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CONTENT

Invoicing of sales without VAT due to reverse charge

Several rules must be observed when a sale of goods is to be invoiced without VAT, either because it is covered by the rules of reverse charge or goes to a country outside the EU.

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The scheme of having the buyer be responsible for calculating and settling VAT - so-called reverse charge - applies primarily to sales of goods to customers in other EU countries as well as to sales to Danish customers of certain specific product types.

Under certain conditions, customers in countries outside the EU can also be invoiced without VAT. This is not due to the rules on reverse charge, but due to the fact that sales of goods to countries outside the EU are generally exempt from VAT.

In all three cases, some formalities must be observed.

Sales to customers in other EU countries

Sales to customers in other EU countries are subject to the rules on reverse charge if (1) the goods are physically shipped to another EU country and (2) the shipment is provided by either buyer or seller or at their expense, and (3) the buyer is registered for VAT in another EU country.

Invoicing must be made no later than the 15th of the month following the month of delivery. The invoice shall not contain information on VAT rate and VAT amount, but the recipient's national VAT number must be stated. Further, the invoice must state that the delivery is exempt from Danish VAT – for example by stating that the invoice is “zero-rated”.

The seller must enter the amount in box B – goods, on the VAT declaration and report the sale in the sales item column in the EU sales list.

Sales to customers in countries outside the EU

Sales to customers in countries outside the EU are not subject to the rules on reverse charge. However, such sales can be exempt from VAT, if the seller can document that the goods are transported out of the EU.

An invoice must be issued, but no information regarding VAT shall be stated on the invoice.

The seller must be registered for export, and he must report his sales to the Export System (e-Export). Most businesses choose to let a freight forwarder take care of this.

Additionally, the seller must include the invoiced amount in box C on the VAT declaration.

Domestic sales of goods that are subject to the rules on reverse charge

Currently, domestic sales of goods that are subject to the rules on reverse charge only cover the following specific items:

- Gas and electricity
- Metal scrap
- Certain types of gold, including both investment gold and gold as raw material
- Cellular phones
- Integrated circuit devices
- Game consoles, tablets and laptops

For the sale of such goods, no information regarding VAT rate and VAT amount shall be stated on the invoice. However, the invoice must state that the buyer pays the VAT - e.g. the invoice is subject to "reverse charge".

The seller must include the sale in box C on the VAT declaration.

In relation to cellular phones, integrated circuit devices and game consoles etc., reverse charge does not apply, if the company's sale is exclusively or mainly to consumers.

New tax legislation adopted by the parliament

With 2017 drawing to a close, several of the bills proposed by the Danish government in connection with the opening of the current session of the Danish parliament have been adopted by the parliament.

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Among the government's intended tax legislation highlighted in the October 2017 issue of tax:watch, the following bills have so far been adopted by the Danish parliament:

- As part of the so-called North Sea Agreement, a bill has been adopted abolishing the scheme of a permanent interest-free loan to export businesses corresponding to a share of their negative VAT.
- A bill has been adopted allowing businesses deductions for salary expenses of their own employees regardless of the work performed. The purpose is to extend the right of deduction for businesses' wage expenses etc. in connection with the establishment, restriction or extension of the business.
- A new Tax Control Act, a new Reporting Act and a limitation of the Danish tax authorities' ability to withdraw binding rulings on valuation of assets have been adopted as part of the government's initiatives to strengthen the rule of law with regard to taxation.
- Certain tax rules for pension savings have been adopted, including a reduction of the possibilities for contributing to certain pension schemes, but also to extent the maximum pay-out period for retirement pensions that are payable in instalments from 25 years to 30 years.
- The registration Tax Act has been amended in order to implement a concluded political agreement on the conversion of car taxes.
- A double tax treaty between Denmark and Azerbaijan has been ratified by the parliament.

Another bill that has been adopted by the Danish parliament expands the Danish tax scheme for inbound expatriates from 5 to 7 years against an increase in the total tax rate of 0.92 pct. as described in the November 2017 issue of tax:watch.