R&D Tax Incentives: Austria, 2020

Design of R&D tax relief provisions

Austria provides R&D tax relief through a volume-based R&D tax credit.

Table 1. Main design features of R&D tax incentives in Austria, 2020

		Research premium
Tax incentive		Tax credit
Type of instrument		Volume-based
Eligible expenditures†		Current and capital
Headline rates (%)		14
Refund		Yes (no ceiling)
Carry-over (years)		Indefinite (carry-forward)
Ceilings	R&D expenditures (subcontracted R&D)	EUR 1 million

Note: For more details, see OECD R&D Tax Incentive Compendium and Eligibility of current and capital expenditure for R&D tax relief
Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, March 2021.

Key features:

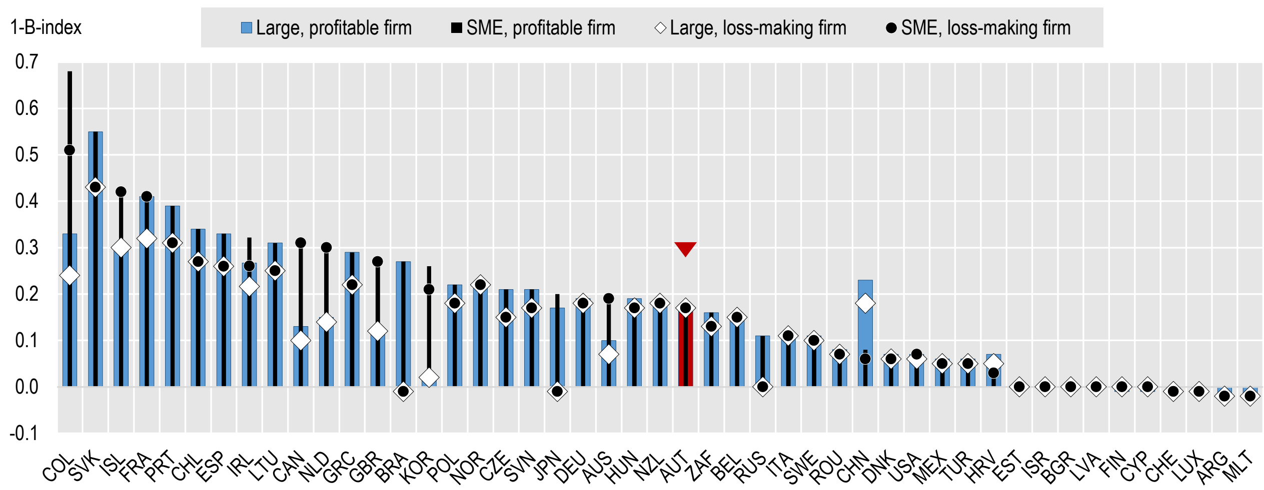
- In case of insufficient tax liability, firms can receive a refund of unused credits. No ceiling is placed on such a refund. Alternatively, firms can carry-forward unused credits indefinitely.
- Subcontracted R&D expenditures are limited to a maximum of EUR 1 million per year.

Generosity of R&D tax support in 2020

Differences in the design of R&D tax incentives drive significant variation in the expected generosity of tax relief per additional unit of R&D investment. In 2020, the implied 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 both the profit-making (0.20) and loss-making (0.18) scenario. In the case of large firms, the implied R&D tax subsidy rate is equal to the OECD median for large profit-making firms (0.17) but exceeds the OECD median for large loss-making firms (0.15).

Figure 1. Implied tax subsidy rates on R&D expenditures: Austria, 2020

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 (see methodology and country-specific notes), providing an upper bound value of the generosity of R&D tax support, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of tax relief.
Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, March 2021.

Recent developments in R&D tax relief provisions

Regular reforms of R&D tax incentives lead to continuous changes in the availability, scope and generosity of R&D tax incentives. Such reforms relate to the launch of new tax incentives, the R&D definition adopted for tax purposes, changes in tax credit and allowance rates, adjustments of thresholds or upper ceilings on qualifying R&D expenditure or tax relief amounts, or changes in the terms and availability of refunds.

In 2020, changes in the availability and scope of R&D tax incentives represented the most frequent type of policy reform (OECD, 2020), along with adjustments to the headline R&D tax credit/allowance rates and adjustments of thresholds or upper ceilings on qualifying R&D expenditure or tax relief amounts. In response to the COVID-19 pandemic, several countries increased the generosity of R&D tax relief or introduced modifications to the administration of R&D tax incentives to facilitate and accelerate R&D funding.

In 2020, **Austria** did not undertake **changes** in its R&D tax relief provisions. The **latest change** in the design of the R&D tax credit (R&D premium) in **Austria** occurred in **2018**, when the headline rate of the R&D tax credit was lifted from 12% to 14%.

Trends in the generosity of R&D tax support

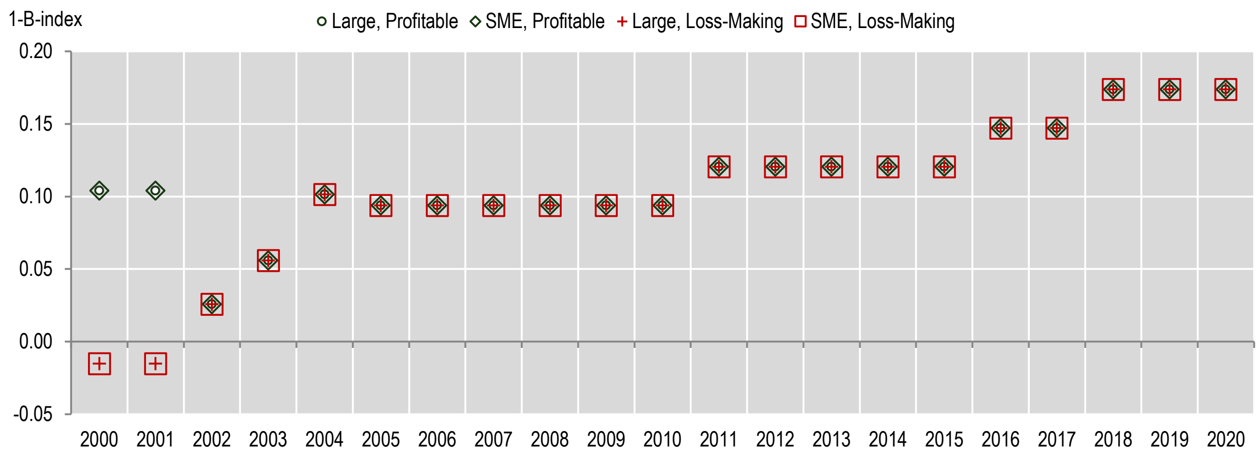
The generosity of R&D tax incentives has increased steadily in **Austria** over time, from an implied R&D tax subsidy rate of 0.09 in 2007 to a rate of 0.17 in 2020 (in each of the four scenarios considered).

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 in 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. As a result of this refundability provision, implied marginal R&D tax subsidy rates coincide for profitable and loss-making firms, independent of their size, from 2002 onwards.

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. Since then, it remained unchanged until 2020. With the increase in the rate of the R&D premium in 2011, the implied marginal R&D tax subsidy rate available to firms under the R&D premium surpassed the R&D tax subsidy rate available to profitable firms under the previous R&D tax allowance.

Figure 2. Implied tax subsidy rates on R&D expenditures: Austria, 2000-20

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 (see methodology and country-specific notes), providing an upper bound value of the generosity of R&D tax support, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of tax relief.

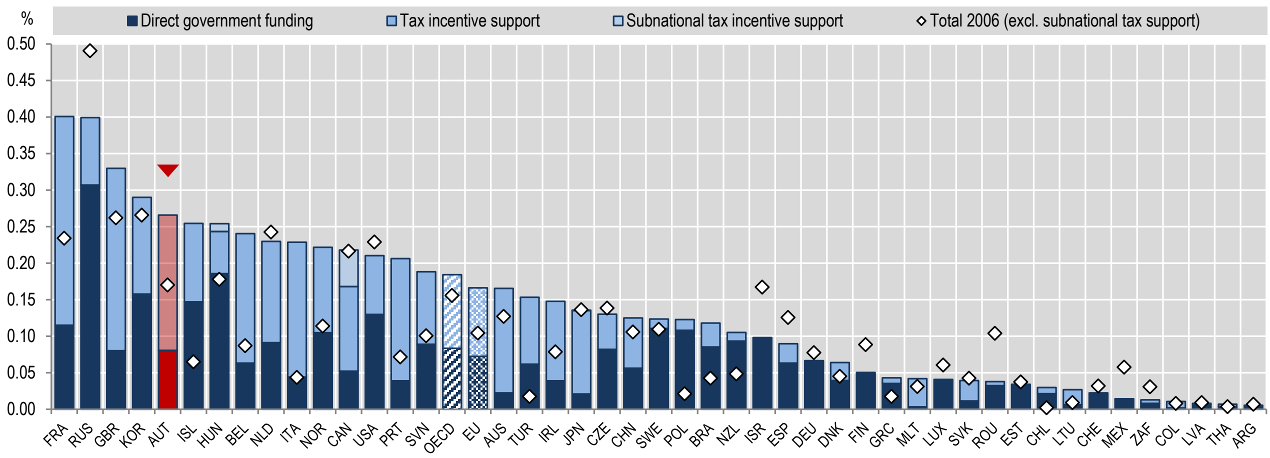
Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, March 2021.

Policy support for business R&D: the policy mix

Austria is among OECD and partner economies that provide the largest level of total government support to business R&D as a percentage of GDP, equivalent to 0.27% of GDP in 2018.

Figure 3. Direct government funding of business R&D and tax incentives for R&D, 2018 (nearest year)

As a percentage of GDP



Note: Data on subnational tax support are only available for a group of countries.

Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, March 2021.

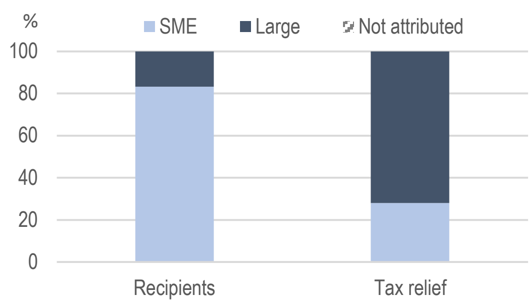
Key points:

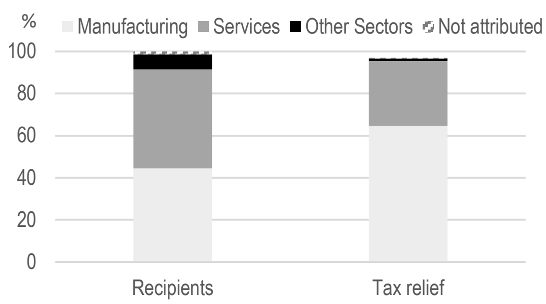
- From 2006 to 2018, government support for BERD as a percentage of GDP increased in **Austria** by 0.1 percentage point (pp), while the OECD median (2006-2018) increased by 0.03 pp.
- During this period, business R&D intensity in **Austria** increased from 1.66% to 2.2%.
- In 2018, R&D tax incentives accounted for 70% of total government support for BERD in **Austria**.

Distribution of R&D tax relief recipients and government tax relief for R&D

The distribution of R&D tax relief recipients and government tax relief for R&D expenditures (GTARD) provide insights into what types of firms claim and benefit from tax relief.

Figure 4. Number of R&D tax relief recipients and value of government tax relief for R&D, 2018 / 2015





Note: Figures refer to the R&D premium. Recipient figures refer to applicants. *SMEs are defined as firms with 1-249 employees. **Industry classification based on ÖNACE 2008 (NACE Rev. 2).

Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, March 2021.

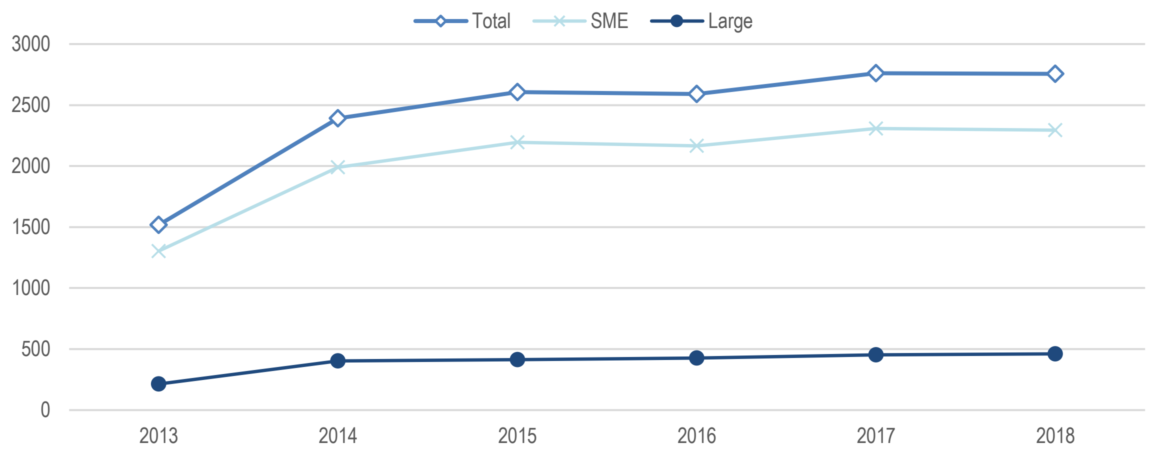
Key points:

- In **Austria**, SMEs accounted for 83% of R&D tax relief recipients in 2018, while the share of R&D tax support accounted for by SMEs amounted to 28% in this year. 72% of R&D tax benefits were allocated to large firms, comprising 17% of the population of R&D tax relief recipients in 2018.
- In 2015, firms in services represented around 47% of R&D tax relief recipients in **Austria**, followed by firms in manufacturing with a share of 44%. The share of R&D tax benefits accounted for the latter amounted to 65% in that year, while the share attributable to firms in services amounted to 31%.

Trends in the uptake of R&D tax incentives

Over the period 2013-2018, the number of R&D tax relief recipients increased in **Austria**, reaching a peak of 2 761 recipients in 2017. Most of the increase observable for the 2013-18 period is attributable to SMEs. Throughout these years, SMEs accounted for around 80% of R&D tax relief recipients in Austria. From 2013 to 2018, the number of SMEs receiving R&D tax support increased from 1 304 to 2 295, while the number of large firms receiving tax support increased from around 215 to 461.

Figure 5. Number of R&D tax relief recipients, Austria, 2013-2018



Note: Figures refer to the R&D premium and correspond to applicants rather than recipients.

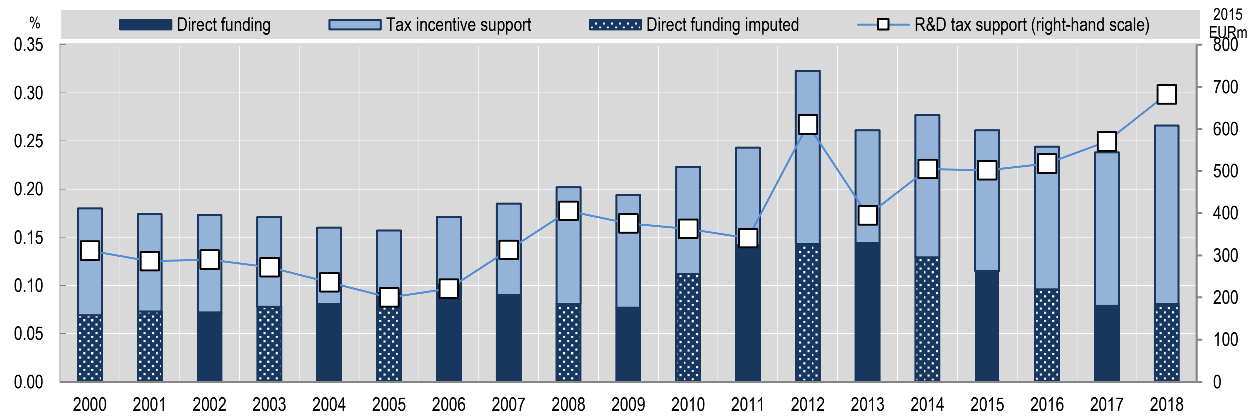
Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, March 2021.

Trends in government support for business R&D

Between 2005 and 2018, the importance of R&D tax relief increased in **Austria** in absolute terms. The relative magnitude of tax compared to direct support has also tended to increase from 2005.

Figure 6. Direct funding of business R&D and tax incentives for R&D, Austria, 2000-18

As a percentage of GDP, 2015 prices (right-hand scale)



Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, March 2021.

- The cost of tax support rose (in 2015 prices) from EUR 311 million in 2000 to EUR 682 million in 2018.
- As percentage of GDP, the amount of tax support increased from 0.11% to 0.19% of GDP during this period. The peak observable in 2012 (0.18% of GDP) was due to the ceiling on subcontracted R&D expenditure being increased from EUR 100 000 to EUR 1 million and R&D credits requiring approval by the Austrian Research Promotion Agency (FFG).
- Direct funding of BERD increased from 0.07% of GDP to 0.08% of GDP over the 2000-18 period, but has declined since 2011.
- The share of R&D tax incentives in total government support varied over the 2000-18 period, amounting to 62% in 2000, 42% in 2005 and 50% in 2010 and reaching 70% in 2018.

Please cite this note as: OECD (2021). “R&D Tax Incentives: Austria, 2020”, www.oecd.org/sti/rd-tax-stats-austria.pdf, Directorate for Science, Technology and Innovation, March 2021.