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Danish resident companies may reclaim preliminary taxes

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Some Danish resident companies may benefit from the possibility to reclaim voluntary prepaid taxes or part hereof that has been paid before 3 July 2015. The taxes should be reclaimed no later than 1 October 2015.

Content

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The Danish Parliament has adopted a proposal by the Minister of Taxation to amend the rules of the Danish Corporate Tax Act concerning interest on corporate taxes.

Consequently, the interest rates for companies' residual and surplus taxes are changed in order to narrow the gap between these interest rates and the interest rates of banks.

Further, negative interest is introduced on voluntary prepaid taxes that are reclaimed. This happens when refunds occur during periods where the central bank of Denmark's deposit interest rate plus 0.2 percentage points is below zero.

Currently, this is the case. The deposit interest rate has been -0.75 percent since 6 February 2015.

Pursuant to a special transitional rule, however, a possibility exists for companies to request a refund of preliminary taxes that have been paid voluntarily before 3 July 2015 without having to pay negative interest.

However, this requires that applications for refunds are submitted on 1 October 2015 at the latest.

The option to apply for a refund is relevant for companies that have made voluntary prepayments of taxes in March 2015, but at this point anticipate that the total preliminary taxes for 2015 will exceed this year's final taxes. Consequently, such companies will be eligible for tax refunds.

One possibility is for these companies to wait for a refund of surplus taxes in November 2016. If they do, they will - according to another transitional rule - be entitled to compensation of 1 percent of the part of the surplus taxes that is attributable to preliminary tax payments made before 3 July 2015.

Another option for these companies is - if they cannot wait until November 2016 to receive the surplus tax - to apply for a refund. This can be done at any time.

However, requests for refunds submitted subsequent to 1 October 2015 will be subject to payment of negative interest due to the current deposit interest rate.

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Hence, it can be concluded that companies that cannot wait until November 2016 to receive a refund of surplus taxes can benefit from applying for a refund no later than 1 October 2015.

Social security issues when working in different European countries

A pending case before the European Court of Justice concerning social security with implications for certain individuals working in other European countries has been withdrawn.

By Anders Kiærskou, æk@bdo.dk

As described in the June 2015 issue of tax:watch, a case before the European Court of Justice has recently given rise to concern among business travellers and their employers in relation to social security coverage.

The concern was that the case could lead to business travellers being covered by social security in many European countries as they visit these countries as part of their work.

This would be a problem due to the fact that business travellers and their employers might be required to pay contributions to social security in many different countries.

Further, the business traveller would likely experience inferior social security coverage - for example in relation to benefits that require a period of accrual before the individual is eligible to receive the benefit.

Fortunately, due to the specific work pattern of the employee subject to the case before the European Court of Justice, the case has no implications for most business travellers.

The case has now been withdrawn by the Cypriot court that submitted the case to the European Court of Justice with request for a preliminary ruling.

The question then remains, where employees in similar situations as the employee subject to the case before the European Court of Justice are to be covered by social security.

Before the case was withdrawn, the advocate general released his proposal for a ruling by the European Court of Justice.

In the proposal, the advocate general stated that the Polish employee of the Cypriot temporary employment agency should be deemed covered by Cypriot social security during the employment period as opposed to social security in all the different countries where the work was performed.

Even though the case was withdrawn before a verdict was passed by the European Court of Justice, it is only natural to expect that the social security authorities in the different European countries will follow the proposal by the advocate general in future similar cases as the proposal represents the most likely outcome of the case had it not been withdrawn prior to a verdict was passed. Further, the proposal currently represents the most likely outcome, if a similar case is brought before the European Court of Justice in the future.

Hence, looking forward, there may not be an issue at all for employees in similar situations as the Polish employee subject to the case before the European Court of Justice.

However, it is always advisable to assess the social security position and request any necessary certificates of coverage when sending employees to work abroad. BDO can help your business in this matter if required.



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