

tax:watch

Danish Tax and VAT News in English



New VAT rules on business-to-business sale of certain IT equipment

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New VAT rules regarding business-to-business sale of certain IT equipment in Denmark have taken effect this summer.

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From 1 July 2014, Danish VAT rules regarding sale of the following equipment have changed:

- tablets,
- mobile phones,
- laptops,
- video game consoles and
- computer chips.

The new rules entail that the reverse charge scheme must be applied in connection with certain transactions between companies registered in Denmark involving the above stated equipment.

However, the reverse charge rules only concern suppliers with more than 50 pct. of the turnover stemming from sales of the above stated IT equipment to other businesses in Denmark. Consequently, businesses primarily selling IT equipment to consumers are not covered by the new rules.

To ascertain whether the new rules apply, every business registered in Denmark selling the above stated equipment must survey their client base. Business-to-business sale also covers supplies to schools, dentists, housing associations, doctors, etc. even though these businesses are not registered for VAT purposes in Denmark.

Specific requirements when invoicing

Suppliers covered by the new rules must make sure that clients have valid VAT registrations in Denmark.

Invoices must exclude Danish VAT.

The VAT number of the buyer must be stated on the invoice along with a description informing the buyer that the obligation to pay VAT on the transaction is passed on to the buyer. This can be done by writing "Reverse charge. Buyer settles the VAT.".

The reverse charge turnover must be included on the supplier's VAT return.

Composite sales

An example of a "composite sale" is a sale of mobile phones including covers for the mobile phones when the supplier only states a total price. In such instances, the supplier must assess

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the client's purpose of the purchase. If the aim is to purchase mobile phones - the most obvious assessment - the reverse charge rules apply to the total "composite sale".

If the mobile phones and the covers are priced separately but sold together, the reverse charge rules only apply to the sale of the mobile phones. When selling the covers, Danish VAT must be charged.

Therefore, it is important that the supplier clearly states on the invoice which goods are sold under the reverse charge scheme and which goods are sold subject to Danish VAT.

Obligations of buyers

Buyers must be aware that suppliers do not charge Danish VAT by mistake. Danish VAT charged by mistake is non-deductible.

Buyers must calculate 25 pct. Danish VAT when buying the above stated IT equipment from suppliers that are obligated to use the reverse charge rules. The VAT amount must be added to the output VAT on the VAT return.

To the extent that buyers use the purchased IT equipment to VAT-applicable activities, the calculated VAT can be deducted as input VAT simultaneously. This implies that buyers can offset the VAT completely when using the equipment solely for VAT-applicable purposes. Conversely, buyers using the equipment solely for VAT-exempted activities cannot deduct the calculated VAT which must then be paid.

Increased taxation of pilots and cabin crew employed by Irish airlines

The double tax treaty between Denmark and Ireland has been amended resulting in increased taxation of certain pilots and cabin crew employed by Irish airlines.

By Anders Kiærskou, æk@bdo.dk

The governments of Denmark and Ireland have agreed to amend the double tax treaty between the two countries concerning taxation of certain pilots and cabin crew.

Danish resident pilots and cabin crew working for Irish airlines aboard aircraft in international traffic are taxed on their salary in Ireland. Being resident in Denmark, such individuals must also declare the salary on the Danish tax return.

In order to avoid double taxation, the Danish tax is reduced according to the method specified in the double tax treaty. The amendment to the double tax treaty between Denmark and Ireland changes this method.

As a result, the affected pilots and cabin crew will be required to pay tax in Denmark on top of the tax already paid in Ireland. The total tax on their salary will equal ordinary Danish taxation with a marginal tax rate of approx. 56 pct. This is a significant tax increase compared to the current situation only comprising Irish taxation with a marginal tax rate of 41 pct.

The amended double tax treaty enters into force subsequent to approval by the respective parliaments of Denmark and Ireland. It is expected that the amended double tax treaty will take effect from 1 January 2015.

BDO offers tax advice to pilots and cabin crew seeking to avoid the effects of the amended double tax treaty between Denmark and Ireland.



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