

# Human Resource Services

## News from the Nordic countries



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### Introduction

With everyone returned from summer holidays, business has returned to its normal rhythm and mobility matters are still high on the agenda. This 4<sup>th</sup> issue of our Nordic Newsletter brings information on a new bill in Denmark regarding exit taxation on shares which is expected to be approved shortly. In Finland, a new ruling has led to significant changes for companies working with a net salary / tax equalisation policy for their assignees. PwC Norway informs you of a new tax regime relating to renting out real estate during a temporary assignment. For more guidance on the topics of this newsletter, please contact your local PwC contact persons (listed below).

Erland Nørstebø – Partner HRS

### Denmark

A new bill on exit taxation on shares is expected to be approved in Denmark early autumn. An individual who becomes treaty resident in another country or leaves Denmark, must pay exit taxes on his/her gain on shares. According to the bill, the taxation of gain becomes final at the time of exit. It is possible to apply for a postponement of the actual payment. However, no postponement is granted when dividend is paid, shares are sold or once the individual moves back to Denmark and the shares have not been sold.

As long as the tax payment is not made in full, the individual must file a Danish tax return and report capital gains and dividends. Upon repatriation to Denmark, an entrance value of the shares is defined. Any balance of the postponed exit tax will be recalculated and included as part of the entrance value.

### Finland

Companies with an international mobility program, often have implemented a policy regarding how to treat income tax consequences for the employee concerning. The most common "tax policy" is a net salary / tax equalisation policy, where the employee will not be faced with any higher tax burden during the assignment as if he/she would still be working in the home country.

According to a recent ruling by the Supreme Administrative Court in Finland, any income tax paid directly by the employer according to a net salary agreement (net salary/tax equalisation, etc.) on behalf of the employee working in Finland, qualifies as taxable income for the employee. The amount of tax paid on behalf of the employee is taxed in Finland as income received in the tax year that it relates to, even if the tax is paid after the tax year in question. In the light of this ruling, we highly recommend companies that apply net salary or tax equalisation policies in Finland, to re-evaluate or amend their policies as soon as possible to avoid additional tax costs.

### Norway

The Norwegian regulation regarding taxation of rental income was changed as of 1 January 2008. This change is important for Norwegian employees who wish to rent out their home during their international assignment. The new regulation will among other things apply to cases where an owner is renting out his private home in his absence. In such cases, rental income will now be taxable, regardless of the rental period. Prior to the new regulation, rental under 183 days was regarded tax exempt.

There is one exemption from this new rule: gross rental income under NOK 20 000 is tax exempt. If the gross rental income exceeds NOK 20 000, the whole amount is taxable as income. The owner is allowed deductions for expenses. However, maintenance expenses are not deductible if the rental period is less than 183 days.

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