



**Employer-contributed
health care**

Tax 2021

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Employee health at the workplace is a broad concept. Therefore, it is necessary to be able to differentiate between the different kinds of expenses.

As a main rule, the employer always has the right to full tax exemption of expenses covering employees, regardless whether they are expenses for the improvement of the indoor environment, fruit and coffee/tea, health care like massage, nicotine replacement therapies and hospital treatment or a fitness subscription.

It is of no consequence for the employer's right of deduction, whether the expenses are covered as part of a general scheme, individually per employee, or whether it is effected via payment of an insurance premium. The question, however, is whether the employee is to be taxed when the employer covers the expense?

Below, you will find a comprehensive overview of the tax-related rules for taxation of employer-contributed welfare and health benefits, divided into:

1. General employee welfare measures.
2. Work-related injuries.
3. General tax-exempt schemes.
4. Health expenses subject to tax.
5. Health care and accident insurances.

1. General welfare measures

General employee welfare schemes at the workplace are not taxed according to normal practice, if they are:

- Without significant economic value.
- Not customisable per employee.
- Not financed as flexible benefits*.

*Health care, which are tax-exempt as part of a company's general employee welfare scheme, may not be provided as flexible benefits, and can, therefore, not be financed by the employees by a reduction of the gross salary.

Typical examples of this are the employer's payment of subsidies for normal general staff expenses like fruit schemes, spring water as well as other welfare measures at the workplace.

1.1 Events and company sports

The employer's expenses or subsidies for certain forms of company sports (see our publication on Staff associations) and other joint events, as well as the expenses

for setting up exercise facilities inside the workplace (gym, tennis court etc.) are seen as general employee welfare. As a rule, employees are not liable to pay tax of the use of such facilities.

However, if the employer also pays for a personal instructor, the employees' use of the facilities is as a rule subject to tax, as it is a question of significant economic value, which is related to the individual employee.

1.2 Medical check-up/health check

An employer-paid medical check-up/health check (limited examination to a small extend and value), which takes place under the auspices of the employer and at the employer's initiative, is tax-exempt for employees, if it is a scheme provided for all employees.

However, tax exemption is conditional on only few and simple tests being performed in order to give a general picture of the employee's state of health (to a small extend and value). The employee is liable to tax of an extensive health check, if the employer pays the expense, whether it is provided for all employees.

1.3 Vaccinations

Vaccination of employees can be considered as being covered by the notion

of general employee welfare and will, therefore, be tax-exempt, if the vaccination is without significant value and is made available to all employees at the workplace.

According to practice, the value of vaccination of key employees, who are quite indispensable in upcoming peak periods, may in special cases be covered by the special trifle threshold, see section 2.2.

2. Work-related injuries

2.1 Prevention and treatment

Employer-contributed health and welfare expenses, which are professionally motivated, are tax-exempt for the employee. Tax exemption does not require that the treatment is approved by a doctor. In this way, the employer may pay for health expenses, which relate to compulsory accident insurance and, furthermore, the employer may pay expenses for prevention or treatment of work-related injuries, without the employee becoming liable to pay tax hereof.

This, for example, entails expenses for professional instruction in correct work posture, interior design of the workplace as well as expenses incurred in order to prevent and treat work-related injuries.

Employer-paid expenses for physiotherapy, reflexology, chiropractic and acupuncture etc.

will also be tax-exempt for the employer, if it is a case of prevention or treatment of a work-related injury.

The employer's payment of such benefits can also be carried out via an insurance scheme. It is, however, important to be aware that the insurance only includes treatment and prevention of work-related injuries. If the insurance includes other benefits of private nature, the full premium will be subject to tax, see also section 4.

It does not necessarily have to be a general scheme that applies to everybody.

The same applies to the employer's payment of expenses for treatment at a private hospital, in cases, where a work-related injury inflicted on the employee is treated. The same applies to payment of expenses for psychologist assistance in connection with prevention or treatment of work-related injuries due to incidents at the workplace (critical incident stress debriefing).

As a rule, employer-contributed treatment of stress is considered payment of a private expense, and the employee will be liable to pay tax hereof. Can it be proved that the stress is work-related, treatment of this stress may be considered as prevention of work-related illness and, thereby, tax-exempt for

the employee. However, this requires that there has initially been a course of treatment and that it is not a case of short-term stress. In terms of tax, stress in itself is not considered an illness.

The employer's payment of screen glasses is also tax-exempt for the individual employee, presuming that they are for work use only.

2.2 Vaccinations

Specific vaccinations, which are directly necessary in order to perform the job, e.g. due to official stationing to an area with malaria or yellow fever, are tax-exempt because the work-related conditions cause the employee to be exposed to infection.

If the employer offers vaccination to specially selected employees, who are quite indispensable in upcoming peak periods, it is a taxable benefit. However, the benefit value may be used when determining the special trifle threshold (DKK 6,500), because it is predominantly considered to be provided for the sake of the job.

3. General tax-exempt schemes

Expenses for treatment of employee abuse of medicine, alcohol or other drugs as well as nicotine replacement therapies are comprised by tax exemption, cf. section 30 of the Danish Tax Assessment Act. Treatment of other forms

of abuse is not covered by these rules, e.g. employer-contributed treatment of gambling addiction.

Tax exemption is not reserved for time limited expenses. However, tax exemption for covering expenses for medicine is limited to a period of 6 months.

It is a requirement that the scheme is offered to all employees on equal terms. However, the offer may be limited on the basis of seniority and the number of work hours.

Treatment of alcohol-related and addiction issues demand a written doctor's statement regarding the need for treatment.

However, there is no requirement for a doctor's referral or a doctor's statement in connection with employer-contributed nicotine replacement therapies.

Tax exemption in connection with nicotine replacement therapies includes e.g. therapy and counselling as well as pharmacological remedies and aids like for example nicotine preparations (patches, chewing gum, inhaler etc.).

3.1 COVID-19 test and personal protective equipment

A bill has been submitted which means that a

tax exemption will be introduced for employer-paid COVID-19 tests and personal protective equipment with effect from the income year 2020.

Because of the very special situation of the COVID-19 pandemic, tax exemption are introduced for the value of tests for COVID-19, tests for antibodies to COVID-19 and personal protective equipment, which aims to limit the spread of COVID-19 infection when the costs are borne by the employer and others.

The tax exemption is proposed to include employer-paid tests and personal protective equipment for the employee and the employee's household. In addition to employed persons, the rule will also include other persons, who perform work in general as well as members of boards, councils etc. and their households.

It does not matter, which test form is used for COVID-19 as well as for antibodies to COVID-19. However, the proposed tax exemption will not include testing for other diseases.

The proposed tax exemption includes personal protective equipment aimed at limiting the spread of COVID-19 infection. This includes all equipment, including clothing

intended to protect oneself or others from COVID-19 infection and any accessories that serve this purpose. It thus includes i.e. masks, bandages, visors and gloves.

4. Health expenses subject to tax

4.1 Health treatment

If the employer pays expenses for health treatment for the individual employee, it will, as a rule, be a taxable employee benefit, if the expenses are not considered to relate to general employee welfare (section 1), work-related injuries (section 2) or treatment of abuse (section 3).

There is a tax liability, even if it is a question of medically motivated treatment, and even if it is a question of a general scheme offered to all employees. There is also a tax liability, even if the employer pays the expenses directly or by payment of an insurance premium (health insurance).

If a health scheme/insurance both contains tax-exempt elements (for e.g. prevention and treatment of work-related (injuries) and elements subject to tax (which relate to the private sphere), the entire scheme, and, thereby, the entire employer-paid insurance premium, is subject to tax.

However, the insurance premium which both contains benefits subject to tax and benefits

covered by section 30 of the Danish Tax Assessment Act (treatment of abuse, cf. section 3), could be divided so that the part of the premium, which can be assigned to the benefits in accordance with section 30, is tax-exempt.

If the insurance is categorised in this way, where there are actually two products with separate premium collection, the employer-paid premium will be tax-exempt for the employee, if the insurance only covers benefits exempt from tax. A possible complementary insurance, which covers leisure time, will be subject to tax, if it is paid by the employer.

4.2 Taxation and reporting

Employer-paid health treatment, including premiums for health insurances, is subject to primary income, and the employer is required to report the value separately in space contribution and tax at source (26 to elndkomst), and is also obligated to withhold AM-contribution and A-taxes. The AM-value also has to appear in space 13).

The time of taxation for the employer-paid premiums for health insurances follows the regular rules for employee benefits and will depend on the individual type of insurance.

Insurance cover dependent on employment period

If the insurance only covers whilst the employee is employed, the employee is

considered to continuously acquire the right to the insurance payment in line with the existing terms of employment. In this case, accrual and continuous taxation has to take place in the pay periods, in which the employee is covered by the insurance. Reporting to elndkomst has to be done on a monthly basis.

Insurance cover for a fixed period

If an employee obtains an absolute right to insurance cover for e.g. a whole year from day one of the insurance coverage (i.e. it is not a condition that the employee remains employed for the whole period), there has to be taxation and reporting of the whole annual premium to elndkomst in the pay period in which taxation takes place and the insurance period commences.

4.3 Integrated insurance

The reporting obligation regarding premiums for health insurances is assigned to the insurance company or the pension fund, if the health insurance is an integrated part of a pension scheme. The reason for this is that the employer typically does not know the price for the individual coverages – including the health insurance, if it is a case of an integrated insurance in a mandatory company pension scheme.

5. Healthcare and accident insurances

If an employer draws up a health care and

accident insurance for the employee, the employee may be subject to pay tax of the benefit.

The difference compared to the situation with the health treatments is that the insurance schemes may also include compensation in case of for example loss of ability to work, death etc.

The premium for an accident insurance, which only covers accidents during work hours, or travel and accident insurances, which only cover trips in the employer's service, is not subject to tax for the employee.

In the case of health care and accident insurances, which cover both during work hours and leisure time, there is a distinction between whether the sum insured is over or under DKK 500,000 at the time of subscription. Does the cover exceed DKK 500,000, a division of the premium has to be made, so that the employee is taxed of the part of the premium that concerns the coverage of leisure time, whilst the part of the premium concerning coverage during work hours is exempt from tax.

If the insurance also covers spouse or other family members, this part of the premium will be subject to tax for the employee.

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