R&D Tax Incentives: Austria, 2018

Design features

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 R&D expenditures are limited to EUR 1 million per year (1 EUR = 1.14 USD, 31.12.2018).

Table 1. Main design features of R&D tax incentives in Austria, 2018

<table>
<thead>
<tr>
<th>Research premium</th>
<th>Tax incentive</th>
<th>Type of instrument</th>
<th>Eligible expenditures†</th>
<th>Headline rates (%)</th>
<th>Refund</th>
<th>Carry-over (years)</th>
<th>Ceilings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tax credit</td>
<td>Volume-based</td>
<td>Current and capital</td>
<td>1</td>
<td>Yes</td>
<td>Indefinite (carry-forward)</td>
<td>EUR 1 million</td>
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<tr>
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<td>14</td>
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For additional information: OECD R&D Tax Incentive Compendium and Eligibility of current and capital expenditure for R&D tax relief

Recent developments and trends

Differences in the design of R&D tax incentives drive a significant variation in the expected generosity of tax relief per additional unit of R&D investment across OECD and partner economies and over time. In 2018, the R&D tax subsidy rate for SMEs and large firms in Austria is estimated at 0.17 in both profitability scenarios. In the case of SMEs, this subsidy rate is smaller than the OECD median in the profit-making (0.20) and equal to the OECD median in the loss-making (0.17) case. In the case of large firms, the tax subsidy rate exceeds the OECD median (0.13 for large profitable and 0.10 for large loss-making) in both scenarios.

The generosity of R&D tax incentives has increased steadily in Austria over time, from an implied R&D tax subsidy rate of 0.09 in 2007 to a rate of 0.17 in 2018 (in each of the four scenarios considered). In 2002, Austria introduced a refundable R&D tax credit (R&D premium) at a credit rate of 3%. Compared to the previous R&D tax allowance (abolished with effect of 2011), this new tax credit implied a lower R&D tax subsidy rate for profitable firms but was more generous for loss-making firms due to the refundability of excess claims in case of insufficient tax liability (loss making case). The rate of the R&D premium increased in several instances, from initially 3% to 5% in 2003, to 8% in 2004, 10% in 2011, 12% in 2016, and 14% in 2018. These increases in the tax credit rate directly translate into discrete jumps in the implied R&D tax subsidy rate series for Austria.

Figure 1. Implied tax subsidy rates on R&D expenditures: Austria, 2000-18

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


Note: Implied marginal tax subsidy rates, presented for different firm size and profitability scenarios, are calculated based on headline tax credit/allowance rates. Headline tax credit/allowance rates provide an upper bound value of the generosity of R&D tax incentives, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of R&D tax relief. For more information on the calculation of implied tax subsidy rates, see http://www.oecd.org/sti/rd-tax-state-bindex-methodology.pdf and for notes regarding the modelling of the country-specific time series, see http://www.oecd.org/sti/rd-tax-state-bindexnotes.pdf.

† Disclaimer: http://oe.cd/disclaimer
Public support for business R&D: the policy mix

Governments adopt various instruments to incentivise R&D by business. In addition to direct support such as grants and buying R&D services, 30 out of the 36 OECD countries provided fiscal incentives in 2018.

Figure 2. Direct government funding of business R&D and tax incentives for R&D, 2016 (nearest year)

As a percentage of GDP


- Austria ranks sixth among OECD and partner economies in terms of total government support to business R&D as a percentage of GDP, equivalent to 0.26% of GDP in 2016.
- From 2006 to 2016, government support for BERD as a percentage of GDP increased in Austria by 0.09 percentage points, while the OECD median increased by 0.02 percentage points.
- During this period, business R&D intensity in Austria increased from 1.66% to 2.19%.
- In 2016, R&D tax incentives accounted for 56% of total government support for BERD in Austria.

Trends in government support for business R&D

Over the last decade, a general trend towards non-discretionary instruments such as R&D tax incentives has been observed. This trend is far from uniform and the policy mix can vary by country and over time.

Figure 3. Direct funding of business R&D and tax incentives for R&D, Austria, 2000-16

As a percentage of GDP, 2010 prices (right-hand scale)


- Between 2000 and 2016, the importance of R&D tax relief increased in Austria in absolute terms, while some up and down-turns are observable in the relative magnitude of tax vs. direct support.
- As percentage of GDP, the amount of tax support increased from 0.11% to 0.15% of GDP during this period with a peak (0.18% of GDP) in 2012. In this year, the ceiling on subcontracted R&D expenditure was increased from EUR 100 000 to EUR 1 million and R&D credits required approval by the Austrian Research Promotion Agency (FFG).
- Direct funding of BERD increased from 0.07% of GDP to 0.11% of GDP over the 2000-16 period.
- The share of R&D tax incentives in total government support varied over the 2000-16 period, amounting to 62% in 2000, 42% in 2005 and 50% in 2010 and reaching 56% in 2016.


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