tax:watch

Danish Tax and VAT News in English

tax:watch no. 2

28-02-2014

Content

Statement of taxable income for 2013

On 10 March 2014, the tax authorities release statements of taxable income for 2013 unveiling to tax payers whether a tax refund can be expected or residual taxes are due. For many taxpayers, this will only be a preliminary statement.

By Anders Kiærskou, aek@bdo.dk

Some taxpayers may already have considered it but most probably live in blissful ignorance as to whether they can expect a tax refund or whether they have to pay residual taxes for 2013.

On 10 March 2014, the veil is lifted when the Danish tax authorities release statements of taxable income for 2013 for employees, retirees and other individuals receiving the most common kinds of income.

The statement is available in the individual taxpayer's electronic tax file on the website of the Danish tax authorities, http://tastselv.skat.dk.

You may be able to view the statement a few days ahead of the official release date, 10 March 2014. In previous years, the statements have been released a few days earlier than announced in order to even out the considerable web traffic occurring when the statements are released.

If you are among the few tax payers who still receive the statement of taxable income in print, you will have to wait until April when printed statements are issued.

Tax refunds are paid including a fixed interest compensation of 0.5 pct. equalling DKK 25 for every DKK 5,000 of tax refund. The amount is paid to your default bank account, "NemKonto", on 4 April 2014 in most cases.

Tax refunds less than DKK 100 will not be paid but forwarded to next year.

Tax refunds exceeding DKK 100,000 are paid later as manual processing will take place before refunds are paid in order to minimize risk of errors.

If residual taxes are due, you are required to pay interest. The size of the applicable interest depends on whether the residual tax is paid before or after 1 July 2014. To some extent, payment of residual taxes may be postponed so that collection occurs together with preliminary taxes for 2015.

If you have income or deductions unknown to the Danish tax authorities, you will have to report them yourself. In that case, the statement of taxable income released on 10 March 2014 will later be replaced by a new statement. Generally, deductions cannot be reported before the statement of taxable income has been released on 10 March 2014.

Residual taxes for 2013

The sooner you pay your residual taxes, the less you have to pay.

By Anders Kiærskou, aek@bdo.dk

If residual taxes are due according to your statement of taxable income for 2013, you are required to pay a day-to-day interest of 3 pct. p.a. calculated for the number of days from 1 January 2014 to the day the residual tax is paid.

If the residual tax is paid later than 1 July 2014, the day-to-day interest is replaced by a 5 pct. surcharge.

The day-to-day interest and the surcharge are non-deductible for tax purposes.

Residual taxes for 2013 of up to DKK 18,700 are collected with the preliminary taxes for 2015 if the residual taxes are not paid on 1 July 2014 at the latest.

Residual taxes for 2013 exceeding DKK 18,700 are collected in three instalments in August, September and November 2014.

Now, companies can postpone payment of exit taxes

Companies subject to exit taxation related to transfer of assets/liabilities to other EU/EEA countries are able to postpone payment of the exit tax.

By Hans-Henrik Nilausen, hhn@bdo.dk

On 6 February 2014, the Danish Parliament passed a bill allowing companies to postpone payment of exit tax related to transfer of assets/liabilities to other EU/EEA countries. The purpose of the act is to bring the Danish rules on exit taxation in compliance with EU law.

On 18 July 2013, the EU Court of Justice overruled the Danish rules on exit taxation applicable to companies that transfer assets/liabilities to other EU/EEA countries. According to Danish law, such transfers are considered disposals of assets/liabilities subject to capital gains taxation.

In its ruling, the EU Court of Justice found the Danish rules on exit taxation to be in violation of EU law, because the exit tax was due immediately with no option to postpone payment.

The act involves an adjustment of the Danish rules on exit taxation, according to which it is now possible to postpone payment of the exit tax against payment of interest.

According to the new rules, the deferred tax must be repaid concurrent with return (income, gains, dividends) on the transferred assets, which would have been taxed in Denmark if the assets had remained in Denmark. However, the yearly repayment must always constitute at least 1/7 of the calculated exit tax.

As mentioned above, the act aims to bring the Danish rules on exit taxation in compliance with EU law. However, it remains to be seen whether the aim is reached with the amendments as a transfer of assets to other EU/EEA countries are still treated differently from a transfer internally in Denmark.