

15 March 2010.

## **Information to Licensees**

**The Bureau of Minerals and Petroleum gives notice of new tax rules affecting enterprises that have been granted licences pursuant to the Act on Mineral Resources, etc. in Greenland, including rules on the payment of tax by employees for work performed in Greenland and control of employers' reporting and retention of personal taxes**

- With the new tax rules that took effect on 1 January 2010, it has been clarified that offshore mineral resource activities carried out on the continental shelf of Greenland are also subject to taxation and limited tax liability with respect to foreign companies.
- That means that all foreign companies that have been granted licences under the Mineral Resources Act are subject to limited liability to pay tax on revenue from prospecting, exploration and exploitation of mineral resources from the date when the licence is granted. The limitation in tax liability has the effect that only the revenue from the activities that are covered by the licence will be subject to the tax liability and can give rise to tax relief.
- Sub-suppliers, contractors, etc. with registered offices outside Greenland will also be subject to limited tax liability insofar as they earn revenue relating to exploration for and exploitation of mineral resources. However, limited tax liability does not arise until the activities of an enterprise have been carried on for more than 30 days during a 12-month period.
- The new tax rules mean that individuals who receive payment for personal work on board ships, planes, offshore facilities, etc. in connection with prospecting, exploration and exploitation of mineral resources performed in Greenland and in the Greenland continental shelf area are subject to limited tax liability. For example, the crew, etc. on board ships and planes who carry out work in connection with seismic surveys will be subject to limited tax liability and will be required to file a Greenland income tax return.
- Employees who are employed with suppliers, sub-suppliers, etc. will also be subject to the provision.
- The tax liability takes effect from the first day of stay on the continental shelf and is an exception to the general rule for onshore work, according to which limited tax liability will apply only after a period of 14 days.
- The new tax rules provide that employers must prepare statements concerning PAYE tax retained for employees in Greenland. Information underlying the preparation of the statements and other material of importance to the tax administration's control of payments of income taxed at source must be kept in Greenland.

In order to ensure that the correct PAYE tax is collected for all employees concerned with mineral resource activities, it should in particular be pointed out that section 2 of Executive Order No. 28 of 1 December 2006 on the collection of income tax and social security contribution states:

*"2 – (1) Those who are liable to retain taxes pursuant to section 76 of the Greenland Parliament Act on Income Tax must register for registration at the Employer Register of the Tax Administration.*

*(2) Upon registration the party liable to retain taxes must on forms prepared by the Tax Administration provide information on the activities, etc. as indicated on the form.*

*(3) Registration with the Tax Administration's Employer Register must be within ten days after the liability to retain taxes has arisen. Notice must be given of changes, including termination of the liability to retain taxes, within ten days after the change."*

Section 76(1) and (2) of the Greenland Parliament Act on Income Tax has the following wording:

*"76 – (1) In connection with any payment of income taxed at source, the party at whose expense the payment is made shall retain provisional tax on the amount paid. For special payments, such as holiday pay and payment for work on public holidays, the Greenland Government may lay down special provisions on the time of retention and on the income year in which such payments are to be taxed.*

*(2) The retention shall be made by the party liable to retain tax calculating the amount to be retained and retaining this amount of the income taxed at source. For persons fully liable to pay tax the amounts retained constitute their provisional PAYE tax. For those who are subject to limited tax liability, the PAYE tax retained is final."*

Furthermore, attention should be drawn to the provision of section 3(1) of the same executive order which is also of importance to foreign enterprises that have been granted licences under the Mineral Resources Act and which are pursuant to section 76 of the Greenland Parliament Act on Income Tax to retain PAYE tax for employees:

*"3. After registration, a GER number is allocated. After registration, a registration certificate with the information provided upon registration and the number allocated is sent to the party liable to retain tax".*

The GER number (GER = Grønlands Erhvervsregister = Greenland Business Register) is to be used, for example, in connection with the correspondence of the enterprise with public authorities. A form for registration with the Employer Register may be obtained at the following website:

[http://dk.nanoq.gl/sitecore/content/Websites/nanoq/Emner/Landsstyre/Departementer/Departement\\_for\\_finanser/Skattestyrelsen/~/\\_media/B2896DAFEF2A49D4811AF11F60EC0661.ashx](http://dk.nanoq.gl/sitecore/content/Websites/nanoq/Emner/Landsstyre/Departementer/Departement_for_finanser/Skattestyrelsen/~/_media/B2896DAFEF2A49D4811AF11F60EC0661.ashx)