



TAX:WATCH

Free trade agreements provide customs benefits to Danish businesses

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Danish businesses importing goods from or exporting goods to countries, which have concluded free trade agreements with the EU can - in whole or in part - avoid customs, if the necessary documentation is secured.

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Recently, a new free trade agreement between the EU and Singapore entered into force.

As a result, the EU now has such agreements with 69 countries, including Canada, Japan, Mexico, Norway, Switzerland and Turkey.

It is likely that the EU will also conclude a free trade agreement with the UK. However, regardless, no customs duty will apply to trade between the UK and the EU for the remainder of 2020, which is a transitional period following the UK leaving the EU earlier this year.

The EU also has several autonomous preferential arrangements, e.g. the GSP arrangement, which includes approx. 90 developing countries. This means that Danish businesses can import goods from these countries at low or no customs duty.

For Danish exporting businesses, the free trade agreements primarily mean that the businesses become more competitive when selling goods to the concerned countries, because their goods are not, in whole or in part, subject to local customs duty.

For Danish importing businesses, the free trade agreements mean that the businesses can increase their profit margin, because they do not have to pay customs duty on imported goods, and/or they can increase their competitiveness by lowering prices.

Comprehensive paperwork at first

The possibility of exemption from customs duty applies only to goods originating in the EU (on exports) or in the country with which they are traded (on imports).

Consequently, the exporter of the goods must either have a so-called proof of origin, which must accompany the goods and be certified by the customs authorities in the country of origin, or - subject to authorization by the customs authorities in the country of origin - the exporter may affix a declaration of origin to the invoice.

The fact that a product may contain components imported from e.g. China does not preclude it from being sold without customs duty under a free trade agreement, if e.g. it changes position in the Customs Tariff when processed in the EU.

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Thus, all the trade agreements contain a description of the conditions that must be met for a product to be considered as originating in the EU or in the contracting country. The conditions are not identical in all agreements.

In Denmark, the Danish customs authorities can, upon application, authorize Danish exporting businesses to use a declaration of origin and certify a proof of origin.

When importing from a free trade country, it is the supplier, who must obtain a declaration of origin from the local customs authorities, which may be cumbersome in some countries.

BDO helps businesses

BDO has a Customs Advice Department. We assist both exporters and importers in obtaining the economic benefits of the free trade agreements.

In the case of importing businesses, our assistance often consists of helping businesses in ascertaining, whether their goods can fulfill the conditions for exemption from customs duty in order for the business to enjoy the advantages of the free trade agreements.

We also assist in practical issues such as entry of information into the customs system to ensure that no customs duty is calculated in error.

We mainly assist exporting businesses in two areas. We help ascertain, whether their goods are covered by a free trade agreement. Further, we assist in applying for a permit from the Danish customs authorities, so the business can issue declarations of origin. This requires the business to systematic control goods purchased from subcontractors.

Your Danish tax return for 2019

In March 2020, the Danish tax authorities will issue tax statements for 2019 for many individual taxpayers. This represents the beginning of the period, where tax returns for 2019 can be filed.

By Anders Kiærskou, aek@bdo.dk

If you relocated to or from Denmark during 2019, or if you earned income from foreign sources - e.g. from a non-Danish employer - you are generally required to file a Danish tax return for 2019 no later than 1 July 2020. This also applies if you owned assets e.g. securities and real estate located abroad in 2019.

Depending on the individual circumstances, tax returns with foreign-source income and/or relocation to/from Denmark during the income year can be quite complicated.

If you require assistance in preparing and filing your tax return, and want to make sure that you are not only in compliance with the tax legislation, but also receive the tax deductions and relief from double taxation you are entitled to, BDO can assist you.

The tax statements for 2019 issued in March 2020 are based on information on income and deductible expenses reported to the Danish tax authorities by Danish businesses e.g. employers, banks and unions.

Consequently, individuals, who live and work in Denmark for a Danish employer the entire year without owning assets abroad, may not be required to file a tax return, or they may only need to make slight amendments to the tax statement issued in March, as all or most of the required information has already been reported to the Danish tax authorities by third parties and included on the tax statement issued in March.

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