



EUROFISCUS NEWSLETTER

Newsletter by Eurofiscus Transfer Pricing Consultants

Changes in Danish transfer pricing documentation

Transfer pricing is a field which is still in development all over the world. Normally, the prevention of tax avoidance is the most important factor in newly drafted legislation. However, with the new drafted bill by the Danish Ministry of Taxation, the emphasis lies on the relief of the administrative burden of Danish companies.

To fully understand what this new legislation will contain, it is important to explain what the transfer pricing rules are in Denmark. In Denmark, a company has to prepare transfer pricing documentation if the company has more than 250 employees (measured at group level) on the payroll or has a revenue of more than DKK 250 million and a balance sheet amount which exceeds DKK 125 million. Before the change in legislation last year, transfer pricing documentation had to be prepared before the deadline for filing the annual tax return, but it did not have to be submitted to the Danish Tax Agency unless it was requested.

On December 3rd 2020 Denmark enacted a new law (L28/2020). This new law requires Danish companies to submit their Transfer Pricing documentation no later than 60 days after the deadline of submission of the corporate income tax return. Which means that every Danish company needs to submit their transfer pricing documentation even though it was not requested by the Danish Tax Agency. With this change in legislation, the tax authorities obtain discretionary power in cases where transfer pricing documentation is not prepared in a timely manner.

On June 23rd 2021, the Danish Ministry of Taxation published a draft bill which proposes to exempt most transactions between two Danish controlled parties from Danish Transfer Pricing Documentation requirements. The bill will be discussed on August 18th 2021 and proposed to be effective starting January 1st 2021 or later. The bill is drafted with the purpose of reducing unnecessary administrative burdens for Danish taxpayers. The Danish Ministry of Taxation tried to ensure that transfer pricing documentation requirements do not exceed what is necessary to minimize tax speculations and prevent the possibility of double taxation. If the new bill will be enacted, the administrative burden of Transfer pricing documentation for Danish companies will be reduced.