



For instance, if the employee pays for petrol abroad – or other general operational costs – they can be considered self-payments and thus reduce the taxable value of the company car. It is, however, a condition that:

- The employee submits the original receipts to the employer.
- The employer books the amount as an operational cost and at the same time credits an equivalent amount as income in the form of self-payment in the company car accounts.

Salary conversion

It is insignificant whether a company car is included as part of the total remuneration package or the employee contributes directly to the financing by accepting a general and actual salary reduction.

A reduction of the gross/cash salary is not considered a self-payment for tax purposes, because it is not made with net pay. Consequently, taxation will take place according to the ordinary rules, and a salary reduction can neither be set-off against nor reduce the tax value.

1.4 Availability

If the car is only available for private use part of the year, the tax value will be reduced by the number of months during which the car was not available to the employee. In this respect, one month is a continuous 30-day period and not a calendar month. For instance, if the car has been available for the period 1 January to 20 June and 10 August to 31 December, the employee must be taxed of 11/12 of its annual value, because the period with no car available is more than 30 days, but less than 60 days.

In case of an occasional loan of a company car, the employee will also be taxed according to the ordinary rules. This means that an employee must be taxed for a whole year, however, a deduction for the number of whole months during which the car was not available will be granted. This means that a loan/availability period of only a few hours actually triggers taxation of the value of a company car for minimum one month (1/12 of the annual value).

In case of changing cars in the middle of a calendar month, taxation of both cars should in principle be triggered in the actual month. However, if both cars have not been available at the same time, it will be accepted that only

the most expensive of the cars is taxed during the actual month.

The same applies if an employee changes job in the middle of a month and has a company car available from both workplaces. In this case, the first employer must calculate and tax the value of the company car for the whole month according to general terms and conditions. The new employer must also calculate the value of company car for the whole month during which the employee starts employment, but can against documentation set-off the value of the company car that has been reported by the previous employer.

Storage/downtime insurance

A frequently asked question is whether it is possible to avoid taxation of cars which are either put away for storage or which are covered by a downtime insurance for instance. However, neither downtime insurance nor dismantling and deposit of registration plates with e.g. an insurance company are sufficient to avoid taxation of a company car.

To avoid taxation of a company car, it is decisive that an effective “deprivation of the availability” has taken place, and this requires,

in principle, that the car is deregistered in CRM and the registration plates are handed over to the Danish Tax Agency

1.5 Electric cars

An electric car is, in principle, comprised by the general rules on taxation of company car, if the car is made available for private use. The costs for electricity for recharging the car are included and treated in the usual way as costs for petrol/diesel etc.

Electric cars have been exempted from registration tax until the end of 2015, and the calculation basis solely constitutes the acquisition price including VAT. From 2016 to 2023, there is a gradual phase-in of registration tax on electric cars.

If the employer pays costs related to the installation of a power charger at the employee’s residence, the amount should be added to the “calculation basis”.

2. Use of own car for business purposes

If the employee uses his/her own car for business purposes, the employer can reimburse operating costs by paying out a tax-free mileage allowance.

On the contrary, the employer cannot pay or reimburse actual operating costs concerning the employee's private car without tax consequences.

If the employee has other expenses for e.g. bridge tolls, ferry tickets etc. in connection with transportation for business purposes, the costs can, however, be covered by the employer as outlays according to receipts submitted. In order to have the expenses covered, it is a condition that the employee can show original receipts.

2.1 Own car

In order to obtain tax-free mileage allowance, it is a condition that the employee drives in his/her own car.

“Own car” is a car that is registered in the employee's own name. A car that is leased in one's own name (private leasing) is also considered one's own car. A car that is registered in the spouse's or the cohabitant's name is considered one's own car as long as

the parties have joint finances. A car that is registered in one of the parents' name is also considered the son or daughter's own car, when it can be documented that the son or daughter is the actual owner of the car, has financed the purchase and pays the operating costs.

2.2 Transportation for business purposes

Legislation stipulates the following objective criteria for which kind of transportation is considered transportation for business purposes:

- Transportation between usual residence and a workplace for up to 60 working days within the preceeding 12 months.
- Transportation between workplaces.
- Transportation within the same workplace.

This 60-day rule means that transportation will no longer be considered business-related when an employee has driven from his/her residence to a workplace for more than 60 working days within a period of 12 months. Therefore, the employee is no longer entitled to a tax-free mileage allowance.

When counting the 60 days, it is not important whether the transportation has taken place by one's own car, another person's car or by public transport. The decisive factor is whether the employee has transported himself/herself between his/her residence and the specific workplace for more than 60 working days within a preceding 12-month period.

If the employee has a transport pattern that implies transportation to so many different workplaces that it is not likely that transportation between usual residence and the workplace will occur for more than 60 working days within a 12-month period, the transportation can be considered made for business purposes. There is no direct requirement to control that the rule has been complied with. The Danish Tax Agency can, however, with future effect for up to 12 months, impose written orders that it should be documented that the transportation is actually business-related (e.g. by making mileage accounts).

2.3 Tax-free mileage allowance

Both Danish and foreign employers and assignors can pay out tax-free mileage allowance to the employee for transportation in his/her own car for business purposes.

For 2019 the National Assessment Council has determined these rates:

- **3.56 DKK per kilometre for the first 20,000 kilometres**
- **1.98 DKK per kilometre beyond this limit**

The total annual number of kilometres driven in the income year referred to is decisive for whether the kilometres driven justify the high or the low rate.

When the limit of 20,000 kilometres for business purposes in the individual calendar year is exceeded, the rate will be reduced. If an employee has several employers at the same time or during the year, the 20,000 kilometre limit will apply to each employer.

It is the actual number of kilometres driven during the calendar year, which decides which rate to be used. Thus the mileage allowance must be calculated on the basis of the rates that applied on the date of the transportation – even though the actual payout will be made in the subsequent income year/calendar year.

If the employer pays out a tax-free mileage allowance by rates that are lower than the rates stipulated by the National Assessment Council, the employee cannot deduct the differential amount between the allowance and rates.

If no allowance for transportation by one's own car for business purposes is paid out, the employee will instead be entitled to a tax deduction (according to the rules and by the rates for transportation between home and work).

If an allowance is paid out by rates that are higher than the National Assessment Council rates, the entire amount will be taxable as personal income, unless the amount is divided at the time of payout and the part of the amount that exceeds the rates is treated as salary. In this case, taxes should be withheld in connection with the payout.

2.4 Set-offs

Fixed monthly or annual payouts of mileage allowance are taxable and considered salary. Mileage allowance is also taxable, if it is set-off fully or partly against cash salary already agreed upon.

The tax exemption is conditioned by the employee not having compensated his/her

employer 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.

2.5 Documentation and bookkeeping

In order for the employee to receive a tax-free mileage allowance, the employer must check the number of kilometres driven.

The allowance must be settled by submitting a document containing information about:

- The recipient's name, address and civil registration no. (CPR-number).
- The business purpose of the transportation.
- Date of the transportation.
- The objective of the transportation.
- Number of kilometres driven.
- Rates applied.
- Calculation of the mileage allowance.

The demand on employer control procedures means that the documentation must be completed carefully and that it must 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, if the name, CPR-number, rates and calculation are stated on the payslip, and the information about date, purpose and address etc. is registered in an IT system, the documentation requirements are considered fulfilled.

The employer must check the number of kilometres driven effectively, and therefore the person approving the payout must be able to identify the destination stated. Stating a company name or an in-house term is in principal not enough. The exact address must be stated. The voucher should be signed by the person checking them.

2.6 Reporting

Payout of tax-free mileage allowance must be reported, and the employer is liable to report the amounts paid out on a month-by-month basis to Income in box 48 with separately income type, code 0109.

3. Leasing

If the employer leases a car and makes it available to the employee as a company car, the employee will be tax liable according to the same rules applying for cars owned by the company. The calculation basis is determined as if the car was purchased by the employer at the time of leasing the car.

If the car is leased no more than 36 months after the car's first registration, the car will be valued on the basis of the price of a new car. If the leasing agreement has been concluded more than 36 months after the car's first registration, an estimated market value of the car at the time of concluding the agreement will be used as basis for the calculation.

3.1 Low-taxed leasing cars

Even though the rules of taxation of company cars are identical – irrespective whether the employer purchases or leases the car, it is, however, a fact that a car model with the same equipment is often taxed lower, if it is leased compared to a purchased car. This is solely due to the fact that the leasing companies (who own the car) can purchase the car at a lower price than the price at which an employer can purchase it.

In addition, the leasing companies have the possibility of only settling a proportional part of the registration duty for the period that the leasing agreement covers. This does, however, not affect the taxation basis. Proportional calculation and settlement of the registration duty are often referred to as flex leasing, described in section 3.2 below.

3.2 Flex leasing

In everyday speech, flex leasing is the situation where the leasing company has the possibility of settling a proportional registration duty. Very often, the model is described as continuous settlement of the duty, however, this is not correct.

A very special rule makes it possible for the leasing companies only to settle a proportional part of the total registration duty. This is an exception from the ordinary rules regarding payment of full registration duty when the car is registered in Denmark for the first time. The registration duty is calculated in the usual way, and, subsequently, the leasing company is charged with a proportional part – equivalent to the leasing period. The proportional duty is, however, paid upfront, and, therefore, the payment is not continuous.

Only leasing companies that lease out cars commercially can apply the rule. Individuals cannot use the rules.

3.3 Split leasing

The model consists of two independent leasing agreements:

- One agreement between the leasing company and the employer, which covers working hours and transportation for business purposes.
- One agreement between the leasing company and the employee, which covers spare time and transportation for private purposes.

The model is to ensure that the employer as well as the employee pays exactly each their part of the total costs on the basis of a detailed mileage log.

As the employee pays all costs and bears the financial risk regarding all private transportation, the employer has not made the company car available to the employee for private purposes. Therefore, no taxation will occur according to the general rules of taxation of company car.

The Danish Tax Agency has approved the scheme provided that the following

requirements of the wording of leasing agreements and mileage logs are fulfilled:

Split leasing agreements

- Separate, written leasing agreements between the leasing company/employer and the leasing company/employee must be concluded. The leasing agreements must be independent, and the parties must solely be liable for their own obligations in relation to the leasing company.
- The employer has the preferential right to use the car during working hours, and the employee has preferential right to use the car at other times (spare time).
- The lease payment and all operational costs are for each of the parties settled directly with the leasing company.
- The lease payment that covers the total operational costs, depreciation and interest payment is split proportionally between the parties on the basis of the actual kilometres driven.
- The leasing agreements are required to be identical, so that each party pays exactly the same amount per kilometre driven.

Mileage log – split leasing

In order to ensure that the employer only pays

the costs related to business driving, a detailed and complete mileage log must be made continuously, and it must cover the actual kilometres driven split between business and private purposes, respectively.

Split leasing in practice

The employer must in no way finance, be liable for or guarantee the employee's obligations vis-à-vis the leasing company.

In order for the scheme to be practicable and at the same time comply with The Danish Tax Agency's terms and conditions, it is required that each party settles all operational costs (including costs for petrol) proportionally and directly with the leasing company. In this way, it is ensured that each individual scheme is divided effectively between the parties.

Split leasing cannot be used for self-employed businessmen, even though the Business Tax Scheme is applied, since the self-employed businessman is one and the same legal person. If a leased car that is used for mixed purposes is kept out of the Business Tax Scheme, the actual costs for using the car for business purposes can be refunded, and, consequently, the model will in practice have the same effect as split leasing.

4. Choice of company car scheme

The choice between own car or company car usually attracts great attention. The basis for choosing company car or own car is primarily the financial consequences for both the employer and the employee.

It is difficult to give a precise answer as to when it is most financially advantageous for the parties to prefer the one model to the other, as it depends on each individual situation.

For the employer, it is most often a decisive factor whether the costs are unchanged, irrespective whether a company car is made available to the employee or the employee receives a higher salary combined with tax-free mileage allowance when using his/her own car for business purposes.

For the employee, it is important which solution is the most financially advantageous. This can be decided by making a calculation based on the price of the car, the mileage pattern and the time of the purchase etc.

Typically, the calculations will show that the employee should choose company car if the number of kilometres driven for business purposes is low compared to the number of kilometres driven for private purposes. On

the other hand, it can be an advantage for the employee to choose his/her own car, if a lot of kilometres are driven for business purposes – in particular if it is a low-price car – as the tax-free mileage allowance rate is the same irrespective of the type of car that the employee uses (new, used, lowprice or expensive).

4.1 Free app to more platforms

Deloitte has developed an easily accessible calculation model which, on the basis of a few parameters, gives a very precise indication of which choice (company car or own car) is the financially most optimum solution in each situation.

Our model makes the calculation on an assumption that the total annual costs for a company car scheme is financed by an equivalently lower salary, i.e. the choice between company car and own car is cost-neutral for the employer.

The calculations are based on the following individual information, which the user has to provide:

- The price of the car.
- Calculation basis (which is most often lower than the price).

- Petrol efficiency (how far does the car go per litre).
- Distance between home and work (for calculation of lost mileage allowance, if any).
- Transportation for private purposes.
- Transportation for business purposes (for calculation of the possibility of tax-free allowance when using own car).

The conclusion summarises the most important assumptions and calculated amounts on which the calculations are based in each situation.

Our company car app can be downloaded free of charge from www.deloitte.dk and is available for the following platforms:



Android



iPhone/iPad



PC



Mac

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