

# steuern

## Taxes and Profit Determination

### for artists in Austria

The following list is intended as a first introduction to the topic of taxation for visual artists and offers answers to questions we are frequently asked. It also aims to provide an overview of the tax basics you should be familiar with as an artist. The answers were supplied and checked by us. However, we cannot guarantee that they are accurate in individual cases, as the answers are only general information to help you deal with taxes and accounting. For individual and more detailed information, we recommend that you consult a tax consultant.

#### ► *Who has to pay taxes in Austria?*

Full tax liability applies to persons domiciled or habitually resident in Austria, from birth to death. There is also a restricted tax liability, which applies to natural persons\* who are neither domiciled nor habitually resident in Austria. Restricted tax liability and the related problem of double taxation cannot be addressed here.

\* Natural person is a legal term. Every human being is a “natural person”, in contrast to a legal entity, which is created by a legal act (e.g. entry in the register of associations or the business register).

#### ► *Which tax thresholds are relevant for me? What thresholds should I bear in mind?*

The first important threshold is the **compulsory insurance threshold**. If your income from self-employment exceeds EUR 5,527.92 (2020 threshold), you must

notify the *Sozialversicherungsanstalt der Selbständigen* (Social Insurance Institution for the Self-employed, SVS) that you are self-employed (see also [Social Security](#)). This threshold applies regardless of whether you already have social insurance with another insurance institution. Therefore, if you are both employed and self-employed, this may mean that you have to be insured with two social insurance institutions.

The second important threshold is the **personal income tax threshold**. First of all, it is important to emphasise that every person who lives in Austria and has their centre of life here has to pay personal income tax on their entire income, both domestic and foreign, i.e., their worldwide income. However, for a basic income of up to EUR 11,000 you do not have to pay income tax. If, in addition to self-employment, you are also employed part-time or hold a marginal job, the income threshold is EUR 12,600. However, this personal income threshold refers to your total income (all seven types of income) and forms the basis for personal income tax.

The third important threshold for self-employed artists is the value-added tax threshold to be eligible for the **small business regulation**. This applies if your total revenue (net, i.e. excluding VAT) does not exceed EUR 35,000 as of 2020 (in 2019 it was EUR 30,000\*).\* Revenue means all receipts (not income or profits) before deducting business expenses. If you apply the small business regulation, you do not have to pay value-added tax to the tax office, and you are not permitted to charge your customers value-added tax on your invoice. Instead, you can write something in the vein of: “The invoice amount does not contain value-added tax according to § 6 (1) (27) of the Value-Added Tax Act (*UStG*) 1994)” on your invoices.

But you can also waive your right to apply this small business regulation, even if you are below the value-added tax threshold, in which case you will charge your customers VAT and subsequently pay it to the tax office. The advantage of doing this is that you can reclaim the input tax you paid on your own business expenses (which is the value-added tax your supplier charged you and stated on his/her invoice). If you waive your right to apply this regulation, you must notify the tax office accordingly and are bound by this decision for five years.

\* You are allowed to exceed the threshold by up to 15 % once within the five-year period.

## ► **What counts as income and how is personal income tax calculated?**

- **Income from agriculture and forestry**
- **Income from self-employment:** This is your profit from your self-employed activities. Non-artistic income can also be included. As a rule, the profit is calculated based on the cash receipts and disbursement method (cash accounting). In general, you are considered self-employed if you use your own equipment (computers, workspaces, etc.), are not bound by instructions, are not subject to any personal service obligation, are not integrated into the company organisation and submit your own independent invoices for payment.\*
- **Income from trade:** This is profit from trading activities and does not, as a rule, include artistic activities. For commercial enterprises, notification to the social security authorities is automatic as soon as you have obtained a trade licence. One grey area here is photography, for example. Artistic photography falls within the scope of income from self-employment. If you are a “professional photographer” pursuant to the Trade Act (e.g. photographer of weddings and events), however, you pursue an unregulated trade and hence fall within this category.\*
- **Income from employment:** This is a salary earned from employment. In general, you are considered to be in employment if you have an employment contract, a line manager, use the company’s equipment (computers, work equipment) and workspaces and are integrated into the organisation, receive a regular pay slip and regular salary payments. One owes time, not work.\*
- **Investment income:** This refers to interest, for example, which is usually already deducted by an Austrian bank using the capital gains tax (KESt).
- **Income from rental and leasing:** This is, for example, profit earned from renting out your apartment via an online property platform.
- **Other income:** For example, payment for duties performed in an official capacity, e.g. compensation for work on the board or management body of an association or the ÖH, income from occasional services, etc.

Special personal expenses (e.g. donations according to § 4a Income Tax Act (*EstG*), church contributions, tax consultancy costs, etc.) and extraordinary expenses (e.g.

dentures, psychotherapy, etc.) are deducted from this total income. This income according to § 2 (2) of the Income Tax Act is the basis for the income tax rates.

The current rate tax is

no income tax = 0% for the first 11,000 \*\* euros,  
on the income portions over EUR 11,000 up to EUR 18,000 you pay 20%,  
on the income portions over EUR 18,000 up to EUR 31,000 you pay 35%,  
on the income portions over EUR 31,000 up to EUR 60,000 you pay 42%,  
on the income portions over EUR 60,000 up to EUR 90,000 you pay 48%,  
on the income portions over EUR 90,000 up to EUR 1,000,000 you pay 50%  
for those portions of income above EUR 1,000,000, 55 % income tax is payable.

Some deduction amounts are then automatically deducted from this calculated personal income tax amount (e.g. pensioner's tax credit, deductible for transportation), while others must be applied for (family bonus tax credit, sole earner's tax credit or multiple child bonus).

\*This subdivision is particularly important for the Economic Chamber and social insurance institutions (SVS and ÖGK, the Austrian health insurance funds). It is important to emphasise that if you are subject to the Trade Act, you must register with the Economic Chamber.

\*\* If you are in employment, the income threshold from all employment relationships is EUR 13,000, excluding special bonus payments such as holiday pay and Christmas bonus.

### ► ***When do I have to notify the tax office?***

You must register with the tax office as soon as you begin a self-employed activity, using form "Verf24". Registering via [Finanzonline](#) is also possible and highly recommended ("change type of tax return"). It is important to be as realistic as possible when estimating your future annual revenue and annual profits, and not to report them too high or too low. If you report them too low, you might not get a tax number. If you estimate them too high, you may have to pay taxes in advance for income that you have not yet earned. This advance payment will only be returned after you submit your income tax return in the following year. To be on the safe side, it is worth taking a look at the tax thresholds.

We know that artists are often unable to foresee when they can start earning money from their own independent artistic activity, let alone when they can start making a living from it. In some cases this can only be seen in retrospect. It is important that you first report to the tax office at the very latest when issuing invoices that lead to you exceeding one or more tax thresholds. Even before that, it is advisable to register with the tax office and file an income tax return, even if you expect an annual income below EUR 11,000. This is because artists have the possibility of mitigating progression, i.e. equally distributing income over the last three years, which one can apply for as an artist (§ 37(9) of the Income Tax Act 1988). For example, if you sell a lot in one year and rather below average in the other years, you can distribute the income from the year in which you earned a lot and would therefore have to pay more income tax evenly over the other two below-average years. However, this has its pitfalls, because you have to consider all the thresholds over the past three years. If you have also received unemployment benefit during this period, it becomes particularly complex. Attention, this request can not be withdrawn.

► ***What is the difference between personal income tax and value-added tax?***

Simply put, personal income tax is paid on income or the sum of all income. With the self-employed it is also called profit. You determine your profit by deducting your business expenses from your business revenue. This method of calculating profit is called the cash receipts and disbursement method (cash accounting) and is the norm for most artists.

Small businesses are exempt from value-added tax in Austria. Small businesses are businesses with annual sales of less than EUR 35,000. In this case you do not charge value-added tax on your invoices, but likewise you cannot reclaim the input tax paid to suppliers. If you waive the possibility to apply the small business regulation, you have to charge VAT and are allowed to reclaim input tax (VAT paid to suppliers), i.e. you are entitled to deduct input tax. This may allow you to save taxes, but you will also have to do the regular administrative work, i.e., you will have to file a VAT return on at least a quarterly basis and prepare an annual VAT return once a year.

To put it simply, the basis for value-added tax is not profit, as is the case with

personal income tax, but revenue. If it is revenue from artistic activity, a tax rate of 13% currently applies. In the case of non-artistic revenue or any auxiliary transactions (e.g. the sale of a computer used for professional purposes), the reduced rate cannot be applied, instead 20% must be charged. The value-added tax and the value-added tax rate are to be added to the selling price and shown separately on the invoice. The total price is then paid by your customers. The cumulative value-added tax per period must be paid to the tax office. However, you can reclaim the input tax you paid to suppliers.

All natural persons\* living in Austria must pay personal income tax on income above EUR 11,000 per year. Only businesses with revenues (total business receipts) of EUR 35,000 or more (from 1 January 2020) have to clear value-added tax with the tax office (by filing a value-added tax return per period and an annual value-added tax return). If your income is below this threshold, you can choose to apply the small business regulation.

\* Natural person is a legal term. Every human being is a “natural person”, in contrast to a legal entity, which is created by a legal act (e.g. entry in the register of associations or the business register). By analogy with personal income tax, corporate income tax applies to legal entities.

### ► *How is my income from self-employment calculated?*

As a rule, the income from self-employment of freelance artists is calculated on the basis of the cash receipts and disbursements method (cash accounting).

The key figure in cash accounting is the business revenue, from which the business expenses are subsequently deducted. The remainder is your income from self-employment.

**Business revenues** include all payments and non-monetary benefits (e.g. objects or services) received in connection with business activities.

**Business expenses** include all expenses related to and incurred as a result of your business operations (e.g. social security charges, office costs, further training, deductions for wear and tear on fixed assets, membership fees, business share of Internet and telephone charges).

The following are **not usually considered business expenses**: cost of living,

hospitality for business partners (if for publicity purposes, half of which is deductible), personal taxes, expenses associated with tax-free grants.

► ***Is the invoice date or the payment date relevant for my cash accounting?***

As a rule, the income from self-employment of freelance artists is calculated on the basis of the cash receipts and disbursements method (cash accounting). If this is the case, it must be calculated using the inflow and outflow principle. This means that the payment flow and thus the date of payment is relevant.

► ***How do I do cash accounting?***

Basically, it is important to ensure that the records are kept chronologically. It is not compulsory to use a bookkeeping program. If you want to work with a calculation program such as Excel, for example, where it is possible to change details afterwards, please make sure that you save the details of the cash accounting statement unchanged, for example in PDF format, before filing your income tax return. Subsidiary account books must also be kept, such as a fixed assets movement schedule. The obligation to retain the underlying records must also be observed, even if you do not have to file a personal income tax return.

► ***What is depreciation and what are low-value assets?***

A fixed assets movement schedule must be kept for depreciable fixed assets. Fixed assets are assets that are acquired, used over a long period of time and cost more than EUR 800\* (e.g. a computer, camera and lenses, printing press). For these objects or services only the wear and tear value can be deducted each year. This is usually calculated by dividing the initial cost by the useful life. This value must then be depreciated over the entire useful life.

**As a rule, the following assets cannot be depreciated** (as they are not subject to depreciation): for example, land, works of art, antiques, tapestries.

Low-value assets are depreciable fixed assets whose value is less than EUR 800\*. The full purchase value can be deducted.

\*As from 1 January 2020 the threshold for low-value assets is EUR 800; before that it was EUR 400.

► ***My income from my artistic activity is very low: when do I have to report this to the tax office?***

If, in addition to employment with a gross income of more than EUR 11,000, you also pursue an artistic activity and earn income from it, a profit of up to **EUR 730\*** per calendar year from a self-employed artistic activity is tax-free.

If the profit from your self-employed artistic activity is between **EUR 730** and **EUR 1,460** in a calendar year, the profit from the self-employed activity must be declared in full, but not the entire additional income is taxable, only the portion that exceeds €730. This amount is doubled and then added to your taxable income from employment.

Any profit of more than **EUR 1,460** per calendar year is fully taxable, together with your income from employment.

► ***When do I have to file my personal income tax return?***

From the year after becoming self-employed, by 30 June at the latest if you submit your return electronically via Finanzonline. If you want to file an analogue tax return, the deadline is 30 April of the subsequent year. If you have hired a tax consultant, other deadlines apply.

► ***How long do I have to store my records?***

The retention obligation exists independently of the filing of the tax return or the notification of self-employment to the tax office. As a matter of principle, originals of the cash accounts, the related records and source documents, as well as relevant documents/materials must be kept for the tax office for seven years.

For expenditure on fixed assets/equipment that has a depreciation period of more



than 7 years, the retention period must be adjusted accordingly.

► **Which information must be included on my invoice?**

A proper invoice must contain the following information in accordance with § 11 (1) of the Value-Added Tax Act (*UStG*):

- Name and address of the supplier or provider of service
- Name and address of the recipient of the supply or service
- In the case of invoices whose total amount exceeds EUR 10,000, the VAT number of the recipient of the supply or service must also be stated.
- Date of issue
- The quantity and the commercial designation of the goods delivered or the type and scope of the service rendered (scope of performance)
- The date of delivery or service rendered or the period over which the service is rendered (time or period of performance)
- The remuneration for the supply or service (net amount) and the applicable tax rate\*\*
- The amount of tax due on the remuneration, called VAT (indicating the rate only is not sufficient) \*\*
- The consecutive invoice number
- The VAT number of the supplier or provider of service\*\*

\* Applies to input tax deduction and for invoices over EUR 400.

\*\* These details are not necessary if this information is included on the invoice (see also item 1: The invoice amount does not contain value-added tax according to § 6 (1) (27) of the Value-Added Tax Act (*UStG*) 1994.)

► **What is progression mitigation and what do I have to pay attention to?**

Progression mitigation for artists and writers is regulated in § 37 (9) of the Income Tax Act (*EStG*) 1988). If you had a lot of sales or exhibitions in one year, you have to pay a lot of personal income tax for this year, even though you may have created

the work in a previous year when you had far less income. For this reason, it is possible to apply for the positive income from artistic self-employment to be distributed evenly over three years. The personal income tax is thus also spread evenly over the past three years.

Beware of potential pitfalls, however: If you have received unemployment benefit in the past three years, it is important that you do not exceed the compulsory insurance threshold, otherwise you may have to pay back your unemployment benefit. The application can only be made if the income is positive; losses cannot be offset. An income tax assessment for the past two years must also be submitted so that the proceedings can be resumed.

This request can not be withdrawn.

► ***What is a VAT number and when do I need it?***

A VAT number (value-added tax identification number) may be required if you have business relations in other EU countries.\* It can be applied for from the competent tax office. The VAT number enables you to make purchases exempt from VAT within the EU. You are basically subject to taxation in the state in which the recipient operates his or her business. As a small business owner, you must then pay the corresponding VAT to your local tax office, which can lead to additional administrative work. The VAT number must not be used for private purposes.

\* It is only mandatory for purchases in the EU over EUR 10,000 per year.

► ***I don't understand all the official terminology. Where can I find out more?***

From A for Abfertigung (severance pay) to Z for Zweitwohnsitz (secondary residence). A comprehensive glossary of official terms is available [here](#) (German only).