

DENMARK – TAX CONSIDERATIONS ON SHORT-TERM LETTINGS

The following information is a guide to help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in Denmark.

Tax can be tricky and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are supplying short-term accommodation in Denmark, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you;

- Income taxes
- Value added tax (VAT)

Please understand that this information is not comprehensive, and is not intended to be legal advice. If you are unsure about your local tax obligations, we encourage you to check this with official local sources, or to seek advice from qualified professionals.

Please note that we do not update this information in real time, so you should confirm that the laws or procedures have not changed recently.

INCOME TAX

The rules outlined below are current as of January 2019. An amendment of the laws on the taxation of rental income was passed in December 2018, which will have effect for the 2018 tax year (“New Rules”).

Denmark’s tax year runs from 1 January to 31 December.

Coming within the charge to income tax in Denmark.

If you are a Danish resident who is domiciled in Denmark, you are liable for tax on rental income notwithstanding the location of the property.

If you are not Danish resident and you are domiciled outside of Denmark, you are liable for tax on income derived directly from Danish property.

There are special rules regarding rental income that are under below a certain tax-exempt threshold. (please see “Rules applicable to income earned in relation to short-term lettings in Denmark” below).

For further general information, please consult the Danish tax authority [website](#).

Reporting tax in Denmark.

Tax returns should be filed online; however, in certain cases paper filing is accepted.

Reporting tax - filing deadline.

The filing deadline for rental income is 1 July in the year subsequent to the income year i.e. for the 2018 tax year the filing deadline would be 1 July 2019.

Reporting tax - payment deadline.

Every November, Danish tax residents receive a preliminary tax assessment from the Danish tax authorities with an estimate of the upcoming years income and tax payments. This amount should be paid during the year. Where this is not applied, and the taxes are paid at a later date, then interest and surcharges will apply.

Danish tax authority contact details.

Address: Skattestyrelsen
Nykøbingvej 76
Bygning 45
4990 Sakskøbing

Telephone: +45 72 22 18 18

Website: www.skat.dk. This website allows you to log in and send digital messages to the Danish tax authority in a secure environment.

Income tax rates in Denmark.

The tax rates in Denmark are progressive:

- Personal Income (hereunder, Business Income) 8% to approx. 56% tax,
- Capital income 0% to 42% tax,
- Share income 27% or 42% tax

Rules applicable to income earned in relation to short-term lettings in Denmark.

There are currently a number of complex rules applicable to short-term lettings or the letting out of part of an apartment/house. The most important rules for the tax years prior to the 2018 tax year, until the 2020 tax year (inclusive), are set out in this paragraph.

If you own the property you let:

Prior to, and including, the 2017 tax year, the Old Rules apply. All short-term rental income (let out for less than 4 months to the same renters) that was less than the larger of a) 1.333% of the property's public property value, or b) DKK 24,000 per year, was not considered taxable income.

From the 2018 tax year to the 2020 tax year (inclusive), both the Old and New Rules apply. Accordingly, you can elect whether the tax-free threshold applicable to your short-term rental income is:

- The larger of a) 1.333% of the property's public property value, or b) DKK 24,000 per year (the Old Rules); or
- DKK 28,000 plus 40% of the income earned that exceeds this threshold (deductions cannot exceed income) (the New Rules).

If you rent the property that you let on a short-term basis:

Prior to, and including, the 2017 tax year, the Old Rules apply. Only rental income that exceeds 2/3 of the yearly rent paid is taxable. No deductions apply.

From the 2018 tax year to the 2020 tax year (inclusive), both the Old and New Rules apply. Accordingly, you can elect whether the tax-free threshold applicable is:

- Rental income that is less than 2/3 of the yearly rent paid (no deductions apply) (the Old Rules); or
- DKK 28,000 plus 40% of the income earned that exceeds this threshold (deductions cannot exceed income) (the New Rules).

Note: special rules apply to summer cottages.

If you are unsure as to which rules you should follow, and how much tax you should be paying, you should consider seeking advice from a tax professional.

Typical expenses that can be deducted from an individual's income in relation to short-term lettings.

As outlined in the section "Rules applicable to income earned in relation to short-term lettings in Denmark", no deductions apply.

It is possible to choose to deduct expenses incurred; however, then the above rules outlined in section "Rules applicable to income earned in relation to short-term lettings in Denmark" would not apply, and all income would be considered taxable. In this scenario, the deductions cannot exceed the income i.e. if the deductions are higher than the income earned this cannot create a loss.

Special reliefs from income tax in Denmark that an individual providing short-term lettings may be able to avail of.

If you are resident in Denmark and you are in receipt of property rental income derived from outside of Denmark, a credit against your Danish tax might be granted for the foreign taxes paid.

No special rules apply for short-term rental activities - property taxes and property value taxes as outlined above should still be paid.

Please note, that with the new legislation, there will be a difference in the tax treatment, depending on whether the property is rented to the same person(s) for more or less than 4 months. This is effective as of 1 January 2018. Please see the comments above.

Deductions available for tax depreciation (e.g. capital allowances / wear and tear).

No tax depreciations apply on the property itself; however, if the income/deduction-solution is chosen, depreciation can in theory be applied on furniture etc. In practice, this is very complicated to handle and the burden of proof for actual wear and tear lies on the taxpayer.

Income tax obligations for non-residents in Denmark.

If you are not a resident in Denmark, or you are resident but domiciled abroad, and you generate income from property situated in Denmark, then the income from this property is taxable in Denmark.

If you are unsure about your tax residency position, please consult the Danish tax authority [website](#) for more information.

Income tax obligations for a Denmark resident in receipt of foreign rental income.

As outlined above in the section “Coming within the charge to income tax in Denmark”, Danish residents who are domiciled in Denmark are liable for tax on rental income notwithstanding the location of the property.

Sample computation based on the <u>Old Rules</u> (i.e. for the 2017 tax year)	
Tax calculation in case of renting out owned apartment.	
Assumptions	DKK
Apartment public price	2.000.000,00
Rental income in year	30.000,00
Marginal tax rate for tax payer	42%
Tax Payments	DKK
Income	30.000,00
Deduction (based on 1,333% of public property value)	(26.666,67)
Income for taxation	3.333,33
Tax (if marginal tax rate 42%)	1.400,00

Sample computation based on the <u>New Rules</u> (i.e. for the 2018 to 2020 tax years (inclusive))	
Tax calculation in case of renting out owned apartment.	
Assumptions	DKK

Apartment public price	2.000.000,00
Rental income in year	30.000,00
Marginal tax rate for tax payer	42%
Tax Payments	DKK
Income	30.000,00
Deduction (based on the New Rules)	(28.000,00)
Income from letting	2.000,00
40% reduction of income for taxation	(800,00)
Income for taxation	1.200,00
Tax (if marginal tax rate 42%)	504,00

VALUE ADDED TAX

Value added taxes can be complicated and you should take your time to understand the rules as they apply to you and your particular situation.

Broadly speaking, Value-Added Tax (VAT) in Denmark is a tax on consumption. Most goods and services supplied in Denmark are subject to VAT.

A person who supplies goods and/or services in Denmark may have to charge VAT and pay this to the Danish tax authority. As with all taxes, we encourage you to consult with a tax advisor regarding your potential VAT obligations in Denmark.

If you are currently renting a room to guests, you may be required to apply VAT to your rental charge and to pay this VAT amount to the Danish tax authorities. As Airbnb is not supplying the rental, it is the responsibility of the host to consider local VAT obligations of the rental charge.

Do I need to collect any VAT from guests if I am letting short-term accommodation in Denmark?

In general, individuals who are considered to operate a business in Denmark need to charge VAT on their supplies, once the criteria for VAT registration is met.

Currently, in Denmark, you are required to register for VAT if your turnover exceeds DKK 50,000 within a 12 month period. As such, where you supply short term accommodation and you breach this threshold you should register for VAT.

If you are an individual who is not resident in Denmark, but your accommodation is located in Denmark, then you should also register for VAT, as no registration threshold applies to you.

We encourage you to consult a tax advisor if you need assistance in determining whether you need to register for and charge Danish VAT.

For further guidance on registering for VAT, please see the Danish tax authorities' [website](#).

VAT applies to me. How do I determine how much tax I need to collect from my guests?

VAT rates may change from time to time. We recommend you to check on a regular basis with the Denmark Tax Authority to get the most up to date VAT rates for Denmark.

At the date of issuance of this document, the VAT rate applicable to supplies of holiday accommodation in Denmark is 25% where supplied for a period of less than 30 days.

If the accommodation is supplied for a period of greater than 30 days, but does not include additional services, such as breakfast, cleaning and changing of linen, the supply may be VAT exempt (i.e. VAT may not be chargeable on the supply).

We recommend that you confirm with a local tax advisor the VAT rate applicable to your supplies.

VAT applies to me. How do I collect VAT from guests?

If you determine that you need to charge VAT on the supplies that you make to guests, please keep in mind that you have to collect this VAT from your guests and report and remit this VAT on a periodic VAT return. In Denmark, the VAT return typically covers a quarterly period for the first year and thereafter on a biannual basis (if the turnover is less than DKK 5 million) and is required to be filed by the 1st day of the third month following the reporting period (i.e. the Q1 VAT return is due to be filed by the 1st June). The VAT payment is required to be made on the same day that the VAT return is required to be filed.

Some formalities, such as issuing a receipt or an invoice to your guests, may be required. Please find more information on this [here](#).

For further guidance on filing returns, please see the Danish tax authorities' [website](#).

There may also be requirements around whether you use VAT-inclusive or VAT-exclusive pricing. We recommend that you check your obligations in terms of pricing and the applicable invoice requirements with a local tax advisor.