Tax beneficial employee shares are coming back in Denmark

The 12 May 2016 a new bill was passed.

The rules reintroduces tax beneficial treatment applicable for a broad variety of employee share plans including RSU’s, ESPP, Matching Shares and Stock Option Plans, which were abolished in 2011. The beneficial rules are applicable for agreements on grant of share based remuneration, entered into effect per 1st July 2016 or hereafter. I.e. share-based remuneration already granted prior to this date is not covered by the new rules according to draft legislation.

Overview of the new rules:

- Up to 10% of the employee's annual salary can under certain circumstances be granted as shares or options or warrants over shares tax exempt
- An agreement between the employee and employer must be concluded electing the beneficial share rules
- The employee will be taxed of the value of shares etc. granted in the income year where the shares are sold
- The gain from selling the shares etc. will be taxed as share income with a tax rate of 27% for the first DKK 50,600 and with a tax rate of 42% of share income above this amount (double threshold for married couples)
- The employer (company) cannot deduct expenses for the shares etc. granted

What’s new?

- New reporting obligation for the company employer
- Technical changes of the measurement of the 10 % bracket and timing of the agreement electing the tax beneficial treatment
- No requirement for official statement to the tax authorities from accountants or lawyers
- New exit taxation rules regarding tax free employees shares covered by the new legislation

How can KPMG Acor Tax help?

- Valuation of share and stock options
- Assessment of 10% bracket and salary definition
- Examination of share plans
- Q & A memo to participants
- Handling of mobile employees
- Writing of employee and employer agreement
- Payroll services including reporting to tax authorities

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