Family Benefits and Tax Measures

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The presentation on the equalisation of family benefits and tax measures in Austria by Peter Denk not only deals with the Family Burdens Equalisation Act, but also the historical development of the law and the Family Bonus Plus.

There are two possible systems for maintaining the equalisation of family burdens: namely through direct financial contributions and/or tax measures.

But first, a look at the historical development has to be taken. The Food Benefits Act was introduced in 1948 to support families. After the Second World War, various foods such as bread, meat and milk were very expensive. Instead of tiered prices, the Food Benefits Act was introduced, which granted families a fixed monthly amount. Whether one benefitted from this law depended on the type of one's income, whereas self-employed people were not covered by the law. The costs were borne entirely by the federal government and then paid out, for instance, by employers. However, the Food Benefits Act was not effective for long and was replaced just two years later, in 1950, by the Child Benefits Act to support employees with basic goods. As with the Food Benefits Act, a fixed monthly amount was paid out. Whether you were a beneficiary depended on your income.

This time complete orphans were also included, provided they were in education and under the age of 25. The equalisation fund for child benefit was administered by the Federal Ministry of Finance and had no legal personality. For the first time, there were also non-public contributions in the form of employer contributions.

Another five years later, in 1955, the Family Burdens Equalisation Act was introduced. Due to the additional financial expenses incurred with children, there is a possibility that a family's standard of living can no longer be maintained. As a result, this can lead to a declining birth rate and consequently to a declining population, which is why the Family Burdens Equalisation Act aimed to counteract this. For the first time, a distinction was made as to whether a person was employed or self-employed. Once more the fixed monthly amount depended on the number of children. In order to be eligible to be a beneficiary, one had to have a permanent residence or habitual abode in Austria. Furthermore, the child, who had to live in the same household had to be a maximum of 18 years old or a maximum of 25 years of age if in vocational training. There was no age limit for children with physical disabilities. In terms of financing, the Family Burdens Equalisation Fund was administered by the Federal Ministry of Ministry of Finance and had no legal personality of its own. The contributions came either from income, from agricultural and forestry businesses or from the federal states.

Since 1955, various milestones have been achieved through amendments. In 1956, families received a one-off payment on the birth of a child and in 1957, the age limit for children was set at a standardised 21 years regardless of the form of employment of the beneficiary. From 1956 on employees and the self-employed received the same amount. In 1960 the so-called new infant benefit was added, where a one-off amount was paid out after the child's first month of life. Historically, another major step was taken with the Family Burdens Equalisation Act 1967, which no longer differentiated between being employed or self-employed. There were also further harmonisation measures. Instead of the fixed amount at birth and after the first month of the child's life, a standardised one-off amount was now paid.

The Family Burdens Equalization Act regulates the family allowance, a fixed monthly amount that is paid out in varying amounts depending on the age and number of children. There is also the possibility of receiving a sibling supplement of EUR 8.20 per child for two or more children. There are also special regulations for children with severe disabilities. For three or more children, there is the so-called multiple-child supplement, which, however, also depends on the parents' joint household income. The child's income also plays a role in the amount of family allowance. The current maximum amount of EUR 16,455 may not be exceeded. The family allowance is also exempt from income tax.

The group of beneficiaries includes children whose place of residence or habitual abode is in Austria. Residence is understood to mean the actual or legal possibility of using a home. Habitual residence exists if the stay lasts longer than six months. Furthermore, the so-called center of vital interests can be used to define who is a beneficiary or not. In principle, the group of beneficiaries includes underage children, children up to the age of 24 in the case of vocational training or studies and disabled children without age limit. It should be noted that they must belong to a joint household, i.e. a shared home and a joint economic household.

Other benefits include, for example, the school travel allowance and free use of public transport for schoolchildren. The amount depends on the distance and frequency of the way to school. Since 1972, there has been a school book program whereby pupils at public schools receive the necessary school books free of charge. In certain cases of hardship, families can apply for financial assistance. The aforementioned support for families in Austria is drawn from the Family Burden Equalization Fund. The capital is made up of various funds: Employer contributions, fixed amounts from income tax revenue, shares of corporation tax and income tax revenue in accordance with the relevant Financial Equalization Act, contributions from agricultural and forestry enterprises and lump sums. This fund is used to pay all benefits under the Family Burdens Equalization Act 1967 and various additional expenses.

In Austria there also exists the so-called “Family Bonus Plus”, that provides considerable tax relief for working taxpayers with children compared to taxpayers without children. The prerequisite for this is the granting of family allowance and unlimited tax liability in Austria (residence or habitual abode). The family receives the benefits in the form of a fixed monthly tax credit depending on the age of the child. Up to the child's 18th birthday, this amount is EUR 166.68 per month. Beneficiaries are family allowance recipients and their (spouse) partner, as well as the breadwinner who pays maintenance for a child and is entitled to a tax credit for these payments. Beneficiaries have the option of either only one of them receiving the full family bonus plus or both claiming half each. It should be noted that, on the one hand, the distribution can be different concerning each child and, on the other hand, the family bonus plus has no effect on a monthly gross income under EUR 1500.

The requirements for receiving a supplementary child benefit are as follows: Beneficiaries must receive a certain taxable income on at least 30 days in the calendar year or a certain benefit granted by law during the entire calendar year. If the income tax before the Family Bonus Plus is less than EUR 700 and single-earner or single-parent deduction is available, or the (spouse) partner also has an income tax of less than EUR 700, the difference between EUR 700 and the income tax is refunded.

In conclusion, it can be said that there has been an enormous development from price subsidies to comprehensive family benefits. Initially, only compensation for state price subsidies was granted. After the Second World War, the first non-public funding through employer contributions was introduced. The Family Burden Equalization Act of 1955 was extensively revised in 1967 and benefits were continuously expanded. These benefits include, for example, the introduction of increased contributions and a multi-child bonus to take account of the additional burden of having several children, as well as tax measures in the form of the Family Bonus Plus.