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Content

VAT for companies with activities in Norway

Businesses operating in Denmark are to an increasing extent seeking business opportunities in Norway. Tax-wise, this gives rise to a great deal of paperwork because Norway is not a member of the EU. However, this cannot be avoided.

By Louise Eide Hartung, ljs@bdo.dk

Businesses operating in Denmark and rendering services to businesses in other countries that are members of the European Union are accustomed to invoicing their work excluding VAT. This is due to the fact that sales of services are covered by the rules concerning “reverse charge”. Consequently, the customer is required to pay acquisition VAT.

This arrangement does not, however, extent to the sale of services in the Norwegian market due to the fact that Norway is not a member of the European Union.

Businesses operating in Denmark that are rendering services for a total amount exceeding NOK 50,000 annually, shall - as a general rule - register for VAT in Norway if they perform work on real estate, if they are carrying out installation or assembly projects or if they are rendering services related to movables.

Hence, a Danish installation business assigned the responsibility of renovating a number of electrical panels in Norway must register for VAT in Norway. The same applies to a Danish carpenter business assigned to replace windows in properties in Norway as well as Danish businesses assigned to i.e. paint floors, cast foundations or mount steel rafters.

The employees must also be registered. They are required to have a so-called “build card”, if they are going to work within the construction industry.

VAT registration in Norway requires that the Danish business has a Norwegian representative who is responsible for accounting and reporting of VAT to the Norwegian authorities. Often, a lawyer or an accountant assumes the role of representative.

When a Danish business invoices its Norwegian customer, the VAT representative's name and address must appear on the invoice and the invoiced amount is subject to Norwegian VAT (25 pct.) which must be included on the invoice. It is possible to invoice in a currency other than NOK. However, in that case, the amount of VAT must be stated in NOK.

If the Danish business uses subcontractors for some of the work, the subcontractors are also required to register for VAT in Norway. Consequently, the parties shall invoice each other including Norwegian VAT and the Danish business is allowed to offset the input VAT against its Norwegian output VAT.

If the Danish business brings equipment worth more than NOK 10,000 to Norway to be used for the tasks that shall be rendered in Norway, the Danish business is required to pay import VAT, unless a so-called "ATA Carnet" has been issued with a description of the equipment or a list of the equipment has been prepared. The list must be stamped by the Norwegian Customs upon entry into Norway.

If you have any queries regarding VAT in relation to your business, BDO will be pleased to advise you.

Export sales - no VAT on prepayments

In a recent decision, the National Tax Board ruled that no VAT is payable on prepayments for goods bound for export - even though it cannot be substantiated that the goods are bound for export at the time of prepayment.

By Louise Eide Hartung, ljs@bdo.dk

According to the VAT rules, invoices related to export sales to customers both inside and outside the European Union can be issued excluding VAT. However, it must be substantiated that the goods are to leave Denmark and the European Union respectively.

When selling to customers in other countries that are members of the European Union, it is also a condition that the customer is registered for VAT in his home country.

The subject of the case before the National Tax Board was whether VAT is payable on prepayments related to future export sales when – for obvious reasons – it cannot be substantiated at the time of the prepayment that the goods are on their way to leave Denmark.

The case concerned a Danish tools factory that produced goods made to order for a Danish company with subsidiaries both within and outside the European Union.

The products sold to the customer's subsidiaries within the European Union were billed directly to the subsidiaries.

The products that were sold to the customer's subsidiaries outside the European Union were billed to the Danish parent company which in turn handled the export of the goods. However, the goods were exported in the name of the manufacturer and at the expense of the manufacturer.

Regardless of which company was to receive the goods, the Danish tool factory required a prepayment of 30 pct. upon acceptance of the order.

In its decision, the National Tax Board determined that no VAT was due on the prepayments. The National Tax Board declined to answer whether it could be considered as substantiated that the goods would be shipped out of the country. However, the Danish tax authorities indicated that it could be considered as substantiated that the goods were transported to customers within the European Union when their Danish parent company arranged the transport to the country within the European Union and continually acknowledged that the goods were delivered to and arrived at the destination.

Concerning the end-customers outside the European Union, the Danish tax authorities indicated that the goods could be considered exported to the third country at the expense of the tool factory even though the goods were to be shipped in a container shared with others.