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CONTENT

Danish tax implications of owning a home located abroad

Not everyone is aware that owning a home located abroad will have tax implications in Denmark - regardless of the individual circumstances.

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Many individuals coming to Denmark from abroad to live and work for shorter or longer periods of time retain a home abroad.

It may be expatriates on assignment in Denmark on behalf of their foreign employer for a temporary period of time or it could be Danes relocating to Denmark after pursuing a career abroad for many years.

Not everyone is aware that owning a home located abroad has tax implications in Denmark - regardless of the individual circumstances.

In the following, we provide an overview of the tax implications of owning a home located abroad for individuals, who are resident in Denmark for tax purposes.

The tax implications depend on how the home is being used.

Private use

If the home is used exclusively for private purposes of the owner, there is no tax deduction for expenses related to property taxes, maintenance, insurance, etc.

By contrast, interest expenses on mortgages are deductible for tax purposes in Denmark.

Danish resident individuals owning their home are subject to Danish property value tax.

The Danish property value tax also applies to holiday homes and it applies equally to homes located in Denmark and abroad.

The property value tax is generally calculated as 1 pct. of the property value up to DKK 3,040,000 and 3 pct. of the property value exceeding this threshold.

The lowest public property value of either the current value, the value in 2001 plus 5 pct. or the value in 2002 can be used as basis for calculating the Danish property value tax.

If no public property value similar to the Danish public property value is available, special rules apply in order to calculate the basis for the Danish property value tax from the taxpayers acquisition price.

In practical terms, this means that the basis for calculating the Danish property value tax is usually considerably lower than the current property value.

Foreign taxes similar to the Danish property value tax can be offset against the Danish property value tax.

Use for business purposes

If the home located abroad is rented out exclusively, the owner is generally not subject to the Danish property value tax as the rental activity is considered a business for Danish tax purposes.

The rental income after deduction of expenses is taxable in Denmark.

Foreign taxes on the rental income in the country of source can generally be offset against the Danish tax on the rental income.

BDO can help you if you require advice and/or assistance in compliance matters in relation to your home located abroad.

Reimbursement of litigation costs for companies

An initiative recently launched by the Minister of Taxation seeks to strengthen the rule of law by implementing rules for reimbursement of litigation costs for companies.

By Anders Kiærskou, aek@bdo.dk

It is hardly a surprise to anyone operating a business in Denmark that the Danish tax rules are highly complex and that a dispute with the Danish tax authorities may arise.

It is also well known that the proceedings can go on for an extended period of time. Consequently, the litigation costs can be considerable.

This may prevent businesses from pursuing a second opinion when it comes to rulings issued by the Danish tax authorities that are contrary to the interpretation of the tax rules by the business and professional tax advisors.

Naturally, this can be seen as an obstacle in the effort to achieve rule of law when it comes to Danish tax matters.

An initiative recently launched by the Minister of Taxation seeks to strengthen the rule of law when it comes to taxation in Denmark by implementing rules for reimbursement of litigation costs in tax matters for companies.

The rules for reimbursement of litigation costs for companies where abolished in 2009 but remained in place for individual taxpayers.

The rules stipulate that the state will cover 50 pct. of the litigation costs associated with a case concerning taxation for individual taxpayers.

If the individual taxpayer is vindicated, the state will cover 100 pct. of the litigation costs.

It is expected that the new rules will seek to give companies similar access to reimbursement of litigation costs as the current rules applicable to litigation costs incurred by individual taxpayers and similar to the rules for companies before the abolishment in 2009.

The new rules are expected to take effect from 1 January 2017.