



**Remuneration –  
for employees and for unremunerated persons**

Tax 2021

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## Payment of subsistence allowances and remunerations often give rise to concern as to the tax treatment – especially in cases of payment of unremunerated persons.

This publication describes which groups of persons are included in the different rules. We will describe in which situations – and to whom – tax-free remuneration may be paid, as well as when and in which situations there are an obligation to report to the Danish Tax Agency.

We refer to our publication *Travel expenses* for a description of the conditions for payment and rates of tax-free travel allowances.

We refer to our publication *Company car/Own car* for a description of the conditions for payment of tax-free mileage allowances and the rates for business-related use of own car.

### Current rules

The tax-related treatment of payment of subsistence allowances and remuneration

can be divided into three following rules:

1. Employees etc.
2. Remuneration recipients etc.
3. Unremunerated persons (in connection with tax-exempt association activity, cf. section 7 M of the Danish Tax Assessment Act).

In order to achieve correct tax treatment, it is a key factor that the payment in the specific situation is ascribed to one specific rule, as it is not possible to combine the different rules.

### 1. Employees etc.

#### 1.1 Who is covered

These rules apply to payment to employees, and it is assumed that these are paid employees – i.e. recipients of primary income. No tax-free travel or mileage allowance can, thus, be paid to unpaid family members or other persons, who are not associated with the company on a contractual basis.

Actual employees can be paid tax-free remuneration in connection with business travel, including congress and seminar activities as well as for business-related use of car in the company's interest.

Members and helpers of boards, committees, commissions, councils and the like can also be paid tax-free travel and mileage allowance under the same rules, regardless whether they receive remuneration in connection with the completion of the task or not. However, this requires that the person is associated with the person, who pays the remuneration (the company), and that the remuneration is primary income, or a potential remuneration would have been primary income.

However, for board members etc., rules state that tax-free travel and mileage allowance can only be paid in connection with the ordinary work of the board. In other words, transportation has to be in connection with traditional board tasks or in connection with tasks, which are naturally connected with the job as a member of the board.

#### 1.2 Tax-free remunerations

An employer can always reimburse actually incurred business costs for employees etc. as expenses according to vouchers submitted (i.e. upon submission of original documentation).

Now, according to the latest practice, the Danish Tax Agency, where appropriate, also accepts scanned or copied expenditure

vouchers or documents, which prove or make it probable that an expense has been incurred on behalf of the employer.

Alternatively, the employer can choose to pay tax-free travel and mileage allowance in accordance with the rates of the Danish National Assessment Council, cf. the rules in section 9 A and 9 B of the Danish Tax Assessment Act. Specific rules apply when paying remuneration in connection with training.

If remuneration exceeding the rates of the Danish National Assessment Council is paid, the entire remuneration is considered taxable income (unless a split is made at the time of payment), and deduction in the personal income is not possible.

If, for example, no tax-free mileage allowance for business-related use of car is paid, only employees etc. have the possibility to file for a deductible expense at the same rates as for transportation between residence and workplace. Employees etc. do not have the possibility to apply the high rate for deduction of tax-free mileage allowance.

#### 1.3 Reporting obligation

Reimbursement of business expenses, like receipt-based expenses, do not have to be reported.

Payment of tax-free travel and mileage allowances to employees etc. has to be reported to elncome (elndkomst) in space 48.

Tax-free travel and mileage allowances should also be reported with a specific income type. Tax-free travel allowances should be reported with income type 0108, and tax-free mileage allowances should be reported with income type 0109 in elncome (elndkomst).

In our opinion, there is no distinct legal basis to neglect reporting upon payment to unremunerated persons, even if no information is concurrently reported in space 13 or 14 (income taxed at source). See section 2 regarding remuneration recipients.

For payment of tax-free remunerations in connection with training, code 49 applies and has to be indicated in space 68.

## 2. Remuneration recipients etc.

The term remuneration includes payment for work, which is performed without a contract of employment, and which does not fall within self-employment activities. Remuneration such as this is considered income not taxed at source.

Situations, where the person is self-employed, and where an invoice including VAT is issued for work performed, fall completely outside the term "remuneration recipient".

### 2.1 Who is covered

Persons, who receive remuneration for work performed without a contract of employment, are considered as remuneration recipients. They could for example be consultants and guest speakers etc., where there is no invoice incl. VAT. Even though directors' fees exist, this kind of remuneration is defined as primary income, and, therefore, board members are covered by the rules described in section 1.

### 2.2 Taxable remunerations

Remuneration recipients may not receive tax-free travel and mileage allowance. Possible payment of remunerations has to be treated and reported as (part of) a remuneration (income not taxed at source).

There is, however, an exception in relation to unremunerated members of a union, unemployment fund or pension fund, who are paid mileage allowance according to a reduced rate in connection with transportation to training, courses or other competence development.

### 2.3 Reporting obligation

Payment of remuneration to remuneration recipients is to be treated and reported as remuneration (income not taxed at source),

i.e. as a rule, in space 36 in elncome.

**Payment of tax-free remunerations according to the rates of the National Assessment Council for remuneration recipients may, however, be reported separately in space 38 (without AM-contribution).**

However, a remuneration recipient may deduct the following:

1. Actual travel expenses.
2. Documented business transportation in own car with the high tax rate (mileage allowance).

It is possible to deduct from the reported remuneration and to report the net amount as personal income. This actually means that also remuneration recipients may be paid travel and mileage allowance – which ultimately is tax-free. The only difference is that the payer has to report it as taxable remuneration, and the remuneration recipient him-/herself has to deduct and, thereby, be able to document the actual travel expenses or the actual transportation.

There is no duty to report in situations, where an invoice incl. VAT exists for work done by a self-employed individual.

## 3. Unremunerated persons (in connection with tax-exempt association activity, cf. section 7 M of the Danish Tax Assessment Act)

Pursuant to section 7 M of the Danish Tax Assessment Act, an association may pay tax-free remunerations to unremunerated board members or to volunteers, working as unremunerated assistants, who provide assistance as a part of the association's tax-exempt activity.

Tax exemption is conditional on remuneration being paid to cover expenses, which the receiver has incurred on behalf of the association, and that the remuneration does not exceed rates that are laid down by the Danish National Assessment Council.

### 3.1 Who is covered

The former Danish Tax Assessment Board (Ligningsråd) has in a decision expressed that it is necessary to distinguish between two groups of associations, when assessing whether an association is comprised by section 7 M of the Danish Tax Assessment Act:

1. Associations, which practice tax-exempt activity, as stated in section 1 (1)(6) of the Danish Corporation Tax Act, and who are not comprised by the Fund Income Tax Act, and
2. Associations (including unions), mentioned in the Fund Income Tax Act.

According to practice, unremunerated board members and volunteers, working as unremunerated assistants, are comprised by section 7 M of the Danish Tax Assessment Act, if work is performed for e.g. the following associations etc., and the work is related to the tax-exempt activities of the association:

- Sports clubs and associations. Associations at the workplace (e.g. company sports clubs and art associations, where the employer has no considerable influence).
- Theater associations and other cultural associations.
- Political associations/political parties.
- Residents' associations, owners' associations, allotment associations and corporate housing associations.
- Social housing associations and house associations.

Professional organisations are not subject to the specific rules in section 7 M of the Danish Tax Assessment Act and may not pay subsistence allowances or remunerations, including expense allowances in cash for unremunerated persons according to these rules.

### 3.2 Tax-free remunerations

For 2019, the National Assessment Council has (cf. separate regulation no. 1651 of 18/12 2018) determined that tax-free remuneration may be paid to unremunerated board members or to volunteers, working as unremunerated assistants, who provide assistance as a part of the association's tax-exempt activity, at the following rates:

| Expenses  | Reimbursement/remuneration of expenses   |
|---|--|
| Travel expenses for transportation in own car   | Standard rates, cf. section 9 B of the Danish Tax Assessment Act (mileage allowance). However, no limitation, cf. 60 day rule. |
| Travel expenses   | Standard rates, cf. section 9 A of the Danish Tax Assessment Act (standard rates for board and lodging).                       |
| Additional expenditure for consumption, when participating in one-day events of at least 5 hours duration                           | DKK 80 per day.  |
| Expenses for calls and internet use   | With up to DKK 2,400 per year.   |
| Other undocumented expenses   | Reimbursement/remuneration of expenses   |
| Office articles, postage and meetings   | With up to DKK 1,450 per year.   |
| Purchase, washing and maintenance of specific clothing  | Up to DKK 2,000 per year.  |
| For sports referees there can instead be paid   | Up to DKK 250 per match, max DKK 500 per day.  |
| Additional expenditure for consumption in connection with consumption of a meal as part of a local authority "dining friend" scheme | DKK 80 per day.  |

Instead of paying remuneration in accordance with the above rates, the association may choose to reimburse actual expenditure upon showing documentation in cases of external original receipts. According to the latest practice, the Danish Tax Agency now accepts scanned or copied expenditure

receipts or documents, which proves or make it probable that an expense has been incurred on behalf of the employer.

No tax-free remuneration may be paid within the same income year, if the person in question has concurrently been reimbursed

for the expenses on the basis of invoices. This applies for each type of expense, which is mentioned in the table.

Persons – who are subject to section 7 M of the Danish Tax Assessment Act – are, furthermore, still seen as unremunerated, even though they have telephone and internet as well as computer with accessories at their disposal for their voluntary association work, and are, therefore, not taxed hereof.

### 3.3 Reporting obligation

Payment of subsistence allowances and remunerations as well as expense allowances in cash in accordance with the specific rates are exempt from reporting. Therefore, associations do not have to report to the Danish Tax Agency (Income) for payments to unremunerated members and assistants of boards etc., when the payments are subject to the rules of section 7 M of the Danish Tax Assessment Act.

An association does not have to report (or withhold AM-contribution and tax at source) the remuneration for a person – for work performed as part of the tax-exempt activity – if the remuneration does not exceed DKK 1,500 per year. This also covers remuneration for board members. The person concerned has to report the amount – the AM-contribution and tax are charged via the tax assessment.

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