



## This publication describes the current legislation and practice on benefits as of 1 January 2018.

We also refer to Deloitte's other publications about:

- IT taxation.
- Company car/Own car.

And a Danish version of Deloitte's publications about employer-paid healthcare expenses, flexible benefits and staff associations.

### Who are covered by the rules?

The rules of taxation of benefits are applied both when a benefit is granted as part of permanent employment and as part of a more casual agreement on personal work. Board members, consultants etc. can thus be covered by the rules.

### What is comprised by the rules?

Benefits that an employee receives from an employer, irrespective whether they are cash or for which full price is paid, are in principle taxable.

Expenses that an employer pays for business purposes are in principle not taxable for the employee. This might typically be availability of standard equipment or payment of expenses for e.g. jubilees, retirement reception etc. The same applies to the employer's expenses for prevention and treatment of work-related injuries.

### Taxation

Any cash payment received for personal work performed within employment is defined as A-income (income taxed at source) and is taxed as salary. Refund of the employee's private expenses is also considered cash payment, and the same is the case, if the employer pays the employee's tax levied on a taxable benefit.

The value of benefits/benefits-in-kind is in principle taxable as B-income (income not taxed at source). Certain benefits are, however, separately tax-exempted, and other benefits will only be taxed, if their total value exceeds one of the trifle thresholds (nominal limit).

### Trifle thresholds

The following two trifle thresholds must be kept track of:

#### **The special trifle threshold; 6,100 DKK**

Benefits that the employer has mainly granted and made available to facilitate the employee's work performance are comprised by the special trifle threshold and are only taxed, if the total value of these benefits exceeds 6,100 DKK.

#### **The general trifle threshold; 1,100 DKK**

Other taxable benefits are only taxed, if the total value of these benefits exceeds 1,100 DKK per year per employee.

Both limits constitute a trifle threshold and not a lower limit. This means that the entire

amount is subject to taxation (i.e. the total value of all benefits), if the limits are exceeded, and not only the excess amount. In these cases the employee is liable to report the total value of his/her benefits under the special trifle threshold of 6,100 DKK respectively the general trifle threshold of 1,100 DKK on his/her tax return.

The usual Christmas present must be included in the total value, when it is to be estimated whether the new tax-free trifle threshold has been met. However, the usual Christmas present in the form of benefits-in-kind will not be taxed, if the value does not exceed 800 DKK per year – irrespective whether the general trifle threshold of 1,100 DKK is exceeded. This also applies, even though the employee receives Christmas presents from several employers. The only requirement is that the value of the individual Christmas present must not exceed 800 DKK.

It is crucial that the employees can control the various sets of rules and to which category the individual benefits belong in order to be able to estimate and report the total value of small-value benefits correctly in their tax return. The employees themselves must also determine and report the market value of the benefits in their tax return.

Examples of tax-free and taxable benefits and which benefits belong to the general and the special trifle threshold is shown in the overview.

### **Tax-free benefits and general employee welfare**

When it comes to legislation, a number of benefits are exempted from taxation. They are for instance education, use of sponsored tickets received in relation to employment and private use of a computer with standard equipment made available for business purposes.

Expenses that the employer pays for the benefit of the employees' job satisfaction as part of the general employee welfare are not taxable for the employees either. The expenses will typically be in connection with improvement of the work environment or the work climate which might for instance be costs for coffee, tea and fruit including costs for social events.

### **Valuation**

As a main rule the tax value of a benefit is fixed at the market value, i. e. the value at which the employee could have bought or rented the service/benefit within free trade, and thus equal to the personal expenses

saved. This is often – but not always – equivalent to the employer's expense.

**The market value of taxable benefits is only deviated from, if a special standard value of the benefit has been fixed. This applies for instance for company cars, free telephone and free board and lodging.**

### ***Employee payment***

The tax value of a benefit can be reduced by employee payment made by funds already taxed. Consequently taxation can only be triggered on the value/gain that the employee obtains in addition to his/her employee payment, if any.

**However, for tax levied on free telephone the employee payment cannot be set off against the standard value.**

Agreements about general and actual reduction of the gross salary before tax cannot be considered an employee payment, and consequently reduction of the gross

salary does neither affect the valuation nor the taxation. However, reduction of the gross salary in connection with disposal of a computer with standard equipment will trigger taxation, cf. the special anti-avoidance rule (see our publication on IT Taxation).

### **Reporting obligations**

In principle the employer is obligated to report most A- and B-incomes. The classification of A- and B-income is only important in relation to whether the employer is obligated to currently withhold AM-tax (social security contributions) and A-tax (tax withheld at source).

**The value of benefits is in principle taxable as B-income (income not taxed at source), unless it has separately been converted into A-income.**

### ***A-income – always reporting obligation***

Cash remuneration and refund of personal expenses are defined as A-income. In addition, the value of for instance company car, free telephone and employer-paid healthcare is considered A-income. The employer is always obligated to report A-income – irrespective of its value.

### ***B-income – with and without reporting obligation***

Certain B-income (as for instance value of free year-round residence and summer/weekend cottage) must always be reported.

Concerning other taxable benefits, which are B-income, the employer has in principle only reporting obligations, if the value of the individual benefit exceeds 1,100 DKK.

The employer does not need to keep track of how many trifle threshold benefits the individual employee receives. Only if the value of the individual benefit exceeds 1,100 DKK must the value of the benefit be reported in box 55 for income, cf. below.

In principle several different benefits can be granted at the same time without it triggering reporting obligations, if only the value of the individual benefit does not exceed 1,100 DKK. If several benefits of the same type, for instance supply of a basket of fruit or groceries each month, are granted currently (perhaps as a subscription), or if several benefits are sub-components of a total benefit, they must, however, be considered one benefit and consequently be reported, if their total value exceeds 1,100 DKK per year.

Neither does the employer need to keep track of how many benefits within the special 6,100 DKK trifle threshold the individual employee receives.

The value of the following (taxable) benefits is exempted from the reporting obligation:

- Benefits comprised by the general trifle threshold – with a value below the nominal limit of 1,100 DKK.
- Benefits comprised by the special 6,100 DKK trifle threshold.
- Bonus points earned in connection with business trips paid by the employer.
- Kindergarten and day nursery made available by the employer.
- Occasional private use of equipment (for instance craftsmen's loan and use of tools, trailer, lift etc.).
- Private use of benefits made available in the interest of the work, but which is not comprised by the trifle threshold (for instance other private use of brobizz than between home and work).
- Private use of parking space (near the workplace).

The employees have, as stated above, an obligation to include the taxable value of such benefits in their tax return.

In addition the employer is in certain situations obligated to report a benefit via elncome by ticking off the relevant box, for instance if public transportation between home and work is made available to the employee.

### Overview

The overview below shows the typical benefits. They have all been categorized according to how they are taxed and whether the employer is obligated to report via elncome.

### A-income (income taxed at source)

For the following benefits reporting must always be made by stating the taxable value of the benefits in the box numbers referred to:

- Company car, separate value in box 19 (must also be included in box 13).
- Free telephone, separate value in box 20 (must also be included in box 13).
- Free board and lodging, separately valued according to the National Assessment.
- Council's standard rates/standard values in box 21 (must also be included in box 13).
- Anniversary bonus and severance pay, box 69 (should not be included in box 13).
- Cash reimbursement/allowance and gift vouchers, box 13.
- Refund of personal expenses (fines, personal membership fees and subscriptions), box 13.
- Employer-paid healthcare expenses including healthcare insurances, separate value in box 26 (must also be included in box 13).

### B-income (income not taxed at source (including labour market contribution))

The following benefits, which are made available to an employed principal shareholder or other executive with essential influence on his/her own remuneration, are taxable, and the employer is always obligated to report them by stating their value in the elncome boxes indicated:

- Permanent residence, box 50 + extra information\*).
- Summer/weekend cottage, box 51 + extra information\*).
- Pleasure boat, box 52 + extra information\*).

\*) If one of the above benefits are granted to a principal shareholder, supplementary reporting must be made by stating code 61 in box 68. If the benefit is granted to a director or other employee with essential influence on his/her own remuneration, extra information must be given by stating code 60 in box 68. In these cases the benefit will be subject to labour market contribution, however, the labour market contribution of its value shall neither be withheld nor reported.

### B-income (without labour market contribution)

For the following benefits reporting must always be made by stating the taxable value of the benefits in the elncome box numbers referred to:

- Permanent residence, box 50.
- Summer/weekend cottage, box 51.
- Pleasure boat, box 52.
- TV/radio licence (media licence), box 53.

### B-income (without labour market contribution)

The following are examples of taxable benefits, which the employer must always report by stating their value in elncome box 56 – irrespective of the size of their value:

- Taxation of computers comprised by the anti-avoidance rule (50% of the equipment's initial price, if gross salary is reduced).
- Staff loan (if interest-rate advantages).

### B-income (without labour market contribution)

The following are examples of taxable benefits, which the employer must always report by stating their value in elncome box 55, if the value of the individual benefit exceeds 1,100 DKK:

- Entrance/season ticket to swimming baths, amusement parks, zoo, museums, theatres and sports events etc.
- Alarm system (in private residence).
- Clothing (ordinary without logo or the like).
- Flowers, wine and chocolate (which are not considered general employee welfare).
- Fitness (access to facilities outside the workplace).
- Gifts, prizes and rewards in appreciation of good performance.
- Medical examinations (comprising more than a medical check-up, irrespective of general scheme).
- Hunting.
- Jogging (which is not considered general employee welfare).
- Motorcycle.
- Receptions (private purposes).
- Travels (travels, holidays and stays with a strain of tourism).
- Travels (companion's participation in business trips etc.).

### B-income (without labour market contribution) / special trifle threshold – nominal limit of 6,100 DKK

The following are examples of taxable benefits made available by the employer due to the individual employee's concrete work situation and the value of which will be comprised by the special trifle threshold. The employer has no reporting obligations regarding these benefits.

- Newspapers, periodicals, magazines etc. made available to the employees for business purposes.
- Food and beverages in special occasions, for instance overtime work.
- Working clothes required and paid by the employer including clear logo or company name.
- Navigation (GPS) made available to employees who need the GPS for business purposes.
- Samples – testing the company's new products.
- Vaccination – for employees in certain cases.

### Tax-free benefits

The following are examples of tax-free benefits, which shall not be reported, and the value shall not be included in the general trifle threshold – nominal limit of 1,100 DKK:

- Alcohol addiction treatment (general scheme offered to all employees).
- Work-related mobile phone (only used for business purposes).
- Working tools, uniforms and safety-clothing etc.
- Computer with standard equipment made available for business purposes.
- Data communication with access to employer's network.
- Parking near the workplace.
- Receptions (for business purposes).
- Smoking cure (general scheme offered to all employees).
- Computer glasses (provided that they are only for use at the workplace).
- Sponsored tickets to sports and cultural events.
- Medical check-up (to a small extent and value).
- Health benefits for the prevention and/or treatment of work-related injury.
- Education (not entirely personal purposes).

### Tax-free general employee welfare at the workplace

The following are examples of tax-free employee welfare benefits, which shall not be reported, and the value shall not be included in the general trifle threshold – nominal limit of 1,100 DKK:

- Coffee, tea, fruit, spring water (and sometimes sweets, cakes, breakfast rolls etc.).
- Flowers on occasion of new engagements, appointments etc.
- Company parties and events etc. (Christmas lunches, summer excursions, company-sports events, DHL-relay etc.).
- Annual presents for Christmas/New Year, max. 800 DKK per year\*).
- Canteen (if the employee's own payment fulfils the minimum requirement of 15 DKK/20 DKK per meal). The employer contribution is limited to one standard meal per day.
- Presents (of a limited/reasonable value on special occasions, for instance employees' anniversaries and jubilee celebrations).
- Access to fitness facilities at the workplace.
- Staff associations (if employer's grants/influence is not essential).
- Staff discount (when purchasing goods at minimum employer's cost price).

\*) The value must, however, be included when calculating the general trifle threshold – nominal limit of 1,100 DKK.

### Ticking off the boxes

In respect of certain benefits the employer is obligated to report by ticking off the boxes in Income – without stating value – e.g.:

- Free pass for public transport, tick off box 63 and extra information\*).

\*) In addition box 11 must be ticked off, which corresponds to saying "No" to automatic calculation of transport allowance.

# Offices in Denmark

## Aalborg

Østre Havnepromenade 26, 4. sal  
9000 Aalborg  
Tel. +45 98 79 60 00  
aalborg@deloitte.dk

## Aarhus

City Tower  
Værkmestergade 2, 18.-21. etage  
8000 Aarhus C  
Tel. +45 89 41 41 41  
aarhus@deloitte.dk

## Aars

Løgstørvej 14  
9600 Aars  
Tel. +45 96 98 23 00  
aars@deloitte.dk

## Esbjerg

Dokken 8  
6700 Esbjerg  
Tel. +45 79 12 84 44  
esbjerg@deloitte.dk

## Kolding

Egtved Allé 4  
6000 Kolding  
Tel. +45 75 53 00 00  
kolding@deloitte.dk

## København

Weidekampsgade 6  
2300 København S  
Tel. +45 36 10 20 30  
koebenhavn@deloitte.dk

## Løgstør

Jernbanegade 21  
9670 Løgstør  
Tel. +45 98 79 61 90  
loegstoer@deloitte.dk

## Odense

Tværkajen 5  
5100 Odense C  
Tel. +45 63 14 66 00  
odense@deloitte.dk

## Silkeborg

Papirfabrikken 26  
8600 Silkeborg  
Tel. +45 89 20 70 00  
silkeborg@deloitte.dk

## Slagelse

Ndr. Ringgade 70 A  
4200 Slagelse  
Tel. +45 58 55 82 00  
slagelse@deloitte.dk

## Nuuk

Imaneq 33, 6.-7. etage  
3900 Nuuk  
Tel. +299 32 15 11  
nuuk@deloitte.dk



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