



## **Observatory for the Protection of Taxpayers' Rights**

Below you will find a questionnaire filled in by or with the contribution of the National Reporters of Denmark, Mr. Henrik Klitz, a representative of the Tax Administration and Mr. Henrik Peytz a representative of the tax practitioners.

This questionnaire comprises the National Reporter assessment on the level of compliance of the minimum standards and best practices on the practical protection of taxpayers' rights identified by Prof. Dr. Pistone and Prof. Dr. Philip Baker at the 2015 IFA Congress on "*The Practical Protection of Taxpayers' Rights*". This report was filled in considering the following parameters:

1. It contains information on those issues in which there were movements towards or away from the level of compliance of the relevant standard/best practice in Denmark between 2015 and 2017.
2. It is indicated, by the use of a checkmark () whether there were movements towards or away from of the level of compliance of the relevant standard/best practice in Denmark between 2015 and 2017.
3. It contains a summarized account on facts (legislation enacted, administrative rulings, circulars, case law, tax administration practices) that serves as grounds for each particular assessment of the level of compliance of a given minimum standard / best practice, in a non-judgmental way.

## Denmark

Minimum Standard	Best Practice	Shift towards	Shift away	Development
<b>1. Identifying taxpayers, issuing tax returns and communicating with taxpayers</b>				
Implement safeguards to prevent impersonation when issuing unique identification numbers				
The system of taxpayer identification should take account of religious sensitivities				
Impose obligations of confidentiality on third parties with respect to information gathered by them for tax purposes	Where tax is withheld by third parties, the taxpayer should be excluded from liability if the third party fails to pay over the tax			
Where pre-populated returns are used, these should be sent to taxpayers to correct errors				
Provide a right of access for taxpayers to personal information held about them, and a right to apply to correct inaccuracies	Publish guidance on taxpayers' rights to access information and correct inaccuracies	√		The right to access follows from general Danish tax and administrative law as well as from the Danish Act on Personal Data which incorporates the EU Directive on Data Protection (95/46/EC). The new EU General Data Protection Regulation (EU 2016/679) will increase awareness of these rules.
Where communication with taxpayers is in electronic form, institute systems to prevent impersonation or interception				
Where a system of "cooperative compliance" operates, ensure it is available on a non-discriminatory and voluntary basis				
Provide assistance for those who face difficulties in meeting compliance obligations, including those with disabilities, those located in remote areas, and those unable				

or unwilling to use electronic forms of communication				
Minimum Standard	Best Practice	Shift towards	Shift away	Development
<b>2. The issue of tax assessment</b>				
	Establish a constructive dialogue between taxpayers and revenue authorities to ensure a fair assessment of taxes based on equality of arms			
	Use e-filing to speed up assessments and correction of errors, particularly systematic errors			
<b>3. Confidentiality</b>				
Provide a specific legal guarantee for confidentiality, with sanctions for officials who make unauthorised disclosures (and ensure sanctions are enforced)	Encrypt information held by a tax authority about taxpayers to the highest level attainable			
Restrict access to data to those officials authorised to consult it. For encrypted data, use digital access codes	Ensure an effective fire-wall to prevent unauthorised access to data held by revenue authorities			
Audit data access periodically to identify cases of unauthorised access				
Introduce administrative measures emphasising confidentiality to tax officials	Appoint data protection/privacy officers at senior level and local tax offices	√		Under the new EU General Data Protection Regulation which shall be applied from 25 May 2018 tax authorities will, as other public authorities, be required to appoint a data protection officer (DPO).
If a breach of confidentiality occurs, investigate fully with an appropriate level of seniority by independent persons (e.g. judges)				
Introduce an offence for tax officials covering up				

unauthorised disclosure of confidential information				
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Minimum Standard	Best Practice	Shift towards	Shift away	Development
<b>3. Confidentiality (cont).</b>				
Provide remedies for taxpayers who are victims of unauthorised disclosure of confidential information				
Exceptions to the general rule of confidentiality should be explicitly stated in the law, narrowly drafted and interpreted				
If “naming and shaming” is employed, ensure adequate safeguards (e.g. judicial authorisation after proceedings involving the taxpayer)	Require judicial authorisation before any disclosure of confidential information by revenue authorities			
No disclosure of confidential taxpayer information to politicians, or where it might be used for political purposes	Parliamentary supervision of revenue authorities should involve independent officials, subject to confidentiality obligations, examining specific taxpayer data, and then reporting to Parliament			
Freedom of information legislation may allow a taxpayer to access information about himself. However, access to information by third parties should be subject to stringent safeguards: only if an independent tribunal concludes that the public interest in disclosure outweighs the right of confidentiality, and only after a hearing where the taxpayer has an opportunity to be heard		√		The taxpayer’s right to access information about himself follows from the Danish Act on Personal Data which incorporates the EU Directive on Data Protection. The new EU General Data Protection Regulation will increase awareness of these rules.

If published, tax rulings should be anonymised and details that might identify the taxpayer removed	Anonymise all tax judgments and remove details that might identify the taxpayer			
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Minimum Standard	Best Practice	Shift towards	Shift away	Development
<b>3. Confidentiality (cont).</b>				
Legal professional privilege should apply to tax advice	Privilege from disclosure should apply to all tax advisors (not just lawyers) who supply similar advice to lawyers. Information imparted in circumstances of confidentiality may be privileged from disclosure			
Where tax authorities enter premises which may contain privileged material, arrangements should be made (e.g. an independent lawyer) to protect that privilege				
<b>4. Normal audits.</b>				
Audits should respect the following principles: (1) Proportionality (2) <i>Ne bis in idem</i> (prohibition on double jeopardy) (3) <i>Audi alteram partem</i> (right to be heard before any decision is taken) (4) <i>Nemo tenetur se detegere</i> (principle against self-incrimination). Tax notices issued in violation of these principles should be null and void				
In application of proportionality, tax				

authorities may only request for information that is strictly needed, not otherwise available, and must impose least burdensome impact on taxpayers				
	In application of <i>ne bis in idem</i> the taxpayer should only receive one audit per taxable period, except when facts that become known after the audit was completed			
Minimum Standard	Best Practice	Shift towards	Shift away	Development
4. Normal audits (cont).				
In application of <i>audi alteram partem</i> , taxpayers should have the right to attend all relevant meetings with tax authorities (assisted by advisors), the right to provide factual information, and to present their views before decisions of the tax authorities become final				
In application of <i>nemo tenetur</i> , the right to remain silent should be respected in tax audits.				
	Tax audits should follow a pattern that is set out in published guidelines	✓		The Danish Customs and Tax Administration (SKAT) in 2016 published a new set of guidelines on the delimitation of cases during tax audits, see SKM 2016. 475 SKAT. The guidelines deal with particularly the constitutional limits to SKAT deciding to pursue or not to pursue specific items in the tax return. The guidelines deal with the limits to e.g. both temporal and subject based exclusion of items from an audit.
	A manual of good practice in tax audits should be established at the global level			
	Taxpayers should be entitled to request the start of a tax audit (to obtain finality)			
Where tax authorities have resolved to start an audit, they should inform	Where tax authorities have resolved to start an audit, they should hold an initial meeting			

the taxpayer	with the taxpayer in which they spell out the aims and procedure, together with timescale and targets. They should then disclose any additional evidence in their possession to the taxpayer			
Taxpayers should be informed of information gathering from third parties				
	Reasonable time limits should be fixed for the conduct of audits			
Technical assistance (including representation) should be available at all stages of the audit by experts selected by the taxpayer				
<b>Minimum Standard</b>	<b>Best Practice</b>	<b>Shift towards</b>	<b>Shift away</b>	<b>Development</b>
<b>4. Normal audits (cont).</b>				
The completion of a tax audit should be accurately reflected in a document, notified in its full text to the taxpayer	The drafting of the final audit report should involve participation by the taxpayer, with the opportunity to correct inaccuracies of facts and to express the taxpayer's view			
	Following an audit, a report should be prepared even if the audit does not result in additional tax or refund			
<b>5. More intensive audits.</b>				
	More intensive audits should be limited to the extent strictly necessary to ensure an effective reaction to non-compliance			
If there is point in an audit when it becomes foreseeable that the taxpayer may be liable for a penalty or criminal charge, from that time the taxpayer should have stronger protection of his right to silence, and statements from the taxpayer should				

not be used in the audit procedure				
Entering premises or interception of communications should be authorised by the judiciary		√		In June 2012 the tax authorities obtained the right to inspect, without court order, outdoor professional construction work on private property when such activities were visible. This led to 747 inspections on private property (private gardens etc.) in the period 1 July 2012 to 31 December 2014. As part of the current government's "Retssikkerhedspakke I" ("First Package on Legal Protection") this right was terminated by Act No. 1885 of 29 December 2015. Further, as part of the same package, SKAT decided in 2015 not to continue a practice whereby telecom operators could be asked by SKAT to provide information about their customers' use of their mobile phones. Now this practice will only be applied in cases of criminal investigation.
Authorisation within the revenue authorities should only be in cases of urgency, and subsequently reported to the judiciary for <i>ex post</i> ratification				
Inspection of the taxpayer's home should require authorisation by the judiciary and only be given in exceptional cases.	Where tax authorities intend to search the taxpayer's premises, the taxpayer should be informed and have an opportunity to appear before the judicial authority, subject to exception where there is evidence of danger that documents will be removed or destroyed	√		See above as regards private gardens
	Access to bank information should require judicial authorisation			
<b>Minimum Standard</b>	<b>Best Practice</b>	<b>Shift towards</b>	<b>Shift away</b>	<b>Development</b>
<b>5. More intensive audits (cont).</b>				
	Authorisation by the judiciary should be necessary for interception of telephone communications and monitoring of internet access. Specialised offices within the judiciary should be established to supervise these actions	√		See above as regards information about use of mobile phones.
Seizure of documents should be subject to a requirement to give				



reasons why seizure is indispensable, and to fix the time when documents will be returned; seizure should be limited in time				
	If data are held on a computer hard drive, then a backup should be made in the presence of the taxpayer's advisors and the original left with the taxpayer			
Where invasive techniques are applied, they should be limited in time to avoid disproportionate impact on taxpayers				
<b>6. Review and appeals.</b>				
	E-filing of requests for internal review to ensure the effective and speedy handling of the review process			
The right of appeal should not depend upon prior exhaustion of administrative reviews				The Danish main rule is still that administrative reviews shall be exhausted.
	Reviews and appeals should not exceed two years		√	This is still not the case in Denmark. The National Audit Office and the State Auditors in Report 6/2016 strongly criticized the Danish Tax Appeals Agency's average time spent handling an appeal stating that an average of 27 months was extremely unsatisfactory.
<i>Audi alteram partem</i> should apply in administrative reviews and judicial appeals			√	Act No. 688 of 8 June 2017 limits certain of the existing procedural rights in the appeals procedure before the Danish Tax Appeals Agency and the Danish Regional Property Valuation Boards. The procedural changes take effect from 2019 and concerns only appeals regarding property valuations. The changes include amongst others abandonment of the right to receive a proposed decision before the final decision is issued. Thus from 2019 the appeals procedure will to a higher degree be based on general Danish administrative law still including the right to be heard, provide factual information and present views, but no longer the extended right to receive a proposed decision and the opportunity to address such a preliminary assessment of the case. The changes to the appeals procedure are part of a complete overhaul of the entire system of property

				valuations and are explained as necessary to ensure appeals being decided within a reasonable time in light of the extreme number of appeals expected.
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Minimum Standard	Best Practice	Shift towards	Shift away	Development
<b>6. Review and appeals (cont).</b>				
Where tax must be paid in whole or in part before an appeal, there must be an effective mechanism for providing interim suspension of payment	An appeal should not require prior payment of tax in all cases			
	The state should bear some or all of the costs of an appeal, whatever the outcome	√		As part of “Retssikkerhedspakke II” (“Second Package on Legal Protection”) the Danish system of state reimbursement of costs in tax cases which had in 2009 been limited to cover individuals only was by Act No. 1665 of 20 December 2016 expanded again so to include companies and other legal persons with effect for assistance provided on 1 January 2017 or thereafter.
Legal assistance should be provided for those taxpayers who cannot afford it				
Taxpayers should have the right to request the exclusion of the public from a tax appeal hearing				
Tax judgments should be published				
<b>7. Criminal and administrative sanctions.</b>				
Proportionality and <i>ne bis in idem</i> should apply to tax penalties				
	Where administrative and criminal sanctions may both apply, only one procedure and one sanction should be applied			In Denmark there is no legal basis for administrative sanctions (but for the collection of the tax with interest). Criminal sanctions may be applied in case of deliberate or grossly negligent violations (the General Report did not reflect this precisely).
	Voluntary disclosure should lead to			

	reduction of penalties			
Sanctions should not be increased simply to encourage taxpayers to make voluntary disclosures				
<b>8. Enforcement of taxes.</b>				
Collection of taxes should never deprive taxpayers of their minimum necessary for living				

Minimum Standard	Best Practice	Shift towards	Shift away	Development
<b>8. Enforcement of taxes (cont).</b>				
	Authorisation by the judiciary should be required before seizing assets or bank accounts			
Taxpayers should have the right to request delayed payment of arrears				
	Bankruptcy of taxpayers should be avoided, by partial remission of the debt or structured plans for deferred payment			
Temporary suspension of tax enforcement should follow natural disasters				
<b>9. Cross-border procedures.</b>				
The requesting state should notify the taxpayer of cross-border requests for information, unless it has specific grounds for considering that this would prejudice the process of investigation. The requested state should inform the taxpayer unless it has a reasoned request from the requesting state that the taxpayer	The taxpayer should be informed that a cross-border request for information is to be made			

should not be informed on grounds that it would prejudice the investigation				
	Where a cross-border request for information is made, the requested state should also be asked to supply information that assists the taxpayer			
	Provisions should be included in tax treaties setting specific conditions for exchange of information			

Minimum Standard	Best Practice	Shift towards	Shift away	Development
<b>9. Cross-border procedures (cont).</b>				
If information is sought from third parties, judicial authorisation should be necessary				
	The taxpayer should be given access to information received by the requesting state			
	Information should not be supplied in response to a request where the originating cause was the acquisition of stolen or illegally obtained information  A requesting state should provide confirmation of confidentiality to the requested state			
A state should not be entitled to receive information if it is unable to provide independent, verifiable evidence that it observe high standards of data protection				
	For automatic exchange of financial information, the taxpayer should be			

	notified of the proposed exchange in sufficient time to exercise data protection rights			
	Taxpayers should have a right to request initiation of mutual agreement procedure	√		<p>In 2016 the Danish Western High Court ruled on two issues regarding the mutual agreement procedure under the EU-Arbitration Convention (90/436/EEC), see SKM 2016.354 V. The Danish Competent Authority refused a taxpayer's request to initiate a mutual agreement procedure under the Arbitration Convention on the grounds that the taxpayer had not provided the adequate information within the timeframe stipulated in article 6 of the Convention and as a result hereof the request was not received within the timeframe in article 6. The taxpayer appealed this decision from the Competent Authority to both to the Danish National Tax Tribunal and the High Court. Hence the first question before the High Court was whether the High Court or the National Tax Tribunal should hear the appeal. The taxpayer held the view that the National Tax Tribunal should hear the appeal first with the possibility of onwards appeal to the ordinary courts as in other tax matters, while the Ministry of Taxation took the view that only the ordinary courts – in this instance the Western High Court – had the competence to hear the appeal. The High Court decided this question in favour of the Ministry. Thus it is not possible to have the National Tax Tribunal consider an appeal concerning decisions under the Arbitration Convention by the Danish Competent Authority.</p> <p>The High Court then had to decide on whether the taxpayer had or had not supplied adequate information within the timeframe stipulated in article 6 of the Convention. In this respect the High Court examined the facts of the case quite closely and came to the conclusion that the information supplied by the taxpayer met the requirements under the Code of Conduct and the Arbitration Convention. Thus The High Court decided in favour of the taxpayer in this question and ordered the Ministry of Taxation to instruct the Danish Competent Authority to initiate the mutual agreement procedure.</p> <p>The judgment of the High Court in this case shows that the taxpayer does have a right to initiation of a mutual agreement procedure under the Arbitration Convention if the requirements under the Convention are met and the right actually can be enforced through</p>

				ordinary court proceedings.
Taxpayers should have a right to participate in mutual agreement procedure by being heard and being informed as to progress of the procedure				

Minimum Standard	Best Practice	Shift towards	Shift away	Development
<b>10. Legislation.</b>				
Retrospective tax legislation should only be permitted in limited circumstances which are spelt out in detail	Retrospective tax legislation should ideally be banned completely			
	Public consultation should precede the making of tax policy and tax law	√		As part of “Retssikkerhedspakke I” (“First Package on Legal Protection”) the Minister of Taxation has stated that he wanted to improve the processes of public consultation on new legislation, by ensuring as main rule respect of the 4 weeks standstill for consultation before a bill is presented in Parliament. In addition public consultation procedures are being established concerning draft general instructions to SKAT concerning application and interpretation of tax rules (the so-called “styresignaler”).
<b>11. Revenue practice and guidance.</b>				
Taxpayers should be entitled to access all relevant legal material, comprising legislation, administrative regulations, rulings, manuals and other guidance				
Where legal material is available primarily on the internet, arrangements should be made to provide it to those who do not have access to the internet				

Binding rulings should only be published in an anonymised form				
Where a taxpayer relies upon published guidance of a revenue authority which subsequently proves to be inaccurate, changes should apply only prospectively				

Minimum Standard	Best Practice	Shift towards	Shift away	Development
<b>12. Institutional framework for protecting taxpayers' rights.</b>				
Adoption of a charter or statement of taxpayers' rights should be a minimum standard	A separate statement of taxpayers' rights under audit should be provided to taxpayers who are audited			
	A taxpayer advocate or ombudsman should be established to scrutinise the operations of the tax authority, handle specific complaints, and intervene in appropriate cases. Best practice is the establishment of a separate office within the tax authority but independent from normal operations of that authority	√		In connection with "Retssikkerhedspakke II" ("Second Package on Legal Protection") the Parliament's Ombudsman has with effect from 1 January 2017 established a new office which will be responsible for reviewing tax and tax administration cases only. This is separate from the tax administration as opposed to SKAT's Director of Legal Protection. At the same time, by Act No. 1665 of 20 December 2016, the procedural rules have been amended so that a taxpayer can await a decision from the Ombudsman before deciding whether to go to court
	The organisational structure for the protection of taxpayers' rights should operate at local level as well as nationally			