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Recommendation for a

COUNCIL RECOMMENDATION

endorsing the national medium-term fiscal-structural plan of Austria

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121 thereof,

Having regard to Regulation (EU) 2024/1263, and in particular Article 17 thereof,

Having regard to the recommendation from the Commission,

Whereas:

GENERAL CONSIDERATIONS

(1) A reformed EU economic governance framework entered into force on 30 April 2024. Regulation (EU) 2024/1263 of the European Parliament and of the Council on the effective coordination of economic policies and on multilateral budgetary surveillance[1], together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure[2], and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States[3] are the core elements of the reformed EU economic governance framework. The framework aims at ensuring public debt sustainability and sustainable and inclusive growth through reforms and investments. It promotes national ownership and has a medium-term focus, combined with an effective and coherent enforcement of the rules.

(2) The national medium-term fiscal-structural plans that Member States submit to the Council and to the Commission are at the centre of the new economic governance framework. The plans are to deliver on two objectives: i) ensuring that, by the end of the adjustment period, general government debt is on a plausibly downward trajectory, or stays at prudent levels, and that the government deficit is brought and maintained below the reference value of 3% of GDP over the medium term, and ii) ensuring the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the EU. To that end, each plan is to present a medium-term commitment to a net expenditure[4]

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[1] Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj).

[2] Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1264/oj).

[3] Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024, ELI: http://data.europa.eu/eli/dir/2024/1265/oj).

[4] Net expenditure as defined in Article 2 of Regulation (EU) 2024/1263, namely government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on Union

path, which effectively establishes a budgetary constraint for the duration of the plan, covering four or five years (depending on the regular term of legislature in a Member State). In addition, the plan is to explain how the Member State will ensure the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester, in particular in the country-specific recommendations (including those pertaining to the macroeconomic imbalances procedure (MIP), if applicable), and how the Member State will address the common priorities of the Union. The period for fiscal adjustment covers a period of four years, which may be extended by up to three years if the Member State commits to delivering a set of relevant reforms and investments that satisfies the criteria set out in Regulation (EU) 2024/1263.

(3) Following the submission of the plan, the Commission is to assess whether it complies with the requirements of Regulation (EU) 2024/1263.

(4) Upon a recommendation from the Commission, the Council is to then adopt a recommendation to set the net expenditure path of the Member State concerned and, where applicable, endorses the set of reform and investment commitments underpinning an extension of the fiscal adjustment period.

CONSIDERATIONS CONCERNING THE NATIONAL MEDIUM-TERM FISCAL-STRUCTURAL PLAN OF AUSTRIA

(5) On 13 May 2025, Austria submitted its national medium-term fiscal-structural plan to the Council and to the Commission. The submission took place following an extension of the deadline set out in Article 36 of Regulation (EU) 2024/1263, as agreed with the Commission in view of the reason put forward by Austria, namely that following the general elections in Austria on 29 September 2024, negotiations on forming a new government took longer than originally assumed.

Process prior to the submission of the plan

(6) On 18 December 2024 the Commission sent, according to Article 9 of Regulation (EU) 2024/1263, the reference trajectory[5] to Austria. The Commission published the reference trajectory on 13 May 2025[6]. The reference trajectory is risk-based and ensures that, by the end of the fiscal adjustment period and in the absence of further budgetary measures beyond the adjustment period, general government debt is on a plausibly downward trajectory or stays at prudent levels over the medium term, and the general government deficit is brought below 3% of GDP over the adjustment

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programmes fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure and (vi) one-offs and other temporary measures.

5 Prior guidance transmitted to the Member States and Economic and Financial Committee includes trajectories without and with an extension of the adjustment period (covering 4 and 7 years, respectively). It also includes the main initial conditions and underlying assumptions used in the Commission's medium-term government debt projection framework. The reference trajectory was calculated on the basis of the methodology described in the Commission's *Debt Sustainability Monitor 2023* (https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2023_en). It is based on the Commission Autumn 2024 Forecast and its medium-term extension up to 2034, and long-term GDP growth and ageing costs are in line with the joint Commission-Council *2024 Ageing Report* (https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070_en).

6 https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/national-medium-term-fiscal-structural-plans_en#Austria

period and maintained below that reference value over the medium term. The medium term is defined as the ten-year period after the end of the adjustment period. In accordance with Articles 6, point (d), 7 and 8 of Regulation (EU) 2024/1263, the reference trajectory is also consistent with the deficit benchmark, the debt sustainability safeguard and the deficit resilience safeguard.

The reference trajectory of Austria sets out that, based on the Commission's assumptions and assuming a 7-year adjustment period, net expenditure should not grow by more than the values provided in Table 1. This corresponded to average net expenditure growth of 2.3% over the adjustment period (2025-2031) and of 2.2% over the period covered by the plan (2025-2029).

Table 1: Reference trajectory provided by the Commission to Austria on 18 December 2024

	2025	2026	2027	2028	2029	2030	2031	Average 2025-2029	Average 2025-2031
Maximum net expenditure growth (annual, %)	2.0	1.7	2.4	2.4	2.5	2.6	2.7	2.2	2.3

Source: Commission's calculations.

(7) In line with Article 12 of Regulation (EU) 2024/1263, Austria and the Commission engaged in a technical dialogue from March to May 2025. The dialogue centred on the net expenditure path envisaged by Austria and its underlying assumptions, the envisaged set of reform and investment commitments to underpin an extension of the adjustment period (such as reforms increasing the effective retirement age and boosting labour market participation), as well as the envisaged delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and the common priorities of the Union in a fair green and digital transition, social and economic resilience, energy security and the build-up of defence capabilities.

(8) In June 2024 and March 2025, in line with Article 11(3) and 36(1), point (c), of Regulation (EU) 2024/1263, Austria engaged in a consultation process with civil society, social partners, regional authorities and other relevant stakeholders.

(9) The plan was presented to the national parliament on 13 May 2025 and subsequently discussed in parliamentary committees.

Other related processes

(10) On [Date], together with the present Recommendation endorsing the national medium-term fiscal-structural plan, the Council established, upon a Commission recommendation, the existence of an excessive deficit in Austria due to non-compliance with the deficit criterion and adopted a Recommendation under Article 126(7) TFEU with a view to bringing an end to the situation of an excessive

government deficit in Austria.[7] The simultaneous adoption of those recommendations ensures consistency between the recommended adjustment paths.

(11) On 13 May 2025, Austria submitted its Draft Budgetary Plan for the years 2025-2026. The Commission adopted an opinion on this Draft Budgetary Plan on 23 June 2025[8].

(12) On [Date], the Council addressed to Austria a series of country-specific recommendations (CSRs) in the context of the European Semester[9].

SUMMARY OF THE PLAN AND THE COMMISSION'S ASSESSMENT THEREOF

(13) In line with Article 16 of Regulation (EU) 2024/1263, the Commission assessed the plan as follows:

Context: macroeconomic and fiscal situation and outlook

(14) Economic activity in Austria contracted by 1.0% in 2024, driven by declining investment and stagnant consumption. According to the Commission Spring 2025 Forecast, the economy is expected to decline by 0.3% in 2025, in a context of falling investments and negative net exports. In 2026, real GDP is set to increase by 1.0%, with strengthening private consumption and investment growth turning positive. Over the forecast horizon (2025-2026), potential GDP growth in Austria is expected to be subdued at 0.3% on average, as a consequence of weak investment, demographic change and stagnant total factor productivity. The unemployment rate stood at 5.2% in 2024, and is projected by the Commission to amount to 5.3% in 2025 and 5.2% in 2026. The GDP deflator is projected to increase from 3.1% in 2024 to 3.5% in 2025, and to go down to 2.2% in 2026.

(15) Regarding fiscal developments, Austria's general government deficit amounted to 4.7% of GDP in 2024. According to the Commission Spring 2025 Forecast, it is set to reduce to 4.4% of GDP in 2025 and to decline further to 4.2% of GDP in 2026. The Commission Spring 2025 Forecast includes the main consolidation measures of Austria's draft budget for 2025 and 2026 that the government proposed to the national parliament in May 2025. General government debt stood at 81.8% of GDP at end-2024. According to the Commission Spring 2025 Forecast, the debt ratio is expected to increase to 84.0% of GDP at end-2025 and to 85.8% of GDP at end-2026. The fiscal forecast by the Commission does not consider the policy commitments in the medium-term fiscal-structural plan as such until they are underpinned by credibly announced and sufficiently specified concrete policy measures.

Net expenditure path and main macroeconomic assumptions in the plan

(16) Austria's national medium-term fiscal-structural plan covers the period 2025-2029 and presents a fiscal adjustment over seven years.

(17) The plan contains all information required by Article 13 of Regulation (EU) 2024/1263.

(18) The plan commits to the net expenditure path indicated in Table 2, corresponding to average net expenditure growth of 2.3% over the years 2025-2029. In addition, Austria

[7] Recommendation for a Council Recommendation with a view to bringing an end to the situation of an excessive deficit in Austria, 23.06.2025, COM(2025) 343 final.

[8] Commission Opinion on the Draft Budgetary Plan of Austria, 23.06.2025, C(2025) 4106 final.

[9] Council Recommendation on the economic, social, employment, structural and budgetary policies of Austria, OJ C XXX, X.X.2025, p. XX.

commits to a set of reforms and investments with the view to extending the adjustment period to 7 years (2025-2031), over which the average net expenditure growth is planned to be 2.3%. The average net expenditure growth reported in the plan over the adjustment period (2025-2031) is broadly in line with the reference trajectory transmitted by the Commission on 18 December 2024. The plan assumes potential GDP growth to increase to 1.1% in 2025 from 0.4% in 2024 and to remain stable at 1.1% thereafter. In addition, the plan expects the growth rate of the GDP deflator to decrease to 2.4% in 2025 and to 2% in 2026 from 3.1% in 2024, before increasing slightly to 2.1% in 2027 to 2029.

Table 2: Net expenditure path and main assumptions in Austria's plan

						Extension of the adjustment period			
	2025	2026	2027	2028	2029	2030	2031	Average over the period of validity of the plan 2025-2029	Average over the adjustment period 2025-2031
Net expenditure growth (annual, %)	2.6	2.2	2.2	2.0	2.3	2.4	2.4	2.3	2.3
Net expenditure growth (cumulative, from base year 2024, %)	2.6	4.8	7.2	9.4	11.9	14.5	17.3	n.a.	n.a.
Potential GDP growth (%)	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Inflation (GDP deflator growth) (%)	2.4	2.0	2.1	2.1	2.1	2.2	2.2	2.1	2.2

Source: Medium-term fiscal-structural plan of Austria and Commission calculations.

Implications of the plan's net expenditure commitments for general government debt

(19) If the net expenditure path committed to in the plan and the underlying assumptions materialise, general government debt would, according to the plan, increase initially until 2028 when it is expected to peak at 86.8% of GDP. From 2029 on, it is set to decline gradually by on average 0.8 percentage point of GDP until the end of the adjustment period in 2031, as per the following table. Over the medium term, debt will continue to decline by an expected 1.3 percentage points of GDP annually to reach 71.2% of GDP by 2041.

Table 3: General government debt and balance developments in Austria's plan

	2024	2025	2026	2027	2028	2029	2030	2031	2041
Government debt (% of GDP)	81.8	84.3	85.9	86.6	86.8	86.5	85.7	84.4	71.2
Government balance (% of GDP)	-4.7	-4.7	-4.2	-3.6	-3.0	-2.5	-2.1	-1.6	-1.4

Source: Medium-term fiscal-structural plan of Austria.

Thus, according to the plan, the general government debt ratio would be on a downward path by the end of the adjustment period (2031). This is plausible as, based on the plan's assumptions, debt is projected to decline over the ten years following the adjustment period under all deterministic stress tests of the Commission's Debt Sustainability Analysis, and the stochastic projections indicate that debt would decline with a sufficiently high probability. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for debt as set out in Articles 6, point (a), and 16(2) of Regulation (EU) 2024/1263.

Implications of the plan's net expenditure commitments for the general government balance

(20) Based on the plan's net expenditure path and assumptions, the general government deficit would remain elevated at 4.7% of GDP in 2025 and start declining gradually as of 2026. The deficit is expected to no longer exceed the reference value of 3% of GDP in 2028 and it is projected to continue to decline throughout the adjustment period.

Thus, according to the plan, the general government balance would not exceed the 3% of GDP reference value at the end of the adjustment period (2031).

In addition, in the ten years following the adjustment period (i.e. until 2041), the government deficit would not exceed 3% of GDP.

Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for the deficit as set out in Articles 6, point (b), and 16(2) of Regulation (EU) 2024/1263.

Time profile of the fiscal adjustment

(21) The time profile of the fiscal adjustment, measured as the annual change in the structural primary balance, as described in the plan, is broadly linear, as required by Article 6, point (c), of Regulation (EU) 2024/1263. In addition, the fiscal adjustment over the first five years of the plan is slightly more than proportional to the total adjustment effort.
Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the no-backloading safeguard clause set out in Article 6, point (c) of Regulation (EU) 2024/1263.

Table 4: Structural primary balance developments in Austria's plan

	2024	2025	2026	2027	2028	2029	2030	2031
Structural primary balance (% of GDP)	-2.4	-1.9	-1.4	-0.9	-0.3	0.2	0.7	1.2
Change in structural primary balance (pps.)	n.a.	0.5	0.5	0.5	0.6	0.5	0.5	0.5

Source: Medium-term fiscal-structural plan of Austria.

Consistency of the plan with the excessive deficit procedure

(22) The net expenditure path set out in the plan is in line with the requirements under the excessive deficit procedure (in particular with the minimum annual structural adjustment established as a benchmark in Article 3(4), third subparagraph of Council Regulation (EC) 1467/97).

Consistency of the plan with the deficit resilience safeguard

(23) The requirement of the preventive arm set out in Article 8 of Regulation (EU) 2024/1263 regarding the deficit resilience safeguard, which aims to provide a common margin relative to the deficit reference value of 3% of GDP, applies to Austria as of 2029, as the deficit is planned to no longer exceed 3% of GDP as of 2028. In 2029, 2030 and 2031 in accordance with Article 8 of Regulation (EU) 2024/1263, the annual adjustment in the structural primary balance should not be less than 0.25 percentage points of GDP if the structural deficit remained above 1.5% of GDP in the preceding year, to achieve a common resilience margin in structural terms of 1.5% of GDP. The fiscal adjustment that results from the plan's policy commitments and macroeconomic assumptions is 0.5% of GDP in 2029 to 2031. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the deficit resilience safeguard.

Consistency of the plan with the debt sustainability safeguard

(24) In accordance with Article 7 of Regulation (EU) 2024/1263, as general government debt will be between 60% and 90% of GDP over the adjustment period according to the plan, the debt ratio is required to decline by at least 0.5 percentage points on average per year until it falls below 60%. This average decline is calculated over the period 2029-2031, i.e. starting in the year in which the excessive deficit procedure would be abrogated according to the plan, and amounts to 0.8 percentage points. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the debt sustainability safeguard.

Macroeconomic assumptions of the plan

(25) The plan is based on a set of assumptions which differs from the Commission's assumptions transmitted to Austria on 18 December 2024. In particular, the plan uses different assumptions for four variables, namely the starting position (in terms of the structural primary balance, the general government balance, the share of primary

expenditure in GDP and general government debt), potential GDP growth, real GDP growth and the GDP deflator. An assessment of these differences in assumptions is provided below.

The differences in assumptions with the most significant impact on average net expenditure growth are listed below, together with an assessment of each difference considered in isolation.

- The plan uses 2024 outturn data for the starting position. In 2024, the structural primary balance was -2.4% of GDP, the general government balance was -4.7% of GDP, general government debt was 81.8% of GDP and the share of primary expenditure in GDP was 54.8%. This contributes to a lower average net expenditure growth over the adjustment period of the plan than according to the Commission's assumptions. The reference trajectory was based on the Commission Autumn 2024 Forecast, which estimated the structural primary balance at -1.3% of GDP, the general government balance at -3.6% of GDP, the debt level at 79.5% of GDP and the share of primary expenditure in GDP at 52.9%. Austria is using the latest available data and this difference is duly justified.
- The plan assumes smooth potential output growth over the period 2025-2041. Compared with the Commission's assumptions, this increases potential growth over the adjustment period and therefore contributes to higher average net expenditure growth. Estimations of unobserved potential growth are sensitive to the business cycle and it is plausible that the recession in Austria since 2023 asserts a downward bias on estimated potential growth. The possibility to use alternative potential growth assumptions is in line with Article 36, paragraph (1), point (f), of Regulation (EU) 2024/1263, provided that cumulative growth over the projection horizon (i.e. up to 2041) is broadly in line with the Commission's assumptions, which is the case in the plan. Consequently, this assumption is deemed to be duly justified.
- The plan assumes real GDP growth to be lower than assumed in the reference trajectory. This is due to the worsening macro-economic outlook. However, the latest forecast from the independent fiscal institution WIFO, on which the Ministry of Finance relies for budgetary planning, incorporates a fiscal consolidation effort of 1.2% of GDP in 2025. For the purpose of the plan, it is necessary to derive the baseline growth rate that would have occurred in the absence of this consolidation effort. To do so, Austria applied the Commission standard fiscal multiplier of 0.75 to the consolidation effort in percent of GDP and added this to the growth rate. This results in a baseline growth rate of 0.6% in 2025 without any fiscal consolidation, which is still below the growth rate assumed for the reference trajectory. In the plan, Austria commits to a fiscal adjustment of 0.5% in 2025, which is expected to lower real GDP growth (based on the standard fiscal multiplier of 0.75) to 0.2%. Changing the real GDP growth rate has no direct effect on net expenditure growth. All things considered, this assumption is deemed to be duly justified.
- The plan assumes the GDP deflator to be 0.1 pp. higher in 2025 and 2026 than assumed in the reference trajectory. This contributes to higher average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions. This difference results from higher inflation expectations in the latest forecasts. The Commission Spring 2025 Forecast assumes significantly higher GDP deflator growth in 2025 and 2026 than is

assumed in the plan. Consequently, this assumption is deemed to be duly justified.

Overall, all the differences in assumptions taken together lead to an average net expenditure growth in the plan that is broadly in line with the reference trajectory. The Commission will take into account the above assessment of the plan's assumptions in future assessments of compliance with the net expenditure path.

Fiscal strategy of the plan

(26) According to the indicative fiscal strategy in the plan, the commitments on net expenditure will be delivered through both expenditure restraint and revenue increases. The plan describes a consolidation of EUR 6.4 billion (1.3% of GDP) in 2025 and additional EUR 2.3 billion (0.4% of GDP) in 2026 in line with the Draft Budgetary Plan for 2025 and 2026. Whereas the net expenditure path in the plan foresees a roughly linear adjustment commitment, the fiscal strategy outlines a frontloaded fiscal adjustment. On the revenue side, this includes tax measures, contributions from state-affiliated companies that are part of the government sector, an increase in dividend payments from state-affiliated companies that are not part of the government sector, and additional social contributions that would total EUR 2.0 billion in 2025 and additional EUR 1.6 billion in 2026. On the expenditure side, measures include administrative savings, reduction in subsidies and structural reforms, which would amount to EUR 5.0 billion in 2025 and additional EUR 1.7 billion in 2026. The federal government also plans to invest EUR 0.6 billion in 2025 and additional EUR 1.0 billion in 2026 to boost the economy and address challenges in areas such as employment, healthcare, sustainability, education, and integration. In addition, the budget that the national parliament adopted on 18 June 2025 specifies the policy measures through which the net expenditure commitment for 2025 and 2026 will be achieved.[10] The specification of the policy measures to be adopted thereafter is to be confirmed or adjusted and quantified in the annual budgets.

Set of reform and investment commitments in the plan to underpin an extension of the fiscal adjustment period

(27) In the plan, Austria commits to a set of 14 reforms and investments, aiming to improve potential growth and fiscal sustainability, in order to underpin an extension of the fiscal adjustment period from 4 to 7 years.

This set of reforms and investments is composed of one commitment from the Recovery and Resilience Plan (RRP) with additional specifications; as well as several new reforms and investments. This includes the following measures (see also Annex II):

- Reform and investments in education: The first step of the measure is a commitment under the RRP linked to component 3 (knowledge-based recovery) that includes entry into force of the legislation on establishing criteria for the specification of the socio-economic baseline of schools. In a second step, a socially indexed 'opportunity bonus' will provide targeted support to individual schools. Based on the criteria established under the first step, additional funding will be made available for at the school level and will be accompanied by continuous monitoring. The key steps are expected to be

[10] See Commission Opinion of 23 June 2025 on the Draft Budgetary Plan of Austria.

implemented in the fourth quarter of 2028, following implementation of the RRP measure in the fourth quarter of 2025 and attribution of funding in the fourth quarter of 2026.

- Reform in the healthcare system: The reform aims to contribute to a sustainable healthcare system by increasing the health insurance contribution rate for pensioners from 5.1% to 6%. The law is expected to be implemented by the third quarter of 2025.
- Reforms in the pension system: The reforms aim to increase effective retirement age and contribute to the sustainability of the pension system: (i) the reform of the first pension increase ('Aliquotierung') simplifies the calculation of the first pension increase to 50% of the adjustment regardless of the month of retirement in the previous year and is expected to be implemented by the first quarter of 2026, and (ii) the reform of early retirement ('corridor pension') tightens the eligibility conditions by raising the minimum retirement age and the years of contribution required and is expected to be fully implemented by the first quarter of 2029.
- Reform and investments in quality childcare: The measure introduces a second mandatory year of childcare in kindergarten and extends the existing investment support system for municipalities to include childcare facilities. The measure is expected to be implemented by the third quarter of 2027.
- Reforms and investments in the labour market: The measures aim to strengthen the labour market through (i) the creation of a successor scheme to educational leave, aiming to provide opportunities for life-long learning especially for the low-skilled; this proposed reform replaces an earlier version of educational leave which was abolished in March 2025 and is expected to be implemented by the second quarter of 2026, (ii) the reform and digitalisation of the 'Red-White-Red' Card, which regulates labour market access for third-country nationals, expected to be implemented by the first quarter of 2028, and (iii) a reform of supplementary income rules in the unemployment benefit system, intended to provide an incentive to transition more quickly from unemployment to full-time employment, expected to be implemented by the first quarter of 2026.
- Reforms in the tax system: These measures aim to improve the distribution of the tax burden by (i) an increase in the gambling tax on lotteries, (ii) an increase in the concession and gambling tax on electronic lotteries, (iii) the harmonisation of taxation on share deals under real estate transfer tax, (iv) the introduction of a re-zoning surcharge on land sales, and (v) an increase in the foundation tax. The measures are expected to be implemented by the first quarter of 2026.
- Reform in research and development: The reform will allow the recognition of internally generated intangible assets in a company's balance sheet under specific circumstances, improving access to financing for innovative firms, especially start-ups. The measure is expected to be implemented by the first quarter of 2029.

(28) In line with Article 14(3) of Regulation (EU) 2024/1263, each reform and investment underpinning an extension of the adjustment period is sufficiently detailed, front-loaded, time-bound and verifiable.

(29) The RRP commitments underpinning the extension contain significant reforms and investments aimed at improving fiscal sustainability and enhancing the growth potential of the economy. In addition, Austria commits to continuing the reform effort over the period covered by the medium-term fiscal-structural plan and maintaining the nationally financed investment levels realised over the period covered by the RRP (see below, Table 5). The commitments will be monitored throughout the implementation of the plan. Accordingly, commitments under the RRP can be taken into account for the extension of the adjustment period as provided by Article 36(1), point (d), of Regulation (EU) 2024/1263.

(30) The set of reforms and investments underpinning the extension is expected to improve the growth and resilience potential of Austria's economy in a sustainable manner as required by Article 14(2), point (a), of Regulation (EU) 2024/1263. The plan provides quantitative estimates stating that the reforms will increase potential GDP over the medium term by 0.8%. The pension reforms will raise the effective retirement age and the plan estimates that it could keep 11 000 people longer in the labour force. The reforms and investments in the labour market are expected to raise the activity rate and to strengthen the labour force. The reform of the 'Red-White-Red' card is estimated to lead to an increase in the labour force by another 10 000 people. The reform of supplementary income rules in the unemployment benefit system aims at creating better incentives to take up employment. This is expected to have a direct effect on potential GDP already over the plan horizon. In addition, measures focusing on vocational training are expected to be beneficial for labour productivity. The measure supporting research and development expenditure is expected to support total factor productivity over the medium term. Reforms and investments in education and childcare are expected to have a positive short term effect improving parents', and in particular mothers', labour market participation. Moreover, in the long run, better education of children will be beneficial for society and the economy. Reforms in the areas of taxation and healthcare aim at improving fiscal sustainability. The assumptions regarding the expected growth impact of the reforms and investments underpinning an extension appear prudent and credible.

(31) The set of reforms and investments underpinning the extension is expected to support fiscal sustainability as required by Article 14(2), point (b), of Regulation (EU) 2024/1263. The government expects an overall direct fiscal effect of the set of reforms and investments of 0.4% of GDP in 2029. The main direct fiscal effect is expected from implementing measures related to social security, which also contribute to addressing fiscal sustainability risks identified by the European Commission in its 2025 Country Report on Austria. The government expects to achieve a direct fiscal effect of 0.1% of GDP by increasing social security contributions for pensioners, 0.2% of GDP by increasing the effective retirement age and less than 0.1% of GDP by limiting the indexation of pensions to 50% in the first year following retirement. In addition, the introduction of a new form of the educational leave and a reform of supplementary income rules in the unemployment benefit system are expected to generate a direct fiscal effect of less than 0.1% of GDP by 2029 via savings on social transfers and higher tax revenues due to improved employment. Measures in the area of taxation are expected to help close loopholes and generate a direct fiscal effect of 0.1% of GDP by 2029. Other measures in the area of childcare and education are meant to support labour supply and improve educational outcomes. These measures are also part of the fiscal consolidation package that is currently enacted by Austria, as mentioned above when presenting the fiscal strategy.

(32) The set of reforms and investments underpinning the extension addresses the common priorities of the EU as required by Article 14(2), point (c), of Regulation (EU) 2024/1263. Several measures are expected to contribute to social and economic resilience, in line with the principles of the European Pillar of Social Rights. The reform of healthcare insurance contributions is expected to improve the resilience and sustainability of the healthcare system, while the pension reform is expected to increase the effective retirement age, benefitting labour supply and the long-term sustainability of the pension system. Reforms in quality childcare and the labour market are expected to contribute to employment. Tax reforms are expected to improve the distribution of the tax burden. In addition, the reform in the field of research and development is expected to contribute to all common priorities of the EU, including also a fair green and digital transition, energy security and defence capabilities, by supporting firms' ability to raise money for research and development and to upscale activities.

(33) The set of reforms and investments underpinning the extension addresses the relevant[11] Country-Specific Recommendations (CSRs) issued as part of European Semester as required by Article 14(2), point (d), of Regulation (EU) 2024/1263. In particular, the set of reforms and investment underpinning an extension address CSRs related to:

- Active labour market policies, incentives to work and labour market participation and skills (CSRs issued in 2019, 2020, 2022, 2023, 2024 and as repeated in 2025) through the expansion of mandatory early childhood education and care, the reform of educational leave and the 'Red-White-Red' card to grant third country nationals access to the labour market
- Improving the tax mix (CSR issued in 2025) by raising taxes on gambling among others
- Education (CSR issued in 2019, 2020 and 2025) through the extension of the RRP measure in strengthening the capacity of schools to address challenges based on social indicators to improve equal opportunities
- Measures in the area of childcare are intended to support women's participation in the labour market and contribute to tackling negative demographic trends, in line with 2025 CSRs on employment and social policy.

(34) The plan ensures that the planned overall level of nationally financed public investment realised on average over the period covered by the RRP is maintained, as required by Article 14(4) of Regulation (EU) 2024/1263.

[11] CSRs considered 'relevant' are recommendations: i) referred to in the Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for measures included in the RRP and ii) adopted by the Council in 2025.

Table 5: Nationally financed public investment in the plan (% of GDP)

Average level over the period covered by the RRP (2021 to 2026) ([12])	2025	2026	2027	2028	2029	Average over the duration of the plan
3.8	3.9	4.1	4.1	4.0	3.9	4.0

Source: Medium-term fiscal-structural plan of Austria

(35) Finally, the set of reform and investment commitments underpinning an extension can be regarded as consistent with the commitments in the RRP and the Partnership Agreement agreed under the Multiannual Financial Framework as required by Article 14(4) of Regulation (EU) 2024/1263. The reforms concerning pensions are proposed to be added to the Austrian RRP in the context of a revision after the submission of the plan.

(36) In conclusion, the set of reforms and investments underpinning the extension of the adjustment period is assessed as fulfilling, taken altogether, the criteria in Article 14 of Regulation (EU) 2024/1263. As a result, the adjustment period can be extended from 4 to 7 years, as put forward in the plan.

Other reforms and investment intentions in the plan responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the Union

(37) Besides the set of reforms and investments underpinning an extension of the adjustment period, the plan describes policy intentions concerning other reforms and investments to respond to the main challenges identified in the context of the European Semester, especially the CSRs, and to address the common priorities of the EU. The plan includes 53 reforms and investments, of which eight are financially supported by the Recovery and Resilience Facility and six by the cohesion policy funds. The plan's reforms and investments are based on an existing government strategy document[13].

(38) Concerning the common priority of a fair green and digital transition, including the climate objectives set out in Regulation (EU) 2021/1119, the plan includes investments in sustainable transport and green mobility infrastructure (partly included in the RRP) aimed at reducing emissions in particular in the transport sector. These measures are expected to address 2019, 2020 and 2025 CSRs on transport. Furthermore, the plan contains measures aimed at improving digital skills, increasing the uptake of digital solutions in the health sector and targeting further deployment of

[12] It is assumed and accepted that the two periods will overlap. The requirement to maintain the level of investment is intended to apply to the years after the end of the lifetime of the Recovery and Resilience Facility.

[13] 'Jetzt das Richtige tun. Für Österreich. Regierungsprogramm 2025-2029' available at https://www.bundeskanzleramt.gv.at/dam/jcr:8d78b028-70ba-4f60-a96e-2fca7324fd03/Regierungsprogramm_2025-2029.pdf

broadband (included in the RRP). These measures are expected to address 2019, 2020, and 2025 CSRs on investment policy for the digital transition.

(39) Concerning the common priority of social and economic resilience, including the European Pillar of Social Rights, the plan includes a number of measures to mitigate skills shortages targeting a variety of people such as jobseekers, employees benefitting from further upskilling, skilled labour migration and older workers. In addition, the plan contains reform and investment measures to strengthen the healthcare sector (including strengthening outpatient care) and measures targeting the expansion of early childhood education and care and strengthening the educational system with additional resources, increased school autonomy and psychological support (some of these measures are also covered by the RRP). To strengthen the competitiveness and productivity of the Austrian economy, the plan also includes the creation of an industrial strategy as well as commitments to reduce red tape, in particular for SMEs. The measures are expected to address the 2019, 2020 and 2025 CSRs related to active labour market policies, incentives to work and labour market participation, healthcare, education and business environment.

(40) Concerning the common priority of energy security, the plan includes investment measures to ensure security of gas supply (West-Austria-Gas-Pipeline).

(41) Concerning the common priority of defence capabilities, the plan does not include other reforms or investments but points to investment needs to build up defence capabilities.

(42) The plan provides information on the consistency and, where appropriate, complementarity, with the cohesion policy funds and Austria’s RRP. The plan briefly indicates that reforms and investments included in the plan respond to the main challenges identified in the context of the European Semester and address the common priorities of the Union, and are in continuity with the actions adopted in the RRP.

(43) The plan provides an overview of the public investment needs of Austria related to the common priorities of the EU. In relation to the fair green and digital transition, the plan highlights the need for investments in renewable energy, climate technologies, digital infrastructure, and sustainable mobility, while also supporting biodiversity, circular economy, and AI innovation. Furthermore, the plan includes the commitment to a transformation fund to support the transformation of the economy, industry and agriculture, aiming to create a one-stop-shop solution for all transformation support. In relation to social and economic resilience, the plan highlights the need for investments in the labour market, education, health and long-term care and affordable housing, while also supporting SMEs, research and innovation to improve productivity and economic stability. In addition, a Fund of Funds will be created to mobilise national and international venture capital to facilitate a better access of Austrian companies to growth capital. In relation to energy security, the plan highlights the need to expand energy infrastructure and reduce dependency on Russian gas, notably through gas pipeline projects and electrification efforts to ensure long-term, competitive, and secure energy supply. In relation to building up defence capabilities, the plan highlights the need to continue to implement the Austrian Armed Forces' long-term development plan, ensuring modernisation and military build-up within fiscal constraints.

Conclusion of the Commission's assessment

(44) Overall, the Commission is of the view that Austria's plan fulfils the requirements of Regulation (EU) 2024/1263.

OVERALL CONCLUSION

(45) In accordance with Article 17 of Regulation (EU) 2024/1263, the net expenditure path as set in the plan should be recommended by the Council to Austria, and the set of reforms and investments underpinning the extension of the adjustment period to 7 years should be endorsed.

HEREBY RECOMMENDS that AUSTRIA:

(1) Ensure that net expenditure growth does not exceed the maxima established in Annex I to this Recommendation.

(2) Implement the set of reforms and investments that underpins the extension of the fiscal adjustment period to 7 years, as established in Annex II to this Recommendation, by the indicated deadlines.

In addition, the Council invites Austria to ensure the delivery of other reforms and investments responding to the main challenges identified in the context of the European Semester, in particular in the country-specific recommendations, and addressing the common priorities of the Union.

ANNEX I

Maximum growth rates of net expenditure
(annual and cumulative growth rates, in nominal terms)
AUSTRIA

Years		2025	2026	2027	2028	2029
Growth rates (%)	Annual	2.6	2.2	2.2	2.0	2.3
	Cumulative (*)	2.6	4.8	7.2	9.4	11.9

(*) The cumulative growth rates are calculated by reference to the base year of 2024. The cumulative growth rates are used in the annual monitoring of ex-post compliance in the control account.

ANNEX II

Set of reforms and investments that underpins an extension of the adjustment period to seven years

Reform / investment	Main objective	Description and timing of key steps	Monitoring indicator(s)
Education ('Opportunity bonus') (RRP measure 91a and adding to RRP measure)	Improve access to education through expanded school support differentiated according to social indicators	Step 1: Implementation of milestone 91a under the RRP by Q4 2025 Step 2: Attribution of funding by Q1 2026 Step 3: First monitoring report by the Ministry of Education on the roll-out of the opportunity bonus (school year 2026/27) by Q4 2028	Step 1: Satisfactory fulfilment of milestones 91a of the RRP Step 2: Federal funding for opportunity bonus included in the budget for 2026 Step 3: Monitoring report on the implementation of the opportunity bonus .
Health insurance (new measure)	Increase health insurance contribution for pensioners from 5.1% to 6%	Implementation of the law by Q3 2025	Entry into force of law increasing health insurance contributions for pensioners
First pensions increase ('Aliquotierung') (new measure)	Limit the first pension increase to 50% of the general pension adjustment in the first year following entry into retirement	Implementation of the law by Q1 2026	First pension increase at 50% of the general adjustment applied in January 2026 for persons who retired in 2025
Increase in effective retirement age ('Corridor pension') (new measure)	Raise early retirement age from 62 years to 63; increase required contribution months from 480 to 504	Step 1: Adoption of the law by Q3 2025 Step 2: Implementation of the law. The legal entry age into early retirement ('Corridor pension') is 63 years by Q2 2027 Step 3: Implementation of the law. The required insurance periods for early retirement are 504 months by Q1 2029	Step 1: Law adopted by parliament Step 2: The legal entry age into 'Corridor pension' is 63 years Step 3: The required insurance periods to enter 'Corridor pension' are 504 months

Early childhood education and care (new measure)	Introduce a second mandatory kindergarten year	Step 1: Allocation of additional funding for Länder (federal states) from federal budget by Q1 2026 Step 2: Second kindergarten year is implemented in all Länder by Q3 2027	Step 1: Budget provision for federal funding made Step 2: Second kindergarten year implemented in all Länder via 15a agreement between federal level and Länder
Labour market - educational leave (new measure)	New regulation of educational leave to support specific company-relevant training targeted at low-skilled workers with public funding	Step 1: Adoption of the law by Q1 2026 Step 2: Implementation of the law by Q2 2026	Step 1: Law adopted by parliament Step 2: Entry into force of educational leave
Labour market - access for third-country nationals (‘Red-White-Red’ card) (new measure)	Reform and digitalisation of the ‘Red-White-Red’ card giving access to the labour market to third-country nationals (e.g., fast-track for post-doctoral researchers and care staff)	Implementation of the law reforming the criteria underlying the ‘Red-White-Red’ card and digitalisation of the ‘Red-White-Red’ card by Q1 2028	Entry into force of reformed criteria and digitalisation of the ‘Red-White-Red’ card
Reform of unemployment benefits (new measure)	Abolishment of the possibility to earn supplementary income while receiving unemployment benefits (with exceptions); intended to provide an incentive to transition more quickly from unemployment into full-time employment	Implementation of the law by Q1 2026	Entry into force of abolishment of the possibility to earn supplementary income while receiving unemployment benefits (with exceptions)
Lottery tax (new measure)	Raise gambling tax on lotteries from 16% to 17.5%	Implementation of the law (budget accompanying law) by Q1 2026	Entry into force of law increasing gambling tax on lotteries
Concession and lottery tax for electronic lotteries (new measure)	Raise concession and gambling tax on electronic lotteries from 40% to 45%	Implementation of the law (budget accompanying law) by Q1 2026	Entry into force of law increasing concessions and gambling tax on electronic lotteries
Real estate taxation share deals (new measure)	Close the possibility of circumventing real estate transfer tax through ‘share deals’; if 75% or more of the shares in a real estate-owning company are transferred, real estate transfer tax will become due	Implementation of the law (budget accompanying law) by Q1 2026	Entry into force of law for the taxable event for changes in shareholders and share mergers for real estate purposes
Real estate taxation upzoning gains	Introduce 30% zoning surcharge on gains from land reclassification at point of sale via capital gains tax	Implementation of the law (budget accompanying law) by Q1 2026	Entry into force of law introducing a real estate transfer surcharge

(new measure)			
Foundation donation tax (new measure)	Raise tax rate for donations to foundations from 2.5% to 3.5%	Implementation of the law (budget accompanying law) by Q1 2026	Entry into force of law increasing the tax rate on donations to foundations
Research & Development – capitalise internally developed R&D costs (new measure)	Allow the recognition of internally generated intangible assets in the balance sheet under specific circumstances	Step 1: Adoption of the law by Q4 2027 Step 2: Implementation of the law by Q1 2029	Step 1: Law adopted by parliament Step 2: The law applies to financial years beginning on or after 1 January 2028. The corresponding annual financial statements will be disclosed the following year

Done at Brussels,

For the Council
The President