

AUSTRIA 1999

1. Overview of the system

Austria's unemployment insurance benefits are related to previous earnings subject to a maximum of about 55 per cent of the Average Production Worker (APW) earnings level in 1999 and are paid for up to one year. Assistance benefits also based on last net income in work may then be paid. A universal assistance benefit provides a safety net for all adult inhabitants. The tax unit is the individual. In 1999, the average production worker earned ATS 311 179.

2. Unemployment insurance

2.1 *Conditions for receipt*

2.1.1 *Employment conditions*

To qualify, workers must have worked at least one out of the last two years.

2.1.2 *Contribution conditions*

Unemployment insurance is compulsory. To qualify, workers need to have contributed one year. Only 26 weeks suffice in case of repeated spells of unemployment. This condition coincides with the employment condition.

2.2 *Calculation of benefit amount*

2.2.1 *Calculation of gross benefit*

Benefits are defined as a percentage of after tax income: 56 per cent of the average net reference income over a year. Maximum earnings for the purpose of calculating the maximum benefit amount are ATS 39 000, which result in a maximum benefit of ATS 14 314 per month. Note that the cap of the contribution-base to the UI-fund is at ATS 42 600. The minimum benefit is ATS 1 779 per month. The monthly benefit is increased by ATS 660 per dependent. The total benefits may not exceed 80 per cent of reference income. In practice tables with 140 wage classes are used. For the purposes of this publication, "net income" is defined as gross earnings minus income tax, minus deductible social security contributions minus work-related expenses.

2.2.2 *Income and earnings disregards*

The family supplements are reduced with 100 percent of the other partner's income above ATS 14 000/month. The basic benefit is not affected by the beneficiary's own income or earnings as long as they do not exceed ATS 3 899/month. Any income above this level results in the loss of all benefit entitlements.

2.3 *Tax treatment of benefit*

Benefits are tax-free.

2.4 *Benefit duration*

Benefit is payable 7 days per week immediately upon entry in unemployment, without a waiting period. The total duration is 20 weeks or more, depending on the employment record, with ceilings depending on age:

- up to 39 years: 30 weeks after 156 weeks of work in 5 years;
- 40-49 years: 39 weeks after 312 weeks of work in 10 years;
- from 50 years: 52 weeks after 468 weeks of work in the last 15 years.

The benefit duration can be increased by 156 weeks or by 209 weeks for workers participating in specific labour market policy activities (“Arbeitsstiftungen”).

2.5 *Treatment of particular groups*

2.5.1 *Young persons*

For persons under 25, a 26-week employment record is sufficient to qualify for their first Unemployment Insurance (UI) benefits.

2.5.2 *Older workers*

Unemployment benefit duration is 52 weeks for workers older than 50 with a 9 out of 15 years contribution record.

3. Unemployment assistance (*Notstandhilfe*)

3.1 *Conditions for receipt*

The benefit is only payable after exhaustion of UI benefits.

3.1.1 *Employment conditions*

None.

3.1.2 *Contribution conditions*

To qualify, workers must have already received UI benefits.

3.2 *Calculation of benefit amount*

3.2.1 *Calculation of gross benefit*

The benefit amounts to 92 per cent of previous UI benefits or 95 per cent for low income groups (*i.e.*, persons whose unemployment insurance benefits were less than ATS 8 112/month) (*Ausgleichszulagenrichtsatz*)

3.2.2 *Income and earnings disregards*

Benefit is not affected by other income or earnings of the spouse not exceeding ATS 5 781/month. Any net income of the spouse above that amount reduces unemployment assistance. Income of the benefit recipient (for example capital income or rent) is fully regarded.

3.3 *Tax treatment of benefit*

Benefits are not taxable.

3.4 *Benefit duration*

Indefinite, as long as recipients qualify.

3.5 *Treatment of particular groups*

Disregards of spouses income are higher for older UA-recipients, but only if they have a longer contribution time. For persons over 50 it is ATS 11 564, for persons over 55 it is ATS 17 344.

4. Social assistance

Two forms of assistance benefits exist: general assistance (*Sozialhilfe*) and supplementary pension (*Ausgleichszulage*), the latter is only paid to age pensioners or other persons incapable of working and is therefore not considered.

4.1 Conditions for receipt

no age limit

4.2 Calculation of benefit amount

4.2.1 Calculation of gross benefit (1999 rates)

Provinces vary eligibility conditions and payment rates; the execution of rules is not uniformly agreed but depends heavily on the discretion of the social welfare agency.

Family type (monthly rates)	Carinthia	Upper Austria	Vienna	Average
Single person	4 888	6 385	5 019	5 456
Couple	6 554	9 250	7 407	7 731
Dependent child	1 487	1 498	1 505	1 557

4.2.2 Income and earnings disregards

Entitlements depend on household resources rather than those of the individual or nuclear family. Officially other relatives have a duty under family law to provide financial support. If circumstances allow, the benefit must be repaid after the recipient has left social assistance. In this report, all resources are considered in the means and income test apart from family benefits.

4.3 Tax treatment of benefit

The benefit is not taxable.

4.4 Benefit duration

As long as the social administration considers that the household is eligible.

4.5 Treatment of particular groups

4.5.1 Young persons

None

4.5.2 Older workers

None.

5. Housing benefits

The costs can be covered by social assistance and also by other schemes. Because the treatment of housing costs varies widely geographically, it is not included in this report.

6. Family benefits

6.1 *Conditions for receipt*

Family benefits are paid only to families with dependent children.

6.2 *Calculation of benefit amount*

The per capita amounts are differentiated to age groups.

6.2.1 *Calculation of gross benefit*

The annual amounts are ATS 20 100 for children above 10 years of age and ATS 17 100 for others.

6.2.2 *Income and earnings disregards*

Child benefits are not subject to any means test.

6.3 *Tax treatment of benefit*

Family benefits are not taxable.

6.4 *Treatment of particular groups*

Handicapped children entitle families to increased benefits.

7. Child-care benefits

None.

8. Employment-conditional benefits

Child-care benefits for mothers (previous unemployed) in employment exist (Kinderbetreuungsbeihilfe), however it seems unclear, whether these should be mentioned here, because there is no entitlement; the programme is part of active labour market policy.

9. Lone-parent benefits

None.

10. Tax system

Income Concepts:

Non Current Income is defined as the bonuses and other special remunerations. In the general case, the one considered here, Non Current Income equals the 13th and 14th monthly pay. In any case, Non Current Income for tax purposes is limited to 1/6 of current income (see 10.1.4).

Austria has a progressive tax scheme with 5 rates varying between 10 and 50 per cent in 1999.

10.1 *Income tax rate schedule*

10.1.1 *Tax allowances and credits*

Tax allowances:

- basic allowances to employees amount to ATS 819 per person working. These allowances are income tested and diminish by 0.41 percent of the working person's earnings over ATS 500,000;
- work related expenses are deductible at a lump sum of ATS 1,800;
- social security contributions are deductible in their entirety;
- 2.7 per cent of gross earnings can be deducted as not taxable income.

Tax credits:

- General tax credit ATS 8 840 (reduced to zero between income of ATS 200,000 and 500,000, that is at a rate of 2.9467%);
- Wage earner's tax credit of ATS 1,500 (possible as negative tax up to 10 per cent of social security contributions);
- Wage earner's traffic tax credit of ATS 4,000;
- Sole earner's tax credit of ATS 5,000, ceases if the spouse's current income after allowances exceeds ATS 30,000 or ATS 60,000 if dependent children. If there are children, this tax credit can be paid out as a negative income tax.;
- Children's tax credit ATS 5,700 for the first, ATS 7,800 for the second and ATS 9,900 for additional children.

Notes on Negative Credits:

The formula for calculating the final 'Net tax on current income' is complicated: First, intermediate tax on current income (ITCI) is calculated as Gross Tax on current income minus some credits (general tax credit, sole earner's credit, wage earner's credit and wage earner's traffic credits). Then;

- If $ITCI > 0$, Net tax on current income is $\text{Min}(ITCI, \text{Max}(0, ITCI - 9,400)) - \text{Children's credit}$.

- If $ITCI < 0$, Net tax on current income is the maximum of:

~ ITCI

~ $-0.1 * \text{Employee's SSC} - (\text{Sole earner's tax credit if there are children})$

~ Wage earner's credit – (Sole earner's tax credit if there are children)

– minus children's credit.

10.1.2 The definition of taxable income

The tax schedule is applied to current income minus tax allowances. The taxation is different for current income and for non current income.

10.1.3 Tax schedule

Taxable income band	Tax rate
0 - 50,000	10
50,000 - 150,000	22
150,000 - 300,000	32
300,000 - 700,000	42
700,000 and over	50

10.1.4 Taxation on non current income

A special rate of tax of 6 per cent applies to non-current income. This non-current income is limited to 1/6 of the current income in cases where tax is deducted at source. An amount of ATS 8,500 of these bonuses is tax free. If these bonuses are below ATS 23,000 per year, no tax is deducted. Above ATS 23,000 per year, the tax applied is the minimum between 30% of bonuses above 23,000 and 6% of the total of the bonuses.

10.2 Treatment of family income

The tax unit is the individual.

10.3 Social security contribution schedule

Scheme	Rate(%)	Earnings ceiling (monthly)	Christmas and leave bonus ceiling (monthly)
Health insurance	3.95	42,600	85,200
Unemployment insurance	3.00	42,600	85,200

Pension insurance	10.25	42.600	85,200
Contribution to labour chamber	0.50	42,600	0
Contribution to promotion of residential building	0.50	42,600	0

Salaries below ATS 3,899 per month don't pay SS contributions.

11. Part-time work

11.1 *Special benefit rules for part-time work*

None.

11.2 *Special tax and social security contribution rules for part-time work*

None.

12. Policy developments

12.1 *Policy changes introduced in the last year*

12.2 *Policy changes announced*

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**The annual tax/benefit position of an unemployed single person
1999
(in schillings)**

	Unemployment Insurance	Unemployment Assistance (*)	Social Assistance
A. Taxable benefits			
Means-tested benefits			
Non-means tested benefits			
Total taxable benefits		0	0
B. Income tax and social security contributions			
Total income tax and social security contributions		0	0
C. Non-taxable benefits			
Means-tested benefits			
Unemployment assistance	0	121 386	65 472
Social assistance	0	0	0
Non-means tested benefits			
Unemployment insurance	131 941	0	0
Family benefits	0	0	0
Total non-taxable benefits	131 941	121 386	65 472
D. Net income out of work (A-B+C)	131 941	121 386	65 472
E. Net income in work	221 530	221 530	221 530
F. Net replacement rate (D/E) (per cent)	60	55	30

(*) After unemployment insurance is finished (See 2.4).

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The annual tax/benefit position of an unemployed married couple with two children (6 and 4 years old)

1999

(in schillings)

	Unemployment Insurance	Unemployment Assistance (*)	Social Assistance
A. Taxable benefits			
Means-tested benefits			
Non-means tested benefits			
Total taxable benefits	0	0	0
B. Income tax and social security contributions			
Children's tax credit	13 500	13 500	13 500
Other credits	5 000	5 000	5 000
Total income tax and social security contributions	-18 500	-18 500	-18 500
C. Non-taxable benefits			
Means-tested benefits			
Unemployment assistance	0	143 245	0
Social assistance	0	0	74 440
Non-means tested benefits			
Unemployment insurance	155 701	0	0
Family benefits	37 200	37 200	37 200
Total non-taxable benefits	192 901	180 445	111 640
D. Net income out of work (A-B+C)	211 401	198 945	130 140
E. Net income in work	277 230	277 230	277 230
F. Net replacement rate (D/E) (per cent)	76	72	47

(*) After unemployment insurance is finished (see 2.4).

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**The annual tax/benefit position of an unemployed lone parent
with two children (6 and 4 years old)**

1999

(in schillings)

	Unemployment Insurance	Unemployment Assistance (*)	Social Assistance
A. Taxable benefits			
Means-tested benefits			
Non-means tested benefits			
Total taxable benefits	0	0	0
B. Income tax and social security contributions			
Children's tax credit	13 500	13 500	13 500
Other credits	5 000	5 000	5 000
Total income tax and social security contributions	-18 500	-18 500	-18 500
C. Non-taxable benefits			
Means-tested benefits			
Unemployment assistance	0	135 958	0
Social assistance	0	0	47 140
Non-means tested benefits			
Unemployment insurance	147 781	0	0
Family benefits	37 200	37 200	37 200
Total non-taxable benefits	184 981	173 158	84 340
D. Net income out of work (A-B+C)	203 481	191 658	102 840
E. Net income in work	277 230	277 230	277 230
F. Net replacement rate (D/E) (per cent)	73	69	37

(*) After unemployment insurance is finished (see 2.4).