

Excise duties in Denmark 2017

# *Overview over payment and reimbursement of excise duties in Denmark*





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This edition of the publication was closed for contribution on 01 January 2017.  
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# ***Excise duties in Denmark***

## **We have the following excise duties in Denmark:**

- Excise duties on oil products
- Excise duties on coal
- Excise duties on electricity
- Excise duty on natural gas
- Excise duty on gas (e.g. methane)
- Excise duty on lubricating oil
- Environmental tax on emission of sulphur dioxide
- Environmental tax on emission of carbon dioxide
- Environmental tax on emission of nitrogen dioxide
- Environmental tax on biocide and pesticide, growth promotants and antibiotics
- Environmental tax on packaging for certain beverages
- Environmental tax on disposable plates, cups and cutlery
- Environmental tax on waste
- Environmental tax on raw materials (e.g. gravel, clay and sand)
- Environmental tax on batteries
- Environmental tax on greenhouse gas (e.g. CFC, HFC, PFC and SF6)
- Excise duty on water
- Environmental tax on waste water
- Environmental tax on PVC and phthalates
- Environmental tax on mineral phosphorus
- Environmental tax on chlorinated solvents
- Environmental tax on tires
- Environmental tax on carburettor fluids
- Environmental tax on nitrogen (e.g. fertilizer that contains nitrogen)
- Environmental tax on carrier bags
- Environmental tax on incandescent lamps and fuses (e.g. light bulbs, etc.)
- Vehicle tax (e.g. registration tax and green owner tax)
- Excise duty on alcohol and alcoholic beverages
- Excise duty on coffee
- Excise duty on tea
- Excise duty on ice cream
- Excise duty on sugar confectionary (e.g. chocolate, sweets, etc.)
- Excise duty on almonds, nuts, grains, etc.
- Excise duty on tobacco
- Excise duty on cigarette paper
- Excise duty on gambling, lotteries, betting and gambling machines
- Excise duty on some types of insurances



## ***Excise duties on environment and energy***

Excise duties on environment and energy include among others excise duty on electricity, oil, coal, gas, water, packaging, waste and sulfur.

Many energy products are imposed with further excise duties - e.g. oil is imposed with tax on energy, CO<sub>2</sub>, NO<sub>x</sub> and sulfur.

## ***Other excise duties***

Most excise duties are national consumption taxes which are charged on certain goods and collected when the goods are imported, produced or sold in Denmark.

Excise duties include excise duty on among others chocolate and sugar goods, wine, alcohol, ice cream, coffee and tea.

## ***Reimbursement of excise duties on sale to foreign countries***

As excise duties are a national consumption tax in Denmark, a company can in principle obtain a reimbursement of the excise duties on products sold to foreign countries. The company is entitled to a reimbursement even if it has not been registered for the excise duty in question, and even if the excise duty has been paid by previous resellers.

To obtain a reimbursement of paid excise duties, the company must apply the Danish tax authorities for a reimbursement of the excise duty amount. A number of specific conditions must be met in order to have the amount reimbursed – e.g. it is often a requirement that the amount exceeds a minimum amount.

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## ***EU harmonized excise duties***

Some excise duties are EU harmonized. This means that the goods are subject to excise duties in all EU countries and are regulated by joint EU regulations. This involves the following excise duties:

- Excise duties on energy products (mineral oil products, natural gas, coal and electricity)
- Excise duties on alcohol and alcoholic products
- Excise duties on tobacco.

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## ***Registration of companies***

Taxable companies must be registered with the Danish tax authorities. The registration is done on application to the Danish Business Authority. Some companies must be registered for excise duties while other companies are able to choose whether they want to be registered or not. Companies can either be registered as warehousekeepers – in some cases as authorized warehousekeepers – or as consignees – in some cases as temporary consignees.

**A warehousekeeper** is typically a company producing, processing or importing goods which are liable to excise duties. In some cases middlemen can be registered as warehousekeepers.

Companies that are registered as warehousekeepers are able to have dutiable goods in stock without having to pay the excise duty. The excise duty is due when the goods are delivered for consumption. This means that goods delivered from stock in August are due no later than on 15 September.

**A consignee** is a company that has not been registered as a warehousekeeper but which receives dutiable goods from foreign countries. The excise duty is due once the goods are received in Denmark. For goods received in e.g. August, the excise duty is due no later than on 15 September.

Certain rules and requirements apply when being registered for EU harmonized excise duties, just as different rules follow different excise duty acts.

# Excise duties

The excise duties which affect most companies are excise duties on fuel and electricity, as all companies more or less have energy consumption and therefore pay excise duties.

Energy products are:

## *Fuel*

- Gasoline, diesel fuel, gas, etc.
- Coal products such as pit coal, crude oil, coke, waste heat, etc.
- Natural gas
- Biofuel

## *Electricity*

- Electricity

Each energy product is imposed with energy taxes and very often CO<sub>2</sub> tax, sulfur tax and NO<sub>x</sub> tax.

## **Reimbursement of excise duties**

VAT registered companies can often reclaim part of the excise duties.

Only a few companies can reclaim CO<sub>2</sub> tax and sulfur tax.

Companies that are not comprised by the EU CO<sub>2</sub> quota system can instead obtain a basic deduction of the CO<sub>2</sub> tax of fuel consumption if they have certain processes.

Companies with a CO<sub>2</sub> emission permit can reclaim the CO<sub>2</sub> tax of fuel used for process.

## **Main conditions for reimbursement of excise duties**

The legislation includes five main conditions which must be met in order to have the excise duties reimbursed:

1. The energy must be used by the company
2. The VAT on energy consumption must in principle be deductible
3. The energy cannot be used as engine fuel
4. Basically, the energy cannot be used for heating, heating of water or comfort cooling
5. The energy must be used for products of “goods”.

The reimbursement amount for companies varies.

## ***Electricity - Special***

To calculate the reimbursement of the excise duties on electricity, a number of rules must be observed.

### ***Electricity used for heating, heating of water and comfort cooling***

To calculate the reimbursement of the excise duties on electricity used for heating, heating of water and comfort cooling, a different set of rules must be observed.

### ***Liberal professions – special rules***

Regardless of the fact that the consumption of electricity concerns the company's sale of services subject to VAT, the following companies (liberal professions, etc.) cannot obtain a reimbursement of the excise duty on electricity:

- Lawyers
- Architects
- Bureaus
- Land surveyors
- Brokers
- Advertising companies
- Accountants
- Consulting engineers.

If the company has both the above activities and other activities which are subject to VAT, the company can obtain a reimbursement of a part of the excise duties on electricity. A division of the electricity consumption is therefore recommendable.

However, companies with the above activities which are subject to VAT can often obtain a reimbursement of excise duties on electricity used for heating, heating of water and comfort cooling.

## ***Rental services***

Companies which rent out real property cannot obtain a reimbursement of e.g. excise duties on electricity and water consumed by the lessee.

It is the company which consumes the electricity and water which can obtain the reimbursement of the excise duties – in this case the lessee.

Companies which supply electricity, water and heat as part of a commercial rental shall at least once a year prepare a specification of the excise duties for the lessee.

Subsequently, the conditions concerning the rental decide whether the lessee can obtain a full or partial reimbursement of the excise duties.



## ***Excise duties on water***

Companies can obtain a reimbursement of excise duties on water to the same extent as the company has deducted the VAT.

Companies can obtain a reimbursement of the excise duties on water regardless of whether the water has been used in the production of goods, bath, cleaning or making coffee, etc.

Companies with liberal professions can obtain the reimbursement of the excise duties on water opposite to the excise duties on electricity. For further information, please see “Liberal professions – special rules”.

## ***Excise duties rates***

All excise duties rates on energy and rates for reimbursement of excise duties change every year. The reimbursement rates are different for every type of energy.

If you need information regarding one or more excise duty rates, please contact one of the contact persons on the last page.

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# ***Documentation***

Companies can only obtain a reimbursement of the excise duties on energy, if the company is able to present invoices, etc. which meet the invoicing requirements.

Companies which supply electricity, water and heat as part of a rental shall at least once a year prepare a specification of the duties for the VAT registered lessees' reimbursement of excise duties.

Companies which only read their supply meter once a year can obtain a reimbursement of excise duties on a regular basis based on the company's account invoices. The company shall make a correction of the received reimbursement of excise duties when receiving the annual return.

# ***Declaration and payment of excise duties***

## ***Reclaiming excise duties***

In practice, the companies can obtain a reimbursement of their excise duties and CO<sub>2</sub> tax by a VAT payable deduction on the VAT return. The deadline for declaring and paying VAT depends on the company's yearly turnover.

## ***Expedited reimbursement of excise duties***

Companies with a certain energy consumption (a total reclaim of DKK 30,000 a year) may upon application to the Danish tax authorities obtain a reimbursement of the excise duties even faster (expedited reimbursement of excise duties) which could be a liquidity advantage for the company.

## ***Payment of excise duties***

Most companies pay their excise duties through the received invoice.

Companies registered as excise duty warehousekeepers shall pay the excise duty when the goods are supplied to or used by the company. Consignees shall pay the excise duty in the month of arrival in Denmark.

## ***Settling excise duties***

Registered companies must declare and pay excise duties to the Danish tax authorities no later than the 15 in the month after expiry of each excise duty period. For most excise duties, the excise duty period is the month.

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# ***Limitation of excise duty claims***

## ***Companies***

Excise duty claims are valid for a period of three years from the expiry of the declaration deadline.

In special cases, the company can apply for a reopening exceeding the three years. This would apply if e.g. existing practice is changed.

## ***Authorities***

The three year period also applies for the authorities' possibility for correcting an excise duty reclaim back in time.

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