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BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

The population is ageing in Austria and the median age which was 43.8 in 2021 (Data Reportal). The population growth rate is 0.3% with 24.8% of Austrians being under 24 and 34,6% of the population over 55 years old (Data Reportal, 2021). Households are composed on average of 2.2 people (Eurostat, 2020). One-person households account for 37.7% of the total and 41.8% are couples with or without children (Eurostat, 2020). The gender ratio is 98.6 men for every 100 women and 59.3% of the population lives in urban areas, with Vienna being the main city (Data Reportal, 2022). The northern and eastern regions are the densest in population. A total of 86% of adults aged 25 to 64 have completed secondary education and 34.2% of the same age have a higher education (OECD, 2020). The OECD estimates the level of education in Austria very high.

Purchasing Power

The GDP per capita (PPP) in Austria is estimated at USD 55,686 (World Bank, 2020). The average annual salary of a full-time employee is USD 53,132 (OECD). Austrian purchasing power is among the highest in Europe, and is distributed fairly homogenously among the country's federal states (with Lower Austria having the highest purchasing power, and the area of the capital Vienna the lowest – GfK). The adjusted annual disposable income per inhabitant is approximately USD 37,001 (OECD). The Gini index is in the European average and the pay gap between men and women is 18.9% in Austria (one of the highest in Europe, where the average is 13%) (Eurostat 2020). Immigrants are also more likely to have lower wages and to be unemployed.

Consumer Behaviour

Austria is considered a consumer society. Price is an important element for consumers as well as brand awareness and quality. Some consumers are willing to pay more for a better product. Purchases are made in different types of locations, ranging from department stores and supermarkets to small retailers. Consumer confidence has been declining in recent years and fell sharply following the COVID-19 pandemic at the beginning of 2020. In 2022, consumer confidence deteriorated further as the war in Ukraine led to a spike in energy prices (Focus Economics). E-commerce is widespread in the country and should continue to grow. There are nearly 5 million online shoppers in the country. Brands from international companies are consumed but local products tend to be preferred.

Brand loyalty depends on the quality of the products sold and value for money. More than 60% of Austrians with Internet access and are active on social networks allowing them to discover and learn about products thanks to user comments. Data protection is important for Austrians, and a non-profit has even filed a lawsuit against several big players (Apple, Amazon, Netflix, Spotify etc.).

Due to an ecological awareness and sustainability, organic and local products are increasingly in demand. The share of organic products in total purchases is among the highest in Europe. Fresh produce are generally preferred to packaged products. The second-hand market is developed on the internet, notably on the Willhaben, Locanto and Bazar sites. The use of collaborative platforms such as Uber or Airbnb are starting to grow but remain behind compared to other European countries.

Consumer Recourse to Credit

Debit cards are widely used in the country and contactless payment is growing for amounts below EUR 25 (via credit cards but also smartphones). Household debt compared to GDP has been relatively stable in recent years, and has stabilized around 49% of GDP. Outstanding consumer loans were estimated above EUR 176 billion as of July 2020 (National Bank of Austria). After accelerating consistently in 2017, consumer lending growth stabilised in 2019, with the upward trend in gross lending expected to slow significantly over the next years. Consumer credit should be the main source of growth for the sector, while mortgages/housing are expected to cool considerably after a number of years of double-digit growth.

Growing Sectors

Education, telephones, alcoholic beverages, products and services for the maintenance of vehicles, tools and equipment for the garden, catering, food, leisure equipment, pets.

Consumers Associations

[Consumer Association of Austria](#)
[European Consumers Centre Austria](#)

IMPORTING & DISTRIBUTING

Import Procedures

Imported goods are to be declared at Customs. A Single Administrative Document or SAD is used for this purpose. The Single Administrative Document (SAD) may be submitted to the Austrian Customs Administration physically or through an electronic declaration. For more information click here [Hauptzollamt Wien \(Central Customs Office, Vienna\)](#).

Imported products are subject to a value-added tax (Einfuhrumsatzsteuer) as they enter the Austrian customs area. The VAT upon importation is calculated based on the customs value of imported goods. The importer is entitled to a VAT refund from the Tax Authority once the imported good is resold or re-exported in the distribution chain.

As a member of the EU, Austria requires import licences for most goods, especially agricultural products. This applies to all countries of origin, including the United States. Special rules apply to particular imports from certain countries, such as shoes made in China. EU import quotas are handled through the granting of import

licences to qualified companies. Austrian importers are usually required to show an exporter licence from the supplier country and then obtain an approval to import from the Austrian authorities (Einfuhrbewilligung or import permit)

The Austrian Federal Ministry of Science, Research and Economy is the licencing authority for most other goods. The import of war material requires a licence and individual approval of each shipment by the Austrian Ministry of Interior.

Specific Import Procedures

Simplified declaration system applies on shipments of commercial samples or gifts below EUR 45 and/or negligible value shipments below EUR 22 and provides Duty and Tax relief. Import of tobacco, drugs, medicines, weapons and their parts, strategic materials and their parts require special licenses.

Several specific directives exist for some products, due to the UE legal framework (**REACH**, Registration, Evaluation and Authorization and Restriction of Chemicals, **WEEE**, Waste Electrical and Electronic Equipment, and **ROHS** Directive that imposes restrictions on the use of certain chemicals in electrical and electronic equipment, and **Cosmetics** Regulation.

Moreover, European Union imposes specific regulations for the import of agricultural products as well as fisheries products.

The import of certain commodities into Austria is prohibited, usually as a result of international sanctions. To determine if a product is prohibited or subject to restriction, check the TARIC for the following codes:

- CITES Convention on International Trade of Endangered Species
- PROHI Import Suspension
- RSTR Import Restriction

Distribution channels

Although it is a relatively small country within the EU, Austria is an important strategic economic player because of its geographical location at the crossroads of Europe. Under the EU's Schengen Agreement, Austria enjoys lax border control between itself and its eight neighbouring countries. Today, the Austrian market is saturated in all major sectors and in order to penetrate it, the advertising is a must. The total retail sales area covers an area of 13.8 million square mt, meaning 1.55 square mt per inhabitant, 25% of which is in shopping centres and retail parks (CBRE, 2021). Austria has 122 shopping centers with a combined gross lettable area of about 2.9 million square mt (Bank Austria, 2021). There is a net reduction in retail space due to oversupply (EHL). In 2021, the retail sector recovered from the closures and other restrictions related to the Covid-19 pandemic. Austrian retail enterprises achieved a nominal increase in turnover of 5% in 2021 compared to 2020, and sales volume increased by 2.9%. The retail trade of food, beverages and tobacco recorded a nominal increase of 1.7%, and sales volume increased by 0.4% (Statistics Austria). Grocery retailers (especially discounters and supermarkets) record a higher value growth compared with most other channels in store-based retailing, mostly due to increased precautionary buying. The share of organic products is comparably high, with healthy, sustainable products and regionally sourced products registering a strong demand. Overall, continuing shifts of sales towards e-commerce continued to place strong pressure on store-based retailing in the country during and after the Covid-19 pandemic. The principal trading zones of the country are Vienna, Vorarlberg and Burgenland, with important areas like Styria and Tirol.

Distribution market players

It is estimated that nearly 80% of the retail market in Austria has been controlled by foreign enterprises, with German companies having a strong presence. In fact, Germany plays a very important role in the Austrian commerce, and it owns more than 15% of the capital invested in some 500 companies. Despite the fluctuations observed during the pandemic, due to increased focus on healthy diet, traditional grocery sales follow a downward trend (Euromonitor, 2022). Supermarkets are the leading channel in grocery retailing and account for a quarter of all outlets and two fifths of total value sales in the country (Euromonitor, 2022). Food distribution is a very secured and dominated by a few big groups market, which control two-thirds of total sales in the country. Three groups dominate this market: Spar, a Dutch conglomerate, with an accumulated market share of 36%; Rewe Austria, a company of German origin, working under the name Billa as a co-operative trade group (network of smaller retailers), with 33.9% market share; and Hofer (23.1%), a subsidiary of Aldi (ORF Salzburg, 2021). Other players are Penny Markt, MPreis, Lidl, and Unimarkt.

Retail Sector Organisations

Austrian Economic Chambers (only Austrian)

OPERATING A BUSINESS

Type of companies

Gesellschaft mit beschränkter Haftung (GmbH) is a Private Limited Company.

Number of partners: One or more partners with no maximum.

Capital (max/min): Minimum EUR 35,000. 50% totally subscribed and released at the creation.

Shareholders and liability: Partners' and shareholders liability is limited to the amount contributed.

Aktiengesellschaft (AG) is a Public Limited Company.

Number of partners: One or more partners with no maximum.

Capital (max/min): Minimum EUR 70,000. 25% totally subscribed and released at the creation.

Shareholders and liability: Partners' and shareholders liability is limited to the amount contributed.

Offene Handelsgesellschaft (OHG) is a general partnership company.

Number of partners: Minimum 2 partners.

Capital (max/min): No minimum capital.

Shareholders and liability: Partners' liability is joint and unlimited for social debts.

Kommanditgesellschaft (KG) is a limited partnership.

Number of partners: Minimum 2 partners. Two types of partners: active partners and sleeping partners.

Capital (max/min): No minimum capital.

Shareholders and liability: Liability of active partners is limited to capital, with at least one partner having unlimited liability. Liability of sleeping partners is limited to the amount contributed.

Setting Up a Company	Austria	OECD
Procedures (number)	8.0	5.2
Time (days)	21.0	9.5

Cost of Labour

Minimum Wage

No official minimum wage. Under a collective bargaining agreement, to which 80% of the workforce belong, the minimum wage is EUR 1,500 per month.

Average Wage

According to the OECD, the gross average wage is USD 53,132 per year in 2020.

Social Contributions

Social Security Contributions Paid By Employers: Pension insurance: 12.55%

Accident insurance: 1.20%

Health insurance: 3.78%

Unemployment insurance: 3%

Miscellaneous: 0.70%

Family burdens equalisation levy: 3.9%

Chamber of commerce contribution: between 0.34% and 0.42%

Social Security Contributions Paid By Employees: Pension insurance: 10.25%

Health insurance: 3.87%

Unemployment insurance: 3%

Miscellaneous: 1%

Intellectual Property

National Organisations

The national body responsible for the protection of intellectual property is the [Austrian Patent Office](#).

Regional Organisations

For the protection of patents: the [European Patent Office \(EPO\)](#). To control trademarks, designs and models: the European Union Intellectual Property Office (EUIPO).

International Membership

[Member of the WIPO](#) (World Intellectual Property Organization)

[Signatory to the Paris Convention](#) For the Protection of Intellectual Property

[Membership to the TRIPS agreement](#) - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

TAX RATES

Consumption Taxes

Nature of the Tax

Value Added Tax (VAT): Einfuhrumsatzsteuer

Tax Rate

Standard rate is 20% with slight variations according to where the supply is made. In Jungholz and Mittelberg, the standard rate is 19%.

Reduced Tax Rate

A reduced rate of 10% applies to most foodstuffs; books (including e-books as of 1 January 2020); hotel accommodation; restaurant meals; domestic passenger transport (except flights); residential apartment rental; supplies made by private hospitals and charitable organizations; pharmaceuticals; repairs of bikes, shoes, clothes and leather goods; feminine monthly hygiene products

A reduced rate of 13% applies to domestic flights, entrance to sporting and cultural events, animal feed, seeds, agricultural supplies and ex-vineyard sales of wines, and supplies made by artists.

Other Consumption Taxes

Custom duties are levied on non-EU imports. Excise duties are levied on tobacco (13% to 47% of price), alcohol and other beverages (according to the type) and petroleum products (approximately EUR 40 to EUR 600 per 1,000 litres). More detailed information on excise duties is available concerning [tobacco products](#) and [energy products](#) on the European Commission website.

Corporate Taxes

Company Tax

24% (in calendar year 2023; to be reduced to 23% in calendar year 2024; was 25% until 2022)

Tax Rate For Foreign Companies

A company is considered resident in Austria if its effective management is in Austria or if it is incorporated in the country. The place of effective management for these purposes is the place where the day-to-day management of the company is actually carried out; a building site which lasts for more than six months; or plants, warehouses, purchase and sales establishments where the entrepreneur or a permanent representative carries out business activities. The Austrian tax authorities generally follow the OECD model regarding the permanent establishment concept.

Capital Gains Taxation

In general, capital gains are taxed as ordinary corporate income at 25%. A participation exemption is provided for gains derived from the sale of shares in a non-resident corporation in which the resident parent company holds more than 10% for one year or longer. Companies can choose to opt out of the exemption, resulting in capital gains becoming taxable and capital losses becoming tax deductible.

Main Allowable Deductions and Tax Credits

Deductible expenses include start-up costs; interest payments that meet the general arm's-length requirements and those resulting from the debt-financed acquisition of shares (except if the acquisition is from related parties or directly or indirectly controlling shareholders); valuation allowances for bad debts that are not calculated on a

lump-sum basis; donations to charitable institutions, non-profit organizations performing research and educational activities and certain educational institutions (capped at 10% of the current year's profit), business lunches (limited to 50% of actual expenses) and advertising expenses; payments to a member of the supervisory board (up to 50%, for salaries not exceeding EUR 500,000 per person/year); payroll taxes; royalties, interest, and service fees paid to foreign affiliates, provided they are at arm's length. R&D expenses are also deductible, with a premium of 14% for R&D activities carried out in Austria.

Taxes are not deductible (with some exceptions, like payroll taxes), same as for fines and penalties.

For depreciation and amortisation, only the straight-line method is accepted, with the cost evenly spread over the useful life of an asset (with some exceptions like buildings and automobiles).

Tax losses can be carried forward without any time limit (within a limit of 75% of the taxable income for any given year, with some exceptions). The carryback of tax losses is generally not permitted.

Other Corporate Taxes

Stamp duties of 0.8% to 2% apply to certain legal transactions such as leases and hire contracts. A real estate transfer tax is levied at a rate of 3.5% (2% for transfers of agricultural and forestry land between close family members), with the fair market value being the minimum (plus a 1.1% registration fee with the land register). Certain transactions regarding the transfer of shares of companies and shares of partnerships owning Austrian real estate are taxed at a rate of 0.5%.

Both Austrian banks and foreign banks with an Austrian branch are subject to a banking tax at a rate of 0.024% (assessment bases between EUR 300 million and EUR 20 billion) to 0.029% (beyond EUR 20 billion) of the tax base.

A digital services tax ("Digitalsteuer") applies at a rate of 5% to multinational companies with worldwide revenue of at least EUR 750 million and yearly domestic revenue of at least EUR 25 million from providing online advertising services.

Social security contributions paid by the employer amount to a total of 21.13% (maximum assessment basis of EUR 5,670/month), so divided:

- Sickness: 3.78%
- Unemployment: 3%
- Pension: 12.55%
- Accident: 1.10%
- Miscellaneous: 0.70%

Furthermore, the employer is liable to the Family Burdens Equalisation Levy at the rate of 3.9%, the municipal tax on payroll at the rate of 3% of monthly gross salaries and wages, and a public transportation levy equal to EUR 2 per week/employee in the city of Vienna. A contribution to the Chamber of Commerce is levied at a rate between 0.34% and 0.42% of monthly gross salaries paid, according to the province. Local authorities also levy other taxes, for example, on rubbish collection and on entertainment.

Other Domestic Resources

[Federal Ministry of Finance](#)

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[Austrian Ministry of Finance](#)

Withholding Taxes

Withholding tax rates are:

Dividends: 25%/0% (paid to another Austrian company if the recipient company holds at least 10% of the shares in the distributing company)/ 27.5% for individuals;

Interest: 0% (loan interest paid to a non-resident company)/25% (silent partner corporation)/25% for resident companies/27.5% for individuals

Royalties: 0% (resident company or individual)/20% (non-resident)
