

NAALAKKERSUISUT
GOVERNMENT OF GREENLAND



DOING BUSINESS IN GREENLAND

2020



Doing Business In Greenland

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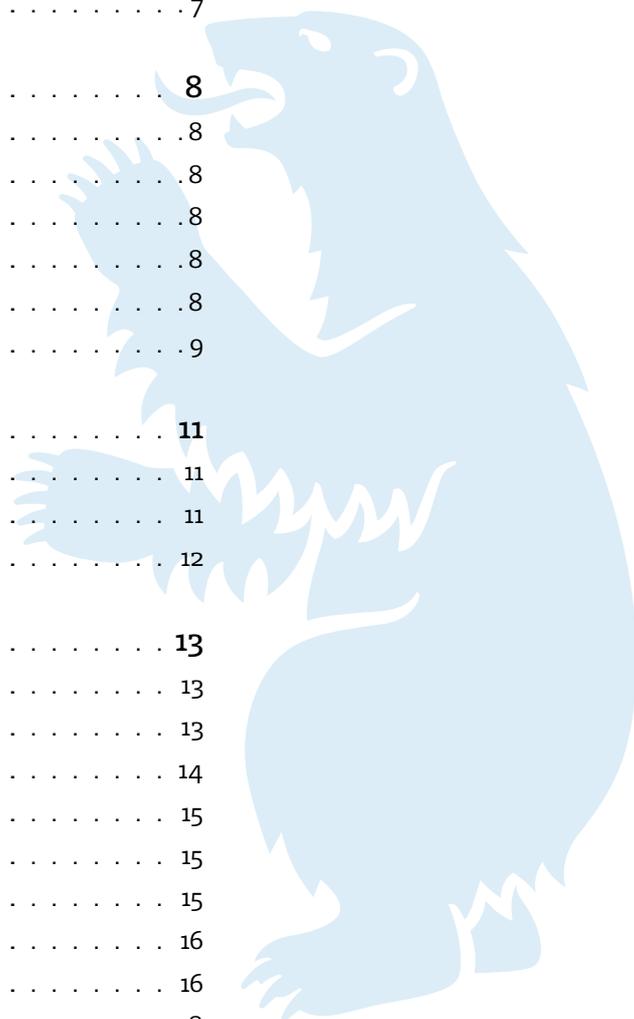
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Table of contents

1. Why Greenland?	3
Population, towns and settlements	5
Educational institutions and system	5
Healthcare	5
No ownership of land	6
Fish, shrimps, oil and mining	6
Minerals	6
Water and ice	7
Hydropower	7
2. Infrastructure in Greenland	8
Airports and airlines	8
Helipads	8
Transport by sea	8
Ports and shipping companies	8
Communications	8
Postal services	9
3. Doing business	11
Requirements for doing business	11
ApS and A/S	11
Registered branch office	12
4. Taxation of businesses	13
Tax liability	13
Corporate tax rate and withholding tax rate	13
Income tax computation	14
Depreciation and amortisation	15
Dividends	15
Capital gains taxes	15
Tax losses	16
Foreign related tax issues	16
Tax return and payment of tax	18
Other taxes	18
Taxation of employees paid by the employer	19
5. Moving to Greenland: Employees	20
Labour Market	20
Work environment and working hours	21
Average personal income	21
Taxation of individuals	21
Employment income	22
Tax returns	23
Payment of tax	23



1. Why Greenland?

Greenland is rich in precious resources such as minerals, water, fish and last but not least, a vast amount of ice. Most of the Greenlandic terrain is made up of a vastness of flat, thick ice cap with tall mountains rising from the ground.

Greenland's wild animal life is rich. Due to the location of Greenland with seas on all sides Greenland is especially rich in marine species such as shrimps, fish, shellfish, whales, seals and walrus. Amongst animals on land you will find arctic wolves, reindeer, arctic foxes, snow hares, musk oxen and a variety of birds. Green-

land is not only a beautiful travel destination sought out by lovers of nature, adventure seekers and wildlife explores, it is also a place with a bright future in business development.

The primary industry of Greenland is fishing. For a number of years, Greenland has been modernising its business legislation and regulatory framework in general with the aim of supporting the development of business activities within, for example, minerals, ice and water production, tourism, mineral resources, energy-intensive industry, etc.



Population, towns and settlements

There are around 56,000 people living in Greenland. 89.7% of the population are Greenlandic. The majority of the remaining 10.3% of the population is mostly of Danish, European and Asian descent. Most of the towns and settlements are located on Greenland's west coast. The four most populated towns are Nuuk with around 18,500 inhabitants, Sisimiut with around 6,200 inhabitants, Ilulissat with around 4,900 inhabitants and Qaqortoq with around 3,200 inhabitants in 2019.

Educational institutions and system

Greenland's educational system is influenced by the system of the Nordic countries, including the Danish. This means that in general education is free in Greenland and childcare enjoys a very high degree of public funding.

Preschool institutions and kindergartens are available in the towns and major settlements.

Primary schools are available in all towns and most settlements. The secondary school system provides both a general high school (high school degree) (GU), a technical (HTX) and trade-oriented (HHX) secondary schools.

The university of Greenland, "Ilisimatusarfik", is located in Nuuk. The university provides tertiary education in a wide spectrum of both profession-oriented and more general social science and humanities/arts-oriented courses of study. Sanaartornermik Ilinniarfik (Tech College Greenland/KTI) is located in Sisimiut and offers education for building and construction workers as well as arctic engineering at bachelor level in cooperation with the Danish Technical University (DTU).

Healthcare

The healthcare system consists of a national hospital in Nuuk, Queen Ingrid's Hospital, which provides the more specialized treatment. The healthcare system is divided into five regions, each with its own regional hospital. In addition, towns and settlements have healthcare centres and nurses stations.

Individuals with temporary residence in Greenland are entitled to sickness benefits according to specific rules. For more detailed rules, please see the below link. It is recommended that you check if you are entitled to sickness benefits in case of acute illness by following the below link. The national health service recommends that you take out travel insurance to cover any medical costs that you are not entitled to, see the below link.

<https://www.peqqik.gl/Emner/Patientinformation/Sygehjaelp-ved-rejse/Midlertidigt-ophold-i-Groenland>



Photo: © Maads Pihl - VisitGreenland

No ownership of land

In Greenland, there is no private ownership of land. This is due to the fact that all land belongs to the public, which is why, before any specific area can be put to use, you have to apply for a permit in the form of an area allotment. The area allotment grants the right to use the area for a specific purpose. The area allotment is free, except for a modest fee.

Also, before any building or construction projects can be launched, a building permit must be obtained from the municipality.

Fish, shrimps and mineral resources

At current time, Greenland is flourishing and companies are already exploiting the Greenlandic waters for all the resources it holds such as fish and shrimps. It is, however, not only the ocean surrounding Greenland's coast that is rich in resources.

Greenland's subsoil also holds various mineral resources, including minerals and hydrocarbons, as well as other precious resources with a huge exploitation potential such as ice, water and hydropower.

Minerals

Greenland's geological development nearly spans over the entire history of this planet. Greenland therefore has a broad spectrum of different minerals, including gold, nickel, copper, zinc, lead, rare-earth elements, uranium, titanium, graphite, feldspar, olivine and gemstones. At the beginning of 2018, Greenland's minerals sector comprises a ruby and pink sapphire mine, the construction of an anorthosite mine (for example used for making fiberglass), projects having completed the exploration phase and which can potentially initiate the exploitation of, for example, iron ore, lean, zinc, uranium and rare-earth elements as well as exploration projects with a focus on, for example, nickel, graphite, titanium and gold. Apart from that, much of Greenland is underexplored. For more information, please visit www.govmin.gl.



Water and ice

The vast amount of ice and water offers business opportunities for companies dealing with export of products such as bottled water and ice cubes. A new strategy aimed at exploiting this resource was launched in November 2017. Besides export of water and ice based products, companies setting up business in Greenland can also benefit from one of Greenland's more hidden resources – clean and green energy also known as hydropower.

Hydropower

With five hydropower plants – Buksefjorden, Tasiilaq, Qorlortorsuaq, Sisimiut and Paakitsoq – located in various places in Greenland, approx. 70% of Greenland's electricity stems from hydropower.

At www.naalakkersuisut.gl (publications) you will find a sector plan for energy and water supply from October 2017.

Greenland in brief

Official name: Kalallit Nunaat

Capital: Nuuk

Institutional system: Parliamentary democracy – self-governing country within the Kingdom of Denmark

Languages: Greenlandic (kalaallisut), Danish

Population: Approx. 56,200 (July 2019)

Demographic structure: 89% born in Greenland – 11 % born outside Greenland

Religion: Evangelical Lutheran Christianity is the predominant religion

Currency: Danish kroner (DKK)

Area: 2,166,086 km²

Coastline: 44,087 km

Country calling code: + 299

Flag: 

National Day: 21 June

Member of EU: No – (withdrew from the EU in 1985, following a referendum in Greenland)

Time zone: GMT -3
(in three small areas, GMT -4, GMT -1 and GMT +0 are used)

Climate: Arctic / subarctic

Temperature: The average temperature generally does not exceed 10 degrees Celsius

Relevant contact information and websites

- Official website of the Government of Greenland – www.naalakkersuisut.gl
- Official website of the Greenland Tax Agency – www.aka.gl
- Official website of the Danish Business Authority – www.erhvervsstyrelsen.dk
- Online business registration portal (both Danish and Greenlandic) – www.virk.dk
- Agency for International Recruitment and Integration (SIRI) – www.uim.dk/siri
- Business in Greenland – www.businessingreenland.gl

2. Infrastructure in Greenland

For long-distance travels and for freight transportation, the most widely used method of transportation is by airplane, helicopter and ship. Greenland offers 13 civil airports, 43 helipads, freight ports in 17 towns and harbours in 55 settlements.

There are no roads between the Greenlandic towns. The main choices of daily transportation within the Greenlandic towns are by taxi, cars or by walking. In the northern and eastern regions, also by dog sledges and snowmobiles. The major towns also have local buses. ATVs are also used for daily transportation in the settlements.

Airports and airlines

The biggest airport capable of handling international flights in Greenland is Kangerlussuaq Airport, which is situated along the centre of the west coast in the Kangerlussuaq settlement. Other airports capable of handling international flights are Nuuk Airport, Ilulissat Airport, Narsarsuaq Airport in the southern part of Greenland as well as Kulusuk Airport and Nerlerit Inaat Airport in the eastern part of Greenland. Air Greenland and Air Iceland Connect, among others, fly to Greenland.

The Self-Government has established the limited company Kalaallit Airports A/S, which has been tasked with establishing international airports with longer airstrips in Nuuk and Ilulissat and a new regional airport in Qaqortoq. For more information on the new airport plans in Greenland, please visit www.kair.gl.

The new airports create better access for passengers in and out of Greenland, thus creating a basis for a noticeable development in tourism. Tourists can fly more directly to the final destinations, the tickets will be significantly cheaper and considerable travel time will be saved compared to today.

Helipads

With its numerous helipads, Greenland offers a variety of options when one makes use of helicopter as a means of transportation. The majority of helicopter service is provided by Air Greenland that has twice as many helicopters as fixed-wing airplanes. Air Greenland's fleet

consists of 18 helicopters flying scheduled services as well as charter services in connection with filmmaking, exploration, mining and rescue missions.

Transport by sea

The transport of passengers by helicopters is supplemented by transport by sea in several of Greenland's regions along the west coast, including the Disko Bay, Central Greenland and South Greenland.

In addition, Arctic Umiaq Line operates a coaster which offers passenger services along the coast from Ilulissat in the Disko Bay to Qaqortoq in South Greenland.

Ports and shipping companies

The majority of goods going to and from Greenland are transported by sea, why ports and harbours constitute a major part of Greenland's infrastructure. SIKUKI A/S handles operations in Nuuk whereas the company Royal Arctic Line A/S (RAL) handles all operations in other towns and KNI A/S in settlements.

RAL offers a variation of routes between towns and settlements in Greenland. Amongst these are direct routes to Iceland, Canada as well as Aalborg in Denmark from where most import/export are carried out before being transported on to other countries.

Ongoing maintenance and harbour capacity adjustments are a big priority to the Government of Greenland. The ongoing initiatives will not only greatly improve the infrastructure of Greenland but also make possible for cargo vessels to transport large freight quantities. For more information on the new Nuuk Harbour, please visit www.sikuki.gl.

Communications

Tele Greenland A/S holds a concession to fixed-line and mobile telephony in Greenland, internet connections between towns and settlements as well as cabled internet. Wireless internet in the individual towns and settlements has been deregulated, which has generated competition in the largest towns.

Tele Greenland A/S operates the telecom infrastructure in Greenland in the form of a submarine cable, radio links and satellite connections. The submarine cable, Greenland Connect, connects Canada, Greenland and Iceland and through that the US and Europe. In Greenland, the towns between Qaqortoq and Aasiaat are connected by a submarine cable and have access to high-speed internet that continues up to Upernavik by radio links. Tele Greenland A/S is working to improve the radio links to the settlements along the west coast, who will thereby also get access to high-speed internet. The citizens in North Greenland and along the east coast will be serviced by satellite connections.

Tele Greenland A/S is wholly owned by the Self-Government.

Postal services

Tele Greenland A/S is under an obligation to deliver letters and parcels to every household in Greenland. Tele Greenland A/S has been granted a sole concession for postal services whereas the parcel area is competitive. The existing transporting system (RAL, Disko Line and Air Greenland) is used for the delivery of letters and parcels.



Søg på Virik | Indberet



Mest anvendte indberetninger

Registrer ejerforhold >

Registrer legale og reelle ejere

Fakturablanketten >

Send en faktura til det offentlige

NemRefusion - sygedagpenge >

Søg om refusion af sygedagpenge

NemRefusion - løntilskudsrefusion >

Søg om løntilskud - erstatter AB250

Frivillig forening >

Registrer en frivillig forening

Moms >

Indberet moms til SKAT

> Se alle indberetninger og myndigheder

Start virksomhed >

Opret en virksomhed og få et CVR-nummer

Ændre virksomhed >

Registrer ændringer i en virksomhed

Luk virksomhed >

Registrer ophør af en virksomhed

NemRefusion - barseldagpenge >

Søg om refusion af barseldagpenge

P-enhedsløsningen >

Opret, rediger eller luk produktionsenheder

Indberet årsrapport >

Indberet virksomhedens årsrapport digitalt

Log Ind

Hjælp til log ind

Log ind for at:

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3. Doing business

Requirements for doing business

In order to conduct business in Greenland registration in the Danish business (CVR) register is required. This registration must be performed digitally on: <https://indberet.virk.dk/>.

Furthermore, companies planning to have employees must register as an employer with the employer register Sulinal: <https://sulinal.nanoq.gl>

In July 2018, an updated Companies Act entered into force which opened up to new ways of establishing a company, e.g. with reduced share capital requirements with the possibility of partial payment of the share capital, the possibility of establishing entrepreneur companies with a share capital of DKK 1, etc.

The following contains information on how to establish a business in Greenland in accordance with the Companies Act, which entered into force in July 2018. Foreign companies may start their businesses in Greenland either through a subsidiary (both ApS and A/S type companies) or via a registered branch office.

ApS and A/S

An ApS (private limited company) or A/S (public limited company) is a separate legal entity with limited liability for its shareholders.

The main difference between a private (ApS) and a public (A/S) limited company is that the shares (*anparter*) of a private limited company cannot be issued publicly. An ApS can therefore not be subject to listing, or otherwise issue shares to the public in an effort to secure more capital. This would require a private placement. In addition, there are a few differences in relation to capital and management requirements. Under the Companies Act, the minimum share capital requirement for an ApS is DKK 40,000, which must be paid up. The minimum share capital requirement for an A/S is DKK 400,000. However, under the Danish Companies Act it is possible to incorporate an A/S and only pay 25% of this amount (i.e. DKK 100,000), leaving the company with a receivable on the shareholders for the outstanding amount (DKK 300,000).

An ApS may be incorporated with only a management board. From the outset there is no requirement of a board of directors. An A/S requires both a management board and a board of directors / supervisory board.

A founder of a company may be both foreign or Greenlandic individuals or corporate entities. However, if the founder is foreign it is not possible to utilize the WE-BREG solution, implying a registration period of up to eight weeks. In this regard, the title of "founder" of a company does not imply any rights or obligations (e.g. there are no obligations for the founder to purchase shares in the company). Therefore, a third person can be utilized as a founder when incorporating a company in Greenland.

Procedure of establishment of A/S and ApS

Both types of company can be registered via the Danish Business Authority's online system. No registration fees are required. The board of directors is obliged to register the company with the Danish Business Authority no later than two weeks after signing of the memorandum of association.

A company in the process of incorporation is not considered an independent entity. Thus, until registration, the founders are liable for the company's activities. After the formal registration, the company takes over all liabilities, including the liabilities related to activities carried out between the date of founding and the date of registration.

a) Management in an A/S

Shareholders in an A/S company may choose between two management systems.

The first option is a system with a board of directors, which has the overall responsibility for managing the company, plus an executive manager (or a management board in case of multiple managing directors) responsible for the day-to-day management of the company.

No members of the management are required to be of Danish nationality.

The second option is to have a supervisory board (Danish: "Tilsynsråd") in order to ensure internal control and an executive management appointed and dismissed by the supervisory board responsible for the day-to-day management of the company. No member of the supervisory board or the board of directors may be a member of the management.

b) Management in an ApS

Same management options as for A/S exist for ApS companies. However, contrary to an A/S company, an ApS company is not required to have a two-tier management.

The management may consist of a management board which must have at least one member. Note that if the employees are entitled to representation on the board, the company must establish a board of directors.

Registered branch office

A foreign company may normally establish a registered branch office in Greenland instead of establishing a Greenlandic company. Please note a Danish company cannot have a registered branch in Greenland. However, it is emphasised that a Danish company may be registered with a permanent establishment in Greenland. A Danish company operating in Greenland should not register specifically when operating in Greenland, however, it should file a Greenlandic tax return for its Greenlandic activities.

A branch of a foreign company may be created through application with the Danish Business Authority.

Companies within the EU and EEA may set up a branch in Greenland and Denmark without further approval from the Danish Business Authority. However, companies outside of the EU/EEA will have to obtain approval before registering.

The foreign company must register the Greenlandic branch office with the Danish Business Authority, which must be performed via the online registration system of the Danish Business Authority. No registration fees are required. When registering, it is required to provide a certificate that documents that the foreign company is registered in accordance with the legislation of its home country. There are no capital requirements in relation to branch offices.

Accounting, auditing and bookkeeping requirements for Greenlandic companies

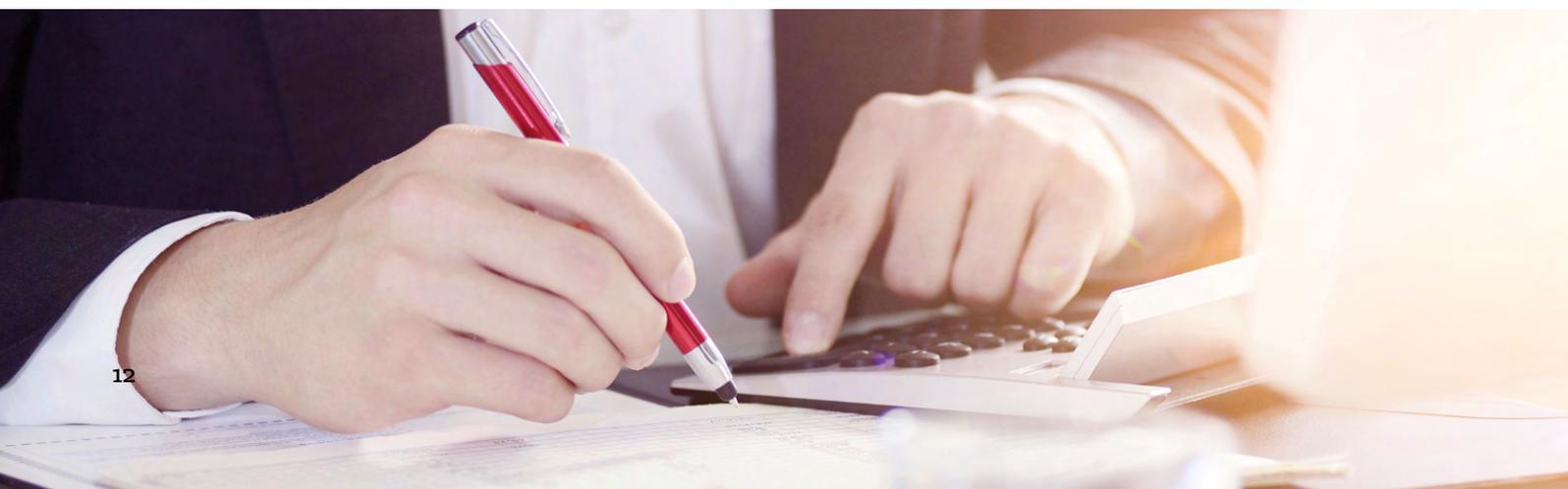
According to the Financial Statements Act, the board of directors and the managing director in Greenlandic companies (A/S and ApS) are responsible for the maintenance of the company's accounting records and for the preparation and filing of the annual reports.

The Financial Statements Act contains the legal and form requirements of the annual report.

Accounting requirements for registered branch offices

Greenlandic branches are not obliged to prepare and file an annual report for its activities in Greenland. However, the branch must annually file an audited annual report of the foreign company or the branch with the Danish Business Authority. The annual report of the foreign company is publicly available on www.cvr.dk. A foreign company with a branch office or a permanent establishment in Greenland must file financial statements to the Greenlandic Tax Agency.

The auditing requirements in Greenland are regulated in the Companies Act, the Financial Statements Act and the Act on Approved Auditors and Auditing Firms. The bookkeeping requirements must comply with the Bookkeeping Act.



4. Taxation of businesses

The tax laws apply to both individuals and corporations. This section will focus on the business taxation for corporations. For information on taxation of individuals in general, see section 5.

The Greenlandic tax system is based on a flat-rate taxation of business profit for both resident and non-resident corporations. The Greenlandic tax system 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.

The rules of taxation of businesses can be complicated, thus it is recommended to retain guidance from the Greenlandic Tax Authorities or professional consultants.

Tax liability

Tax liability for Greenlandic resident corporations

The net income principle, mentioned above, is based on a global income principle, according to which, Greenlandic corporations are taxable to Greenland on their worldwide income which generally means that the total aggregate revenue generated by a tax-paying entity from all sources that includes foreign, domestic, passive and active income from operations and investments is included in the Greenland taxable income - expect income from real estate outside of Greenland which is exempted. With the global income principle, a double taxation between Greenland and another country can occur.

However, according to Greenlandic tax law, relief is generally available to credit foreign tax paid on non-Greenlandic source profits against the Greenlandic tax on the same profits. A corporation is resident in Greenland for tax purposes if i) it is registered in the Danish Business Register as resident in Greenland, ii) has its principal seat of business in Greenland or iii) if it has its effective seat of management in Greenland.

The effective seat of management is typically the place

where the management decisions concerning the company's day-to-day operations are made.

Tax liability for non-resident corporations

Non-resident corporations are tax liable in Greenland on business profits derived through a permanent establishment in Greenland.

Generally, Greenland may be assumed to rely on the principles of the Organisation for Economic Co-operation and Development (OECD) model tax treaty in the determination of whether a permanent establishment exists.

Corporate tax rate and withholding tax rate

The corporate tax rate is 25% from and including 2020 for both Greenlandic and non-resident foreign corporations (flat tax). Up to 2019 the corporation tax rate was 30%. In addition to the flat corporate tax, there is a surcharge of 6% of the corporate tax payable. Thus, consequently, the effective corporate tax rate is 26.5%.

The Greenlandic withholding tax on dividends is 36% - 44%, with dividends being deductible in income for corporate tax purposes. This means that for foreign corporations the remitted income is in practice taxed with the dividend tax rate of 36% - 44%, thus the effective tax rate for distributed income is 36% - 44%. In other words, special for Greenland is that the Greenlandic withholding tax is deductible in the taxable income. This means that the sum of the corporate tax and the withholding tax can be limited to a maximum of 36 - 44%. For Danish, Norwegian and Icelandic corporations the rate is reduced to 35% by treaty.

This means that the sum of the corporate tax and the withholding tax is subject to a maximum of 36 - 44%.

Furthermore, the extraction of minerals is subject to various royalty rates. These royalty rates can be seen on the website of the Ministry of Mineral Resources: Govmin.gl

Local income taxes

There are no municipal or local corporate income taxes or similar charges in Greenland. However, withholding tax rates differ by municipality.

Income tax computation

According to Greenlandic tax legislation, the taxable income is generally calculated as income determined for accounting purposes, which is adjusted and modified for several items as prescribed by the tax laws.

Greenlandic permanent establishments of foreign companies are taxed under the same rules and rates as Greenlandic resident companies.

There is no branch profits remittance tax or other similar tax on branch profits.

If a foreign company has more than one location or permanent establishment in Greenland, these are treated as separate taxable entities with no possibility of consolidation.

■ Example of corporate income tax calculations below:

	Income year - 1	Income year - 2
	DKK	DKK
Profit/loss before tax	1,500,000	1,500,000
+ Book depreciation, cf. annual report	250,000	250,000
+/- Other adjustments	- 50,000	- 50,000
Taxable income before tax depreciation	1,700,000	1,700,000
Tax depreciation:		
- Ships and airplanes (10%, straight line basis)	- 100,000	- 85,000
- Buildings (5%, straight line basis)	- 100,000	- 100,000
- Goodwill (30%, declining-balance basis)	- 20,000	- 17,000
- Operating equipment (30%, declining-balance basis)	- 360,000	- 304,500
Taxable income	1,120,000	1,193,500
Dividend distribution to owners (deductible)	- 1,000,000	- 1,000,000
Taxable income after deduction of dividend distribution	120,000	193,500
Income tax for the year (25%)	30,000	48,375
Income tax surcharge (6% of tax for the year)	1,800	2,903
Total income tax for the year	31,800	51,278
Dividend withholding tax (44% of total dividend distribution)	440,000	440,000
Total tax payment for the year (income tax + withholding tax)	471,800	491,278

Specifications	Income year - 1	Income year - 2
Specification of 'operating equipment' tax balance	DKK	DKK
Opening balance	1,000,000	840,000
+ Additions in the year	200,000	175,000
= Depreciation basis	1,200,000	1,015,000
Depreciation for the year (30%)	- 360,000	- 304,500
= Closing balance	840,000	710,500
Specification of 'building' tax balance	DKK	DKK
<i>Building</i>		
Acquisition value	2,000,000	2,000,000
- Depreciation previous years	-	100,000
- Depreciation for the year (5%)	- 100,000	- 100,000
= Closing balance	1,900,000	1,800,000



For tax purposes, a representative office is not considered a permanent establishment of the foreign corporation, and thus not subject to Greenlandic taxation.

However, to maintain this tax status, the representative office must not have any authorization to enter sales agreements as this will result in a taxable presence in Greenland.

Depreciation and amortisation

- Operating assets can be depreciated by 30% a year on a declining-balance basis.
- Ships and airplanes can be depreciated by 10% on a straight-line basis.
- Buildings and installations can be depreciated by 5% on a straight-line basis.
- Goodwill can be depreciated as an operating asset (i.e. by 30% on a declining-balance basis).

Depreciation allowances that are recaptured as part of a capital gain on the sale of an asset are generally fully taxable.

Corporations are allowed a depreciation relief corresponding to gains on divested depreciable assets. However, the rule states that this may not reduce the company's income to less than zero (or less than the balance of depreciable assets in the case of operating assets).

Tax depreciation is not required to be in coherence with book depreciation.

Dividends

Income from dividends is generally included in taxable income.

Dividends from foreign companies, however, are tax free, provided that the recipient holds at least 25% of the shares in the distributing company for at least one year.

Dividend distributions

A unique item is that dividends distributed are deductible in the distributing company. However, this is not the case if the dividends received are tax-exempt, see above, under section 27 of the Income Tax Act.

Capital gains taxes

There are capital gains taxes on receivables, equity instruments, real estate, financial contracts (derivatives), and depreciable assets.

The tax rate is identical to the general corporate tax rate, effectively 26.5%. Losses on receivables, equity instruments, real estate and depreciable assets are deductible in the taxable income. Losses on financial instruments contracts may only be deducted from gains on financial assets and losses can be carried forward to be offset against gains on financial assets in future years.

Tax losses

Tax losses can be carried forward for up to five years. Tax losses may not be carried back and utilized in previous income years. Tax losses are forfeited at 'significant' change of ownership or, unusually, activity of the company. However, under certain circumstances, the Greenlandic Tax Agency may allow that tax losses are not forfeited in case of significant change of ownership or activity. 'Significant' is interpreted as 33.3% of ownership rights. Under section 17(1) of the Income Tax Act, losses on financial contracts may be carried forward to be offset against gains on financial contracts in future years.

Where a licence has been granted under the Greenland Parliament Act No. 7 of 7 December 2009 on mineral resources and mineral resource activities (the "Mineral Resources Act"), the 5-year period for tax loss carryforward under section 30 of the Greenland Parliament Act No. 12 of 2 November 2006 on income tax will not apply.

Tax consolidation

Joint taxation and tax consolidation is not possible in Greenland.

Foreign related tax issues

Double tax treaties and other treaties

For these situations, Greenland has entered fully fledged double taxation agreements with Denmark, the Faroe Islands, Iceland and Norway. Further Greenland and Canada agreed that a couple of provisions in the Canadian Danish double tax treaty should be acknowledged for Greenlandic companies, e.g. how dividends from a Greenlandic company should be taxed in Canada. Finally, some minor states in the Caribbean and the English Channel have agreed on some provisions regarding shipping and aircraft companies as well as regarding taxation of individuals.

The Greenlandic income tax law and the double taxation agreement combined can allow for a relaxation of this tax, as the country of residence and the source country allocate tax rights based on the type of income.

Additionally Greenland has entered into FATCA (The *Foreign Account Tax Compliance Act*), AEOI (*Automatic Exchange of Information*), MCAA (*Multilateral Competent Authority Agreement*) and 46 separate tax information exchange agreements (TIEA).

Controlled foreign companies (CFCs)

According to the Greenlandic CFC rules, a Greenlandic company which owns more than 50% of the shares (or the voting rights) of low-tax foreign subsidiary in which the financial assets on average account for more than 10% of the foreign company's total assets, the Greenlandic company must include the foreign subsidiary's CFC income when determining the taxable income in Greenland. CFC income, financial assets, low-tax foreign companies (etc.) are determined in the Greenlandic Tax Act.

Greenland has no 'black or white-list that exempts subsidiaries resident in certain countries.

Withholding taxes

According to the Greenlandic tax legislation, the following withholding taxes applies (2018 levels):

- Dividends: 36% to 44% The withholding tax rate depends on the local municipality (may be reduced by treaty).
- The Greenlandic withholding tax on dividends is 36% - 44%, with dividends being deductible in income for corporate tax purposes. This means that the effective corporate and withholding tax is subject to a maximum of 36% - 44%.
- Interest: There is no withholding taxes on interest.
- Royalties: 30% tax must be withheld by the payee of royalties in any kind, e.g. consideration for the use or the right to use any copyright for literary, artistic or scientific work, etc. The royalty withholding tax may be reduced by treaty – e.g. to 10% according to double tax treaty with Denmark.

The withholding tax rates in the double tax treaties are as follows:

Recipient	Dividends	Interest	Royalties
Denmark	35%	0%	10%
Norway	35%	0%	10%
Iceland	35%	0%	15%
The Faroe Islands	36% - 44%	0%	25%



Foreign tax credit

According to Greenlandic tax law, relief is generally available to credit foreign tax paid on non-Greenlandic source profits against the Greenlandic tax on the same profits. If relief is offered by treaty, the level of relief is capped at the level offered by the treaty. There are only treaty provisions to this effect with Canada, Denmark, the Faroe Islands, Iceland and Norway.

Transfer pricing

Greenlandic transfer pricing rules apply to transactions between related parties (e.g. intra-group transactions). The rules apply when a company or person directly or indirectly owns more than 50% of the share capital or 50% of the voting rights in another company.

Companies are obligated to disclose in the annual tax return certain information regarding type and volume of intra-group transactions in a so-called "controlled transactions form". The transfer pricing documentation must be kept for 5 years.

Tax return and payment of tax

Income year - taxable period

The taxable period is the calendar year. Permission can be granted to use a 12-month period other than the calendar year, provided that the period starts on the first day of a calendar month.

Tax return

Tax returns are completed on the basis of audited financial accounts with adjustments for tax. Tax returns should be filed no later than four months following the end of the income year, meaning 1 May for companies using the calendar year as the income year. However, if the company submits tax returns via the official web portal for tax return submissions, the deadline is 15 June.

Payment of tax

The corporate tax is due for payment by 20 November of the following year. Greenland does not have a [[tax pre-payment system]], so there are no advantages in paying the tax prior to this date.

Other taxes

VAT/Excise duties

There is no VAT in Greenland. However, excise duties and various other duties are imposed on, for example, the fishing of specific fish species, alcohol, lottery and gaming activities as well as motor vehicles.

Property taxes

There are no property taxes in Greenland.

Import duties

In general, there are no import duties on operating equipment in Greenland. However, if present in Greenland for



more than an eight-month period, operating equipment has to be declared to the Greenlandic tax authorities for statistical purposes. There are import duties on cars, alcohol, cigarettes, food products, etc. The rates vary depending on the exact goods and assets in question.

Taxation of employees paid by the employer

Payroll taxes - social security contributions

All employers in Greenland are obligated to pay contributions to a post-education scheme - the so-called AMA scheme. AMA is charged at 0.9% of the total payroll. In addition, Danish, Greenlandic, and Faroese employers are subject to pay Danish social security payments (ATP) for non-Greenlandic residents, i.e. residents in Denmark, Faroe Islands and foreigners. However, foreign employees are exempt unless they are working in Greenland for more than six months.

Individuals

Individuals who are not resident in Greenland and who receive payment for work services performed in Greenland for less than six months are subject to tax as non-residents.

However, individuals are not tax liable in Greenland if the following three conditions are met:

1. the individual in question remains employed by an employer
2. who is not resident in Greenland, and
3. the stay does not exceed 14 consecutive days, includ-

ing the day of arrival and departure. Individuals from Denmark, the Faroe Islands, Iceland and Norway may be able to stay in Greenland for up to 183 days within a 12-month period without becoming subject to tax in Greenland under double tax treaties entered into by Greenland.

Individuals subject to tax in Greenland who in the context of an employment relationship perform work in connection with project planning, building and construction projects as well as installation and assembly work outside existing towns and settlements or the construction of airports on behalf of the Self-Government and who have not been liable to tax in a municipality in Greenland for the preceding six months, are liable to a final tax (gross tax) to the Greenland treasury of 35% on income earned during the employment. Similarly, individuals subject to tax in Greenland who in the context of an employment relationship mainly perform specific work connected with the prospecting, exploration or exploitation of mineral resources, see the Mineral Resources Act, and who have not been liable to tax in a municipality for the preceding six months will be liable to a final tax (gross tax) to the Greenland treasury of 35% on income earned during the employment.

Foreigners subject to the expat flat-tax regime are not tax liable on foreign-sourced interest and dividends if their Greenlandic-sourced wage income is less than DKK 350,000 in the year in question.

5. Moving to Greenland: Employees

Labour Market

The Danish and Greenlandic labour markets are very similar with regard to legislation and regulations, which are established through agreements between employees' unions and employers. The main difference results from the long distances between towns and the great influence of the public sector and publicly owned enterprises.

Employer associations

The biggest employer associations in Greenland are:

- The Employers' Association of Greenland has been representing the interests of business life in Greenland since 1966 – www.ga.gl.
- NUSUKA is an alternative association of employers.



Labour Unions

The main labour union in Greenland is SIK.

Work environment and working hours

According to the collective bargaining agreement the normal weekly work hours is set at 40.

Depending on the branch, there may be a need to agree on meeting times, shifts, rest periods and the like. This is negotiated individually or specified in the collective bargaining agreement.

Average personal income

The average personal income is generally higher in larger towns and lower in settlements. In 2015, the average personal income was DKK 229,056. In Kommuneqarfi Sermersooq, the average personal income in 2015 was DKK 275,191, whereas in the then northern Qaasuitsup Kommunia it was DKK 185,904. A number of collective agreements (in Danish: overenskomster og aftaler) for employees of the Self-Government and the municipalities can be found as a subpage to the link www.naalakkersuisut.gl/job. The agreements are only in Greenlandic/Danish.

Taxation of individuals

An individual may be taxed in Greenland on the basis of full or limited tax liability.

An individual who is fully tax resident in Greenland will, as a main rule, be taxed at up to 44%, depending on the municipality of taxation. Some deductions are applicable.

An individual not fully tax liable may have limited tax liability to Greenland. Limited tax liability is restricted to income from Greenlandic sources, listed in the Greenlandic Tax Act.

An individual with limited tax liability to Greenland will, as a main rule, be taxed at up to 44% on income from sources in Greenland.

The rules of taxation on individuals can be complicated, thus it is recommended to retain guidance from the Greenlandic Tax Agency (www.aka.gl) or professional consultants.

Income tax rates

Individuals are in general subject to state taxes (national income tax) and municipal tax. However, special tax rates apply to certain activities, cf. section below.

Municipality	Municipality tax/special national tax*	National tax	Joint local municipality tax	Total tax
Kujalleq	28%	10%	6%	44%
Sermersooq	26%	10%	6%	42%
Qeqqata	26%	10%	6%	42%
Qeqertalik	28%	10%	6%	44%
Avannaata	28%	10%	6%	44%
Outside municipal areas	26%	10%	6%	44%

Source: Published on the official web page of the Greenlandic Tax Agency, www.aka.gl

* For areas outside municipal areas there is no municipality tax but instead a special national tax of 26%.

■ **Example of individual income tax calculations below:**

	Income year - 1
	DKK
<i>Personal income</i>	
+ Salaries	550,000
+ Value of free lodging, travel, food and telephone	71,600
- Labour market fee (0.9% of income)	- 5,594
Sum of personal income	616,006
<i>Capital income</i>	
+ Interest income	30,000
- Interest expense	- 100,000
Capital income	- 70,000
Personal deduction (adjusted annually)	- 48,000
Standard deduction (adjusted annually)	- 10,000
Total deduction	- 58,000
<i>Taxable income</i>	488,006
Local tax (26%) - 2018 level	126,881
Joint local tax (6%) - 2018 level	29,280
National tax (10%) - 2018 level	48,801
Total tax	204,962
Labour market fee	5,594
Total taxes and labour market fee	210,557

Residence

An individual becomes fully tax liable by taking up residence in Greenland or staying in Greenland for at least six months. Residence in Greenland is deemed to exist if an individual acquires a home in Greenland and takes up residence there. Generally, taxation commences from the date of arrival.

Employment income

In Greenland, all remunerations from employment, whether in cash or in kind, are subject to tax when the employee has obtained a legal right to the remuneration, regardless of where payment is made and regardless of whether remitted.

The liability extends to any living or housing allowance and any reimbursement of tax or other personal liability, whether paid directly to an employee or borne by the employer on the employee's behalf.

Payments to an employee for expenses of travel, entertainment, or any other service to be performed on behalf of the employer are taxable only to the extent

that they are not actually expended in the performance of the service.

Employees who are given a free telephone, certain types of free housing, free food, and certain other benefits from their employer are taxed on fixed amounts, regardless of actual usage and saved private expenditures. The standard values are published once a year in a tax value table.

Tax treaties (individuals)

Greenland has double tax treaties covering employee tax with

- Denmark
- The Faroe Islands
- Iceland
- Isle of Man
- Jersey
- Norway
- Cayman Islands
- Guernsey

Taxable period – income year

The tax year is from 1 January to 31 December.

Tax returns

Provisional taxes are withheld or collected on the basis of an estimated income for the current year. Accordingly, a preliminary tax return must be filed with the Greenlandic tax authorities.

All individuals who are either subject to full or limited tax liability to Greenland are basically obligated to submit a tax return, including all necessary additional information regarding income, to the Greenlandic tax authorities by 1 May in the year following the relevant income year.

However, foreigners who are taxable to Greenland under the special expat regime are exempt from lodging Greenlandic tax returns. The same applies to individuals with limited tax liability in the form of withholding tax on royalties.

When the final tax return has been reported, the Greenlandic tax authorities elaborate a final tax assessment

that states whether the individual has an underpayment of tax, excess tax, or neither of the two. Individuals leaving Greenland have to file a tax return.

Payment of tax

Taxes on wages (including wages in labour hire-out situations) and dividends (and royalties for individuals with limited tax liability on royalties) are withheld at source on the basis of the preliminary tax return.

When the final tax has been assessed during the year following the income year in question, an underpayment of tax or an excess tax may occur. Underpayment of tax is payable in three instalments and will include a surcharge of 8%.

Overpayment of tax is due to be returned before 1 September including a surcharge of 2%.



