

LEAFLET

Working in Austria for a foreign employer that does not have a branch in Austria

Social security law

Generally, all employees who work in Austria are subject to the Austrian Social Security. Employees who work for a foreign company that does not operate a domestic branch are considered employed domestically when working from a place of residence located in the country (Austria) and not being subject to a system of social security abroad. The latter would be the case, for instance, when an employee is posted from abroad to Austria for less than two years.

The fact whether the employer or the employee is obligated to pay social security contributions into the Austrian social insurance system (to the *TGKK*) depends on whether the employer is from an EU/EEA-country or Switzerland or on whether the employer has his residence in a third country.

1. *Third-country employers*

Here, the Austrian „*Allgemeine Sozialversicherungsgesetz (§ 53 ASVG)*” applies. This law says that the contributions to the Social Security are always imposed on the employee. Therefore, the employee needs to ensure that he/she concludes a written gross wage agreement that forms the basis for determining the social security contributions. In addition to the gross wage, the employer needs to undertake (preferably in writing) to transfer the employer’s Social Security contribution to the employee. This contribution amounts to 21.38% of the gross wage. The employee has to transfer this contribution together with the employee’s contribution that amounts to 18.12% of the gross wage to the Gebietskrankenkasse. These contribution rates apply to gross incomes from € 1.987 up to the maximum contribution rate (€ 5.550).

2. Employers from EU/EEA-countries or Switzerland

In this case, it is the employer who undertakes to pay both the employee's and the employer's contributions to the Social Security to the *TGKK* and to pay out the remaining amount (gross minus social security contribution) to the employee. However, it is possible that the employer concludes a written agreement with the employee which says that it is the employee who pays the contributions herself/himself and the employer, in return, undertakes to pay the employer's contribution additionally to the gross wage. The employee then forwards the employer's contribution (21.38%) as well as his/her own contribution (18.12%) to the *TGKK*. These contribution rates apply for gross incomes from € 1.987 up to the maximum contribution rate (€ 5.550). The exact rates can be calculated on the [webpage of the Austrian main association for Social Security](#). If the employee concludes a written agreement with the employer (Art. 21 Reg. 883/2004/EC-Agreement) on the payment of the gross wage plus employer's contributions, he/she can easily check whether he/she is covered by social security as it is him/her who is in charge of paying the social security contributions. In the event of non-payment of the contributions to the employee, it is the employee who has to take action against the foreign employer. In addition to this written agreement an own form should be filled in for the *TGKK* which can be obtained on the [webpage of the TGKK](#).

Tax law

According to tax law, employees who live and work in Austria – whether for a domestic or foreign employer – **are subject to Austrian tax law**.

Foreign employers can either pay the wage tax directly to the Austrian tax authorities (Finanzamt Graz-Stadt) or through an Austrian tax accountant. Moreover, the employer is obliged to hand in an annual wage slip (*form L17*). Since January 1, 2021, it is also permissible to pay gross wages to employees and to oblige them to tax their income in Austria themselves. In this case as part of the **tax declaration** (*form L1*), the employee has to enclose form L1i if the employer has not submitted the annual wage slip (*form L17*) to the Austrian tax office.

Employment law

If the employer is a foreign company or if the employee is employed via a foreign subsidiary of a domestic company, it may happen that another law is being concluded in the employment contract despite working in Austrian territory.

Generally, it should be ensured that neither an express choice of law of another law nor any references to foreign sources of law appear. Usually, it is of advantage for the employee when being able to rely on Austrian law known to the Austrian courts/lawyers. Therefore, an express choice of Austrian law would be ideal.

However, if the application of foreign law results from the employment contract, a safeguard clause for employees can be found in Rom I-Regulation. This Article 8 Reg. 593/2008/EC says that despite choice of law those mandatory labour law

requirements that apply in the country in which or from which the employee habitually carries out his/her work shall not be waived, provided that they include more favourable provisions for the employee. According to this favourability principle, it is to be examined whether this concluded foreign law puts the employee in a worse position than the Austrian law. If this is the case the more favourable **mandatory Austrian labour standards** apply despite choice of law. If no choice of law has been made, the law of the workplace applies automatically. If the place of employment is located in Austria, it is possible to sue the employer in Austria without any choice of court agreement.

Working place in different states

If an employee usually does not work in the same country such as truck drivers, who work in international freight transport, caution is needed as the law of the respective country applies in which the branch that has employed the employee is located. Therefore, when it comes to internationally operating companies with several branches the employee should not be employed via a foreign subsidiary. In such a case it is important to consider that in the event of a labour law related dispute an Austrian place of jurisdiction at the labour and social court is agreed. This court should be geographically the closest to the place of residence to the employee. Otherwise, an employee who usually does not work in Austria would have to sue his/her employer at the Court in the country of the branch that has employed the employee.

Severance indemnity: choice of staff provision fund

If Austrian law applies, the employer has to pay contributions to the staff provision fund. These contributions are paid together with the social security contributions to the health insurance company (TGKK). If the social security contributions are paid by the employee, he/she also has to pay the contribution for the staff provision fund. Therefore, it is to be ensured that these contributions in the amount of 1.53% of the monthly gross wage as well as the employer's social security contributions are paid by the employer to the employee additionally to the gross wage. Beforehand, a staff provision fund has to be chosen with which the employer needs to conclude a contract of accession. If the employer has not yet chosen a staff provision fund it is recommended to the employee to propose one and to force a contract of accession at the employer as otherwise the contributions remain at the TGKK. Samples of contracts of accession are available at the staff provision funds.