



# Tax Agency, Greenland

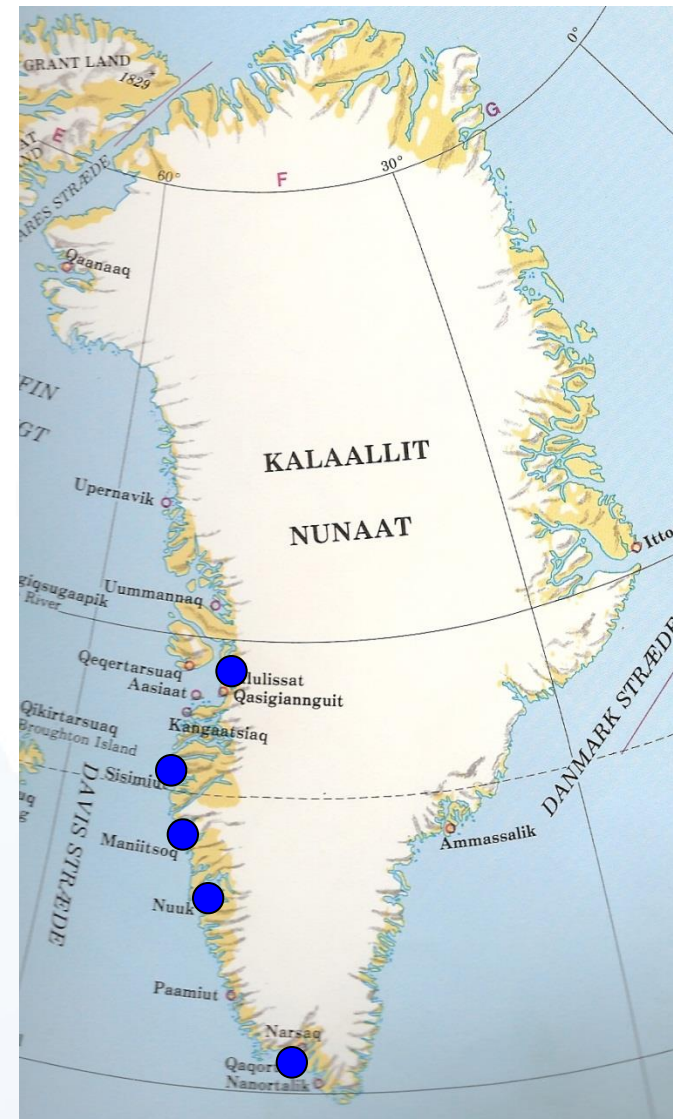
Government of Greenland





# The Tax Agency

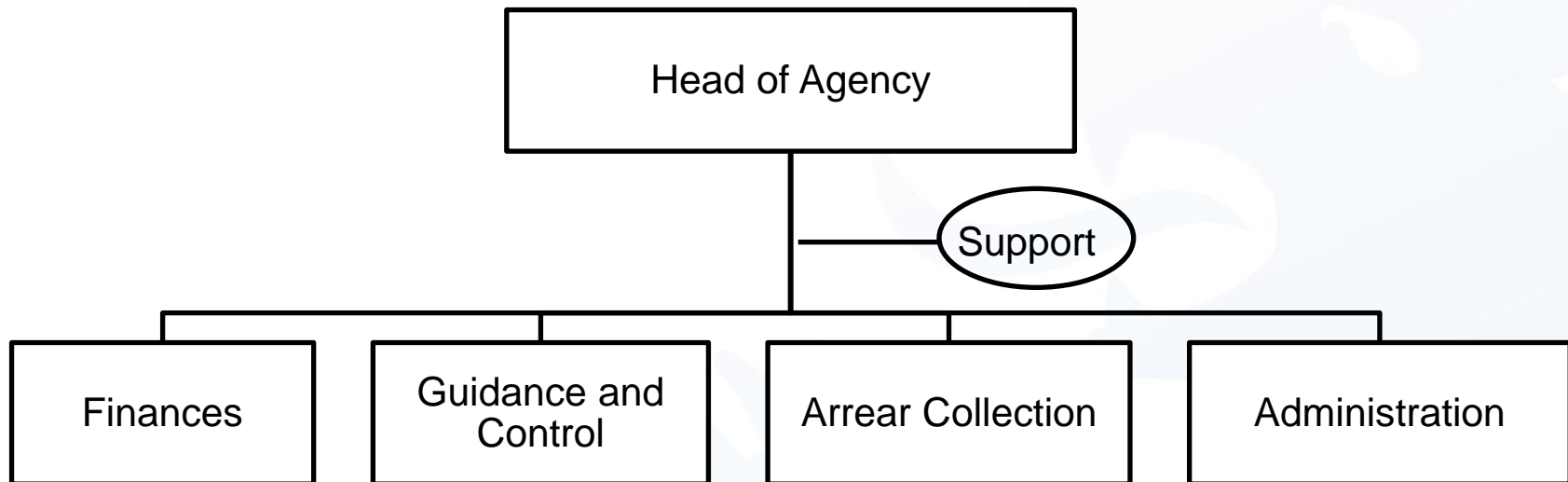
- We have offices in:
- Qaqortoq
- Nuuk
- Maniitsoq
- Sisimiut
- Ilulissat
- Copenhagen (Denmark)
- Aalborg (Denmark)





# Organisation

- The overall structure at the Tax Agency is five units:



- With a total of 114 employees



# Greenlandic taxation

- Greenland has a relatively simple tax system, based on a flat-rate taxation of labor income and certain capital income.
- Greenland has a limited number of import duties but no VAT.  
*Sugar, chocolate, alcohol, softdrinks, emballage, tobacco and cigarettes, coffee, tea, cars, cosmetics and meat from lamb, sheep, cattle, pigs and poultry.*
- The Greenlandic tax is based on a net income principle, where the taxable income is calculated as a total net amount after deductions.
- The net income principle means that all income is treated equally, regardless of whether the income comes from employment, self-employment, investment income or pensions, etc.



# Tax rates

- |   |             |
|---|-------------|
| <ul style="list-style-type: none"> <li>■ Personal tax within a municipality is</li> </ul>   | 42% - 44%   |
| <ul style="list-style-type: none"> <li>■ Personal tax with Tax Agency as a municipality is</li> </ul>   | 36%         |
| <ul style="list-style-type: none"> <li>■ The basic company tax rate is<br/>which includes companies with earnings under DKK 99<br/>and License holders</li> </ul> | 30%         |
| <ul style="list-style-type: none"> <li>■ With earnings above DKK 99, there is a surcharge of<br/>which gives an effective company tax of</li> </ul>               | 6%<br>31,8% |
| <ul style="list-style-type: none"> <li>■ Gross tax</li> </ul>   | 35%         |



# General conditions

- Enterprises with a permit to prospecting, exploration or exploitation are considered taxable entities in Greenland.
- It applies to all types of enterprises that the Greenlandic enterprise must be registered with the Greenlandic Business Register (GER) - [www.ger.gl](http://www.ger.gl) / [www.int.aka.gl/en/tax-forms-and-registrations](http://www.int.aka.gl/en/tax-forms-and-registrations)
- Subsequently with the employer registration system if the enterprise does or will employ staff - <https://sulinal.nanoq.gl/>
- Corporate tax returns, which must be filed annually, are due no later than four months after the end of the financial year
- Taxes must be paid at November 1. after the end of the tax year.



# Types of Business

- A foreign corporation may establish a business presence in Greenland either as subsidiary corporation or as an registered branch office (permanent establishment)
- The regulations applicable to a subsidiary corporation as well as a registered branch office are laid down in the Companies Act.
- A business entity is required by law (Bookkeeping Act as well as in regulations and guidelines issued by the Tax Agency of Greenland) to maintain appropriate bookkeeping (must be kept in Greenland).
- An permanent establishment can be converted/transferred to a registered company in Greenland. The company can assume the tax position of the permanent establishment (all assets and obligations + termination of PE).



# Computation of the taxable income (1)

- The taxable income is determined on the basis of the profit shown in the annual report, adjusted to comply with the prevailing tax provisions.
- Tax depreciation can be allocated into 4 groups:
  - Buildings are depreciable by maximum 5% per year.
  - Aircrafts and vessels are depreciable by maximum 10% per year
  - All other items – pooled declining balance method by a maximum of 30% per year.  
(all assets costing less than 50.000 DKK are depreciable in the year of acquisition).
  - The acquisition cost of permits for prospecting, exploration and exploitation are depreciated over a period of 10 years (hydrocabons) / 4 years (minerals).





## Computation of the taxable income (2)

- It is possible to reduce the taxable income to zero DKK when distributing dividends from which dividend tax is withheld.
- As a main rule, all enterprises with exploration or exploitation permits are entitled to carry forward tax losses without timing limitations.
  - Exception 1: Substantial changes in ownership, voting rights, allocation of shares or activities (however, dispensation can be granted + to reduction of amortization).
  - Exception 2: All permits under the Act of mineral resources is returned (only applies to PE).
- Payments made from Greenland to other countries under to intercompany agreements, such as interest, royalty, management fee etc., are tax deductible in Greenland (specific rules on thin capitalization, equity-to-debt ratio of 1:2).
- Agreements between related parties must be documented as to how prices and terms are determined for the intercompany transactions (on an arm's length basis).



# Sub-contractor

- Sub-contractor performing work directly related to the exploration or exploitation in a license area, are subject to tax as non-residents (PE) and must like the license holder, submit tax returns and monthly to report salaries paid and tax withheld for each employee.
  - Exception 1  
Enterprises that conduct business for less than 30 days in a 12-month period.
  - Exception 2  
Enterprises that conduct business under a permit to prospecting.



# Personal taxation

- Individuals are subject to unlimited Greenlandic taxation if:
  - they have their residence (permanent address) in Greenland, or
  - they stay in Greenland for a consecutive period of six months or more.
  
- Individuals who are not subject to unlimited taxation may be subject to limited tax liability on Greenlandic sources.
  - Exception 1  
Full or limited tax liability in Greenland for persons, however, does not take effect if:
    - the person's stay in Greenland does not exceed 14 consecutive days
    - the work is performed for and paid by the usual employer.
  
  - Exception 2  
Full or limited tax liability in Greenland for person's from Denmark, Norway, Faroe Island or Iceland , however, does not take effect if the stay in Greenland does not exceed 183 days within 12 months.



# Gross tax

- Employees fulfilling the conditions are taxed at a definite rate of 35% of their gross income with no possibility of deducting allowances. This only apply to:
  - Individuals who have not been liable to pay tax in Greenland for a six-month period and perform tasks under an employment agreement relating to planning and construction work as well as installation work performed outside towns and settlements or perform tasks relating to prospecting, exploration and exploitation of minerals.
- Gross income tax is computed on any income arising, including employee benefits such as free board and lodging.
- The Gross tax is a final taxation and the employee is not obliged to file a tax return. If needed the employee can get a tax assessment to provide for local tax purpose.



# Withholding og tax

- As a main rule, all types of salary are subject to income taxation. This also includes salary received during holidays, free board and lodging and contributions to pension plans.
- The employer is monthly to report to the Tax Agency the salaries paid and tax withheld for each employee and to pay tax withheld to the Tax Agency.
- Special tax reporting form regarding Gross taxation. Form and guidance can be found on [www.int.aka.gl/en/tax-forms-and-registrations](http://www.int.aka.gl/en/tax-forms-and-registrations)
- The statements must be prepared in Greenland. The information on which the statements are based and other material relevant for the Tax Agency's monitoring of payments of income taxed at source must be kept in Greenland.



## Further informations

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[www.aka.gl](http://www.aka.gl)

[www.int.aka.gl](http://www.int.aka.gl)