

Tax Matters

New vehicle registration tax etc.



New agreement on Danish registration tax

22. September 2017

Thursday night, the Danish government (VLAKE) and the Danish People's Party (Dansk Folkeparti) introduced a new agreement on the Danish vehicle registration tax. The new agreement affects vehicles registered from 3 October 2017.

The new agreement involves:

- A reduction in the registration tax on passenger cars and motorcycles. Today, purchasers must pay 105% of the value up to DKK 106,000 and 150% of the remaining value. With the new rules, purchasers must pay 85% of the value up to DKK 185,000 and 150% of the remaining value.
- A clear-out of the existing safety deductions in the registration tax. The tax deduction of DKK 3,750 for ABS and ESP will no longer apply. The seat belt alarm deduction will increase from DKK 1,000 per alarm up to three alarms. The 5 NCAP Stars deduction will increase from DKK 2,000 to DKK 8,000.
- An increase in the additional tax and limits for poor fuel efficiency in the registration tax. Today, the current limit for addition/deduction of DKK 4,000 is 16 km per litre for petrol cars and 18 km per litre for diesel cars. The new limit is 20 km per litre and 22 km per litre, respectively, and the additional tax on vehicles below this limit will increase to DKK 6,000.

These three changes affect the individual vehicle segments differently. Small vehicles will generally be a bit more expensive, whereas middle class vehicles will be approximately 8% cheaper.

Although large cars will be less expensive, the tax reduction of the value will partly be reduced by the changed fuel efficiency limits.

The tax reduction is furthermore counterbalanced by an increase in the green tax on vehicles covered by the new rules. From 1 July 2018, the motor vehicle tax on all new vehicles will generally increase by DKK 500 per year. In addition, the rates of weight tax (*vægtafgift*), countervailing charge (*udligningsafgift*) and motor vehicle tax (*ejerafgift*) will be subject to price adjustments from 2021 to 2025.

On the other hand, the fee for crossing the Storebælt Bridge will be reduced by a total of 25%. The prices will decrease gradually beginning from 2018.

For motor caravans, veteran cars and delivery vans, the changes will immediately impose a tax increase when registering these vehicles. However, the rules will be designed to keep the tax level of such vehicles generally unchanged.

Leasing

The tax rules governing leased cars will be tightened. The intention is to cap the tax benefit that lease companies can obtain through fleet discount.

Specifically, this means that vehicles registered with proportional tax will be subject to a recalculation of the tax on resale or within four months of registration. The recalculation will be based on the open market value of the leased vehicle. This open market value will be determined from the vehicle's actual value in the market regardless of its price at the time of original registration.

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The recalculated proportional tax should then be applied for the rest of the lease term.

Furthermore, the possibility of settling tax on a leased vehicle at the end of the lease term corresponding to the remaining tax on the actual purchase price will no longer apply.

Additionally, the rule stipulating that the taxable value of used vehicles cannot exceed the vehicle's original price as new will discontinue.

Based on the preliminary summary description of the new leasing rules, some of the elements contained in the change of rule may be problematic from a EU treaty perspective. Further assessment from us will have to await the actual wording and consequences of the bill, however.

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