

## DOING BUSINESS IN AUSTRIA

### BUSINESS START-UPS

#### Business Start-up Promotion Act (Neugründungsförderungsgesetz)

If you intend to set up a company, you will be expected to pay various fees. However, if your business start-up meets specific requirements set forth by what is known in Austria as the Neugründungsförderungsgesetz (which translates as Business Start-up Promotion Act), certain fee exemptions may apply.

Your start-up might be exempt from the following fees:

- **stamp duty (Stempelgebühren),**
- **administrative fees (Bundesverwaltungsabgaben),**
- **real property transfer tax (Grunderwerbsteuer),**
- **court fees (Gerichtsgebühren),**
- **payroll fringe costs (Lohnnebenkosten).**

#### Industrial law (Gewerberecht)

In Austria, several trades require some sort of qualification certificate. You will need a **business license**, especially if the nature of your work requires skilled labour (e.g., a mechanic or a carpenter). The qualification you need to provide depends on the type of business you intend to establish.

#### To obtain a business licence you generally need to:

- have Austrian or EU/EEA citizenship;
- be a natural person aged 19 or older;
- have no reasons for exclusion in your records (e.g., financial offence, court sentence);
- have a business location and, if required, hold an operating licence (Betriebsanlagengenehmigung).

If you intend to establish **a corporation or a partnership**, you must appoint **a managing director** who **holds the right to exercise this trade** (e.g., a carpentry business must have at least one fully qualified carpenter as its managing director).

Sole proprietors are required to designate a licensed managing director if they do not meet the requirements themselves.

There are a lot of unregulated trades for which no qualifications are required (e.g., any kind of trading).

## LEGAL FORMS

In Austria, there are various legal forms to choose from when starting a company:

- **sole proprietorship**

- **corporations:**

- limited liability company (GmbH)
- Flexible Company (FlexCo)
- joint stock corporation (AG)
- *societas Europaea* (SE)
- public or private foundations (Öffentliche Stiftung or Private Stiftung)

- **partnerships:**

- general partnership (Offene Gesellschaft)
- limited partnership (Kommanditgesellschaft)
- partnership under civil law (Gesellschaft Bürgerlichen Rechts)

### Sole proprietor (Einzelunternehmer)

Sole proprietors have unlimited personal liability for all their company's debts and obligations, covering those with both their business assets as well as personal property.

The law does **not require any specific starting capital**.

### Legal forms

In Austria, the legal forms include a joint stock corporation (AG), a private company with limited liability (GmbH), a Flexible Company (FlexCo), and an European company (*societas Europaea* – SE).

#### **The legal forms typically share common characteristics:**

The company itself is a legal entity with its own legal identity. **Proprietors are not personally liable for their company's debts and obligations.** Their liability is limited to the amount of their capital contribution. The law requires a starting capital and the amount of starting capital required depends on the legal form of the entity. Once entered in the commercial register (known as the Firmenbuch), a corporation comes into legal existence.

### Limited liability company (GmbH - LLC)

In Austria, the most popular corporation is the limited liability company, known by its abbreviation GmbH. Proprietors can be individuals or legal entities. A GmbH can also be established by a single shareholder. Each shareholder is required to invest capital in the company. The designation Gesellschaft mit beschränkter Haftung or GmbH must be added at the end of the company name.

A limited liability company's **share capital** amounts to € 10,000.00 (1.1.2024). At the time of incorporation, half of this amount or € 5,000.00 (1.1.2024) must be paid.

## Flexible Company (FlexCo)

The Flexible Capital Companies Act (FlexKapGG) provides for a new form of capital company from 1 January 2024. This legal form is designed to be as flexible as possible in line with stock corporation law. The GmbH Act will apply in a subsidiary capacity.

FlexCos allow, among other things, the issue of so-called "enterprise value shares". Enterprise value shareholders (e.g. investors, employees) are entitled to their share of the net profit and liquidation proceeds, but have no voting rights (with exceptions). The amount of all enterprise value shares must be less than 25% of the share capital. The articles of association must provide that the enterprise value shareholders have a right of first refusal if the founding shareholders sell the majority of their shares.

## Joint stock corporation (AG)

A joint stock corporation is known as an Aktiengesellschaft (AG) and can be established either by natural or legal persons. The designation Aktiengesellschaft or AG must be added at the end of the company name. This legal form is typical for larger business companies.

The corporate bodies of a joint stock corporation are the **general meeting of shareholders** (Hauptversammlung), the **supervisory board** (Aufsichtsrat) consisting of at least three members, and the **board of directors** (Vorstand). Shareholders elect the supervisory board, which then appoints the board of directors.

Setting up a joint stock corporation requires **capital stock in the amount of € 70,000**. Unlike a limited liability company, the capital stock of an AG is split into shares. Similar to a limited liability company, the joint stock corporation must be entered in the commercial register. At least 25 per cent of the stock capital must be paid at the time of registration.

## European company (SE)

A European company (Societas Europaea, SE) is **based on European law**. The advantage of this legal form is that the same law applies to it across Europe. A European company is formed by reorganizing an existing company, for instance through a merger or by converting a joint stock corporation (AG). This explains why start-ups are usually not set up as an SE. The SE must have a **capital stock** of at least **€ 120,000**.

## Foundation (Stiftung)

There are two types of foundations: **public foundations** (e.g., a charity) and **private foundations**. Foundations must be entered in the commercial register. They operate as holding companies and do not engage in trade or commercial activities themselves.

A private foundation must have **assets of at least € 70,000**. Unlike other types of corporations, a private foundation does not have a proprietor. The foundation owns the assets itself.

## Partnerships

Partnerships include **general partnerships (Offene Gesellschaft)**, **limited partnerships (Kommanditgesellschaft)**, **partnerships under civil law (Gesellschaft Bürgerlichen Rechts)**

### Characteristics they share:

All partnerships share the requirement of having at least one partner with unlimited liability. There are no formal requirements for a partnership.

In this case, too, the legal form designation (i.e.: offene Handelsgesellschaft or OG, Kommanditgesellschaft or KG), must be added to the company name.

### General partnerships (Offene Handelsgesellschaft, OG)

To set up a general partnership, two or more natural or legal persons are required. They must assume **personal liability for their company's debts and obligations**, meaning they are liable with both their business as well as their private assets.

No minimum capital stock is required. The proprietors are not obligated to contribute any cash. Any of the proprietors can take on the management of the business.

Partnerships are legalised once entered in the commercial register.

### Limited partnerships (Kommanditgesellschaft, KG)

The structure of a limited partnership (Kommanditgesellschaft or KG) is similar to that of a general partnership (OG) and must also be entered in the commercial register.

The main difference is that **general partners** (Komplementär) have unlimited liability, while **limited partners** (Kommanditist) are **liable only up to the amount of their liability deposit**. The personally liable partner can also be an entity, typically a GmbH, which is then called a GmbH & Co KG.

### Partnership under civil law (Gesellschaft Bürgerlichen Rechts)

A partnership under civil law **does not have its own legal identity**. Therefore, it cannot be entered in the commercial register. It is not a company in its own right. All partners must meet the requirements set forth by industrial law and have unlimited liability. This form is usually established for short-term projects.

## TAXES

The most important taxes are:

- **income taxes**: income tax (Einkommenssteuer), corporate income tax (Körperschaftsteuer) and capital gains tax (Kapitalertragsteuer)
- **value-added tax** (Umsatzsteuer)
- **real property transfer tax** (Grunderwerbsteuer)

## Income taxation

### Income tax (Einkommenssteuer)

Natural persons whose **place of residence** (Wohnsitz) or **habitual residence** (gewöhnlicher Aufenthalt) **is in Austria** are obliged to pay income tax on their **worldwide income**. **Non-resident taxpayers only** need to pay **income tax for their Austrian income**. Generally, earnings are subject to income tax if they fall into one of the seven income categories under fiscal law, which are:

- income from agriculture and forestry;
- income from independent services;
- income from trade and business;
- income from employment;
- income from capital investments;
- income from rent and leasing;
- other earnings.

First, these seven income categories are added up. The basis for income tax calculation is the amount left after subtracting any extraordinary expenses. Income tax in Austria is **progressive, ranging from 0 to 55 percent**.

In Austria, employees receive 14 monthly salaries a year. The 13<sup>th</sup> and 14<sup>th</sup> salaries are subject to tax privileges.

### Companies and income tax

Sole proprietors and partners in partnerships are subject to income tax.

#### Taxation of partnerships:

The partnership itself is not subject to taxation. The profit is directly attributed to the partners, who are then subject to income tax.

### Corporate income tax (Körperschaftsteuer)

The profits of corporations are subject to corporate income tax. Corporate income tax rate is **23 percent in 2024** (non-progressive).

Corporate income tax payers are required to pay a **minimum tax amount** regardless of profitability. **Limited liability companies (GmbH)** and Flexible Companies (FlexCo) are required to pay € 500 annually (as of 1.1.2024).

**Joint stock corporations** must pay a minimum of € 3,500 in taxes.

### Capital gains tax (Kapitalertragsteuer)

Capital gains tax is withheld on dividends paid, interest on bank deposits as well as bonds. For a lot of cases a rate of **27.5 percent is withheld at source**, so individuals are usually not required to pay capital gains tax themselves.

### Value-added tax (Umsatzsteuer)

The VAT rate is **20 percent**. In certain **cases**, this rate has been reduced to **10 or 13 percent**.

### Real property transfer tax (Grunderwerbssteuer)

**Land acquisition** is subject to a **3.5 %** real property transfer tax on the purchase price.

## SOCIAL SECURITY SYSTEM

The social security system in Austria is based on the principle of **compulsory insurance** (Pflichtversicherung). It includes **accident insurance** (Unfallversicherung), **pension insurance** (Pensionsversicherung) and **health insurance** (Krankenversicherung).

Both the employer and the employee contribute to social security. The employer deducts the insurance contribution from the employee's total monthly earnings.

	Contribution of the Employee	Contribution of the Employer
<b>Hourly wage (blue collar)</b>	18.07 %	20.98 %
<b>Salary (white collar)</b>	18.07 %	20.98 %

The maximum monthly contribution base (Höchstbeitragsgrundlage) is € 6,450 (2025).

## ACCOUNTING PRINCIPLES / REPORTING REQUIREMENTS

Accounting principles under tax law expand on the general bookkeeping obligations (Buchführungspflicht) set forth by commercial law (Unternehmensgesetz). Therefore, all taxpayers obliged to keep accounts under commercial law must also do so for tax purposes.

Corporations must maintain account records in accordance with general accounting principles. The same applies to **sole proprietors and partnerships with an annual profit exceeding € 700,000**.

Companies **not subject to the general accounting obligations** can either prepare a revenue and expenditure **statement** (Einnahmen-Ausgabenrechnung) or **opt for lump-sum taxation** (Pauschalierung).

## AUSTRIAN BUSINESS CULTURE

The business culture in Austria at a glance:

A **typical working day** in Austria is from **8:00 am to 5:00 pm**.

Hierarchy and status are important values in Austrian business culture. Ensure your business card includes all your professional and academic titles. When you meet business partners, formally address them by their titles followed by their family names.

If you wish to establish a strong business relationship, punctuality is crucial. Make sure to arrive at meetings well prepared.

When engaging in business small talk you should avoid the topic of World War II and refrain from discussing topics such as money or religion. Make yourself familiar with facts that distinguish Aus-

tria from Germany, as Austrians are proud of the unique features of their country. They consider themselves a 'skiing nation' and take great pride in their successful skiers.

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Despite careful data compilation, we cannot guarantee the accuracy and completeness of the information presented. If you have any further questions, please do not hesitate to contact us. We will be happy to support you at any time within the scope of our professional qualifications.

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