



Chandrawat
& Partners

Doing business in AUSTRIA

A comprehensive guide to doing business

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Introduction

Austria, located in the center of Europe, offers an intriguing landscape for international commercial enterprises. Austria's geographical location acts as a gateway to the larger European market, giving enterprises unique access to a consumer base of more than 500 million people. The country's well-developed infrastructure, which includes contemporary transportation networks and powerful communication systems, makes cross-border connectivity even easier.

Austria, being a country with a good standard of living and a stable economy, provides a plethora of chances for enterprises looking to broaden their horizons. The emphasis on professionalism and dependability is a defining feature of Austrian corporate culture. Punctuality is highly valued, and formal communication techniques are preferred, reflecting the country's commitment to precision and attention to detail. Furthermore, Austria's workforce is distinguished by a high level of education and multilingualism. This pool of talented labor contributes to the country's status as an innovation and technology hotspot, drawing enterprises wanting to capitalize on a knowledge-driven economy.

Austria enjoys a business-friendly regulatory environment with transparent legal procedures. The country consistently scores high in terms of ease of doing business. Furthermore, Austria's dedication to environmental sustainability is consistent with worldwide trends, encouraging sustainable business practices and providing opportunities for environmentally concerned businesses.

Economic Review

Austria boasts a highly developed and prosperous economy that ranks among the wealthiest nations in the European Union. Known for its stability and strong social market economy, Austria offers favourable conditions for businesses to flourish. Here are some key highlights of Austria's economic landscape:

GDP and Key Sectors:



Austria has a robust and diversified economy. In 2023, its GDP is expected to reach approximately 473.29 USD Billion, with a per capita GDP of around 56,506 USD. Key sectors driving Austria's economy include services, industry and agriculture. The services sector, encompassing tourism, finance and professional services, contributes significantly to the country's GDP. The industrial sector, particularly manufacturing, focuses on machinery, automotive, chemicals and technology. Agriculture, although smaller in scale, plays a vital role in rural areas.

International Trade:



Austria has a strong presence in international trade. It enjoys a favourable geographic location, acting as a gateway to both Western and Eastern European markets. Germany, Italy and Switzerland are among its top trading partners. Key exports include machinery, vehicles, chemicals, pharmaceuticals and electrical equipment. Austria also imports a wide range of goods, including energy, machinery, vehicles, consumer goods and chemicals.

Business Environment:



Austria offers a stable and business-friendly environment for entrepreneurs. The country boasts a well-developed infrastructure, efficient transportation networks and reliable utilities. Additionally, Austria has a skilled and highly educated workforce, supporting innovation and productivity. The government promotes entrepreneurship and fosters a favourable regulatory framework that encourages foreign investment and business development.

Innovation and Research:



Austria places a strong emphasis on research and development and innovation. The country has a well-established network of research institutions and universities that collaborate with businesses to drive innovation. Government incentives, such as grants, tax credits and R&D funding, support companies in their pursuit of technological advancements and product development.

Austria has a well-regulated and stable financial system. The country's banking sector is renowned for its reliability and prudent management. Austria's financial institutions offer a wide range of financial services, including banking, insurance and investment opportunities. The country's membership in the Eurozone provides monetary stability and facilitates international transactions.

Financial Stability:



Foreign direct investment policy



Austria has a liberal and open Foreign Direct Investment (“FDI”) policy that encourages foreign investment and fosters a favorable business environment. The government aims to attract and promote foreign investment to drive economic growth, innovation and job creation. Here are some key aspects of Austria's FDI policy:

Non-Restrictive FDI Regime: Austria maintains a non-discriminatory and non-restrictive approach to FDI. Foreign investors are treated on an equal footing with domestic investors, enjoying the same rights and protections. There are no specific sectoral restrictions on foreign ownership and most sectors are open to foreign investment.

Investment Protection: Austria has strong legal frameworks in place to protect the rights and interests of foreign investors. The country offers comprehensive legal protection, ensuring fair and equitable treatment, protection against expropriation and the ability to repatriate profits and capital. Dispute resolution mechanisms are available, including access to international arbitration.

Investor-Friendly Business Environment:

Austria is known for its stable political and economic climate, providing a secure and predictable business environment for investors. The country offers a well-developed infrastructure, efficient administration and transparent regulatory procedures. The government actively supports and encourages foreign investment through various incentives and initiatives.

Investment Incentives: Austria provides a range of incentives to attract foreign investment. These incentives include grants, subsidies and tax incentives at both the national and regional levels. Support programs are available for research and development, innovation, technology transfer and environmental sustainability. Foreign investors can benefit from these incentives to reduce costs and enhance their competitiveness.

FDI Screening Mechanism: Austria does not have a formal FDI screening mechanism in place. However, certain sectors, such as defence and national security, may require approvals or clearances from relevant authorities. These sectors are subject to specific regulations aimed at safeguarding national interests and security.





Key Sectors

Manufacturing: Manufacturing is a cornerstone of Austria's economy, with a strong emphasis on high-quality and technologically advanced products. The manufacturing sector encompasses a wide range of industries, including machinery and equipment, automotive, metals and metal products, chemicals, pharmaceuticals and electronics. Austrian manufacturers are known for their innovation, precision engineering and reliability, enjoying a strong reputation in global markets.

Services: The services sector is a significant contributor to Austria's GDP. It includes a range of industries such as finance, insurance, real estate, business services, and information technology and telecommunications. Austria has a well-developed financial services industry, with a stable banking sector and robust insurance market. The country also offers a favourable environment for professional services, including legal, accounting, consulting and engineering.

Tourism and Hospitality: Austria is renowned for its natural beauty, historical sites, cultural heritage and Alpine landscapes, making tourism a vital sector. The country attracts millions of international visitors each year, particularly to popular destinations such as Vienna, Salzburg, Innsbruck and the Austrian Alps. The tourism sector contributes significantly to employment, regional development and the hospitality industry, including accommodation, food and beverage services and leisure activities.

Energy and Environmental Technology: Austria has a strong focus on renewable energy and environmental sustainability. The country has made substantial investments in renewable energy sources, such as hydropower, wind energy and solar power. Austrian companies are at the forefront of energy efficiency technologies, waste management, water treatment and sustainable construction. The energy and environmental technology sector presents significant opportunities for innovation and growth.

Information Technology and Digital Services: Austria has a vibrant and thriving information technology (IT) and digital services sector. The country has a high level of internet penetration and digital infrastructure, supporting the growth of e-commerce, software development, telecommunications and digital media. Austrian companies are active in areas such as software solutions, cybersecurity, fintech, e-governance and digital marketing.





Advantages of doing business

Stable and Strong Economy: Austria boasts a stable and strong economy, providing a solid foundation for businesses. The country's well-developed infrastructure, efficient administration and transparent regulatory framework contribute to a favourable business environment. The stability of Austria's economy, even during times of global economic uncertainty, offers security and predictability for businesses.

Strategic Location: Situated in the heart of Europe, Austria offers a strategic location for businesses looking to access both Western and Eastern European markets. The country serves as a gateway to the European Union's single market, providing businesses with access to over 500 million consumers.

Skilled Workforce: Austria has a highly skilled and educated workforce, known for its reliability, precision and expertise. The country's strong emphasis on education and vocational training ensures a qualified labour pool that can meet the needs of various industries. The availability of skilled talent enhances productivity and innovation within businesses.

Favourable Tax System: Austria has a competitive and attractive tax system for businesses. The corporate tax rate is relatively low compared to many other European countries and there are various tax incentives and deductions available to encourage investment and entrepreneurship. Additionally, Austria has a network of double taxation agreements that provide tax benefits for international businesses.

Strong Infrastructure: Austria has a well-developed infrastructure, including modern transportation networks, reliable utilities and advanced telecommunications systems. The country's transportation infrastructure, such as roads, railways and airports, facilitates the efficient movement of goods and services within Austria and across international borders.

Strong Rule of Law and Protection of Property Rights: Austria has a well-established legal system, ensuring the protection of property rights and intellectual property. The country has a robust framework for contract enforcement and dispute resolution. The strong rule of law provides businesses with a secure and reliable environment for investment and operations.

Access to EU Single Market: As a member of the European Union, Austria offers businesses access to the EU's single market, which provides free movement of goods, services, and Capital and labour. This opens up vast opportunities for trade and expansion within the European market.



Minimum eligibility criteria for company registration

Steps to start a business in Austria:

Select a Business Structure- Choose the sort of company entity the applicant want to create. A sole proprietorship, a limited liability company, or a stock corporation are all common alternatives.

Choose a Business Name- Select a distinct company name and check its availability with the Austrian Company Register.

Prepare Documents- Depending on the chosen business structure, prepare the relevant documents such as the Articles of Association, Memorandum of Association, and any other essential legal documents.

Notary Public- Certain corporate structures, such as a GmbH or AG, necessitate the notarization of the Articles of Association and the Memorandum of Association. To finish this procedure, go to a notary public.



Register for Social Security: The applicant and the applicant employees must register with the Social Security authorities in order to get health insurance, pensions, and other social benefits.

Obtain Licenses and Permits: Depending on the nature of the applicant's business, the applicant may need to obtain particular licenses or permits to operate legally. Check with the applicant's local government.

Open a Business Bank Account: To manage the applicant's financial transactions, open a business bank account.

Employer requirements: If the applicant intends to hire employees, make sure the applicant meets all of the applicant's legal requirements as an employer, such as registering them for social security and adhering to labor rules. Complete a trade license from the municipal authority where the applicant firm is located.

Join Relevant Chambers: Some firms may require membership in chambers such as the Chamber of Commerce or the Chamber of Crafts.

Notify the Austrian Data Protection Authority: If the applicant company handles personal information, the applicant may be required to notify the Austrian Data Protection Authority.

Insurance: Depending on the nature of the applicant's business, the applicant should consider purchasing liability insurance, employee insurance, and other appropriate coverage.

How to setup a business?

The minimal qualifying criterion for Austrian company registration can vary depending on the type of business structure the applicant intends to establish. Following are some general guidelines:

Single-person business:

There are no explicit capital requirements. The applicant must be at least 18 years old to apply. If the applicant are not an EU/EEA citizen, the applicant must have a valid residence permit. Become a member of the appropriate commercial authority.

A limited liability company:

A minimum share capital of €35,000 is required (at least 25% of the share capital must be paid in at the time of registration). At least one managing director is required.

It is possible to have one or more shareholders (individuals or legal entities).



Corporation by Stock:

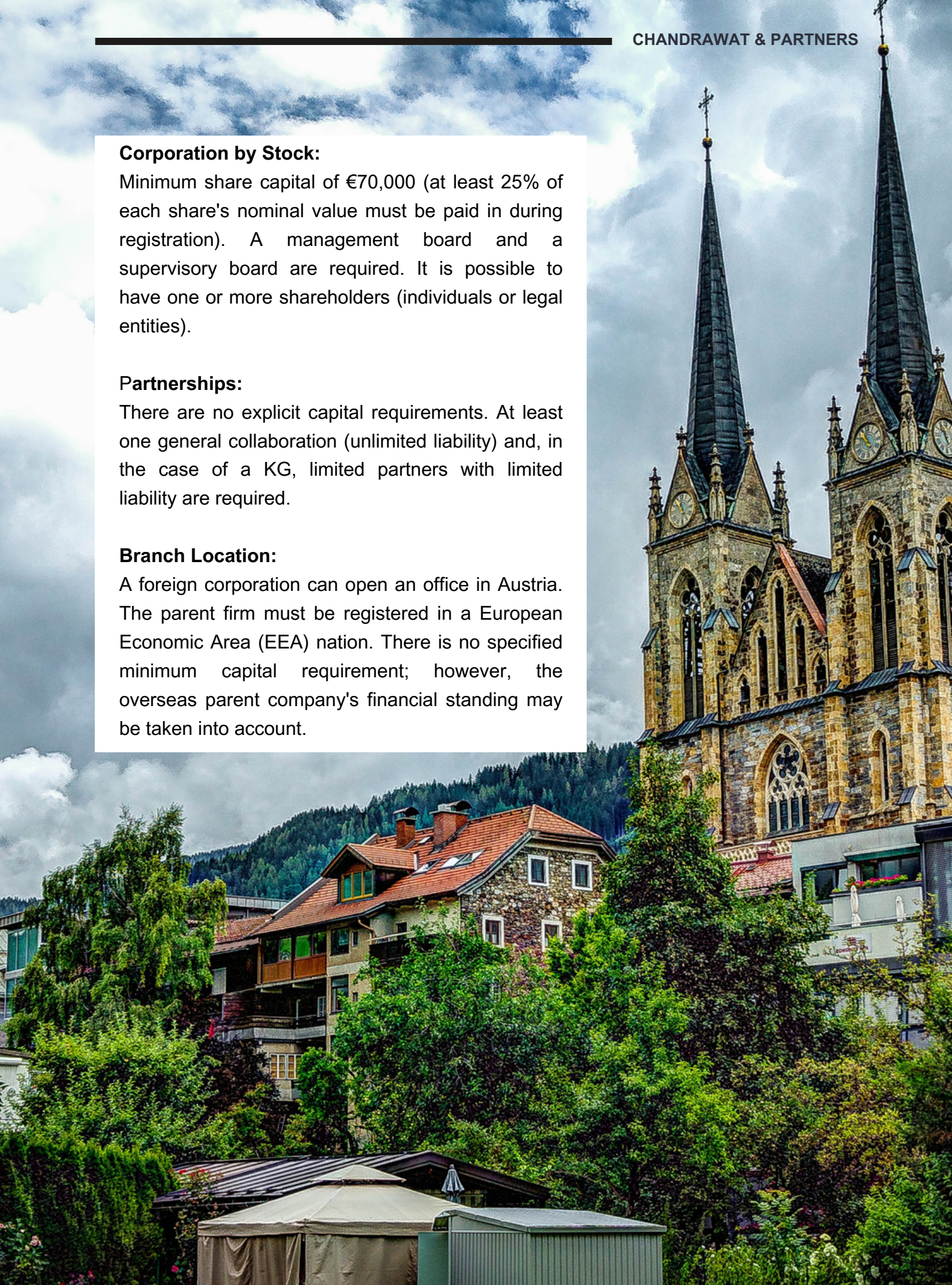
Minimum share capital of €70,000 (at least 25% of each share's nominal value must be paid in during registration). A management board and a supervisory board are required. It is possible to have one or more shareholders (individuals or legal entities).

Partnerships:

There are no explicit capital requirements. At least one general collaboration (unlimited liability) and, in the case of a KG, limited partners with limited liability are required.

Branch Location:

A foreign corporation can open an office in Austria. The parent firm must be registered in a European Economic Area (EEA) nation. There is no specified minimum capital requirement; however, the overseas parent company's financial standing may be taken into account.





Taxation

Taxation in Austria is administered by the Austrian Ministry of Finance and follows a progressive tax system. Here are some key points regarding taxation in Austria:

Social Security Contributions: In addition to income tax, employees and employers are required to pay social security contributions. These contributions fund the Austrian social security system, including healthcare, pensions and unemployment benefits. The specific rates vary depending on the income level and type of employment.

Personal Income Tax: Individuals who are residents of Austria are subject to personal income tax on their worldwide income. Non-residents are taxed only on their Austrian-sourced income. The personal income tax rates in Austria are progressive and range from 0% to 55%, depending on the income level.

Value Added Tax (VAT): VAT is a consumption tax imposed on the sale of goods and services. In Austria, there are several VAT rates: the standard rate is 20% and there are reduced rates of 10% and 13% for certain goods and services.

Corporate Income Tax: Austrian resident companies are subject to corporate income tax on their worldwide income, while non-resident companies are taxed only on their Austrian-sourced income. The corporate income tax rate is a flat rate of 25%.

Capital Gains Tax: Capital gains derived from the sale of certain assets, such as real estate or securities, may be subject to capital gains tax. The tax rates for capital gains depend on the **type of asset and the holding period**.

Inheritance and Gift Tax: Austria imposes inheritance and gift tax on the transfer of assets by inheritance or gift. The tax rates and exemptions vary depending on the relationship between the parties involved and the value of the transferred assets.

Tax Treaties: Austria has signed tax treaties with numerous countries to avoid double taxation and provide relief to taxpayers. These treaties determine the tax treatment of income earned by individuals and companies in cross-border situations.



Employment and labor laws

Employment Contracts: Employment relationships in Austria are typically established through written employment contracts. These contracts should outline important terms such as working hours, compensation, leave entitlements and notice periods.

Minimum Wage: Austria has a statutory minimum wage, which is regularly adjusted. The minimum wage varies depending on the industry, occupation and age of the employee. Collective bargaining agreements may also set higher minimum wages for specific sectors.



Working Hours: The standard working week in Austria is 40 hours. Overtime work is subject to additional compensation or time off in lieu. There are restrictions on maximum daily and weekly working hours, with provisions for rest periods and breaks.

Annual Leave: Employees in Austria are entitled to pay annual leave. The minimum annual leave is 25 working days (or 30 calendar days) per year. Additional leave may be granted based on factors such as age, length of service and collective agreements.

Maternity and Parental Leave: Expectant and new mothers in Austria are entitled to maternity leave, typically starting before birth and continuing for several weeks after. Fathers can also take paternity leave. Parental leave allows both parents to take time off to care for their child and they may be eligible for parental benefit payments during this time.



Termination of Employment: Both employers and employees have certain rights and obligations when terminating an employment contract. Notice periods vary depending on the length of service, with longer notice periods for employees who have been with the company for a longer duration. Unfair dismissal is generally not permitted and there are legal provisions to protect employees from unjustified termination.

Workplace Health and Safety: Austria has strict regulations regarding workplace health and safety. Employers are responsible for providing a safe and healthy working environment, including risk assessments, safety training and the provision of necessary protective equipment.

Collective Bargaining Agreements: Collective bargaining agreements are commonly used in Austria and cover various industries and occupations. These agreements establish terms and conditions of employment, including wages, working hours and other benefits. They are negotiated between employers' associations and trade unions.

How we can help?



Our team of professionals can conduct comprehensive market research to help businesses understand their target audience, industry trends, and potential competitors.

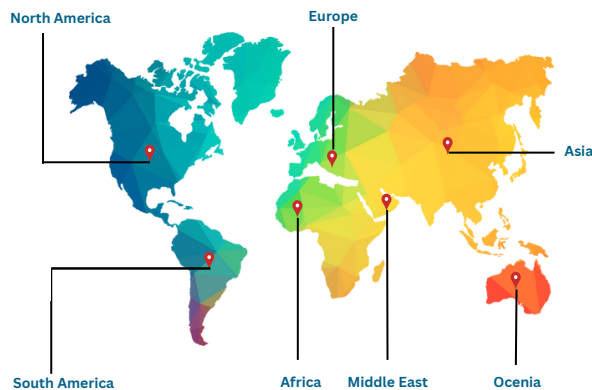
Our team can conduct risk assessments to identify potential threats and vulnerabilities within a business. They can then recommend risk mitigation strategies to safeguard against adverse events.

Our experts can help set clear objectives, outline actionable steps, and identify opportunities for growth and expansion.

Our team offers advice on the optimal legal form for an enterprise, such as a corporation, partnership, limited liability company ("LLC"), or sole proprietorship.



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