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# The Danish 26 % Tax Regime for Inbound Expats



Denmark offers a special tax regime to highly paid inbound expatriates and researchers recruited from abroad.

Employees may elect to be taxed at a rate of 26 % in up to 60 months.

All other income, including benefits-in-kind other than company car and free telephone, are taxed at the ordinary rates. Such income includes any private income received by the expatriate from outside Denmark.

## Conditions for expatriate taxation

### 1. Salary requirements

The monthly salary in cash must be at least DKK 69,300 on an annual mean basis. This qualifying threshold must be met after deduction of pension contributions withheld by the employer and deduction of Danish social security contribution. If the employee is domiciled in Denmark, the minimum salary requirement can be reduced by mandatory foreign social contributions.

If the employee's monthly salary is less than DKK 69,300 the salary requirement can be achieved by paying a bonus to the employee e.g. once a year so the average monthly salary including bonus reaches the minimum salary requirement.

Researchers do not have to comply with the minimum salary requirement.

### 2. The time aspect

An employee can be subject to 26 % taxation for a total of 60 months. The employee may change from one employment to another within one month.

After the expiration of the 60 month period, the employee may decide to stay in Denmark. In this situation the employee will have to pay ordinary tax rates, which means higher taxation. In such cases, where the stay is extended beyond 60 months, no additional tax payment is required relating to the income earned in the first 60-month period.

### 3. The employer

The employer must be a Danish entity or a foreign entity with a permanent establishment in Denmark.

### 4. Place of performance of work

The work must be performed in Denmark. If some of the work is performed abroad, it is a condition that the salary will be taxed in Denmark according to the relevant tax treaty.

### 5. Part of the management, control and group ties

The employee must not, within a 5 - year period prior to the employment and during the employment itself, hold 25 % or more of the share capital in the employer company or

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hold the majority of the voting power in the employer company, or if the company is not incorporated, have a controlling influence on the company.

Furthermore, the employee must not have been employed in the company where he is going to be employed under the 26 % tax regime, or in any group related companies, within three years of moving to Denmark or one year after the end of a previous period with tax liability to Denmark.

#### 6. The employee

The employee may be fully tax liable to Denmark or decide to live in another country and be limited tax liable to Denmark.

Danish nationals may also benefit from the 26 % taxation if they fulfil the conditions.

The employee must not in a 10 years period preceding the employment have been a tax resident in Denmark or have been taxed in Denmark on e.g. salary income as non-resident, director's fee, pensions, business activity or been liable to Danish tax according to the rules of hiring out of labour.

If the employee has been utilising the tax scheme for a shorter period than 60 months and he leaves Denmark, he can return to Denmark at a later point and continue to utilize the 26 % tax scheme for a total up to 60 months - provided that the other requirements are met upon his return.

#### 26 % tax versus general tax rules

The 26 % tax scheme applies to all kinds of cash remuneration and reimbursement of private expenses, including relocation allowance, bonus, school fees, etc. The taxable value of a company car and free telephone is also included in the 26 % scheme.

In addition to the 26 % tax, AM-contribution of 8 % must be paid. This even applies if the employee is covered by foreign social security. For that reason, the total tax becomes almost 32 % as the 26 % is calculated on the basis of the gross income after deduction of 8 % AM-contribution.

Other income, including private income from abroad is taxed according to the ordinary progressive tax rates with a marginal tax rate of 51.5 %. In this tax calculation, a personal allowance of DKK 42,900 is deducted.

#### Company car

The taxable value of a company car is calculated as 25 % of the price of the car up to a maximum price of DKK 300,000 and 20 % of the price exceeding DKK 300,000. The minimum price of the car is of DKK 160,000.

#### Free accommodation

The taxable value of free accommodation provided to employees is determined using fixed rates, with a maximum amount of approx. DKK 98,000 per year excluding heat, electricity and other utility charges paid by the employer. However, if it is stated in the contract that the employee has to move out of the residence when the employment ends, a 10 % discount is granted.

#### Tax return

The withheld 26 % tax is a final tax. Any other income must be reported on the tax return.



### DO YOU HAVE QUESTIONS CONTACT



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