

tax:watch

Danish Tax and VAT News in English



Work performed in Denmark - Tax residency for home owners

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A new surprising ruling allows a professional athlete and home owner to work under certain conditions in Denmark more extensively than previously accepted by the Danish tax authorities without inducing Danish tax residency.

By Anders Kiærskou, aek@bdo.dk

Due to the high Danish tax rates, foreigners and Danish citizens living abroad are naturally often reluctant to become residents in Denmark for tax purposes.

However, avoiding this may be tricky for non-residents acquiring a home in Denmark without taken up residency here at the same time - depending on the activities engaged in while staying in Denmark.

Unfortunately, the rules determining when individuals become resident in Denmark for tax purposes under these circumstances seem complicated for many and the issue has in recent years let to several high-profile cases involving professional athletes, musicians and fashion models.

The question of tax residency often arises when a home in Denmark is acquired by an individual who remains - perhaps for the time being - residing abroad.

In such cases, tax residency can be triggered unintentionally depending on the amount of time spent in Denmark and the kind of activities engaged in while staying in Denmark.

Generally, owning a home in Denmark severely limits work-related activities that can be performed in Denmark without triggering tax residency. However, holidays can be spent more extensively in Denmark without inducing tax residency.

According to current practise, up to 10 work days in Denmark in any 12 month period can be accepted without triggering tax residency when owning a home in Denmark. As a main rule, more than 10 work days in any 12 month period will trigger tax residency.

There are, however, severe restrictions on the kind of activities that can be performed in Denmark without triggering tax residency. Ordinary work must be isolated incidents of a sporadic nature and work pertaining specifically to Denmark is not allowed. Therefore, work will trigger tax residency if it is of a continuous, regular nature. Work during longer stays in Denmark is not allowed because the stay will - in the opinion of the Danish tax authorities - loose its nature of holiday.

In a recently publicised [binding ruling](#), the National Tax Board allowed a handball player who had acquired a home in Denmark together with his girlfriend to participate in training camps and matches in Denmark for the national team of approx. 27 - 28 days a year without becoming

Content

- Work performed in Denmark - Tax residency for home owners
- New owners register is now open for companies' registrations

resident in Denmark for tax purposes. Simultaneously, the handball player continued to be employed by and play abroad for a foreign team.

The ruling is surprising - in part because of the large number of work days allowed in Denmark - well in excess of the 10 yearly work days that normally constitutes the maximum allowed.

Further, it seems that the nature of the work performed in Denmark could easily have spurred the National Tax Board to rule that this kind of work would trigger tax residency in Denmark.

The ruling is quite specific and as such it may not be a precedent ruling for many others. However, it may be useful for professional athletes and other individuals where similar arguments about the nature of the activities performed in Denmark can be made.

The case serves - as so many before it - to demonstrate the complexity of the rules regarding tax residency. Foreigners and Danish citizens living abroad should be aware of these rules when acquiring a home in Denmark.

It is recommendable to seek professional advice in order to avoid unpleasant surprises. Naturally, BDO will be pleased to assist you.

New owners register is now open for companies' registrations

On 15 January 2015, the new owners register opened for companies' registrations.

By Hans-Henrik Nilausen, hnn@bdo.dk

The purpose of establishing the owners register is to create increased openness and transparency with regard to ownership of Danish companies.

Among others, the owners register was introduced in order for Denmark to increase compliance with EC regulations concerning "money laundering".

Further, the aim of the owners register is to improve the authorities' possibilities of investigation.

The new owners register opened for online registrations on 15 January 2015.

All new and all existing companies (A/S-companies, ApS-companies, P/S-companies and IVS-companies) are now obliged to register their owners in the register if they own 5 pct. or more of the shares in the company.

This part of the owners register will be open to the public.

Simultaneously, owners of share warrants who own less than 5 pct. of the share capital or votes in unquoted companies are required to register their holdings in a special part of the owners register which will not be open to the public.

Existing companies have 6 months to register their ownership information in the register. The owners register will be open to the public as of 15 June 2015.

To begin with, it is not mandatory to register ownership information regarding K/S-companies. However according to the Danish government, registration of ownership information regarding K/S-companies will also be required at a later stage.



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