

# International Tax Review

Current information on  
international tax  
developments provided by EY  
Austria

## Austria: COVID-19 Investment Premium Act and Funding Directive published

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### Content

- 01 Austria: COVID-19 Investment Premium Act and Funding Directive published
  - 03 Austria: Extension of the COVID-19 Fixed-Cost Subsidy
  - 04 Austria: Supplementary prepayment of income tax/corporate income tax 2019
  - 04 Austria: Application for reduction of income tax/corporate income tax prepayments 2020 by 30 September 2020
  - 05 Austria: Extension of COVID-19 Short-Time Work
  - 06 OECD Developments
  - 06 Country Updates
- 

The Investment Premium Act (IPA) was published on 24 July 2020 in the Austrian Federal Law Gazette (BGBl. I No. 88/2020, see our International Tax Review No. 08/2020 from 1 July 2020). The related funding directive "COVID-19 Investment Premium for Companies" was published on 11 August 2020. The aim of the investment premium is to create an incentive for businesses to invest during and after the COVID-19 crisis. Implementation is carried out by the Austria Wirtschaftsservice GmbH (aws). Funding takes the form of non-repayable grants in an amount of 7%/14% of the investment amounts.

According to Section 1 (3) IPA, a maximum of EUR 1 billion in funding will be made available. As the grants are awarded chronologically according to the order in which the full applications are received, applications should be submitted as soon as possible (possible from 1 September 2020, exclusively online through <https://foerdermanager.aws.at>).

The funding will be available for investments in tangible and intangible depreciable new and used fixed assets of a business in Austrian locations, for which funding is applied for between 1 September 2020 and 28 February 2021. Initial investment-related measures must be taken between 1 August 2020 and 28 February 2021.

Initial investment-related measures can be orders, deliveries, the commencement of services, (pre)payments, invoices, the conclusion of a purchase contract or the start of construction. Planning services, obtaining regulatory approvals and financing discussions, financing applications or financing commitments are no initial measures according to the directive and are harmless if they were already carried out before 1 August 2020.

## Austria: COVID-19 Investment Premium Act and Funding Directive published

The investments must be implemented by 28 February 2022 at the latest. That means they must have been put into operation and paid. In case of an investment volume of more than EUR 20 million, this period is extended to 28 February 2024. Funded assets must remain in a permanent establishment in Austria for at least 3 years (blocking period).

The volume of investment supported is limited to a minimum of EUR 5,000.00 per application and a maximum of EUR 50 million (each excluding VAT) per business (or per group with mandatory preparation of consolidated annual financial statements).

The following investments do not entitle to a grant:

- ▶ Capitalized own services;
- ▶ Leasing-financed investments (unless they are capitalized in the books of the applicant);
- ▶ The acquisition of buildings and shares in buildings except for the direct acquisition from property developers, considering the subsequent two points;
- ▶ The acquisition of land;
- ▶ (Expansion-) construction of residential buildings for sale or rent to private individuals;
- ▶ Costs of a business purchase via asset deal or take-over;
- ▶ The acquisition of participations, shares or goodwill;
- ▶ Financial assets;
- ▶ VAT payable on the investment (unless it is actually and definitively borne by the applicant);
- ▶ Investments harmful to the climate.

Harmful to the climate are the construction or extension of installations for the production, transportation or storage of fossil fuels, as well as the construction of installations that directly use fossil fuels. This includes trucks and cars. However, the purchase of certain electric vehicles and plug-in hybrid and range extender vehicles is supported.

The scope of the 14% investment premium covers all investments listed in annexes 1 to 3 of the directive. Annex 1 describes investment measures for greening, including for example thermal building renovation, energy saving in businesses, photovoltaic systems and electricity storage systems. Annex 2 includes investments in digitalization such as hardware, acquisition of new software and infrastructure (excluding structural measures) relating to investments in digital infrastructure, digitalization of business models, IT- and cybersecurity, e-commerce and home office equipment. Annex 3 describes health and life science investments, i.e. investments in facilities for the development and production of pharmaceutical products and products of strategic importance in pandemics (e.g. protective masks and clothes, disinfectants or respiratory equipment for intensive care).

The applicant must submit a final settlement to AWS no later than three months from taking the last asset into operation and payment. For funding amounts of EUR 12,000.00 and above, the final settlement must also be confirmed by a statutory auditor, tax advisor or accountant. AWS will check the final settlement before granting the funding.

## Austria: COVID-19 Investment Premium Act and Funding Directive published

In principle, the funding is paid as a one-time payment after presentation and verification of the final settlement to an Austrian bank account. An interim payment may be requested for an investment volume of more than EUR 20 million and with evidence of realization of at least half of the fundable investment volume.

The legislative text can be found under [https://www.ris.bka.gv.at/Dokumente/BgblAuth/BGBLA\\_2020\\_I\\_88/BGBLA\\_2020\\_I\\_88.html](https://www.ris.bka.gv.at/Dokumente/BgblAuth/BGBLA_2020_I_88/BGBLA_2020_I_88.html) and the funding directive can be found under <https://www.bmdw.gv.at/Themen/International/covid-19/Unterstuetzung-fuer-Unternehmen.html>.

## Austria: Extension of the COVID-19 Fixed-Cost Subsidy

### *Fixed-Cost Subsidy*

On 24 August 2020, in order to further support the recovery of the Austrian economy due to COVID-19 and to maintain liquidity and to bridge liquidity shortages of businesses, the Austrian Federal Ministry of Finance published the directive to extend the fixed-cost subsidy scheme by another six months until March 2021 (for details of the fixed-cost subsidy in stage 1 see our International Tax Review No. 7/2020 of 3 June 2020). The directive is subject to state aid approval by the EU commission. The total volume of fixed cost subsidies of both stages shall add up to EUR 12bn. The final version of the directive will be published in the Austrian Federal Law Gazette.

The basic requirement for a fixed cost subsidy stage 2 is a loss of sales of at least 30% in a specific period due to COVID-19. The % of the subsidy equals the decrease of sales. Entities can receive subsidies of up to 100% of fixed costs. Actual fixed costs incurred in 2020 are the basis to calculate the subsidy. The non-refundable subsidy will be limited with EUR 5m in stage 2.

Sales of the third and fourth quarter of 2020 must be compared to sales of the third and fourth quarter 2019 to calculate the loss of sales. As an alternative, up to six connected monthly observation periods may be chosen for the period of 16 June 2020 to 15 March 2021.

Again, there will be no fixed cost subsidy in case of dividend distributions or repurchase of own shares in the period of 16 March 2020 to 16 March 2021; there must be a moderate dividend distribution practice until 31 December 2021. The subsidy must not be used to pay bonuses to the managing directors

In the second stage of the fixed-cost subsidy, fixed costs also include depreciation of fixed assets, lease payments and final frustrated expenses.

Applications must be filed electronically via FinanzOnline (no paper filing possible) by 31 August 2021.

The publication of the final directive remains to be seen.

## Austria: Supplementary prepayment of income tax/corporate income tax 2019

*Income Tax Act*  
*Corporate Income Tax Act*

If the income tax/corporate income tax 2019 of a taxpayer has not been assessed by 30 September 2020, any excess of the later assessed income tax/corporate income tax 2019 over earlier made income tax/corporate income tax prepayments 2019 will be subject to interest charged by the tax office at a current rate of 1.38% per year. To avoid the assessment of such (not tax-deductible) interest a supplementary prepayment has to be made to the tax office before 1 October 2020.

## Austria: Application for reduction of income tax/corporate income tax prepayments 2020 by 30 September 2020

*Income Tax Act*  
*Corporate Income Tax Act*

If the actual income tax/corporate income tax on the estimated taxable income 2020 is expected to be lower than the current income tax/corporate income tax prepayments 2020, it is possible to file an application for reduction of the income tax/corporate income tax prepayments with the competent tax office by 30 September 2020 at the latest. The application has to be supplemented by a detailed forecast of the taxable income 2020.

## Austria: Extension of COVID-19 Short-Time Work

*Short-Time Work*

The Austrian Federal Government has reached an agreement with the social partners, so that COVID-19 short-time work will be extended for another six months from 1 October 2020 (phase 3). The current phase 2 will continue until 30 September 2020 (see our International Tax Review No. 05/2020 from 7 April 2020).

In the extended model, as announced, it will be possible to reduce working time to 30% to 80% instead of 10% to 90%, although in special cases it should also be possible to fall below 30%. As currently, employees should continue to receive 80/85/90% of the net wage before short-time work. The lost working time (i.e. the reduced hours) is compensated by the Austrian Labor Market Service by means of a short-time work allowance in accordance with fixed flat rates. The retention obligation for employees after the end of short-time of one month shall remain unchanged. For employees, compulsory readiness for further training in non-working hours is to be introduced. In order to demonstrate economic concern and to prevent abuse, companies will have to submit a forecast calculation when applying for short-term work in phase 3.

The publication of the guideline remains to be seen.

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## OECD Developments

### *OECD Developments*

- ▶ PE Watch: latest developments and trends, August 2020 [▶ Read more](#)
- ▶ OECD report forecasts falling tax revenues in Asian and Pacific economies as a result of COVID-19 pandemic [▶ Read more](#)
- ▶ OECD releases ninth batch of peer review reports on BEPS Action 14 related to improving dispute resolution [▶ Read more](#)
- ▶ OECD issues report to G20 finance ministers and Central Bank governors and hosts webcast to provide update on tax work [▶ Read more](#)

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## Australia

### *Country Updates*

- ▶ Australian Taxation Office issues compliance guidelines for outbound interest-free related party loans [▶ Read more](#)
- ▶ Australia: detailed analysis on final taxation ruling and guidance on the Australian thin capitalization arm's-length debt test [▶ Read more](#)
- ▶ Australian Taxation Office issues final guidance on thin capitalization arm's-length debt test and draft guidance on "outbound" interest-free loans [▶ Read more](#)
- ▶ Australia announces changes to broaden JKP eligibility criteria [▶ Read more](#)

## Belgium

- ▶ Belgium's Tax Authority publishes MDR FAQs [▶ Read more](#)

## Brazil

- ▶ Brazil's tax reform proposal would affect taxpayers participating in certain special regimes, including customs incentives [▶ Read more](#)
- ▶ Brazil's proposed federal VAT would increase tax rates for Brazilian banks and other financial institutions [▶ Read more](#)
- ▶ Brazil's proposed VAT on royalties and digital platforms/marketplace could affect technology, media & entertainment, and telecom sectors [▶ Read more](#)

## Canada

- ▶ US imposes 10% punitive tariff on Canadian-origin aluminum; Canada announces countermeasures in response [▶ Read more](#)
- ▶ Finance Canada announces extension to incur flow-through qualifying expenditures [▶ Read more](#)
- ▶ Canada redesigns and extends Canada Emergency Wage Subsidy [▶ Read more](#)

## Country Updates

### Colombia

- ▶ Colombia issues regulations on income tax credit for VAT paid on Real Productive Fixed Assets [▶Read more](#)
- ▶ Colombia issues regulation on deferring income from private equity or collective investment funds, as well as rules on permanent establishments [▶Read more](#)

### Cyprus

- ▶ Russia and Cyprus reach consensus over tax treaty [▶Read more](#)
- ▶ Cyprus postpones MDR reporting deadlines for six months [▶Read more](#)

### Ecuador

- ▶ Ecuadorian Constitutional Court declares unconstitutional executive decree requiring estimated income tax payments for fiscal year 2020 [▶Read more](#)
- ▶ Ecuador issues regulations on VAT on digital services [▶Read more](#)
- ▶ Ecuador requires certain taxpayers to pay estimated income taxes for fiscal-year 2020 [▶Read more](#)
- ▶ Ecuador modifies transfer pricing rules [▶Read more](#)

### Ghana

- ▶ Ghana extends relief measures in response to COVID-19 [▶Read more](#)

### Greece

- ▶ Greece amends taxation of legal entities [▶Read more](#)
- ▶ Greece introduces new tax dispute resolution mechanisms [▶Read more](#)
- ▶ Greece publishes Mandatory Disclosure Rules legislation: a detailed overview [▶Read more](#)

### Hong Kong

- ▶ Hong Kong enacts new legislation providing tax incentives for insurance-related businesses [▶Read more](#)

### India

- ▶ India publishes detailed guidance on Mutual Agreement Procedure [▶Read more](#)

### Ireland

- ▶ Ireland announces temporary reduction in VAT rate as part of July 2020 stimulus plan [▶Read more](#)

## Country Updates

### Italy

- ▶ Italy approves legislation to implement Mandatory Disclosure Rules [▶ Read more](#)

### Japan

- ▶ Japanese tax authorities reorganize tax audit teams into single unit to cover domestic, international and transfer pricing issues [▶ Read more](#)

### Kenya

- ▶ Kenya deposits its instrument of ratification of the Convention on Mutual Administrative Assistance in Tax Matters with the OECD [▶ Read more](#)
- ▶ Kenya amends recently gazetted DTA with Mauritius [▶ Read more](#)
- ▶ Kenya gazettes Double Taxation Avoidance Agreement with Mauritius [▶ Read more](#)

### Korea

- ▶ Korea announces 2020 tax reform proposals [▶ Read more](#)

### Lithuania

- ▶ Lithuania postpones MDR reporting deadlines for six months [▶ Read more](#)

### Luxembourg

- ▶ Luxembourg enacts deferral of MDR reporting deadlines for six months [▶ Read more](#)

### Mauritius

- ▶ Kenya amends recently gazetted DTA with Mauritius [▶ Read more](#)
- ▶ Kenya gazettes Double Taxation Avoidance Agreement with Mauritius [▶ Read more](#)

### Mexico

- ▶ Mexico amends customs rules for 2020, impacting maquiladoras and others [▶ Read more](#)

### Oman

- ▶ Oman's Majlis Al Shura approves VAT law [▶ Read more](#)

## Country Updates

### Panama

- ▶ Panama's National Assembly approves bill creating "EMMA" special regime for manufacturing services [▶Read more](#)
- ▶ Panamanian Tax Authority includes new category for foreign companies acting as legal representatives of Panamanian corporations within Registry of Taxpayers of e-tax 2.0 system [▶Read more](#)
- ▶ Panamanian Ministry of Commerce and Industries proposes creating special regime for manufacturing services [▶Read more](#)

### Peru

- ▶ Peru simplifies procedure for foreign tourists to claim a VAT refund [▶Read more](#)

### Portugal

- ▶ Portugal postpones MDR reporting deadlines for six months [▶Read more](#)
- ▶ Portugal transposes EU ATAD Directives regarding hybrid mismatches into domestic tax law [▶Read more](#)

### Puerto Rico

- ▶ Puerto Rico's Treasury Department postpones certain filing and payment due dates because of Tropical Storm Isaias [▶Read more](#)

### Russian Federation

- ▶ Russia and Cyprus reach consensus over tax treaty [▶Read more](#)

### Rwanda

- ▶ Rwanda announces requirements for VAT exemption applications on imported machinery, capital goods and raw materials [▶Read more](#)

### Saudi Arabia

- ▶ Saudi Arabia extends economic relief initiatives for three months [▶Read more](#)
- ▶ Saudi Arabian Tax Authority clarifies rules on capital gains [▶Read more](#)
- ▶ Saudi Arabian tax authority implements electronic filing of contract information [▶Read more](#)

### Slovakia

- ▶ Slovakia postpones MDR reporting deadlines for six months [▶Read more](#)

## Country Updates

### South Africa

- ▶ South African Government releases draft 2020 Tax Law Amendment Bills [▶ Read more](#)

### Suriname

- ▶ Suriname announces new and amended tax measures to mitigate impact of COVID-19 [▶ Read more](#)

### United States

- ▶ Report on recent US international tax developments - 14 August 2020 [▶ Read more](#)
- ▶ Report on recent US international tax developments - 7 August 2020 [▶ Read more](#)
- ▶ Report on recent US international tax developments - 31 July 2020 [▶ Read more](#)
- ▶ US imposes 10% punitive tariff on Canadian-origin aluminum; Canada announces countermeasures in response [▶ Read more](#)
- ▶ US final and proposed regulations under Section 163(j) narrow definition of business interest expense, expand anti-avoidance rules and substantially revise rules for foreign corporations [▶ Read more](#)
- ▶ US: "Tested unit" standard in final GILTI regulations limits aggregating items of income, while proposed regulations would adopt the same standard for subpart F income high-tax exception [▶ Read more](#)

### Uruguay

- ▶ Uruguay further extends deadline for informing Central Bank of chain of ownership [▶ Read more](#)
- ▶ Uruguay extends deadlines for certain estimated tax payments due to COVID-19 [▶ Read more](#)

### Zimbabwe

- ▶ Zimbabwe presents 2020 mid-term budget proposals [▶ Read more](#)

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