

Worth knowing about:

## Expatriation

**Where should tax be paid? This is one of the very first questions people ask when considering working abroad. It is not an easy question to answer. It depends on many factors. Here we try to give you an overview of the rules.**

### Discontinuation of full Danish tax liability

Generally, tax on the full income - not just the salary - is payable in the country where a permanent home is available. To be certain that the full Danish tax liability ceases, the home must be sold or rented out for at least 3 years without termination. In the case of a rental property **which not is terminated**, it should be rented out for at least 3 years. In exceptional cases, it has been seen in practice that the tax liability ceases when renting out a co-operative property for only 2 years.

However, less can also do it. In many cases, there will be nothing to prevent the permanent residence in Denmark from being maintained. See below on dual domicile. However, many people choose to sell to avoid having their house sit empty for most of the year.

Interest expenses on real estate in Denmark, e.g. a Danish holiday home, can still be deducted and carried forward for set-off against future income.

When full tax liability to Denmark ceases, unrealised gains on shares, options and the like may be taxed.

### Dual domicile

In some situations, it may actually be an advantage for the employee to be fully liable for tax in Denmark during the posting while also being resident in the country of work.

In this situation, there is a dual domicile, and it must therefore be determined in which country the employee is resident for tax purposes. Emphasis is placed on in which of the countries the employee has the strongest personal and economic ties. Next, consideration is given to where the employee actually spends the most time. And finally, the citizenship is emphasised.

Since an employee usually spends most of the year in the country of work, they will usually be a resident of that country. In this case, it is not necessary to sell the house in Denmark. Denmark can only tax income that originates here. For example, profits from renting out a property in Denmark. Salary and other income, on the other hand, is taxed in the country to which the employee is posted.

However, in this situation unrealised gains on shares, options and the like may also be taxed.

### Tax Legal

January 2025



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### Continued full Danish tax liability

If the full Danish tax liability does not cease - for example, because a **permanent** residence is not acquired in the country to which the employee is posted - the employee may find themselves in a situation where the salary must be declared in both countries.

This will be the case if the employee stays in the country of work for more than 183 days within a 12-month period. Or if the salary is paid by a local employer - i.e. by a company in the country of work - including from a Danish employer's local subsidiary or permanent establishment.

Although the salary must be declared in both places, this does not mean that double tax is paid. Either the Danish tax is reduced by the tax actually paid in the country of work or by a proportional part of the calculated Danish tax. In special cases, the Danish tax can be reduced to half if the country of work cannot tax the income.

### Social security

Danish health insurance does not cover illness in connection with work performed abroad, regardless of whether the person is resident in Denmark and/or a Danish citizen.

Therefore, please be aware of the following:

#### Posting to an EU country

An employee who is posted to another EU country will generally be covered by the social security legislation of the country where the work is performed. The agreement reached within the EU also applies to Norway, Switzerland, Iceland and Liechtenstein.

For postings within a group with an expected duration of up to 3 years, the employee can obtain authorization from Udbetaling Danmark to remain covered by Danish social security legislation.

In addition, there are a number of provisions regarding concurrent work in several countries and other atypical postings.

As social security **contributions** in other European countries are significantly higher than Danish **contributions**, not least the employer's contribution, it is often an advantage to remain covered by Danish social security legislation during the posting.

#### Posting to a non-EU country

For an employee who is posted to a country outside the EU where there is no social security agreement, the coverage will primarily depend on the internal legislation of the country in which the posting takes place.

Therefore, the employee will typically have to pay social security contributions in the country of work, and the employer will have to pay employer contributions.

Most Danes will probably feel that the health insurance they are offered in many countries will be inadequate. In this context, it is important to take out private health insurance before travelling.

**Do you have any questions?**

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