



TAX:WATCH

New parliamentary session - Overview of expected tax legislation

Earlier this month, the government presented its list of intended legislation for the new session of the Danish parliament.

By Anders Kiærskou, æk@bdo.dk

Concurrent with opening of the Danish parliament earlier this month, the government presented its list of intended legislation for the new session of the parliament.

The minister of taxation contributes 28 proposals - a few more than last year.

The new session of the Danish parliament is unusual as it is known in advance that parliamentary election shall take place by 17 June 2019 at the latest.

All bills expire automatically if they have not been finalised before election has been called.

Even if the prime minister should postpone calling the election as long as possible, bills that have not been presented in the beginning of May next year will unlikely be adopted in this session of the parliament.

Among the intended tax legislation, the following can be highlighted:

- To make it easier for Danish businesses to attract highly skilled employees from abroad, the minister of taxation has presented a bill aiming to remove several issues preventing application of the special tax scheme for inbound expatriates.
- A bill has been presented to implement rules for limiting methods of tax evasion and rules for complaints in reference to cases concerning double taxation involving Denmark and one or more EU countries.
- Further, a bill has been presented which aims to make the rules regarding tax treatment of trusts more robust, inter alia by creating clear legal basis for taxation of Danish managed trusts and introducing measures to prevent mismatch where the trust is not taxed in Denmark or in another country.
- The minister of taxation has also presented bills to adopt amendments to Denmark's double tax treaties with the Nordic countries, the Netherlands, Armenia and a new double tax treaty between Denmark and Japan.
- To implement a political agreement concluded last autumn to strengthen efforts against undeclared income, the minister has presented a bill which, inter alia, will require companies to keep a digital logbook of their employees.
- To implement an almost one-year old political agreement, in the first half of November, the minister of taxation will present a bill that will improve the

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possibilities for remuneration of employees in certain small and medium-sized companies with shares, options or warrants.

- Based on a specific proposal from a working group, in the second half of January next year, the minister of taxation will present a proposal for rules on tax-deferred transfer of businesses organised as corporations to commercial foundations.
- To entice more people to invest in listed shares, the minister of taxation has presented a bill on savings through special share savings accounts.
- In addition, investment in unlisted shares is made more attractive. This happens with new rules for a special investor deduction. The bill is expected to be presented in the first half of November.

New EU regulation to limit methods of tax evasion etc.

The minister of taxation has presented a bill seeking to implement EU rules limiting methods of tax evasion and rules for complaints in cases concerning double taxation, where Denmark and one or more EU countries are involved.

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It is a claimed priority of the Danish government to ensure fair and equal competition in Denmark, in the EU and globally.

Danish tax law already contains many of the rules that have been discussed internationally in recent years within the EU and OECD.

However, according to the government, to create more equal conditions of competition, it is important that other countries' corporate tax base cannot be eroded, and that companies' profits cannot be relocated to tax havens.

The new EU rules shall ensure the resistance of the EU countries against cross-border tax evasion methods in reference to corporate taxation.

The EU rules comprise the following five areas:

- Limitation on deductions for interest expenses
- Exit taxation
- General anti-abuse rules
- Rules for controlled foreign companies (CFC rules)
- Hybrid mismatch

Rules on tax dispute resolution shall improve existing mechanisms for settling disputes concerning double taxation in the EU and create a more favorable tax environment - especially for businesses - which reduces compliance costs and the administrative burden, as well as ensuring legal certainty with regard to taxation.

The EU rules also contain procedural guarantees - corresponding to the guarantees of the Danish courts - of independence and that final decisions are published.

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