New interest limitation rule in Austria

Restrictions on the deductibility of borrowing costs from 2021
The new interest limitation rule

LIMITATION ON THE DEDUCTIBILITY OF BORROWING COSTS FROM 2021

New limitation on deductibility
With effect from 1 January 2021, Austria will fully implement the EU Anti-Tax Avoidance Directive and introduce a new interest limitation rule. This will cap the deduction of borrowing costs (net interest expenses) at 30% of the taxable result (the tax-relevant EBITDA). The new interest limitation rule covers all borrowing costs, irrespective of whether these are incurred in relation to unrelated third parties or within a group, and irrespective of the level of taxation of interest revenues by the recipient.

Nevertheless, taxpayers can make use of numerous exceptions, which can ensure tax deductibility (fully or partially) in individual cases, despite the 30% threshold having been exceeded. Within a tax group, it is important to note that the interest limitation rule only applies on group level, and exceptions should also only be applied on this level.

Impact on Austrian companies
To avoid increased taxation in future, Austrian companies need to examine their existing and future financing structures. With detailed forward planning, the impacts of the interest limitation rule can be assessed and appropriate measures introduced to ensure deductibility.

Understanding the potential impacts of the interest limitation rule will play a decisive role when analysing possible alternative arrangements, in particular when raising debt financing or in relation to acquisitions.

- Deductible net interest expense capped at 30% of tax-adjusted EBITDA
- Applies on the level of individual entities
- Special rules for tax groups

General rule

Exceptions
- €3m de minimis
- Stand-alone entities
- Loans prior to 17 June 2016
- Equity test based on consolidated accounting

Carry-forwards
- Indefinite carry-forwards for interest
- EBITDA carry-forwards limited to 5 years
Dynamic modelling solutions allow non-deductible borrowing costs to be factored into business decisions. This data can also be taken into account when designing suitable financing arrangements and group structures.
We are here to support you!

YOUR CONTACTS

Martin Jann
Partner
Tel: +43 1 501 88 3206
martin.jann@pwc.com

Marianna Dozsa
Partner
Tel: +43 1 501 88 3239
marianna.dozsa@pwc.com

Martina Gruber
Senior Manager
Tel: +43 1 501 88 3219
martina.gruber@pwc.com

Barnabas Kerekes
Senior Manager
Tel: +43 1 501 88 3229
barnabas.kerekes@pwc.com