



Moving to the Faroe Islands for work **TAKS**

This guide contains useful information about tax matters for people who come to the Faroes for work.

Questions about work permits should be directed to the Immigration Office (see www.immigration.fo) or the Danish Agency for International Recruitment and Integration (see www.newtodenmark.dk).

TAX LIABILITY

In the Faroes, we distinguish between full and limited tax liability. Whether you are subject to full or limited tax liability depends on the duration of your stay in the Faroes and whether or not you move your permanent residence.

FULL TAX LIABILITY

You become subject to full tax liability in the Faroes if you: **either** move your permanent residence to the Faroes **or** you work in the Faroes for more than 180 days within a 12 month period.

Full tax liability means that all your income, whether earned in the Faroes or abroad, is subject to taxation in the Faroe Islands, and you may qualify for certain support schemes.

LIMITED TAX LIABILITY

If you work in the Faroes for 180 days or less in a 12 month period without moving your permanent residence to the Faroes, you have limited tax liability in the Faroes.

If you have limited tax liability, you pay a standard tax rate of 42% on all income earned in the Faroes. If you work onboard a FAS ship or a bareboat ship, the tax rate is 35%. With limited tax liability, you do not contribute towards a pension, parental benefits (barsilsgjald), the broadcast receiver licence (kringvarpsgjald) or unemployment insurance (ALS).

Apply for a temporary p-tal (civil registration number) if you have limited tax liability

If you are subject to limited tax liability in the Faroes, you must apply for a temporary p-tal. The p-tal is a civil registration number, which you must have in order to receive wages in the Faroes. The application form for a temporary p-tal is available on TAKS' website www.taks.fo/en/forms/ click the folder "Tax" and search for S51.

If you are subject to full tax liability in the Faroes, you will be issued the standard p-tal.

WORK IN THE FAROES FOR A FIXED PERIOD OF TIME

If you come to the Faroe Islands for reasons of fixed-term employment, and you are fully tax liable here, you may apply to become exempt from contributing to a pension and to the unemployment insurance.

Exemption from compulsory pension contributions in the Faroes

To qualify for a pension exemption, you must be fully tax liable in the Faroes, and the employment contract between you and your employer must directly state that the employment is for a fixed period of time. If you meet the conditions, you may be granted an exemption from compulsory pension contributions for up to a total of 60 months.

To become exempt, you must submit the application form “Application for the exemption from compulsory pension contributions in the Faroe Islands” available at www.taks.fo/en/forms/. Click the folder Pension and search for EL10. You are required to submit a copy of your employment contract with the application. To avoid prolonged processing time, it is most convenient if the exemption is granted before the first payment of wages.

Please note, if you started paying into a pension in the Faroes, but you qualify for an exemption, you can request to have your contribution refunded. To request the refund, submit the form “Request for a refund of pension contributions” available at www.taks.fo/en/forms/. Click the folder Pension and search for EL09. You are required to submit a copy of your employment contract with the application.

Exemption from contributing to the unemployment fund

To become exempt from paying the unemployment insurance premium, send an application to ALS, short for *Arbeiðsloysisskipanin* (the unemployment fund), and enclose a copy of your limited residence and work permit. The exemption may be granted for up to a year at a time.

For more information on how to apply and the conditions, contact ALS. Find the contact information on www.als.fo

HOLIDAY ALLOWANCE

In the Faroe Islands, if you are a wage earner (i.e. paid by the hour), you have the right to a paid holiday. The system of holiday allowance, in Faroese *Fritíðarløn*, is set up for this purpose.

Every time you are paid wages, your employer is responsible for making a holiday allowance contribution to TAKS' holiday fund. The contribution corresponds to 12% of your wages. The holiday allowance then accumulates throughout the year until 2 May, every year, when the allowance is paid out to your account.

If you are leaving the Faroes, you should not cancel your Faroese bank account until after the holiday allowance has been credited.

Read more about holiday allowance on www.taks.fo/holiday-allowance

LABOUR MARKET SUPPLEMENTAL PENSION FUND (AM-FUND)

If you are under the age of 67, you are required to contribute 3% of your income to the AM-fund, regardless of whether you are subject to full or limited tax liability.

Once reaching retirement age, you may receive pension from the AM-fund if you have lived in the Faroe Islands for a minimum of three years while between the ages of 15 and 67.

Read more about the AM-fund on <https://www.taks.fo/am-fund>

THE CONTRIBUTIONS EXPLAINED

Below is a list of mandatory contributions that are usually withheld from your pay if you are fully tax liable in the Faroes.

KRINGVARPSGJALD

Kringvarpsgjald is a broadcast receiver license that we pay to the public broadcasting network, Kringvarp Føroya. All individuals aged 24 or over and fully tax liable in the Faroes are required to pay.

Aged 24-66 pay DKK 150 per month.

Aged 67+ pay DKK 50 per month.

HEILSUTRYGD

Heilsutrygd is the name of the national health insurance. Everyone registered with a residence in the Faroes is covered. All individuals aged 18 and over and with a registered residence in the Faroes, are required to pay the insurance premium.

You pay DKK 175 per month + 0.6% of your wages.

BARSILSGJALD

Barsilsgjald is a contribution to the Parental Benefit Fund, Barsilsskipanin. All individuals, aged between 16 and 66 and fully tax liable in the Faroes are required to pay a percentage of their income to the fund.

You pay 0.71% of your wages.

ALS-GJALD

ALS-gjald is the unemployment insurance contribution. All individuals, aged between 16 and 66 and fully tax liable in the Faroes, are required to contribute to the insurance.

You pay 1.25% of your wages.

PENSION

All individuals up to the age of 67 and fully tax liable in the Faroes are required to save up for a pension.

The minimum pension contribution for 2019 is 5%.

AM-GJALD

AM-gjald is the labour market supplemental pension contribution, explained above.

You pay 3% of your wages.