

FACTSHEET – REACHING THE TOP THROUGH INNOVATION

Biotechnology is a key field for addressing global challenges in health, nutrition, the environment and energy. Biotechnology is a major driver of **innovation, cutting-edge technology and research**, as well as **value creation** and future prosperity.

Biotechnology companies are also attractive **employers**, offering people from all backgrounds exciting global opportunities.

In Austria, biotechnology is one of the fastest-growing **industries of the future**, with strong growth momentum and international competitiveness. The sector is internationally oriented, a strong driver of exports, and attracts international investment to Austria.

The importance of the biotechnology sector

In Switzerland, the pharmaceutical, biotechnology and fine chemicals sectors generated exports of CHF 135.5 billion (approximately €145 billion) in 2023. In 2000, exports amounted to just CHF 20 billion, meaning that exports in these highly profitable sectors have increased almost sevenfold. By contrast, turnover among members of the Austrian Chemical Industry Association (FCIO), part of the Austrian Federal Economic Chamber (WKO), which also includes chemical, pharmaceutical and biotechnology companies, increased from approximately €14 billion in 2010 to just €18.4 billion in 2023 — a decline in inflation-adjusted terms. The number of member companies fell from 277 to 235.

Approximately **half of all new medicines are biotechnology products**, and the Swiss pharmaceutical industry owes its enormous growth to them. Biotechnology also offers excellent prospects in agriculture, food, organic chemistry and new materials.

The biotechnology sector offers an attractive opportunity for **portfolio diversification**. Given the specific risks associated with traditional asset classes, biotechnology provides a way to diversify portfolios and spread overall risk. As the sector tends not to correlate directly with traditional financial markets, it can act as a **hedge against economic fluctuations**. Legal frameworks such as those in Switzerland, France, the UK and the USA also enable insurance companies and institutional investors to make such investments.

Selected figures for the life sciences sector in Austria:

- Around 1,000 companies, with strong annual growth of 6%¹
- Over 60,000 high-quality jobs
- 7% share of GDP¹
- 20.5% R&D intensity (€1.27 billion in R&D expenditure)¹
- 50.4% of research in Austria is carried out by companies.²
- High R&D expenditure is needed to develop a medicine through to marketing authorisation
- 100% of drug development through to authorisation is carried out by biotechnology or pharmaceutical companies.

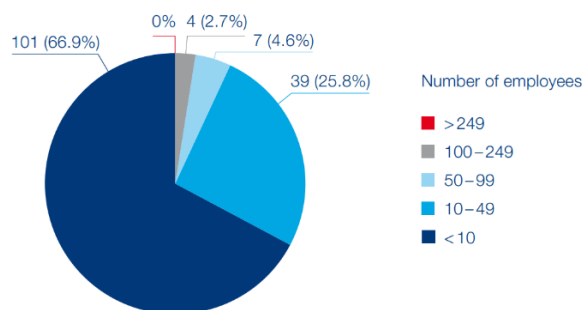


Figure 1: Size structure of dedicated biotechnology companies in 2020

¹ Austrian Life Science Report 2021

² Austrian Research and Technology Report 2023

ACTION PLAN 2024–2027

IMPROVING CONDITIONS FOR CAPITAL, INFRASTRUCTURE AND RESEARCH

Facilitate investment in biotechnology

The biotechnology sector offers an attractive opportunity for portfolio diversification. Given the specific risks associated with traditional asset classes, biotechnology provides a way to diversify portfolios and spread overall risk. As the sector tends not to correlate directly with traditional financial markets, it can act as a hedge against economic fluctuations. **Legal frameworks** such as those in France, the UK and the USA enable such investments, including by insurance companies and institutional investors; these investors should also provide more capital in Austria.

Create tax incentives for equity investment in biotech / high-tech companies

Introduce and expand tax incentives for equity investment to **increase the volume and number of equity investments**. Given the success of similar models in Austria and abroad, and their historically limited use in Austria, now is the time to adapt these proven approaches to foster innovation and growth. In the USA, for example, investments in start-ups qualify for up to 100% exemption from capital gains tax.³

Private pension insurance schemes, currently holding €30 billion in investment capital, offer substantial potential for investment in biotechnology. Austria should (a) make, for example, €30,000 per year in private retirement provision tax-deductible and (b) allow pension funds to invest up to 5% of their assets in innovative, unlisted companies.⁴

Improve infrastructure for biotechnology companies

Create **accessible, flexible and affordable laboratory infrastructure** at the scale required to accommodate the dynamic development of biotech start-ups and scale-ups.

Business location agencies and institutions should act as intermediaries between biotech companies with short-term laboratory needs and landlords offering long-term property leases, to provide the necessary infrastructure and facilitate access to high-quality laboratories and core facilities. Substantially expand best-practice examples such as ZWT at the Medical University of Graz, HealthHubTirol of the State of Tyrol, and incubators / Startup Labs of the Vienna Business Agency.

Make the FlexCo even more attractive

The introduction of FlexCo legislation marked a major step forward for formal requirements and employee participation. The following improvements should also be implemented: (1) further **simplification of formal requirements**; (2) **expansion of eligibility** — including extending the current 10-year period to 20 years or abolishing it altogether, and raising the thresholds for employee participation to the limits applicable to small and medium-sized enterprises (SMEs); (3) taxation of gains from enterprise value shares as **capital income**.

Translate more basic research into business R&D (biotechnology)

Establish clear, harmonised processes for licensing and spin-outs involving **university intellectual property rights**, including incentives for universities to foster innovation. Austria's existing excellent basic research should be encouraged to work with Austrian biotechnology companies to create practical applications for people and value creation in Austria.

Further expand research funding for life sciences in Austria

Among other measures, strengthen the **FFG Life Science Call** to address the varied needs of Austrian biotech companies as effectively as possible. Retain an open thematic scope, continuous applications and rapid decisions. Adapt the SME threshold for life sciences in line with the European proposal (fewer than five centralised marketing authorisations). The **research tax credit** should be paid within three months of application, and the cap on contract research should be adjusted for inflation.

³ <https://www.brownadvisory.com/us/insights/qsbs-tax-exemption-valuable-benefit-startup-entrepreneurs>.

⁴ In other countries, contributions to private pension insurance are tax-deductible: in Switzerland, self-employed individuals can deduct up to CHF 35,280, or a maximum of 20% of net income, annually; in the Netherlands, the general limit is €36,077 under the Dutch Private Pension Plan.

<https://dutchprivatepensionplan.nl/dutch-private-pension-plan>. Swiss pension funds — which have accumulated assets of more than CHF 1,000 billion — may invest up to 5% of their assets, or CHF 50 billion, in innovative, unlisted Swiss start-ups. <https://investrends.ch/aktuell/news/fjjj/>