

Austria

Austria		2004			
The tax/benefit position of single persons					
	Wage level (per cent of APW)	67	100	167	67
	Number of children	none	none	none	2
1. Gross wage earnings		16631	24946	41577	16631
2. Standard tax allowances					
Basic allowance		60	60	60	60
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		2995	4492	7487	2995
Work-related expenses		132	132	132	132
Other		953	1119	1452	953
	Total	4139	5803	9130	4139
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		12491	19143	32446	12491
5. Central government income tax liability (excl. of tax credits)		2054	4307	9059	2054
6. Tax credits					
Basic credit		1264	1264	1264	1264
Married or head of family		0	0	0	669
Children					
Other		345	345	345	345
	Total	1609	1609	1609	2278
7. Central government income tax finally paid (5-6)		445	2698	7450	-224
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		2995	4492	7487	2995
Taxable income					
	Total	2995	4492	7487	2995
10. Total payments to general government (7 + 8 + 9)		3440	7190	14937	2771
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	4517
	Total	0	0	0	4517
12. Take-home pay (1-10+11)		13191	17756	26640	18377
13. Employer's wage dependent contributions and taxes					
Employer's social security contributions		3589	5383	8972	3589
Payroll taxes		1247	1871	3118	1247
	Total	4836	7254	12090	4836
14. Average rates					
Income tax		2.7%	10.8%	17.9%	-1.3%
Employees' social security contributions		18.0%	18.0%	18.0%	18.0%
Total payments less cash transfers		20.7%	28.8%	35.9%	-10.5%
Total tax wedge incl. employer's social security contr. and pay-roll taxes		38.6%	44.9%	50.4%	14.4%
15. Marginal rates					
Total payments less cash transfers: Principal earner		47.8%	42.6%	49.7%	47.8%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		59.6%	55.5%	61.1%	59.6%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.
Memorandum item: Non-wastable tax credits					
tax expenditure component		54	54	54	499
cash transfer component		0	0	0	224

Austria		2004			
		The tax/benefit position of married couples			
Wage level (per cent of APW)		100-0	100-33	100-67	100-33
Number of children		2	2	2	none
1. Gross wage earnings		24946	33261	41577	33261
2. Standard tax allowances					
Basic allowance		60	120	120	120
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		4492	5989	7487	5989
Work-related expenses		132	264	264	264
Other		1119	1905	2072	1905
	Total	5803	8279	9942	8279
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		19143	24983	31634	24983
5. Central government income tax liability (excl. of tax credits)		4307	4693	6361	4693
6. Tax credits					
Basic credit		1264	2528	2528	2528
Married or head of family		669	669	0	0
Children					
Other		345	690	690	690
	Total	2278	3887	3218	3218
7. Central government income tax finally paid (5-6)		2029	1919	3143	2588
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		4492	5989	7487	5989
Taxable income					
	Total	4492	5989	7487	5989
10. Total payments to general government (7 + 8 + 9)		6521	7909	10630	8578
11. Cash transfers from general government					
For head of family					
For two children		4517	4517	4517	0
	Total	4517	4517	4517	0
12. Take-home pay (1-10+11)		22942	29869	35463	24684
13. Employer's wage dependent contributions and taxes					
Employer's social security contributions		5383	7177	8972	7177
Payroll taxes		1871	2495	3118	2495
	Total	7254	9672	12090	9672
14. Average rates					
Income tax		8.1%	5.8%	7.6%	7.8%
Employees' social security contributions		18.0%	18.0%	18.0%	18.0%
Total payments less cash transfers		8.0%	10.2%	14.7%	25.8%
Total tax wedge incl. employer's social security contr. and pay-roll taxes		28.8%	30.4%	33.9%	42.5%
15. Marginal rates					
Total payments less cash transfers: Principal earner		42.6%	42.6%	42.6%	42.6%
Total payments less cash transfers: Spouse		16.7%	18.0%	47.8%	18.0%
Total tax wedge: Principal earner		55.5%	55.5%	55.5%	55.5%
Total tax wedge: Spouse		35.5%	36.5%	59.6%	36.5%
Memorandum item: Non-wastable tax credits					
tax expenditure component		723	833	108	164
cash transfer component		0	0	0	0

The Austrian currency is the euro (EUR). In year 2004, EUR 0.8103 was equal to 1 USD (average of eleven months daily exchange rates). In that year the Average Production Worker earned EUR 24 946 (Secretariat estimate).

1. Personal income tax

1.1. Central government income tax

1.11. Tax unit

Each person is taxed separately.

1.12. Tax allowances

1.121. Standard tax reliefs

- Work related expenses: a minimum allowance of EUR 132 is available to all employees.
- Minimum allowance for special expenses EUR 60 (reduced to 0 between income* of EUR 36 400 and EUR 50 900).
- Social security contributions and connected contributions (see Section 2).

1.122. Non-standard tax reliefs

- Mainly work-related expenses (“Werbungskosten”).
- Traffic relief according to the distance between home/address and working place.

Following allowances are deductible from income (EUR per year):

	Public transport	
	Available	Not available
More than 2 km	0	243
More than 20 km	450	972
More than 40 km	891	1 692
More than 60 km	1 332	2 421

- Special expenses allowances (“Sonderausgaben”): Some personal expenses (for example, life insurance premiums, expenses for the purchase of residence including repayments of housing loans) are partly deductible from income. The allowance is limited to EUR 2 920 per taxpayer or EUR 5 840 for sole earners or parents. A quarter of “Sonderausgaben” can be deducted up to a taxable income of EUR 36 400, whereas between EUR 36 400 and EUR 50 900 the deductible amount is (linearly) reduced to zero. Unless higher special expenses can be proved, a standard deduction for “Sonderausgaben” of EUR 60 is granted (see above Section 1.121). Additionally, contributions to the church are deductible up to an amount of EUR 75.

* The income used is taxable income excluding Christmas and leave bonus prior to the deduction of the allowance.

Tax-free supplements for dirty, hard, dangerous, night, weekend and holiday work and overtime. The supplement for five hours of overtime up to EUR 43 per month is tax free, the other supplements are tax free up to EUR 360 (EUR 540 for night workers) per month.

1.123. Adjustments

The data on which the gross earnings of an average production worker are based reflect amounts that form a category of tax-free income (Freibeträge). In order to make the tax calculations as realistic as possible, it is assumed for this Report that 2 per cent of the gross earnings is tax free.

1.13. Rate schedule

The rates of tax are:

Income up to (EUR)	Marginal rate (%)
3 640	0
7 270	21
21 800	31
50 870	41
Above	50

Because of the calculation rules for the general tax credit, the effective tax rates are different from the formal schedule (see Section 1.15).

There is a special taxation apart from the normal tax schedule for Christmas and leave bonus as far as their sum does not exceed two average monthly payments (1/6 of current income). If these bonuses are below EUR 1 950 p.a., no tax is calculated. Otherwise the tax is the minimum of 30 per cent of the amount exceeding EUR 1 950 and of 6 per cent of total bonuses minus a tax-free amount of EUR 620.

1.14. Tax credits

Tax credits are available as follows:

- General tax credit EUR 1 264. The general tax credit is continuously (linearly) reduced by EUR 375 between EUR 10 000 and 15 000 of income, by EUR 272 between EUR 15 000 and 21 800 and by EUR 617 between EUR 21 800 and 35 511, i.e. reduced to 0 for incomes above.
- Employee's tax credit of EUR 54. In the overall tax calculation, negative tax is possible where the amount paid to the taxpayer would equal the gross tax minus tax credits but is limited to 10 per cent of social security contributions to a maximum of EUR 110.
- Traffic (commuting) tax credit EUR 291.
- Sole earner's and sole parent's tax credit of EUR 364. The sole earner's credit is not given when a spouse's income exceeds EUR 2 200 or EUR 6 000 for a family with children. This tax credit is increased by EUR 130 for the first, by EUR 175 for the second and by EUR 220 for the third and every additional child. If there are children, this tax credit is non-wastable and can be paid out as a negative income tax (in addition to the negative tax permitted in respect of the Employee's tax credit).

- Children's tax credit EUR 610.80 per child. As this tax credit is paid together with children allowances and not connected with income tax assessment, it is treated as a transfer – like in the *Revenue Statistics*.
- Tax credit for retired persons EUR 400. This credit is linearly reduced to 0 between 16 715 EUR and 21 800 EUR of income.

1.15. Effective tax schedules for employees

The calculation rules for the general tax credit imply two effective tax rate schedules for employees:

Bracket (EUR)	Rate (%)
3 640	0
7 270	21
10 000	31
15 000	38.5
21 800	35
35 511	45.5
50 870	41
Above	50

1.2. State and local income taxes

None.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employee and employer social security contributions

	Ceilings (EUR)		Rates (%)	
	Regular wage per month	Christmas and leave bonus	Employee ²	Employer ³
Health insurance	3 450	6 900	3.90	3.50
Unemployment insurance	3 450	6 900	3.00	3.00
Pension insurance	3 450	6 900	10.25	12.55
Accident insurance	3 450	6 900	–	1.40
Contribution to the labour chamber	3 450	¹	0.50	–
Contribution for the promotion of residential building	3 450	¹	0.50	0.50
Addition to secure wage payments in the case of bankruptcy	3 450	6 900	–	0.70

1. No contributions on Christmas and leave bonus. In *Revenue Statistics*, the contribution to the labour chamber is accounted under Taxes on Income of Individuals (1110), the total of the contribution for the promotion of residential buildings is included in Taxes on payroll (3000).
2. There is a threshold for employee contributions of EUR 316.19 per month.
3. A new program has been introduced as of January 1, 2004 for severance payments. Employers are required to pay 1.53 per cent of gross wages to the Social Health Security Fund (“Krankenkassen”) for those whose employment starts after January 1, 2004 or where the employer and employee opt to participate in the new program. It is assumed that the wage earners considered in the Report do not participate in this new program.

2.2. Payroll taxes

There are two payroll taxes which are levied for all private sector employees on employers with a monthly gross wage total of more than EUR 1 095: the contribution to the Family Burden Equalisation Fund (4.5 per cent) and the Community Tax (3 per cent). The

wage-dependant part of the contribution to the Entrepreneurs' Chamber (listed under heading 1000, taxes on profits, in the *Revenue Statistics*) which is levied together with contributions to the Family Burden Equalisation Fund at different rates depending upon the Länder Chamber (the average rate is approximately 0.4 per cent) is not taken into account. The contribution for the promotion of residential buildings (listed under heading 3000, taxes on payroll, in the *Revenue Statistics*) is included in the social security contributions shown above as it is levied by the Health Insurance Companies on monthly income (current) along with the other social security contribution amounts.

3. Universal cash transfers

3.1. Amount for marriage

No recurrent payments.

3.2. Amount for children

A family allowance is granted for each child; in 2004 the monthly payment is EUR 105.40 for the first child, EUR 118.20 for the second and EUR 130.90 for subsequent child. It is increased by EUR 7.30 for children above 3 years, EUR 25.50 for children above 10 years of age and by EUR 47.30 for students (above 19). Children under the age of 3 were exempted from the 7.30 EUR increase in 2004, as for these children one parent is entitled to a childcare transfer of 436 EUR per month, introduced in 2002. The children's tax credit (EUR 50.90 monthly, see Section 1.14) is paid out together with the family allowance and therefore treated as a transfer.

There is a supplement to the family allowance of EUR 36.40 monthly for the third and every additional child, if the family taxable income (*i.e.* the sum of the tax base for the progressive IT schedule) of the preceding year did not exceed 12 times the SSC ceiling. This supplement is paid out on application after an assessment of the very year.

4. Main changes in tax/benefit systems since 1994

In this section, all amounts are expressed in Austrian shillings (ATS). In 1994, a major tax reform took effect. Most measures concerned the taxation of firms. For employees the following points are important. The general tax credit was increased by ATS 3 840, *i.e.* ATS 320 monthly. For employees with low income a negative income tax option was introduced (the negative income tax is limited to the wage earner's tax credit, but it cannot exceed 10 per cent of social security contributions).

In 1995, family allowances were reduced by ATS 100 per month (ATS 1 200 per year).

In 1996, a consolidation package was introduced, some measures of which took effect already in 1996. The deductibility of special expenses was reduced (half to quarter) and abolished for incomes above ATS 700 000. Tax free overtime supplements were limited to ATS 590 per month. The general tax credit was linearly reduced to zero between ATS 200 000 and ATS 500 000 of income and there was a change in the deductibility of social security contributions on non-current wages and salaries.

The family package of 1998 brought an increase of ATS 1 500 of the family allowances and the children's tax credits each in 1999. A supplement of ATS 2 400 in 1999 and ATS 4 800 in 2000 for the 3rd etc. child for families earning less than ATS 504 000 was introduced. The sole earner's or sole parent's tax credit negative tax limit was abolished. For 2000 and following years there is another increase of the sum of family allowances and

children's tax credits by ATS 3 000, but the differentiation according to the number of children was transferred to the allowances, i.e. from now there is a unique annual tax credit of ATS 8 400 per child.

The tax reform 1999, effective from the beginning of 2000, brought a reduction of the tax schedule and an increase of the general tax credit leading to a (linearly increasing) tax reduction between ATS 4 000 and 7 000 p.a. The maximum reduction is reached at a gross income near the ceiling for social security contributions. The reform also included a number of other measures which concerned mainly enterprise taxation.

The budget consolidation measures for 2001 included an abolition of the general tax credit for incomes exceeding 487 400 ATS, the halving of the employee's tax credit to 750 ATS and a phasing-out of the pensioner's tax credit between an income of 230 000 and 300 000 ATS. The adaptation of the tax laws to the EURO did not bring any substantive changes. In 2004 (effective), the family allowances for children above three years of age were increased by EUR 7.30 per month.

In 2004, the first step of a comprehensive tax reform came into force. The general tax credit was increased from EUR 887 to EUR 1 264 and the phasing-out rules were considerably simplified and made uniform for all groups of tax payers. The next step, the tax reform 2005, includes some measures which were made retrospective for 2004. These are the increase of the sole earner and the single parent tax credit depending on the number of children (together with a higher earnings limit for the spouse of a single earner) and an increase of the traffic reliefs by about 15%.

5. Memorandum items

5.1. Calculation of earnings data

- Sector used – all employees.
- Geographical coverage – whole country.
- Sex – male and female.
- Earnings base:
 - ❖ Items excluded: Unemployment compensation
Sickness compensation.
 - ❖ Items included: Vacation payments
Overtime payments
Recurring cash payments
Fringe benefits (taxable value).
- Basic method of calculation used: Average annual earnings.
- Income tax year ends: 31 December.
 - Period to which the earnings calculation refers to: one year.

2004 Parameter values

APW-income	Ave_earn	24 946	(Secretariat estimate)
Non current income as %	non_cur_pc	14.286%	
Tax free inc on non-current	bonus	620	
Ceiling for taxing non-current income	nonc_ceil	1 950	
Work related	work_rel	132	
Allowance f."Special expenses"	Basic_al	60	
Basic allowances threshold	Basic_al_thrsh	36 400	
Basic allowance reduction rate	Basic_al_redn	0.4138%	
Tax free inc.	tax_free	2.00%	
Basic tax credit	basic_cr	1 264	
Employee's tax credit	wage_cr	54	
Max. neg. employee's tax credit	neg_wage_cr	110	
Traffic (commuting) tax credit	traffic_cr	291	
Sole earner's (parent's) tax credit	sole_cr	364	
Children suppl.to SETC:			
1st child	dsole1_cr	130	
2nd child	dsole2_cr	175	
3rd + child	dsole3_cr	220	
Spouse income not more than	sole_lim0	2 200	
Spouse with children	sole_lim1	6 000	
Tax on non-current income	non_cur_rate	6%	
Altern.tax on non-current income	alt_nonc_rate	30%	
Income tax schedule	tax_sch(se)	0	3 640
		0.21	7 270
		0.31	10 000
		0.385	15 000
		0.35	21 800
		0.455004	35 511
		0.41	50 870
		0.5	
Ceiling f. soc. security contributions	SSC_ceil	3 450	
lower limit	SSC_low	316.19	
Employees' contr. rates	health_rate	3.90%	
	unemp_rate	3.00%	
	pension_rate	10.25%	
sum without others	empl_14	17.15%	
	others_rate	1.00%	
Employers' contr.rates	health_empr	3.50%	
	unemp_empr	3.00%	
	pension_empr	12.55%	
	accident_empr	1.40%	
	payinsur_empr	0.70%	
sum without others	empr_14	21.15%	
	others_empr	0.50%	
Pay roll taxes	payroll_rate	7.50%	
Child benefit:			
1st child	CB_1	1 264.80	
2nd child	CB_2	1 418.40	
3rd+ child	CB_3	1 570.80	
suppl.> 3 years	CB03sppl	87.60	
suppl.> 10 years	CB10sppl	306.00	
suppl > 19 years	CB19sppl	567.60	
Child credit first	child_cr_1	610.80	

2004 Tax equations

The equations for the Austrian system are, in principle, on an individual basis. The only variable which is dependent on the marital status is the head of family (sole earner) tax credit which is also given to single people with children. For the Christmas and leave bonus (both amounting to one monthly wage or salary) there are special rules for the calculation of social security contributions (separate ceilings and slightly lower rate) and wage tax (reduced flat rate). The income tax schedule and the tax credits are applied only for “current pays”. The general tax credit varies with income, and for lower incomes it is also different between sole earners and other tax payers. Therefore, instead of the formal tax schedule (0%-21%-31%-41%-50%), the schedule of effective tax rates is included. The children tax credit is in principle given to the mother (as a negative tax together with “family allowances” = transfer for children). The sole earner and the employee tax credit are connected with negative income tax rules. Therefore, the tax finally paid may be different from tax liability minus tax credits.

Bn	Variable	Code for docn equations	Excel-Function
3	earnings (%APW)	percent	0, , 1 or 1 2/3 in APW tables
4	number of children	child	0 or 2 in APW tables
5	Gross earnings	earn	=Ave_earn*percent
6	Current income	cearn	=(1-non_cur_pc)*earn
7	Basic allowance	allow	=(earn>14*SSC_low)*Taper(Basic_al;cearn-SSCc-work_rel-taxfrinc;Basic_al_thrsh;Basic_al_rdn)
8	SSC on curr.inc.	SSCc	=(empl_14+others_rate)*MIN(12*SSC_ceil;cearn)*(cearn>12*SSC_low)
9	Work related expenses	work_rel	=work_rel
10	Tax-free income	taxfrinc	=tax_free*earn
11	Tax base for schedule	ctbase	=(earn>14*SSC_low)*(cearn-allow-SSCc-work_rel-taxfrinc)
12	Gross tax on current income	gtaxcur	=Tax(ctbase;tax_sch)
13	Basic tax credit	btaxcr	=(earn>14*SSC_low)*basic_cr
14	Married or head of family	headcr	=(earn_sp<IF(child>0;sole_lim1;sole_lim0))*(sole_cr+(child>0)*dsole1_cr+(child>1)*dsole2_cr+(child>2)*dsole3_cr)
15	Other	othcr	=min(wage_cr;10%*SSC)+traffic_cr
16	Interm. tax on current income	itcur	=gtaxcur-btaxcr-headcr-othcr
17	Net tax on current income	ntaxcur	=IF(itcur>0; itcur;MAX(itcur;-0,1*SSC-(child>0)*headcr; -neg_wage_cr-(child>0)*headcr))
18	Non current income	ncearn	=earn-cearn
19	SSC on non-curr. inc.	SSCnc	=(health_rate+unemp_rate+pension_rate)*MIN(2*SSC_ceil;ncearn)*(ncearn>2*SSC_low)
20	Non current income-SSC	ncearn_adj1	=ncearn-SSCnc
21	of which tax free	taxfree	=MIN(bonus;ncearn_adj1)
22	Non-curr. tax base	ncearn_adj2	=ncearn_adj1-taxfree
23	Tax on non current income	taxnc	=Positive(MIN((ncearn_adj1-nonc_ceil)*alt_nonc_rate;ncearn_adj2*non_cur_rate))
24	Taxable income	taxinc	=ctbase+ncearn_adj2
25	Tax liability excl. tax credits	inctax_ex	=gtaxcur+taxnc
26	Income tax finally paid	inctax	=ntaxcur+taxnc
27	Employee's SSC	SSC	=SSCc+SSCnc
28	Employer's SSC	SSCf	=(empr_14+others_empr)*MIN(12*SSC_ceil;cearn)+empr_14*MIN(12*SSC_ceil;ncearn))
29	Pay-roll taxes	payroll	=payroll_rate*earn
30	Cash transfers	cash	=IF(child<2;child*(CB_1+CB10sppl);CB_1+CB_2+(child-2)*(CB_3+CB03suppl)+2*CB10sppl+child*child_cr_1 (for singles and spouses in the married couple cases)

Bn	Variable	Code for docn equations	Excel-Function
31	Take-home pay		=earn-inctax-SSC+cash
32	Wage cost		=earn+SSCf+payroll
	non-wastable tax credits		
	tax expenditure component	taxexp	=-MIN(inctax;-headcr-wage_cr-(othcr of spouse>0)*MAX(wage_cr;-inctax of spouse))-transfer
	cash transfer component	transfer	=IF(inctax<0,-inctax,0)

Key to range of equation:

B calculated separately for both principal earner and spouse.

P calculated for principal only (value taken as 0 for spouse calculation).

J calculated once only on a joint basis.

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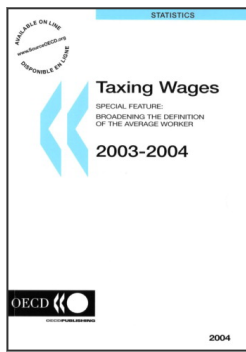
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