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This publication describes the rules applying as of and including the 1 January 2017 for employees travelling on behalf of their employer or employed at a temporary workplace.

We also refer to Deloitte's other publications:

- Company car/Own car (concerning payment of tax-free mileage allowances for business purposes).
- Godtgørelser til lønnede og ulønnede (concerning allowances for salaried and unpaid employees – Publication only in Danish).

Travel expenses comprise for instance meals, small needs, local transport, bed-nights etc., and the expenses can be covered according to the following rules:

- Payment of tax-free allowance by standard rates without regard to actual expenses.
- Reimbursement according to receipts including payment of 25% allowance, if any.

- Free board and lodging.

The employer and the employee can agree on the set of rules under which the travel expenses are to be covered, and the rules can be combined freely according to what is most beneficial for the employee. Lodging can for instance be covered according to receipts concurrently with board being reimbursed by the standard rate.

In respect of board and small needs principle/rules cannot be switched for the same trip. However, actual expenses can always be reimbursed (after 12 months) – even though a standard-rate allowance has been paid out for the first 12 months. However, the employer can cover expenses for lodging according to different principles of coverage from day to day, and lodging expenses for one travel day can therefore either be reimbursed according to receipts submitted or a standard-rate allowance or by making lodging available free of charge.

If the travel expenses are not covered by the employer, the employee can deduct the expenses on his/her tax return.

1. General rules and conditions

1.1 Who are covered by the rules

The rules apply to employees and salaried/unpaid board members including assistants

for boards, committees, commissions, councils etc. (A-income (income taxed at source)).

Individuals receiving B-income (income not taxed at source) fees cannot receive tax-free travel allowances.

1.2 The concept of travelling

For tax purposes an employee is considered travelling in the following situations:

Business trip

- If the employer assigns the employee to another workplace than the usual one, and the employee does not have the possibility of staying overnight at his/her usual residence.

Self-imposed trip

- If the employee does not have the possibility to stay overnight at his/her usual residence due to the distance between his/her residence and a temporary workplace. The employee does not have another usual workplace and has often chosen to work at the temporary workplace himself/herself.

In both situations it is thus a requirement that the employee both has a usual residence and a temporary residence at his/her disposal.

1.3 Temporariness and distance

When evaluating whether a workplace is temporary or not, it must be done on the basis of each individual employee's employment terms and conditions including working hours, and in principle without regard to the duration of the work.

When staying more than 12 months at the same place, the requirements to the burden of proof will be increased solely on the basis of the time dimension.

It must be evaluated individually whether the distance between the usual residence and the temporary workplace does not make it possible to stay overnight at the usual residence.

In case of "self-imposed trip" it is a requirement that the distance makes it practically impossible to stay overnight at the usual residence. When evaluating the distance criterion the time spent on transportation must also be included.

In case of "business trip" a total evaluation of the distance criterion is made, and both the time spent on transportation and the employer's work instructions must be included. Even though the distance

between the residence and the workplace is so short that the employee can stay at home overnight, the employee will still be considered travelling.

2. Tax-free travel allowance

Standard rates 2017

Board	487 DKK
Lodging	209 DKK

2.1 Conditions

The trip must include bed-nights and have a duration of at least 24 hours. The tax-free allowance (board) can be paid out for a maximum period of 12 months for the same workplace.

In certain situations change of workplace will, however, interrupt the 12-month rule, for instance if the salary earner has been working for a continuous period of at least 40 working days at another workplace before returning to his/her previous temporary workplace.

Set-offs

For tax exemption it is a condition that the employee has not compensated his/her employer by reduction of salary in connection with payout of tax-free allowance.

If concurrently with payout of allowance the employer has agreed with the employee to reduce his/her gross salary, show salary restraint or receive a lower salary at his/her employment, the allowance paid out will be taxable.

2.2 Standard rate for board

The standard rate covers all extra, not documented expenses for board when travelling in Denmark and abroad. The standard rate is 487 DKK per day and night and 20,29 DKK per hour for the travel day (day of return).

If board allowance is received fully/partly tax-free, the allowance is reduced by:

Breakfast:	15% of the rate
Lunch:	30% of the rate
Dinner:	30% of the rate

In case of overnight stays in which breakfast is included, the allowance shall be reduced by 15% (the rate for breakfast). The payment will then amount to 85% of 487 DKK or 413,95 DKK.

2.3 Standard rate for lodging

The standard rate covers all extra, not documented expenses for lodging when travelling in Denmark and abroad. The standard rate is 209 DKK per day and night and can only be paid out per full day and night. The 12-month rule does not apply to lodging.

2.4 Documentation and bookkeeping

Payment of tax-free travel allowance depends on the employer checking the specifications on the basis of which the payment is made.

Tax-free allowance can only be paid out on the basis of supporting documents/vouchers that include:

- The recipient's name, address and civil registration No (CPR-number).
- The business purpose of the trip.
- The start and end time of the trip.
- The destination and part-destination of the trip.
- The rates used.
- Calculation of the travel allowance.

The requirement of the employer checking specifications means that the employee must be very careful when filling in the supporting

documents/vouchers and ensure that they contain all necessary information.

In our opinion the conditions must be considered fulfilled, if the above items can be identified through a salary/employee No. This means that the documentation requirements are considered fulfilled, if name and CPR-number including rates and calculation are shown on the payslip through which the payment is effected, and the other information about date, purpose, address etc. is registered in an IT system.

2.5 Reporting

Payment of tax-free travel allowance is comprised by the duty to report, and the employer must thus report the amounts paid out throughout the year in box 48 to e-Income.

3. Reimbursement according to receipts

Travel expenses covered by the employer through receipts are tax-free for the employee. The expenses must be related to the trip and not be purchases for private purposes. When refunding expenses according to receipts the employee often choose lodging and board himself/herself.

When refunding travel expenses according to receipts there is no requirement as to the

duration of the trip or that it must include stays overnight.

The expenses must generally be documented by showing original receipts/vouchers. According to recent practice the Danish tax authorities will under the circumstances also approve scanned or copied receipts/vouchers, which incidentally proves or make plausible that the expenses incurred on behalf of the employer.

3.1 25% allowance

If the employer covers the employee's travel expenses according to receipts, the employer can in addition pay out up to 25% of the standard rate for board (121,75 DKK) to cover small needs.

The general conditions for payment of tax-free travel allowance must be fulfilled. This means that no 25% allowance can be paid out for trips in Denmark or abroad without staying overnight and below 24 hours duration, and that the allowance cannot be paid out by a reduction of gross salary, cf. section 2.1.

4. Free board and lodging

Free board and lodging often indicate a total arrangement, for instance a course fee including board, on which the employee had

no influence or could compose himself/herself.

Free board and lodging made available for the employee in connection with a business trip is tax-free, and there is no requirement to the duration of the trip or bed-nights.

Expenses for small needs will typically not be covered when free board and lodging have been made available, and the employer can pay out up to 25% of the standard rate for board (121,75 DKK) according to the same conditions as stated under item 3.1.

5. Deductions

In most cases where the employee has expenses that are not covered by the employer in one way or the other, the employee can deduct the expenses on his/her tax return as a deductible expense.

Also in the cases where the conditions for a tax-free payout have been fulfilled, but the employee did neither receive a tax-free allowance nor an allowance that is lower than the tax-free rates, the employee can deduct the differential on his/her tax return as a deductible expense.

If the employer does not pay out the extra 25% allowance, the employee is allowed to deduct the same amount – and there is no lower limit for the size of the amount, so a deduction will be possible in case of only one bed-night. If the employer pay out an amount which is less than the rate of the allowance, the employee is allowed to deduct an amount equal to the difference up to the rate.

Limitation of deductibility

The deduction is in all cases maximum 26,800 DKK per income year per individual (2017).

6. Transport costs

Transport costs can be covered by the actual expenses (reimbursement according to receipts), but cannot be covered by a tax-free standard allowance. Transport costs comprise the employee's expenses for air ticket, train ticket, car rental, taxi etc. in connection with travelling to/from the employee's home/usual workplace to the destination of the trip.

Expenses for local transport are covered by the standard rate for board, cf. section 2.2.

If the employee has business-related expenses, for instance bridge toll, ferry tickets etc., the expenses can be reimbursed according to receipts submitted (it must be the original vouchers/receipts). If the employee uses his own car for business purposes, the transport expenses can on the other hand not be reimbursed according to receipts submitted, but only by standard rates.

For further information about the rules on tax-free mileage allowance for use of one's own car for business purposes we refer to Deloitte's publication "Company car/Own car".

7. Education and course activities

The employer is allowed to cover travel expenses and pay out tax-free allowance in connection with education and course activities. The tax exemption depends on the education not being of a private nature. The tax exemption also applies to education and courses agreed upon in connection with termination of an employment.

Instead of paying out a tax-free travel allowance by the standard rate, the employer can choose to cover the expenses for board, small needs and lodging according to receipts. This is in particular of current interest in case of courses/education of a

duration below 24 hours and which do not imply bednights.

If the employer does not pay out the allowance in connection with education and courses, a differential deduction by standard rates cannot be applied, neither the special 25% allowance.

8. Special professional groups

Special rules apply for a number of special professional groups, which are described below. An individual assessment is required on the specific situation whether the special rules apply.

Students on scholarships

Individuals who are exempted from paying tax on scholarships pursuant to Section 7 K of the Danish Tax Assessment Act can apply the standard rates for board and lodging including small needs.

Self-employed persons

The self-employed can deduct documented travel expenses as general operating costs in his/her financial accounts. The self-employed can instead choose deduction by the standard rates.

Airlines' cabin crew

Expenses for lodging can only be covered

according to receipts or as free lodging. Coverage of expenses for board and small needs etc. can be made by payout of tax-free standard rates. The 12-month rule is not a limitation as the workplace (the aircraft) is considered a temporary workplace for tax purposes.

Export employees

In addition to the ordinary deductions export employees are allowed to have an extra standard allowance of:

- 55 DKK per day and night for work performed within Western Europe.
- 140 DKK per day and night for work performed outside Western Europe.

Long-haul drivers

Expenses for lodging can only be covered according to receipts or as free lodging. Coverage of expenses for board and small needs etc. can be made by payout of tax-free standard rates. The 12-month rule is not a limitation as the workplace (the car) is considered a temporary workplace for tax purposes.

Tourist drivers

Expenses for lodging can only be covered according to receipts or as free lodging. For coverage of board expenses the following

amounts can be paid out:

- 75 DKK per day and night in Denmark.
- 150 DKK per day and night abroad.

The 12-month rule is not a limitation as the workplace (the car) is considered a temporary workplace for tax purposes.

Employees signed on ships

Employees signed on ships and employees who work on ships or installations that are used for investigation or exploitation of natural deposits can apply the standard rate for board, if they cannot use the special schemes stipulated in the Danish Tax Assessment Act (ligningsloven) or the Taxation of Seamen Act (lov om beskætning af søfolk). They cannot use the standard rate for lodging.

If commercial fishermen choose to apply the allowance per day at sea, they cannot apply the ordinary rules of standard deduction. The choice applies to a full income year at a time.

Guest researchers from abroad

For foreign guest researchers at Danish research institute a special practice applies according to which they can receive tax-free allowance in coverage of board and lodging by the standard rates, if their stay in Denmark

does not exceed three months. Their travel expenses to and from Denmark can also be reimbursed.

Lay judges and witnesses

Tax-free allowances for hotel accommodation and transport expenses can be paid out to lay judges and witnesses who have been summoned for an inquiry with the police.

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