

GMS Flash Alert



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Denmark - New Law Approved Revising Special Expatriate Tax Scheme

On 29 November 2018, the bill on revising the Danish special tax scheme for expatriates was passed by the Danish government.¹

Although the legislative text was split into two different bills, the wording of the law on the Danish special tax scheme was not amended as compared to the wording of the bill originally presented by the government.

For prior coverage, see GMS [Flash Alert 2018-135](#), 19 October 2018.

WHY THIS MATTERS

The new rules should make it easier for employers and their employees to apply the Danish special tax scheme. The new rules should also make it more “predictable” – considering the prior uncertainty from the tax authorities – for employers and their employees to determine if they will meet the requirements for applying the scheme.

Further Details

The key changes that enter into force as of 1 January 2019, are as follows:

- An employee will be able to apply the Danish special tax scheme even when he/she is hired by a Danish branch or permanent establishment within the same legal entity as the former employer. This also applies where the employee is hired by a Danish parent company after a previous employment with a foreign branch or permanent establishment within the same legal entity of the Danish parent company.

- An employee will be able to apply the Danish special tax scheme even when he/she – due to parental leave – has had a period with a reduced salary or no salary. This period will be excluded from the calculation of whether the employee meets the salary requirement.
- An employee will be able to apply the Danish special tax scheme even when he/she has received a bonus (or similar) payment which has been paid out after the termination of an employment period where the employee was subject to taxation under the Danish special tax scheme, and where the bonus (or similar) payment therefore has been taxed according to the ordinary Danish tax rules. Such a bonus (or similar) payment will therefore not disqualify the employee for applying what potentially remains of his/her period on the Danish special tax scheme. The Danish special tax scheme can be applied for up to 84 months.

KPMG NOTE

Employers should take stock of their expatriates into and out of Denmark, evaluate their circumstances, and determine whether policies and procedures concerning those expatriates need revising in light of the new rules. It is advisable, where employers have in-house tax professionals or external tax service providers, that they consult with them to strategize next steps.

FOOTNOTE:

1 For the legislation (in Danish) on amending the Danish "special tax scheme" – *Lov om ændring af kildeskatteloven* – click [here](#).

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Contact us

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