



# Content

## **1. General**

- 1.1 Reduction of gross salary
- 1.2 Who are covered by the rules

## **2. Free telephone**

- 2.1 Telephony
- 2.2 Mobile telephony – without taxation
- 2.3 Data communication – without taxation

## **3. Computers etc.**

- 3.1 Work computers
- 3.2 Standard equipment
- 3.3 Anti-avoidance rule

## **4. Taxation**

- 4.1 Free telephone
- 4.2 Tax relief for spouses
- 4.3 Taxation of other benefits
- 4.4 Several benefits of the same category
- 4.5 Reporting

## 1. General

Employer paid telephony and broadband are taxed as free telephone by 2,700 DKK per year (2017). An employer paid data communication connection which gives the employee access to the employer's network shall, however, not be taxed. A computer with standard equipment made available for the purpose of work is not to be taxed – neither in case of private use.

### 1.1 Reduction of gross salary

It is no longer attractive from a tax point of view to enter into an agreement about computers including standard equipment as a flexible benefit, meaning financed through reduction of gross salary, see section 3.3.

It is still possible to offer and finance telephony, mobile phones and internet as flexible benefits via reduction of gross salary. If a mobile phone is financed by reduction of gross salary, it will presumably also be used for private purposes and therefore not be comprised by taxation of free telephone.

### 1.2 Who are covered by the rules

The rules comprise individuals who as part of an employment or as part of an agreement about work performed in other respects are provided with telephony, broadband or a telephone/device.

The rules also apply to self-employed persons and members/assistants of boards, committees, commissions, councils etc. and others who receive fees or benefits and have IT equipment at their disposal.

Both spouses/cohabitants of a household are taxed of free telephone by 2,700 DKK each per year, if each one of them has telephony or a data communication connection at their disposal by their employer. However, a special tax relief for spouses is granted, see section 4.2.

As under the previous multimedia tax rules unpaid board members and voluntary unpaid assistants who have IT equipment at their disposal in connection with their work are excepted from the rule, see Section 7 M of the Danish Withholding Tax Act (ligningsloven). Individuals assisting with voluntary activities in tax-free associations are still considered unpaid, even though they have telephony and broadband at their disposal in connection with their work, and they are not to pay tax of the availability of these benefits.

## 2. Free telephone

### 2.1 Telephony

In addition to ordinary fixed-line telephony and mobile phone; opening, subscription and consumption expenses including usual

telephone services are comprised. The telephone/appliance itself, no matter whether it is a fixed-line telephone or a mobile phone, is also comprised.

The concept of telephone also comprises small, hand-held computers such as PDA's, smartphones and the like, the main function of which is telephony and perhaps calendar and time report function.

The main function of the equipment decides whether it shall be considered a computer or a telephone. The practice from the multimedia tax is continued, and tablets are thus considered computers, and smartphones are considered telephones, irrespective whether they are linked to data communication.

The taxation also comprises data communication (broadband connections) including subscription and consumption expenses for communication through an internet connection and one-off expenses for opening the internet connection.

Usual services that are part of the subscription and other services that are an integrated part of an internet subscription and that cannot be separated are also comprised. Unusual additional services are not comprised just

because they are integrated and cannot be separated.

Only telephony and broadband made available to the employee are comprised by taxation of free telephone. Other persons in the employee's household are, however, allowed to use the telephone and broadband connection.

**Telephony and broadband made available for other persons in the employee's household for private purposes must, however, be taxed separately.**

Taxation of free telephone implies that the employee has a fully or partly employer-paid telephone at his/her disposal. The possibility of private use triggers taxation.

If the employee has a telephone at his/her disposal at his/her private address, private disposal/use is assumed, and an employer-paid fixed-line telephone will always be taxable. A mobile phone, which is brought home, will usually also be taxable.

### 2.2 Mobile telephony – without taxation

It is accepted that the employee can make

isolated, private calls from an employer paid work-related mobile phone without it triggering taxation, if the telephone is only used for business purposes.

It is decisive that the employee does not use the mobile phone in such a way that it actually replaces a private telephone, but only is used in close relation to the employee's work.

If taxation is to be avoided, an agreement about the employee's use of his/her work-related mobile phone must be made by the employee signing a solemn declaration, and the employer must have procedures for controlling the employee's use.

The previous tight requirements for control applying in connection with the multimedia taxation have been eased. The employer must now in principle only control that the employee keeps the agreement.

It will be sufficient if the employer plans the control, so that only employees who deviate from the usual call pattern will be subject to individual control. For instance if the employee has a considerable increase in expenses or consumption – without work-related reason or it can be registered that

payment of private expenses is made via the work-related mobile phone.

### **2.3 Data communication – without taxation**

An employer paid data communication connection will not be taxed, if the connection gives the employee access to the employer's network. The tax exemption is conditioned on the employee having access to the same functions and documents as he/she has at his/her workplace.

This does not mean that the employee must in every respect have access to exactly the same functions/documents as at the workplace. However, it is not sufficient that the employee only has access to e.g. mails, calendar and the company's website.

Access to the employer's network must be understood in broad terms and also comprises a connection that through various services gives access to external servers to which the employer has bought access.

The technical solution chosen is not decisive. The connection might be ISDN, ADSL or other internet connection including mobile broadband connections. Employer paid data communication comprises subscription

and consumption expenses including initial expenses.

The fact that the data communication connection can also be used or is used for telephony does not change the tax exemption, if the connection is an integrated part of the communication connection, and which cannot be separated by a separate value. Use of IP telephony through such a connection does not trigger taxation.

The tax exemption only comprises broadband connections with the usual and integrated, additional services without separate value, i.e. "free" services. On the basis of current practice this means in our opinion that combined solutions with broadband and telephony/television signal and other services are not directly comprised.

Cf. latest practice, broadband connection with online access is still considered tax-free, irrespective that the broadband connection also includes an integrated fixed-line telephone subscription, if expenses for telephony (calls etc.) are invoiced the employee separately and for private purposes. A broadband connection (with online access) is, however, not considered

tax-free, if it includes an integrated fixed-line, flat rate telephone subscription, and the expense for the total subscription is invoiced the employer and paid by the employer.

If there is no access to the employer's network or the necessary functions, the employee must be taxed of free telephone, see above.

## **3. Computers etc.**

### **3.1 Work computers**

If the employer makes a computer with standard equipment available for business purposes, the private use will not be taxed. Now it is again possible for the employee to bring home his/her work-related computer or set up a home office – without the availability triggering taxation.

A computer comprises both static computers and laptops for work-related use. With reference to the practice prevailing before the multimedia taxation, very little is needed to fulfil the requirement for a work-related need for a computer with standard equipment – and this practice will probably continue.

Only computers with standard equipment to be used for work are comprised by tax

exemption and not the standard equipment alone. In addition only computers with standard equipment made available to the employee are comprised by tax exemption. Other persons of the employee's household are, however, allowed to using the equipment.

### 3.2 Standard equipment

By standard equipment is meant equipment for a computer such as screen, software, printer etc. of normal size and standard. The National Assessment Council has, see practice, maintained that for instance a 26-inch screen is considered standard equipment, where-as a 32-inch screen cannot be considered standard equipment.

Standard equipment is a flexible concept which changes concurrently with the present standards and trends within the area.

Equipment that cannot be considered standard must be taxed separately.

Computers with standard equipment that are only for private use and for which there is no work-related justification and

equipment that is made available for the other persons of the household for private use must be taxed according to the general rules of benefits, i.e. at market value.

### 3.3 Anti-avoidance rule

Taxation of computers with standard equipment will be triggered, if a pay cut, pay discipline or lower salary than the employee would have received, in case no computer or equipment had been made available, has been agreed upon between the employer and the employee.

If the employee accepts a lower salary in order to have a computer at his/her disposal, it is assumed that the computer is mainly made available for private purposes. In such cases the employee must be taxed of an amount corresponding to 50% of the initial price for the computer including equipment for each year that the computer is available. If the computer has only been available for the employee part of the year, the taxation will be triggered proportionally on a monthly basis.

## 4. Taxation

### 4.1 Free telephone

Free telephone is taxed by a fixed amount of 2,700 DKK per year (for 2017) irrespective

whether the actual costs, paid by the employer, are lower or higher.

It is not possible to reduce the amount by setting it off against the household's other expenses. It is not important whether the subscription has been taken out in the employer's or the employee's name, however, it affects any VAT deduction, if the invoice is not addressed to the company. The employer can as so far also cover the expenses for telephone and broadband up to a certain amount (free telephone with a limit).

Cash contributions/reimbursements (which are not refund of documented expenses according to vouchers submitted) are not comprised by taxation of free telephone and must – as so far – be treated as salary (A-income/income taxed at source).

The amount of 2,700 DKK applies to each employee and not per household, meaning that both spouses must be taxed, if each one of them has received either telephony or internet from their respective employer.

One person can maximum be taxed of 2,700 DKK per year – irrespective whether he/she has both telephony/broadband at his/her disposal,

perhaps from more than one employer at the same time and irrespective whether taxation is triggered according to the transitional rule for computers financed by reduction of gross salary.

### 4.2 Tax relief for spouses

Tax relief for spouses will apply. This means that if both spouses are liable to pay tax of free telephone, they will have a tax relief of 25% each, when the tax is minimum 3,600 DKK per year in total for both spouses. This means that taxation must be withheld for at least 16 months (3,600 DKK) to obtain the tax relief. The tax relief is only granted, if the spouses are cohabitants at the end of the year.

### 4.3 Taxation of other benefits

Expenses for donations to charity collections or other private expenses charged via the telephone bill are not comprised by taxation of free telephone and must be taxed separately.

Computers including standard equipment that are not to be used for work, and mobile phones that are made available to for instance children must be taxed separately as a benefit, i.e. the employer is obligated to report the benefit to the tax authorities according to the general rules.

#### 4.4 Several benefits of the same category

The employer must in principle only make one free telephone and/or internet connection available for the employee, unless it is justified for (work)purposes that the employee needs several telephones or internet connections. This might for instance be, if the employee has more than one residence at his/her disposal or the use of the telephone is limited.

The employer can – without taxation – make computers including standard equipment available to the employee for work-related purposes. This means that also in this case it must be justified by concrete and actual work-related purposes.

This limitation of the number of benefits of the same category is a continuation of the practice that applied for the multimedia taxation.

#### 4.5 Reporting

**Free telephone is A-income and the employer must report it by 225 DKK per month (for 2017) to the tax authorities.**

If an employee has telephony or broadband available from several employers, each employer is – irrespective of the employee's other employment conditions – obligated to report the benefits to the tax authorities. However, the person must for the year only be taxed of free telephone once.

Any correction (maximum once) to the reported amount is made automatically by the tax authorities on the annual tax assessment – in the same way as for the tax relief for spouses.

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