

# The Danish Tax Reform 2010 - What's in it for you?

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# BDO INTERNATIONAL

Fee income: €3.710 billion / US \$5.026 billion

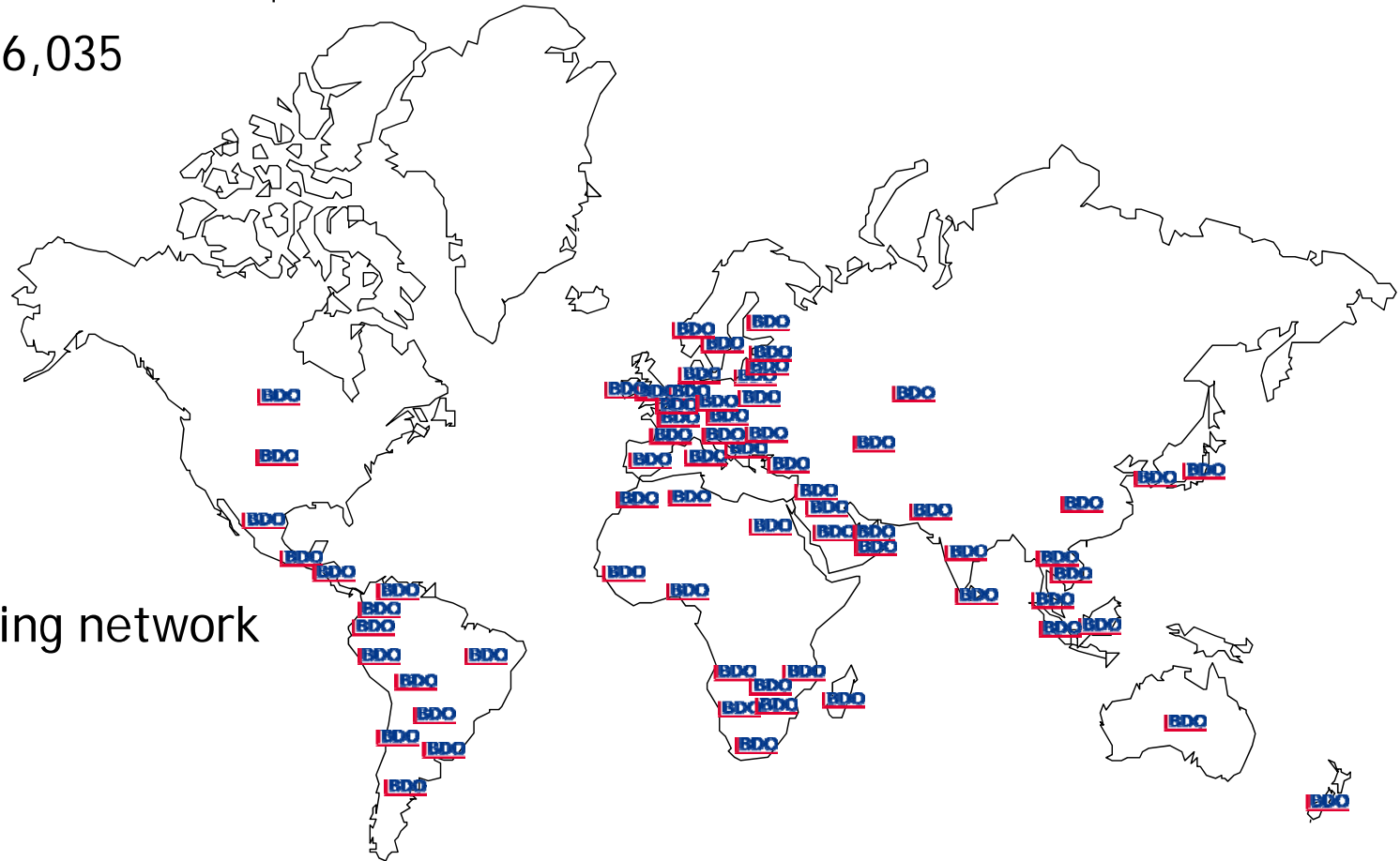
Partners and staff: 46,035

Offices: 1,138

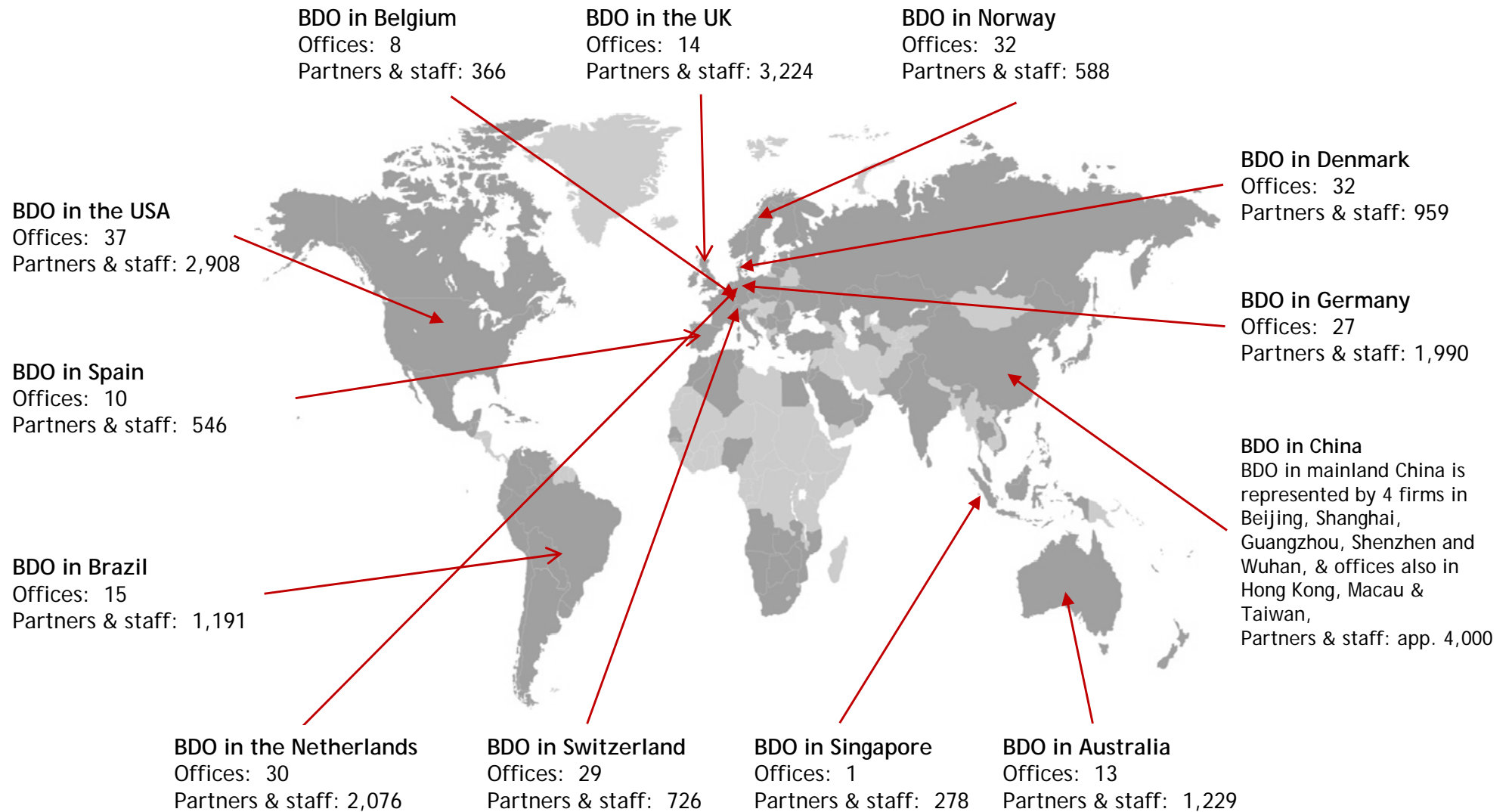
Countries: 110

Member firms: 95

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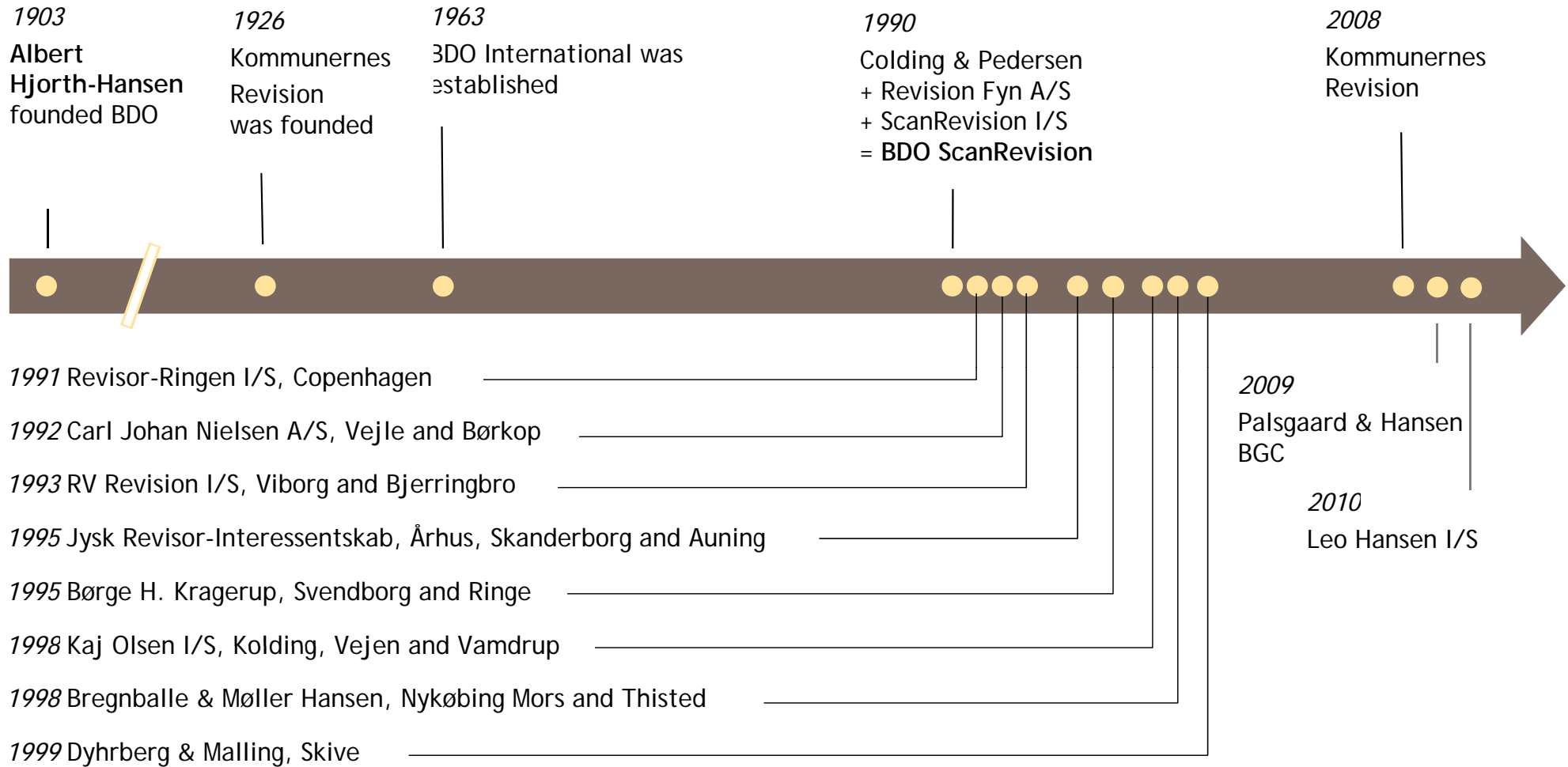


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- We have offices in 30 locations, organised in regions and areas of competence.
- We employ 1,100 people, including more than 120 state authorised public accountants
- Net revenue of DKK 850 million
- Danish ownership and management
- A member of BDO International - one of biggest accountancy networks in the world.



# THE HISTORY OF BDO



# AUDIT, ACCOUNTING AND ADVISORY SERVICES



*For private, listed, independent bodies, public companies, institutions and administrations*

# TAX ADVICE

## Examples of services

### Corporate and group structures

- Optimum corporate structure
- Tax-free restructuring
- Joint taxation
- Tax-free subsidies and distribution of dividends
- Restructuring
- Double taxation issues
- CFC
- Transfer pricing
- Thin capitalisation and right to deduct interest
- Recovery of foreign tax
- Other

### Self-employed businessmen

- Business Taxation Scheme
- Conversion into company
- Flexible pension savings
- Deferral of tax
- Acquisition and sale of business undertaking
- Generational change
- Taxation of real property
- Other

### Individuals

- Taxation of principal shareholder
- Flexible salary packages
- Home work stations
- Tax returns and tax calculations
- Secondments
- Taxation of shares and other securities
- Pension schemes
- Asset management
- Inheritance and gifts
- Other

# Agenda for the afternoon

- The Danish Tax Reform 2010
- The Danish Tax Return for 2009
- Other Tax Issues
- Q & A



# The Tax reform - What's in it for you?

- Income taxes drop generally
- Investment income - both gives and takes
- Pension Schemes
- Benefits



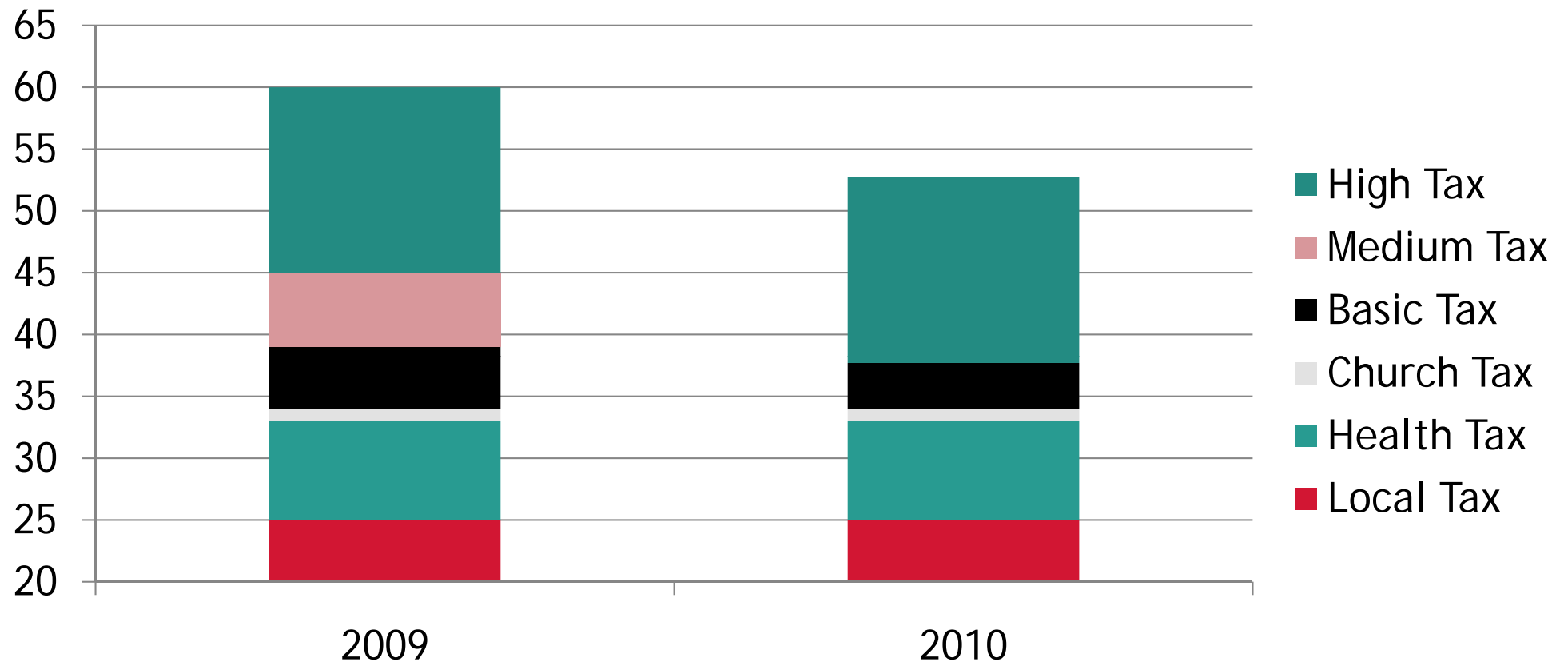
# The Tax Reform - What's in it for you?

## The Income Taxes

- The marginal tax rate drops from 63% to 56% from 2010
- The Medium Tax of 6% is abolished
- The Basic Tax is reduced from 5,00% to 3,67%
- From 2011 the marginal tax rate kicks in at 410.000 DKK (347.000 in 2009)

# The Tax Reform - What's in it for you?

## The Income Taxes



# The Tax Reform - What's in it for you?

## Investment Income - Both gives and takes

- The first 40.000 DKK of investment income escapes the high tax  
=> only 32-34% taxation (80.000 DKK for spouses)
- Dividend income tax is reduced from 43-45% to 42% from 2010
- From 2012 (to 2019) the tax saving from deduction of interests exceeding 100K DKK (for spouses) drops from 33 % to 25,5%
- From 2012 (to 2019) the tax saving from other deductions (transportation, donations etc.) drops from 33 % to 25,5%

# The Tax Reform - What's in it for you?

## Pension Schemes

- A ceiling of 100.000 DKK annually for deduction of pension contributions - applies to both private and employer schemes.
- Does not apply for the 30%-rule for self-employed (until 2015)
- A special tax of 6% on pension payouts over 362.800 DKK
  - Starts in 2011 for 4 yrs
  - Phased out over next 5 yrs => zero from 2020
- Outside tax reform
  - Tax deduction for contributions to non-Danish pension schemes via 2008-rules or via DTT



# The Tax Reform - What's in it for you?

## Benefits

- Taxable benefit of company car increased with the vehicle excise duty
- Multimedia taxation, 3.000 DKK annually, comprising PC, mobile telephone etc.

# The Tax Reform - What's in it for you?

## Are you a Per or a Poul?

	Per 2009	Poul 2009	Per 2010	Poul 2010
Salary	840.000	420.000	840.000	420.000
Interest expenses	50.000	50.000	50.000	50.000
Deductions	15.000	15.000	15.000	15.000
Taxable income	775.000	355.000	775.000	355.000
Total taxes	431.910	166.857	390.768	154.446
Saving 2010			41.142	12.410
Tax percent on salary	51%	40%	47%	37%
Pers tax on "+ salary"	265.054		236.321	
Tax percent on "+ salary"	63%		56%	



# The Tax Reform - The bottom line

The winners are:

- High salaried
- Small or no interest deduction
- Small or no other deductions
- Eco-friendly behaviour

Any losers?

- No, due to the safety mechanism

# The Danish Return

Deadline is 1<sup>st</sup> July 2010 for the 2009 tax return

Your focus should be:

- All non-Danish source income and deductions (world wide)
- Relief for all foreign taxes
- Travel between home and work
- Donations, max. 14.500 DKK
- Technical allowance
  - Foreign employer, temporary stay, 24 months, 8K DKK + 5%
- Contributions to non-Danish social security
- Payment of outstanding taxes before 1<sup>st</sup> July 2010 - but earlier is better!

# Other Issues

## Expat regime

- Old rules:
  - 25% tax for 36 months
  - Resident in Denmark
  - Minimum salary should be met each month
- New rules:
  - 25 % tax for 36 months or 33 % for 60 months
  - Additional stay in for +48 months
  - Now also for non-residents
  - Minimum salary should just be met on annual basis
  - Minimum salary in 2010 is 70,000 DKK monthly



**WORTH KNOWING ABOUT**

## The Danish 25% Tax Regime for Expats

Denmark offers a special tax regime to highly paid inbound expatriates and researchers recruited from abroad.

Employees may elect to be taxed at either 25 % for up to 36 months or at 33 % for up to 60 months.

It is possible to change once between these two regimes within 36 months of commencement of taxation under one of the regimes.

All other income, including benefits-in-kind other than company car and free telephone, are taxed at the ordinary progressive tax rates. Such income includes any private income received by the expatriate from outside Denmark.

**Conditions for expatriate taxation**

- 1. Salary requirements**  
The monthly salary in cash must be at least DKK 63,800 on an annual mean basis. This qualifying threshold must be met after deduction of pension contributions withheld by the employer and deduction of either Danish social security contributions (ATP, DKK 90 per month and 8 % labour market contribution) or mandatory foreign social security contributions.

Researchers do not have to comply with the minimum salary requirement.
- 2. The time aspect**  
The 36/60 months may be allocated to multiple employment periods, on the condition that the aggregate periods do not exceed 36/60 months. The employee may change from one employment to another within one month or leave Denmark and return after three years.
- 3. The employer**  
The employer must be a Danish entity or a foreign entity with a permanent establishment in Denmark.
- 4. Place of performance of work**  
The work must be performed in Denmark. If some of the work is performed abroad, it is a condition that the salary will be taxed in Denmark according to the relevant tax treaty.
- 5. Activities prior to employment**  
The employee must not, within the 5-year period prior to the employment and during the employment itself, hold 25 % or more of the share capital in the employer company or hold the majority of the voting power in the employer company, or if the company is not incorporated, have a controlling influence on the company.

**WORTH KNOWING**  
March 2010

**The monthly salary in cash must be at least DKK 69,450.**

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# Other Issues

## Exit tax on shares

- Get out before 7 years anniversary

## The AM-contribution becomes a tax

- Effective as of 1<sup>st</sup> January 2011
- Foreign E101

## New EU-regulation about social security

- Effective as of 1<sup>st</sup> may 2010
- Several changes
  - Secondment for 1 yr prolonged to 2 yrs
  - Rule about work in home country changed from 6% to 25%



# Questions and answers

- Non-Danish property
  - Empty
  - Rented out
  - Sale, gain/loss
  - Loans in the property, currency issues
- Cars
- Where to obtain advice?

# Thank you for listening!

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