

**FOR
AGENDA**

SM/13/243
Correction 1

August 30, 2013

To: Members of the Executive Board

From: The Secretary

Subject: **Austria—Selected Issues**

The attached corrections to SM/13/243 (8/20/13) have been provided by the staff:

Factual Errors Not Affecting the Presentation of Staff's Analysis or Views

Page 5, para. 7, (c), first bullet, line 1:

for "if the father also takes advantage" read "if the partner also takes advantage"

para. 7, (c), second bullet, line 1:

for "if the father also participates" read "if the partner also participates"

para. 7, (c), third bullet, line 1:

for "if the father also benefits" read "if the partner also benefits"

para. 7, (c), fourth bullet, line 1:

for "if the father takes part" read "if the partner takes part"

Page 6, line 1: for "if the father takes advantage of is" read "if the partner takes advantage of it"

Questions may be referred to Ms. Detragiache (ext. 36376) and Mr. Steinlein (ext. 37320) in EUR.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (2)

Other Distribution:
Department Heads

7. The major cash transfers are the following:

- (a) *child/family transfer* ("*Familienbeihilfe*") in monthly amounts between EUR 105 (up to the age of three) and EUR 153 (up to a maximum age of 25 for students or professional trainees).⁶ Monthly increments are available for the second child (EUR 13), third child (additional EUR 35), and fourth and subsequent child (additional EUR 50). There is an additional family allowance of EUR 20 per month for the third and subsequent child if the (modified) taxable family income did not exceed EUR 55,000 in the preceding year; and there is a 13th family allowance of EUR 100 per child between 6 and 15 paid every September at the start of the school year.
- (b) *child "tax credit"* that amounts to EUR 58.40 per child and month. In actuality, this is a cash transfer that is independent of any tax liability and paid together with (a).
- (c) *childcare transfer* that can be claimed in one of five variants: Four of these variants are lump-sum transfers, i.e. independent from any income before child birth. However, they allow for additional income during benefit receipt of up to 60 percent of any pre-birth earnings or at least EUR 16,200 annually. The four lump-sum options differ in duration and amount:
 - in *variant (1)*, the duration is 30 months (or 36 months if the partner also takes advantage of the benefit for part of the time) and the monthly amount is EUR 436;
 - in *variant (2)*, the duration is 20 months (or 24 months if the partner also participates) and the monthly amount is EUR 624;
 - in *variant (3)*, the duration is 15 months (or 18 months if the partner also benefits) and the monthly amount is EUR 800;
 - and in *variant (4)*, the duration is 12 months (or 14 months if the partner takes part) and the monthly amount is EUR 1,000;

In all four variants above, parents with low income (below an annual EUR 6,100 for the benefitting parent and EUR 16,200 for the partner) can apply for an additional EUR 180 per month for a period of 12 months.

The *fifth variant* is conditional on pre-birth employment. In this option, the benefit is 80 percent of pre-birth income, with a maximum amount of EUR 2,000. The duration

⁶ Students/trainees can receive child transfers as long as their annual (modified) taxable income does not exceed EUR 10,000.

of the benefit is 12 months (or 14 months if the partner takes advantage of it as well). The limit for any additional income during benefit receipt is lower than in the lump sum variants, at EUR 6,100 annually.

- (d) *A birth-related transfer ("Wochengeld")* that is paid by health insurance for the period of between eight weeks before and eight weeks after giving birth, substituting for the mother's net income during that time.

8. In addition, there exist several smaller family benefit programs. These are administered across various federal ministries, or are separate programs at the state level.⁷

9. The standard tax allowance for children is small.⁸ A more substantial tax relief relates to actually incurred child care costs that are deductible from the tax base up to an annual amount of EUR 2,300 per child until the age of ten. With the same age limit, employer contributions to child care cost up to an amount of EUR 500 per year are tax- and social contribution-free.

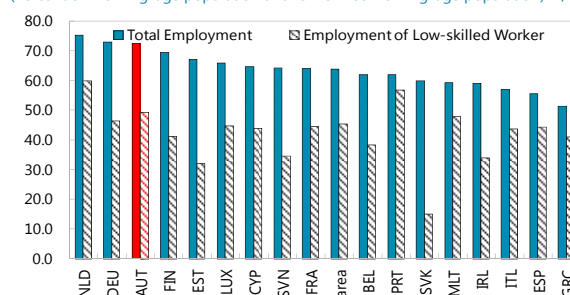
C. Effects on Work Incentives

10. The high marginal burden on labor income even at the low end helps explain the following characteristics of the Austrian labor market: (a) compared to overall employment, a relatively low employment rate among the low-skilled (*text chart*); and (b) a high share of part-time work, in particular among women (*text chart*). A third feature of the labor market, the low employment rate among older workers is not discussed here as it mirrors to a large extent relatively generous early retirement benefits and, at least for women, a low statutory retirement age.⁹

Low-skilled workers

11. High social contributions and entry income tax rates are likely to hamper work incentives for individuals with low earnings potential, including through the interaction with the social benefit system. This has already been pointed out in previous IMF staff reports.¹⁰ For instance, beneficiaries of the means-tested

Total and Low-Skilled Employment
(Percent of Working-age population and low-skilled working-age population) 1/



Source: Eurostat; and IMF staff calculations.
/1 "Low-skilled": Pre-primary, primary, and lower secondary education

⁷ For an overview, see the report of the Austrian Court of Auditors "Familienbezogene Leistungen des Bundes und ausgewählter Länder", Bund 2011/6, Wien 2011.

⁸ The standard annual tax allowance deductible from the tax base currently amounts to EUR 220 per child (if claimed by only one parent) or EUR 132 per child for each parent (if claimed by both).

⁹ See 2011 and 2012 IMF Staff Reports.

¹⁰ See Annex III of the 2012 IMF Staff Report.