



TAX, VAT AND EMPLOYEE BENEFITS 2019

A reference book with tax rates,
thresholds and regulations

FOREWORD

When working with finance, payroll, tax or VAT, you probably encounter questions about current tax rates, thresholds and tax, and VAT rules for employee benefits. We can certainly give you the answers to these questions.

In this book you will find the most important information about tax and VAT, and explanations are given of the rules for the most common types of employee benefits. This is information that is good to have at hand in your daily work with a complex subject area.

The rules on the tax and VAT area are extensive, and this handbook is not exhaustive. In other words, it cannot replace individual advice, and we encourage you to contact us in specific individual cases.

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INDEX

Taxable income	4
Tax rates	6
Thresholds - employees	8
Thresholds - entrepreneurs	10
Property value tax	12
Personal consumption items	13
Tax and vat deductions - selected items	14
Energy taxes – rates and allowances 2018 and 2019	15
Tax-free allowances in 2019	18
Gains / losses on shares	22
Dividends	23
Gains / losses on receivables and liabilities	24
Estates of deceased persons	26
Gift tax	27
Tax return deadlines	28
Excess tax / unpaid tax, etc.	30
Employer reporting obligations	36
Employee benefits in alphabetical order	39
Anniversary gratuities and gifts	40
Art association	40
Bonus points	41
Bridge tolls	41
Broadband / internet	42
Canteen schemes	43
Cars	48
Christmas and occasional gifts	59
Company sports and exercise	61
Credit cards	64
Discounts, price reductions, etc.	64

Driving licence	65
Full-year residence	66
Health care, alcohol and smoking cessation	67
Home PC	70
Household movables	71
Leisure boat	72
Loans to employees	73
Mileage allowance	74
Motorcycle	74
Moving expenses	75
Newspapers	75
Parking	76
Severance compensation	77
Sickness and accident insurance	78
Sponsor tickets	78
Telephone, including mobile phone	79
Training and course expenditure	82
Travel	82
Travel between home and work	84
Tv licence	85
Vaccination	85
Work clothes / uniforms	85
Overview of employee benefits	87

TAXABLE INCOME

Individuals

Taxable income is the net result of personal income +/- income from capital minus income deductions. Income from shares is calculated separately.

Generally speaking, everything that is not taxed as income from capital or income from shares is taxed as *personal income*. Personal income is mainly earned income and operating profit from commercial activities. A labour market contribution (8%) is also deducted from personal income.

Income from capital includes, for example, interest income and interest expenses, taxable gains and deductible losses under the Gains on Securities and Foreign Currency Act and gains from the sale of real estate.

Income deductions include travel deductions, contribution to an unemployment fund plus expenses for union memberships and other expenses incurred in order to earn wage income.

Income from shares includes dividends and gains/losses on shares.

Foreign income must be reported on a separate tax return form.

Companies

Companies only calculate taxable income.

Losses

Individuals

Losses arising from the assessment of taxable income for an income year can be carried forward indefinitely for deduction in subsequent income years.

Companies

For taxable income of over DKK 8,385,000 and unused loss carry forwards of over DKK 8,385,000, the allowable set-off is maximised to DKK 8,385,000 (2019). For set-offs above this amount, income can only be reduced by 60%. Any remaining loss is carried forward to later years. For jointly taxed companies, the loss limit applies for jointly taxed income.

If the 10-year period for international joint taxation expired in 2017, notification of any re-election must be made no later than simultaneously with the delivery of timely tax returns for 2018. Otherwise, re-taxation of any re-taxation balance will be required.

Joint taxation

For jointly taxed companies, losses are utilised according to the following order of priority:

1. The company's own deficit from previous years is utilised (separate deficit).
2. The company's own deficit under joint taxation is utilised.
3. Losses from the same year from the other companies are utilised in joint taxation.
4. Previous years' losses under joint taxation from the other companies.

Source-limited losses

Certain losses in respect of shares, real estate and the Gains on Securities and Foreign Currency Act are limited by source. This means that such losses can only be offset against gains relating to the same type of asset from which the deficit arises. Unused losses can be carried forward to offset indefinitely.

A source-limited loss under a joint taxation can only be offset against the same company's profits from the same assets.

TAX RATES

	2018	2019
Companies		
Corporate tax, the tax is paid on account	22.0 %	22.0 %
Individuals		
Personal allowance ¹⁾		
- for everyone over the age of 18	46,000	46,200
- for children and young people under the age of 18	34,500	35,300
Basic tax rate	11.13 %	12.16 %
- is calculated on personal income plus positive net income from capital		
Top bracket tax	15 %	15 %
- is calculated on personal income exceeding ²⁾	498,900	513,400
Basic allowance for positive net income from capital in the top tax base		
- single person	43,800	44,800
- married couple	87,600	89,600
Tax ceiling		
- personal income excluding church tax	52.02 %	52.05 %
- positive net income from capital	42.0 %	42.0 %
Income from shares ¹⁾		
- 27% of the amount up to	52,900	54,000
- 42% of the amount above this		
Labour market contribution ³⁾	8 %	8 %
Health system contribution	1 %	0 %

Notes

- ¹⁾ Unused amount is transferred to the spouse.
- ²⁾ Threshold after deduction of labour market contribution.
- ³⁾ Labour market contribution is paid from personal income without deduction of contributions to private pension schemes. However, labour market contribution is not paid from pension payments, old-age pension, early retirement pension, unemployment benefit, etc.

THRESHOLDS - EMPLOYEES

	2018	2019
Pension contributions, topping-up deduction	50,400	51,500
Old-age savings without right of deduction: Max. annual contribution up to 5 years from age of eligibility for old age pension	5,100	5,200
Max. annual contribution from the 5th year before age of eligibility for old-age pension	46,000	48,000
Max. deduction for contributions to pension annuities and terminating annuities	54,700	55,900
Travel, home/work		
0 - 24 km inclusive	0	0
25 - 120 km inclusive	1.94	1.98
more than 120 km	0.97	0.99
more than 120 km in certain outer municipalities	1.94	1.98
Income limit for supplementary travel deduction	272,100	278,100
Tax-free mileage allowance		
- driving a maximum of 20,000 km per year	3.54	3.56
- driving over 20,000 km per year	1.94	1.98
Travel deduction ceiling	27,400	28,000
Threshold for certain employee deductions	6,100	6,200
De minimis threshold for employee benefits made available mainly with respect to work	6,100	6,200
Tax free de minimis threshold for other employee benefits, total for the year	1,100	1,200
Taxation of free telephone	2,800	2,800
Maximum employment allowance	34,300	37,200
Maximum deduction for professional contributions and trade union fees. Does not include contributions for A-kasse (unemployment fund)	6,000	6,000
Threshold for anniversary gratuities and severance compensation	8,000	8,000

	2018	2019
Foreign researchers, etc., in order to qualify for special tax scheme, minimum wage per month before deduction of labour market contributions, but after deduction of ATP	65,100	66,600
Establishment account (etableringskonto), deposits in % of net wages ¹⁾	60 %	60 %
Establishment account, minimum deposit	5,000	5,000
Establishment account, however, always permitted	250,000	250,000
Establishment limit	87,600	89,500

The same rules apply to deposits in an entrepreneurial account (iværksætterkonto). Deposits in an establishment account are deducted as personal relief.

Deposits in an entrepreneurial account are deducted in personal income.

Note

- ¹⁾ A deduction may be made for deposits for the income year in which the establishment takes place and the following subsequent 4 income years as a percentage of the net earned income or as a percentage of profits from the independent commercial undertaking.

THRESHOLDS - ENTREPRENEURS

	2018	2019
Immediate deduction of minor assets / balances	13,500	13,800
Max. annual depreciation of buildings and installations	4 %	4 %
Max. annual depreciation of operating assets (general provision in Section 5 of the Act on Amortisation and Depreciation)	25 %	25 %
Max. annual depreciation of long-term operating assets (Section 5C (1) of the Act on Amortisation and Depreciation)	15 %	15 %
Max. annual depreciation of certain infrastructure facilities (Section 5C (2) of the Act on Amortisation and Depreciation) Incl. wind turbines of over 1 MW acquired 1 January 2013 or later	7 %	7 %
Co-working spouse	235,800	241,000
Business Tax Scheme (Virksomhedsordningen), return on capital	0 %	Unknown at present.
Business Tax Scheme (Virksomhedsordningen), tax on account	22.0 %	22.0 %
Max. return on capital as personal income	50,400	51,500
Return on Capital Scheme (Kapitalafkastordning)		
- provision for cyclical equalisation, max.	25 %	25 %
- minimum provision	5,000	5,000
- cyclical equalisation tax on the provision	22.0 %	22.0 %
Minimum for the purchase of shares or securities for the use of special capital return calculation	686,000	701,000
Minimum income after artist income equalisation	193,000	197,300
Maximum provision for artist income equalisation	643,100	657,200

	2018	2019
Max. pension contribution from sale of business	2,743,700	2,803,900
Basic allowance from the sale of mixed use properties	293,900	300,300
Business driving		
0 to 20,000 km annually, DKK per km	3.54	3.56
over 20,000 km annually, DKK per km	1.94	1.98
Taxation of free telephone	2,800	2,800

PROPERTY VALUE TAX

	2018	2019
Property value tax up to the threshold	1 %	1 %
Property value tax above the threshold	3 %	3 %
Threshold	3,040,000	3,040,000
Deduction ¹⁾		
For properties acquired on or before 1 July 1998 a deduction is allowed of	0.2 %	0.2 %
For certain properties acquired on or before 1 July 1998 an additional deduction is allowed of	0.4 % however, max. 1,200	0.4 % however, max. 1,200
People receiving a state pension are granted a deduction of ²⁾	0.4 % however, max. 2,000/6,000	0.4 % however, max. 2,000/6,000
Income limits for pensioner deduction		
- single	191,100	195,300
- married couple	293,900	300,300
- capping rate	5 %	5 %

Notes

¹⁾ The deduction lapses with change of ownership except by change of ownership between spouses.

²⁾ The deduction of DKK 2,000 relates to holiday homes, while the deduction of DKK 6,000 relates to year-round housing.

PERSONAL CONSUMPTION ITEMS

	2018	2019
Bread, flour, grits, pastries, pasta, rice and the like	2,620	2,620
Meat and meat products	2,770	2,750
Fish and fish products	790	790
Milk, cream, cheese, eggs, butter, oils, etc.	2,710	2,740
Fruit, vegetables and potatoes	2,590	2,490
Coffee, tea, cocoa and sugar	2,350	2,220
Other foodstuffs	490	490
Food in total	14,320	14,100
Soft drinks, etc.	1,140	1,140
Spirits and liqueurs	350	350
Wine, port, fruit wine, liqueur wine, champagne, etc.	1,350	1,360
Beer	840	860
Other beverages	270	270
Total beverages	3,950	3,980
Detergents, polishes and equipment	610	610
Flowers, plants, fertilizers and the like	1,050	1,060
Newspapers and magazines	1,130	1,180
Toiletries etc.	1,320	1,270
Grand total	4,110	4,120
Tobacco	3,260	3,280
Clothing	2,870	2,800
Footwear	1,150	1,180

Other products not listed, are included in specific estimates.

All amounts are excluding VAT and correspond to 1 consumption unit.
The value of the household's total estimated consumption is calculated as follows:

- The first person in the household over 14 years of age is included with 1 consumption unit.
- All subsequent persons over 14 years of age are each included with 0.5 consumption unit.
- Children under 14 years are each included with 0.3 consumption unit.
- For beverages containing alcohol, only adults who are at least 18 years old are included.
- In the case of tobacco, only adults who are at least 18 years old are included.

It is the age at the beginning of the income year which has decisive weighting.

TAX AND VAT DEDUCTIONS - SELECTED ITEMS

	Tax deduction		VAT deduction		
	25 %	100 %	0 %	25 %	100 %
Travel and accommodation expenses					
Personnel		x			x 1)
Danish and foreign business partners	x				x 1)
Meals					
	25 %	100 %	0 %	25 %	100 %
On the company's premises					
- employees, including parties, etc.		x	x		x 4)
- General Meeting, Board, etc.		x	x 5)		x
- business partners	x				x
"In the city" (restaurant, inn, etc.)					
- employees, including parties, etc.		x		x	
- General Meeting, Board, etc.		x		x	
- business partners	x			x	
Receptions / anniversaries - invited circle					
	25 %	100 %	0 %	25 %	100 %
On the company's premises					
- staff only		x	x		
- business connections only	x		x		
- mixed participation - primarily staff	x	x 2)	x		
- mixed participation - primarily business connections	x		x		
"In the city" (restaurant, inn, etc.)					
- staff only		x		x	
- business connections only	x			x	
- mixed participation - primarily staff	x	x 2)		x	
- mixed participation - primarily business connections	x			x	
Open days - unspecified group					
	25 %	100 %	0 %	25 %	100 %
On the company's premises					
- small subsistence allowance	x	x 3)	x		x 3)
- proper meals	x		x		
"In the city" (restaurant, inn, etc.)					
- small subsistence allowance	x	x 3)		x	
- proper meals	x			x	
Gifts					
	25 %	100 %	0 %	25 %	100 %
To staff		x	x		
To business connections	x		x		

1) Only overnight accommodation. Use of the deduction is subject to accommodation and any meals, such as breakfast, being billed separately.

2) Proportional allocation.

3) After a specific assessment full deduction can be achieved.

4) There can be full deductibility of meals for staff at meetings that are strictly business, and in connection with specifically (unannounced) ordered overtime. There is no tax deduction for social events, parties, etc.

5) According to practice, VAT is not recognised for dining in connection with general meetings in own premises.

ENERGY TAXES – RATES AND ALLOWANCES 2018 AND 2019

All energy and water consumption is subject to tax. The tax is shown in the invoices from the various suppliers.

Businesses registered for VAT can obtain a partial reimbursement of the taxes that they have paid for process energy consumption. Below, we review the main rules for this refund and the rates applicable for 2018/2019.

Conditions for allowances

The following conditions apply:

1. That the company can deduct VAT for energy costs.
2. That the company itself consumes the energy.
3. That there is a breakdown between the energy used for process purposes and the energy used for space heating / hot water or for comfort cooling.

Re: 1 -

Expenses that do not qualify for VAT deduction, for example because of payment in kind in the form of saved private expenses, do not qualify for reimbursement. In addition, the condition means that companies with partial VAT deductions are only eligible for reimbursement to the same extent - i.e. with the same percentage - as their VAT deductions.

Re: 2 -

The energy / water should be consumed by the company. Therefore, a company that covers an employee's consumption expenses cannot deduct it. For example, if it is a leased dwelling for an employee, the employer is not entitled to reimbursement when the energy and the water are consumed by the employee / tenant.

In mixed properties where the company itself uses part of the premises while the rest is rented out, we recommend that a secondary meter be set up to measure the tenant's consumption which cannot be reimbursed but must be invoiced onwards to the tenant.

Re: 3 -

The division is necessary because almost full reimbursement is allowed for energy used for process purposes, while - excluding electricity tax, cf. the table below - there is no reimbursement for taxes on energy for space heating / hot water or for comfort cooling.

If an energy source is used only for one of the parts, the allocation is easy to do. If the energy source used for both, the division can be either based

on specific metering or on a square metre calculation that reduces the reimbursement by DKK 10 per m² per month.

Comfort cooling covers cooling from air conditioning systems in e.g. shops and offices. That is to say, cooling that takes place for the comfort of customers and employees. In many companies, cooling takes place in premises with several activities. In these companies, attention must be paid to the metering requirements. The definition of process energy versus comfort cooling is based on an assessment of the purpose of the cooling. Energy for cooling, for example, of freezers and refrigerators in supermarkets, is thus not comfort cooling. The division can be made by metering or by m².

Water tax

VAT registered businesses can reclaim their water tax including the special drinking water protection tax to the same extent as they can deduct VAT. Rate for 2018: DKK 6.37/m³ and rate for 2019: DKK 6.37/m³.

Schematic overview of refunds

The table indicates examples of rates and refunds for the most common energy products.

The tax is collected by the supplier, who must indicate the current rate on the energy product. The refund is made through the consumer's VAT return. The new tax rates for 2019 are included in the table.

Energy product	Tax rate	Tax rate	Process energy, refund	Heating/cooling, refund
	2018	2019	2018/2019	2018/2019
Electricity tax, øre /kWh	91.4	88.4	91.0 / 88.0	65.7 / 62.5 ³⁾
Natural gas, øre /Nm ³	219.9	222.5	91.90 / 91.99 % ¹⁾	0 ²⁾
Diesel oil engine operation, øre/L	305.4	309.0	91.90 / 91.99 % ¹⁾	0 ²⁾
Heating oil, øre/L	199.2	201.6	91.90 / 91.99 % ¹⁾	0 ²⁾
Fuel oil, øre/kg	225.7	228.4	91.90 / 91.99 % ¹⁾	0 ²⁾
Coal, DKK/GJ	55.5	56.2	91.90 / 91.99 % ¹⁾	0 ²⁾
District heating	District heating can be produced from different fuel types, and the tax is therefore calculated individually by the supplier.			

There is CO₂ tax, and in many cases NO_x tax and sulphur tax, on fuels. These taxes are generally not refunded.

- ¹⁾ There is no refund of taxes for motor operation - however, there are special rules for agriculture, forestry, horticulture and fisheries, etc. – where there is a small deduction for motor operation.
- ²⁾ There is, as a rule, no refund of tax for heating of rooms, hot water and comfort cooling – however, there is a limited refund of electricity tax for these purposes. However, in certain situations heating / cooling can be considered as process energy.
- ³⁾ In the period from 1 January to 30 April 2018, the reimbursement of the electricity tax was 50,7 øre/kWh.

TAX-FREE ALLOWANCES IN 2019

Transport allowance (befordringsgodtgørelse)

By transport allowance, here is meant the amounts paid to cover the employee-related expenses for business driving. The transport allowance can be paid tax-free in the case of business driving and payment is made in accordance with rules established by the Tax Council.

Business driving is:

- 1) Driving between one's normal residence and the same workplace for up to 60 working days within the previous 12 months
- 2) Driving between workplaces (for the same employer)
- 3) Driving within the same workplace.

Individual entrepreneurs who use their own cars for business driving can deduct the expenses for business driving without documentation of the amount at the same rates as for employees who receive a transport allowance (2018):

- driving up to 20,000 km per year: DKK 3.56 per km.
- driving over 20,000 km per year: DKK 1.98 per km.

The rate for use of one's own motorcycle is the same as for a car. A tax-free transport allowance can also be paid for the use of one's own bicycle, moped or EU moped for work purposes. The allowance may not exceed DKK 0.53 per km.

The 60 day rule

If more than 60 working days are travelled between the residence and the same workplace, the driving will be private from workday no. 61. All working days count regardless of length.

It should be noted that the 60-day rule will only be assessed over 12 months instead of 24 months, as was previously the case. In addition, there is a presumption rule that if the taxpayer has a driving pattern that involves transport to so many different workplaces that it is unlikely that driving between one's normal residence and the same workplace will be for more than 60 working days in the previous 12 months, then the transport is considered to be business driving.

Travel allowance (rejsegodtgørelse)

Travel allowance means amounts paid to cover the wage earner's additional expenses for accommodation and subsistence during travel.

An employee is considered to be travelling in the employer's service when the journey is connected with accommodation away from the place of residence and if the journey has a minimum duration of 24 hours. It is not possible to pay tax-free travel allowance for one-day trips.

Reimbursement rates to cover subsistence and minor necessities are paid per 24 hours, and after that, a tax-free travel allowance can be paid for connected travel hours of 1/24 of the rate per hour. It is generally a condition for paying tax-free travel allowance that there is travel to a temporary workplace.

The rate for meals and small necessities is DKK 509 per 24 hours for travel in Denmark and abroad.

A 12-month time limit is set for the payment of tax free allowances for stays in the same place. After the 12-month period, any additional costs can be either refunded tax-free by the employer after documentation, or the documented additional expenses can be deducted as income deductions if there is still a temporary workplace.

The maximum deduction for travel expenses is DKK 28,000 per year, and there is no threshold for the use of employee deductions. This means that there is a deduction already for the "first" Danish krone (or euro, etc.) spent.

Reduction for free subsistence is at 15 %, 30 % and 30 % of the rate for breakfast, lunch and dinner, respectively.

For travel with overnight stays, accommodation can be paid at DKK 219 per 24 hours. The accommodation allowance is not covered by the 12-month time limit, but it is a requirement for the payment that the workplace is temporary.

The accommodation allowance is paid per 24 hours. Therefore, the tax-free accommodation allowance can only be paid once a journey has lasted for at least 24 hours. After that, the accommodation allowance can only be paid for each full 24 hour period - as opposed to meals allowance, which can also be paid per commenced hour on a connected travel day.

If the employer pays the employee's expenses for travel in Denmark or abroad by invoice, the employer may pay, in addition to salary, up to 25 % of the rate for meals and small necessities per 24 hours as a tax-free allowance, which corresponds to DKK 127.25. There is the possibility of an income tax deduction at the 25 % rate to the same extent that the employer does not pay the allowance.

It is not possible to receive tax-free travel allowance, including 25% allowance against salary reduction.

Self-employed entrepreneurs (selvstændigt erhvervsdrivende) and remuneration recipients can make deductions at the rates for tax-free allowances for travel with overnight stays. The deduction is made in the personal income.

Sports associations - tax-free allowance

Sports associations can pay tax-free allowances to unpaid board members and to volunteer unpaid assistants who provide assistance to the association's tax-free activities.

The tax exemption is conditional upon:

- 1) that the allowance is paid for work carried out as part of the association's tax-free activities.
- 2) that the allowance is paid to cover expenses incurred by the beneficiary on behalf of the association.
- 3) that the allowance does not exceed the Tax Council's rates.

If the conditions are not fulfilled or payments are made to paid board members or paid assistants, then as a rule, the allowances are taxable.

Tax-free allowances can be paid of the following amounts ¹⁾:

	2018	2019
Driving in own car up to 20,000 km a year	3.54	3.56
Driving more than 20,000 km a year	1.94	1.98
Travel expenses		
See the rates under "Tax-free allowances in 2019" on pages 18/19		
Meals at one-day events, outside matches, competitions, etc. of at least 5 hours duration (per day)	70	80
Telephone calls, including Internet usage (annual)	2,350	2,400
Multimedia (telephone, broadband or PC)	Tax-free ²⁾	Tax-free ²⁾
Other expenses		
- administrative costs such as office supplies, postage and meetings (annual)	1,400	1,450
- for purchase, washing and maintenance of special clothing, such as sportswear, and the like (yearly)	1,950	2,000
Sports judges can instead have cover for		
- "other expenses" and be paid per match	250	250
- however, max. per day	500	500

Notes

- ¹⁾ If the allowance is paid in excess of the above rates, all payments paid will be taxable. The general rules for withholding of A tax, labour market contribution and duty to report will then apply.

For an income year, no tax-free allowance can be paid if expenses are reimbursed after invoicing. This applies to each of the listed types of expenditures.

- ²⁾ If an unpaid person is given a telephone, broadband or PC for their use in connection with the association's tax-free activities, the person is still considered unpaid and is not liable for taxation for the benefits in question. There cannot simultaneously be paid tax-free compensation for expenses incurred by the person for equivalent services.

GAINS / LOSSES ON SHARES

Individuals - Main rules

All shares irrespective of ownership period	Gains	Taxed as income from shares (27 % / 42 %).
	Losses	Unlisted shares: Losses are deducted from income from shares. In the case of negative income from shares, a negative tax is calculated, which is offset against the final tax. Exchange-listed shares: Losses can be offset against dividends and gains from exchange-listed shares. Excess losses can be carried forward without a time limit.
Section 19 Capital Gains Tax Act - shares + certificates in accumulating investment associations	Gains /Losses	Taxed as income from capital.

Companies - Main rules

	Gains	Losses	Dividends
Shares in subsi- diaries Group company shares Own shares	No taxation	No deduction	No taxation
Exchange-listed portfolio shares	Taxation accor- ding to inventory principle	Deductions according to inventory principle	Taxation
Unlisted portfolio shares	No taxation	No deduction	Taxation Only 70% of distributions from 1/1 2015
Shares held in the ordinary course of business	Taxation accor- ding to inventory principle	Deductions according to inventory principle	Taxation
Section 19 Capital Gains Tax Act - shares + certificates in accumulating investment associations	Taxation accor- ding to inventory principle	Deductions according to inventory principle	Taxation

DIVIDENDS

Individuals

Taxation of dividends for individuals:

Personal income	Income from shares	Income from capital
Dividends from shares acquired as part of business activities and certain employee benefits for main shareholders	Dividends from Danish and foreign shares, other than dividends from Capital Gains Tax Act § 19 shares	Capital Gains Tax Act § 19 shares (investment associations)

Taxation for individuals of income from shares:

2019	
27 %	0 - 54,000 DKK
42 %	Over 54,000 DKK

Relief for foreign tax

For receipt of income from abroad, including foreign dividends, there is usually a relief - reduction - of the Danish tax according to one of the following methods:

Relief method	Source Country (foreign)	Country of residence (Denmark)
Credit (according to tax treaty or pursuant to Section 33 of the Tax Assessment Act)	Taxed fully or in part	Adjusted for the lesser amount of the foreign or Danish tax on income
Matching credit (according to tax treaty)	Does not make full use of one's taxation rights	Adjustment for the tax that the source country could have charged on the income
Exemption (according to tax treaty)	Taxed fully or in part	Adjustment for the tax which relates to the foreign income - means that in practice the income is tax-free

GAINS / LOSSES ON RECEIVABLES AND LIABILITIES

The Gains on Securities and Foreign Currency Act is known for its many transitional provisions. Therefore, it is difficult to provide a complete overview of the provisions of this Act. Below are the main provisions of the Act in 5 tables.

We recommend that no dispositions be made solely on the basis of the following tables.

It should be noted that significant changes have been made for individuals' taxation of gains / losses on receivables raised on 27 January 2010 or later. Similarly, there were minor changes for companies' deductions for losses on debt raised on 27 January 2010 or later.

The following tables only describe the rules for receivables and liabilities acquired / raised on 27 January 2010 or later.

RECEIVABLES Gains	Individuals	Companies
Bonds	Tax liability, but a de minimis threshold of DKK 2,000	Tax liability
Debt instruments		
Currency receivables		
Group-related companies		
Premium bonds	Are not subject to the Gains on Securities and Foreign Currency Act	
Convertible bonds	Taxed according to the provisions of the Capital Gains Tax Act	

RECEIVABLES Losses	Individuals	Companies
Bonds	Deduction. However, no deduction of losses on receivables for principal shareholder companies or for closely related family members. De minimis threshold of DKK 2,000	Deduction
Debt instruments		
Indexed receivables		
Currency receivables		Deduction
Group-related companies		No deduction
Commercial receivables or acquired in connection with commercial operations	Deduction	Deduction

LIABILITIES Gains	Individuals	Companies
Debenture loans	Tax free	Tax liability
Debt instruments		
Cash loans	Tax liability, but not in connection with change of ownership of property	
Currency liabilities	Tax liability including exchange rate changes, but a de minimis threshold of DKK 2,000	Tax liability including exchange rate changes
Group-related companies		Tax liability, however, tax-exempt if the creditor company cannot deduct the corresponding loss

LIABILITIES Losses	Individuals	Companies
Debenture loans	No deduction	Deduction
Debt instruments		
Cash loans and loans at par (pari-pari-lån)		
Currency liabilities	Deductions incl. exchange rate changes, but a de minimis threshold of DKK 2,000.	Deduction
Group-related companies		Deduction

BORROWING COSTS		Individuals		Companies	
		Borrowing costs	Cost of provision of collateral	Borrowing costs	Cost of provision of collateral
Maturity less than 2 years	Cash loans and loans at par (pari-pari-lån)	Deduction	No deduction	Deduction	Deduction
	Obligationslån	Deduction	No deduction	Deduction	Deduction
	Valutalån	Deduction	No deduction	Deduction	Deduction
Maturity of 2 years or more	Kontantlån og pari-pari-lån	No deduction	No deduction	Deduction	Deduction
	Obligationslån	No deduction	No deduction	Deduction	Deduction
	Valutalån	Deduction	Deduction	Deduction	Deduction

ESTATES OF DECEASED PERSONS

	2018	2019
Thresholds for the estate's tax exemption ¹⁾		
- the estate's assets at the end of winding up ²⁾	2,839,100	2,901,400
- the net worth of the estate at the end of winding up	2,839,100	2,901,400
Limit for the recognition of business and business cycle savings	166,600	170,200
Threshold for charging unpaid tax	35,800	36,600
Limit for refund of excess tax	3,100	3,200
Transitional period deduction, deduction in tax per month	2,100	2,200
Estate deduction, deduction in tax per month	5,700	5,900
Estate deduction for distribution of an undistributed estate	68,200	69,700

Inheritance tax

The inheritance tax is payable by the estate. The amount of the inheritance tax depends on who is to inherit. The inheritance tax is calculated under one of the values left by the deceased.

Successor	Inheritance tax - 2019 ³⁾
Spouse Non-profit foundation (after application)	None
Børn, stedbørn og disses afkom Forældre Barns eller stedbarns ikke fraseparerede ægtefælle Fælles bopæl med afdød i 2 år Fraskilt/frasepareret ægtefælle Visse plejebørn	15% of the amount in excess of DKK 295,300 (2018: DKK 289,000)
All others	15% of the amount in excess of DKK 295,300 (2018: DKK 289,000) + surcharge of 25% after deducting the inheritance tax, i.e. a maximum of 36.25%

Notes

¹⁾ Surviving spouse's half of the estate excluded.

²⁾ This does not include real estate that can be sold tax-free in accordance with the single-family home rule.

³⁾ In the event of death in 2018 and 2019, the inheritance tax on family-owned enterprises is reduced to 7% in 2018 and to 6% in 2019, subject to certain conditions.

GIFT TAX

The gift tax is 15% on annual gifts in excess of the tax-free amount of DKK 65,700 in 2019. Spouses are considered as two independent donors and recipients. That is, in 2019 they can each give a child DKK 65,700 tax free, or a total of DKK 131,400. An in-law child may receive DKK 23,000 tax free from each parent in law (2019).

Gifts between spouses are tax-free. Gifts and inheritance advances to persons not covered by the gift tax rules, including gifts to siblings ¹⁾, are subject to income tax.

Recipient	Tax free for year - 2019	Tax rate ²⁾
Spouse	-	0 %
Children, stepchildren and their offspring Parents Deceased child's or stepchild's surviving spouse Shared residence with gift donor for 2 years ¹⁾ Some foster children ¹⁾	65,700	15 %
Step parents Grandparents	65,700	36.25 %
Children-in-law in general	23,000	15 %
All others	Nothing	Income tax

Notes

- ¹⁾ Certain unmarried cohabitants and certain foster children are treated like other closely related taxpayers.
- ²⁾ For gift transfers of family-owned companies, the gift tax has been reduced from 7% in 2018 and to 6% in 2019, subject to certain conditions.

TAX RETURN DEADLINES

Individuals

For the 2018 income year, non-entrepreneurial (ikke-erhvervsdrivende) taxpayers will March / April 2019 receive an annual tax assessment notice containing the information that SKAT already possesses. If you can accept the annual tax assessment notice with the information provided, you do not need to do anything.

If you have corrections or additions to the information provided, you are obliged to file a tax return by 1 May 2019.

Persons who are sent an annual tax assessment notice may opt out of this scheme by written request to the tax authorities by 1 May 2019. The tax return date is then postponed until 1 July 2019.

Persons who must keep accounts must submit their tax return no later than 1 July 2019.

Spouses have the same tax return date - i.e. the latest deadline applies to both.

If a tax return is not submitted in time, a tax surcharge of DKK 200 must be paid for each day that the deadline is exceeded, but not more than DKK 5,000 in total.

Self-employed entrepreneurs (Selvstændigt erhvervsdrivende)

Self-employed entrepreneurs must submit their tax return digitally. However, the obligation to submit the tax return digitally does not include:

- 1) Those obliged to submit a tax return who are, or during the income year have been, subject to limited tax liability under the Withholding Tax Act.
- 2) Those obliged to submit a tax return who are, or during the income year have become, or have ceased to become, subject to tax liability under Section 1 of the Withholding Tax Act.
- 3) Those obliged to submit a tax return pursuant to Section 1 of the Withholding Tax Act who have their taxable domicile abroad, or during the income year in question acquire a taxable domicile abroad and for the income year in question wish to be taxed under the cross-border rules.
- 4) Those obliged to submit a tax return who, in the determination of income, must include gains and losses on receivables in accordance with the provisions for businesses in the Gains on Securities and Foreign Currency Act.

- 5) Those obliged to submit a tax return who, according to rules laid down by the Minister of Taxation, on the recommendation of the Tax Council pursuant to Section 3 (1-3) of the Tax Control Act are obliged to submit tax accounts together with their tax return.
- 6) Those obliged to submit a tax return who have converted their business into a company under the provisions of the Tax-Free Business Conversion Act and together with the tax return submit the company's legal documents, cf. Section 2 (1, 7) of the Tax-Free Business Conversion Act.
- 7) Those obliged to submit a tax return who, during the income year, transfer a business according to the provisions on taxable succession of the Withholding Tax Act.
- 8) Those obliged to submit a tax return who have received a compensation sum or insurance sum and in accordance with the Gains on Immovable Property Taxation Act must submit a notice of reinstatement of real estate together with the tax return for the income year.
- 9) Those obliged to submit a tax return who, pursuant to Section 32 (3) of the Gains on Securities and Foreign Currency Act, have incurred a loss on certain share-based financial contracts and who only wish to use part of the realised loss.

Companies

Companies must file tax returns digitally via E-tax Income (TastSelv) within 6 months after the end of the income year. If the income year ends in the period 1 February to 31 March 2019, the tax return must be submitted by 1 August 2019 at the latest.

EXCESS TAX / UNPAID TAX, ETC.

Individuals

Requests for the repayment of excess tax for 2019 (Section 55 payment) must be submitted to the tax authorities by 30 December 2019. Interest is not granted on such repayments.

Excess tax for 2018 will be repaid in the period 1 March - 1 September 2019 with a tax-free interest addition of 0.0%

In order to avoid any interest addition, unpaid taxes must be paid before the end of the year.

The payment of unpaid taxes after the end of the year and until 1 July is subject to a day-to-day interest rate, which for 2018 is set at 2.2% per annum. In the case of payment after 1 July, the unpaid tax for 2018 will be subject to an interest addition of 4.2%.

Unpaid taxes for 2018 which does not exceed DKK 20,100 (2019: DKK 20,500) will be transferred for collection together with the advance tax for 2020. A non-deductible surcharge of 4.2% will be added.

Unpaid taxes for 2018 in excess of DKK 20,100 (2019: DKK 20,500) will be charged together with a non-deductible surcharge of 4.2% in 3 instalments in August, September and October 2019.

Changes to the 2019 preliminary income assessment (E-tax)

Changes to the preliminary income assessment can be entered via TastSelv.

Companies

Payment of tax on account for 2019 by 20 March 2019 is not subject to an additional 0% and for payments after 20 March 2019, but no later than 20 November 2019, is not subject to an additional 0%. In addition, during the period 21 November 2019 - 1 February 2020, the company may voluntarily pay tax on income for the 2019 income year, on which an additional 0.5% will be paid.

Excess tax for 2018 has a tax-free addition of 0.1% and is generally offset by the ordinary tax on account payable by 20 November 2019.

Unpaid tax for 2018 will be collected with a non-deductible addition of 2,8 % on 20 November 2019.

EMPLOYEE BENEFITS IN GENERAL

The provisions on the taxation of employee benefits are contained in Section 16 of the Tax Assessment Act. The benefits can be anything from payment in kind, saved private consumption and access to use the employers' assets. The provisions apply to employees and also, as rule, to remuneration recipients, board members and certain consultants.

As a general rule, the taxable amount is determined on the basis of market value. That is, the taxable value is the amount that it can be assumed to cost the employee to acquire or to rent an equivalent benefit. An employee's own payment with his/her own taxed money to the employer is deducted from the taxable value.

Gross salary reduction scheme (bruttotrækordning)

For tax purposes, it is recognised that an employer and an employee may agree to a lower gross salary. The employer may in this connection assume the costs that actually relate to the employee's private sphere – under the so-called gross salary reduction scheme. The benefit is thus paid through a reduction of the employee's salary, with the employee's salary being subject to tax and social security contributions.

The advantage of the gross salary reduction model is that the employee converts highly taxed salary income of up to approximately 56% into a personal benefit that is much less taxed or perhaps not taxed at all. Gross salary reduction schemes are only attractive regarding tax-free employee benefits, or benefits which are taxed at a much lower rate than ordinary monetary wages.

Agreements on PC (personal computer) schemes cannot be financed as a gross salary reduction without tax consequences for the employee.

In practice, the following conditions are stipulated for a gross salary reduction agreement being accepted as regards tax:

- The agreement on reorganisation of the salary must be valid under civil law.
- Agreements to which the parties are bound must, for example, accommodate the amended remuneration agreement.
- There must be a changed remuneration agreement, which implies a real future decline in the cash salary.
- The agreed salary rearrangement must, as a rule, run throughout the entire salary agreement period or, as a rule of thumb, for a minimum of 12 months.

- As a basis, both the entry and exit of a scheme must be done at a customary agreement date. The requirement does not mean that there can be no extraordinary negotiations on the salary.
- The employee's cash salary reduction must be a predetermined amount that is not regulated in step with the employee's use of the benefit or the ongoing costs the employer has in making the benefit available.
- The employer must actually make the benefit in question available to the employee. Thus, the employer must either be the owner of the benefit or be a contractual partner in relation to the external supplier of the benefit.

De minimis threshold

Employee benefits for a total annual value of up to DKK 6,200 (2019) are tax-exempt according to the de minimis threshold rules, if the employee benefit is made available with respect to the employee's work. If the employee has more than one employer, the amounts must be merged. If the threshold is exceeded, the total value of the employee benefits is taxable.

In SKAT's legal guidance, a number of typical examples are given of employee benefits covered by the de minimis threshold:

- Vaccination of employees
- Food and drink for overtime work
- Free newspaper for work
- Holiday as an extension of business trips, for example, when it involves savings for the employer
- Employee's private driving in a car not covered by the rules for free car (e.g. a tow truck) when driving is for work purposes
- Product testing of the company's new products
- A (partially) employer-paid driving licence to be used in connection with the performance of work
- Free pass for public transport, granted for travel for work purposes
- Credit card arrangements
- Clothing that is requested and paid for by the employer - possibly with employer's logo.

As described, there must be a direct connection between the benefit and the performance of the work. Staff benefits, which solely or mainly serve private purposes, are not included. Examples of benefits, which are not subject to the triviality limit, are benefits subject to special valuation rules such as free car and free telephone.

On the other hand, the value of fully tax-free benefits, for example employer paid training and parking at the workplace, is not included.

De minimis threshold of DKK 1,200

With the de minimis threshold rule, an employer is able to provide tax-free employee benefits for DKK 1,200 per year to the individual employee. If the de minimis threshold of DKK 1,200 is exceeded, the employee is liable for taxation of the entire amount and not just the excess amount. Special rules apply for Christmas gifts, see page 59.

A number of benefits are not covered by the de minimis threshold rules, even if the value does not exceed DKK 1,200. However, the value of these benefits must not be included in the calculation of whether the limit has been exceeded. The benefits that are not covered are:

- Employee benefits with a fixed valuation (e.g. free car and free telephone)
- Loans to employees
- Radio and television licence fees
- Benefits covered by the de minimis threshold rules of DKK 6,200 (work-related benefits)
- Tax-free occasion gifts (e.g. gift for special birthday)
- Tax-free benefits in general
- Benefits which are considered tax-free staff care, e.g. coffee and fruit arrangements in the workplace
- Christmas lunch and company outings.

VAT treatment of employee benefits

We describe the VAT treatment of the individual types of employee benefits in each section.

General deduction rules

Payments to employees are in principle VAT-deductible on an equal footing with all other VAT-related costs for the company. In general, deductibility may be divided into three categories:

- Full deductibility
- Partial deductibility
- No deductibility

The deductibility of employee benefits may fall under all three categories, therefore, a brief explanation:

Full deductibility

When the company is registered for VAT, full VAT deduction is available when the expenses can be attributed to the company's activities that are subject to VAT.

As a rule, the full right of deduction also applies when the purchase benefits the employee. This applies, for example, to the purchase of desks, chairs, pens, PCs, etc., which are used in the business.

Partial deductibility

If purchases of goods and services are not used exclusively for the VATable activities, but are used both for work and privately, the company cannot deduct the VAT in full.

This is very often relevant for the purchase of goods and services for the staff. Examples of purchases that are often used both for work and privately include the costs of mobile phones, home PCs, etc.

For the purchase of goods and services that are used both for work and privately, only partial deduction is possible.

What proportion of the VAT can be deducted depends on the type of cost involved, as the VAT Act has different provisions for different types of cost.

The main rule is that an estimate must be made of the use when a product or service is used both commercially and privately. The estimate must be based on the specific circumstances and can be based either on individual purchases, on a group of employees or on all employees together. However, it is important that the company can document that a specific estimate has been made and the factors underlying the estimate.

From 1 January 2018, companies may elect to either limit the deduction relating to purchase of an asset (assets and investments) or instead deduct the full amount of the purchase and subsequently calculate sales VAT on the personnel's private use of the asset.

The possibilities are as follows;

1. to assign the asset partially to the company and to partially deduct VAT from the purchase or
2. to fully assign the asset to the company and take full deductions in connection with the purchase, but subsequently calculate the output VAT (sale VAT) of the value of the employees' use of the asset.

No deductibility

The VAT Act contains a large number of purchases where no deduction can be made, even if the purchase is actually used only in the VAT registered company. This applies, for example, to expenses for benefits which have the character of employee payments in kind. In assessing this, it is considered first and foremost as to whether the benefit entails tax liability for the relevant employee. The VAT treatment of employee

benefits is also dependent on the structure of the agreements between the company and the employees. For example, the VAT on the cost of food and beverages to staff is not normally recoverable.

This restriction does not apply, however, if the employees pay for the food. Instead, the company will set off the sale VAT of the employees' payment. This applies even if the employee's payment does not cover the company's costs of purchasing the food. If the payment does not cover the company's costs, a higher amount must be paid in sale VAT, called "canteen VAT", see page 43.

The various options for the VAT treatment of individual types of employee benefit are described below.

Payroll tax treatment of employee benefits

Companies that are subject to payroll tax liability must, as a rule, include the taxable value of employee benefits in the payroll tax base.

If the value of the payment in kind is to be included in the payroll tax base, it is determined whether the benefits entitle to holiday pay. The benefits must be included in the calculation basis for holiday pay when they are subject to income tax. The value of free board and lodging, free car, telephone, holiday cottage, leisure boat, etc., must therefore be included in the calculation basis for payroll tax.

Tax and VAT treatment of selected employee benefits

In the following, we review the tax and VAT treatment of the most common types of employee benefit that companies offer their staff. In the review, we describe the taxation of the employee, the contribution obligation, the valuation of the benefit and the company's VAT treatment of the benefit.

In the VAT review of the individual types of employee benefits, we have chosen to take as a baseline a company that has only VATable turnover, so that the company - as a baseline - has the right to deduct the VAT in full. Companies that are restricted in their right to deduct as a result of VAT-exempt activities are also limited in determining the deduction of employee benefits in relation to the company's revenue split (deduction percentage).

EMPLOYER REPORTING OBLIGATIONS

Employers have no obligation to report employee benefits when the value of the individual benefit does not exceed DKK 1,200. Furthermore, the employer does not need to keep accounts of how many employee benefits the individual employee receives or whether the tax-free de minimis threshold is exceeded for each employee.

Thus there is only a reporting obligation for taxable benefits where the value of the individual benefit exceeds DKK 1,200.

It is still relevant for the employer to value the taxable benefits correctly, as well as to decide whether it is a single benefit or whether the benefit is considered to be granted in connection with other benefits, and where the total value exceeds DKK 1,200.

The following benefits are exempted from reporting obligations:

- Benefits covered by the old de minimis threshold (work-related employee benefits up to DKK 6,200 per year). The total value of the benefit does not need to be reported, irrespective of whether the value exceeds the de minimis threshold of DKK 6,200.
- Benefits covered by the new de minimis threshold (small taxable benefits of a value of up to DKK 1,200 per benefit)
- Bonus points earned in connection with flights and hotel overnight stays, etc.
- Company kindergarten/daycare and company creche available
- Private occasional use of work tools, etc.
- Private use of benefits that are made available with respect to work
- Parking at the workplace
- Free newspaper delivered at residence without wage reduction.

The reporting must be done by specifying the taxable value of the employee benefit, with the exception of free public transport pass cards, which is indicated only by a marking a cross. The value must be reported at least once monthly. If the benefit / advantage relates to tax in a pay period that is not a calendar month, or if the employee benefit relates to several periods, the value must be calculated in proportion to the reporting period.

For the following sections of the report form there are, however, separate rules for valuation:

Box 19 - Free car

Box 20 - Value of free telephone

Box 21 - Value of free meals and lodging

Box 50 - Value of free full-year accommodation

Box 51 - Value of free holiday home

Box 52 - Value of free leisure boat

Box 53 - Value of free media / radio licence.

EMPLOYEE BENEFITS IN ALPHABETICAL ORDER

Employee benefits in alphabetical order

A

ANNIVERSARY GRATUITIES AND GIFTS

For gifts or gratuities from the employer due to the employee's or company's anniversary, there is a tax-free threshold of DKK 8,000. Nor will anniversary gratuities be subject to labour market contributions within the tax-free threshold. Amounts above the threshold are fully liable for tax and labour market contribution. It is a condition for applying the rules in connection with the employee's anniversary that the employment has lasted 25, 35 or a greater number of years divisible by 5.

If the company in which the employee is or has been employed has existed for a number of years divisible by 25, gifts, gratuities and the like from the employer concerned are also subject to the threshold of DKK 8,000.

This provision also includes paid anniversary gratuities from a company that has changed ownership since its inception, when just before and after the change of ownership, there is reasonable identity in the company's work area.

It is also a prerequisite for tax exemption in connection with the company's anniversary that the employer pays the same amount of money for each anniversary gratuity to all full-time employees and a proportionate share of it for part-time employees.

VAT treatment of anniversary gratuities

VAT treatment of anniversary gratuities can in principle be treated as payroll, so there are no VAT consequences. VAT cannot be deducted for the purchase of anniversary gifts for a company's employees.

ART ASSOCIATION

If the employer gives a grant to an art association in the workplace, the grant is tax-free for the employees. However, undistributed profits from the association are taxable for the employees, but it is possible for the employee to deduct any of its own contributions in the income year.

The tax valuation of distributed works of art depends on whether the employer has a significant influence in the art association.

VAT treatment of art

Companies that purchase works of art which are used to decorate the premises of the company can, as a rule, deduct VAT from the purchase. It is a condition that the purchase includes VAT.

If the company gives a grant to an art association, there is no VAT on the grant, as the company does not receive a consideration for the grant that is paid. The purchasing of works of art via the art association is not deductible, as the art association does not have VATable activities.

B**BONUS POINTS**

Points earned in connection with employer-paid flights and hotel nights are taxable if the employee uses them privately.

Tax must be paid on the value of the holiday / overnight stay, i.e. the amount that the employee should have paid to the airline / travel agency or hotel if no bonus points had been used. This is B income, where the employer must not include labour market contribution and A tax on the value of the holiday allowance. The employer has no reporting obligation.

VAT treatment of bonus points

Employees' use of any earned bonus points for e.g. hotel accommodation does not affect the company's VAT deduction entitlement for expenses incurred in connection with VATable activities.

BRIDGE TOLLS

If an employee receives a paid BroBizz in connection with driving in his/her own car between home and work, the employee loses the possibility to take the special bridge deduction of DKK 50 per person crossing Øresund and DKK 110 per person crossing the Great Belt. On the other hand, the employee is entitled to the general travel deduction for the route - including for the bridge itself.

Employees who have a free car can get a deduction for bridge tolls of respectively DKK 50 and DKK 110, see above, for driving between their home and work if the employee has paid the bridge toll him/herself. An employee with a free car, who receives a BroBizz paid by the employer for driving between the residence and work, is not taxed.

If the employee's driving is purely professional, for example, if driving between the business address and a customer, the employee can always be paid for his/her expenses for BroBizz without tax consequences. On the other hand, if the driving is private - e.g. family visits during weekend - the employee is always taxable on the employer's expense for BroBizz. This applies regardless of whether it is by own car or company car.

VAT treatment of bridge tolls

When driving over the Great Belt Bridge, the bridge toll is considered as an operating expense for the vehicle, and the VAT treatment of the expense is therefore dependent on whether the driving is done in a passenger car or in a van or lorry. The deduction is as follows:

Type of motor vehicle	Deductible
Passenger cars	None
Vans and lorries with a permitted gross weight of less than 3 tonnes	Full
Vans and lorries with a permitted gross weight exceeding 3 tonnes: 1) If the car is used only in the VAT registered company - driving between residence and the company's permanent address is private driving	Full
2) If the vehicle is made available to an employee	Partial

BROADBAND / INTERNET

Employer-paid data communication (e.g. internet) connection is not taxed if the employee has access to the employer's network through the connection. It is a prerequisite for the tax exemption that the employee has access to virtually the same functions or documents as at the workplace.

If the employer's network is not available, the employee is taxed as with free telephone, see page 79. There is only paid tax on one times free phone, regardless of whether the employee has both free internet and free phone.

VAT treatment of broadband

If the company incurs costs for an internet connection installed in an employee's home, the company has a partial VAT deduction based on an estimate of the private / business use.

It is recommended that each year there be made and documented a concrete estimate of the private / business use that is stored in the company's material.

If the internet connection is established in connection with a home workplace and the employee is unable to access the connection for private purposes, the VAT may be deducted in full.

Gross payroll deduction

Employer-managed multimedia schemes made available in a payroll package, financed through a gross payroll deduction, are not considered as a sale to the employee for VAT purposes. Thus, VAT must not be deducted from the employee's payment.

C

CANTEEN SCHEMES

Free lunch at the employer's canteen is taxed by an amount corresponding to the saving in the ordinary private expense.

SKAT has set an indicative rate for meals in staff canteens. It is worth DKK 20 per day for a so-called standard meal with beverages and DKK 15 without beverages. The guiding values cannot be used as a basis for calculating the taxable value if employees pay a lower amount for a standard meal than the indicative rates.

Employees who pay this amount will not be taxed on the value of the canteen benefit, and the employer does not need to report it to the tax authorities even if the actual value of the benefit is greater.

In the case of luxury foods, the indicative rates cannot be used. It is SKAT's view that there is usually a correlation between price and quality when it comes to luxury food.

The rules apply to workplaces where employees can buy prepared food and drink from a counter / buffet. It is irrelevant whether the food is prepared by the company's kitchen staff, whether the operation is outsourced or if the food is delivered by the local butcher.

The value of coffee, tea and fruit in the workplace is not taxed.

VAT treatment of canteen schemes

If the company makes free food available to staff, there is no right to deduct VAT.

However, see the section on consumption and serving of meals to staff in connection with meetings etc. on page 63.

If you can buy food at the canteen, the canteen service is generally a taxable activity. If the canteen is run by the company and food and beverages, etc., are sold to the employees, VAT must be calculated on the employee's payment for the food. Conversely, there is full VAT deduction for the purchase of ingredients, etc.

Settlement of sale VAT cannot be waived, regardless of whether the amount of the deduction in connection with the purchase is equal to the sale VAT (VAT is in zero).

When selling canteen food, VAT must be deducted from at least the purchase price. If the food is cooked, VAT must be deducted from a calculated production price, where all expenses involved in and attributable to the purchase, manufacture and sale of food and beverages should be included. In this connection, SKAT has stated that the costs of cleaning in connection with and after the preparation of the food, such as cleaning of kitchen utensils and kitchen tables, etc., must be included in the calculated production price.

Examples of these costs include:

- Purchase and transport of goods
- Cost of premises
- Operating costs, such as water, heat and electricity
- Acquisition / depreciation of operating assets and furniture, etc.
- Shrinkage during production
- Wages and holiday pay for employees
- Purchase of work services, such as temporary workers
- Expenses for various social benefits and pensions
- Other personnel-related health treatments such as smoking detoxification, alcohol treatment and chiropractor treatment
- Other staff expenses, e.g. education and books for this purpose.

However, expenses that are attributable to the dining room / lunch room should not be included in the calculation, for example:

- Expenses for salaries, etc. for cleaning and cleaning service (dish washing)
- Cleaning the dining room / lunch room
- Operating expenses (heating and electricity) for the dining room / lunch room
- Repair and maintenance of equipment and facilities used for dining room / lunch room
- Cleaning the service that employees have used in connection with the intake of their meal.

It is irrelevant for the VAT obligation whether the company itself recruits staff to the canteen or whether the canteen operation is outsourced to third parties, if it is actually the company itself that manages the sales to the employees.

Example of calculation according to these rules (own production):

	DKK per person per month	
Procurement of food and beverages, incl. VAT	1,250	VAT deduction for the company of DKK 250
Addition of employee costs, indirect production costs, etc. (estimated)	500	
Calculated cost price	1,500	The company will deduct DKK 375 in sale VAT
Contribution from the company	1,000	
Expense, employee	875	

Simplified schemes

Companies affected by the rules may, as an alternative to the foregoing calculation, determine the VAT basis on the basis of one of the three simplified calculation methods below.

Scheme 1 - When the company itself produces the food

The VAT base is calculated as:

- Procurement of raw materials excl. VAT + 5% (to cover the purchase / wear of kitchen appliances and other overheads)
- + Purchase of external labour for the purchase, preparation and sale in the canteen
- + Salaries for own staff, which are completely or partially employed in the canteen with the deduction of 25% (which is considered to constitute wages for clearing away, etc., which is a general cost for the company).

If the company calculates the actual share of the wage costs of its own personnel relating to clearing away, etc., versus procurement, preparation and sale at the canteen, the company can apply this specific allocation instead of the "75/25" allocation.

SKAT has stated that Scheme 1 may be used only in situations where the company operates the canteen. If the canteen is operated by an external operator, Scheme 1 is not usable.

Scheme 2 - When the food is purchased in ready condition (catering)

Companies which buy the food in ready-to-eat condition can calculate the canteen VAT on the basis of Scheme 2. Scheme 2 can also be used when the external supplier / operator prepares the food in the company's (employer's) own kitchen. The method for calculating the canteen VAT depends on the actual conditions.

Companies which buy the food in ready-to-eat condition must calculate the VAT base based on:

The total purchase price for food and beverages (excl. VAT)
+ Salaries for own staff who are fully or partially employed in the canteen after deduction of 25%.

Companies that buy food from a subcontractor and do not employ staff for preparation, clearing away, etc. of this food, should not include salaries in the VAT base. In these cases, the total purchase price from the supplier will be the cost price.

Scheme 3 - When the operator prepares the food on the company's premises

Companies purchasing the food from an external operator which prepares the food in the company's own premises must include the company's own costs for the operation and maintenance of the kitchen in the canteen VAT.

This is done by including an amount calculated as 2.5% of the total payment to the canteen operator. The total payment is calculated including management fees, minus 25% of the wage part. A deduction of 25% of the wage part is only possible when specified by the operator.

Enterprises that need to calculate the canteen VAT are, irrespective of the calculation method, still subject to the general rules for withdrawal for non-deductible purposes, such as representation.

Possibility of reduction

There is no limitation on the right of deduction / calculated output VAT on free dining of business associates and staff in connection with meetings. It is a requirement that the meals are served for purposes of strict commercial character.

Companies that calculate VAT under one of the two simplified schemes can thus make a reduction in the VAT base, calculated as the proportion of free dining of business associates and staff in connection with meetings.

The reduction for the current year for free canteen services can be of the same proportion as delivered by the company in the previous year for that purpose.

If, in 2018, the company used 10% of the company's canteen deliveries for free dining for business and staff in connection with work meetings, in 2019, the company can calculate sale VAT ("canteen VAT") on 90% of the estimated VAT base. Newly started companies can apply a well-founded estimate.

In the following financial year's first VAT settlement period, the company must adjust the VAT base for 2019 in accordance with the actual proportion of free of charge delivered canteen services for the year (2019) for which no sale VAT should be paid. There will be no adjustment if the fluctuation is less than 5 percentage points.

Companies that do not want to calculate an actual percentage can apply a 3 percent reduction, but this cannot be adjusted later.

Companies with a partial right of deduction

Financial institutions and other tax exempt companies with a partial right of deduction can also apply the simplified schemes, as described above. However, these companies do not have full right of deduction for expenses for the dining of business connections in the canteen and staff during work meetings, as these expenses are considered to be general costs for the company.

If the company chooses to apply one of the simplified schemes for calculating the VAT base for the company's sale of canteen services, instead of calculating the deduction entitlement according to the general provisions of the VAT Act, the company can choose to apply a method for full deduction of the part of the expenses attributable to sales and partial deduction for the part of the expenses that can be attributed to the dining of business associates and staff in connection with meetings.

VAT exempt companies can only obtain partial VAT deduction for the cost of construction and conversion of canteen premises.

The reason why full VAT deductions cannot be made is that the premises are also used for employees who have food with them. The canteen premises are thus used to meet the requirements of the Executive Order on the establishment of dining places for the employees at fixed workplaces.

CARS

Next to housing, the car is the largest fixed expense for many families. It is therefore natural to consider letting the company pay the costs of the car and in return pay tax on a free car.

By free company car, here is meant a car which the employer makes available to the employee for private driving. The employer can have either bought or leased the car. What matters is that it is the employer who makes the car available to the employee. It does not matter how much or how little the employee uses the car privately.

It is the employer who pays all the ordinary operating expenses, such as costs of insurance, road tax, petrol, oil, windscreen washer, washing and expenses for repairs and maintenance. All these expenses are thus included in the taxable value for which the employee is taxed.

Expenses for garages, parking places, parking fees, parking fines, ferry tickets, bridge tolls, car taxes and motorway charges are not considered to be of an operational nature. They are therefore not included in the taxable value of a free company car. To the extent that the employer pays these expenses for the employee, the tax is calculated separately.

If the employer pays ferry tickets or bridge tolls in connection with the employee's business driving, this is tax-free for the employee, but the payment is taxable for the employee if the expense is incurred in connection with the employee's private driving.

Taxation of the employee

The employee is taxed at 25% of the value of the car that does not exceed DKK 300,000, and 20% of the remainder. The value of the car must always be set at more than DKK 160,000.

The value of a free company car is taxed like wages, i.e. as personal income. In addition, the labour market contribution must be calculated from the taxable value of a free company car.

An environmental surcharge is added to the taxable value corresponding to the annual owner's charge for the car plus 50%. For cars registered before 1 July 1997, the environmental surcharge is an amount corresponding to the road tax. The environmental surcharge constitutes the annual tax excluding equalisation charge and private use surcharge to be paid for the car according to the Fuel Tax Act or the Weight Charge Act. On SKAT's demands, the amount to be included in the taxable value of a free car is called "green ownership tax" (grøn

ejerafgift) and possibly particle filter tax. Amounts listed as "green compensation tax" (grøn udigningsafgift) should not be included.

The value of a free company car is A-income, and the employer must therefore withhold A-taxes and labour market contributions in connection with the payment of wages.

The value of new cars

For new cars and cars acquired less than three years ago, the value of the car is set at the new vehicle price for up to 36 months from the month in which the first registration was made and then at 75% of the new vehicle price.

Any recalculation of the commercial value after four months as regards new leasing vehicles has no bearing on the company car taxation basis.

The new car price is the price the dealer uses for the adjustment of the registration tax including VAT, registration tax, delivery costs and all normal accessories. Only accessories and extra equipment that are subject to registration tax should be included in the base.

The value of used cars

For a used car that was purchased more than three years ago (36 months), the calculation basis is the employer's purchase price for the car including expenses for refurbishment and improvements in connection with the acquisition. There is no subsequent reduction of this calculation basis. The minimum value of DKK 160,000 also applies to used cars.

Sale and leaseback

For cars older than 36 months, the calculation basis may be reduced by selling the car to a group company or to a leasing company and then leasing the car. In the future, the calculation basis is the value of the car at the time of lease. It is a prerequisite that the transfer and leasing contract are based on actual events and that the transactions are carried out on market terms.

Own payment

If the employee pays an amount to the employer to have the company car available, the taxable amount should be reduced by the amount paid. The employer must take up the employee's payments as income.

Special vehicles

There are certain vehicles that are not directly covered by the rules for a free company car. This applies, for example, to lorries and other

special vehicles where the arrangement makes the vehicle unsuitable or very unsuitable for private use.

In the case of a closed panel van with fixed shelves and a fixed tool arrangement, the van is usually considered as a specially adapted workshop vehicle. If such a vehicle is used for driving between the place of residence and the workplace, it does not give rise to taxation of an available vehicle, but of course the travel deduction will not apply.

Private driving in conjunction with business driving in special vehicles is taxed at a mileage rate corresponding to the rate of tax-free mileage allowance (DKK 3.56 per km in 2019) if the private driving exceeds a threshold of 1,000 km per year.

Other private driving in a special vehicle is taxed at an amount equivalent to what it would cost the employee to rent a car with equivalent availability for use.

Yellow plate cars

There is no taxation on a free company car if the employer has deducted VAT from the purchase of the car and driving in the car is legal in accordance with the VAT rules. In this connection, occasional driving between one's home and a permanent workplace is accepted.

Tax also does not apply if no additional fee has been paid for private use in accordance with the provisions of the Road Tax Act. If the car is being driven privately anyway, this will be taxed, and it will perhaps also be a violation of the VAT and charge rules.

Partial leasing

The idea behind the concept of partial leasing is that a company and an employee each enter into a lease agreement concerning the same car, whereby the costs of having the car are divided between employer and employee.

Two identical lease contracts are made out, one between the employer and the leasing company and one between the employee and the leasing company. The two contracts ensure that the total cost to the leasing company is divided between employer and employee in exactly the same proportions as their shares of the total driving.

The division of the expenses means that the employee pays exclusively for the private mileage in the car, and the employer pays exclusively for the business driving. At the same time, the employee does not have to pay tax on a free company car because it is the leasing company and not the employer that makes the car available.

In order to establish and document the exact driving allocations, full driving accounts must be kept. Therefore, such part-leasing cars are usually fitted with an electronic driving log that records all driving. In addition, a number of other requirements must be observed.

VAT treatment of cars

For the most common motor vehicles, the following rules apply for VAT deduction:

Passenger cars

Type of motor vehicle	Right of deduction for			VAT on sale
	Purchase	Lease	Operation	
Passenger cars, intended for transport of no more than 9 people, and motorcycles	None	No deduction if the rental period is less than 6 months. If the rental period is over 6 months, deductions can be granted according to special rules.	None	None

There is no VAT deduction for expenses for the purchase and operation of a passenger car (white plate car), motorcycle or motor home. This applies regardless of the purpose of the purchase.

Bridge tolls, parking fees and payments for ferries are regarded as expenditures for the vehicle's operation and therefore do not give entitlement to deduct VAT. The VAT on the cost of crossing the Øresund Bridge can be deducted in full. This applies to both the Danish and Swedish VAT.

As a rule, there can be no VAT deduction for rental of passenger cars. However, limited VAT deduction has been introduced for the leasing of passenger cars and motorcycles in Denmark.

In order to obtain VAT deduction under these rules, there are two conditions that must be met:

1. The lease contract must run for a continuous period of more than six months.
2. The car / motorcycle must be used at least 10% for VATable activities.

The deduction entitlement is calculated according to special rules, depending on the age of the vehicle. For the first three years after the vehicle's first registration, the deduction basis is calculated as 2% per month of the registration tax on first registration. For subsequent years the deduction basis is 1% per month of the registration tax on first registration. The deductible VAT constitutes the VAT of the lease payment, but not more than 25% of the deduction base. The leasing company must either disclose the maximum deductible VAT amount or the information on which its calculation is based.

Leasing of passenger cars abroad

Danish companies can lease passenger cars abroad. For VAT purposes, a distinction is made between leasing and short-term rental, where short-term rental covers a maximum rental period of 30 days.

Leasing for more than 30 days

Companies leasing cars in another EU country, such as Germany, will receive an invoice for the lease payment without the addition of VAT under the reverse charge rules (reverse charge obligation). The Danish company must then calculate Danish VAT on the value of the invoice. In practice, this means that the company calculates 25% VAT on the value of the invoice and denotes this VAT in the field "moms af ydelseskøb i udlandet" (VAT on the purchase of services abroad) on the VAT return. In addition, the invoice amount must be entered the box "A-ydelser" (A services).

The company can deduct a proportion of the calculated VAT as input tax. The deductible VAT is calculated as 25% of 2% of the registration tax per commenced month of the car's first three years of life, after that 25% of 1% of registration tax per commenced month for the rest of the car's life. To make the calculation, the company needs to have the necessary figures from the lessor. Alternatively, the lessor can enter the deductible Danish VAT on the invoice.

If the company cannot obtain the required information, the company is excluded from making a VAT deduction for the calculated acquisition VAT.

It should be noted that the rules on the calculation of reverse charge VAT include all businesses, including VAT-free companies, municipalities, etc., which are not currently registered for VAT. A VAT-free company which leases passenger cars in Germany, for instance, must therefore also receive an invoice without VAT with the obligation to calculate reverse charge VAT.

The company should therefore contact the tax office (SKAT) to become registered for VAT in order to settle the reverse charge VAT on the leasing service, and should disclose the VAT number to the foreign leasing company.

Short-term rental of no more than 30 days

Danish VAT registered companies which rent cars in another EU country and have the car made available abroad, such as in Germany, will receive an invoice for the rental of the car with that country's VAT rate. The company then has the right to the VAT refund according to that country's rules on VAT deduction for cars.

If a Danish VAT registered company rents a car in e.g. Germany, the rental is charged with German VAT. Charging of German VAT is conditional on the car actually being made available in Germany.

The advantage of renting a car in Germany is that the German authorities allow full VAT deduction for the hire of passenger cars, thereby giving a full VAT refund to Danish companies that rent cars in Germany for a period of no more than 30 days.

A request for VAT refunds in other EU countries must be made electronically via SKAT's website. See more under Travel, page 82.

If a Danish company rents a car in other EU countries, and the car is actually made available here in Denmark, Danish VAT will be settled on the rental amount. It is generally the Danish company that settles the VAT.

If the car is rented in a country outside the EU, e.g. Norway, and the car is actually used in Denmark, Danish VAT must always be settled on the rental amount. Generally, the Danish company as lessee is responsible for settling the Danish VAT.

Commercial vehicles

Commercial vehicles with a permitted gross vehicle weight not exceeding 3 tonnes

Type of motor vehicle	Right of deduction for			VAT on sale
	Pur-chase	Lease	Operation	
Vans and lorries with permitted gross vehicle weight not exceeding 3 tonnes:				
If the vehicle is used only in the VAT registered company – but driving between residence and the company's permanent address it is private driving.	Full	Full	Full	VAT on the full sale price
If the vehicle is made available for an employee.	None	1/3 deduction of the rental VAT if the company's annual sale of VATable goods and services exceeds DKK 50,000	Full deduction if the company's annual sale of VATable goods and services exceeds DKK 50,000	None

The condition for having VAT deductions on the purchase of commercial vehicles of under 3 tonnes is that the vehicle is only used for VATable activities. If a commercial vehicle of under 3 tonnes is made available to an employee, there can be no VAT deduction for the acquisition.

Travel between one's home and work is generally considered to be private driving. Travel between one's home and work in connection with a rostering system, driving between changing work places or driving in specially adapted vehicles is considered under certain conditions to be for work purposes. See below.

For commercial vehicles with a gross weight of less than 3 tonnes, there is full deduction for VAT for operation. This applies whether the commercial vehicle is used only for work use or for both work and private use.

Commercial vehicles with a gross weight exceeding 3 tonnes

The right to deduct VAT on the purchase of commercial vehicles of over 3 tonnes depends on the use of the vehicle. For commercial vehicles of over 3 tonnes made available to an employee, the right of deduction for the acquisition and operation will be calculated using an estimate.

Type of motor vehicle	Right of deduction for			VAT on sale
	Purchase	Lease	Operation	
Commercial vehicles with permitted gross weight of over 3 tonnes, buses, etc.				
If the vehicle is used only in the VAT registered company - driving between the place of residence and the company's permanent address is private driving.	Full	Full	Full	VAT on the full sale price
If the vehicle is made available to an employee.	Partially	Partially	Partially	VAT on the full sale price

VAT deductions can be obtained for the part of the VAT which is estimated to be attributable to the company's VATable activities. If a driving log is kept and the discretionary allocation of the VAT is made on the basis of the driving accounts, there is usually no breach of the company's discretion.

For commercial vehicles with a gross permitted weight of up to 4 tonnes, the following is considered to be commercial driving:

Specially adapted vehicles

The VAT rules include the concept of specially adapted vehicles. The definition of specially adapted commercial vehicles is the same for both tax and VAT purposes.

The concept is understood to mean a commercial vehicle of up to 4 tonnes, which is fitted with fixed shelves or similar equipment for commercial use, and which is therefore not suitable for private driving. There is also a requirement that the specially adapted vehicle is necessary for the performance of the work.

A specially adapted commercial vehicle can be used for driving between the user's private residence and the permanent workplace

without limitation of the right to deduct VAT and without taxation. It is also permitted for the user of a specially adapted commercial vehicle to make private errands, such as purchases or picking up children, as long as this happens in conjunction with business driving and does not require a departure from the business-related route. If the private errands require a departure from the business-related route, this journey must not exceed 1,000 km / year.

Small short detours that do not differ more than at most a few hundred meters from the business-related route are not included in the 1,000 km / year.

Driving in non-specially adapted vehicles

Driving between one's home and work in non-specially adapted vehicles is considered private driving.

What is accepted as business-related driving is explained below. Unless otherwise stated, the guidelines apply to both specially adapted and non-specially adapted vehicles.

The 25 times rule

Exceptional driving between one's home and work up to 25 times a year (i.e. within 12 consecutive months) is not considered as private driving when the vehicle is to be used on the following day for business, for example, for a meeting or a course, or to an airport with the intention to continue travelling to a meeting, etc. This also applies to driving between home and work up to 25 times a year the day after the vehicle has been used commercially. In this example, the journey counts 2 times (the day before the business-related driving and the day after the business-related driving are included). The limit of 25 times a year relates to the individual employee who takes a vehicle home. The application of the rule requires that the employee is prevented from using the vehicle privately and that mileage accounts are kept.

Dropping off / picking up colleagues

In connection with driving between home and work, colleagues can be picked up / dropped off when the employer orders it. The employer can order it verbally and in general and it does not need to relate to a specific situation.

Collection of food during working hours

Driving for eating or picking up food in specially adapted vehicles is not considered as private driving when the driving is during work hours.

Different workplaces

Driving between one's home and different workplaces in non-specially adapted vehicles is not considered to be private driving under the following conditions:

- That it is a van or lorry that is equipped with tools relevant to the work, or if a storeroom has been established at the employee's place of residence
- That driving to the company's permanent address only takes place occasionally (1-2 times a week) and only to supplement the vehicle's stock of tools etc.
- That there are actually temporary workplaces, such as construction sites and the like.

There must not be detours in connection with the driving.

On-call rota

Driving between one's home and the company's permanent business premises as part of an on-call rota system is not considered private driving under the following conditions:

- The driving is an expression of a clear business need
- The vehicle is equipped with tools or the like with which the relevant repairs can be carried out
- The user has been given a clear ban on using the vehicle privately
- An on-call rota has been made and reporting is required for calls, etc.
- It can be established which vehicle is used for the individual shifts
- The number of vehicles is proportionate to the extent of the on-call rota system
- The on-call employee should be on duty throughout the on-call period.

Employees covered by an on-call rota system in which they must be available 24 hours a day may participate in family reunions and similar occasional events within the area without the vehicle being considered to be used privately. Driving for e.g. weekly sports training and the like, on the other hand, is considered as private use of the vehicle.

Small errands may not be made in connection with driving, unless driving in a specially adapted vehicle.

Please note that employees who have gone from their residence to "uncertain addresses" are for this reason not deemed to have a company vehicle available. It is a condition of avoiding taxation that there is a real obligation to attend during the availability period.

Day certificates

By purchasing a so-called day certificate (dagsbevis), companies have the option of buying out a commercial vehicle for private use without affecting the vehicle's tax status and charge status as 100% occupational. Day certificates can be purchased for commercial vehicles of up to 4 tonnes. Up to 20 day certificates can be purchased per vehicle per calendar year. For commercial vehicles of up to 3,000 kg, a day certificate costs DKK 225 per day, of which DKK 40 covers VAT claims against the company.

For commercial vehicles of between 3,001 kg and 4,000 kg, a day certificate costs DKK 185 per day. For these vehicles, VAT must instead be paid on the cost price of the private use (posted as sale VAT).

Note that the regulation of the VAT for the private use of such commercial vehicles can be costly. Therefore, we recommend that the VAT consequences of the use of day certificates be calculated before the day certificate is used.

The day certificate must be purchased no later than one hour before the vehicle is used privately, via SKAT's TastSelv service or in the SKAT app, and must be taken along while driving on that day. The day certificate is valid for 1 day from 00.00 until 23.59. If a vehicle is to be used from 14.00 on a Saturday until 12.00 on the Sunday, 2-day certificates are required. It is not possible to buy day certificates with retroactive effect.

An employer's payment for day certificates is regarded as a taxable benefit for the employee.

Private use of commercial vehicles

Unless day certificates are issued, a commercial vehicle may only be used for private driving when a private use charge (privatbenyttelsesafgift) has been paid. Under certain circumstances, the company need only pay half of the private use charge. Commercial vehicles of less than 4 tonnes gross weight, registered after 2 June 1998, and which may be used for private driving, must therefore be provided either with a sticker "This vehicle may be used privately" ("Bilen må bruges privat") or parrot plates (vehicles registered after 1 January 2009).

A commercial vehicle is used privately, when used for:

- Other than work purposes
- Driving between work and residence
- Recreational purposes.

Fine

If a commercial vehicle covered under the sticker scheme is used privately, without the sticker being used correctly, the offence triggers a fine. If the sticker is affixed to a vehicle that is not registered for private or mixed use, a fine will be set by the courts. In addition, VAT and a private use tax will be charged and there will be taxation of a free car for the user of the vehicle.

Car - foreign employer

When a resident of Denmark has a free car made available for private driving by his/her foreign employer, the taxable value of the free car must be calculated according to the same rules as if it had been a Danish employer. If the car is registered on foreign licence plates, the calculation basis for company taxation is calculated as if Danish taxes were paid.

Registration tax treatment for free car made available by foreign employer

If a foreign employer makes a car available to a person residing in Denmark, the VAT treatment of expenses in Denmark is in accordance with the provisions described in the Cars section.

When a foreign employer makes a car available to an employee residing in Denmark, the employer can avoid paying Danish registration tax on the car when the following conditions are met:

- The foreign employer must have its registered office (headquarters) or permanent establishment in another EU / EEA country, and it must be an actual and genuine employment relationship with the foreign employer
- The car must be driven no more than 183 days in a 12-month period in Denmark
- The car must have travelled more business kilometres abroad than the total commercial and private driving in Denmark in a 12-month period.

If one of the last two conditions is met, no Danish registration tax will be paid.

CHRISTMAS AND OCCASIONAL GIFTS

Benefits, including Christmas gifts in kind, are taxed only if the total value of these benefits from one or more employers exceeds the de minimis threshold of DKK 1,200. (2019). If the limit of DKK 1,200 is exceeded, the entire value is taxed and not just the excess amount.

Christmas gifts in the form of payment in kind are, however, not taxed irrespective of the above limit of DKK 1,200, as long as the value of the Christmas gift does not exceed DKK 800. (2019).

When employees have to calculate the total value of the employee benefits received, the value of the Christmas gift from the employer must therefore be included, but no tax on the Christmas gift should be paid, even if the total value exceeds DKK 1,200.

If benefits are received for a total value of DKK 900 in a year, there is no tax payable on any of the benefits. If you receive a Christmas gift worth DKK 800 and another benefit worth DKK 500, you will be subject to tax due to the latter because the total value exceeds DKK 1,200.

In general practice there is no taxation on gifts for special occasions, which are gifts given for birthday, wedding, silver wedding anniversaries and the like. However, a prerequisite for tax exemption is that the gift level remains within what may be considered common in the area. This practice also applies to gifts from employers to employees. Gifts in the form of cash and gift cards are always taxed.

VAT treatment of gifts

VAT cannot be deducted for the purchase of gifts for a company's employees. There is no VAT deduction, irrespective of whether they are Christmas gifts or gifts for special occasions for the staff.

COMPANY PARTIES

Participation in company parties is not taxed - by practice.

VAT treatment of company parties

If a company party is held "out in town" at a restaurant, 25% of the VAT paid can be deducted. This also applies in cases where employees are invited with spouses at the restaurant.

In cases where the company party is held at the company's address, VAT deductions cannot be obtained for food costs, whether the food is served from the company's own canteen or delivered from outside.

The company is entitled to VAT deductions for transport expenses, etc. in connection with company parties. It is exclusively the dining that there are restrictions on. To illustrate the provisions of the VAT Act, we give the following example:

- The employees are taken by bus to the event

- Upon arrival, breakfast is served at the hotel
- In the morning and afternoon there are team building exercises
- In the evening there is a dinner at the hotel
- During the dinner there is entertainment and subsequently music
- The employees are driven home to the company.

If the company itself has been responsible for the event and has thus been billed for the costs by the different suppliers, the company must assess which category the different expenses can be attributed to.

Bus transport

When the company receives an invoice for bus transport, this invoice has VAT added. VAT on bus hire in connection with business travel to e.g. employee events, company parties, courses etc. is fully deductible.

Hotel bill

The invoice from the hotel to cover food, room rentals etc., is regarded as hotel and restaurant services. Cost of hotel overnight accommodation is fully deductible. The deduction for restaurant expenses is 25%. The right of deduction is subject to bills from hotels being specified with separate prices for accommodation and other services, respectively.

Team building

The invoice from the event firm that has been responsible for the team building exercises is considered to be a commercial expense, and therefore there is full VAT deduction for the expenses.

Entertainment and music

There are no VAT deductions for the purchase of entertainment services of any kind.

COMPANY SPORTS AND EXERCISE

An employer may make tax-exempt sports and exercise facilities available at the workplace. The tax exemption for employees is subject to the condition that the offer includes all employees.

Similarly, the employer's payment of expenses for company sports is usually tax free for the participating employees.

Participation in e.g. the DHL relay run is usually tax-free for employees. The tax exemption comprises the situations in which all employees are encouraged to participate, where the discipline / distances are considered to be such that a wide range of employees can participate,

and that the event in question can be considered to be a social event.

If the employer pays the employee's private expenses for fitness or other contingents, the value thereof is taxable for the employee.

VAT treatment of corporate sports

Fitness room equipment

Companies that furnish fitness rooms available to employees can deduct VAT in respect of expenses for furnishing, including the purchase of exercise equipment, etc.

Access to fitness centres

There are no decisions specifically relating to access to fitness centres. The decisive factor for the VAT treatment is whether the admission cards represent a deductible personnel expense or whether they are payment in kind for the employee.

The Supreme Court has confirmed that football tickets that a brewery had received as part of a sponsorship and distributed to the brewery's staff had the nature of payment in kind.

On the basis of the Supreme Court judgment, it is our assessment that the admission cards are not deductible for income tax if they are distributed to the employees personally.

Access to fitness centres with partial self-payment

Many companies choose to collect full / partial payment from employees for access to gyms and fitness centres. The companies have in these cases the right of deduction for the purchase, and sale VAT will be deducted from the sale.

The sale of admission cards by the gyms and fitness centre must be divided into VATable access to strength training and VAT exempt access to team training respectively when invoicing. Thus, when selling training cards to the company, only partial VAT is charged on the invoice.

If the company partially finances the scheme, the scheme will be subject to the special rules regarding sales to interested parties. See the section on Discounts and price reductions on page 64.

CONSUMPTION

The value of employer paid food and beverage in connection with overtime is subject to tax. If the overtime is not planned, the value will be included in the calculation of the triviality limit of DKK 6,200 (2019).

Expenditure on dining at a restaurant in connection with internal meetings is not taxable on condition that the occasion is for business.

VAT treatment of consumption

VAT can be deducted at 25% of the VAT when dining is done "out in the town". The deduction entitlement includes the company's expenses for restaurant visits, dining at an inn, cafeteria, hotdog stand, etc.

The company may also obtain VAT deduction of 25% of the VAT if paying for food and beverages in a canteen belonging to another company.

If the company pays daily expenses for its staff to dine in someone else's canteen or similar, the company cannot deduct VAT, as daily dining is not considered a strictly commercial expense.

Consumption in own premises

A company's expenses for serving meals for its own staff in connection with meetings in the company's own premises are deductible as a general expense.

It is a condition that the serving is based on the company's needs, including, for example, the appropriate organisation and conduct of meetings in the company's premises.

SKAT approves deductions for expenses for food and beverages served for business contacts and at staff meetings. The conditions for deduction for serving during meetings of the company are considered to be met in the following cases (not exhaustive):

- Meetings with business contacts
- Board meetings
- Internal meetings of the company with professional content
- Internal courses
- Specific, unannounced, ordered overtime.

In its practice, the National Tax Tribunal has established that "specific unannounced overtime" means overtime ordered by the company that is notified on the same day as the overtime takes place so that the employee is unable to adapt to it.

Companies that have not yet deducted VAT for the above expenses may get VAT repaid for 3 years.

The conditions for deduction are not considered to be met in the following cases (not exhaustive):

- Daily meals of employees
- Free fruit, coffee, tea, etc., which is available to employees
- Social events (staff party, Christmas party, etc.)
- Celebration of employee birthdays, anniversaries, etc.
- General meetings.

CREDIT CARDS

An employer's outlay for credit cards for business use is tax-free. The employer's expenses for issuing / renewing private cards are taxable unless they can be accommodated within the de minimis threshold. This assumes, however, that the private card is also used for business.

VAT treatment of credit cards

Expenses for issuing credit cards are VAT exempt, so deductions cannot be obtained, regardless of whether the card is to be used commercially or privately.

D

DISCOUNTS, PRICE REDUCTIONS, ETC.

Discounts on goods and services that the employer deals with are taxed only to the extent that the discount exceeds the profit with the employer. In other words, there must be taxation if the sale price is less than the company's cost of producing the product or service including taxes, and if the sale price is less than the company's purchase price.

VAT treatment of discounts, price reductions, etc.

Special rules apply when there is a community of interest between a supplier and a recipient. There is considered to be a community of interest between a supplier and a recipient in the following cases:

- The parties are closely related through family or other close personal ties
- The parties are closely linked through legal, management or membership ties

- One of the parties has a financial interest in the other party's business or property.

In practice, the rules mean that, when selling goods or services to their employees, companies can no longer deduct VAT from the selling price when the sale is at a price below the purchase or manufacturing price. Instead, the company has to deduct VAT on the normal value of the delivery. The normal value means the market price for third parties, including customary profit. Only in cases where there is no comparable delivery will the tax base be the cost price (the company's purchase price) without the addition of usual profit. This applies *inter alia* to canteen schemes. See canteen schemes, page 43.

Example 1: An employee in a clothing store can buy a blouse for DKK 100. The purchase price is DKK 150. The sale price to customers is DKK 500. VAT will be settled on the normal value, which is DKK 500.

Example 2: An employee in a clothing store can buy a blouse for DKK 100. The purchase price is DKK 150. The sale price to customers is usually DKK 500, but the blouse is sold in a sale at DKK 100. VAT will be settled on DKK 100, as the market price of the blouse has fallen to DKK 100.

Example 3: An employee in a clothing store can buy a pair of trousers for DKK 150. The purchase price is DKK 125. The sale price to customers is DKK 500. VAT will be settled on DKK 150, as the sale price for the employee is above the purchase price.

Example 4: An employee wishes to rent the company's leisure boat. A price of DKK 1,000 has been agreed for a week. Research shows that professional hire companies rent out an equivalent boat at DKK 5,000 per week. VAT will be settled on DKK 5,000, as this is the normal price on the free market.

DRIVING LICENCE

A (partly) employer-paid driving licence to be used as part of the performance of work can be subject to the *de minimis* threshold rules. For some training, for example mechanic training, the acquisition of driving licences for ordinary cars is included as a statutory element in the programme. In such exceptional situations where the employer is obliged to bear the cost of driving licences for such employees, the expense will be covered by the tax exemption for employer-paid education.

VAT treatment of driving licences

There is full deduction of VAT if the company has an interest in ensuring that one or more employees get a driving licence. For example, a driving licence for a mechanic apprentice or an employee's driving licence for trailers if this is required for work.

F**FULL-YEAR RESIDENCE**

Taxation of free full-year residence is based on the market value of the property.

If the employer him/herself is the tenant of the accommodation made available to the employee, this rent is used, provided that it is a lease between independent parties (real market rent). If the employee pays a proportion of the rent, this reduces the tax base.

If the employer does not incur a rental expense, the market rent must be found, for example, by looking at the rent in similar homes in the area concerned. The employer must therefore, for the taxation of the employee, make an individual assessment of the individual housing's rental value. The employee is taxable if the employee pays a rent below market rent. In that case, the employee must be taxed by the difference between the rental value of the housing (market rent) and the rent fixed.

If a full-year residence, which has been made available to a staff member, is subject to residence and relocation obligations, the calculation of the taxable value of the property is given a 30% reduction in the value. The taxable amount after the reduction may not exceed a maximum amount equal to 15% of the employee's fixed monetary wage (the usual salary in the form of money before calculating labour market contribution and A tax and any own pension contributions).

When calculating the taxable value of a full-year residence, which the employee is not obliged to live in, but only has the obligation to vacate upon termination of employment, a 10% reduction in the value is allowed. For directors, managers and other employees with significant influence on their own form of remuneration and principal shareholders / securities holders, the taxable value should be set to 5% of the calculation basis. The taxable value is increased by 1% of the part of the calculation basis, which does not exceed DKK 3,040,000 and 3% of the balance. In addition, the actual paid property tax and other current expenses are added. Special rules apply if the principal

shareholder etc. is subject to a statutory residence requirement on the property.

If the employer, in addition to free housing, also pays for expenses normally borne by the tenant, such as electricity, heat, gardener and cleaning, the expenses must be taxed. The taxable amount is the employer's actual cost of those items.

VAT treatment of housing

Companies that make a home available to an employee cannot deduct VAT from the costs associated with purchase and furnishing.

In practice, it is only the purchase of a permanent residence that is not entitled to a VAT deduction. As a permanent residence, the residence is usually considered to be the place where a person has his/her permanent address. On the other hand, the company may deduct VAT from the acquisition of mobile homes, construction trailers or the like used as temporary residence for employees, for example in connection with major contract work.

H

HEALTH CARE, ALCOHOL AND SMOKING CESSATION

There is tax exemption for employer-paid treatment of the employee's abuse of medication, alcohol, other drugs or for smoking cessation.

On the other hand, there is no longer any tax exemption for employer-paid medical treatment of an employee in case of illness or accident, including treatment of mental disorders with a psychologist or psychiatrist and treatment at a chiropractor. The cancellation also includes equivalent disease prevention and insurance premiums covering the treatments in question. The services are excluded from the threshold for minor employee benefits. They are therefore liable for tax, even if they, together with other benefits from the employer, do not exceed DKK 1,200.

A number of conditions must be met for tax-exemption for employer-paid treatment for abuse of drugs, alcohol and smoking cessation, etc.:

Linked to general personnel policy

The expenses must be part of the employer's general personnel policy for all employees.

Medical certificate

For treatment for abuse of medicine, alcohol and other drugs, a written medical certificate is required stating that the employee needs treatment.

Work-related injuries

There will continue to be tax exemption for the prevention and treatment of work-related injuries and illnesses. Massage arrangements and similar at the workplace will remain tax-free as regards prevention or treatment of work-related injuries or illnesses.

VAT treatment of health care

Health care is, as a rule, exempt from VAT, so VAT deduction cannot be obtained for such expenses.

Several companies offer their employees treatment by masseurs or other alternative therapists who, in certain cases, operate VAT registered businesses. If the company has expenses that are subject to VAT, for example for a masseur, the company can obtain a VAT deduction for this when the scheme is offered to all employee groups.

HOLIDAY HOME

An employee who is offered a holiday home by the employer and has is available during weeks 22-34 is taxed at an amount equal to 0.5% per week of the value of the property. For the rest of the year, the percentage is 0.25 per week. Holiday homes located within Denmark are valued on the basis of the public assessment per 1 October the year before the year of use.

For properties / apartments where there is no public assessment, e.g. holiday homes abroad, the property value is determined on an estimate of the value that would be applicable if it was assessed according to Danish rules.

If a holiday home is available for less than a week, a proportional allocation of the taxable value is made. However, the valuation is made for at least one day.

It is a prerequisite for taxation that the housing is made available by the employee's employer. However, the rules also apply to holiday homes made available, for example, by a holiday fund or employee association in which the employer has a significant influence or the employer has helped establish or partly or fully covers the expenses of it.

There are special rules for directors, managers and other employees with significant influence on their own form of remuneration and principal shareholders / holders of securities. They are considered to have the holiday homes available throughout the year, unless there is letting to other employees who do not have significant influence on their own form of remuneration, and are not closely related.

In the case of a permanent holiday home for employees, an employed shareholder, etc., does not have the holiday home available throughout the year. Permanent employee holiday homes are thus exempted from this presumption rule. A property is considered to be an employee holiday home when for 13 weeks or more per year (of which at least 8 weeks in high season - i.e. in weeks 22-34), it is made available to, or let to, other employees who are not closely related to the employed main shareholder, etc.

However, when the tenant is another employee with significant influence on his/her own form of remuneration, this rental does not count towards the 13 (8) weeks.

VAT treatment of holiday homes

Companies that make a holiday home available to an employee cannot deduct VAT on expenses related to purchases and furnishings. Rental of holiday homes is also exempt from VAT, so when charging rent from the employees, there is no VAT deduction.

HOME OFFICE

When the employer makes an office chair, table, lamp, etc. available to the employee in connection with a home workplace, the employee is generally not taxed on the availability of the inventory. It is probably a prerequisite for avoiding taxation that inventory in terms of appearance and decor is equivalent to the inventory provided by the employer at the workplace.

VAT treatment of home office

If a company incurs expenses for the setting up of a home office with an employee, the company may deduct the VAT relating to the setting up, etc. of the premises that the employee will use as a home workplace. It is a prerequisite for full deduction that the premises are used exclusively in the company's service.

HOME PC

A home PC (Personal Computer, including tablets) is not taxed if it is made available for work-related use. According to SKAT's practice, there is little that needs to be done to meet the work requirement. The rules cover both desktop and laptop PCs. This also includes standard accessories for professional use of the PC. Ordinary equipment means commonly used accessories such as monitors, software programs, printers, etc. of normal size and standard.

The tax exemption for PC arrangements applies only in cases where the PC is not financed by salary reallocation (gross deduction).

For PC schemes financed entirely or partially by wage restructuring, the consequence is that the employee is taxed annually at an amount equal to 50% of the PC's new price. This taxation takes place every year that the PC is made available to the employee.

VAT treatment of home PC systems

VAT deductions for schemes where an employer supplies computer equipment to employees at their private address depend on the actual use of the computer equipment.

If the PC is for commercial use only, there is full deduction for the input VAT.

When an employee uses a PC, both privately and commercially, the company can only partially obtain a VAT deduction, based on an estimate.

From 1 January 2018, the company may waive the deduction restriction if, instead the output VAT (sale VAT) is paid by the private use of the item, payment is made for the purchase of the goods by the seller. See page 34 for more details.

It is recommended that a concrete estimate of the private / professional use, which is kept in the company's material, be made and documented each year.

This recommendation applies regardless of whether the company chooses to make a deduction in connection with the purchase or if the company chooses to pay the output VAT.

In two rulings, the National Tax Tribunal has taken a position on the question of the right of deduction for home PCs used both privately and commercially. In both cases, the Court finds that the right of

deduction should be based on an estimate of the actual use of the PCs and that this estimate must be made by the company. Only if an estimate is obviously wrong, may the authorities override this. Any employee payment may be included in the valuation of the estimate, but cannot be taken as the sole or most important criterion. In the cases, VAT deduction was approved at 40% and 50% of the VAT pertaining to the purchase of the PCs, respectively.

From 1 July 2014, reverse payment obligations have been introduced for national sale of certain types of IT equipment, including laptops, tablets and mobile phones, as well as loose accessories. The rules mean that companies that sell predominantly these types of IT equipment to other companies must issue an invoice without VAT on this sale. The purchaser must then calculate and declare VAT to the tax authorities.

Receiving an invoice with reverse payment obligation does not change the fact that the company must either limit its right to deduct according to an estimate or must pay the output VAT for the private use. See page 34.

Companies that sell predominantly the types of IT equipment concerned to individuals are not covered by the rules and must in any event issue invoices with VAT, including for sales to companies. See also Broadband / Internet page 42.

Partial self-payment with taxed funds

Should the employee pay a portion of the PC with taxed funds, in the Tax Minister's opinion it should not be subject to VAT for this own payment.

This means that the company can only deduct part of the VAT for the purchase, based on an estimate, as with gross salary reduction.

If the PC is subsequently sold to the employee, the company must charge VAT at the selling price.

HOUSEHOLD MOVABLES

Movable property belonging to the employer that is at the disposal of an employee is taxed with the employee on the basis of a value corresponding to what the benefit can be rented out for on the open market. From practice in respect of art, it can be mentioned that principal shareholders are typically taxed at 6% of the investment amount.

VAT treatment of movable property in the home

Movable property made available for private use for an employee is regarded as payment in kind, so there is no deduction for VAT on an outlay for it.

L**LEISURE BOAT**

Leisure boats for private use are taxed at 2% per week of the boat's purchase price incl. VAT and delivery. A rented / leased boat is taxed on the basis of the price that the employer would have paid if the boat had been purchased.

If available for less than one week, a relative adjustment will be made, but the boat will be taxed for at least one day.

Leisure boat - principal shareholder, etc.

For principal shareholders, etc., a presumption rule applies, according to which the leisure boat is considered to be available throughout the year. An employed principal shareholder, etc., is also similarly taxed at 2% per week of the boat's purchase price incl. VAT and delivery.

The boat is considered - contrary to what applies to a leisure boat for employees - to be available, even if it is on land for part of the year.

The presumption rule implies that if the employed principal shareholder, etc., has the leisure boat available throughout the year, the annual taxable value amounts to 104% of the boat's purchase price incl. VAT and delivery.

The principal shareholder can avoid taxation if it is a leisure boat for employees. The presumption that the employed principal shareholder and others have the boat available all year long does not apply if the leisure boat is made available to other employees for 13 weeks or more per year. Of these, at least 8 of the 13 weeks must be in the high season (i.e. in weeks 22-34). It is a condition that these employees do not have a significant influence on their form of remuneration, and they must not be closely related.

If the leisure boat is rented out to others and documentation can be shown for this, the principal shareholder can have the tax reduced by the number of days / weeks during which the boat is rented out. However, there can be no tax reduction in cases where the boat has been rented out to someone closely related to the principal shareholder.

If the boat is available to several principal shareholders, etc., the taxable value will be allocated equally between them.

VAT treatment of leisure boat

If a company acquires a leisure boat and it is available for the private use of the company's employees, the company cannot have any VAT deduction, as the boat is considered to be a payment in kind.

If the employee has to pay to hire the boat, VAT must be calculated on the rental. The rental must, at a minimum, be determined on the basis of a market value / normal value. The company has corresponding VAT deductions for the acquisition and operation of the boat.

See discounts, price reductions, etc. page 64.

LOANS TO EMPLOYEES

Loans to employees are only taxable if the interest rate on the loan is lower than the market rate. Taxation in a given case will apply to the difference between the agreed interest rate and the market interest rate (personal income). The borrower may at the same time deduct an equivalent amount as additional interest expense (income from capital).

Employees in the financial sector who have taken a loan with or through the employer are taxed, however, to the extent that the loan is granted at a lower rate than the employer's costs (the cost price of the money lent) in connection with the loan.

VAT treatment of employee loans

Interest income in connection with loans to employees is a VAT exempt transaction. This means that companies cannot obtain VAT deductions for expenses directly attributable to employee loans, and VAT deductions for administrative expenses are restricted according to a revenue breakdown between the company's VATable income and total income.

M

MILEAGE ALLOWANCE

When an employee drives his/her own car in the service of the employer, he/she imposes an expense on him/herself. When the employer needs to cover this expense, there is only one way to do so if it is to be tax-free. It must be at a fixed kilometre rate, and a number of conditions must be met.

According to the Tax Council's 2019 rates, compensation of DKK 3.56 per km can be paid for driving up to 20,000 km annually and DKK 1.98 per km for driving in excess of 20,000 km.

VAT treatment of mileage allowance

Payment of mileage allowance according to the Tax Council's rates is not subject to VAT. There is thus no possibility of deducting VAT from allowances paid to employees.

MOTORCYCLE

Employees who receive a free motorcycle made available for private use must be taxed at market value according to an estimation of the value for which the motorcycle can be rented for in a rental period on the free market.

VAT treatment of motorcycles

The right of deduction for motorcycles is the same as the rules for passenger cars. See more about cars on page 48.

Type of motor vehicle	Deductible for			VAT on sale
	Purchase	Lease	Operation	
Motorcycle	None	No deduction if the rental period is less than 6 months. If the rental period is over 6 months, deductions may be granted according to separate rules	None	None

MOVING EXPENSES

Moving expenses can be covered tax free for intra-group relocations, i.e. relocations that are justified by a change in workplace for the same employer. Costs of relocation due to new employment cannot therefore be covered tax-free by the employer. Employees who are internally transferred can cover expenses tax free for the following purposes when the costs are documented through external documents:

- Moving household inventory
- Travel expenses for the household - including any pets
- Expenses for necessary installations
- Loss of rent.

In addition, the employer may incur expenses for the refurbishment of an apartment that the employer makes available to the employee. Regarding the moving of household inventory, there must be a relocation of the furniture in particular. An employer's costs for storing the employee's furniture is not tax exempt for the employee.

VAT treatment of moving expenses

VAT expenses for the moving of an employee's private household possessions can be deducted from the company's VAT accounts in the case of intra-group transfers. On the other hand, there is no VAT deduction for moving expenses incurred by an employer in connection with the recruitment of a new employee.

N

NEWSPAPERS

Many employees receive one or more employer-paid newspapers at their home address. Free newspapers are, as a rule, a taxable personal benefit, but under certain conditions taxation can be avoided. The tax liability depends partly on whether the employee him/herself already subscribes to a newspaper, and partly whether the employee has entered into an agreement with the employer on a deduction from gross salary. The rules can essentially be described as follows:

The employee has received the newspaper paid for without wage reduction:

1. If the household itself subscribes to a daily newspaper, the employer-paid newspaper - i.e. newspaper number two - is considered received for work-related reasons. The employer does not need to

not report the benefit and it will not be counted in relation to the de minimis threshold of DKK 6,200 which applies to benefits which are largely mainly in the employer's interest. Thus 100% tax free.

2. If the household does not subscribe to a newspaper, the benefit must be counted in the calculation of whether the limit of DKK 6,200 has been exceeded. If this is the case, the employee must pay tax on the benefit and is responsible for it being included in his/her income tax return.

The newspaper subscription is fully or partially financed by the employee him/herself via wage deduction:

1. If there is a statement or other documentation from the employer that the newspaper is made available for the work purposes, the same rules apply as if the newspaper subscription has been paid without wage reduction, see above.
2. If there is no statement from the employer, this means that the newspaper subscription is only a private matter. In that case, the value is taxable, and this applies regardless of how many other benefits the employee receives.

VAT treatment of newspapers

There is no VAT on newspaper subscriptions, so the company cannot deduct VAT for the cost of newspapers offered to employees.

If the employee makes an own payment to the company, VAT should not be claimed on the onward sale of the newspaper. The VAT exemption does not affect the company's right of VAT deduction.

P

PARKING

An employee can have a tax-free parking space or parking card paid for, which the employer has made available for work at the workplace.

It is irrelevant for the tax exemption whether the place is located on an area owned or rented by the employer or whether the cost of parking is borne by the employer in other ways, for example, by paying a parking meter fee. Similarly, it is irrelevant whether the car is to be used for work. On the other hand, there is a basis for taxation if the employer pays for a parking space at the employee's place of residence.

VAT treatment of parking

The VAT treatment of parking spaces depends on whether it is only the staff who use the parking space and whether the staff use cars with white or yellow number plates.

If the company has parking spaces which are exclusively used for customers, the company has full VAT deductions for the rental and operation of these parking spaces, provided that the company only has VATable activities. It does not matter whether the customers' cars have white number plates or yellow number plates.

If the parking spaces are used exclusively for parking or operation of the company's own, or its employees', cars with white number plates, there is no VAT deduction for the costs of renting or operating the parking spaces. For parking spaces used for the company's own, or its employee's, goods vehicles with yellow number plates, there is full VAT deduction.

S

SEVERANCE COMPENSATION

Severance compensation is taxable only to the extent that the payment exceeds a limit of DKK 8,000. A labour market contribution should also be paid only for the amount by which the allowance exceeds the limit of DKK 8,000. However, it is a condition for applying the boundary rules that the person receiving the payment ceases to be employed by the paying company and that the amount of compensation is paid in time in connection with the resignation.

If the amount replaces the amount that the recipient would have received in revenue from the post at the time of resignation and until the time the recipient could be terminated under his/her contract or under statutory general regulations, the severance compensation is not tax-exempt.

Threshold rules apply as mentioned above only at full resignation. The rules thus do not apply to allowances paid in the following cases:

- Transfer to a post subject to another collective agreement.
- Compensation made for transfer to other employment, where the provisions of the Act on Salaried Employees apply.
- Compensation made for transfer to a flex job, etc. when the employer before and after is the same.
- Compensation made for continuation of an employment contract.

It is also a condition that the employee actually manages to take up the position. If the amount is granted as compensation for non-performance of the contract, it is not covered by the tax exemption.

VAT treatment of severance compensation

There is no VAT on severance compensation, so the company cannot obtain VAT deduction for expenses for the payment of severance compensation to employees who resign from the company.

Payroll treatment of severance compensation

Severance compensation should not be included on the payroll.

SICKNESS AND ACCIDENT INSURANCE

Employee-paid sickness and accident insurance, which provides cover exclusively during working hours, is not taxed.

Nor is the employee taxed in cases where the insurance also provides cover outside working hours but where the sum insured is not more than DKK 500,000. If the sum insured exceeds DKK 500,000, the premium must be divided so that the part of the premium that covers risk during working hours is income tax free, while the entire part of the premium that covers risk outside working hours is taxable.

VAT treatment of sickness and accident insurance

There is no VAT on insurance, so the company cannot deduct VAT for this.

SPONSOR TICKETS

An employer can give the employees free tickets tax free for private purposes for a cultural or sporting event when the employer is sponsor of the event.

It is a prerequisite that the employees receive the free tickets from their employer who is at the same time sponsor of the sporting or cultural event. It is also a prerequisite that the free tickets do not constitute the main benefit in the sponsor contract. It is required that the main benefit is advertising services - for example, the company gets its name and / or logo on banner advertisements, websites, programmes, etc.

The tax exemption for free tickets also includes cases where sponsor companies receive seasonal or annual cards which are passed on to

the employees. Tax exemption also includes food and drink which is served as part of the event, but on the other hand, there is no tax exemption for transport or travel expenses.

VAT treatment of sponsor tickets

A company that provides sponsor tickets to its employees does not have a VAT deduction for the outlay for the tickets, as the expense is considered to be income in kind.

T

TELEPHONE, INCLUDING MOBILE PHONE

Employees who receive a telephone from their employer for their private use (free telephone) fully or partially free of charge are taxed for an amount of DKK 2,800 per year (2019).

For spouses, tax discounts are allowed, so the taxable amount of DKK 2,800 is reduced by 25% for both spouses when both are taxed. This means that each spouse can have the taxable value reduced by DKK 700 and thus be taxed on DKK 2,025 per year if both spouses are taxable for free telephone for the entire income year. It is a condition for obtaining a reduction that the spouses' combined taxable value of free telephone amounts to DKK 3,700. (2019).

The value of free telephone is A-income, and therefore ongoing taxation of DKK 233 per month is required. A labour market contribution must also be included.

It is not possible to offset one's own telephone charges in the value of a free telephone. Nor is it possible to deduct any payments to the employer for the availability of a telephone.

By a free telephone is meant landline or mobile telephone. The word 'telephone' in this context also includes small handheld computers, such as PDAs, smartphones and the like.

Free telephone includes both the cases where the telephone is set up in the employer's name, and where the employer fully or up to a certain amount pays or reimburses the employee's telephone expenses or a percentage thereof.

Free telephone covers setting up charges, subscription and usage costs for the telephone, as well as regular telephone services such as telephone wake-up calls, voice mail functions, "show number functions"

and other customary services that are part of the subscription but not, for example, donations or other private expenses charged in the telephone bill.

In addition, the handset itself is covered – irrespective of whether it is a landline telephone or a mobile telephone that is made available for private use.

It is the availability of a free telephone that is taxed. It is therefore not crucial whether the employee actually uses the free telephone privately. In practice, the concept of availability means that if the employee takes a telephone home to his/her residence, the telephone is brought into the private sphere and there is a presumption of private availability. An employer-paid landline telephone at the employee's residence will thus always trigger taxation. There is also a presumption of private availability if a fully or partially employer-paid mobile telephone is taken home.

Cancellation of presumption and employer's duties

The presumption of private availability of a telephone can be void even if the telephone is taken home to the place of residence in cases where the use of the telephone is necessary to carry out work. To reject this presumption, a sworn statement must be concluded between the employee and the employer that the telephone is a work telephone that is used only for business purposes. However, occasional private calls to and from the telephone will not trigger taxation.

It is the responsibility of the employer to make certain checks that the agreement is complied with. As a rule, the employer only needs to make a general check as to whether the employees comply with the agreement entered into. Only if the employer finds that for an employee there are suddenly significant deviations from the "usual conversation pattern" without any employment-related reasons or if it is found that an employee has donated money for collection via content-restricted text messages, participated in SMS competitions or made other private expenses via the telephone, need a check be made as to whether the particular employee has used the work mobile telephone in violation of the agreement.

One way to check this is, for example, to investigate whether the relevant employee has used the work mobile telephone in connection with a holiday without work-related cause. It is no longer necessary to check telephone lists for a proportionate number of work telephones in the company for a billing period of one month.

A telephone is presumed not to be a work telephone if it is fully or partially financed by the employee by a deduction from gross salary.

VAT treatment of a telephone

If an employee is offered a stationary telephone available at his/her private address, the company may deduct 50% of the VAT, regardless of the extent of private and commercial use respectively. It is a prerequisite that the invoice for subscriptions and calls is issued to the company. If the employee bears part of the telephone expenses, the deduction may not exceed the VAT on the company's actual expense.

Mobile phone

In the case of a mobile phone made available to an employee, the right to VAT deduction depends on the actual use. If the mobile phone is used entirely for business, the VAT can be deducted in full. In practice, occasional calls of a private nature are accepted without limitation of the right of deduction.

The assessment of whether the mobile phone can be regarded as being used exclusively for business purposes must be seen in relation to whether or not the employee is taxed for a free telephone. If an employee is taxed for a free telephone, the telephone cannot be considered as being used exclusively for business purposes.

If the mobile phone is used both privately and commercially, only partial VAT deduction is available, based on an estimate.

As of 1 January 2018, the company may deduct fully in connection with the purchase of the mobile phone and instead calculate the purchase VAT / sale VAT of the estimated value of the private use. See page 34.

The estimate must be made by the company and must take into account the actual use of the mobile phone.

It is recommended that a concrete estimate of the private / professional use, be made and documented each year and kept in the company's records. This applies irrespective of whether the company uses the estimate to restrict its right of deduction or to pay output VAT.

Reverse payment obligations have been introduced for sale within Denmark of certain types of IT equipment, including laptops, tablets and mobile phones as well as loose accessories. The rules mean that companies that predominantly sell these types of IT equipment to other companies must issue an invoice without VAT on this sale. The buyer must then calculate the VAT and declare it to the tax authorities. Receiving an invoice with reverse payment obligation does

not change the company's discretion to limit its deduction if the purchased item is used privately. Alternatively, the company may choose to deduct the estimated VAT in full if the company instead pays the output VAT / input VAT of the private use. See page 34.

Companies that predominantly sell the types of IT equipment concerned to individuals are not covered by the rules and must in any event issue invoices with VAT, including for sales to companies.

TRAINING AND COURSE EXPENDITURE

The employer's payment of training costs - including the transport and purchase of books - is not taxed. This applies regardless of whether it is basic, continuing or further training. The only requirement is that the training or course is not private in nature for the employee.

Participation in courses is also tax-exempt when they take place at the employer's request and for the purpose of work in the employer's service.

VAT treatment of training costs

The company's expenses for training costs that are subject to VAT, including further training of its employees, generally entitle to VAT deduction if the course is to a certain extent relevant for the employee(s) concerned.

There is also full VAT deduction for the purchase of textbooks and other teaching materials, which are subject to VAT.

Life-planning courses (3rd age) paid for by the company also have VAT deduction. The right to deduct VAT applies only to expenses for the company's employees. There is no VAT deduction for expenses for the employee's spouse.

TRAVEL

Participation in travel / events that have a direct and specific connection to the company's income-generating activity, is not taxed. When a spouse's participation in the travel is clearly business-based, there is no taxation of any value of it. However, the business-based justification will be only exceptionally applicable when the spouse is not employed by the company.

Participation in study trips is not taxed in cases where the commercial purpose of the trip is not of subordinate importance to a social purpose in relation to the company.

Employees are taxed on pure holiday travel which has no direct connection to the company's activities. The same applies if there is a holiday in connection with a pure business trip. The taxable value is determined as the additional costs associated with the holiday. In some cases, holiday travel in connection with business travel may be subject to the de minimis threshold rules.

VAT refund abroad

The right to deduct VAT depends on the nature of the trip.

In the case of journeys for which the employee is to be taxed, the company cannot obtain VAT deduction. This is due to the fact that there are no deductions for VAT on expenses for benefits that have the character of payment in kind for the employees.

In the case of business travel, the VAT treatment depends on the types of costs.

Expenses for taxis, airlines and the like are not subject to VAT, so there is no VAT deduction for them. If the company has rented a coach in connection with a business trip or a staff event, there are VAT deductions for these expenses.

For restaurant expenses relating to business travel, the company can deduct 25% of the VAT. In the case of overnight hotel accommodation, the VAT is fully deductible.

The possibility of a VAT refund for expenses incurred abroad depends on the individual country's VAT rules. Both VAT rates and the possibility of VAT deductions can differ from country to country. Several countries, including Germany, allow 100% deduction for overnight stays and restaurant visits.

Application for repayment of VAT in other EU countries must be done electronically via TastSelv Erhverv on SKAT's website. SKAT "approves" the company's application and sends it on to the recovery country. In principle, an expense attachment will only be sent if the recovery country requires it.

In addition to general information about the company, information must also be provided on:

- The supplier's name and address
- The supplier's VAT number
- Invoice date and number
- Invoice amount and VAT amount in local currency
- The recoverable VAT amount
- The company's pro rata rate
- Item types designated with codes (1-10).

The inclusion of the company's pro rata rate has the effect that companies with partial VAT deductions (companies with both VATable and VAT exempt activities) will only partially receive VAT reimbursed from abroad. The recoverable VAT amount must therefore be reduced in proportion to the company's pro rata rate.

The deadline for application is 30 September of the calendar year after the expense has been incurred. For expenses incurred in 2018, the deadline for recovery is no later than 30 September 2019. The recovery country must process the application within 4 months, unless additional information is requested, such as an expense attachment. When the recovery country accepts an application, the VAT must be paid within 10 working days.

TRAVEL BETWEEN HOME AND WORK

Employees are not taxed on the value of employer-paid travel between their home and work, provided that the employee does not claim travel deduction for it. This does not apply, however, when driving in one's own car, where tax-free mileage allowance can be paid in certain situations.

The rule on tax exemption for employer-paid travel also applies even if the employee is not entitled to travel deduction due to the 24 km limit.

The tax exemption for employer-paid travel is also applicable, even if the free travel is granted in the form of season tickets which can be used for private travel in addition to travel between home and work.

The employer's expenses for the scheme may be covered by a wage rearrangement agreement (deduction from gross salary) of an equivalent amount.

VAT treatment of travel

Public passenger transport is not subject to VAT, so VAT cannot be deducted for expenses incurred for employees' travel between home and work with public transport.

TV LICENCE

The employee is liable for taxation of an amount equal to the employer's expenses - including subscription charges for pay channels. The employer is obliged to report the actual expenditure.

VAT treatment of a television licence

If a company arranges to pay for an employee's television license, it is considered to be payment in kind, so there is no VAT deduction for this.

V**VACCINATION**

Employer-paid vaccination of employees, who would be needed during a future peak load, is subject to the de minimis threshold rules.

VAT treatment of vaccinations

Companies that have costs subject to VAT for the purchase of vaccines to be used for vaccination of the employees can deduct VAT.

W**WORK CLOTHES / UNIFORMS**

Work clothes / uniforms that are made available are not taxed - provided that the clothes are appropriate for the work in question.

Employer-paid clothes in the form of suits, shirts and sweaters are, as a rule, also tax free if the following two conditions are met:

- The clothes must have been mainly acquired in the employer's interest. This means that there must be a visible company logo or the like on the clothes.
- The cost of clothes must not exceed, along with the value of other benefits that are subject to the separate de minimis threshold for certain types of employee benefit, DKK 6,200 per year (2019).

General garments are included in the de minimis threshold if there is a direct correlation between the clothes and the execution of the work. Therefore, the de minimis threshold cannot be used if the clothes are in the nature of ordinary private clothes, in which case there is no concrete connection to the employee's work. If the clothes clearly appear as a company clothes with a visible name, logo or equivalent, and moreover, are used mainly during working hours, there is usually no basis for taxation if the clothes do not replace private clothes in a specific assessment.

In order to be fairly sure that a clothing scheme will not be taxed, it is therefore important that the individual employee chooses clothes that can be used naturally by the person in working hours. At the same time, it is a prerequisite for tax exemption that the clothes have a visible name or logo on them.

If these conditions are met, there is, as a rule, no basis for taxing employees for the value of the clothes.

VAT treatment of work clothes

VAT relating to work clothes and uniforms belonging to the company and used by employees during working hours may be deducted at 100%. It is a prerequisite that the company is responsible for the cost of purchasing the work clothes etc., and that the company owns the work clothes.

The same applies for civilian clothes such as trousers, shirts, ties, etc., which the employee will wear when representing the company. It is a prerequisite that the clothes belong to the company and that the clothes are provided with a visible logo or name.

If a company purchases clothes that are delivered to employees, VAT cannot be deducted, even if it is work clothes that otherwise meet the above conditions.

Sportswear

If the company provides sportswear for its employees, the company may deduct VAT if the employees are obliged to return the clothes when they are no longer employed by the company.

OVERVIEW OF EMPLOYEE BENEFITS

Employee benefit	Description of the benefit	Taxable B income	Valuation	Includes A tax and labour market contributions	De minimis threshold DKK 6,200	Employer's report	VAT deduction
Alcohol and smoking cessation	General scheme	No	None	No	No	No	No, no VAT. If subject to VAT: Yes, if the scheme is offered to everyone
Work clothes / uniforms	Plain clothing desired by the employer with clear logo	No, if subject to the de minimis threshold	Employer's expense	No	Yes	No	Yes, however, the clothes must belong to the company and they must not be used privately
Work clothes / uniforms	Overalls, boots and safety shoes, etc.	Usually tax free	None	No	No	No	Yes, however, the clothes must belong to the company
Newspapers	For work use	No, if below the de minimis threshold	Employer's expense	No	Yes	No	No, VAT exempt
Bonus points	Private use of airline bonus points	Yes	Market value	No	No	No	No, VAT exempt
Broadband	For the purpose of work and connection to the employer's network	No	None	No	No	No	Yes, according to an estimate of use for work. The invoice must be addressed to the employer
Bridge tolls	Driving home / work or business driving	No	None	No	No	No	No - see company car, operating costs Øresund: Yes

Employee benefit	Description of the benefit	Taxable income	Valuation	Includes A tax and labour market contributions	De minimis threshold DKK 6,200	Employer's report	VAT deduction
Fines	Employer's payment of private fines	No	Employer's expense	Yes	No	Yes, box 13	No, VAT exempt
Company car	For private use	No	New: 25% of new vehicle price below DKK 300,000 and 20% of remainder + environmental surcharge. From the 4th calendar year, the calculation base is reduced by 25%. The purchase price is used for car that has been used for over 36 months. However, always minimum of DKK 160,000.	Yes	No	Yes, boxes 13 and 19. For main shareholders, Code 61 in box 68. Certain directors and managers Code 60 in box 68. Profit box 36 + Code 61 in box 68	Passenger car: Acquisition: No (special rules for leasing) Running costs: No Commercial vehicles <3 tonnes: Acquisition: No (leasing 1/3) Running costs: Yes. Commercial vehicles >3 tonnes: Acquisition: partial (leasing partial) Running costs: partial
			Usually tax-free	No	No	No	No
Company parties	At workplace	No		No	No	No	Yes
Company sports and exercise	Available at work	No	None	No	No	No	
Company sports / exercise facilities	Private fitness card and similar at external	Yes	Employer's expense	No	No	Yes, box 55	No
Fitness / golf quotas Moving and travel expenses	Considered a private expense	Yes	Employer's expense	No	No	Yes, box 55	No
	Removal - paid by employer according to invoice	No	None	No	No	No	Yes

Employee benefit	Description of the benefit	Taxable B income	Valuation	Includes A tax and labour market contributions	De minimis threshold DKK 6,200	Employer's report	VAT deduction
Moving expenses	Private relocation	No	Employer's expense	Yes	No	Yes, box 13	No
Consumption for overtime	Free food and drink for overtime work	No, if below the de minimis threshold	Employer's expense	No	Yes	No	Dining out in town: 1/4. At the workplace: Yes, in definite, unannounced, ordered overtime. Otherwise, no
Severance compensation		No	Amount in excess of DKK 8,000.	Yes	No	Yes, Box 69 + Box 71, if it is a material gift	No, VAT exempt
Free travel	Free card, etc. for public transport	No, if there are no deductions for travel	None	No	No	Yes, tick in box 63	No, VAT exempt
Free holiday home	For employees	Yes	1/2% of property valuation in weeks 22 - 34 and 1/4% for the rest of the year	No	No	Yes, box 51	No
Free telephone	Telephone for private use	No	DKK 2,800	Yes	No	Yes, boxes 13 + 20	Yes. Mobile phone: According to an estimate of commercial use*. Landline: 50 %. Invoice must be addressed to the employer.
Gifts - Christmas / New Year	Annual gifts in kind for Christmas or New Year	No, if a maximum of DKK 800	None	No	No	No	No

* Instead of a deduction limit, companies may choose to make full deduction from the purchase and instead calculate input VAT / output VAT of the discretionary value of the private use.

Employee benefit	Description of the benefit	Taxable income	Valuation	Includes A tax and labour market contributions	De minimis threshold DKK 6,200	Employer's report	VAT deduction
Full-year residence	For ordinary employees	Yes	Market value	No	No	Yes, box 50	No
Purchases from employer with discount	Private purchases	No	Tax-free if the purchase price is not lower than employer's cost price	No	No	No	Yes + VAT on the sale. However, min. VAT of purchase / production cost
Purchasing arrangements with other companies	Agreements concluded by the employer at no cost to employer	No	None	No	No	No	Not relevant
Hunting	Payment of hunting rights	Yes	Employer's expense	No	No	Yes, box 55	No
Anniversary gratuities / gifts (25, 35 years or more divisible by 5)	Allowance / gifts at employee anniversary	No	Amount with deduction of DKK 8,000	Yes	No	Yes, Box 69 + Box 71, if it is a material gift	No
Canteen arrangement	Personal payment from employee for normal food according to SKAT's minimum rates of DKK 15/20	No	None	No	No	No	Yes + VAT on sale, minimum sale VAT of purchase / production price
Contributions for lodging, etc	The contribution is paid by the employer	No	Employer's expense	Yes	No	Yes, box 13	No, VAT exempt

Employee benefit	Description of the benefit	Taxable B income	Valuation	Includes A tax and labour market contributions	De minimis threshold DKK 6,200	Employer's report	VAT deduction
Room and board	For certain groups of personnel, agricultural and hospital personnel	No	Tax Council rates	Yes	No	Yes, box 13	No
Credit cards	Fees on issue and renewal	Yes	Employer's expense	No	Yes, if it is for work use	Yes, box 55, if not covered by the de minimis threshold	No, VAT exempt
Art society	Gains	Yes	Market value less own contribution	No	No	Yes, box 55	No, VAT exempt
Driving licence	Commercial vehicle driving licence	No	None	No	No	No	No, VAT exempt
Driving allowance for own car	Petrol subsidies or fixed monthly contribution	No	Employer's expense	Yes	No	Yes, box 13	No
Mileage allowance	Business driving up to the Tax Council rates	No	None	No	No	Yes, box 48	No, no VAT
Leisure boat	For employees	Yes	2% per week of the boat's purchase price incl. VAT and delivery	No	No	Yes, box 52	No
Movable property at disposal in the home	For employees	Yes	Market value for rent	No	No	Yes, box 55	No
Motorcycle	For private use	Yes	Market value for rent	No	No	Yes, box 55	No

Employee benefit	Description of the benefit	Taxable income	Valuation	Includes A tax and labour market contributions	De minimis threshold DKK 6,200	Employer's report	VAT deduction
Parking space	Parking at the workplace	No	None	No	No	No	Passenger car: no, Van: Yes
PC scheme	Without gross deduction	No	None	No	No	No	Yes, according to an estimate of commercial use*
Loans to employees	Interest equal to or higher than the market interest rate	No	None	No	No	No	No, no VAT
Radio / TV / media licence	Considered to be private expense	Yes	Employer's expense	No	No	Yes, box 53	No
Travel - holidays - compensation	Not entrepreneurial	Yes	Employer's expense	No	No	Yes, box 53	No
Computer glasses	Based in work	Usually tax-free	None	No	No	No	Yes
Sickness and accident insurance	Full-coverage - sum insured less than DKK 500,000	No	None	No	No	No	No, no VAT
Clothing supplement		No	Employer's expense	Yes	No	Yes, box 13	No
Burglar alarm	At the employee's residence	Yes	Employer's expense	No	No	Yes, box 55	No
Training and course expenses	Employee's basic, continuing or further training	No	None	No	No	No. Only subsistence and mileage allowance in box 48	Yes
Vaccination	General arrangements	No, if below the de minimis threshold	Employer's expense	No	Yes	No	Yes

* Instead of a deduction limit, companies may choose to make full deduction from the purchase and instead calculate input VAT / output VAT of the discretionary value of the private use.

TAX, VAT AND EMPLOYEE BENEFITS 2019

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