Denmark: New measures introduced to curb the use of tax havens

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The Danish Tax Authority (DTA) is already focusing on transfer pricing and Danish base erosion, but further measures have just been announced, including additional resources to target transfer pricing and multinational companies' alleged tax evasion and a new centre for international corporate tax.

In April 2020, Danish Parliament unanimously agreed on the first stage of a tax control reform focused on money laundering, VAT, criminal cases, and the fight against tax havens.

An extra 100 officers are now being assigned to working with measures against tax havens and international tax evasion, and some of them will be dedicated to a targeted effort against multinational companies' alleged tax evasion.

To support these measures, a new centre for international corporate tax will be established, one of its focal points being the challenges posed by the increased globalisation for calculation and settlement of corporate tax.

Also, a new specialised unit will be identifying and analyzing the greatest risks within the area of transfer pricing. The unit will contribute to a targeted control of
transfer pricing and help the DTA keep aware of, and on top of, international trends and risks relating to transfer pricing.

Further, the Danish Government wants to strengthen international cooperation on international tax evasion and aggressive tax planning. The EU Member States have agreed on a series of initiatives designed to make it easier and faster to report information and share tax fraud suspicions across all EU member states. One of the EU measures is a Danish proposal for establishing an EU alarm-central to curb tax fraud, to which information and suspicion of cross-border tax fraud can be reported.

Also, the Government has initiated an analysis to identify the areas where tax control will be further strengthened by 2023 and determine whether additional resources are needed to strengthen efforts against international tax evasion.

The DTA already has a history of aggressive scrutiny of multinationals' transfer pricing policies and in the period 2010-2019 made transfer pricing adjustments resulting in additional Danish taxable income at a total of DKK 80 billion.

- On average 170 cases annually
- The accumulated increases amount to more than DKK 80 billion (approx. EUR 10.7 billion)
- More than 75% of cases concerns increases of more than DKK 100 million (approx. EUR 13.5 million)