

Mobility: Tax alert

April 2022



Austria

New wage tax exemption for profit sharing payments made to employees

Executive summary

Austria's latest tax changes for 2022 have now been published in the federal gazette. Amongst several ecologically driven changes, it includes a new wage-tax exemption for profit share payments to employees. The value of the exemption is up to 3,000 EUR per employee per calendar year and it applies retrospectively for payments from 01 January 2022.

Key issues

Only certain payments qualify for the exemption and the most important aspect is that the awards represent a share of the profit of the employer being distributed to employees in addition to their regular reward package. Key requirements for the exemption are:

- The profit-sharing awards must be offered to all employees or groups of employees as per a definition that is set out in the law.
- The total of the profit participations paid out may not exceed the company's EBIT (Earnings Before Income Taxation). If this ceiling is exceeded, the employer is liable for wage-tax applicable on the excess amount.

- In the case of international groups, the profits concerned are those of the Austrian entity.
- The wage-tax exempt is applicable for awards made in 2022 that relate to company profits of the (financial) year 2021.
- The award may not be based on a statutory wage directive and may not be paid instead of existing wages or instead of a wage increase that might normally have occurred. This last point is of course complex and whether it applies needs to be considered on a case-by-case basis.

Next steps

Employers in Austria should consider implementing these special arrangements to provide their employees with a tax-free payment which may become a key part of the employee value proposition in the Austrian labor market.

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