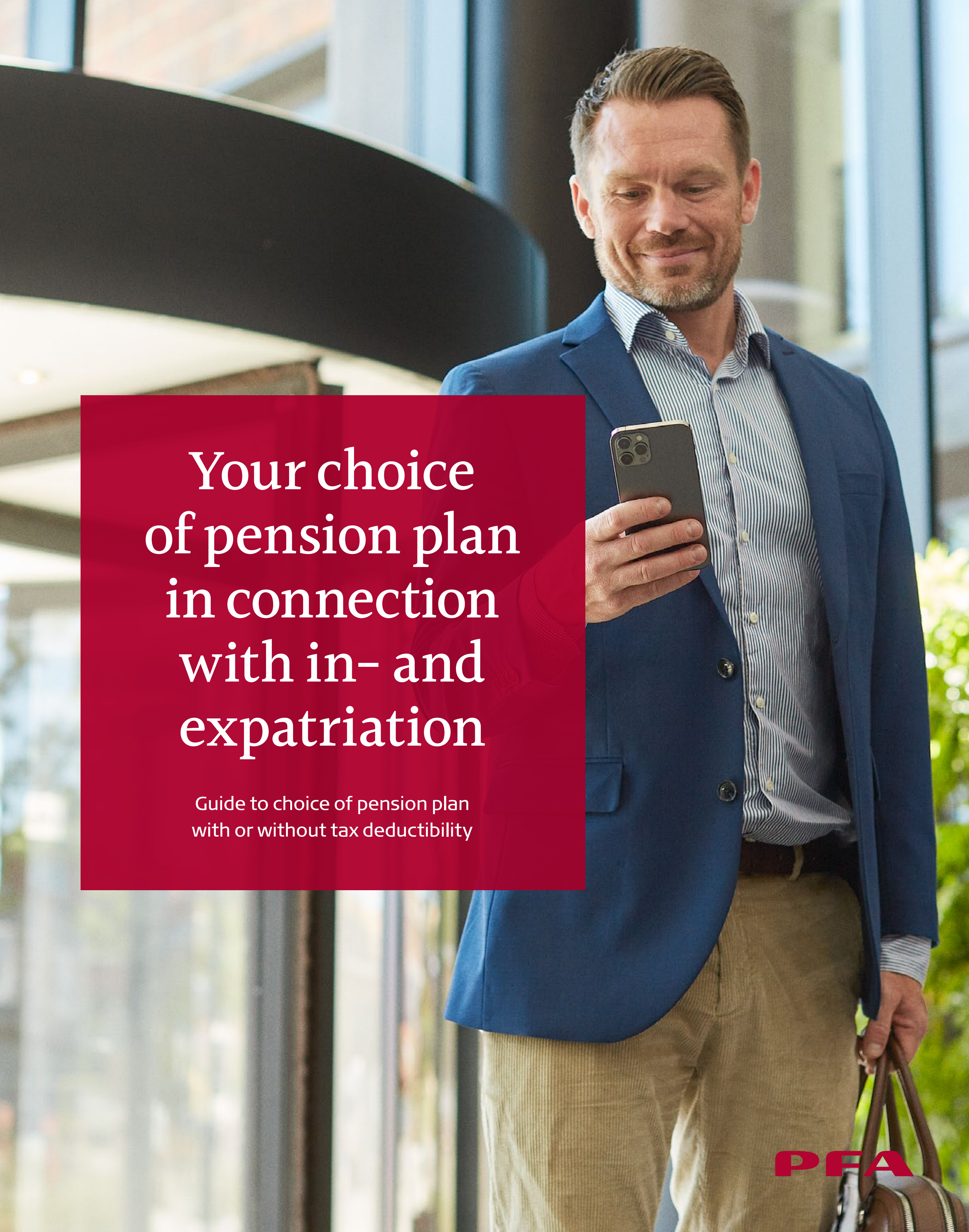

Your choice of pension plan in connection with in- and expatriation

Guide to choice of pension plan
with or without tax deductibility

PFA

Contents

Introduction

If you are on inpatriate assignment in Denmark or on an expatriate assignment, it is up to you to decide whether you want a plan with or without Danish tax deductibility for the payments to your pension plan. Which solution is best for you will depend on, for instance, whether your employment in covered by the special tax scheme for foreign researchers and highly-paid employees, you pay top-bracket tax and whether you plan to remain in Denmark when you retire.

In the guide below, you can get a recommendation to which solution will be your best match, and you can read about the pros and cons of selecting a pension plan with and without Danish tax deductibility.

If you are unsure about which solution that will be the best for you, you can book a pension consultation or call PFA's Advisory Services Centre at (+45) 70 12 50 00.

Difference between deductible and non-deductible pension plan

Non-deductible pension plan (Section 53 A)	Deductible pension plan
Payment	
No tax-deductibility: The full payment will be subject to income tax.	• Full tax deductibility and access to exceptional deduction: Pension contributions are not included in taxable income.
Return	
• Return is included as capital income in the annual tax assessment notice from the Danish Tax Agency. • A capital income tax of up to 42 % will be settled. • The tax will be paid on personal income.	• Return is subject to a pension yield tax of 15.3 %. • The tax is settled by the pension company and is paid on return.
Payout and tax	
• Can be paid out as a lump sum. The payout is tax-free.	• Will be paid out regularly as instalment/life pension. • The payout will be subject to tax at the time of payout.
Surrender before attained retirement age*	
• No taxation. **May be limited by your employer's permission or a collective agreement.*	• Subject to a 60 % flat-rate tax. **May be limited by your employer's permission or a collective agreement.*

Example of the effect of tax deductibility:

Salary after labour market contribution: DKK 100
Employer's contribution: DKK 10
Employee's contribution: DKK 5
Paid salary before tax: DKK 95

• Tax base of salary with a Section 53 A plan: 100 + 10 = DKK 110	• Tax base of salary with tax-deductible pension: 100 – 5 = DKK 95

Guide to recommendation for foreign nationals

If you are covered by the special tax scheme for foreign researchers and highly-paid employees, who pay a lower tax rate on gross income than the ordinary tax rate?

Yes → Section 53 A if you are covered by the special tax scheme for foreign researchers and highly-paid employees. We recommend a pension consultation on termination of the special tax scheme for foreign researchers and highly-paid employees.

No ↓

Do you expect to remain in Denmark after retirement?

Yes → Tax-deductible pension plan.NB: The plan cannot be converted into a Section 53 A plan.

No ↓

Would you like to bring your savings when you leave Denmark?

Yes → Section 53 A plan

No ↓

Do you pay top-bracket tax today?

Yes → Tax-deductible pension plan

No → Section 53 A plan

Pros and cons in connection with selection of non-deductible pension plan (S 53 A) for inpatriate employees

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Pros

- Possibility of payout on termination of employment.
- Tax-free payout from Denmark.
- Probably no influence on public benefits.
- Will not be subject to undesirable taxation on payout.

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Cons

- Regular and higher taxation on return which must be paid on income.
- No possibility of making use of any tax deduction in the top-bracket tax now and taxation in the bottom-bracket tax on payout.
- In connection with a later change to a tax-deductible plan, the need for higher insurance cover may be contingent on submission of satisfactory health information.

Pros and cons in connection with selection of deductible pension plan for inpatriate employees

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Pros

- Low taxation on return which does not affect income.
- Possibility of making use of any tax deduction in the top-bracket tax now and taxation in the bottom-bracket tax on payout.

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Cons

- Inflexible when leaving Denmark.
- (High tax on surrender)
- If you are covered by the special tax scheme for foreign researchers and highly-paid employees, who pay a lower tax rate on gross income than the ordinary tax rate, you may risk a heavy tax burden on payout.
- Tax on payout may be higher than the tax deductibility on payment.
- In connection with a later change to a tax-deductible plan, the need for higher insurance cover may be contingent on submission of satisfactory health information.

Guide to expatriate employees

PFA's recommendation
- In general, we recommend a pension plan without tax-deductibility (Section 53 A) when not liable to taxation in Denmark.

Reporting and documentation
- It is important that the pension contribution is included in the taxable salary in the country of residence when reporting is made, and that the documentation is saved.

Insurance cover
- Your insurance cover can be reduced to your net requirement, as the cover is tax-free. On return and resumption of tax-deductible pension plan, you will automatically have the basic cover that applies according to our pension agreement. If you want higher coverage, you may have to submit satisfactory health information.

Tax auditor
- Please consider consulting a tax auditor with a knowledge of the expatriate country for an assessment of the following conditions:
- Partner's tax conditions
- Children's benefits

Return to Denmark after international assignment

PFA's recommendation
- In general, we recommend returning to the tax-deductible plan.

Pension consultation
- However, you ought to consider a pension consultation as special conditions apply concerning set-off of public benefits that can point towards keeping a Section 53A plan.

Deductible pension plan
- If you have maintained a tax-deductible plan during your expatriation, this will continue on return.

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