence; limited partners according to ASVG if they are employees, otherwise compulsory insurance according to GSVG	Registration of GmbH and KG required	Name of the fully liable partner (= the GesmbH) plus '& Co KG' (e.g. Müller GmbH & Co KG)	Two companies must be founded, also entailing higher funding costs and ongoing expenses

2.7.8. Company designation

Sooner or later, business founders are confronted with the question of what to call their company.

Company name

The official company name is the one belonging to the entrepreneur and entered in the Company Register. The official company name must suitably designate the company and be distinctive. It may not contain any components which are misleading as to the company's circumstances which are important to the commercial circles addressed. No significant misunderstandings about the company's type, scope and branch of business may arise.

The purpose behind the distinctiveness of a company name is to individualise and identify the enterprise. Thus the company name must be distinctive and evoke an association with a specific enterprise.

In particular, an official company name must be distinctly different from every other one in the vicinity or the same community and entered in the Company Register. This serves to enhance the individual nature of the general designation.

The permitted forms are the names of persons, objects or imaginary names, and descriptions of the business may be central to the name. Unpronounceable or meaningless symbols and combinations of letters are not permissible. In general, the company name must be written in Roman letters. The name of a person other than that of the sole proprietor or partner with unlimited liability may not be included in the official name of a sole proprietorship or a registered limited partnership.

On the other hand, an object name must relay the company's purpose; otherwise, it is an imaginative name. Industry or category designations without individualised additions are not suffi-

ently distinctive. Therefore, as a rule, an object company name must always be coupled with a name or an imaginative designation.

See the chapters on sole proprietorships, OG, KG and GmbH for some specific examples of company designations.

The designations are to be used on business documents (e.g. letterheads, invoices, order forms, etc.) and placed on the outside of the place of business to identify the business premises (retail outlet). There are no legal stipulations on the form, size and placement of company identification on business documents. It is practical to position the identification legibly as a header or

Additional compulsory indication of the legal form:

- **Sole proprietorships: not entered in the Company Register:** given name and surname; entered in the Company Register: name derived from a surname, company object or imagination with the addition of 'eingetragener Unternehmer' or 'e.U.'
- **Company Constituted under Civil Law (Gesellschaft bürgerlichen Rechts – GesbR):** The indication of the existence of such a company under civil law (GesbR).
- **General partnership (Offene Gesellschaft – OG):** name derived from a surname, company object or imagination with the addition of 'offene Gesellschaft' or 'OG'.
- **Limited partnership (Kommanditgesellschaft – KG):** name derived from a surname, company object or imagination with the addition of 'Kommanditgesellschaft' or 'KG'. The limited partner's name must not be included.
- **Private limited company (Gesellschaft mit beschränkter Haftung – GmbH):** name derived from a surname, company object or imagination with the addition of 'Gesellschaft mit beschränkter Haftung' or 'GmbH', 'GesellschaftmbH' or 'GesmbH'.

footer. Companies must additionally show their Company Register number, court of company registration and the location of their head offices (even if it is not the same as the business address) on their documents. You can check the company name in advance at the court that keeps the commercial register of companies or the relevant information centre of the Austrian Federal Economic Chamber.

Business designation

Adding a further designation is advantageous for better marketing; in Austria, it is called an 'establishment designation' (business designation). However, it must not be deceptive or confusable with another. For example, Susanne Maier, a sole proprietor not entered in the Company Register who runs a knitted goods shop, may use 'Suzie's Wool Shop' in addition to her given name and surname.

2.8. SOCIAL INSURANCE

As a businessperson, you must be covered by health, pension and accident insurance plans. Health and pension insurance are regulated in the GSVG, whereas the ASVG governs accident insurance.

Group of persons

The following persons must have insurance coverage

- Sole proprietors
- Partners in a general partnership
- General partners in a limited partnership
- Managing shareholders in a private limited company (if they are not already insured in this role under the ASVG [General Social Security Act])

Sole proprietorships are trade-insured when they acquire their trade licence. Coverage is compulsory for managing partners and perso-

nally liable partners of a business partnership if the company holds a trade licence and is a member of the Austrian Federal Economic Chamber. Special conditions for managing shareholders: Irrespective of any other circumstances, managing shareholders of a GmbH holding up to 25% and receiving a managing director's salary are ASVG-insured. If they hold between 25% and 50%, it is checked whether the managing shareholders are subject to instruction or, by contrast, have other more extensive rights such as 'voting veto'. ASVG insurance applies to employee-status similarity, whereas GSVG insurance applies to managing shareholders with a superior position. Managing shareholders are always GSVG-insured if they hold 50% or more.

Special conditions for limited partners: Limited partners who merely have a holding in a KG by virtue of a limited-partner capital contribution are not subject to any compulsory social insurance stipulations. Limited partners who work in the company for remuneration are required to be ASVG-insured if their work is not independent; if they are active for the company on a freelance basis, they must be GSVG-insured as 'new independents.'

2.8.1. At what time must you be insured?

As a rule, you must be covered under compulsory insurance as of the day you acquire a trade licence or on the day the membership of the Austrian Federal Economic Chamber by virtue of such a trade licence commences. Although the trade authority notifies the social insurance institution of a self-employed person, the trade operator is also required to register within one month.

Individuals who declare their trade licence as inactive are exempt from compulsory insurance in accordance with GSVG and also from accident insurance in accordance with ASVG, but not from health insurance or pension insurance.

2.8.2. Social insurance contributions

Health and pension insurance contributions: Two differing aspects are involved in these contributions: their percentage rate and their contribution basis. 6.8% and 18.5% of the basis are paid as health and pension insurance contributions respectively.

Contribution basis: The income from a trade business (operating revenues minus expenses) and income from independent work (if any), established via the income tax assessment notice, form the contribution basis. The prescribed contributions to trade health and pension insurance are added to this income. However, since the tax assessment notice is often not issued until years afterwards, contributions are derived from the assessment notice from three years earlier (e.g. the assessment for 2017 is used to assess contributions for 2020). When the Revenue Office issues the assessment notice for 2020, the contributions are precisely reviewed (refund or additional payment). New entrepreneurs enjoy favourable treatment in relation to health insurance contributions during their first two calendar years (see the next section: 2.8.3.).

Minimum contribution basis: Under the GSVG there is a minimum contribution basis. This means: you must pay contributions even if your income is actually lower or if your business posts a loss. As of 2016, the minimum contribution basis for health insurance was reduced to the marginal earnings threshold, and in 2020 it is EUR 5,527.92 per year (EUR 460.66 per month). This reduction applies both to start-ups and to existing members of the Austrian Federal Economic Chamber. The minimum contribution basis for pension insurance is EUR 6,892.32 per year (EUR 574.36 per month). The minimum contribution basis for pension insurance was lowered again in 2020, and in 2022 it will be cut to the value of the marginal earnings threshold. This means that each year, you will pay at least the 6.8% health insurance contribution of EUR 375.84 (EUR 31.32 per month) and the 18.5%

pension insurance contribution of EUR 1,275.12 (EUR 106.26 per month).

Maximum contribution basis: Under the GSVG there is also a maximum contribution basis. This amounts to EUR 75,180 per year (EUR 6,265 per month). This means that you need pay no additional social insurance contributions for contribution bases beyond this limit.

Accident insurance contributions: The accident insurance contribution amounts to EUR 121.08 per year (EUR 10.09 per month).

2.8.3. New entrepreneurs

If you are a new entrepreneur going self-employed for the first time or at least have not been GSVG-insured during the last ten years, you will be eligible for a reduction in the cost of your health insurance for the first two calendar years of your self-employment, so the contributions you will pay will be lower. This means that your financial situation is taken into account when founding a new business and you receive support for this indirectly.

The stipulated pension insurance contributions for the first three calendar years are based on the minimum contribution basis (2020 contributory value: EUR 106.26 per month). A review is carried out when the taxable profits made in the relevant calendar year (according to the income tax assessment) plus the mandatory pension and health insurance contributions in the contribution year were higher than the minimum contribution basis.

The stipulated health insurance contributions for the first three calendar years are based on the minimum contribution basis (2020 contributory value: EUR 31.32 per month). Contributions are fixed in the first two calendar years. A review is first carried out in the third calendar year, when the taxable profits made in this calendar year (according to the income tax assessment)

plus the mandatory pension and health insurance contributions in the contribution year were higher than the minimum contribution basis.

In the event of financial difficulties, additional charges on top of contributions which are attributable to the first three years of self-employed activity may, upon request (up until 31 March of the calendar year following the year of the final

contribution assessment), be spread out across a period of three years. A requirement for this is that no liability to pay mandatory insurance contributions under the GSVG previously existed. Accident insurance contributions are not profit-dependent and in 2020 they stand at EUR 121.08 (EUR 10.09 per month).

A list of the social insurance contributions can be found in the following table:

Social insurance contributions (2020 values)			
Contributions	Monthly	Quarterly	Yearly
Pension insurance (18.5%)*	106.26	318.78	1,275.12
Health insurance (6.8%) **	31.32	93.96	375.84
Provisions for self-employed people (1.53%)	7.05	21.15	84.60
Accident insurance (fixed)	10.09	30.27	121.08
Total (€)	154.72	464.16	1,856.64

* Additional charge for exceeding the minimum contribution basis
** Fixed in the first and second calendar year. Then additional charge for exceeding the minimum contribution basis.

2.8.4. Small business operators' scheme – exemption from compulsory insurance

Under certain conditions, sole proprietors may be exempted from compulsory trade health and pension insurance and from making contributions to the provisions for self-employed persons. This does not apply to partners of a partnership or a company constituted under civil law, nor to managing partners.

Small-scale businesspeople are defined as persons whose annual profits and sales do not exceed

- A profit of EUR 5,527.92 (2020 value) **and**
- A turnover of EUR 35,000.

You can apply for this exemption from compulsory full insurance coverage at the Social Insurance for Self-Employed Persons (SVS).

PLEASE NOTE: You are not permitted to make the retroactive applications for a previous calendar year. Compliance with both the sales and the profit limit is subsequently checked on the basis of the income and value added tax assessment notices.

Applications for exemption may only be submitted by persons who have not been compulsorily GSVG-insured for more than twelve months during the previous sixty calendar months.

This requirement does not apply to persons who are 60 years old or over. As of 1 July 2013, it also does not apply to those claiming the small-scale business person exception for the duration of receipt of childcare allowance.

IMPORTANT: The full compulsory insurance coverage exemption also means that you are not covered under the health and pension insurance plans because of your business activity. You are still covered by accident insurance protection, however, and you pay monthly accident insurance contributions of EUR 10.09 (EUR 121.08 per year) for this. If you apply the exemption from compulsory insurance for longer than twelve months, you will lose any existing entitlements to unemployment benefits.

2.8.5. Trade social insurance benefits

Health insurance: The most important benefits include medical aid, dental treatment, hospital treatment, medications and stays at a healthcare resort or spa. We differentiate between those entitled to monetary benefits and those entitled to benefits in kind.

You are entitled to benefits in kind if your income is below the maximum contribution basis (2020: EUR 75,180 per year). You may claim benefits in kind and receive an e-card for seeing a doctor. Treatment is initially free of charge, but you will subsequently be charged a deductible of 20%, with the exception of hospital care in the general fee class. This arrangement also applies to new entrepreneurs.

Those entitled to monetary benefits: With a contribution basis of more than EUR 75,180, you initially pay for your medical treatment as a private patient, then you submit your invoice and receive

a specific portion refunded – approx. 80% of the doctor's fee. In a case of hospital treatment you receive additional monetary benefits for the special class, as well as a refund for treatment fees of the general fee class. Upon application, those entitled to benefits in kind may acquire entitlement to the hospital special class in return for an additional contribution. Vice-versa, those entitled to monetary benefits may acquire the right to treatment by a doctor using an e-card.

Independent health care – Reducing deductible to 10%

On 1 January 2012, the option became available of reducing the health-insurance deductible to 10% by active preventative health care. This procedure involves an insured person having a check-up with their fiduciary physician. On the basis of that check-up, individual healthcare objectives are established – either the maintenance of good results or improvements in certain areas. After six months or more, a meeting takes place in which the achievement of the healthcare objectives is evaluated. If the objectives have been achieved, the doctor will issue an attestation which you then use to apply for a reduction of the deductible from the Social Insurance for Self-Employed Persons (SVS). The next examination must only take place after two or three years, depending on the person's age.

Co-insurance: Spouses raising children and children are co-insured under the health insurance plan without contributions. Moreover, the deductible for treatment by a doctor is not charged for children. Childless spouses may also be co-insured against an additional contribution of 3.4% of the contribution basis of the principal insured person.

Accident insurance: The most important benefits include medical treatment after a work-related accident or occupational illness, as well as an accident pension in the event of permanent invalidity of 20% or more. A monthly accident in-

surance contribution of EUR 10.09 (EUR 121.08 per year) is payable; a higher level of insurance may be purchased on a voluntary basis.

Unemployment insurance for entrepreneurs: New regulations have been in force since 1 January 2009 on unemployment insurance for self-employed people. Entrepreneurs who were already self-employed prior to 1 January 2009, now retain their entitlement to unemployment benefits accrued during non-self-employment for an unlimited period of time. This also applies to entrepreneurs who began self-employment after 1 January 2009 and who, prior thereto, had been working on an employed basis for at least five years. By voluntarily joining unemployment insurance, these entrepreneurs can, under certain conditions, extend the duration of unemployment benefits or receive a higher unemployment benefit claim.

Entrepreneurs who began their self-employment after 1 January 2009 and who had not been in employment for five years prior thereto retain their entitlement to unemployment benefits for a maximum of five years. Here, according to the new model, there is the option of insurance beyond that time (this is also voluntary).

The Austrian Social Insurance for Self-Employed Persons (SVS) informs every individual insured person of the opportunity to join voluntarily (opting in). The following dates apply: entrepreneurs who began their self-employment after 1 January 2009 must decide on whether to join within six months of receiving the information from the SVS about the option of voluntary unemployment insurance.

The decision they make is binding for eight years. Entrepreneurs who do not decide to opt in in good time do not have the option of joining the unemployment insurance scheme until eight years thereafter at the earliest.

Contributions: self-employed persons can choose between three fixed monthly contribution bases. The contribution basis amounts to a

quarter, half or three quarters of the maximum contribution basis in accordance with the GSVG (2020: EUR 6,265). The contribution rate amounts to 3% in the lowest contribution basis (new starting in 2019), otherwise 6%. This makes unemployment insurance in the lower rung much more attractive.

Monthly contribution	Unemployment benefit per day
EUR 46.99	EUR 25.01
EUR 187.95	EUR 39.76
EUR 281.93	EUR 54.95

IMPORTANT: If you apply the exemption from compulsory insurance (small business operators' scheme) for longer than twelve months, you will lose any existing entitlements from unemployment benefit.

■ Provisions for self-employed people

On 1 January 2008, the provisions for self-employed people came into effect. These provisions are a type of 'new indemnity' for entrepreneurs as a second pillar of pension provision along with the trade pension insurance. The provisions for self-employed people cover all persons practising a trade and those new self-employed people subject to compulsory insurance under commercial health insurance. Pensioners who continue their self-employed activity during retirement have not been subject to the provisions for self-employed persons since 2014; it is possible to opt in, however. Freelance self-employed persons, farmers and foresters may be included in the model of provisions for self-employed persons (opting in).

Contributions: A contribution of 1.53% of the health insurance contribution basis must be paid to cover provisions for self-employed people. The contribution basis is limited to the maximum contribution basis (2020: EUR 75,180). The SVS prescribes the contributions together with the other social insurance contributions; the latter are remitted to the corporate provision fund that the entrepreneur has selected.

Choice of provision fund: If an entrepreneur has chosen a provision fund for his employees, that provision fund is binding upon him as well. If no provision fund has been chosen yet due to the absence of employees, the entrepreneur must choose a provision fund within six months. Should the entrepreneur not do so, the SVS will assign a provision fund.

Payout: An entitlement to payout and/or a disposal option on the contributions paid in exists after at least 36 months of contributions and after no less than two years of suspension or surrender of trade licence or the cessation of commercial work (in the case of New Entrepreneurs). A payout entitlement also exists upon retirement, even if three years of contributions have not been paid at that point. The capital sum is paid to the legal heirs upon the death of the insured.

Other disposal options: Apart from payout for 'indemnity' as a capital sum, the following disposal options are also available:

- continued assessment in the provision fund (does not apply when retiring),
- transfer of the indemnity as a one-time premium to an additional pension insurance for purposes of life-long pension benefit, assignment of the total capital amount to another provision fund according to the 'backpack' principle, if non-independent work is begun, or
- to an insurance company of your choice as a one-time premium for an additional pension insurance policy demonstrably taken out by the prospective beneficiary.

Tax treatment: All tax benefits for employees also apply to self-employed persons. The contributions to provisions for self-employed persons are deemed to be business expenses for tax purposes. Investment in the provision fund is tax-exempt. Payout as a one-time sum is tax-privileged at a taxation rate of 6%. Payment as a pension is tax-exempt.

■ Pension insurance

The most important benefit is the old-age pension for men and women, at 65 and 60 years of age respectively. To receive this, you must have paid in contributions for at least 180 months. To fulfil the special eligibility criteria for claiming the corridor pension, you must have at least 480 insured months and have reached the age of 62. For this reason, the corridor pension is currently only relevant to male insured persons.

IMPORTANT: You should acquire information from the social insurance institution about the amount of pension you can expect well before the intended retirement date.

There is a disability pension available for trade-speople who can no longer work in self-employment due to illness. If an insured person applies for this pension, medical advisory opinions will be obtained, on the basis of which the disability pension is granted or disallowed. An appeal can be submitted to the Labour and Social Court in case of a negative decision. In principle, the pension is derived from the product of the number of insured years and the average contribution-basis amounts during working life. Periods of non-independent work (ASVG) and independent work (GSVG) are totalled together. Due to the vast number of details involved, specific consultation and advice from the SVS is indispensable prior to retirement.

2.8.6. End of compulsory insurance

You are no longer subject to compulsory insurance obligations from the end of the month in which

- you surrender your trade licence,
- you report the suspension of your trade to the professional group and/or district/regional office of the Austrian Federal Economic Chamber by means of a declaration of inactivity,
- you apply for the deletion of your position as personally liable partner of a partnership from the Company Register, or the trade licence of the OG/KG has been surrendered, the trade licence of the OG/KG has been surrendered,
- the trade licence of the GmbH has been surrendered, or you apply for the revocation of your appointment to the post of managing director of a GmbH in the Commercial Register and/or withdraw as shareholder in such GmbH.

For further information, consult the experts at the Austrian Federal Economic Chamber in your province.

IMPORTANT: After registering your trade, contact the Social Insurance for Self-Employed Persons – www.svs.at. Here, you will obtain all information on contribution-payment amounts, scope of insurance, small-scale business regulations, difference assessment, etc. Be sure to include the costs of social insurance in your calculations, since they form a considerable portion of your business expenses.

For comprehensive information on compulsory social insurance, please visit:
wko.at/sozialversicherung



2.9 TAXES

As an entrepreneur you do not need to be a tax expert, but a solid basic knowledge will help you take tax considerations into account when making business decisions. You are still personally responsible for paying your taxes, even if you have a tax adviser.

Think of your tax expert (bookkeeper, tax consultant or professional accountant) as a kind of 'machete' that helps clear the way through the 'tax jungle'.

IMPORTANT: Use entrepreneurial documentation; otherwise, you may take a course at the WIFI (institute for business development). The tax experts at your Austrian Federal Economic Chamber will be happy to inform you about tax law.



OUR TIP: The 'Self-employed Persons Brochure' [Selbständigenbuch] – the Ministry of Finance's Tax Guidelines for Newly Founded Enterprises [Steuerleitfaden für neu gegründete Unternehmen] provides a good overview of the taxation situation. You can obtain it from the Start-up Service in your province or can download it at: www.bmf.gv.at/Publikationen > Downloads > BroschuerenundRatgeber

The Austrian Federal Economic Chamber leaflet 'Tax Info for Entrepreneurs' also provides additional relevant information.

Your most important tax obligations

- To notify of the opening of your trade business and the location within one month from the start of your work using the business start-up form.

- To pay, by the required date, the quarterly advance instalments of income tax (or corporation tax in the case of business corporations), as stipulated by the Revenue Office.
- In the case of businesses liable for value-added tax, to submit monthly or quarterly advance VAT returns in good time and to pay the amounts resulting therefrom.
- To complete and submit annual tax returns by the due date.

You can find details about your obligations as a business owner on the following pages.

Your initial contact with the revenue office

You have a business idea and want to make it a reality. After initial contact with the Austrian Federal Economic Chamber and the Start-up Service, the first port of call will be the Revenue Office. You must provide notification of the launch of your business and its location to the Revenue Office within a month of commencement of activities. You will usually complete a business start-up form together with your tax adviser. Using this form, the Revenue Office will collect basic information about your company and its business activities. The business start-up form can be downloaded on the website of the Ministry of Finance (www.bmf.gv.at). You can also find important information on this in the corporate service portal (www.usp.gv.at).

Which business start-up form is the correct one?

That depends on the legal form you have chosen. The question of which legal form is right for your prospective business can be found on page 41.

As a sole proprietor, you need the questionnaire for natural entities (the so-called Verf24). If you founded a partnership, use the questionnaire for companies (Verf16). If you founded a corporation, fill out the questionnaire for stock corporations or limited-liability companies (Verf15). You can

report the opening of your business to the competent Revenue Office in writing or verbally (by telephone) and you will receive the relevant questionnaire in the post. Alternatively, the corresponding questionnaire can also be filled in online at www.finanzonline.at or www.usp.gv.at.

After the business start-up form has been successfully processed by the Revenue Office, you (or your company) will receive a tax number and, if applicable, a VAT registration number (abbreviated: a ‘UID-Nummer’ (VAT ID number)). The Revenue Office may visit your premises before issuing the tax number.

What is important to take into account when completing the business start-up form?

The business start-up form includes many general questions which you will find easy to answer. However, some questions will require preparation. You should take these questions very seriously. The answers you give to them may fundamentally affect the types of tax you have to pay, and how much of your tax you have to pay in advance. This can have a significant impact on your liquidity and thus on your business. For this reason, it is important to complete the business start-up form carefully.

If you are starting up a sole proprietorship, or as a partner in a partnership, you will be asked to estimate your income (profit) for your first two years on your business start-up form. The Revenue Office will use your estimate to determine your quarterly advance payments of tax. Accordingly, you should be careful and realistic when estimating your results for the first two years. A high profit estimate will result in high advance payments. Even worse, if they are too low, you will have to make a high post-payment in the following years.

The Revenue Office will use your answer to the question about your predicted turnover (revenue) during the first two business years in order to establish whether, based on your predicted turnover, you will be required to pay turnover tax and will therefore be obliged to submit advance turnover tax returns on a periodic basis. Advance turnover tax returns also need to be submitted, if you apply for a UID number (VAT ID number). Please check whether you require a UID number (VAT ID number) by consulting page 68.

OUR TIP: The leaflet ‘Revenue Office Form on Starting a Business’ [Fragebogen des Finanzamtes zur Betriebseröffnung] is a very useful aid to filling out the Revenue Office’s business start-up form; it is available from the Start-up Service in your federal province, or as a download online at [> Sozialversicherung und Steuern](http://www.gruenderservice.at)
[> Steuern](http://www.gruenderservice.at)

IMPORTANT: Be especially careful when estimating your profits, since the figure you give will form the basis for calculating your income tax and/or corporation tax payments.

Which Revenue Office is responsible for me?

This depends on the legal form chosen by you. The Revenue Office for your place of residence is in charge of income tax and VAT of sole-traders (natural persons). If a corporation (e.g. a GmbH or an AG) is founded, this is a legal entity. The relevant Revenue Office at the location of the corporation (business revenue office) collects corporation tax and gains tax. The business revenue office is also responsible for associations of individuals (e.g. KG or OG).

You have started your business – what now?

In the course of your self-employment, you will be confronted with countless business-related terms. The most common concepts are explained in the table below:

Operating revenues	Inflow of payments into the company arising from the operating activity. Examples of this are incoming payments for invoices issued, commissions and revenues for sold goods and/or services.
Operating expenses	Cash outflow from the business arising from operational requirements such as rent, phone bills, social insurance payments, advertising, office furniture, vehicle costs, staff, etc.
Types of income	There are seven types of income – three types of operational income: farming and forestry, commercial activities and self-employed work; and four types of external income: non-self-employed income, income from renting and leasing, income from capital assets and other income.
Advertising costs	Advertising costs are expenses in the area of external income. The term professional expenses is to be equated to the term operational expenses ([Betriebsausgaben] with reference to types of operational income).
Profit	The difference between operational income and operational expenses, when the operational income exceeds the operational expenses. In certain cases, it is possible to determine the operating expenses using average rates (flat rate).
Loss	The difference between operational income and operational expenses, if operational expenses exceed operational income.
Income	The profit or loss that the individual taxpayer achieves within the framework of the seven types of income. There are seven different types of income. The annual income is the sum of all sources of income. In turn, income is the basis for calculating income tax.

Investments prior to opening your business

As an entrepreneur just starting out, you will often have expenses for your future business even before it has commenced. You are deemed to be an entrepreneur as soon as you have begun preparing your business, e.g. purchasing machinery and tools or renovating the business premises. In order to ensure that such expenses are recog-

nised for tax purposes, it is important that the starting up of the business is planned in a very focused way. To that end, it is sufficient if the expenses are incurred in order to acquire the necessary resources. Expenses incurred prior to the 'official' start date can therefore be offset too. Such activity is beneficial in terms of both value added tax and income tax. As an entrepreneur

entitled to deduct input tax, you can deduct the invoiced VAT. In addition, expenses can be deducted to reduce the profit as part of the income tax declaration. (For details, please consult the next few chapters.) Some expenses (e.g. training costs), however, may only be claimed for in the same year in which they were paid.

OUR TIP: Register now at the Start-Up Service Portal – www.usp.gv.at. The USP provides you with ONE central platform for information and official interactions with the federal authorities. Official procedures can be completed securely, rapidly and efficiently at any time online using a single sign-on.

2.9.1. The most important taxes

As soon as you have started up your business and registered it with the Revenue Office, the Revenue Office will normally require you to make advance payments on your income or corporation tax. You must calculate all other taxes you owe (particularly value added tax, wage tax, employer contributions etc.), report them to the Revenue Office and take responsibility for paying them by the appropriate deadline. The Revenue Office will not issue an assessment notice for these taxes.

The following tax calendar will provide you with an overview of the most important taxes, in addition to the due dates and the amounts involved. VAT, income tax and corporation tax are explained in detail.

Tax schedule for the most important taxes			
Type of tax	Amount	Due date	To be paid to
VAT	0%, 10%, 13% or 20%	15th of the net amount next month but one	Revenue Office
Income tax	0–55% of income	15.2., 15.5., 15.8., 15.11.	Revenue Office
Corporation tax	25% of profit	15.2., 15.5., 15.8., 15.11.	Revenue Office
Wage tax	0–55% of loan/salary minus social insurance and allowances	15 th of the following month	Revenue Office
Municipal tax	3% of the gross payroll	15 th of the following month	Municipal/city fund
Employer contributions to the family assistance fund + of the gross payroll	3.9% + 0.34 to 0.42% of employer contribution surcharge (dependent on which state)	15 th of the following month	Revenue Office

If a due date falls on a Saturday, Sunday or statutory holiday, the next business day becomes the last possible deadline for payment.

2.9.1.1. Income tax

This is 'wage tax' for self-employed people. The basis of assessment is your yearly profit or surplus. The profit is determined either by the double-entry accounting, the income and expenditure account or the lump sum consolidation; the surplus is determined by the net income account. All other revenue (e.g. employment relationship) will be added to any profit and surplus. The sum of all your revenue is your income. Total revenue or income are the basis of assessment for income tax. The tax rate is between 0% and 55%; income tax only becomes payable when your (annual) income reaches EUR 11,000 or above.

The taxable income is the assessment basis for income tax and is determined very simply as follows:

1. Income from farming and forestry
2. Income from self-employment
3. Income from commercial operation
4. Income from non-self-employed work (e.g. as a salaried employee, labourer, pensioner)
5. Income from assets (e.g. savings accounts, securities)
6. Income from letting and leasing of property
7. Other income (e.g. certain life annuities, speculative gains)
= total amount of income
 - special expenses (certain private expenses that qualify for tax relief)
 - extraordinary charges (e.g. medical expenses)
 - tax-exempt amounts (e.g. child allowance)**= income (= tax base)**
 - application of income tax rate**= income tax**
 - advance tax payments (e.g. wage tax, advance payment for income tax)**= Credit/additional payment**

Following the end of the financial year, you must submit the annual income tax return and, if applicable, the VAT declaration to the Revenue Office no later than 30 April if submitting in paper form and 30 June if submitting them electronically. You must generally submit tax returns to the Revenue Office via FinanzOnline. Forms submitted on paper (available from the Revenue Office) are only acceptable in exceptional cases. If you are represented by a tax consultant, these deadlines are extended.

IMPORTANT: You pay income tax every quarter in advance. Your estimate as stated on the Revenue Office business start-up form will

form the assessment basis for the initial year. Your advance payments are solely based on estimations and predictions. If your advance payments of income tax are disproportionate to the profit achieved, you may submit an application by 30 September of any given year, requesting an adjustment to the amounts of the advance payments being made.

Once the tax has been assessed, certain amounts will be offset: if your advance payment has been too high, you will receive a credit for the balance; if it has been too low, you must make up the difference. In the case of extra-occupational ventures, you generally need to make up the difference for the first year.

Tax-free profit allowance

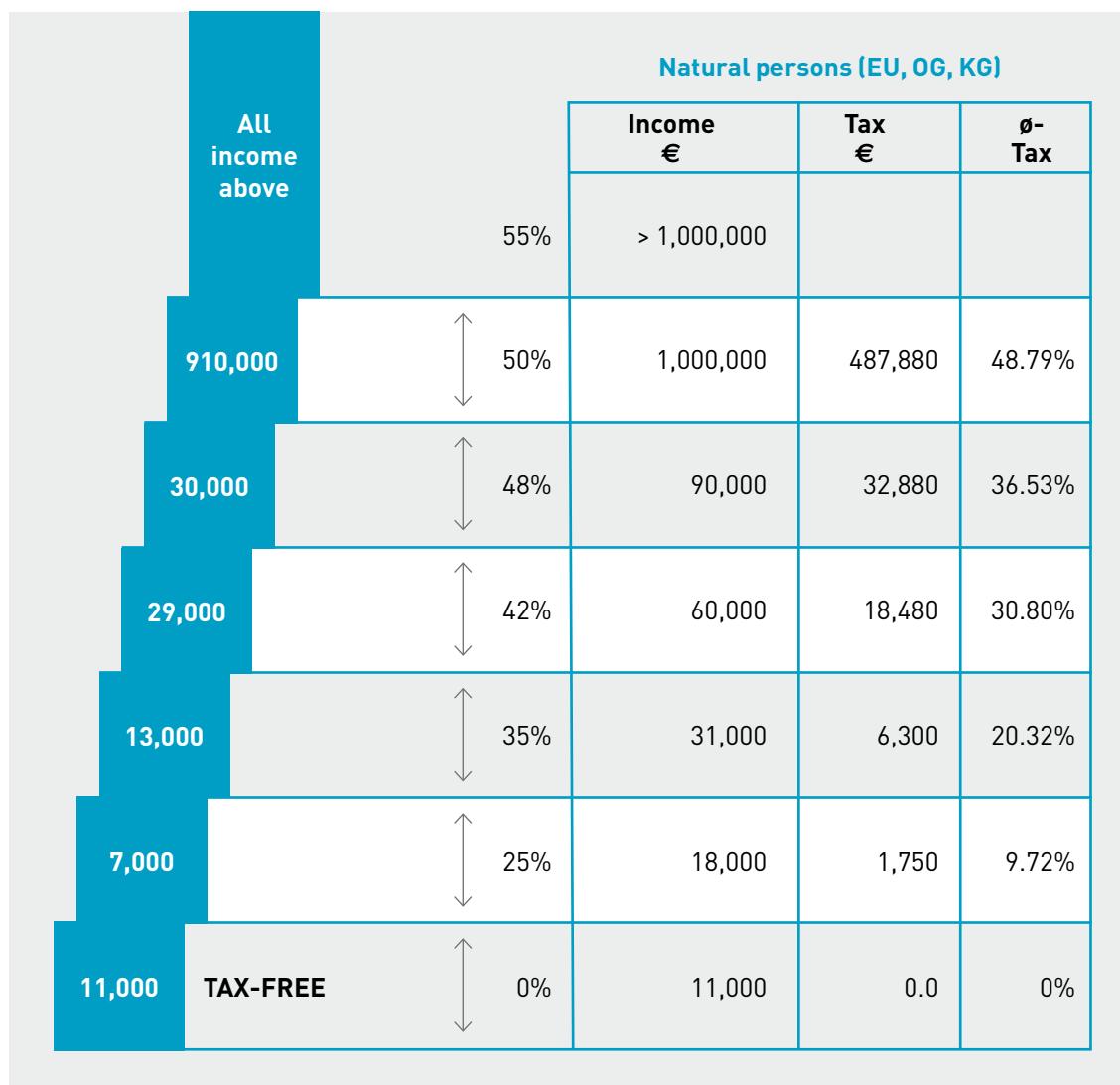
Apart from the operating expenses, the tax-free profit allowance (a notional operating expense granted under tax law) also reduces the assessment basis for income tax on sole proprietorships and partners in business partnerships (not GmbHs and AGs). Every entrepreneur is entitled to a tax-free allowance of 13% of their profit up to a maximum profit of EUR 30,000 (meaning a maximum tax-free allowance of EUR 3,900). This exemption allowance is also available for companies with operating expenses estimated at a flat rate. Furthermore, depending on investments in certain tangible assets and securities, an additional tax-free profit allowance conditio-

nal upon investments of 13% for profits over EUR 30,000 can be claimed. This tax-free allowance is reduced on a scaled basis for very high incomes starting from EUR 175,000. The yearly tax-free profit allowance is limited to a total of EUR 45,350 per entrepreneur.

Income tax rate

No income tax is payable on incomes up to EUR 11,000. For incomes above EUR 11,000, the applicable tax rate rises with the level of income as outlined below. As income tax rates are progressive, the relevant tax rate, always commencing from 0%, is applied to a part of your income.

Income tax rate (from 1 January 2016 onwards)



The two examples below show the level of income tax when the underlying income is between EUR 20,000 and EUR 40,000. An income of EUR 20,000 incurs EUR 2,450 in tax. The amount of tax rises to EUR 10,080 for an income of EUR 40,000. The reason for this rapid increase is the fact that all income above EUR 11,000 is already subject to full taxation.

Example 1: Income EUR 20,000

Income	Tax in %	Tax in EUR
11,000	0%	0
7,000	25%	1,750
2,000	35%	700
20,000	12.25%	2,450

Example 2: Income EUR 40,000

Income	Tax in %	Tax in EUR
11,000	0%	0
7,000	25%	1,750
13,000	35%	4,550
9,000	42%	3,780
40,000	25.2%	10,080

IMPORTANT: As of 1 October of the year following the one in which the tax debt has been incurred, the Revenue Office charges debit and credit interest on the tax owing and/or the resultant tax until the tax ruling has been issued for the year concerned. The deadline for submitting a tax return can be extended in some cases, upon substantiated application. In addition to the actual operating expenses or the operating expenses which are estimated at a flat rate, the tax-free profit allowance also reduces the assessment basis for income tax for sole proprietorships and partners in business partnerships (not GmbHs and AGs).

Hobbies

Hobbies are also to be considered in terms of income tax law. This comprises activities which are not performed for the sake of profit. If your company makes losses several years in a row,

and you offset these against any other income in your income tax declaration so as to reduce your tax bill, the Revenue Office may question the status of your company. It will then be classed as a hobby, and you will no longer be able to offset losses. In order to rule this out in advance, a plausible planning account should be prepared prior to the foundation of your business. The Start-up Service can provide support and advice about this.

OUR TIP: You can calculate your income tax on the Federal Ministry of Finance website: <https://www.bmf.gv.at/Steuern/>

Remember, you are welcome to contact the Austrian Federal Economic Chamber (Start-Up Service, district and regional office) of your province if you have any questions.

2.9.1.2. Real estate profits tax

Since 2012, the sale of real estate property by private individuals and businesses has been taxed at a fixed rate of 30% (since 1 January 2016, previously this was 25%). Income of this type is therefore taxed at a single rate in its own right and is no longer included amongst an individual's other income (and therefore does not increase the tax rate to be applied on any other income).

2.9.1.3. Corporation tax

Corporation tax is the 'income tax' on corporations such as a GmbH. It amounts to 25%, irrespective of the amount earned.

The minimum corporation tax advance payment per quarter is always 5% of the minimum share capital required by law. Equity capital of EUR 35,000 incurs a minimum corporation tax of EUR 1,750 per year. However, a taxable foundation privilege is introduced for newly founded corporate enterprises. In the first five calendar years after the business is founded, the reduced minimum corporation tax amounts to EUR 500 per year (this corresponds to a payment of EUR 125 per quarter). In the subsequent five calendar years, minimum corporation tax of EUR 1,000 per year is incurred (which equates to an advance payment of EUR 250 per quarter).

A GmbH set up in 2016, therefore, would have to pay at least EUR 500 in 2017 – in four equal instalments on 15 February, 15 May, 16 August and 15 November.

Profits are liable for a further 27.5% capital gains tax if they are distributed to the shareholders.

2.9.1.4. Value Added Tax

VAT (value added tax) is also called turnover tax. Value Added Tax is levied on the supply of goods and other services which an entrepreneur makes within the country in return for payment within the framework of his business, on the entrepreneur's own consumption and the im-

portation of goods (import taxes on imports from third countries, acquisition tax for imports from the EU).

As a rule, it can be assumed that services that entrepreneurs perform for their customers are subject to VAT. As an entrepreneur supplying goods or performing services, you are solely acting as a trustee of the money: you collect the VAT from the customer, which is paid in connection with the goods or services you have provided and you must then pay that VAT onwards to the Revenue Office.

IMPORTANT: The entrepreneur is liable for paying these amounts to the Revenue Office on time.

In itself and as a cost factor, VAT only has an effect on the final consumer (consumers: B2C). In normal cases involving business-to-business transactions (B2B) and assuming the statutory requirements have been fulfilled, the Revenue Office will reimburse you for the VAT paid by you as an entrepreneur to your 'upstream suppliers'. Such reimbursement will take the form of a tax rebate.

This effectively means that in the B2B domain, value added tax does not impose an additional cost burden.

For example: when you shop at your food retailer, VAT is charged to you as an end consumer as part of the price. As a taxpayer, the retailer must pay this VAT to the Revenue Office. At the same time, the retailer is also charged VAT for pre-services such as purchasing goods, rent of the business premises or the costs of office materials. This VAT on the pre-service (input tax) is compared to the VAT to be paid. The difference is to be reported to the Revenue Office in the respective interim payment period and to be paid in when tax is payable.

You will be liable for VAT as soon as the monthly or quarterly amount of VAT received is higher than the input tax resulting from the payments made.

You must calculate the value added tax yourself. In general, the advance VAT return – which, as a rule, is to be issued monthly – is to be submitted via FinanzOnline. New business owners can bill and submit the advance VAT return on a quarterly basis. They can avail themselves of this privilege in subsequent years too, up to a yearly turnover of EUR 100,000.

Tax rates

In most cases, VAT amounts to 20% of the net fee. In addition, there is also a reduced tax rate of 10% (e.g. for food, books and accommodation) and a reduced rate of 13% (e.g. for firewood, live animals, tickets to cultural and sporting events). In the case of some special deliveries and services (e.g. deliveries abroad, 'construction services' [Bauleistungen] and delivery or processing scrap), value added tax is not shown on the invoice, either because the sales are exempt from VAT or the recipient of the supply becomes liable to pay the tax.

Value Added Tax liability

As a general rule, all deliveries and other services which an entrepreneur provides within Austria in return for payment as part of their business are liable for VAT. Here, an entrepreneur is anyone who performs a commercial or professional activity independently, for example as a businessman, lecturer or landlord.

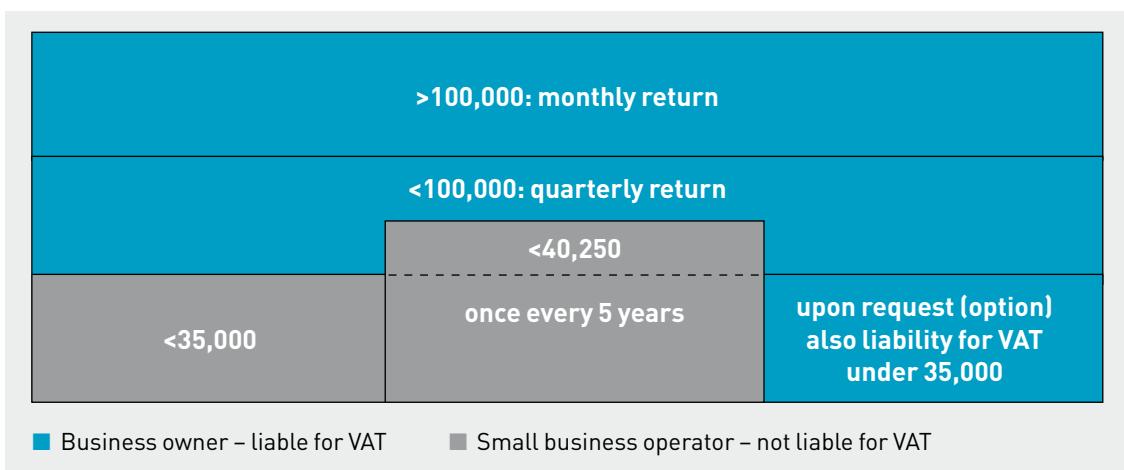
Exemptions from VAT

Some types of turnover are exempt from VAT, but are nevertheless eligible for tax to be deducted at source (income that is genuinely exempt; e.g. export deliveries), and other types are exempt from VAT but are not eligible for tax to be deducted at source (turnover that is not truly exempt, such as banking and insurance revenues, doctors, in addition to mediation to such operators that are not truly exempt from VAT).

Small business operators' scheme

The 'Small business operators' scheme' is probably the most important scheme that is not truly exempt from value added tax. If your annual net turnover is EUR 35,000 or less, you are automatically exempt from VAT. This limit may be exceeded on a one-time basis by no more than 15% within five years. You may not invoice any VAT for services performed and you do not need to transfer any VAT to the Revenue Office. On the other hand, you do not have any right to input tax deduction for the pre-services performed on your behalf. Should you nevertheless include the value added tax in an invoice, you will be liable to pay the tax amount to the Revenue Office via invoicing. As a small business, you can forgo tax exemption. This means that you charge VAT and pay VAT to the Revenue Office 'voluntarily' even though you as an entrepreneur do not meet the EUR 35,000 per-year turnover threshold. This option will also entitle you to deduct input tax. This arrangement will be of benefit if most of your customers are companies that are also entitled to deduct VAT (B2B), due to the fact that, as mentioned above, no VAT is effectively due in the case of B2B transactions.

Annual turnover in euros



Until the VAT assessment notice is legally binding, a written declaration can be made to the Revenue Office that one is foregoing the small business operators' scheme. The declaration will be binding on you for at least five years. You are obliged to issue invoices for your deliveries and services in all cases after executing the sales. The characteristics of a proper invoice are detailed below.

Which considerations and consequences should you take into account as an entrepreneur with regard to VAT and the small business operators' scheme? As soon as you take advantage of the small business operators' scheme, you do not need to pay any VAT; however, you also have no entitlement to an input tax deduction. But what do your initial investments look like? What customer structure do you have as an entrepreneur? Are your customers also entrepreneurs or are they 'private' consumers? The question of whether the small business operators' scheme is advantageous for your business must be decided on a case-by-case basis; there is no universally applicable answer to this question. Your decision should not be based on the turnover threshold alone.

OUR TIP: Take advantage of the free advice of the Start-up Service BEFORE submitting your business start-up form, and decide whether the small business operators' scheme is right for you.



The small business operators' scheme of the Revenue Office versus the micro business operators' scheme of the Austrian Social Insurance for Self-Employed Persons (SVS)

Let us deal with the most important matter first: the small business operators' scheme (Kleinunternehmerregelung) is a scheme that relates solely to value added tax. It is not to be confused with the micro business operators' scheme (SVS Kleinunternehmerregelung) – which provides certain concessions in the area of social insurance. This privilege enables you to be exempted from the mandatory insurance of the social insurance authority (SVS) – with the exception of mandatory accident insurance. You can find out more about this in Chapter 2.4 Social insurance on page 55.

Transfer of tax liability to the service recipient (Reverse Charge): Take note of the Reverse Charge System (by which the tax liability is transferred to the recipient of the service). For ser-

vices and supply work to customers abroad, and for building services and the delivery of certain goods and materials (e.g. metals) within Austria, tax liability may transfer to the receiving entrepreneur. In these cases, the service recipient receives only an invoice from the service-providing company for the net amount (no tax is listed) including a special notification that tax liability has been transferred. On this basis, the service recipient is liable for the taxes incurred on the service or delivery. In turn, however, an entrepreneur entitled to deduct input tax can itself deduct VAT. Tax liability is also transferred to the service recipient when, due to the service location rule in Austria, the service in question is provided by a foreign entrepreneur who does not operate their business, or have any operating facilities involved in providing the service, within Austria.

Input tax deduction

In order to be able to deduct input tax, the invoices received must fulfil certain requirements

(see the information below). For you, as the recipient of the invoice, it is therefore important that once received, every invoice be checked for accuracy and completeness. If the invoice received does not fulfil all the requirements, you will not be entitled to deduct input tax. You are not entitled to deduct input tax on any vehicles except those accepted by the tax authorities as vans or small lorries. For more information, refer to <http://www.bmf.gv.at/Steuern>

Consolidation of input tax

If you turned over EUR 220,000 or less in the preceding year, you may also apply to consolidate your input tax into a lump sum of 1.8% of your net turnover (max. EUR 3,960). In addition to this lump sum, the input tax on investments in depreciable fixed assets above a net value of EUR 1,100, goods, raw materials, semi-finished products, auxiliary materials, ingredients and foreign wages may also be taken into account.

Characteristics of a proper invoice

Invoices must be prepared fully, duly and properly if they are to be eligible for input tax deduction:

1. The name and address of the firm providing delivery or service
2. The recipient's name and address
3. Date and place of issue
4. The VAT registration number (VAT ID number) of the firm supplying the goods or service
5. VAT registration number of the service recipient (on invoices with a total value of over EUR 10,000, inc. VAT)
6. Consecutive invoice number
7. The quantity and normal trade name of the objects and/or type and scope of the services
8. Date/time of the delivery or other service
9. The charge of the delivery/service
10. The VAT amount
11. Applicable tax rate or reference to an applicable tax exemption (e.g. 'VAT-exempt in accordance with Art. 6 (1) Clause 27 of the Value-Added Tax Act' > Small business operator's scheme) or to the transfer of tax liability to the service recipient (e.g. Transfer of tax liability to the service recipient in accordance with Art. 19 (1))

For **low-value invoices** (invoices with a maximum gross value of EUR 400), it is sufficient to state:

1. Name and address of the service provider
 2. Date of issue
 3. Quantity and description of the service provided
 4. The date of delivery/service
 5. Gross remuneration
 6. Applicable tax rate in percent

Sample invoice with the characteristics of a proper invoice

ANYNAME LOGO				1 Anyname GmbH Trading Company Anystreet 1a A – 9020 Klagenfurt																																												
				Tel. +43 463 12345 Fax: +43 463 12345-78																																												
Anyname KG Anystreet 4 A – 1030 Vienna				2 3 Klagenfurt, 1 February 2020																																												
Invoice 1/014/20				6 5 Customer no: 1456 VAT ID: ATU12345678																																												
<p>8 Order dated: 10 January 2020 Delivery dated: 1 February 2020</p> <table border="1"> <thead> <tr> <th>Qty</th> <th>Unit</th> <th>Article</th> <th>Art. no.</th> <th>Unit Price</th> <th>VAT</th> <th>Amt. in €</th> </tr> </thead> <tbody> <tr> <td>50</td> <td>7 Unit</td> <td>Printer cartridge</td> <td>45987</td> <td>147.20</td> <td>20%</td> <td>7,360.00</td> </tr> <tr> <td>300</td> <td>Unit</td> <td>Notepad</td> <td>23548</td> <td>10.75</td> <td>20%</td> <td>3,225.00</td> </tr> <tr> <td>300</td> <td>Unit</td> <td>Biro</td> <td>12895</td> <td>1.25</td> <td>20%</td> <td>375.00</td> </tr> <tr> <td colspan="4"></td> <td>11 Subtotal (excl. VAT) + 20% VAT</td> <td colspan="2">10,960.00 2,192.00</td> </tr> <tr> <td colspan="4"></td> <td colspan="2">Total (incl. VAT)</td> <td>13,152.00</td> </tr> </tbody> </table> <p>9 10</p> <p>Payment conditions: 10 days 2% discount 30 days net</p> <p>We thank you for your order and ask for the transfer of the above amount to our account with IBAN AT 423456789.</p> <p>Anyname GmbH FN 1245w Klagenfurt Provincial Court EDP: 0123456 ATU 87654321</p>							Qty	Unit	Article	Art. no.	Unit Price	VAT	Amt. in €	50	7 Unit	Printer cartridge	45987	147.20	20%	7,360.00	300	Unit	Notepad	23548	10.75	20%	3,225.00	300	Unit	Biro	12895	1.25	20%	375.00					11 Subtotal (excl. VAT) + 20% VAT	10,960.00 2,192.00						Total (incl. VAT)		13,152.00
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				Total (incl. VAT)		13,152.00																																										

For an explanation of Features 1 through 11 see p. 70.

'UID-Nummer' (VAT ID number).

If you provide services and deliveries which are subject to VAT, you will receive a VAT registration number (VAT ID number) from the Revenue Office. You must state your VAT ID number on every invoice (worth over EUR 400). The VAT ID number identifies you as an EU entrepreneur in the event of deliveries or services or the provision of certain other services to entrepreneurs in another EU country. Entrepreneurs will be notified of their VAT registration number at the time they are informed of their tax reference number. Small businesses do not generally receive a VAT registration number. Exception: a business is small or is purchasing services within the EU. If you would like to buy goods liable to excise duty (wine, champagne, spirits, beer, tobacco goods, mineral oil) for your company in a foreign EU country, you require an additional identification number. The central customs office is responsible for this.

2.9.1.5. Other taxes

Other taxes may also be payable. If you employ staff, you must also pay wage tax (which the employer deducts from payments to employees and pays to the Revenue Office on their behalf), municipal tax, employer contributions and employer contribution surcharges. The tourism duty (state duty) is payable in all cases, and vehicle tax (for HGVs over 3.5 t), advertising duty (for the inclusion of advertisements in printed matter), normal consumption duty (vehicle sales) or local tax (tourism) are payable, depending on the sector.



OUR TIP: Try FinanzOnline – <https://finanzonline.bmf.gv.at/> – part of the Business Service Portal (www.usp.gv.at). You can use FinanzOnline in particular to send in the advance VAT return (U30) and to send in your VAT, income tax and corporation tax returns.

Your Austrian Federal Economic Chamber office also provides detailed information flyers on many tax topics.

2.10. TRADE LAW

For any form of commercial activity, you need a trade licence, which is issued free of charge by the trade authority (district administration, town or city council) – the ‘excerpt from the Trade Register’, formerly ‘trade licence’. Your work is of commercial nature if you practise your trade independently, regularly and for financial gain. An activity is deemed to be independent if you practise it for your own account and at your own risk. In turn, an activity is considered ‘regularly practised’ if it can be assumed that the activity will be repeated or will usually take a longer period of time to carry out.

What trade licence do you need?

That depends on the activity you will be performing. If it is a type of craft, you will need a licence in a licensed trade (craft) (e.g. car repair = motor-vehicle engineering, making furniture = carpenter). However, there are also activities which cannot be so easily classified. In these cases, it will be necessary to find out which trade licence is required.

IMPORTANT: If you wish to work in a trade as described above, you need a trade licence – trade registration is free.

The trade licence regulates your rights and obligations as a tradesman. Only those independent professions that are usually governed by other laws (e.g. medical doctors, pharmacists, notaries, farmers, etc.) and/or the ‘new independent’ trades (e.g. psychotherapists, physiotherapists, speakers/performers, etc.) are expressly excluded from the scope of applicability of the Trade Regulations Act. If you believe that the occupation you wish to practise is not a commercial activity, you should contact the Founder Service (regional or community office) in your federal province in any case. You will receive comprehensive information free of charge as to whether your assumption is correct. That information will

provide clarification of whether you might be a member of the Austrian Federal Economic Chamber anyway (e.g. if you are a certified accountant), defined on the basis of other statutory provisions.

2.10.1. What types of trades are there?

There are three types of trades:

1. Free trade

(without Certificate of Competence)

e.g.

- Services in automatic data processing
- Office work
- Petrol stations
- Commercial enterprises
- Advertising agencies
- Fingernail modelling
- Assembly of furniture kits

2. Regimented trades and crafts

(certificate of professional competence required), e.g.

- Butchers
- Business consultants
- Insurance agents
- Carpenters
- Beauticians

3. Licensed trades,

subject to special authorisation, (known as ‘legally regulated trades’),
e.g.

- Builders
- Pyrotechnics companies
- Master carpenters
- Commercial financial consulting
- Gas and sanitary engineering

In order to keep to your business foundation schedule, you need to know the trade to which your business corresponds, so you should clarify the matter at the earliest possible date.

2.10.2. Certificate of Professional Competence

Your Certificate of Professional Competence attests to the fact that you have achieved the required level of specialist and commercial knowledge, skills and experience in order to practise your trade independently. The certificate is awarded to you after you have passed classic tests such as the master craftsman's certificate examination (Meisterprüfung), the qualification examination (formerly the concessionary examination) or a number of other means, such as attending vocational training schools (HTL [vocational technical college], HAK [commercial academy], etc.) combined with time on the job. Certificates of Professional Competence are valid

for one person only, i.e. they are not transferable. If you do not meet the requirements for a Certificate of Professional Competence, there are still other ways to become independent.

Quality seal

In order to offer companies whose owners or managing directors have passed a master or state qualification examination the opportunity to have their public image stand out, the option was developed to distinguish themselves through quality seals. If a master examination has been passed, the quality seal 'Meisterbetrieb' (master enterprise) can be used, and if a state qualification examination has been passed, the quality seal 'staatlich geprüft' (certified) can be used.

What to do if you do not have a Certificate of Competence?

The following options are open to you if you meet the general requirements but do not have a Certificate of Competence:

- **Individual competence (Art. 19 of the Industrial Code):** After determining your individual competence, the trade authority takes your professional experience into account. You should definitely submit all training certificates and employment testimonials and a social security summary for that purpose.
- **Qualification or master's examination:** The Austrian Federal Economic Chamber and/or the Austrian Federal Economic Chamber's Institute of Business Promotion offers courses to prepare for the examination. The Austrian Federal Economic Chamber also organises and gives the examinations for the most part.
- **Forming a partnership (e.g. OG, KG):** Here, the partner with unlimited liability (general partner of KG) must provide his qualifying certificate.
- **Appointment of a managing director under trade law:** The managing director under trade law provides the qualifying certificate for the company. He is active in the company for at least one half of the normal weekly working hours and is an employee fully requiring social insurance and who must be paid at least in accordance with the collective bargaining agreement. To this end, he must be able to enforce the trade law regulations for this trade.

This issue is a tricky one, so be sure to acquire advice from the Business Start-up Service and take advantage of our comprehensive expertise for your own assurance.

2.10.3. What are the requirements?

A trade licence will be given to you if you meet the following requirements, over and above the Certificate of Professional Competence that is necessary for certain trades:

- You are 18 or older.
- You are a citizen of an EU Member State or an EEA signatory state or other state with which an international treaty has been signed or you have a residence permit that entitles you to practise the self-employed activity you desire.

- Your residence is in Austria, a member state of the EU or an EEA signatory state. Residence in Austria is not required if enforcement of administrative penalties is assured in the trade holder's home country by virtue of a treaty. The managing director under trade law must be in a position to work in the business accordingly.
- There are no grounds for disqualifying you – e.g. convictions on the grounds of tax-law offences, court convictions, and, in specific instances, insolvency proceedings.

Types of trade	Certificates of Professional Competence	Commencement of work
Free trade:	No Certificate of Professional Competence necessary; but you do need a trade licence	Upon registering the trade
Regimented trade:	You need a Certificate of Professional Competence	Upon registering the trade if the Certificate of Professional Competence is available
Legally regulated trade:	You need a Certificate of Professional Competence and a reliability confirmation	As soon as the trade authority issues the legally effective ruling

2.10.4. Ancillary rights

In total, supplementary services from other (licensed and free) trades worth up to 30% of annual turnover may be supplied without requiring their own trade licence. These must be an economically viable supplement to your own activities. Please note that another rule is applicable when crossing over to a licensed trade: Services of other regimented trades can be undertaken within the scope of an existing contract. Please note: these supplementary services from licensed trades must not make up more than 15% of your business's own services (contract value or time spent). These restrictions must be strictly adhered to. Detailed information on how ancillary rights affect your start-up plans and which trades ultimately need to be registered can be provided as part of your consultation.

2.10.5. Freedom of establishment and freedom to provide services

Due to the EEA Treaty, the EU regulations on freedom of establishment and freedom to provide services apply in Austria.

Freedom of establishment allows you as a businessperson to found and operate an enterprise or company in every other EEA/EU Member State. Freedom to provide services provides you with the option of conducting your business in other Member States.

Citizens of EEA/EU Member States who settle in Austria in order to ply a trade or wish to do commissioned trade work are considered equal to Austrians in terms of citizenship. However, they must hold the requisite Certificate of Professional Competence to practise a trade in Austria.

Find out in advance what requirements you must fulfil in order to work in Austria (e.g. certified translations of Certificates of Professional Competence, residence permits for non-EU/EEA nationals, etc.). Please contact the Start-up Service for more information on this subject!



TIP: Be sure to clarify the trade-law issues in advance – it is a basic prerequisite for your entrepreneurial success.

business premises (including new buildings or conversions) require a licence in accordance with the Industrial Code. This means: You must apply for a business premises permit. Exceptions to this rule are temporary business premises such as marquees erected by the proprietors of pubs or hotels outside their existing premises for the purpose of special events.

This is not necessary if your business premises have no negative effect on the protection interests set out in the Industrial Code (as is the case with office-only operations, for example). Only once a legally valid letter of authorisation has been issued will it be possible to commence the construction and operation of the premises.

Commercial business premises include:

- workshops
- hotels
- inns
- parking areas for lorries
- garages

You must obtain a permit if the business premises

- poses a risk to the life or health of the operator, the neighbours or the customers,
- poses a risk to the property or other real rights of the neighbours,
- significantly compromises traffic safety and flow,
- has a detrimental effect on the quality of water courses, insofar as no requirement for approval has yet been introduced in relation to the regulations governing water and water conservation,
- compromise the practising of religion in places of worship, education in schools, the operation of hospitals and sanatoriums or the operation of other facilities serving the public interest.

■ 2.11 BUSINESS PREMISES LAW

2.11.1. Location

Choosing and planning a location are important factors for your company's success. A wide variety of criteria play an important part in your decision, including

- land zoning
- traffic (access road, parking areas, shipping and receiving options)
- proximity to raw material supply
- availability of manpower
- distance from suppliers and customers
- subsidies and public funding
- environmental regulations
- land costs
- level of competition
- purchasing power

Taking all of these influential factors into account when considering a business location will help you operate your business successfully in the long term.

2.11.2. General

Business premises are defined as any facility that is fixed in a single location and is used to conduct a business activity. Generally, these

In what cases does a business premises not require a permit? Following recent changes, a permit is not required for the following types of business premises:

- Retail business with a floorspace of up to 200 m²
- Office operations
- Warehouses in enclosed buildings for the storage of goods and operating resources, with a floorspace of up to 600 m²
- Cosmetics, footcare, hairdressing or massage businesses or medical stores
- Clothing alteration stores and shoe repair services
- Photography operations

One of the pre-conditions that apply to a business premises for which no permit is needed is that it will only operate between the following hours of business:

- On working weekdays from Monday to Friday from 06:00 to 22:00 – except for deliveries
- On working Saturdays from 06:00 to 19:00 – except for deliveries
- For deliveries on working weekdays from Mon.–Fri. from 06:00 to 19:00
- For deliveries on working Saturdays from 06:00 and 18:00

TIP: Before starting a project, registering a commercial activity or signing a rental agreement, please be sure to find out whether you actually require a business premises permit or not.

Authorisation procedures

There are two types of authorisation procedure, differing in their length. Thus it is difficult to make a blanket statement as to what the ideal time is for submitting an application. The individual procedures can be comprehensive and take a long time. Therefore, we recommend that you contact the authorising office at the earliest possible date. We would be happy to send you preliminary information.

Regular procedure

This procedure is made up of four phases and is handled by the district administration/municipal authority or the district municipal authority office. You will need to bring the following documents for this procedure:

Documentation – informal application for authorisation of business premises to which you attach the following information in quadruplicate:

- description of the business including a list of machinery and other operational installations: list of equipment and machines with technical data, floor plan, site plan, necessary plans and sketches,
- procedural description of the operation – type of work, work procedures, hours of operation, type of heating, etc.,
- waste management plan including an estimate of future development; and one copy of the following:
 - technical documentation necessary during investigating procedures for evaluating the project and the premises' anticipated emissions,
 - name(s) and address(es) of the business premises' owner(s),
 - the owners of the properties immediately adjacent to the premises (name and address of the trustee(s) in the case of apartment complex owner(s),)
 - documentation necessary to evaluate the protection of the interests of others which must also be taken into account by the authorities (according to other statutory regulations) in proceedings to authorise the business premises.

Simplified procedure

In order to reduce the expense of business premises authorisation procedures, so-called simplified procedures may be conducted in some cases. These do not provide for visual inspection hearings and thus do not include neighbours as parties in the proceedings.

This is the case, for example, if the operating area is no larger than 800 m² and the machinery connection power (= the sum of the electricity consumption of all machinery used in the business, except office equipment and lighting) does not exceed 300 kW. Furthermore, assurance must be provided that, due to the premises' planned design (prognosis – actual facts), it is anticipated that hazards, annoyances, etc. will be avoided.

Further permits

Apart from the business premises permit, a number of other permits may be required, e.g.:

- Building permit
- Rededication of space
- Permits under waste management law – waste management plan
- Permits under water laws
- Permits under nature conservation law
- Permits according to the Federal Roadways Act [Bundesstraßengesetz]

Here you will find a short checklist to help you quickly decide whether you need further advice on business premises permits:

Location of the business premises:	
Land zoning known	Yes/No
Building regulations and workplace regulations known	Yes/No
Situation with neighbours	Good/Poor
Traffic volume	Slight/Significant
Business operations:	
Working hours	Day/Night
Noise	Yes/No
Dust	Yes/No
Odour	Yes/No
Effect on water courses	Yes/No
Future activities:	
More production	Yes/No
More manpower	Yes/No
More buildings	Yes/No
More traffic	Yes/No

If you have answered 'yes' to some of these questions, we recommend that you contact the competent office at the Austrian Federal Economic Chamber. You can also attend building discussion meetings in some of the provinces to talk about the project there.

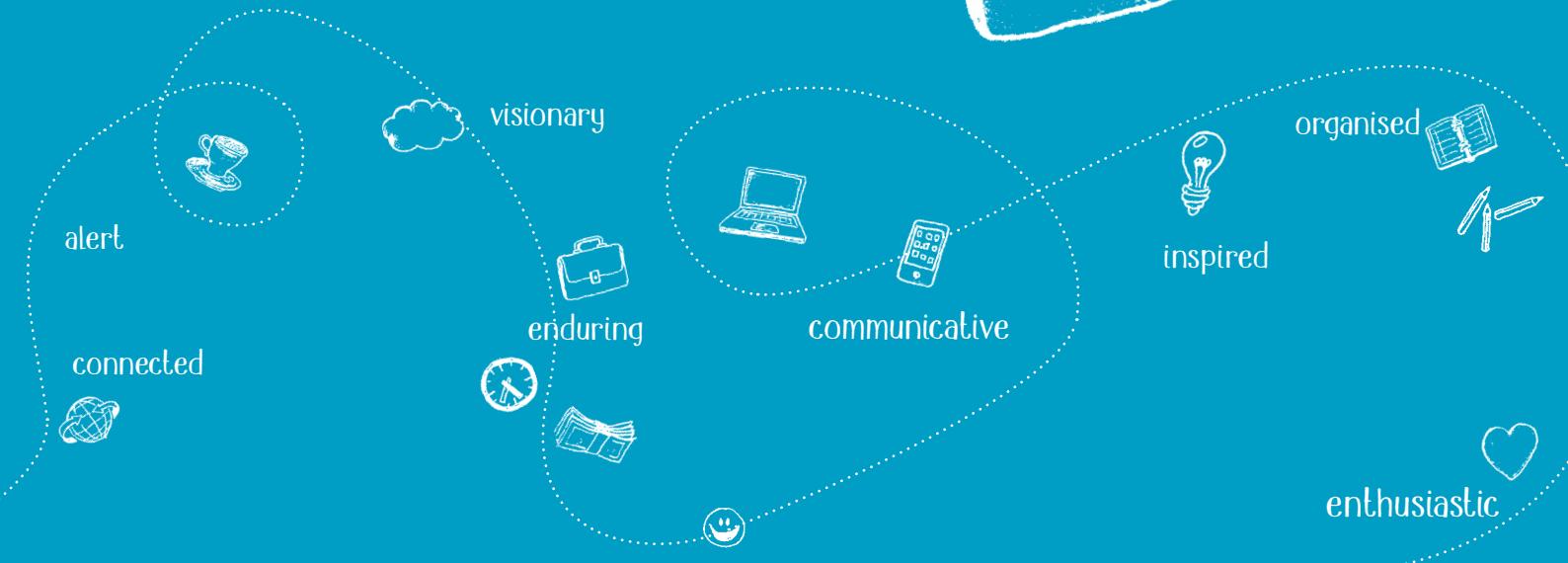
Waste management plan

If you provide employment to more than 20 people, you must prepare a waste management plan for any waste that is generated while operating your plant. It must be submitted within 12 months of starting the business or after hiring the 21st employee. Additionally, it is an essential part of the plant approval procedure. Be sure to clarify whether you must also prepare a waste management plan in the course of consultation on founding your business. You can find more information on the topic of operating premises law by going to wko.at.

3

FOUNDING

- What advice do I receive where?
- What are the steps to founding a business?
- Which authorities must I contact?



■ 3.1. APPLICATION FOR A BUSINESS LICENCE

The trade authority will be either the district commission, the city magistrate or the district municipal authority in Vienna responsible for the business location. The application can be made – with or without a form – in person, in writing, electronically via www.usp.gv.at or via the start-up service of your economic chamber.

If all necessary documents are present, trade can already be practised upon submitting the application. In some special sectors (legally regulated trade – see Trade law chapter), practice is only possible after receiving a reply.



TIP: Accelerate the formalities and use the trade application service of the start-up service or the district office of your economic chamber or district office.

The application

must contain the following information:

- Exact designation of the trades
- Exact location of the trade practice
- Exact name of the business applicant
 - For natural persons: First and last name, address, date of birth, place of birth, nationality, social insurance number
 - For companies/associations: exact company name and Company Register number or association name and central association register number, business address

Documents required for sole proprietorships:

- Applicant's passport
- Residence permit for third-country nationals (except Swiss)
- Potentially evidence of academic degrees
- A declaration that there are no grounds for disqualifying trade
- In the case of a name change, also marriage certificate or notification of the change of name
- Certificate of Professional Competence (for regimented trades)
- If you live abroad or have lived in Austria for less than five years: Criminal record sheet (not older than three months) as well as proof of residence in the country of origin or previous residence (e.g. confirmation of registration)

for companies

- Excerpt from the Company Register – no older than six months
- A declaration that there are no grounds for the persons with significant influence on the company's businesses to be excluded from practising this trade

for managing directors authorised under trade law

- Applicant's passport
- Residence permit for third-country nationals (except Swiss)
- Potentially evidence of academic degrees
- A declaration that there are no grounds for disqualifying trade
- In the case of a name change, also marriage certificate or notification of the change of name
- Certificate of Professional Competence (for regimented trades)
- If you live abroad or have lived in Austria for less than five years: Criminal record sheet (not older than three months) as well as proof of residence in the country of origin or previous residence (e.g. confirmation of registration)

3.2. OTHER AUTHORITIES

3.2.1. Social insurance

As a rule, you must be covered under compulsory insurance as of the day you acquire a trade licence. The trade authority automatically transfers the trade licence application to the Social Insurance for Self-Employed Persons (SVS). You will receive a welcome letter within four weeks of your trade licence becoming effective. If you don't, please contact the SVS.

You can find general information on social insurance on page 53, Social Insurance, as well as directly from the SVS at www.svs.at -> Business start-up.

It is quite possible that a field representative of the Revenue Office will pay a 'first visit' to your company. This allows the tax authority to get a better picture of your actual circumstances.



TIP: Sole proprietorships (and under certain conditions also single-person GmbHs) can complete certain founding formalities electronically, such as the business licence application, registration with social insurance and the Revenue Office, via the business service portal of the Republic of Austria. For this, you will require a mobile phone signature or citizen card [Bürgerkarte]): www.usp.gv.at

3.2.2. Revenue Office

The entrepreneur must notify the Revenue Office of the opening of their business within one month of the opening of the trade business. The opening of the company can be communicated to the Revenue Office in writing or verbally (by telephone). The Revenue Office will then send a form (questionnaire) – 'Verf 24' for sole proprietorships, 'Verf 16' for partnerships and 'Verf 15' for corporations – which must be returned and completed. A copy of the registration form and an identification document should be attached to the questionnaire (passport, driver's license, etc.).

Please note: The expected profit and the expected turnover of the opening year and the following year should be stated, among other things, on the questionnaire. The advance tax payments are then determined. The turnover estimate is used for the classification as a small business owner for value added tax and the assignment of a VAT registration number (VAT ID number) – for details, see Chapter 2.9. Taxes. It is recommended that you fill out the Revenue Office questionnaire with the help of a tax expert.

3.3. START-UP COSTS

Business registration is generally free of charge.

Other start-up costs depend on whether you are starting a sole proprietorship or a partnership.

- In a partnership, Articles of Association are usually drawn up by a lawyer or notary. In addition, the partnership must be entered in the Company Register. Therefore, costs for legal advice and Company Register entry arise.
- A sole proprietorship only accrues costs when it is entered into the Company Register.

According to the New Business Support Act (NeuFöG), the Company Register entry fees are waived for new entrepreneurs and new business takeovers. For this to happen, a consultancy form (declaring the foundation of a new business or the transfer of a business – NeuFöG form) is issued by the Austrian Federal Economic Chamber (Start-up Service, district office or specialist board) is required.

For more information, please visit:
www.gruenderservice.at -> Planung
-> Kapitalbedarf -> Gründungskosten

3.4. START-UP SERVICE CONSULTATION

Do you still have questions? If so, please get in touch to arrange a consultation appointment. We are here to assist you from the beginning at 90 locations across Austria.

In a personal consultation, we will support you in the first analysis of your business idea and will provide guidance on the topics of trade law, legal form, social insurance, taxes, subsidies, location, business premises authorisation, minimum turnover, etc.

Our entrepreneur workshops give you the opportunity to obtain all of the important basic information in a short period of time. You can find information on the regular courses on our 'Events' page at www.gruenderservice.at.



3.5. OVERVIEW OF THE STEPS TO STARTING A BUSINESS

3.5.1. The 7 stages of founding your sole proprietorship

1. Founding, financing and legal advice

from the Business Start-up Service and/or the competent departments and/or groups of your Austrian Federal Economic Chamber. Pay special attention to the trade information and whether you need a business premises permit.

1

2. Declaring the foundation of a new business or the transfer of a business (NeuFöG)

Certain fees, contributions and taxes associated with founding or transferring a business (paid or unpaid) are not payable provided that you submit a declaration on founding a new business or taking over an existing one on the form provided (NeuFöG 2). Your Austrian Federal Economic Chamber must issue your declaration. The Business Start-up Service, the technical groups and/or guilds and district/regional offices are the contacts at the Austrian Federal Economic Chamber. Due to the 2017 trade law amendment which came into force on 18.7.2017, documentation and records created and issued on the basis of the Trade Regulations Act, as well as submissions on the subject of the creation and issuance of documents based on the above federal law, are exempted from government stamp duties and administrative levies. Registering a trade, among other things, is thus free of charge.

2

3. Application for a business licence

Electronic application for a business licence: For a possible electronic application for a business licence please contact the Start-up Service or the district/regional offices of your Austrian Federal Economic Chamber.

3

You will need the following documents to register your trade:

3.1 If the entrepreneur provides evidence of qualification personally (e.g. via a master craftsman's examination certificate):

- Passport
- Police clearance certificate from the country of origin (in a certified translation) for persons not resident in Austria or resident in Austria for less than five years
- Proof of qualification (e.g. master's or qualification examination certificate, school or work certificates) or established individual qualification (free trades not requiring a licence are excepted; no proofs are required at all for them)
- Proof of establishment or residence permit for the purpose of self-employed activity for non-EU citizens

3.2 If you are not providing a Certificate of Professional Competence yourself and, instead, are appointing a managing director authorised under trade law (working in the firm for at least 20 hours a week):

Persons registering a trade must submit:

- Passport
- Police clearance certificate from the country of origin (in a certified translation) for persons not resident in Austria or resident in Austria for less than five years
- Proof of establishment needed for non-EU citizens

Managing directors authorised under trade law must submit:

- Passport
- Police clearance certificate from the country of origin (in a certified translation) for persons not resident in Austria or resident in Austria for less than five years
- Confirmation from social insurance (ÖGK) that the managing director under trade law is registered as an employee of the person registering the trade for at least 20 hours per week
- Proof of qualification (e.g. master's or qualification examination certificate etc.)
- Declaration by the managing director authorised under trade law on his activity in the firm (on the form provided). The person registering the trade and the managing director under trade law must not be disqualified from practising the trade as defined in Art. 13 of the Trade Regulations Act (GewO).

When you register your trade you become a member of the Austrian Federal Economic Chamber and must pay contributions accordingly. You can obtain further information from the Austrian Federal Economic Chamber in your federal province.

4

4. Austrian Health Insurance Fund (ÖGK)

You must report employees to the Austrian Health Insurance Fund prior to hiring them (commencement of work). If you employ a managing director under trade law, you must register him at the ÖGK before registering your trade (effectiveness as of the trade registration is an option), since you must submit a confirmation from the ÖGK on the employment relationship to the trade authority.

5

5. Social Insurance for Self-Employed Persons (SVS)

You must register with the Social Insurance for Self-Employed Persons within the first month of operation. This registration may also be directly submitted together when registering your trade with the district administrative authority, which will then forward it to the social insurance commission.

6

6. Revenue Office

Report your trade activity and apply for a tax ID number at the Revenue Office within the first month of operation. The report for the Revenue Office may also be submitted when registering your trade with the district administrative authority, which will then forward it to the Revenue Office.

7

7. Community/City

Please note: You require a zoning certificate and a building permit (usage permit) for your chosen business premises if the work is not usually performed in homes/apartment buildings (e.g. trade, crafts and hospitality services).

Notify the community or city administration of employees you have hired (for municipal tax purposes).

Furthermore, a sole proprietor must be entered into the Company Register once he reaches the level of accounting responsibility threshold. This threshold is an annual turnover of EUR 700,000. If the threshold is not reached, he can register voluntarily.

3.5.2. The 9 stages of founding an OG or a KG

1. Founding, financing and legal advice

from the Business Start-up Service and/or the competent departments and/or groups of your Austrian Federal Economic Chamber. Pay special attention to the trade information and whether you need a business premises permit.

1

2. Declaring the foundation of a new business or the transfer of a business (NeuföG)

Certain fees, contributions and taxes associated with founding or transferring a business (paid or unpaid) are not payable provided that you submit a declaration on founding a new business or taking over an existing one on the form provided (NeuföG 2). Your Austrian Federal Economic Chamber must approve your declaration. The Business Start-up Service, the technical groups and/or guilds and district/regional offices are the contacts at the Austrian Federal Economic Chamber.

2

Due to the 2017 trade law amendment which came into force on 18.7.2017, documentation and records created and issued on the basis of the Trade Regulations Act, as well as submissions on the subject of the creation and issuance of documents based on the above federal law, are exempted from government stamp duties and administrative levies. Registering a trade, among other things, is thus free of charge.

3

3. Articles of Association

OGs/KGs are established on the basis of Articles of Association (concluded between at least two persons); there are no special formalities involved and the Articles may be concluded verbally or in writing. However, we recommend that they be made in writing for evidentiary reasons.

4

4. Entry in the Company Register/application for registration

OGs/KGs do not fully exist in legal terms until they are entered in the Company Register. Partners may draw up an application for registration themselves. However, the signatures appearing on the applications and the sample signatures must be certified by a notary public or a court (district court).

You will need to submit the following documents when applying for registration:

- Articles of Association (if available; not mandatory but recommended)
- Specimen signatures, certified by a notary or district court, of all bodies authorised to represent the company (personally liable shareholders)

You must provide the following information with your application for the registration of a company even if you do have articles of association:

- Company (limited partners) may not appear in the company name, the legal form suffix OG or KG must be used
- Liability amount of the individual limited partners
- Registered office of the company and the main business address used for the company
- Description of business sector
- Names, dates of birth and addresses of the shareholders

- If not all the personally liable shareholders are authorised signatories, this must be entered into the Company Register
 - Rules on representation
 - Date on which the Articles of Association were established
 - For citizens of third countries (non-EEA citizens), a residence permit and, for the personally liable shareholders, a valid work permit or exemption certificate are also needed.
-

5

5. Application for a business licence

Electronic application for a business licence: For a possible electronic application for a business licence please contact the Start-up Service or the district/regional offices of your Austrian Federal Economic Chamber.

You must include the following documentation with your trade registration:

- Passports of all persons with significant influence (i.e. personally liable shareholders or limited partners with special management powers or similar)
- Excerpt from the Company Register
- Police clearance certificate from the country of origin (in a certified translation) for the managing director under trade law and for all personally liable shareholders if they are not resident in Austria or have been resident in Austria for less than five years
- A declaration that there are no grounds for any of the persons with significant influence (i.e. personally liable shareholders or limited partners with special management powers or similar) to be excluded from practising this trade due to insolvency or previous criminal offences (Art. 13 of the Industrial Code)

Managing directors authorised under trade law must also submit:

- Passport
- Confirmation from social insurance (ÖGK) that the managing director under trade law is registered as an employee for at least 20 hours per week (not necessary if the managing director under trade law is also a personally liable shareholder)
- Proof of qualification (e.g. master's or qualification examination certificate, school or work certificates) or issued individual qualification (except for free trades)
- Declaration by the managing director under trade law that they work for the company (form).
The managing director under trade law and the personally liable partners must not be disqualified from practising the trade (Art. 13 of the Trade Regulations Act, GewO).

When you register your trade you become a member of the Austrian Federal Economic Chamber and must pay contributions accordingly. You can obtain further information from the Austrian Federal Economic Chamber in your federal province.

6. Austrian Health Insurance Fund (ÖGK)

You must report employees to the Austrian Health Insurance Fund prior to hiring them (commencement of work). If you employ a managing director under trade law, you must register him at the ÖGK before registering your trade (effectiveness as of the trade registration is an option), since you must submit a confirmation from the ÖGK on the employment relationship to the trade authority.

6

7. Social Insurance for Self-Employed Persons (SVS)

All partners in an OG and personally liable partners in a KG (general partners) must be insured with the Social Insurance for Self-Employed Persons (SVS). Insured persons must register with the Social Insurance for Self-Employed Persons within one month. The registration for the social insurance commission may also be submitted electronically together with registering your trade with the district administrative authority, which will then forward it to the social insurance commission.

7

8. Revenue Office

Report your trade activity to the Revenue Office and apply for a tax ID number for the shareholder(s) and the company within the first month of operation. The report for the Revenue Office may also be submitted when registering your trade with the district administrative authority, which will then forward it to the Revenue Office.

8

9. Community/City

Please note: You require a zoning certificate and a building permit (usage permit) for your chosen business premises if the work is not usually performed in homes/apartment buildings (e.g. trade, crafts and hospitality services).

9

Notify the community or city administration of employees you have hired (for municipal tax purposes).

3.5.3. The 11 stages of founding a GmbH

1

1. Founding, financing and legal advice

from the Business Start-up Service and/or the competent departments and/or groups of your Austrian Federal Economic Chamber. Pay special attention to the trade information and whether you need a business premises permit.

2

2. Declaring the foundation of a new business or the transfer of a business (NeuföG)

Certain fees, contributions and taxes associated with founding or transferring a business (paid or unpaid) are not payable provided that you submit a declaration on founding a new business or taking over an existing one on the form provided (NeuFö 2). Your Austrian Federal Economic Chamber must approve your declaration. The Business Start-up Service, the technical groups and/or guilds and district/regional offices are the contacts at the Austrian Federal Economic Chamber.

Due to the 2017 trade law amendment which came into force on 18.7.2017, documentation and records created and issued on the basis of the Trade Regulations Act, as well as submissions on the subject of the creation and issuance of documents based on the above federal law, are exempted from government stamp duties and administrative levies. Registering a trade, among other things, is thus free of charge.

3

3. Articles of Association/establishment declaration

The founder(s) must obtain Articles of Association in the form of a notarial deed.

4

4. Shareholder resolution

These resolutions concern the appointment of the managing director(s) and the assignment of authority of representation (sole, joint or perhaps together with [organ] holder of special statutory authority [Prokurist]) unless such appointments and assignments have already been set out in the company's Articles of Association. Here, the general shareholders' meeting's power to revoke managing director appointments can be limited in the Articles of Association so that the meeting may only exercise the power on important grounds. The relevant minutes can either be drawn up privately or be certified by a notary. The managing directors (at least one) need not be shareholders in the GmbH.

5

5. Bank confirmation

Payment of the equity capital (the minimum equity capital is EUR 35,000, or EUR 10,000 if making use of the founding privilege, at least half of which must be paid in cash) into the business account which is freely available to the management board.

6. Entry in the Company Register/application for registration

The following documentation is required in addition to the certified Company Register entry (the application itself must also be certified):

- Articles of Association in the form of a notarial deed
- Certified shareholder resolution on the appointment of the managing director (certified by a notary or district court)
- Bank confirmation
- Specimen signature of the managing director (certified by a notary or district court)

6

7. Application for a business licence

Electronic application for a business licence: For a possible electronic application for a business licence please contact the Start-up Service or the district/regional offices of your Austrian Federal Economic Chamber.

You must include the following documentation with your trade registration:

- Passports of all persons with significant influence (i.e. managing directors, shareholders with a majority stake, shareholders with a minority stake but with special co-determination rights or special management authority and such)
- Excerpt from the Company Register
- Police clearance certificate from the country of origin (in a certified translation) for the managing director under trade law and for all shareholders with significant influence on management, if they are not resident in Austria or have been resident in Austria for less than five years
- A declaration that there are no grounds for any of the persons with significant influence (i.e. managing directors, shareholders with a majority stake, shareholders with a minority stake but with special co-determination rights or special management authority and such) to be excluded from practising this trade

Managing directors authorised under trade law must also submit:

- Passport
- Confirmation from social insurance (ÖGK) that the managing director under trade law is registered as an employee for at least 20 hours per week (not necessary if the managing director under trade law is also the managing director under commercial law)
- Proof of qualification (e.g. master's or qualification examination certificate, school or work certificates) or established individual qualification (except for free trades)
- Declaration by the managing director under trade law that they work for the company (form). The managing director under trade law, the managing director(s) under commercial law and the majority shareholders must not be disqualified from practising the trade as defined in Art. 13 of the Trade Regulations Act (GewO).

When you register your trade you become a member of the Austrian Federal Economic Chamber and must pay contributions accordingly. You can obtain further information from the Austrian Federal Economic Chamber in your federal province.

7

8

8. Austrian Health Insurance Fund (ÖGK)

You must report employees to the Austrian Health Insurance Fund prior to hiring them (commencement of work). If you employ a managing director under trade law, you must register him at the ÖGK before registering your trade (effectiveness as of the trade registration is an option), since you must submit a confirmation from the ÖGK on the employment relationship to the trade authority.

9

9. Social Insurance for Self-Employed Persons (SVS)

Unless the company-managing shareholders are already covered under ASGV insurance (which is considerably more expensive than GSVG insurance), they are to be registered with the Social Insurance for Self-Employed Persons within the first month of their activity. The registration for the social insurance commission may also be submitted electronically together with registering your trade with the district administrative authority, which will then forward it to the social insurance commission.

10

10. Revenue Office

Report your trade activity to the Revenue Office and apply for a tax ID number for the shareholder(s) and the company within the first month of operation. The report for the Revenue Office may also be submitted when registering your trade with the district administrative authority, which will then forward it to the Revenue Office.

11

11. Community/City

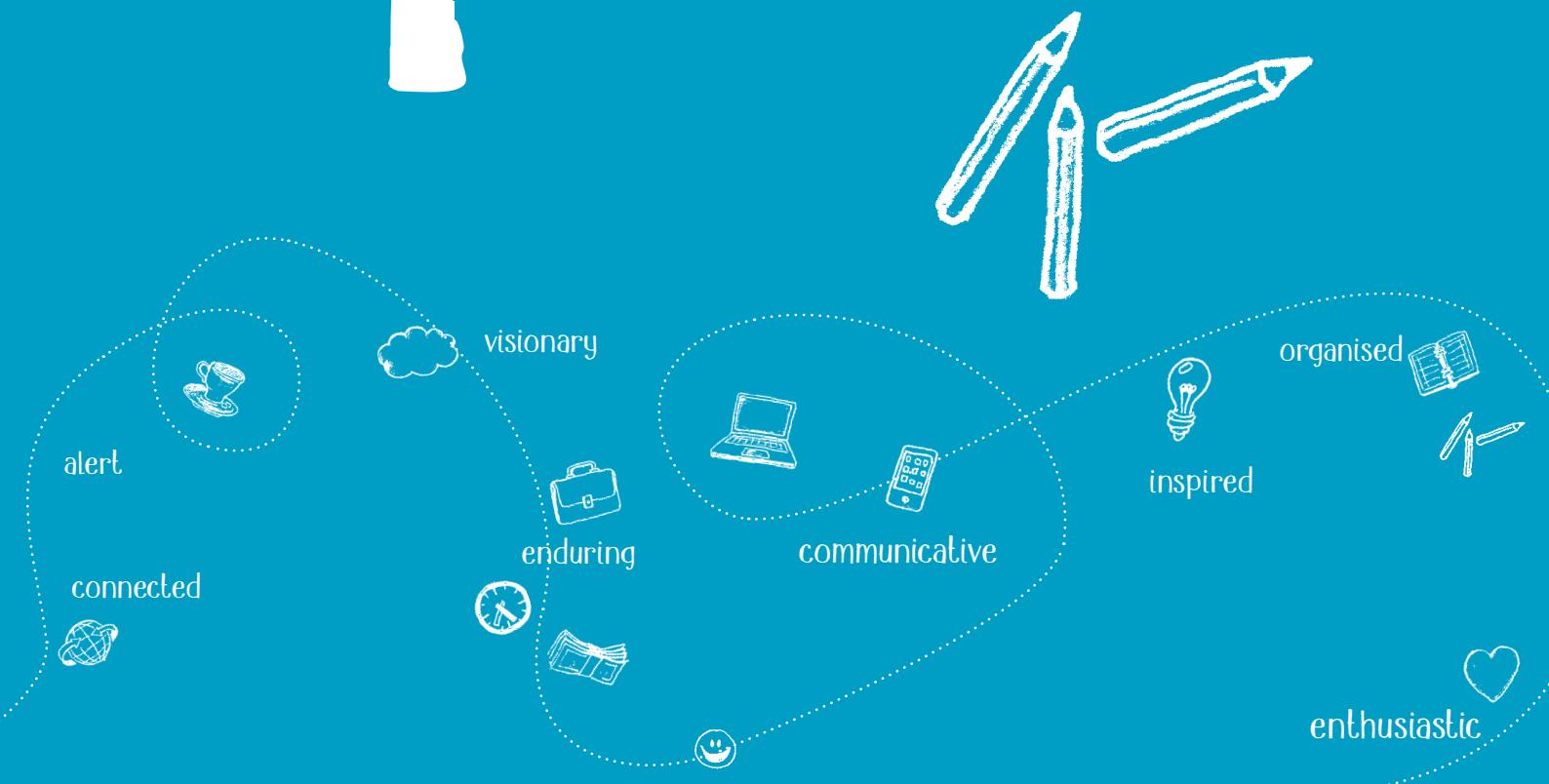
Please note: You require a zoning certificate and a building permit (usage permit) for your chosen business premises if the work is not usually performed in homes/apartment buildings (e.g. trade, crafts and hospitality services).

Notify the community or city administration of employees you have hired (for municipal tax purposes).

4

INTERESTING FACTS

- How do you hire employees?
- What does your accounting system look like?
- What type of accounting do you need?
- How do you start as an entrepreneur in a secondary occupation?
- What else do you need to know?



■ 4.1 EMPLOYEES

The way in which work is performed can take various shapes. More information can be gathered from the leaflet on employment forms. Information on the employment of workers can be found at wko.at under 'Employing workers.'

With orders (service contracts), it must be ensured that you do not have a true employment relationship/freelance relationship, and you must determine whether it is a commercial activity. If yes, a trade licence is necessary. If no, you are a new independent. More information can be gathered from the leaflet on new independents.

Employment law and social security matters must be clarified in advance.

4.1.1. How to find employees

There are many ways of recruiting employees. Important: prepare a profile of the vacancy you wish to fill, tailored to the specific area of work concerned. Then you can seek your employees by advertising in newspapers, via the AMS, personnel consultants, employment agencies and contacts with educational institutes (polytechnical and vocational schools, etc.). But please note: Employers and private employment agencies are obliged to indicate the minimum salary according to the collective bargaining agreement and (if applicable) their willingness to effect excess payment in their job-vacancy advertisements. The salary that is to serve as a minimum basis for work contract negotiations (basis for negotiation) is to be indicated if no collective bargaining agreement is applied. Furthermore, the advert must be gender neutral. An applicant's attitude and outlook are just as important as their professional skills and qualifications. If the interview goes well, a work contract can be con-

cluded. You must not overlook the relevant legal statutes and the provisions set out in collective bargaining agreements when hiring employees. Labour law is such a complex matter that we can only go into the most important aspects here.

4.1.2. The work relationship

The work contract

The essential components of a work contract include the employee's personal performance of work, a clause binding him to the firm's business hours, the required place of work and a clause binding the employee to certain instructions. Establish at the outset whether the position is one of a labourer or a salaried employee.

- Salaried employee: commercial business work, other executive duties or office work
- Labourer: manual work or skilled labour

According to the law, you are permitted simply to issue a work card (Dienstzettel) which is not signed, although it is advisable to conclude an employment contract in the case of labourers and salaried employees, in which the terms negotiated are set down for evidentiary purposes in writing.

IMPORTANT: There is no official fee payable for issuing employment contracts and work cards. You can obtain draft (sample) contracts from your Austrian Federal Economic Chamber.

Possible agreements

Apart from a contract's standard content (name, type and place of work, remuneration, working hours, leave entitlement), a number of other arrangements may be included in an employment contract.

- **Trial period:** If the collective bargaining agreement does not stipulate one, you may arrange a trial period lasting up to one month (not corresponding to a calendar month).

■ **Time limitation:** After a period of time stipulated at the outset of the work relationship has elapsed, the employment relationship ceases or is renewed for an indefinite period of time. Please note: sequencing a number of time-limited work relationships effectuates an impermissible chain contract.

■ **Overtime:** You may negotiate a duty to perform extra work and/or to work overtime with both full-time and part-time employees.

■ **Provision for termination:** Provided that the collective bargaining agreement in your business branch permits it, you may negotiate that the employer may give notice of termination on the 15th or the last day of a month.

■ **Competition clause:** Subject to certain provisions, you may negotiate that if an employee resigns, they may not work for a competing company for one year thereafter.

OUR TIP: We recommend that you consult a labour-law expert prior to negotiating such a clause.

Other forms of contract

There are other forms of contract apart from a work contract which are not subject to labour law; however, they can only be applied in exceptional cases. Under a freelance contract for services, an independent agrees to perform work but is not bound to business hours and instructions and is therefore not personally dependent. A contract for work and services binds a commercially independent contractor for works and services to perform a task in the form of a finite project.

IMPORTANT: We recommend that you consult an employment law expert if you wish to use one of these contractual forms, since the borderlines between them and an actual work contract are often difficult to distinguish.

4.1.3. Collective bargaining agreement

There is a collective bargaining agreement for every branch of business, concluded between the collective agreement partners (Austrian Federal Economic Chamber, trade unions). Collective bargaining agreements regulate a multitude of items in supplement to the applicable legal statutes, which include, for example:

- Minimum wages and salaries
- Working time and allocation of working hours
 - calculating hours and flexibilisation
- Reasons for leave of absence
- Notice periods and dates etc.

Collective bargaining agreements ensure that the same working conditions apply to all employees within a branch of business or industry. Work contracts may not contain provisions less advantageous than those set out in a collective bargaining agreement. On the other hand, collective bargaining agreements also provide for the same conditions for all competitors within a branch of business or industry.

4.1.4. Employee social insurance

Employers must report a new employee to the Austrian Health Insurance Fund prior to their commencement of work

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Social insurance contributions are divided into employer and employee portions, based on the employee's gross remuneration. Expense allowances such as per diems or mileage allowances are exempt from social insurance up to certain limits. In 2020, the monthly maximum contribution basis is EUR 5,370.

Marginal employment is an employment relationship in which the marginal earnings thresholds relating to statutory social insurance are not exceeded. The monthly salary that is agreed and paid must not exceed EUR 460.66 (according to current knowledge) gross per month (2020).

Under employment law, marginal employment is regarded as a form of part-time employment. Those in marginal employment are therefore also entitled to the contractual minimum wage and bonus payments, as laid down in the collective agreement, sick-pay, paid-leave for other reasons preventing the employees from working, care-leave, holidays and old severance, or the corporate staff provision (new severance) for employees that entered service after 1 January 2003.

The employer must pay an accident insurance contribution of 1.2% of the general contribution basis for all employees in marginal employment, and an employer's levy of 16.4% (in total) of the contribution basis if the employer has more than one employee in marginal employment and the monthly wage bill (without special bonuses) of all the employees in marginal employment is more than 1.5 times the marginal earnings threshold for 2020: EUR 460.66 (according to current knowledge) \times 1.5 = EUR 690.99 (according to current knowledge). Together with the accident insurance contribution, the total contribution rate is 17.6%.

As the employer, you must choose an employee provision fund (Mitarbeitervorsorgekasse – MVK) – at your bank, for example – for all the

employees you have newly hired. As of the beginning of the second month, you must pay 1.53% of the remuneration as employee provision contributions to the Austrian Health Insurance Fund.

For more information, please visit:
wko.at/abfertigungneu
and www.mitarbeitervorsorgekassen.at.

Other incidental wage costs include 3% municipal tax, paid to the community (or to the City Treasury in Vienna) and the contribution to the Family Burden Equalisation Fund (employer contribution and employer surcharge), transferred to the competent Revenue Office for your business location.

IMPORTANT: Payroll accounting is a job requiring special skills training. If you have not had this training, you can either employ a suitably qualified person or outsource your payroll accounting to an external payroll accountant, accountant or tax adviser.

4.1.5. Worker protection

Technical worker protection

As the employer, you are responsible for ensuring the health and safety of your employees while they are working (technical worker protection). The Labour Inspection Board, a state body with authority of access, monitors compliance with the technical safety regulations. Thus, you must check your business premises for possible hazards and have them eliminated. This procedure is called 'evaluation' and a record document is kept of safety and health protection measures. The law also stipulates that all employees be cared for in terms of industrial medicine and safety technology. Firms employing up to 50 persons may avail themselves of the services of the Austrian Workers' Compensation Board [Allgemeine Unfallversicherungsanstalt – AUVA] at no charge. (Apply to the provincial AUVA office in your area at www.auva.at).

Work assignment limitations

As an employer, you must ensure that working-time regulations are not exceeded and that employees are guaranteed breaks, rest at weekends etc. Certain specially protected persons, such as pregnant women and juveniles, may not perform any heavy or hazardous work and must not be required to work at certain specified times. The Labour Inspection Board also closely monitors compliance with these regulations.

4.1.6. Employing foreigners

Third-country citizens

Workers who are not Austrian citizens or nationals of an EEA state (or Switzerland) are known as third-country citizens. They are not permitted to work in Austria without authorisation based on the Employment of Aliens Act (Ausländerbeschäftigungsgesetz). The Public Employment Service (AMS) issues the authorisations.

The main types of employment for foreign nationals include:

- Work permit
- Red-white-red card plus
- Posting permit
- Exemption certificate
- Seasonal workers as part of a seasonal quota

IMPORTANT: Consult an employment law expert if you are in any doubt on these matters. Infringement of the Employment of Aliens Act can have severe consequences and entail heavy fines.

EU expansion

Citizens of the EU-member states, with the exception of Croatian nationals, have been freely employable in Austria. The transitional provisions are applicable to them until 30 June 2020 at the latest.

4.1.7. Dissolving work relationships

Types of dissolution: Employment relationships are continuing obligations, existing until they are terminated by the employer, the employee or by mutual accord. The labour-law experts of the Austrian Federal Economic Chamber will clarify to you whether a dissolution fee is to be paid or not.

The most important types of dissolution are:

- Dissolution during trial period
(max. one month)
- End of a time-limited employment relationship
- Termination of employment contract by employer or employee
- Summary dismissal – if there are grounds for dismissal
- Authorised early withdrawal by the employee – if there is a reason for withdrawal
- Mutually agreed termination

Especially as regards termination, employees and employers alike must comply with the applicable terms and deadlines. Those applicable to salaried employees are set out in the Salaried Employees Act [Angestelltengesetz], whereas the collective bargaining agreement applicable in the branch of business determines them for workers. Remember to take into account special negotiation options for salaried employees.

Special protected persons

There are specific groups of persons who are legally protected from dismissal by the employer during certain times; however, there is usually nothing preventing the work relationship from being dissolved by mutual accord (special form regulations apply).

These groups primarily include:

- Pregnant employees
- Pregnancy up until four weeks after the end of an employee's maternity leave; if an employee is working part-time as part of their parental entitlement, they are protected against dismissal for a maximum of four weeks after the child's fourth birthday (after that, motive protection applies),
- Persons performing their military or civil service, from the date on which they are summoned until one month after the service has ended,
- Persons who have served on works councils, for up to three months after their term of office has ended,
- Disabled persons with at least 50% disability under certain conditions from the date on which they are given supported disabled person status by the Ministry of Social Affairs and
- Apprentices – an apprenticeship is a time-limited and therefore non-terminable training relationship; only a premature dissolution for specific reasons or an extraordinary dissolution are possible.

IMPORTANT: Contact an employment law expert at the Austrian Federal Economic Chamber in matters concerning dissolving an employment relationship with an especially protected employee.

Here, a distinction is made between compulsory records, which must be kept, and voluntary records, which can be kept.

4.2.1.1. Obligation to keep records

As a business owner, it is your responsibility to collect receipts, maintain records and to keep them for at least seven years. The term may extend to 22 years for receipts concerning real estate and buildings. The Corporate Code (Unternehmensgesetzbuch – UGB) contains the regulations on business accounting. Other regulations on mandatory records are set out in the Federal Fees Act (Bundesabgabenordnung – BAO) and the Income Tax Act (Einkommensteuergesetz – EStG). We recommend that new founders avail themselves of the advice of a tax expert (accountant, tax consultant, etc.) in this area.

IMPORTANT: Consider in advance which tasks you can carry out yourself in order to reduce fixed costs (collecting receipts, basic records, etc.) and which ones your tax expert should handle for you (your annual financial statement, for example). There are many ways in which you can optimise your book-keeping processes (electronic invoices, parking of invoices, etc.) which will save you time and money.

Outgoing invoices

Outgoing invoices must be created and saved in an unchangeable form. It is therefore recommended that you use an invoicing program (software that enables you to write out invoices, draw up cost quotations and manage orders). If you use such a program to create your invoices, the data must be able to be extracted and made available to the tax authorities in the form of print files. The same also applies to programs used to manage warehouses, products and hours worked.

4.2 ACCOUNTING AND BOOKKEEPING

4.2.1 Accounting

The term 'business accounting' covers all procedures that involve compiling and monitoring a firm's entire business activity in figures. These records are kept to protect creditors, assess taxes and to plan and control the business.

Obligation to use a cash register and issue receipts, as of 1 January 2016

The tax reforms of 2015 included an obligation to use an electronic cash register, cash system or another system enabling the electronic recording of transactions, as a means of determining daily cash receipts. This obligation applies to all entrepreneurs (operating income) whose yearly turnover exceeds EUR 15,000 and where the value of cash transactions exceeds EUR 7,500. Both limits apply to net amounts without VAT. Once both of these limits have been exceeded, business owners will be obliged to acquire a cash register.

PLEASE NOTE: Cash payments also include payments using bank cards or credit cards, cheques or other vouchers, coupons or gift tokens.

All cash registers must be equipped with a technical security device to protect against manipulation and must produce transaction slips with a digital signature. At the same time as the obligation to use cash registers, an obligation to issue transaction slips was also introduced. Each business owner required to have a cash register is obliged to issue a transaction slip to the customer and the customer is obliged to accept this and to keep hold of it, at least until they have left the retail premises.

There are certain important exceptions to this basic rule (turnover > EUR 15,000 and cash transactions > EUR 7,500), listed below:

- Sales in mountain lodges, refuges and ski lodges up to EUR 30,000 (net) per calendar year
- Vending machines and service machines up to an individual sale value of EUR 20
- Online shop (no payment made in cash paid directly to the service recipient)

Companies for which the relaxation is to be applied can determine their daily cash receipts in a simplified manner by cashing up. This refers to the recalculation of the day's sales from initial and final cash holdings, taking into account all cash outlays as well as private drawings and private deposits. The amounts listed must be written down each day and the calculations must be clear and comprehensible.

PLEASE NOTE: If you use a till that calculates electronically, you must also be able to present this data electronically. In the till guidelines, the Ministry of Finance has issued criteria for the orderliness of the cash systems used. The main focus here is the subsequent unchangeability.

OUR TIP: Your cash register must be equipped with a technical security device.

You can find additional information at
<https://registrierkassenpflicht.wkoratgeber.at/>

- Turnover generated outdoors: Turnover of up to EUR 30,000 per year earned house-to-house or on public streets and in public places, but not in association with fixed enclosing structures (such as sweet chestnut roasters, market traders, Christmas tree sellers etc.)

Operating expenses

Not only operational takings, but also all operating expenses must be recorded. All expenses incurred for the purposes of generating revenue are generally deductible as operating expenses. These definitely include: expenditure on goods and third-party services; expenditure on staff and incidental costs; rent, investments, telephone bills, travel expenses, motor vehicle costs, interest, mandatory insurance contributions by the entrepreneur etc. In order for these operating expenses to be deductible, you must be able to present a receipt showing how much was paid to whom, when, and for what service or delivery. For more detailed information about invoices, please see the chapter entitled Turnover Tax.

In addition to these general requirements, the following items must also be recorded:

Purchase journal

A purchase journal need only be kept if you determine your profit in the form of an income expenditure account. The purchase journal must include the following information:

- Date of receipt of the goods or
- Date of invoice
- Name (company) and address of the supplier
- Description (a sector-specific generic description is sufficient)
- Price

Simplification in the event of consolidation into a lump sum:

- The receipts of all purchases are given a separate consecutive number according to their standard collective name in the correct chronological order.
- Each year, the receipts for the financial year just ended are grouped together by type, added up and entered into the purchase journal.
- The totals (adding machine printouts) and the calculation basis must be retained.

- Possible groups of goods: cuisine, bread and baked goods, ice cream, hot drinks, beer, wine, spirits, non-alcoholic drinks, tobacco products, auxiliary materials, other goods purchases.

Cash book

If an entrepreneur maintains a cash book, it must be updated every day. Cash receipts must be entered cumulatively on a day-to-day basis. All slips must be numbered and stored in that form. That numbering should also be referred to in the cash book. If cash is managed correctly, the daily balance can never and must never produce a loss. Should an entrepreneur carry out a private drawing, it is to be recorded with a receipt for the till and is also to be recorded in the cash book as an outlay. If you make a cash deposit, you must also note this. If you are obliged to keep accounts for your business, you must also keep a cash book. In all other cases, there is no obligation to do so.

Types of bookkeeping

In principle, there are three variants of profit determination (and associated recording obligations):

- the lump-sum consolidation,
- the income and expenditure account and
- double-entry accounting.

Which type of income determination you should use depends on the legal form you have chosen, the type of income and the level of turnover. The individual types of income determination are explained in detail below.

Consolidation into a lump sum

The simplest form of income determination is basic consolidation into a lump sum. The requirement for basic consolidation into a lump sum is income from self-employed work or business from an activity actively pursued in the assessment year, but not pension payments or subsequent income from a former active activity. There is no obligation to keep records but records are kept voluntarily. Basic consolidation

into a lump sum can be used for every legal form, even for corporations that are not obligated to keep records. Furthermore, the tax return must make clear that the method of consolidation into a lump sum is being used. Basic consolidation into a lump sum can be used if there is no obligation to keep records and the turnover of the business in the preceding financial year did not exceed the threshold of EUR 220,000. The lump-sum consolidation offers several options for calculating operating expenses, advertising costs and input taxes as a lump sum. A distinction is drawn between basic lump-sum consolidation and industry lump-sum consolidation (e.g. lump-sum consolidation for catering and accommodation businesses, chemists, commercial agents, athletes, freelancers and agriculture and forestry lump-sum consolidation).

The operating expenses lump sum amounts to 6% of the operational income, but no more than EUR 13,200 for freelance or commercial income from technical or commercial consulting, particularly pure consultancy work. The operating expenses lump sum of 12% of the operational income, but no more than EUR 26,400, should be applied to all other self-employed and commercial income.

Write-offs, residual book values of fixed assets disposed of, the cost of external funds, rents and leases, post and telephone, company materials, energy and water, advertising, legal and consulting costs, commissions, office expenditure, premiums to company insurance, company taxes, maintenance, vehicle costs, travel costs, tips, etc. in particular are covered by the operational expenses lump sum.

In addition to the lump sum for business expenses, expenditure on goods, raw materials, semi-finished products and ingredients, external services and personnel costs and the compulsory social insurance contributions can be applied.

Income	
Goods purchase	
less personnel expenses	
less contributions to trade social	
Social insurance	
less 12% operating expenses lump sum	
(but no more than EUR 26,400) or	
6% operating expenses for certain activities	
(but no more than EUR 13,200)	
= profit	

From 2020, there will be a special type of basic lump sum for small businesses. For companies with a turnover in the assessment year of less than EUR 35,000, or EUR 40,000 if the previous year's turnover was less than EUR 35,000 (see small business owners according to the VAT law), 45% of the operating income can be assessed as a lump sum business expense. If it is a service company, the percentage is reduced to 20% of the operating income.

In addition to this lump sum for business expenses, only the compulsory social insurance contributions can be applied.

Cash-basis accounting

Cash-basis accounting is a simplified system of profit determination and can be used up to a yearly turnover of EUR 700,000. Due to its ease of use, cash-basis accounting is recommended for smaller-scale trade professionals who do not exceed the bookkeeping limits (and do not voluntarily keep records either). The income and expenditure which has been received or paid out during the calendar year, either in cash or by means of non-cash transactions (via a bank account), must be recorded individually, in ascending chronological order. In cash-basis accounting, you may record income and expenditure you have actually earned or paid out in the calendar year. Outstanding payments should not be included. A company's profit or loss is determined at the end of a year as the difference between the total of all operating income and the sum of all operating outlays. As well as recording income

and expenditure, you should keep a purchase journal, a storage directory for purchases that cannot be sold immediately (limit EUR 800 per asset) and payroll accounts if you employ staff.

$$\begin{array}{l} \text{Income} \\ \text{less expenditure} \\ \text{less depreciation} \\ \hline = \text{Profit} \end{array}$$



OUR TIP: The Austrian Chambers of Commerce have produced their own information booklet all about 'Cash-basis accounting'. Enquire at your Start-Up Service office!

Obligation to maintain books/ double-entry bookkeeping

The obligation to maintain books (accounting) may apply to a business owner for two reasons:

- Exceeding the turnover threshold in accordance with the Austrian Commercial Code (UGB) in combination with income from commercial activities: If you, as an entrepreneur, exceed the threshold of EUR 700,000 annual turnover two years running, then you will be subject to the obligation to maintain books as of the next year but one. If your turnover is over EUR 1,000,000, you will be subject to the obligation to maintain books as of the following year. The figures are based on operations and apply to all entrepreneurs except freelancers, farmers and lumberjacks. If turnover falls short of the annual threshold of EUR 700,000 two years in a row, then obligation to maintain books will cease to apply as of the following year. Recording in the Company Register is not a criterion for obligatory bookkeeping. Therefore, partnerships may determine their profit either using cash-basis accounting or via double-entry bookkeeping.

- Corporations and partnerships without a natural person as a shareholder with unlimited liability (GmbH & Co KG): For corporations (GmbH, AG) and GmbH & Co KGs, the obligation to maintain books applies without taking sales or the activity into account.

Double-entry accounting involves drawing up a balance sheet and a profit and loss account, a cash book, a register of assets, payroll accounts and an inventory. These records are not merely useful for your own purposes and/or mandatory; they contain a wealth of information which you can apply in a multitude of ways in running and developing your business. These contain a considerably larger amount of information than an income and expenditure account.

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The following illustration provides you with a good overview of the bookkeeping obligation:

Corporate Code – bookkeeping obligation	
Limit	Bookkeeping
Turnover below EUR 35,000	It is possible to apply a lump sum of operating expenses of 45% or 20% of operating income. Alternatively, an income and expenditure account or double-entry accounting can be voluntarily used.
Turnover below EUR 220,000	It is possible to apply a lump sum of operating expenses of 12% or 6% of operating income. Alternatively, an income and expenditure account or double-entry accounting can be voluntarily used. Alternatively, double-entry accounting can be voluntarily used.
Turnover less than EUR 700,000	An income and expenditure account must be drawn up. Alternatively, double-entry accounting can be voluntarily used.
Turnover greater than EUR 700,000 (for two years in a row)	Double-entry accounting must be used.
For corporations (GmbH & AG) and partnerships without a natural person as a shareholder with unlimited liability (GmbH & Co KG)	Double-entry accounting must be used even for a turnover below EUR 700,000

4.2.2.2. Voluntary records

In order to consider about topics such as cost accounting and calculations, entrepreneurs must know and plan their own costs in advance. An example of a very efficient method of preparing for entrepreneurial life and the associated entrepreneur's salary is the Minimum Sales Calculator.

Every retail or production company should think about the additional expense for material, merchandise and third-party services in advance, so as to make efficient use of the minimum sales calculation.

OUR TIP: As preparation for the entrepreneurial calculation, try the Minimum Sales Calculator for new entrepreneurs.
<https://www.gruenderservice.at/mindestumsatzberechnung>

Cost accounting

In the long run, your company can only survive if market sales revenues are greater than monies expended on creating a product/service, i.e. the cost of making them. Estimating your own costs is the first step in establishing prices on the one hand and, on the other, an absolute prerequisite for running a business responsibly. The idea of the cost accounting is to determine the value of creating a product / service internally (e.g. the cost of one work-hour), for which the customer will be billed. You can't calculate and invoice costs if you don't know what they are. Furthermore, if you do not know the price limits, then you cannot form a viable pricing policy either. Therefore, you must determine the cost structure and monitor price developments in order to calculate your costs correctly.

The result of this calculation is the basis for establishing your selling prices. However, since market prices are not usually determined according to costs, you as an entrepreneur are obliged to

keep a constant watch on your firm's cost developments and to do whatever you can to keep costs down. Financial accounting figures (accounting on a cash basis or double-entry bookkeeping) alone are not always enough. Often, they are derived merely in terms of taxation aspects, and the expenses shown on the books of the financial accounting can be very different from the actual costs involved.

Above all, cost accounting helps:

- Determine cost prices as the basis of your market price
- Calculate the cost-effectiveness of individual business goals, individual product groups or individual products as a basis for production and sales planning
- Determine the minimum price your firm can charge when accepting an order (company pricing policy)
- Determine surcharge rates for balance sheet assessments of semi-finished and prefab products, including self-manufactured equipment
- Self-production or external procurement

For example, your operational cost accounting must be able to show you whether it is more economical to operate your own repair department or to engage another firm to do this work.

OUR TIP: In the leaflet 'The entrepreneur and his tax consultant' (Der Unternehmer und sein steuerlicher Berater), you will find information on the scope of the role of the individual occupational groups of tax consultant, certified management accountant, accountant and payroll accountant (wko.at).

4.2.2. Bookkeeping

The information presented in the previous chapters has shown that it is necessary to maintain a whole series of records and that the administration costs incurred can therefore be considerable. Through effective organisation, however, especially when it comes to compiling the accounts, many tasks can be simplified, thereby reducing the effort required to create the necessary records.

TIP - Income expenditure calculator

- Open a separate bank account for your business and keep private and business expenditure separate.
- If at all possible, make sure that all of your business payments are conducted via that account.
- Pay cash amounts using your bank card.
- By downloading a list of your account transactions, you will simply need to add to the information from the file required for your accounting records or hand them to your bookkeeper or accountant for further processing.
- As the data required are largely already present, it will not be necessary to re-enter them manually. Not only will this save time and reduce any possible keying-in errors, but it will also save costs.

By using interfaces, you can utilise data that is already available data for book-keeping purposes. Nowadays, almost all data is available electronically and in addition to paper-based invoices, many companies, such as purchasing associations and wholesalers in food products, also offer datasets that will considerably simplify accounting processes.

You can also reduce the amount of purchasing paperwork by switching to weekly or monthly invoices from your suppliers. All of these measures will help you to reduce the cost of your accounting processes, reduce the amount of administration that is required and will therefore save you time and money.

Under certain conditions, sole proprietors may be exempted from industrial health and pension insurance and the contributions to the provision for self-employed persons within the scope of the small business operators' scheme. This does not apply to partners of a partnership or a company constituted under civil law, nor to managing partners of a corporation.

■ 4.3 ENTREPRENEUR AS A SECONDARY OCCUPATION

You will need to consider several important factors if you are thinking of taking up a self-employed business activity as a secondary occupation:

Labour law

You must inform your employer of your intention to take up a self-employed business activity and he must consent to your doing so. If you conduct business without the consent of the employer, this can be a reason for dismissal.

Social insurance

(multiple insurance-plan coverage)

Employees are insured under the General Social Insurance Act (ASVG) plan, self-employed people are covered under the Social Insurance Act for Trade and Industry (GSVG) and farmers' compulsory insurance comes under the Farmers' Social Insurance Act (BSVG).

PLEASE NOTE: The regulations below apply to persons insured under the ASVG only; other regulations apply to other occupational groups (e.g. civil servants, farmers, frontier commuters, etc.).

If you are simultaneously a non-independent and active in a trade or as a farmer, you come under several compulsory insurance laws. You must therefore pay multiple contributions, generally in the sequence ASVG, GSVG and BSVG. However, contributions can never be higher than the maximum contribution basis.

As a business operator, you may apply for exemption to compulsory insurance within the scope of the small business operators' scheme if your turnover and profit are below the limits shown below and if you have not been insured under GSVG for more than twelve calendar months in the last five years.

**TURNOVER PER YEAR →
LESS THAN EUR 35,000
AND
PROFIT PER YEAR →
LESS THAN EUR 5,527.92**

Furthermore, it is possible to exclude all persons

- who have reached the age of 60 and do not meet the limits above,
- who have reached the age of 57 and have not exceeded the above limits during the last five calendar years before application. Please note that as a result of an exemption from compulsory insurance (under GSVG), you will not acquire any periods of reckonable service for pension purposes, which may affect when you become entitled to draw a pension. There is also no health insurance protection as a result of exemption from health insurance.

The exemption from compulsory insurance does not extend to accident insurance. This must always be paid.

Health insurance

(with multiple insurance-plan coverage)

You must pay the full ASVG health insurance contributions on the non-independent income. You pay the contribution rate of 6.8% from commercial trade activity.

Pension insurance

(with multiple insurance-plan coverage)

As an employed person, you pay the full ASVG pension insurance contributions from ASVG income and the normal rate of 18.5% to GSVG pension insurance from trade income.

Maximum contribution basis

You only have to pay ASVG and GSVG contributions to health and pension insurance up to a joint maximum contribution basis (i.e. up to a maximum of EUR 75,180.00 per year).

IMPORTANT: This only applies, however, if you file an 'application for difference assessment' at the Social Insurance for Self-Employed Persons (SVS). Otherwise, contributions to business pension and health insurance will also be deducted from income which exceeds the maximum contribution basis. A refund of these contributions is obtainable upon application.

Minimum contribution basis

(with multiple insurance-plan coverage)

The GSVG provisions on minimum contribution bases do not apply if you have income from non-self-employed work (ASVG) and self-employed work (GSVG) (insurance protection already exists through the ASVG insurance). Therefore, if the ASVG income reaches the GSVG minimum contribution basis, GSVG contributions are only assessed for business profits actually attained. No contributions are paid if you have achieved a deficit.

Please note: These regulations apply to persons insured under the ASVG only; other regulations apply to other occupational groups (e.g. civil servants, farmers, frontier commuters, etc.).

Income tax

All sources of income are combined to assess income tax, applying the relevant tax rate (percentage). Therefore, take into account that your income as a non-self-employed worker already places you in a specific tax bracket. Every additional euro you earn is taxed at this rate and/or at an even higher percentage if you should attain the tax bracket above the one you are presently in.

Subsidies

Certain subsidies (e.g. the AWS subsidy for new entrepreneurs) are not issued for part-time businesses. Keep this in mind when planning your investments and find out well in advance about the directives applicable to you from the Business Start-up Service of your federal province or from your bank.

Income thresholds

■ Self-employment and family allowances:

The additional income threshold for self-employed persons who are entitled to family allowances (e.g. students, pupils) is EUR 10,000 per calendar year, although an 'annual calculation' is carried out. If your taxable income exceeds the additional income threshold during the calendar year, the amount by which the threshold was exceeded must be paid back. For further information, please go online and visit www.help.gv.at.

■ Self-employment and grants: As a student, you can earn an additional income of up to EUR 10,000 per year from self-employed or mixed activities without your grant being reduced. There is no difference between income earned during the university term and during holidays. For more information, please go online and visit www.stipendium.at.

■ Self-employment and childcare allowances:

Every parent receiving a childcare allowance may earn additional income each year, whereby the other parent's income is not taken into ac-

count. With lump-sum childcare allowance models (child benefit account, as of 1.3.2017) the additional income threshold must not exceed the threshold amount of EUR 16,200 per year or the (higher) threshold amount of 60% of final income. For income-dependent childcare allowances, an additional income threshold of EUR 7,300 per year applies (as of 1.1.2020). All income from non-self-employed work, farming and forestry, self-employed work and trade operation are applied against the income limit. For more information, please visit:

[www.unternehmerin.at](http://unternehmerin.at) and

<http://kinderbetreuungsgeld.wkoratgeber.at/>

Childcare allowance calculator: <https://www.frauen-familien-jugend.bka.gv.at/dam/bmfj/KBG-Rechner/index.html#willkommen>

■ **Self-employment and pension:** There are many arrangements involved in the pension system: If you are drawing a premature old-age pension, you may not practise any gainful activity that is subject to compulsory social insurance and you may only earn up to the marginal earnings threshold, otherwise you lose your entitlement to the pension. (Important: special regulations for entrepreneur pensions.) The same thing applies in the case of the corridor pension.

Apart from the old-age pension, there are no restrictions to your options to earn additional income: If an old-age pensioner (age 60 for women, 65 for men) earns a sum that is higher than the marginal earnings threshold, they must pay social insurance contributions which may entail a slight increase in pension benefits (as of 1 January 2004). Should a person receiving an invalidity or disability pension earn a sum over the 'marginality limit,' their pensions may be reduced.

Founding a business while drawing unemployment benefits: There is only one very restricted option for earning additional money while you are drawing unemployment benefits from the AMS:

- To class as unemployed, you must have left employment (either as an employee or self-employed person) and you must have stopped paying compulsory pension insurance contributions. According to the present view of the AMS, unemployment insurance benefits can only be drawn in the case of an exemption from GSVG compulsory insurance, despite a valid trade licence. The small-business regulation in particular (in which no contributions are paid for health and pension insurance) constitutes such an exception.
- If you start engaging in any self-employed activity, you must report this to the AMS.
- Your monthly income (profit) must not exceed EUR 460.66 (monthly marginal earnings threshold).
- Your monthly turnover must not exceed EUR 4,150 (11.1% of the turnover must lie below the marginal earnings threshold).

You must also be available to the labour market for as long as you are drawing unemployment benefits, and you must accept any job offered to you which corresponds to your level of qualifications, otherwise you risk losing your entitlement to unemployment benefits. Anyone who is on their business premises from 9 in the morning until 6 in the evening, for instance, is 'de facto' not available to the job market and therefore may not draw unemployment benefits.

Once you have commenced self-employed activity, you must submit monthly records of profit and sales; thereafter, the income and VAT assessment notices are reviewed.

The table below provides an overview of the income thresholds.

Additional income thresholds			
	Thresholds	Bases	Consequences if exceeded
Self-employment and family allowance	EUR 10,000 annually	Taxable income without special payment Annual calculation	Repayment equal to the excess amount
Self-employment and grant	EUR 10,000 annually	Income including special payments	Repayment equal to the excess amount
Self-employment and childcare allowance	Up to EUR 16,200 or EUR 7,300 annually	Additional lump-sum childcare allowance (child allowance account from 1 January 2020) or additional income-dependent childcare allowance	Repayment equal to the excess amount
Self-employment and pension			
Early pension/corridor pension	EUR 460.66 monthly	Additional income monthly	Loss of pension
Inc incapacity benefit	up to EUR 460.66	Additional income monthly (no reduction)	Reduction according to deduction provision (30 to 50%)
Invalidity pension		Earned income	
Establishment of business while claiming unemployment benefit	EUR 460.66 monthly	Additional income monthly, rolling calculation possible	Loss of unemployment benefit

The AMS business-founding plan for the unemployed

The AMS continually offers assistance programmes to help make the option of self-employment more attractive to recipients of unemployment benefits, e.g. by increasing the amount of unemployment benefit as an incentive. First of all, an unemployed person submits a business concept which the AMS reviews for its chances of commercial success. A business-founding consultation meeting then follows. The AMS can also provide financing for you to acquire further qualifications.

IMPORTANT: There are many ways to make yourself independent. Having a self-employed job as a secondary occupation means that there are always income limits that you must comply with. There are many options available to become partially exempt from GSVG compulsory insurance coverage.

4.4 OTHER IMPORTANT INFORMATION

4.4.1. Business insurance

Whether you are founding a new company or taking over an existing one, you face risks for which you should be insured. An overview of these risks:

- **Property insurance:** This includes policies covering fire damage, burglary, damage due to storms and tap water, breakdowns of machinery, electrical appliances and computers.
- **Financial loss insurance:** These policies cover losses of revenue and additional costs incurred due to damage. For example: Policies covering business liability, legal protection and interruption of operations (due to fire, machinery damage, etc.).
- **Personal insurance:** Examples include life, health and accident policies. These insurance policies can be taken out from private companies apart from and/or in addition to the statutory compulsory social insurance plans.

OUR TIP: For very small business, a long absence on the entrepreneur's part caused by illness or an accident can quickly threaten the continued existence of the business. Since 2013, subject to certain conditions, small businesses have been entitled to a statutory support payment of approx. EUR 30.00 per day from the 43rd day of being unable to work, for a maximum of 20 weeks. As of July 2018, sickness benefit will be paid retroactively starting from the 4th day in the event of an illness lasting 43 days or more. However, for financial security, there is also the possibility of additional insurance starting from the 4th day for shorter illnesses.

More information at: www.svagw.at.

Be sure to discuss optimising your coverage options with your insurance agent.

More detailed information on insurance brokers and insurance agents can be found on their websites at

www.ihrversicherungsmakler.at and
www.dieversicherungsagenten.at

4.4.2. Patents and trademarks

It often does not take long before successful business ideas are copied. It is therefore wise to think about how you can protect your business idea. You should also make sure you do not infringe the proprietary rights of others. The most important proprietary rights are as follows:

Trademarks

A trademark is a company mark that distinguishes the goods and services of different manufacturers/providers from one another (e.g. in the form of a logo, name, lettering style). It also enables the consumer to recognise who provides the goods or services. In commercial practice, it serves as a means of making the company stand out from others and as an indispensable marketing tool.

Further information can be found at
<https://www.patentamt.at/marken/marken-service/marke-national/>

TIP: Consider carefully whether you would like to have your mark protected nationally, within the EU ('EU trade mark') or internationally. Depending on what you decide, there are different registration routes which all incur different costs. Use the 'fast track' mark registration process.

Patents

The patent is one of the most well-known proprietary rights. Once it is registered, a patent protects a technical invention for a certain period of time. Patents are used to protect inventions which

- are new and industrially applicable and
- which solve a particular technical problem (level of inventiveness).

Patent protection begins upon registration in the patent register and ends after no more than 20 years, if the annual renewal fees are paid on time.

For further information, please visit:

<https://www.patentamt.at/patente/patente-service/patent-national>

Utility model

Utility models may be used to protect new inventions that are capable of industrial application but do not exhibit the level of inventiveness required under patent law. An inventive step is sufficient.

Protection as a utility model begins on the day of official publication of the utility model in the Utility Model Gazette [Gebrauchsmusterblatt]. It ends after no more than ten years, subject to timely payment of the annual renewal fees.

For further information, please visit:

<https://www.patentamt.at/patente/patente-service/gebrauchsmuster/>

TIP: As the formulation of a patent or utility model application requires prior knowledge, you should seek the advice of experts in this regard. For example, use the patent consultation days at your local branch of the Federal Economic Chamber with an experienced expert or patent attorney, or the Information Service of the Austrian Patent Office.

Registered design ('design protection')

A design (registered design) protects the appearance of an industrial or technical object (product) or a part thereof. A requirement of design protection is the novelty of the design. Specifically, the appearance (design) of products is protected. The protected features are the outlines, colours, layout, surface structure, materials or decoration of the product (design protection). A design may only be protected if it is new, possesses individual character and is not dictated by the technical function of the product.

Further information can be found at
<https://www.patentamt.at/designs/designs-service/design-national/>

Copyright-protected works

A work is understood by the legislator to be a 'unique intellectual creation,' particularly in the field of literature, including IT programs, visual art (graphics, etc.) and music and cinema. Works must accordingly be individual and original and distinctive from conventional (traditional) works. Copyright exists upon the creation of the work. The copyright duration is 70 years after the author's death.

In Austria, there is no register in which someone can be listed or that can be viewed in order to establish whether or not a work is subject to copyright. In principle, it must be assumed that works (e.g. photographs, videos and texts) are protected under copyright law!

TIP: Do not use third-party works (images, text, music, videos, etc.) on your website, advertising brochures, etc. without permission. A range of online providers offer the means of purchasing non-licensed works.

Violation of proprietary rights

If you commit a violation of proprietary rights, you may be obligated to cease and desist and remove the violation (e.g. destroy catalogues), pay reasonable compensation, submit to publication of the judgement and – if you are responsible for the violation – also hand over the profits you have made, pay damages, etc. The obligation to reimburse for the costs of proceedings should also not be overlooked. Cases of wilful violation may also result in prosecution.

OUR TIP: Protect yourself and your works with a creative industries securities account. Regardless of whether your work is photography, marketing concepts, blog posts, illustrations or open-source software – works with a digital time stamp make your copyright clear.

4.4.4. Information on business papers and online, data protection

Your image within the market is important not only from a marketing perspective but also from a legal perspective. On the basis of a wide variety of statutory regulations, all entrepreneurs are obliged to state certain details on their business papers and online (website, online shop) and to safeguard data protection.

OUR TIP: You do not need to incorporate all this information into your Internet presence yourself. Members of the Austrian Federal Economic Chamber can also create a link to their personal entry in the 'Companies A-Z' at wko.at. Examples of web shops that comply with the requirements can be found by visiting www.guetezeichen.at.

4.4.3. General terms and conditions

General terms and conditions (GTC) are a compilation of fully formulated, standardised contractual terms and conditions on which you as a contractual party (e.g. as provider of goods or services) base a contract.

The Legal Service of the Austrian Federal Economic Chamber offers a large quantity of information online concerning general terms and conditions. For sample clauses on sales and delivery provisions, and purchasing conditions, please visit: wko.at.

Furthermore, the website of the Austrian Federal Economic Chamber includes a GTC database, which contains all available GTCs sorted according to the business sectors concerned. These constitute non-binding recommendations from the competent professional organisations within the Austrian Federal Economic Chamber. You can find the GTC database at wko.at under 'Commercial and Trade Law.'

Here are a few tips on where to find detailed information on this topic:

<https://www.wko.at/service/wirtschaftsgewerberecht/website-email.html>

At www.it-safe.at, run by the Federal Department for Information and Consulting (BSIC), you will find practical online advice as well as information and specific tips all about IT security in your business.

Further information: wko.at/datenschutzservice

4.4.5. Warranty

Warranty is understood as the legal liability without fault for legal and material defects which were already present at the time of handover or delivery. A defect exists when the object or the work does not possess the agreed or usually required properties. A precondition of the warranty is a transaction involving payment (e.g. purchase agreement).

Which deadlines do you need to be aware of?

If the defect emerges within six months of delivery, it is assumed that the defect already existed before the time of delivery. After six months have passed, the buyer or the commissioner of the work must prove that the defect was already present at the time of handover.

The warranty period for moveable objects is two years, for immovable objects three years. Please note: If moveable objects are turned into immovable objects through installation, they are then subject to the three-year warranty period (e.g. new windows installed on business premises).

Which legal consequences do you need to be aware of?

In the event of a defect, the recipient (buyer or commissioning party) can request the repair or exchange of the object, a reduction in price or the changing (i.e. rescission) of the purchase agreement. If an object has been installed by the buyer personally, and it then turns out to be defective, you as the seller are obligated to remove the object and re-install the new object or cover the cost of doing so.

Initially the buyer can only request the improvement or exchange of the object, unless this is impossible or would incur unreasonably high costs for you as the seller. Please note: Typical deficiencies due to wear and tear are not grounds for warranty claims!

Notification of defects

If both partners to the agreement are businesses, the buyer may only claim its right of warranty under the more stringent conditions of company law – examination of the goods without undue delay, notification of the defect. While the right of warranty is mandatory when it comes to consumers, different arrangements can be made as part of a purchase agreement between businesses

Guarantee

Unlike a warranty, with a guarantee you assume liability voluntarily. Without a written guarantee, there is no entitlement to a guarantee. You can choose what you want to include in a guarantee.

The guarantee is usually dependent on the emergence of the defect during the agreed period, and not on the presence of a defect upon delivery. A warranty always involves the direct contractual partner whereas guarantees are often issued by the manufacturer. With a guarantee, the issue of fault on the part of the guarantor is not relevant.

Compensation

The customer is only entitled to make claims for damages if the seller/work contractor or their staff are responsible for the defective nature of the delivery/'work', or for the occurrence of damage. Such claims do not become invalid until three years after the date on which the purchaser becomes aware of the damage and the party that caused the damage, or after a period of 30 years. This means that, if the damage for which the supplier is responsible arises in the 8th year, the purchaser has from the 8th until the 11th year to bring a claim for damages.

Product Liability Law

Product liability is the liability without fault for certain damages caused by defects in a product. It only covers consequential damages, never the defective product itself. However, not all consequential damages are compensated, only personal injury and damage to property; damage to entrepreneurial property is not compensated. The following groups of entrepreneurs are liable for product damages:

- the manufacturer of a product –
- the EEA original importer,
- any entrepreneur who has marketed the product, if neither the manufacturer nor the importer can be identified.

As an entrepreneur, you are also liable as the 'manufacturer' if you have identified yourself as the manufacturer by attaching your name, your trademark or another mark to the product.

Defectiveness of a product

The defect must already be present at the time the product is placed on the market. According to product liability law, a product is defective if it does not offer the level of safety that is to be expected from this product in accordance with the state of the art. False or incomplete information in the operating instructions or advertising would constitute defectiveness, for example.

Operational measures

- You can usually limit your product liability risk by taking out appropriate insurance coverage.
- The entrepreneur's obligation to provide evidence necessitates comprehensive documentation within the business. Particularly for trading companies, it is necessary to keep precise records of the type, quantity and particularly the origin (manufacturer) of the merchandise.
- Check all the documents which serve to present the product (advertising statements, instructions for use) for completeness and for sources of error.
- Make sure that you have a contractually agreed right of recourse against foreign manufacturers.
- Adapt any delivery terms and conditions of purchase you are already using, in order to take account of this legal situation.

IMPORTANT: A warranty is mandatory within the statutory warranty periods. In addition to a warranty, you may also issue a guarantee.

4.4.6. International transactions

Exploiting foreign markets International markets can be lucrative for new entrepreneurs already during the initial phase. Taking the step to do business abroad will be much simpler if you get hold of the most important information on the target market. Advantage Austria operated by the Austrian Federal Economic Chamber, in collaboration with the provincial chambers' Advantage Austria departments, comprehensively supports Austrian companies worldwide in marketing their products and services. In addition to information about foreign markets, events such as trade fairs, group tours and financial support, there are over 100 support centres available worldwide in the form of foreign trade centres and offices. These help Austrian companies enter those markets, providing support in seeking business partners, starting up companies abroad, finding suppliers and solving other country-specific problems.

You will need to consider possible customs regulations, import and export licence requirements, etc., when importing or exporting goods in other countries.

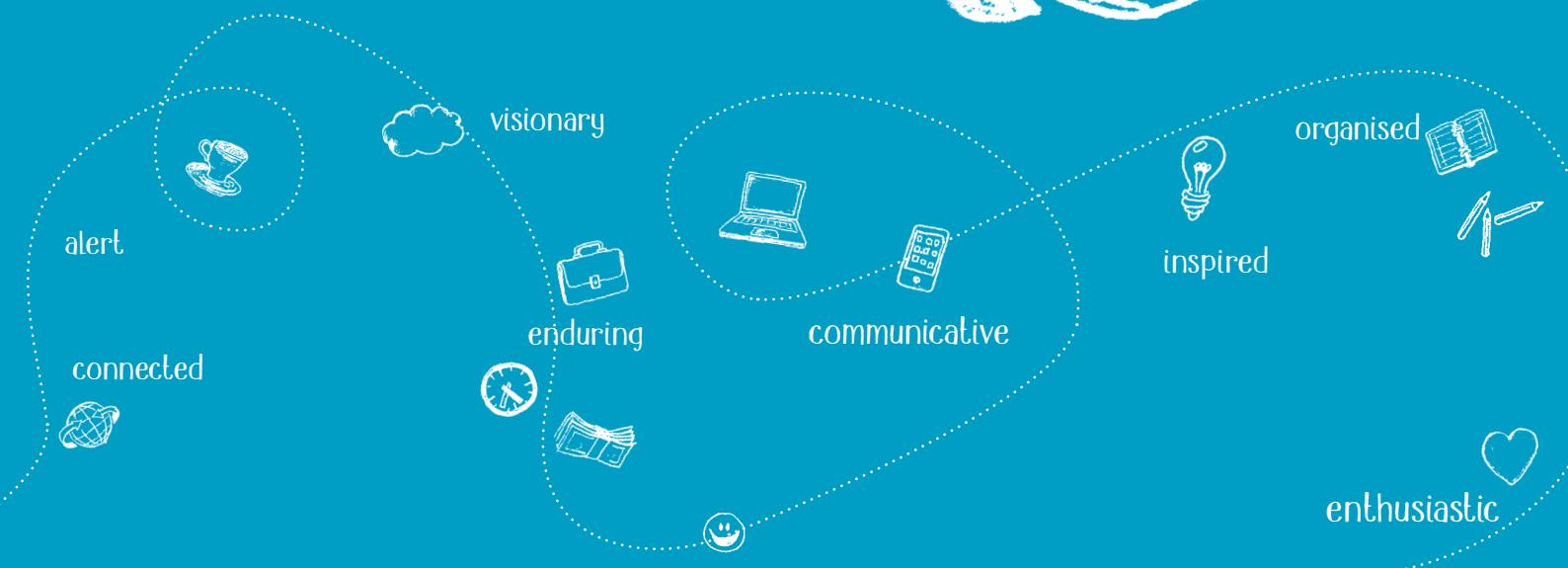
If you want to offer your services abroad as well, you should learn about the respective special features regarding trade, industrial and tax laws.

You can find more detailed information from the Department of Foreign Trade at your Austrian Federal Economic Chamber (contact: wko.at/aussenwirtschaft).

5

NETWORKING

- What information sources are important?
- Where can I best network?
- What information can I also find online?



5.1 AFTER START-UP

Following the successful start-up of your company, you become a member of your professional group/guild/specialist board of your Austrian Federal Economic Chamber. Your specialist representatives within the Austrian Federal Economic Chamber deal with issues affecting your sector and thus represent your interests and are on hand to provide advice and support. You pay a membership fee in exchange for this. Part of your fee, the so-called basic levy, directly benefits your sector representatives and supports them in their work on your behalf.

The Austrian Federal Economic Chamber also offers a wide range of other services: Your district/regional office or your service centre in the Austrian Federal Economic Chamber can provide you with information on the following issues, among other things.

- Which subsidies can I apply for?
- How do I take on my first employee?
- How do I train apprentices?
- How do I go about crossing the border (export)?
- Which collective agreement do I have to use?
- Do I need general terms and conditions?

You can also consult [wko.at](#) – here you will find plenty of leaflets with answers to some of these questions. As an entrepreneur, you will have further access to exclusive information in the 'My sector' area.



OUR TIP: The practice-oriented service handbook 'The Three Year Itch' provides support in the post-start-up phase. You can find us at www.gruenderservice.at/publikationen



5.2. NETWORKS AND PLATFORMS

There is an abundance of offers for entrepreneurs that help simplify starting your own business and your daily work routine, from networks for entrepreneurs and online portals to platforms which support young entrepreneurs. You will find an overview of helpful offers below.

CONTACT	ACTIVITY	WEBSITE
Business start-up service	Comprehensive consultation on starting up a business, NeuFöG consultation, confirmation Trade registration	www.gruenderservice.at www.facebook.com/gruenderservice www.youtube.com/gruenderservice
Austrian Federal Economic Chamber	Service departments (tax, commercial, social and labour law, general legal questions, subsidies) Professional associations (information on branches and collective agreements) District / regional offices (your regional contact person)	http://wko.at
AKM [Society for Authors, Composers and Music Publishers]	Reporting obligations (copyrighted music)	www.akm.at
General accident insurance	AUVA is the social accident insurance institution for those in gainful employment, school pupils, students and kindergarten children, as well as numerous voluntary relief organisations and members of the rescue services	www.auva.at
Offices of provincial government	Licence applications (Application for deferral of reasons for trade disqualification) Surrender of trade authorisation) Recognition/equivalence of professional qualifications acquired in an EU/EEA member state	www.help.gv.at (your official information source)
Chamber of Labour	Provides consultation on the subjects of labour and tax law, consumer protection, work and family, education and health at the work place	www.arbeiterkammer.at
Labour Inspectorate	Monitoring compliance with statutory provisions governing worker protection, etc.	www.arbeitsinspektion.gv.at
Austrian Labour Exchange	Worker/employee referrals Support for unemployed persons in starting up a company Work permits for foreigners, etc.	www.ams.at
Austria Wirtschaftsservice	This federal development bank offers financing to small and medium-sized businesses	www.awsg.at
Austrian Business Agency	Contact point for foreign companies wishing to establish in Austria	http://investinaustria.at

CONTACT	ACTIVITY	WEBSITE
Bank(s)	Financing Subsidy applications	
Accountant(s)	Tax consultation	www.rechenstift.at
Accounting authorities	Authorities responsible for accounting professions (accountants/payroll accountants)	www.bilanzbuchhaltung.or.at
District administration/authorities/offices	Trade registration Application for deferral of reasons for trade disqualification authorisation of business premises application for individual licences appointing managing directors under trade law reporting additional business locations change of business location surrender of trade authorisation	www.help.gv.at (your official information source)
Federal Ministry for Science, Research and Economics	reports on trans-border activities of licensed trades by citizens of an EU/EEA member state	www.bmwf.gv.at
Federal Chancellery	coordination of general government policies, responsible for information activities of the federal government and the constitution; Provision of Legal Information System (RIS)	www.bka.gv.at
Businessplan Plan4You Easy	Plan4You Easy is free business planning software	www.gruenderservice.at/businessplan
i2b Business Plan Competition	Austria-wide business plan competition	www.i2b.at
Data processing register	EDP no.	www.dsb.gv.at
EAN code	European Article Number	
Waste disposal companies	municipal private (e.g. ARA – Altstoff Recycling Austria) You are required to register if you introduce packaging into commercial circulation. Contact your Austrian Federal Economic Chamber for more information.	wwwара.at
EPU	Service and support for Single-Person Businesses (EPU)	http://epu.wko.at
REVENUE OFFICE – for business location (responsible for business partnerships and legal persons/corporate in location bodies where their management is located)	apply for tax ID number within one month after registering your business fill in your questionnaire and send it to the revenue office Apply for a UID (VAT ID) number ongoing payments of taxes and wage taxes Determining corporate income file annual tax return for VAT; corporation tax and capital gains tax as well, for GmbH deleting taxpayer ID number	www.bmf.gv.at

CONTACT	ACTIVITY	WEBSITE
REVENUE OFFICE – residential (responsible for natural persons liable for income tax)	<p>Apply for tax ID number within one month after registering your business</p> <p>fill out the questionnaire and send it to the revenue office</p> <p>Apply for a UID (VAT ID) number</p> <p>ongoing payments of taxes and wage taxes</p> <p>File annual tax return for VAT and income tax</p> <p>deleting taxpayer ID number</p>	www.bmf.gv.at
Company register	entry/registration of companies; sole proprietorships if the annual sales limit of EUR 700,000 is exceeded twice, otherwise registration is voluntary	www.firmenbuch.at
Companies A-Z	enquiries concerning registered firms	http://firmen.wko.at
Support centres	consultation, support	
Franchise Pool of the Economic Chamber	The Franchise Pool of the start-up service of the Austrian Economic Chambers	www.franchiseboerse.at
Woman in Business	lobby groups for female entrepreneurs and network platform	www.unternehmerin.at
District health insurance	register employees prior to beginning work	www.sozialversicherung.at
Community/municipal authority	building permits (change of use) usage authorisations Land use planning	www.help.gv.at (your official information source)
Land register (LR court)	entry in the land register mortgages servitudes, easements building law	www.justiz.gv.at
Junior Chamber	lobby groups for young entrepreneurs and network platform	www.jungewirtschaftschaft.at
Childcare allowance calculator	online advice from Woman in Business	www.kinderbetreuungsgeld.or.at
Apprentices Office of the Austrian Federal Economic Chamber	informal request for apprentice training approval (prior to initial apprenticeship training)	www.wko.at
Master craftsman examination office/office of provincial government	apprenticeship agreements final apprentice examination support for apprentice businesses	
Nachfolgebörsé (succession pool)	trainer, entrepreneur, master, licence examination	www.wko.at
	online platform of the start-up service for business transfers and acquisitions	www.nachfolgeboerse.at

CONTACT	ACTIVITY	WEBSITE
Notary public(s)	consultation and preparation of contracts (obligatory when founding a GmbH)	www.notar.at
Austrian Data Protection Authorities	management of the data handling register and supervising compliance with the Data Protection Act	www.dsk.gv.at
Austrian research support society	national support centre for business research in Austria	www.ffg.at
Österreichische Hotel- und Tourismusbank GmbH	special bank for financing and supporting investments in tourism	www.oeht.at
Austrian Franchising Association	representative of the Austrian franchise industry	www.franchise.at
Austrian Federation of Cooperatives	auditing association of Austrian Credit Union and industrial goods, services and production cooperatives	www.oegv.info
Austrian Standards Institute	Austrian centre for standards	www.as-search.at
Patents Office	trademarks, samples, patent research and registration	www.patentamt.at
Attorney	consultation and preparation of contracts	www.rechtsanwaelte.at
Austrian Federation of Experts	federation of court experts	www.gerichts-sv.at
Sozialministeriumservice (formerly the Federal Social Office)	Grants and offers for company founders and entrepreneurs with disabilities	www.sozialministeriumservice.at
Social Insurance Service for Commerce and Industry	reporting the business start-up within four weeks	www.sva.or.at
	small business regulations possible; certain conditions apply	
Tax consultant(s)	tax consultation, accounting, annual financial statements, etc.	www.kwt.or.at
Corporate consultants	consultation	www.ubit.at
Unternehmensserviceportal (USP)	the business service portal (USP) is the link between management and the economy	www.usp.gv.at
Insurance (private)	for buildings, merchandise, etc., liability, legal protection, business interruption due to illness or accident	
Utilities	electricity, water, gas, telephone, fax, internet, etc.	http://oesterreichsenergie.at (Austrian Association of Electricity Companies)
WIFI Institute for Economic Promotion	vocational education and training	www.wifi.at

5.3 START-UP SERVICES THROUGHOUT AUSTRIA

BURGENLAND

Business Start-up Service
Robert-Graf-Platz 1, 7001 Eisenstadt
Tel.: 05 90 907-2220
Fax: 05 90 907-2115
E-mail: gruenderservice@wkbgl.at

STYRIA

Business Start-up Service
Körblergasse 111-113, 8010 Graz
Tel.: 0316/601-600
Fax: 0316/601-1202
E-Mail: gs@wkstmk.at

CARINTHIA

Business Start-up Service
Europaplatz 1, 9021 Klagenfurt
Tel.: 05 90 904-745
Fax: 05 90 904-744
E-Mail: gruenderservice@wkk.or.at

TYROL

Business Start-up Service
Wilhelm-Greil-Str. 7, 6020 Innsbruck
Tel.: 05 90 905-2222
Fax: 05 90 905-1385
E-Mail: gruenderservice@wktirol.at

LOWER AUSTRIA

Business Start-up Service
Wirtschaftskammer-Platz 1, 3100 St. Pölten
Tel.: 02742/851-17701
Fax: 02742/851-17199
E-Mail: gruender@wknoe.at

VORARLBERG

Business Start-up Service
Wichnergasse 9, 6800 Feldkirch
Tel.: 05522/305-1144
Fax: 05522/305-108
E-Mail: gruenderservice@wkv.at

UPPER AUSTRIA

Business Start-up Service
Hessenplatz 3, 4020 Linz
Tel.: 05 90 909
Fax: 05 90 909-2800
E-Mail: sc.gruender@wkoee.at

VIENNA

Business Start-up Service
Straße der Wiener Wirtschaft 1, 1020 Vienna
Tel.: 01/514 50-1050
Fax: 01/514 50-1491
E-Mail: gruenderservice@wkw.at

SALZBURG

Business Start-up Service
Julius-Raab-Platz 1, 5027 Salzburg
Tel.: 0662/88 88-541
Fax: 0662/88 88-960 541
E-Mail: gs@wks.at

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