

TAX:WATCH

DANISH TAX AND VAT NEWS IN ENGLISH

If you have income from foreign sources, you should consider reassessing your provisional tax payments for 2015

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Due to heavy exchange rate fluctuations on certain currencies, you may benefit from reassessing your Danish tax liability for 2015 and pay additional provisional taxes before year-end or early in 2016.

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If you have relocated to Denmark from abroad in order to work in Denmark, you may be among the individuals who can benefit from reassessing their provisional tax payments for the income year 2015 and pay additional taxes - if required - before year-end or as early as possible in 2016.

This is especially the case, if you are liable to Danish taxes on income from non-Danish sources and if this income is in another currency than DKK - namely USD, GBP or CHF.

The exchange rate for these currencies have changed considerably within the last year.

This means that income in foreign currency may be up to 20 pct. higher when converted to DKK than you estimated when you prepared your provisional tax assessment for the income year 2015 a year ago.

As outlined in more detail below, you can reduce your risk of incurring interest-bearing residual taxes by making a voluntary provisional tax payment for the income year 2015 before year-end or as early as possible in 2016.

If you require assistance in assessing whether you need to pay additional provisional taxes for the income year 2015, BDO can assist you.

Background

In Denmark, individual taxpayers pay provisional taxes during the year where they earn their income.

Your Danish employer is required to withhold taxes when paying salary to you. The employer will pay the withholding taxes to the Danish tax authorities on your behalf.

Depending on the circumstances, you may also be required to pay provisional taxes yourself in addition to the taxes withheld by your Danish employer.

This is generally done in 10 monthly instalments during the income year (no instalments are due in the months of June and December).

It is also possible to make a voluntary payment of additional provisional taxes for the income year any time during the year.

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Once the income year has ended, any residual taxes become subject to interest.

The interest applicable to residual taxes for the income year 2015 is calculated as 2.2 pct. of the residual taxes.

However, the interest is prorated for the number of days from 1 January 2016 until the day you pay the residual taxes.

Please note that residual taxes for the income year 2015 that has not been paid on 1 July 2016 at the latest become subject to a surcharge of 4.2 pct. The surcharge replaces the prorated interest.

Hence, in order to reduce the risk of incurring interest-bearing residual taxes, it may be a good idea to reassess your Danish tax liability for the income year 2015 at this point and make a voluntary payment of provisional taxes before year-end or as early as possible in 2016.

The Danish 26 pct. tax regime for inbound expatriates - Minimum salary requirement for 2016

A minimum salary requirement must be met in order to utilise the Danish 26 pct. tax regime for inbound expatriates. The salary requirement is adjusted on a yearly basis.

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From 1 January 2016, the minimum salary requirement is increased from DKK 61,500 to DKK 62,300 a month.

The minimum salary requirement must be met after deduction of the employee's part of "ATP" which constitutes the employee's contribution to Danish social security. The employee's contribution to ATP is also increased from 1 January 2016 - from DKK 90 to DKK 94.65 monthly.

Hence, the monthly minimum salary requirement constitutes DKK 62,394.65 for employees covered by Danish social security.

Background

Due to the high rates of individual income taxes in Denmark compared to many other countries, a special Danish tax regime exist in order for Danish businesses to attract skilled labour from abroad.

This scheme allows employees recruited abroad to relocate to Denmark and be taxed in Denmark on cash salary and certain benefits in kind from a Danish employer at a total flat rate of 31.92 pct. (8 pct. gross tax and 26 pct. tax on the remaining amount).

Certain conditions apply in order for an individual to be taxed according to the scheme. One condition is that the employee obtains a minimum monthly salary unless if he works as a certified researcher.

As explained above, the minimum salary requirement is increased slightly each year.

Should you require assistance, BDO can help you or your business in any matters related to the Danish 26 pct. tax regime for inbound expatriates.

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