



TAX:WATCH

Temporary relief for special groups due to the corona pandemic

Non-resident individuals, expatriates and employees taxed according to the Danish tax scheme for inbound expatriates are considered in a temporary relief effort by the government due to the corona pandemic.

By Anders Kiærskou, æk@bdo.dk

The corona pandemic has put great restrictions on where an individual can stay, where a job can be performed and how a business can be exercised.

Consequently, the government proposes to introduce temporary relief in order to address a number of challenges for non-resident individuals, expatriates and employees taxed according to the Danish tax scheme for inbound expatriates.

Temporary relief of the rules on tax residence

Firstly, it is proposed to introduce an optional temporary scheme, which - inter alia - aims to help non-residents, who own a holiday home in Denmark and who would become resident in Denmark for tax purposes if they stay in Denmark for 3 consecutive months or more than 180 days within a 12-month period.

If the scheme is chosen, tax residence will not commence if the above stated thresholds are exceeded due to stay in Denmark during the period from 9 March to 30 June 2020. Work in Denmark is also allowed. Salary and other remuneration attributable to the stay will be taxed in Denmark.

Temporary relief of the rules concerning tax exemption of salary income earned abroad

Secondly, it is proposed to introduce an optional temporary scheme, which will aim to help expatriates, who are resident in Denmark for tax purposes and who lose the Danish tax exemption of their foreign salary income pursuant to section 33 A of the Danish Tax Assessment Act, if they stay in Denmark more than 42 days within any 6-month period of the stay abroad.

If the scheme is chosen, stay in Denmark during the period from 9 March 2020 up to and including the time when the work abroad is resumed, but no later than 30 June 2020, will be disregarded. Work in Denmark is also allowed. Salary attributable to the stay will be taxed in Denmark.

Temporary relief of the Danish tax scheme for inbound expatriates

Further, a number of temporary easements are proposed in order to ensure that no one is barred from using the Danish tax scheme for inbound expatriates as a result of longer stays in Denmark or abroad during the period from 9 March to 30 June 2020.

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A temporary reduction of the minimum salary requirement during the above stated period shall ensure that Danish businesses do not lose key employees as a result of employees having to temporarily accept a reduced salary due to the company's financial situation.

The relief allows for the disregard of certain residence requirements, tax liability and minimum wage requirements for key employees, which are made difficult to meet by the corona pandemic.

Exemption from property value tax when moving in and out

On the annual tax statement, you will automatically be charged property value tax from the day of acquisition when you are buying or selling your home, but often, you can save tax, if you move in later or move out sooner.

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Property value tax is paid on, for example, detached houses, condominiums and holiday homes at a rate of 1 pct. of the part of the calculation basis not exceeding an amount of DKK 3,040,000 and 3 pct. of the exceeding part.

Consequently, for a newer house with a public valuation of DKK 2,500,000, the tax generally amounts to DKK 25,000 annually. The property value tax is charged as part of your personal taxes and is therefore reflected on both your preliminary tax assessment and your annual tax statement.

The systems of the Danish tax authorities are structured such that it is the date of acquisition on the deed that determines, when the calculation of the property value tax begins and ends. However, in the case of detached houses and condominiums - but not holiday homes - property value tax is generally only paid for the period, when the owner actually lives in the house or apartment.

Consequently, if the actual move-in or move-out does not occur on the acquisition date, the owner may be exempt from property value tax for the period, in which he has not lived there, but this requires the owner to report the move-in and/or move-out date to the Danish tax authorities himself.

Exemption on purchase

In cases where the move-in takes place significantly later than the date of acquisition, the possibility of exemption from property value tax depends on, whether the property could actually have served as a home for the owner and his household during the period. If this is the case, generally, the owner cannot be exempted from the property value tax.

So far, the Danish tax authorities have interpreted the rules that the owner can only avoid property value tax due to damage - storm, fire, water damage, mold, etc. - preventing him from moving into the house or apartment at the time of acquisition.

However, in a recent ruling, the National Tax Tribunal ruled that no property value tax is payable if the deferred relocation is due to the property being uninhabitable due to a thorough renovation.

Exemption on sale

If a property is vacated before it is sold or at least before the acquisition date, it is possible to avoid paying property value tax for the period of vacancy, if the date is reported to the Danish tax authorities. The same applies if the property is let out because it cannot be sold immediately.

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