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TOPICS | Real Estate in Austria | [May 2011](#)

Real Estate in Austria

Austria is an attractive business location and a popular country for a second residence. Furthermore, optimal structuring of property acquisition will bring substantial benefits including minimising the taxes connected with the acquisition, possession and any subsequent sale. By taking full benefit of Austrian tax law a substantial increase in income return can be realised.

The acquisition of real estate in Austria by residents from non-EU/EEA countries is subject to restriction. However, appropriate structuring of ownership enables non-residents to invest into Austrian property.

Real Estate in Austria

Real Estate Transfer Tax

Purchase of land in Austria is subject to realty transfer tax.

Important exceptions are:

- Donations between spouses under 150 sq.m. floor area
- Donations under Private Trust Law

The tax is calculated on the basis of the consideration value (including VAT). If this is not available, the tax calculation is three times the unit value of the property. Unit value is a value determined by the Austrian Authority, which is usually far below the market value.

The tax rate in case of acquisition by:

- Spouse, parent, a child, a grandchild, a stepchild, an adopted child, children-in-law is2%
- Other person3,5%

Registration fee

For the registration of property and construction rights a registration fee of 1.1% of the value will be imposed by land register.

If a mortgage should be registered, an additional fee of 1.2% of the mortgage amount is payable.

Speculative gains tax

The sale of private property outside of the speculative period is exempt from gains tax.

Speculation period is:

- Generally 10 years
- For rented buildings with depreciation tax shield 15 years

In case of non-paid acquisition (grant, inheritance) the speculative period begins on the date of on the last paid acquisition.

Speculative gains belong to the other income and are charged at the average income tax rate. Speculative gains can be offset only against speculation losses of the same year.

Exemptions from speculative gains tax

Main residence exemption

Homes and condos including land are not subject to speculative gains tax when the seller has used the property as his principal residence at least for two years. If there is only one residence, then it is the principal residence. If there are several residences, then the exemption applies only to the residence to which the taxpayer has closest personal and economic relations (centre of vital interests). A temporary stay at another residence is not harmful for tax exemption purposes. Condos and homes that are used as a second home are not subject to exemption.

In case of **inheritance** only the deceased has to meet the conditions for the exemption. The heir may immediately sell free of tax.

In case of gift tax exemption is effective if both the donor and the recipient have used the place together as their principal residence without cease since the acquisition for at least two-year period.

The main residence restriction applies to both land and buildings.

Self-constructed building

Income from the sale of self-constructed buildings is exempt from taxation. An attributable speculation profit of the land is taxable.

Value added tax

Property sales in Austria are generally exempt from value added tax. The entrepreneur may opt to have tax liability. The option is especially useful if in the past 10 years there were significant amounts of input tax arising from restoration or major repairs. Otherwise, the input tax should be repaid aliquot a tenth each year. If the land sale is treated as taxable, it is subject to the normal tax rate of 20%.

Real estate acquisition by foreigners

The purchase of property is regulated by the laws of the nine federal states.

Residents of EU and EEA countries are equivalent to Austrians. Upon request the competent authority issues a land transfer confirmation, which declares that the acquisition is exempt from the permit requirements of the Aliens Land Transfer Act.

For acquisition of property by natural and legal persons from non-EU and non-EEA countries an administrative permit is required. This approval is granted if the conclusion of the transaction is of a cultural, social, or economic interest.

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