



Use of yellow plate vans – up to 4 tonnes

Tax 2019

Tax ●

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Summary of rules for yellow plate vans

The following factors may indicate that the vehicle has not been specially designed:

- Interior décor, four wheel drive etc. without commercial grounds.
- Resembles a regular car.
- Flatbed without special fittings.
- Clean and tidy interior (does not require work clothes).

The Danish Tax Agency has issued a guide with more specific guidelines for when a vehicle is considered specially designed. This guide can be found on www.skat.dk.

Transportation between residence and workplace in a specially designed yellow plate van is considered employer-paid transportation/business use.

The employee is allowed to run errands (pick up children from school/day care, grocery shopping etc.) for up to 1,000 kilometres per year in connection with the business-related use.

The employee may make stops on the way in order to handle the grocery shopping or drop/pick off children – without having to include these errands in the 1,000 km/year

– as long as these errands are made without major deviations (up to a few hundred meters at the most) from the business-related route.

Other private use exceeding 1,000 km/year, which takes place in connection with business use, is taxed pursuant to a special rule with DKK 3.54/km (2018). In terms of VAT, private use exceeding 1,000 km/year will not be allowed, if the company wishes to maintain the right of deduction for the VAT on the purchase price. For yellow plate vans over 3 tonnes, there will also be consequences for the VAT deduction right of the operating expenses.

Transportation not taking place in connection with business-related use is considered private use (regardless of the extent) and is taxed with the amount corresponding to what the person in question would pay to rent a vehicle with similar applications.

In terms of VAT, such use will not be allowed, if the company wishes to maintain the full right of deduction for the VAT on the purchase price. For yellow plate vans over 3 tonnes, there will also be consequences for the VAT deduction right of the operating expenses.

However, see section 6 on Private-use vouchers/certificates.

4.2 Changing work sites – Non-specially designed yellow plate vans

The rules regarding changing worksites are relevant in terms of VAT, if the utilised yellow plate van has NOT been specially designed. If the vehicle has been specially designed, use will in any case be considered business-related.

The term changing worksites means VATable work in the service of the company, but performed outside the fixed/normal place of business. This typically includes craftsmen and service fitters etc., who drive directly from their own residence to customers, worksites etc.

The tax related “60-day-rule” (which defines business-related transportation as transport between usual residence and the same worksite/customer for up to 60 workdays within a 12-month period) is insignificant in relation to the VAT rules. Therefore, in terms of VAT, the length and number of worksites of the work period are irrelevant. On the contrary, in terms of VAT, it is significant that the situation relates to worksites, which change geographically due to the nature of the work, because the job function at one site is temporary. Transportation between residence and workplace in a specially designed yellow plate van is considered employer-paid transportation/business use.

In terms of VAT used directly from residence to changing worksites, including occasional use to the fixed workplace, is only considered in the company's interest, if:

- The van is fitted with tools that are relevant to the work, or an inventory has been established at the employee's residence.
- The company has the right to full tax deduction on the vehicle.
- The van is in fact not used for private purposes.

If these conditions are met, the company has the right to VAT deduction and no private-use tax is to be paid, cf. section 5, when the employee uses the yellow plate van for transportation between residence and the changing worksites.

During a workday, use of the vehicle between the changing worksites and the fixed workplace is unlimited, regardless of the purpose. In these situations, it is not allowed to make errands on the way.

The tax rules for yellow plate vans solely used for business-related purposes, follow the VAT rules. If use of the yellow plate van is allowed in terms of VAT, taxation of free company car will not take place.

4.3 On-call duty – Non-specially designed yellow plate vans

Employees comprised by an on-call duty may use a yellow plate van (both specially and non-specially designed) to and from his/her residence without triggering VAT or tax related consequences.

However, this requires that calls in relation to the on-call duty may happen to at least one address that is not the fixed workplace.

It should be an actual on-call duty subject to compulsory attendance, and the employee should be subject to actual limitations in his/her personal life (required to be able to appear rested and sober).

It is not sufficient that the duty consists of a phone list, where the employee merely calls the next person on the list, if the employee is unable to make the call himself/herself. The employee is allowed to use the vehicle for one-off events within the geographical on-call area, without the van being considered private use, as long as the employee acts in the service of the company.

By one-off events are meant family gatherings, or other similar events, which have been planned a long time in advance. However, family visits and sports events, like for example participating in weekly soccer practice, are not the type of events allowed when using the vehicle – without being denied deduction for VAT on the purchase price etc. (Please note, family et al. may under no circumstances be brought along in the vehicle, if the VAT deduction right is to be maintained).

In terms of VAT, the following conditions are to be met in order for the use between residence and the company's fixed place of business – as part of the on-call duty – not to be considered private use:

- Use is necessary for the company, and there is a clear commercial need.
- The van has been fitted with tools or other equipment, with which the work may be performed.
- The user has had clear instructions not to use the vehicle for private purposes.
- An on-call schedule has been prepared and it is required to present a report of all calls made etc.
- It is possible to establish, which van has been used for each shift.

- The number of vans is proportionate to the extent of the on-call duties.
- The employee on duty must be on-call during the entire shift.

If a non-specially designed van is used between residence and workplace, the employee is not allowed to make errands in connection with use, as private use will have consequences on VAT, tax and excise duty.

The tax rules for yellow plate vans, which are solely used for business purposes, follow the VAT rules. If use of the van is allowed in terms of VAT, taxation of free company car will not take place.

4.4 Exceptional use between residence and workplace up to 25 times per year

Both tax and VAT rules allow the employee to occasionally use the employer's vehicle from the fixed place of business to the residence, when the vehicle is to be used for business purposes by the employee the following day, for example if the employee is attending a meeting, seminar or the like.

Similarly, the employee may occasionally use the employer's vehicle from the residence to the workplace, if the employee has used the vehicle for business purposes the day before,

for example to and from a meeting, seminar or the like. In this case, where the employee, on day one, drives from the fixed workplace to the residence, on day two uses the car for business purposes (without being able to return the car to the workplace), and on day three drives from the residence to the fixed workplace, the use of the vehicle will be registered twice.

As long as this type of use between the employee's residence and the workplace occurs a maximum of 25 times per year (within a period of 12 consecutive months – for each employee), use will be considered in the interest of the company (business-related) and will, therefore, not trigger any tax consequences.

The 25 times per year solely relates to the employee and is irrespective of whether different vehicles are used or the type of vehicle used. It has no tax consequences, if the respective vehicles are used more than 25 times by different employees.

In situations where a non-specially designed vehicle is used, no errands are allowed in connection with use, and a vehicle mileage log book is to be kept.

4.5 Dropping off/picking up colleagues

The employer may instruct the employee to bring a colleague in the car, without triggering tax or VAT related consequences for either the company or the employee.

The instruction from the employer may be given in writing or orally and may be given as a general instruction. Thus, it is not necessary for the instructions to drop off or pick up colleagues to relate to a specific situation. When instructions are given by the employer, the situation becomes employer-paid transport for the passengers (colleagues).

However, it is a requirement that the pick up/drop off of the colleague in question happens in connection with the employee's transport between residence and workplace, either in a specially designed vehicle, or as part of the transport to changing worksites, an on-call duty, or under the 25-day-rule. If an employee brings along a colleague as part of a personal favour (without instructions), the situation is considered for private purposes, and the employee shall be taxed and an adjustment of the company's VAT deduction amount is to be made.

4.6 Use in connection with meals or pick up of food

Yellow plate vans may be used in connection

with meals or pick up of food without triggering VAT or tax related consequences, if use takes place during working hours.

This applies regardless of whether the employee uses a specially designed yellow plate van or a regular yellow plate van.

4.7 The chauffeur rule

In terms of tax, there is a rule stating that chauffeurs, whose main task is to transport people, materials or tools, may start and end their daily work by driving from and to their residence in the vehicle, without triggering taxation of free company car.

The tasks may not be random chauffeur tasks for the company, or chauffeur work, which is a secondary task in relation to the employee's other assignments. Thus, it should be possible to prove that the employee's primary task is to chauffeur the vehicle.

There are no written declarations from the Danish Tax Agency on the VAT related aspects of transport in relation to commercial chauffeur work. However, in terms of VAT, it is the use of the vehicle, which is critical in connection with the deduction right.

4.8 Employees who use their own van when working for their employer

An employee, who uses his/her own yellow plate van in connection with his/her work, is allowed only to pay half of the private-use tax. It is not possible for the employee to deduct the VAT on his/her own yellow plate van. However, it is possible for the employee to receive a tax-exempt transport allowance for the business-related kilometres travelled in the vehicle.

We refer to our publication *Travel expenses*.

5. Private-use tax

For vans up to 4 tonnes, registered on yellow plates, an annual additional tax is to be paid for private use (the so-called private-use tax), in case the van is not only used for strictly

business-related purposes. If the van is used for both private and business purposes, half of the private-use tax is to be paid.

5.1 Yellow/white plates (previously the labeling scheme)

Today, if full or reduced private-use tax is paid, the vehicle is provided with yellow/white plates (previously a sticker) upon registration or re-registration.

Annual rates for private-use tax:

| | Private use only | Private and business use |
|--|------------------|--------------------------|
| For cars registered for the first time after 2 June 1998 and until 24 April 2007 | | |
| • Up to 2 tonnes: | DKK 1,120 | DKK 560 |
| • From 2 and up to 4 tonnes: | DKK 6,250 | DKK 3,125 |
| For cars registered for the first time after 25 April 2017 | | |
| • Up to 3 tonnes: | DKK 6,250 | DKK 3,125 |
| • From 3 and up to 4 tonnes: | DKK 18,560 | DKK 9,280 |

6. Private-use vouchers/certificates

On www.skat.dk, it is possible to purchase a private-use voucher, which allows for a company's yellow plate van of up to 4 tonnes to be used for private purposes – even though the vehicle is registered for business-use only. Private-use vouchers may be purchased for up to 20 days per vehicle per calendar year.

For vehicles up to 3 tonnes, the price for a private-use voucher is DKK 225 per day, and this payment covers all VAT, tax and excise duty related consequences for the owner, employee and company. For vehicles, where the full VAT amount has not been deducted upon purchase/lease of the vehicle, the price for a private-use voucher is DKK 185 per day.

For vehicles over 3 tonnes and up to 4 tonnes, the price for a private-use voucher is DKK 185 per day. This payment covers the tax and VAT related consequences, whereas the VAT is to be adjusted separately.

The private-use voucher must be obtained and paid by the driver. If the employer pays for the voucher, this will be considered a taxable employee benefit.

The private-use voucher (receipt of payment) must be in the vehicle during use on the day in question.

7. Company name on vans

As part of the fight against untaxed labour, vans of up to 4 tonnes (total weight) with yellow plates, must be visibly marked with the company name.

- Logo may be used, if it unambiguously identifies the company.
- Besides company name or logo, the vehicle must be provided with the company's CVR no.
- Information must appear clearly on both sides of the vehicle.
- The information may not be written on signs, which can be removed from the vehicle.
- Letters and numbers must be at least 3 centimetres high. If the vehicle is over 3.5 tonnes, the name must be written in letters that are 10 centimetres high.

These rules do not apply to e.g.:

- Vehicles with yellow/white plates (labeling scheme).
- Vehicles used by debt collections agencies.
- Special vehicles in the form of emergency and rescue vehicles, vehicles for transport of patients as well as vehicles for roadwork.
- Busses and taxis.

The rules for tax, VAT and private-use tax are significant for the use of yellow plate vans

Summary of rules for yellow plate vans

| VAT and private-use tax | | Tax | |
|--|--|---|--|
| | | Vans registered with yellow plates (specially designed) | Vans registered with yellow plates (non-specially designed) |
| Registered for business use only • No private-use tax | <p>Yellow plate vans up to 3 tonnes</p> <p>When used for fully VATable purposes, there is a right to full VAT deduction on the purchase price, rent/leasing and operating expenses, respectively.</p> <p>When used for both VATable/VAT exempt purposes, deduction may take place pursuant to the following rules:</p> <ul style="list-style-type: none"> - No VAT deduction for the purchase price of the van. - 1/3 VAT deduction for rent/leasing expenses¹⁾. - Full VAT deduction on operating expenses¹⁾. <p>Yellow plate vans from 3-4 tonnes</p> <ul style="list-style-type: none"> • When used for fully VATable purposes, there is a right to full VAT deduction on the purchase price, rent/leasing and operating expenses, respectively. • When used for both VATable/VAT exempt purposes, there is a right to partial VAT deduction on the purchase price, rent/leasing and operating expenses, respectively. | <p>Not comprised by the rules on taxation of free company car, and no requirements of vehicle mileage log book</p> <ul style="list-style-type: none"> • Can be used between residence and workplace. • Use between residence and workplace is regarded as employer-paid transport. The employee can avoid taxation by not filing for the general deductible transport allowance. • Can be used for picking up children in connection with business-related use and without deviating from the business-related route. • Picking up colleagues on the way to/from work is allowed. • Can be used for picking up food as well as driving in connection with meals during working hours. • Can be used for errands in connection with the business-related use up to 1,000 km/year. • For use beyond 1,000 km/year, see below. | <p>Not comprised by the rules on taxation of free company car, and no requirements of vehicle mileage log book</p> <ul style="list-style-type: none"> • Use between residence and the company's fixed place of business in connection with an on-call duty is permitted under certain conditions. • Transport from residence to changing worksites is permitted under certain conditions. • May only be used for purposes permitted under the VAT rules, i.e. in connection with taxable activity. • May neither be used for private purposes nor errands (pick up of children and grocery shopping), regardless of whether or not detours are made. • Use between residence and permanent workplace for up to 25 times per year for each employee is allowed, when the car is to be used for business purposes. • Can be used for picking up food as well as driving in connection with meals during working hours. • For private use, see below. |
| | Registered for both business and private use • Half private-use tax | <p>Yellow plate vans up to 3 tonnes</p> <ul style="list-style-type: none"> • No VAT deduction for the purchase price of the van. • 1/3 VAT deduction for rent/leasing expenses¹⁾. • Full VAT deduction on operating expenses¹⁾. <p>Yellow plate vans from 3-4 tonnes</p> <ul style="list-style-type: none"> • Partial VAT deduction for purchase price, rent/leasing and operating expenses. | <p>Not comprised by the rules on taxation of free company car, and no requirements of vehicle mileage log book</p> <p><i>Private use not connected to the business-related use is taxed with the market value</i></p> <ul style="list-style-type: none"> • May be used for both private and business purposes. • Use between residence and workplace is regarded as employer-paid transport. The employee can avoid taxation by not filing for the general deductible transport allowance. • Can be used unlimited for pick up of children in connection with business-related use, when not deviating from the business-related route. • Errands in connection with the business-related use – under 1,000 km/year – do not result in taxation; use over 1,000 km/year is taxed at DKK 3,56/km (2019). |

¹⁾ Under the assumption that the van is used for VATable activities and that the company has a VATable revenue of over DKK 50,000 per year.

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