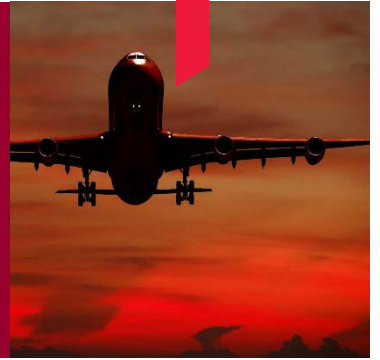


WORTH KNOWING ABOUT

Tax-exempt subsistence allowances



Subsistence allowances are amounts paid to cover the cost of food, accommodation and minor necessities in connection with business travel. Subsistence allowances can be paid tax-exempt, provided certain conditions are met. If these conditions are not met, however, a tax is levied on the allowances much in the same manner as salaries. If the employer does not reimburse the employee even though the conditions are met, the employer is entitled to deduct the amount appropriately, although at a maximum amount of DKK 30,500 for 2023.

Who is entitled to subsistence allowances?

The rules primarily apply to salary earners and board members.

According to certain rules, sports organisations and the like may pay tax-exempt subsistence allowances to unpaid board members or unpaid volunteers providing assistance as part of the organisation's tax-exempt activities.

Certain groups of people are in practical terms unable to claim travel allowances. This applies e.g. to some registered commercial fishermen, some representatives of the Danish state in foreign countries and employees undergoing training, who are covered by other similar rules. In addition, special rules apply to tourist drivers.

The travel concept

One condition of receiving tax-exempt subsistence allowances is that the employee is actually travelling. Employees are travelling when they cannot stay overnight at their normal residence due to the distance between it and a temporary workplace.

Another condition of receiving tax-exempt subsistence allowances is that the travel lasts more than 24 hours.

Temporary workplace

A basic condition of receiving tax-exempt travel allowances is that the employee is travelling to a temporary workplace.

In some cases, however, it is difficult to determine whether a workplace is temporary or permanent. The decision not only depends on the expected time away, but also on the nature of the job.

Time limit

Tax-exempt allowances at the subsistence and minor necessities rates can only be paid during the first 12 months.

After this time, the employer may reimburse actual additional costs on the basis of receipts, but such reimbursement also require the workplace to be temporary. The time limit also applies to the 25 % allowance, but not to the accommodation allowance.

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A new 12-month period begins when the employee moves to a new workplace. A change of workplace is deemed to have occurred when the employee starts work at a new address located at least eight kilometres from the former workplace by a normal travel route.

A new 12-month period also begins when the employee returns to a former temporary workplace and a minimum of 40 workdays for the employee must have passed since the salary earner last worked at the former workplace.

Self-employed individuals

Self-employed individuals can opt to deduct travel costs at the standard rates for travel in both Denmark and abroad up to a maximum of DKK 30,500 (2023-rate) per income year.

The Danish National Tax Board rates

The 2023 rates for tax-free travel allowances in Denmark and abroad are: Food and minor necessities, per day: DKK 555.00 + for each hour or part of an hour per added travel day (1/24 of the rate).

The allowance rates for subsistence and minor necessities are reduced by 15 %, 30 % and 30 % for free breakfast, free lunch and free dinner, respectively.

Accommodation: DKK 238.00 per day for 2022.

Travel allowances are not paid for the accommodation costs of employees whose job is to transport goods or individuals (such as bus or lorry drivers), sailors or airborne airline staff.

25 % allowance

If the employer covers the salary earner's food expenses according to receipts, a tax-exempt amount of up to 25 % of the daily rate is payable for food expenses.

Prohibited deductions

Tax-exempt travel allowances are not payable if the agreed gross salary is reduced by varying allowances. Likewise, the employee may not otherwise compensate the employer for any allowances received. If this occurs, the allowances become taxable.

The employer's obligation to monitor and report

The employer is obligated to monitor whether the employee is entitled to receive tax-exempt travel allowances and to ensure that the rates applied are correct. The employer must also report any travel allowances paid to the Danish tax authorities. Remember to split the tax-exempt allowances into travel allowances per diem and accommodation.

Documentation of the payments must include the following:

- The recipient's name, address and civil registration number
- The business purpose of the travel
- The start and end times of the travel
- The final destination of the travel and any waypoints
- The rates applied
- Calculation of the reimbursement

If an employer fails to monitor and register these items, it may have serious consequences for both the employee and the company. For the employer, ineligible reimbursement may also involve criminal liability and the employer is liable for the unpaid tax deducted at source, etc.

HAR DU SPØRGSMAÅL SÅ KONTAKT



Mette Eskildsen
Director, Skat
Tlf. 96 34 58 35
meesk@bdo.dk



Iben Pedersen
Manager, Skat
Tlf. 26 80 35 08
ibp@bdo.dk

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