

Denmark introduces legislation in response to COVID-19

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Executive summary

The Danish Parliament is introducing measures aimed at reducing the adverse economic consequences of COVID-19. Some measures have already passed Parliament whereas others are still proposals.

The Danish Government will continue to consider further measures to mitigate the consequences for Danish businesses and employees.

Detailed discussion

Extension of the Value-Added Tax (VAT) payment deadlines

In respect of VAT, the Danish Government wants to help protect businesses' cash flow with the new law.

For large businesses (those on monthly settlement periods), a 30-day extension of the deadline for reporting and payment of VAT for March, April and May respectively have been enacted as shown in the table.

Monthly reporting - large businesses	Regular deadline	Extended deadline
March	27 April	25 May
April	25 May	25 June
May	25 June	27 July

For mid-sized businesses reporting VAT on a quarterly basis, the first and second quarters of 2020 can be reported and paid together based on the deadline for the second quarter of 2020. Thus, the deadline for reporting VAT for the first quarter of 2020 is effectively extended by three months.

Quarterly reporting - mid-size businesses	Regular deadline	Extended deadline
1st quarter	1 June	N/A
Merged period for 1st and 2nd quarter	N/A	1 September

For small businesses, the VAT reporting periods for the first and second half of 2020 can also be merged. Thereby they effectively achieve an extension of the reporting and payment deadline of six months for the first half year.

Bi-annual reporting - small businesses	Regular deadline	Extended deadline
1st half-year	1 September	N/A
Merged period for 1st and 2nd half-year	N/A	1 March 2021

It is permissible to report VAT immediately after the expiration of the relevant period. For instance, if the taxpayer files a negative VAT return, a potential adverse impact on cash flow due to the extensions can be eliminated. In this respect it is important to note that the new law provides an option for small and medium enterprises (SMEs) to merge reporting periods but they are not obliged to. Therefore, if an SME is in a VAT-receivable position for the first half-year/first quarter, it will be an advantage for it to file its negative VAT return immediately after the expiration of the first half-year/first quarter.

The law does not apply to indirect taxes other than VAT, implying that the deadlines for payment of various excise duties and special payroll tax are maintained, although most of these are also settled monthly like PAYE (Pay As You Earn) and VAT for large companies.

So far, the Government has refused to expand the initiative to include indirect taxes in general. However, additional measures may be introduced to cover other indirect taxes.

The extension took effect on 17 March 2020.

Extension of the payment deadlines regarding A-tax (PAYE tax) and labor market contributions (AM-bidrag)

The payment deadlines for A-tax and labor market contributions have been extended by four months for the three upcoming monthly rates (April, May and June payments).

	Small and medium sized businesses		Large businesses	
	Regular deadline	Extended deadline	Regular deadline	Extended deadline
April rate	11 May	10 September	30 April	31 August
May rate	10 June	12 October	29 May	30 September
June rate	10 July	10 November	30 June	30 October

The extension took effect on 17 March 2020. Accordingly, the amendment regarding labor market contributions and A-tax - both collected as withholding taxes of personal salary income - will be applicable as of the 30 April 2020 payment for large businesses, and as of the 11 May 2020 payment for SMEs.

It is important to note that the monthly reporting and compliance obligations to the tax authorities, regarding both labor market contributions and A-tax, remains the same even though the payment obligation is extended.

Example

A restaurant with 15 employees, each with an average gross income of DKK25,000, will collect labor market contributions and A-tax totaling DKK135,000 per month. Accordingly, following the extension of the payment deadline, payments of the tax are extended by four months for the April, May and June rates.

This will result in an improvement of liquidity of c. DKK400,000 (DKK135,000 × three months) over the span of four months.

Increase of refund limit on the business tax account

The normal maximum refund limit on the tax account (*skattekontoen*) with the tax authorities is DKK200,000 (credit balance).

Amounts exceeding the maximum refund limit will automatically be transferred to the business' bank account within five business days (banking days), if the company does not have payable debts to the tax authorities. This can be unfavorable for businesses because of negative interest rates on their bank deposits.

For this reason, the maximum refund limit has been increased to DKK10 million. The increase took effect on 25 March 2020.

The new maximum refund limit is applicable from 25 March 2020 until 30 November 2020. Following the expiration of this period, the refund limit is automatically returned to a maximum of DKK200,000. Companies can change their maximum refund limits in their tax accounts by selecting "Udbetalingsgrænse" (refund limit) in the menu. The maximum refund limit is DKK10 million.

Extension of the payment deadlines for B-tax (self-employed)

Regarding B-tax for the self-employed, the payment deadlines have been extended as follows:

	Self-employed	
	Regular deadline	Extended deadline
April rate	20 April	20 June
May rate	20 May	20 December

The extension took effect on 17 March 2020. Consequently, there will not be any B-tax payments due in April and May, and there will be no months with double payments since there are no payments due in June and December under the normal rules. Whether the extended payment deadlines are to be used is subject to a choice by each individual taxpayer.

Self-employed can make amendments to their preliminary income tax statement for 2020 on www.skat.dk. If an individual makes an amendment the preliminary income tax statement reflecting decreased income for 2020, new payment forms will automatically be generated to be used by the individual for the remaining payments for 2020.

State guaranteed loans for large businesses and SMEs

Danish businesses are eligible for a state guarantee by the Danish State's investment fund (*Vækstfonden*), if they qualify as either a large company or an SME, if they expect a decrease in turnover of at least 30% during the period 1 March 2020 through 30 September 2020, and if the respective business can document that it had sound liquidity prior to the crisis. If the conditions are satisfied, the business will be entitled to a guarantee from the state covering 70% of a loan taken out from a bank or other lender.

Upfront and current guarantee fees must be paid to the state.

The investment fund may require the submission of an auditors' statement regarding the businesses' expected decrease in turnover as of the time when the guarantee is set up and the loan is disbursed. The lenders will cover the costs associated with the completion of an auditors' statement.

Applications must be submitted by the business' bank no later than 15 October 2020. The incentive is open for applications.

Grants covering fixed costs

Companies experiencing a decrease in turnover of at least 40% may be eligible for a grant from the state of between 25% and 80% of its fixed costs as follows:

- ▶ 100%, if a ban has been imposed on the business, e.g., hairdressers, nightclubs, bars, restaurants etc.
- ▶ 80%, if the turnover loss is between 80%-100%
- ▶ 50%, if the turnover loss is between 60%-80%
- ▶ 25%, if the turnover loss is between 40%-60%

The fixed income for the compensation period must amount to at least DKK25,000, due to the costs incurred in procuring the auditor's statement. The maximum compensation for each company over the course of the compensation period is DKK60 million.

Fixed costs include (but are not limited to) rent, leasing payments and interest expenses, etc. The final definition of fixed costs will most likely be clarified when the new legislation is adopted by Parliament.

Compensation will be provided for a maximum of three months during the period from 9 March 2020 through 9 June 2020.

Applications must be submitted online by the business along with required documentation including the auditor's statement on the fixed costs for the past three months, information on the estimated decrease in turnover for the entire or part of the period from 9 March 2020 through 9 June 2020, and a solemn declaration about the expected decrease in turnover reported.

The business will be entitled to an 80% coverage of the fees incurred in procuring the auditor's statement, if its application is approved.

Following the expiration of the compensation period, the Danish Business Authority will perform random checks of the reported turnover based on the filing of VAT. The reported expected turnover loss will be adjusted based on the actual turnover loss.

The grant must be repaid to the state if it turns out that the actual decrease differs significantly from the expected decrease.

This measure is expected to be launched soon after a fast-track enactment procedure in the Parliament.

Compensation of turnover losses (self-employed and freelancers)

If a self-employed individual expects a decrease in turnover of at least 30% compared to the previous year and employs a maximum of 10 employees, the business may be entitled to a grant. It is a condition that the self-employed individual owns a minimum of 25% of the business and actively works for the business. Further, the average monthly turnover in the previous financial year must be at least DKK15,000, the business must be registered with the business authorities before 1 February 2020, and the self-employed individual must not have had personal income of more than DKK800,000 in 2020.

The grant for the self-employed will amount to 75% of the expected decrease in turnover compared with the average turnover in the previous year, or a maximum of DKK23,000 per month.

For freelancers, individuals with a B-income of at least DKK180,000 in 2019, they also may be eligible for a grant, provided that the personal income of the freelancer is not expected to exceed DKK800,000 in 2020. It is a condition that the individual expects a decrease in turnover of at least 30% compared to the previous year.

The compensation for freelancers will amount to 75% of the expected decrease in turnover, or a maximum of DKK23,000 per month.

Compensation will be provided for the period from 9 March 2020 through 9 June 2020.

Applications must be submitted online by the individuals (or their advisors) along with required documentation including a solemn declaration regarding the expected decrease in turnover and explanation of why the loss should be considered a direct consequence of COVID-19.

Following the expiration of the compensation period, the self-employed must document the decrease in turnover of at least 30% during the compensation period as compared to the average turnover in the previous financial year. The Danish Business Authority will require all to make use of accountants' assistance in this regard.

The compensation must be repaid, if the actual turnover loss is less than 30%. Further, if the individual's personal income exceeds DKK800,000 in 2020, the compensation with the addition of interest must be repaid.

This incentive has not yet opened for applications.

Wage compensation (private companies)

The measure covering 75% wage compensation may be utilized by businesses considering making at least 30% or a minimum of 50 employees redundant. The wage compensation works as an alternative to making employees redundant. Business owners with a stake of more than 25% in the business, who are employed by the business, do not qualify for the incentive. It is a precondition that the business does not make employees redundant in the compensation period due to financial causes.

The incentive covers full-time employees and part-time employees. It does not cover employees performing work in the business in the compensation period as well as employees hired later than 9 March 2020.

The employee is entitled to his or her entire wage during the compensation period - irrespective of the compensation being lower than the actual wage. Accordingly, this includes pensions and bonuses, etc. that are part of the regular wage.

Compensation will amount to 75% of the businesses' wage liabilities towards their employees per month (a maximum of DKK23,000 per employee).

For hourly workers the compensation amounts to 90% per month (a maximum of DKK26,000 per employee). The wage is calculated as an average of the hours worked by the employee during the past three to six months.

For apprentices, the compensation amounts to 90% per month (a maximum of DKK26,000 per employee). As opposed to regular full- and part-time employees, apprentices are allowed to perform work in the business during the compensation period, as the work is considered part of their education. When calculating the share of employees eligible for compensation (30% of the work force or at least 50 employees), apprentices must be added.

Employees qualifying for wage compensation must use five vacation days/overtime in the compensation period. If the employee is not entitled to vacation/overtime, the employee must either take absence for five consecutive days or use five days of vacation from the upcoming vacation period. The business is not entitled to receive compensation for the duration of these days.

The compensation will cover a maximum of three months wages from 9 March 2020 through 9 June 2020.

Applications must be submitted online by the business along with required documentation, including information on the share of employees that are asked not to perform their

work (at least 30% or more than 50 employees). Further, the social security number (CPR-nr.), the pay bill and the rate of employment for each employee (full-time or part-time), as well as the period where compensation is requested and the reasons underpinning the request, must be submitted for each employee. Also, the management must provide a solemn declaration as to the correctness of the information provided.

Following the expiration of the compensation period, a spokesperson with the business must attest to that the employee has not worked in the business during the compensation period. Further, it must be documented that the employee was hired by the business before 9 March 2020. Finally, an auditor's statement must be provided.

The incentive is open for applications. Applications must be submitted no later than 30 June 2020.

Refund of sickness benefits

Employers may be entitled to a refund of wages or sickness benefits from day one, if the employee is either not able to perform his or her work due to being infected with COVID-19, or the individual is quarantined based on the recommendation from the health authorities. In addition, the regular conditions of the *Danish Sickness Benefit Act* must be fulfilled. Furthermore, self-employed individuals may be entitled to refund of sickness benefits subject to the same conditions.

Absence must be reported by employers on form [NR104C](#) no later than three weeks after the first day of absence.

The self-employed must report his or her absence in a different format.

Refunds will be provided for the period from 27 January 2020 through 1 January 2021.

The incentive is open for applications.

EKF liquidity guarantee and reinsurance

EKF Denmark's Export Credit Agency has launched two initiatives to assist Danish exporters.

One initiative, aimed primarily at SMEs, is geared to companies with liquidity problems; the second, is designed to ensure that companies can secure insurance for their export orders from private trade credit insurance companies.

Under the liquidity guarantee, the EKF will cover 80% of the bank's potential losses on new loans.

Under the reinsurance initiative, EKF will act as an insurer for the insurance companies. This means that Danish exporters will still be able to buy the insurance needed to conduct their business. EKF will cover up to 90% of the insurance companies' risk position on new exports. The initiative does not cover the OECD¹-area - but discussions between the Danish Government and the European Commission to expand the scope of the initiative are ongoing.

This incentive has not yet opened for applications.

Compensation for organizers who cancelled or postponed events

Organizers (businesses) who cancelled or postponed public events that were due to be held from 6 March through 31 March 2020, may be entitled to compensation. Event suppliers and organizers within the public administration are not covered by the incentive.

It is a precondition for compensation, that the event would either hold at least 1,000 participants, or at least 500 participants if aimed at particularly woundable groups of the population (the elderly aged above 80 years, the chronically ill etc.).

Compensation is provided for direct and indirect expenses based on the deficit of the event. Additional costs incurred by an organizer due to the postponement of an event are also covered.

An auditor's statement must be filed if the compensation exceeds DKK500,000. A maximum of DKK30,000 of expenses incurred when acquiring the accountant's statement (fair and documented expenses) will be refunded.

Applications must be submitted online by the business' (or their advisors) along with required documentation. The incentive is open for applications.

Endnotes

1. Organisation for Economic Co-operation and Development.

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