



GES NewsFlash

Denmark — The rules on taxation of free accommodation have been tightened!

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October 10, 2012

Introduction

All ordinary salary earners who have free accommodation made at their disposal by their employer can anticipate a considerable tax shock as of 1 January 2013.

As a main rule the salary earner is taxed of the market value of taxable benefits – this also applies to free accommodation. However, until now the Danish tax authorities (SKAT) have once per year published standard rates, which could be applied as market rent. The standard rates depend on the basis of the location of the residence, its size and installations.

Despite the fact that these rates have been increased by 10% during the past years, SKAT have the opinion that the standard rates did not always reflect the actual market rent, which is the reason for tightening the rules.

Market rent for everyone

On the 30 August 2012, the Danish Ministry of Taxation announced that the standard rates for valuating free accommodation will be abolished as of 1 January 2013.

In future those salary earners who have free or partly free accommodation at their disposal as part of their employment contract will be taxed of the actual market rent of the residence. This means that if the salary earner does not have a self-payment corresponding to the actual market rent, he/she will be taxed by the differential.

- In case of rented accommodation – meaning that the employer is the lessee – the actual rent paid is used (provided that the lease agreement has been made between independent parties).
- If the employer does not pay rent (e.g., because the employer owns the residence), the market rent must be equivalent to the rent for a similar residence in the same area.

Special rules

The present special rules that apply to principal shareholders and chief executives/directors etc., who have considerable influence on their remuneration will not be changed. For this category taxation will still be subject to a more extensive taxation pursuant to the special rules.

The rules of “official residences” will remain unchanged. This means that accommodation, which is subject to a necessary obligation to reside during the employment and vacate upon termination of employment will still be granted a reduction when calculating the tax value.

Deloitte's view

It is important that in all situations where free or partly free accommodation is made at salary earners' disposal as part of their employment contract, the consequences of the new tightened rules – for both employer and employees - are considered as soon as possible.

People to contact

If you have any questions concerning the issues in this *GES NewsFlash*, please contact one of the tax professionals at our Deloitte offices as follows:

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