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Austria Tax Knowledgebase

Employee personal income tax

Tax residence

Individuals are residents if they are domiciled or have a habitual abode in Austria. A habitual abode is generally assumed if the individual stays in Austria for more than six months.

Conditions for the obligation to file the PIT

Income tax returns can be filed with the local tax office after the end of each calendar year. Separate returns are required for the period in which an individual is resident and for the period in which an individual is non-resident (but with income subject to Austrian taxation).

Joint filing of income tax returns (e.g., for spouses or family members) is not permitted; each individual must file their own annual tax return. Tax returns must be filed by April 30 of the following year (for paper forms) or by the end of June of the following year (for electronic filing). If the taxpayer has only salary income from which wage tax has already been withheld, a tax return can be filed within five years after the end of the tax year.

When filing a tax return, an annual amount of EUR 10,888 is added to a non-resident's taxable income.

This is referred to as a fictitious income addition and is intended to ensure that non-residents are taxed as if they had a minimum level of income in Austria.

Why is this done?

Austria applies progressive income tax rates, meaning that the tax rate increases as income increases. By adding EUR 10,888 to a non-resident's income, Austria ensures that non-residents are taxed at a rate closer to what Austrian residents with similar incomes would pay.

Example scenario:

A non-resident earns EUR 20,000 from Austrian sources.

When they file a tax return, Austria adds EUR 10,888 to their income.

The taxable income used to determine their tax rate is now EUR 30,888 instead of just EUR 20,000.

However, the non-resident only pays tax on their actual Austrian income (EUR 20,000), but at the higher tax rate that applies to EUR 30,888.

This ensures that non-residents don't unfairly benefit from Austria's progressive tax system compared to residents.

Tax report in question (Form name)

Forms for residents:

- E1 Form – Standard income tax return for individuals (self-employed, business income, other taxable income).
- L1 Form – Employee tax return (Lohnsteuerausgleich) for individuals with only salary income.
- L1d Form – Used to claim additional deductions (e.g., work-related expenses, childcare costs).
- L1k Form – For claiming family-related benefits (e.g., family allowance or child deductions).

Forms for non-residents:

- E1 Form – Required for all taxpayers, including non-residents, to declare Austrian-sourced income.
- L1i Form – Additional form for non-residents with limited tax liability (ensures correct taxation).
- E7 Form – Tax assessment form for non-residents, used to determine tax obligations on Austrian income.

Tax year

The tax year for individuals is always the calendar year (1 January - 31 December).

Tax rates

Austria applies a progressive income tax system, meaning that individuals are taxed at different rates depending on their income level. The tax brackets for income generated in 2024 are as follows:

- Up to EUR 12,816 – 0% (tax-free)

- EUR 12,817 to EUR 20,818 – 20%
- EUR 20,819 to EUR 34,513 – 30%
- EUR 34,514 to EUR 66,612 – 40%
- EUR 66,613 to EUR 99,266 – 48%
- EUR 99,267 to EUR 1 million – 50%
- Over EUR 1 million – 55%

Additionally, capital gains are taxed at a rate of 27.5% or 30%, depending on the type of investment. Austria's progressive system ensures that higher earnings are taxed at increasing rates, aligning with the country's tax policies to support social programs and public services.

Tax returns and payment of tax

- **Withholding tax:** Your employer will automatically deduct tax from your salary or wages. This is the income tax that you pay throughout the year.

- **Advance tax payments:** If you earn other types of income (e.g., interest, dividends), you need to make advance payments in four parts throughout the year.

- **Filing your tax return:** You must file your tax return online by June 30 of the year after the tax year. If you have a tax adviser, you may get an extension on this deadline.

- **Final tax assessment:** After you file your return, the tax office will send you an assessment notice, telling you the exact amount of tax you owe. You'll need to pay this within about one month.

- **Interest on late payments:** If you don't pay your final tax by the due date, you will be charged interest from October 1 of the following year until the tax is assessed. The interest rate is the ECB's base rate plus 2%. However, you can avoid paying interest if you make a sufficient payment by September 30.

Remember: Always keep track of your payments and deadlines to avoid interest charges!

Personal deductions (salary)

Employment expenses: You can deduct expenses related to earning your income from your taxable income. Every employee gets a standard allowance of EUR 132. If your expenses exceed this amount, you can still deduct them if you have receipts (e.g., for a home office or continuing education).

Payments of relocation expenses by the employer are exempt from tax if they are made to the employee upon assignment to a different location. The same applies to intra-corporate transferees. Payments of relocation expenses include compensation for travelling expenses incurred by employees and their families to their new place of residence, actual freight charges for household effects, as well as other expenses. No proof of payment is required, with flat-rate compensation capped at a maximum of one-fifteenth of the annual gross income. Please note that this only applies when leaving your current residence.

Employees in Austria can claim the commuting allowance, known as Pendlerpauschale, for travel between their home and workplace if the distance exceeds 20 km, or more than 2 km if using public transport is not feasible. To claim this allowance, employees must submit a signed document to their employer detailing the distance travelled. This distance can be calculated using the official commuter calculator, Pendlerrechner, available at: pendlerrechner.bmf.gv.at/pendlerrechner.

Tax allowances

Deductions from income are available for various losses, special and exceptional expenses, and for disabled individuals and farm and forestry workers. Tax credits are available based on a taxpayer's personal circumstances (for sole earners, sole educators, and employees).

Additional tax reliefs (not mentioned above)

- **Employment expenses:** You can deduct expenses related to earning your income from your taxable income. Every employee gets a standard allowance of EUR 132. If your expenses exceed this amount, you can still deduct them if you have receipts (e.g., for a home office or continuing education).
- **Social security contributions:** The portion of your mandatory social security contributions (whether Austrian or foreign) is tax-deductible.

Deductible employment-related expenses:

- Membership fees to certain organisations (e.g., Chamber of Labour, workers' council).
- Compulsory social and pension insurance contributions.
- Commuting expenses between your home and workplace, with a standard deduction available each month. The amount depends on how far you live from work and whether you can use public transport.
- Work equipment and special work clothes.
- Business travel expenses and per diems.
- Technical literature and training costs.

Personal deductions:

- **Church tax:** You can deduct up to EUR 600 for church tax.
- **Charitable contributions:** Donations to eligible charities are deductible up to 10% of your taxable income.
- **Austrian tax adviser fees:** Fees paid to an Austrian tax adviser are fully deductible.
- **Extraordinary expenses:** If you face unavoidable expenses (like funeral costs or medical expenses not covered by health insurance), you may get tax relief. The relief depends on your income and family situation. The higher your income, the more you may deduct, but a percentage of your income applies. The following retention rates apply:

- Income up to EUR 7,300: 6% retention rate.
- Income between EUR 7,300–14,600: 8% retention rate.
- Income between EUR 14,600–36,400: 10% retention rate.
- Income above EUR 36,400: 12% retention rate.

The percentage is reduced if you qualify for a sole earner or single parent tax credit, are married with a partner earning less than EUR 7,284, or have additional children qualifying for tax-free amounts.

Family bonus plus: This tax credit reduces your tax. You can claim EUR 2,000 per child if they are under 18, reside in Austria, and are eligible for a family allowance. If both parents claim the bonus, each can get EUR 1,000 per year. For children aged 19–24 (up to 25 in some cases), the bonus is EUR 700 per year.

Allowances: Personal allowances directly reduce your tax bill, while family allowances are provided as cash payments. See the "Other tax credits and incentives" section for more details.

Losses:

- **Business losses:** Can be offset against other income and carried forward in the following years.
- **Rental losses:** Cannot be carried forward.

How to submit the tax return

To file a personal income tax return in Austria, follow these steps:

Filing method: Use FinanzOnline for electronic submissions, with the deadline set for June 30 of the year following the assessment year. Paper submissions are due by April 30.

Required forms: Complete the E1 form for general income, and additional forms if you have income from self-employment, rental income, or capital gains.

Supporting documents: Include income statements (e.g., Lohnzettel from employers) and receipts for deductible expenses.

Tax advisor: If represented by a tax advisor, you may receive an extension.

For further guidance, visit the official website: Austria Tax Return Overview.

Employee taxation of income (int, div, royalties)

Interest income: Tax rates

Interest income from publicly placed securities is taxed at a rate of 27.5%, while interest from bank deposits is taxed at 25%. Private loans and securities are taxed at the progressive income tax rate. The tax is withheld by the bank, making it final taxation, and foreign interest income is taxed at a rate of 27.5%. Losses from bank deposits cannot offset interest income, but may offset coupon interest from securities bought after March 2012.

Dividend income: Tax rates

Domestic dividend income is subject to a 27.5% withholding tax (WHT), which is final taxation. Foreign dividends also incur a 27.5% WHT, but only if the bank is aware of the nature of the income. If not, the individual must declare foreign dividends in their tax return. Investors may apply for an assessment to use the average tax rate, with the possibility of crediting foreign taxes up to 15% of the dividend amount.

Capital gains: Tax rates

Capital gains from shares, securities, and financial assets bought after 31 December 2010 (or 30 March 2012 for certain securities) are taxed at a flat rate of 27.5%. Gains from assets bought before these dates (grandfathered assets) are typically tax-free unless the individual owned at least 1% of the company's capital. Losses from capital assets can only be offset against other capital gains within the same year, with certain exceptions.

Royalty income: Tax rates

Royalty income is subject to tax at the regular progressive rates.

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Withholding

Withholding tax on interest: Rates

Interest income from bank deposits is subject to a WHT of 25%, while income from publicly placed securities faces a 27.5% WHT. The tax deducted at the source is generally considered final, satisfying the income tax obligation. However, if foreign interest income isn't subject to WHT, it must be declared and taxed at 27.5%. Negative capital income cannot be offset against positive interest income from bank deposits.

Withholding tax on dividends: Rates

Domestic dividends are subject to 27.5% WHT, while foreign dividends are subject to the same rate if paid to an Austrian bank account. Foreign tax paid on dividends may be credited up to 15%, regardless of the source country's double taxation agreement (DTA). If the taxpayer opts for an assessment, dividends are taxed at the individual's average tax rate, which may be lower than the standard WHT rate.

Withholding tax on capital gains: Rates

Capital gains from the sale of shares and financial assets acquired after 31 December 2010 are taxed at a 27.5% WHT. Realised gains from "grandfathered" assets (those bought before the cutoff date) are tax-free, unless the seller held at least 1% of the company's capital. Capital losses cannot offset interest income from securities bought before the 2012 cutoff, and losses from grandfathered assets are not deductible.

Withholding tax on royalties: Rates

No withholding tax is imposed on royalties paid to a resident. Royalties paid to a nonresident are subject to a 20% withholding tax, but the rate may be reduced or the payments may be exempt under a tax treaty

Fees for technical services:

No withholding tax is imposed on fees for technical or commercial services paid to a resident.
Fees for technical or commercial services paid to a nonresident are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty.

Employee tax - Special regimes to apply

Digital nomads' tax regimen

Austria does not currently have a dedicated digital nomad visa for non-EU, EEA, or Swiss citizens. Instead, these individuals can enter Austria on a tourist visa or a visa-free travel agreement and work remotely for up to three months without any restrictions.

Double taxation agreements (link website)

https://www.usp.gv.at/en/themen/steuern-finanzen/einkommensteuer-ueberblick/weitere-informationen-est/internationales-steuerrecht/doppelbesteuerungsabkommen.html

Expatriate law (Working abroad rules)

How to apply and deadlines for employee

Expatriates are entitled to claim a lump sum for income-related expenses amounting to 20% of their gross salary (after deduction of tax-free payments and preferentially taxed special payments). The lump sum is limited to 10,000 euros per year. Proof of actual income-related expenses is not required. An expatriate is an employee of a foreign company who has worked in Austria for a maximum period of five years has an employment agreement with an Austrian employer (either an affiliated company or a company with operating facilities based in Austria) who has not been living in Austria for the last ten years whose place of residence is abroad and
whose salary is taxed in Austria.