R&D Tax Incentives: Austria

1. Public support for business R&D: the mix of direct funding and tax relief

Governments in many countries seek to promote R&D investment in the economy by granting a preferential tax treatment to eligible R&D expenditures, especially those incurred by firms. In 2016, 29 of the 35 OECD countries, 22 of 28 EU countries and a number of non-OECD economies offer R&D tax incentives.

**Figure 1. Direct government funding of business R&D and tax incentives for R&D, 2014 (nearest year)**
As a percentage of GDP

![Graph showing direct government funding of business R&D and tax incentives for R&D, 2014](http://oe.cd/rdtax)


**Main points:**

- Austria ranks among the top ten economies in terms of the total volume of (central) government support for business R&D, equivalent to 0.27% of GDP.
- Tax incentives account for 48% of total public support for business R&D in Austria.
- From 2006 to 2014, R&D tax support as a percentage of GDP increased in Austria by 0.06 percentage points, while the OECD median increased by 0.02 percentage points.

2. Trends in government support for business R&D

Over the last decade, several OECD countries have increased their reliance on R&D tax incentives. However, this trend has not been uniform. The relative importance of tax incentives declined briefly following the global financial crisis, reflecting the demand-led nature of tax relief and its dependence on profits.

**Figure 2. Direct funding of business R&D and tax incentives for R&D, Austria, 2000-14**
As a percentage of GDP, 2010 prices (right-hand scale)

![Graph showing trends in government support for business R&D, Austria](http://oe.cd/rdtax)


**Main points:**

- In Austria, the cost of R&D tax relief rose from EUR 282 million in 2000 to EUR 409 million in 2014.
- As percentage of GDP, the amount of tax support increased from 0.11% to 0.13% of GDP during this period with a peak (0.18% of GDP) observable in 2012 where the ceiling on subcontracted R&D expenditure was increased from EUR 100 000 to EUR 1 million.
- Direct funding of BERD increased from 0.8% of GDP to 0.14% of GDP over the 2000-14 period.

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3. Design of R&D tax incentive support

Countries differ in the extent to which they rely on tax measures to support R&D, and those that do design tax relief measures in substantially different ways. Key design features relate to the type of tax instrument, eligible R&D costs, provisions for firms with insufficient tax liability, ceilings and thresholds among others.

Table 1. Main design features of R&D tax incentives\(^1\)

<table>
<thead>
<tr>
<th>Research premium</th>
<th>Tax incentive</th>
<th>Eligible expenditures(^1)</th>
<th>Carry-over (years)</th>
<th>Ceilings</th>
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<tbody>
<tr>
<td></td>
<td>Tax credit</td>
<td>Current and capital</td>
<td>Indefinite (carry-forward)</td>
<td>R&amp;D tax expenditures (subcontracted R&amp;D) EUR 1 million</td>
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<td></td>
<td>Volume-based</td>
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<td>EUR 1 million</td>
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<td>Type of instrument</td>
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<td>Headline rates (%)</td>
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<td>Refund</td>
<td>Yes (no ceiling)</td>
<td></td>
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<td>ceilings</td>
<td>R&amp;D tax expenditures (subcontracted R&amp;D) EUR 1 million</td>
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\(^1\)For additional information: OECD R&D Tax Incentive Compendium and Eligibility of current and capital expenditure for R&D tax relief


Main points:
- Austria provides R&D tax relief through a volume-based R&D tax credit.
- In the case of insufficient tax liability, firms can receive a refund of unused credits. No ceiling is placed on such a refund. Alternatively, firms can carry-forward unused credits indefinitely.
- Subcontracted research expenditures are limited to EUR 1 million per year.

4. Generosity of R&D tax support

The design of R&D tax incentives influences the “expected” generosity of tax relief per additional unit of R&D investment. Across OECD and partner economies providing tax relief, there is a significant variation in tax subsidy rates for firms of different size and profitability.

Figure 3. Implied tax subsidy rates on R&D expenditures, 2016

1-B-Index, by firm size and profit scenario


Main points:
- In Austria, the marginal R&D tax subsidy rate for profitable and loss-making SMEs is estimated at 0.15; larger (smaller) than the OECD median of 0.18 (0.11) for profitable (loss-making) SMEs.
- The tax subsidy rate for profitable and loss-making large enterprises in Austria is 0.15; larger than the OECD median of 0.11 (0.09) for profitable (loss-making) large enterprises.


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