

TAX:WATCH

DANISH TAX AND VAT NEWS IN ENGLISH

Overview of proposed initiatives by the Danish government

TAX:WATCH NO. 9
07-10-2016

In connection with the opening of the new session of the Danish Parliament, the government presented its list of intended legislation for the coming year.

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The intended tax legislation does not include the bills necessary to complete the so called “2025 plan” proposed by the Danish government - should an agreement be reached in this respect.

Among the intended tax legislation and legislation of general interest to businesses operating in Denmark, the following can be highlighted:

- The government will strengthen legal certainty in the tax area by reintroducing reimbursement of litigation costs for taxable corporations and foundations (for more information on this initiative, [see tax:watch 2016 no. 8](#)). Further, the government will give citizens a more realistic opportunity to complain to the Parliamentary Ombudsman by postponing the deadline for judicial review of complaints to the Ombudsman.
- The government will carry out a modernisation of the Tax Control Act (contains provisions pertaining to tax payer’s filing obligations, businesses’ reporting obligations etc.) in order to achieve a more appropriate structure and to clarify the legislation on a number of provisions
- As part of this modernisation, the provisions on reports from third parties will be transferred from the current Tax Control Act to a new Tax Reporting Act.
- As a result of a new Tax Control Act and a new Tax Reporting Act, a new bill will contain a number of consequential amendments to other acts.
- As a follow-up on the agreement on the budget for 2016, the government will gradually lower the inheritance and gift tax from the current 15 pct. to 5 pct. in 2020 in connection with the succession of family-owned businesses.
- Following a ruling by the European Court of Justice, the government will abolish foundation’s right to deduct non-charitable donations while lowering taxation of distribution recipients.
- The government will implement changes and adaptations of a variety of laws designed to support the fight against tax evasion and illicit trade, including candy, beer and wine. The proposal also contains the repeal of the residence requirement by the freezing of property tax and abolishing the requirement of Danish citizenship for receipt of tax free expatriation allowances etc.

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The list of legislative initiatives intended by the Danish government is not exhaustive.

Only the legislative initiatives that can be expected to be proposed with a reasonable degree of certainty are included.

As in previous years, the Minister of Taxation will undoubtedly propose legislation not included in the presented program.

It is important to note that the above described legal initiatives are only intended initiatives for new legislation.

It cannot be ruled out that there will be changes due to political negotiations, and there may be proposals which will not be adopted by the Parliament.

Tax cuts in 2017

Regardless of whether a political agreement concerning the government's "2025 plan" is reached, tax cuts are due in 2017. This is ensured by the annual adjustment of the various thresholds in the Danish tax code.

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The Ministry of Taxation has recently published thresholds applicable for 2017. Generally, the adjustments are modest.

Individual taxation

The minimum income threshold for applying the top bracket income tax is raised by DKK 12,300 to DKK 479,600. Viewed in isolation, this results in a tax reduction of DKK 1,845 to those who are liable to pay the top bracket tax. Hence, only individuals with an average monthly income exceeding DKK 43,442 will be liable to the top bracket tax in 2017.

The personal allowance is increased by DKK 1,000 to DKK 45,000 and working individuals will benefit from an increase in the maximum employment allowance of DKK 2,000 to DKK 30,000.

The maximum contribution to pension annuities is increased by DKK 1,100 to DKK 53,500 in 2017. A maximum amount of DKK 29,600 (DKK 28,900 this year) can be contributed to special retirement savings in 2017.

The taxable amount of free phone will remain unchanged in 2017 at DKK 2,700 while the maximum taxable amount for spouses who both have a phone as a fringe benefit, increases by DKK 100 to DKK 3,600.

Business travelers

The rate for tax free per diems are increased by DKK 10 to DKK 487 per day in 2017 and the tax free allowance to cover lodging expenses is increased by DKK 4 to DKK 209 per day. The special 25 pct. allowance for those who are reimbursed by their employer of documented food expenses will amount to DKK 121.75 per day in 2017.

Traveling employees who do not receive tax free allowances, but claim a tax deduction on their tax return instead, the maximum deduction is increased by DKK 600 to DKK 26,800 in 2017.

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