

# tax:watch

Danish Tax and VAT News in English



## International hiring-out of labour - New guidelines are released

*The Danish tax authorities have released new guidelines for interpreting the rules on international hiring-out of labour.*

By Anders Kiærskou, [aek@bdo.dk](mailto:aek@bdo.dk)

The Danish tax authorities have for some time been reconsidering their initial very rigid interpretation of the tax rules concerning international hiring-out of labour.

As described in the March 2014 issue of tax:watch, the Danish tax authorities have been working on a draft for new general guidelines. These guidelines have now been released.

Recalling the recent history, the rules on international hiring-out of labour were tightened significantly in 2012. The rules imply that Danish businesses are required to withhold international hiring-out of labour tax at a rate of 35.6 pct. from payments to foreign businesses when the services rendered in Denmark by a foreign business constitutes an "integral part of the Danish business".

In situations where the rules apply, the Danish business is liable for payment of the international hiring-out of labour tax if no tax has been withheld at source.

From the outset, the Danish tax authorities adapted a very restrictive approach when interpreting the new rules. This was met with considerable criticism from several industries.

In October 2013, the tax authorities issued clarifying guidelines for interpreting the rules in relation to haulage contractors.

Currently, the tax authorities have released new - and more general - guidelines.

Essentially, the guidelines are identical to the draft. Accordingly, the fact that a foreign business operates in the same industry and offers the same services as a Danish business no longer - by default - implies international hiring-out of labour.

It is decisive whether the Danish or the foreign business bears the major part of the responsibility and financial risk of the services rendered. If this can be attributed primarily to the Danish business, the rules on international hiring-out of labour apply.

The guidelines further state that Danish companies being part of an international group are only subject to the rules on international hiring-out of labour to the extent that they utilise employees of foreign affiliates - including foreign employees working as part of the management team of the Danish company.

Hence, the rules do not apply when group meetings are held in Denmark with participation of

tax:watch no. 6

27-06-2014

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employees of foreign group companies acting as representatives of their foreign employer. Neither will the rules apply to group training courses held in Denmark for foreign employees, or for example implementation of a group-wide strategy involving supervision by specialists employed by foreign group companies.

The new guidelines take effect retroactively from the tightened rules in 2012.

The main implication of the new guidelines seems to be that the rules on international hiring-out of labour will henceforth primarily impact foreign blue collar workers.

Foreign white collar workers seem less likely to become subject to the rules.

However, in many real-world situations, the guidelines still leave considerable uncertainty as to whether the rules on international hiring-out of labour will apply. Hence, it will be useful to follow the application of the new guidelines by the tax authorities.

BDO can assist your business if you require an assessment of whether you are at risk of being subject to the rules on international hiring-out of labour - including guidance on what alternatives exist.

## The Danish tax return for 2013

*The deadline for filing the Danish tax return for individuals concerning the income year 2013 approaches.*

By Anders Kiærskou, [aek@bdo.dk](mailto:aek@bdo.dk)

If you are an individual tax payer residing in Denmark and if you earned income from foreign sources in 2013, you are among the tax payers who are required to submit a Danish tax return for 2013 no later than 1 July 2014.

If you require assistance in this matter, BDO can assist you.

## Repayment of VAT paid abroad

*Once again, it is time to apply for repayment of VAT paid abroad. Primarily, this concerns countries outside the EU. However, it may be advantageous to apply for repayment concerning EU countries at the same time.*

By Louise Eide Hartung, [ljs@bdo.dk](mailto:ljs@bdo.dk)

Concerning VAT paid during the calendar year 2013 in countries outside the EU, the deadline is 30 June 2014. For EU countries, the deadline is 30 September 2014. Regarding the latter, it may be advantageous to apply early in order to speed up the process.

The possibility of repayment primarily concerns VAT on expenses incurred abroad concerning travel and stay, including hotel, food, airline ticket, taxi and car rental expenses.

Concerning countries outside the EU - for example Norway or Switzerland - special forms specific to the individual country must be used when applying. These forms must be sent directly to the authorities in the country in question along with the original receipts.

With regard to EU countries, the application must be submitted through the website of the Danish tax authorities.

If you require assistance in this matter, BDO can help you. Further, we can advise you on the specific expenses where VAT repayment can be applied for.



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