

GMS Flash Alert

2020-280 | June 15, 2020



Denmark - New Law Offering Tax Relief for Mobile Work Force Approved

The coronavirus epidemic has resulted in major limitations on where an individual can stay and work, and on how to run a business. Seeking to redress this, the Danish government has rushed through and adopted a bill, which had been proposed on 2 June 2020.

The new law (adopted on 9 June 2020) offers a temporary relaxing of several rules in order to mitigate challenges for Danish individuals living abroad, as well as assignees into/out of Denmark, and individuals taxed under the Danish tax scheme for foreign researchers and highly-paid employees.¹ (For related coverage, see GMS [Flash Alert 2020-078](#), 19 March 2020.)

WHY THIS MATTERS

Since the coronavirus outbreak, there has been a lot of uncertainty around how individuals – whose travel pattern has been affected widely – should be taxed, whether they would be able to benefit from the tax reliefs that the Danish statutes offer, and whether increased presence in Denmark could trigger Danish tax residency.

The ratcheting down of minimum salary requirements and the relaxation of the rules around stay in Denmark and eligibility for preferential tax regimes should offer some welcome relief for assignees and certain foreign workers who have stayed longer in Denmark or in their home country (while technically working in Denmark) than had been expected due to the coronavirus pandemic. The new law also offers some relief for employers.

Individuals and employers should review the conditions and effective dates, to determine their eligibility and how the bill's provisions may impact their tax compliance obligations.

Temporary Relaxation of Rules about Full Tax Liability

According to the new rules, individuals are offered to opt into a temporary scheme that, among other things, should help Danes living abroad who have a place of residence available to them in Denmark (e.g., a holiday cottage) and who will become fully liable to tax in Denmark if they stay in Denmark for more than three consecutive months or for more than 180 days during a 12-month period.

If they opt for this scheme, full tax liability will not be triggered if the individual over-stays during his or her time in Denmark in the period between 9 March and 30 June 2020. It is furthermore possible to work during the stay. Income from employment and fees earned during the stay will be taxable in Denmark.

Temporary Relaxation of Favourable Taxation of Foreign Salary Income

The new rules also offer a temporary optional scheme that, among other things, aims to help assignees who are fully liable to tax in Denmark and whose foreign employment income will no longer be taxable under the favourable rules under section 33(A) of the Danish Tax Assessment Act if they stay in Denmark for more than 42 days during a six-month period.

If they opt for this scheme, a stay in Denmark during the period from 9 March up to and including the date where the work in the country of work is resumed – however no later than 30 June 2020 – shall be disregarded.

Temporary Relaxation of Danish Tax Scheme for Foreign Researchers and Highly-Paid Individuals

Finally, the new rules provide for a number of relaxations of the tax scheme for foreign researchers and highly-paid individuals so that nobody will be prevented from being taxed under this scheme due to a prolonged stay in Denmark or abroad during the period from 9 March up to and including 30 June 2020.

The minimum salary requirement will furthermore be disregarded during said period to help mitigate the loss of key employees by Danish businesses in cases where an employee could accept an offer of a reduction in pay while the business experiences a decline in business activity and financial/cash-flow difficulties.

The relaxations also have to do with liberalising the rules around certain requirements as to stay, tax liability, and minimum salary of key employees that, in their original form, would be difficult to adhere to due to the coronavirus crisis.

Next Steps

The bill was adopted on 9 June 2020 and became law.

KPMG NOTE

Employers should take stock of their expatriates into and out of Denmark, evaluate their circumstances, and determine if and to what extent their company's policies and related procedures concerning those expatriates need revising in light of the new proposals, even if just temporary.

KPMG NOTE continued

It is advisable, where employers have in-house tax professionals or external tax service providers, that they consult with them to strategise next steps.

Decisions on whether to opt into the optional schemes regarding full tax liability and tax relief according to the Danish Tax Assessment Act section 33(A) must be made no later than 1 May 2021. As such, the regulation is also expected have significant impact on Danish tax return preparation for the income year 2020 for the relevant employees.

FOOTNOTE:

1 See (in Danish): <https://www.skm.dk/aktuelt/presse-nyheder/pressemeddelelser/betalingsfrister-forlaenges-mere-end-100-mia-kr-i-ekstra-likviditet-til-virksomhederne/> (the press release), and <https://www.skm.dk/media/6981/faktaark-midlertidige-lempler-for-saerlige-grupper.pdf> (the fact sheet).

Bill as proposed: https://www.ft.dk/ripdf/samling/20191/lovforslag/l199/20191_l199_som_fremset.pdf .

Bill as adopted: https://www.ft.dk/ripdf/samling/20191/lovforslag/l199/20191_l199_som_vedtaget.pdf .

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