

GMS Flash Alert

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Austria – Changes to Tax Benefits for Skilled Researchers, Academics, Scientists

Scientists and researchers switching their “center of vital interest” (CVI) to Austria may be entitled to claim new attractive Austrian tax benefits.

Obtaining such tax benefits requires the filing of an application with the Austrian Ministry of Finance **within 6 months** from the date of moving to Austria. After that period, claims for the tax benefit are invalid¹.

In addition, for one of the tax allowance benefits, the minimum period of CVI being abroad is reduced from 10 years to 5 years from 2017 onwards – the aim is to attract scientists and researchers to return to Austria.²

WHY THIS MATTERS

The new provisions should enhance the appeal of Austria as a destination for foreign researchers, academics, and scientists.

Global mobility tax professionals, international assignment program managers, and individuals eligible for the new benefits should take note of the changes, as they will affect tax compliance obligations and the timing of assignments, as well as potentially lower assignment costs.

Background

Scientists and researchers switching their CVI to Austria may be entitled to claim the following attractive Austrian tax benefits:

1. Continuing the average foreign tax burden on their foreign income (tax rate of at least 15 percent to be applied);
2. An additional tax allowance of 30 percent of taxable income from scientific and research activities (on Austrian sourced scientific and research income and license fees to the extent that they are taxable in Austria under the taxation with progression rates).

The application for obtaining such tax benefits must be filed with the Austrian Ministry of Finance **within 6 months** from the date of the move to Austria.

The tax rate benefit under point 1 above is available if the CVI has already been outside Austria for 10 years. This tax benefit is also applicable for sports-persons and artists, if the move to Austria has a public interest for Austria.

For the tax allowance benefit under point 2 above, the minimum period for the CVI of an applicant to have been abroad will be reduced from 10 years to 5 years from 2017 onwards (Income Tax Amendment 2016 – AbgÄG 2016), in order to attract scientists and researchers to return to Austria.

KPMG NOTE

In cases where the foreign tax burden of the individual was quite low in the past, the Austrian tax authorities have established that this low tax burden (i.e., at 15 percent) on non-Austrian-sourced income may be maintained for 10 years. After that, the tax rate will be increased by 2 percentage points per year until the rate of 48 percent is reached. Thus, a qualifying individual may be eligible for a lower tax rate in Austria for up to 27 years.

To Whom the Rules Apply

These two tax benefits are applicable for scientists and researchers who are professors and university teachers working in Austrian universities or other institutions offering bachelor degree courses subject to Austrian law, if their teaching is related to their dissertation subject. Individuals who are researchers for the ISTA (Institute of Science and Technology Austria) may also be entitled to the tax benefits.

However, the tax benefits will also be applicable for researchers working more than 50 percent of their time on research projects in Austria if the research would also qualify for the Austrian research tax premium/bonus and the salary of the individual is at least the salary level required for obtaining the Blue-Card-work permit (an annual salary of €59,724 in 2017). Therefore, researchers in the pharmaceutical industry, software industry, mechatronics, etc. may also be entitled to the tax benefits when coming or returning to Austria, if they meet the other conditions for qualification.

KPMG NOTE

Whether an individual is entitled for the two tax benefits must be analyzed on a case-by-case basis. As the tax benefits may be very high, it is important to consult with a professional tax adviser, to analyze the individual's situation and

outline possible alternatives, as well as to help in preparing and filing the necessary application and documentation for the Austrian Ministry of Finance. Due to the rather short time-frame of 6 months after moving to Austria, advance consideration and preparatory action are key.

FOOTNOTES:

- 1 *Zuzugsbegünstigungsverordnung* 2016 ([BGBl II 261/2016 – ZBV 2016](#)).
- 2 § 103 (2) *EStG des Ministerialentwurfes* – [AbgÄG 2016 Regierungsvorlage](#).

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Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in Austria:



Wolfgang Schneider
Tel. +43 1 331 32 3153
wschneider@kpmg.at



Ferdinand Kleemann
Tel. +43 1 313 32 3306
ferdinandkleemann@kpmg.at

The information contained in this newsletter was submitted by the KPMG International member firm in Austria.

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