Austria to introduce stricter real estate transfer tax rules for share deals

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On 2 May 2025, the draft of the Budget Accompanying Act 2025 was released, aiming to implement budget consolidation measures outlined in the 2025–2029 government programme. The draft bill introduces significant changes for the real estate industry in Austria, particularly regarding share deals.

1. Changes to share deals

The draft bill seeks to align the tax consequences of share deals with those of asset deals. The key changes include:

- **Reduction of the ownership threshold**: The threshold for triggering real estate transfer tax on share deals will be lowered from 95% to 75%. This change is intended to prevent tax-neutral transfers by way of the retention of small stakes (so-called RETT blockers).
- **Expansion of the qualified shareholder change**: Currently, real estate transfer tax is triggered, *inter alia*, if a partnership holds Austrian real estate, provided that at least 95% of the interests in such a partnership change hands within a period of five years. In future, the rules for a qualified shareholder change will not only apply to partnerships but also to corporations. The ownership threshold will be reduced to 75% and the observation period will be extended from five to seven years.
- **Share consolidation (*Anteilsvereinigung*)**: Currently, real estate transfer tax with respect to share deals is also triggered if Austrian real estate is part of the assets of a corporation or partnership and at least 95% of the shares or interests in such an entity are unified in the hands of one shareholder or a tax group. In future, the threshold will be reduced to 75%. Another significant change is the proposed taxation of indirect share transfers (currently, only transfers of the shares in the property-holding company are relevant). Real estate transfer tax will also be triggered if the participation threshold is reached through a specially defined association of persons. Such an association is deemed to exist if partnerships or corporations are combined, whether through shareholdings or by other means, directly or indirectly, for economic purposes under uniform management or if they are under the controlling influence of a single person (e.g. through syndicate or voting trust agreements).
- **Stock exchange clause**: Transfers of shares in publicly listed companies will generally be excluded from the shareholder change tax rules.

2. Changes to the tax rate and the assessment basis

- New stricter rules for real estate companies**:**
  - **Definition**: A real estate company is defined as a company whose primary business involves the sale, rental or management of properties, with little or no other commercial activity. Properties used for the company's own commercial purposes will not be taken into account when determining whether it qualifies as a real estate company.
  - **Increase in tax rate**: For share consolidations, qualified shareholder changes or reorganisations of real estate companies, the market value (*gemeiner Wert*) of the affected

properties will be used as the tax base. The tax rate for transactions involving real estate companies will increase from 0.5% to 3.5%.

- For other companies, the existing rule – real estate transfer tax of 0.5% based on the (normally significantly lower) property value (*Grundstückswert*) – will continue to apply.
- Preferential tax rates will remain in place for property transfers between family members.

3. Entry into force

- The new rules are expected to apply from 1 July 2025 and will be relevant for transactions where the real estate tax liability arises after 30 June 2025.
- No real estate transfer tax will be triggered solely by the entry into force of the new rules. However, the new regime will also apply to legal transactions that alter existing ownership shares, provided the ownership stake does not fall below 75%.

As the new rules are scheduled to take effect on 1 July 2025, proactive analysis and strategic planning are crucial to mitigate the risk of unexpected real estate transfer tax exposure in Austria.

The review period of the draft bill ends on 9 May 2025. We will keep you updated.

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