



Grant Thornton

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The New Danish Holidays Act in Practical Terms

August 2019



Step by step

Companies must follow these steps:

1. Calculate the holidays accrued as at 31 August 2019 that must generally be taken before 31 August 2020
2. Create an account under 'Other liabilities' for accounting of holiday allowances in the transitional period from 1 September 2019 to 31 August 2020
3. Record the vacation days that are taken and reconcile the holiday allowance payable from bulletpoint 1, including continuously carry over and/or pay out the vacation days/weeks that are not taken to the next period
4. Calculate the holiday allowance per employee for the transitional period as at 31 August 2020 in accordance with the specific method (NOTE: reporting deadline is 31 December 2020)
5. Decide annually whether to deposit the frozen holiday funds into the Lønmodtagernes Feriemidler (the Employees' Holiday Allowance Fund) or to 'borrow' the amount payable at an interest rate that follows the average wage indexation (Q4 2018: 2.7%) and to subsequently pay it out when the employee earns the right to state pension.
6. Create an account under 'Other liabilities' to record the holiday allowance earned and paid after 31 August 2020

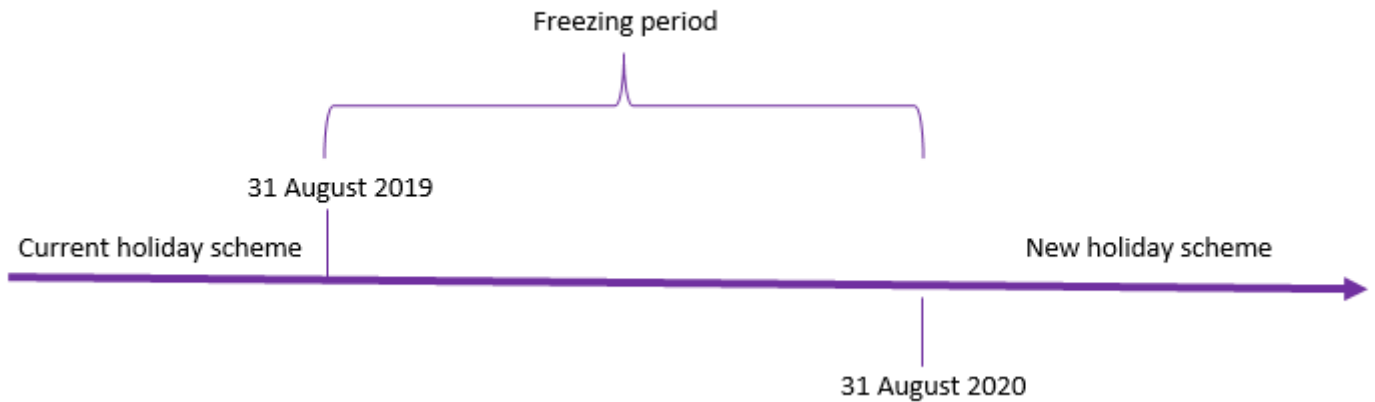
Subsequently reconcile and record, as usual, the holiday allowance and manage the vacation days that are taken.

Other

Review the employment contracts to ensure they comply with the new provisions of the Holidays Act and, in particular, that they do not violate them.

Also notify the employees of the new regulations.

Timeline



The old holiday scheme: The old holiday scheme continues until 31 August 2019

Transitional period: 1 September 2019 – 31 August 2020

New holiday scheme: From 1 September 2020

This guide only covers the right to five weeks of holiday, but not a sixth week of holiday, extra holiday entitlements and similar.

The old holiday scheme

The old holiday scheme: The old holiday scheme continues until 31 August 2019

Bookkeeping must calculate the actual due holiday allowance to the employees at the cut-off date as at 31 August 2019.

The calculated residual holidays must be taken by the employee no later than 30 September 2020.

Unused vacation days from this scheme as at 1 September 2020 are carried over to the new scheme by agreement with the employee, and are not lost and do not have to be frozen.

Thereby, the calculation as at 31 August 2019 has to be used right until the employee uses the holidays from the old scheme, and the liability for this can be put together into one account under item 'Other liabilities', with clear indication that the account concerns the old holiday scheme.

Calculation of the liability for holiday allowance for bookkeeping

The calculation must be made in accordance with the specific method.

The calculation is based on the employee's actual holiday balance in days as at 31 August 2019 and on the employee's *expected* gross payroll costs (salary, company car, free telephone, etc.).

The employee's payroll costs are then recalculated to payroll costs per day and multiplied by the number of residual due vacation days to the employee.

In addition, the company must allocate a provision for a holiday supplement of 1% along with possible extra holiday entitlements and/or a sixth week of holidays.

Liability, employee holiday funds as at 31 December 2019

Person A	DKK per month
Expected gross salary	40,000
Employer pension plan	2,500
Free car	7,000
Free telephone	233
Total labour cost	49,733

Labour costs per day, 21 days: 2,368

Holiday days due as at 31 December 2019: 22 days

Holiday allowance as at 31 December 2019: **DKK 52,096**

Transitional period

Transitional period: 1 September 2019 – 31 August 2020

Bookkeeping must create an account by 1 September 2019 for the due holiday allowance for the transitional period.

This account is used to record the holiday allowance accrued for this period.

The calculated liability is deposited, as a rule, in Lønmodtagernes Feriemidler and paid out once the employee earns the right to state pension.

Option not to deposit the money

For employees who are entitled to paid holidays and hourly-paid workers who are covered by an agreement with a guarantee scheme, companies have the option to keep the money within the company. Other holiday allowances must be deposited continuously into the Lønmodtagernes Feriemidler, in line as wages are reported (e.g. every 14 days for workers who are paid every 14 days).

Keeping the money within the company corresponds to a loan:

1. The loan bears annual interest that corresponds to wage developments
2. The loan is recorded in the accounts as liability
3. The loan can be deposited into the fund at any time
4. The fund must be notified annually that the company still wants to manage the liability

Calculation:

The holiday allowance is calculated as 12.5% of the salary/wages of the individual employee that qualify for holiday allowance.

Liability, employee holiday funds as at 31 December 2020

Person A	DKK per month
Actual gross salary	40,000
Free car	7,000
Free telephone	233
Total labour cost	<u>47,233</u>

Total labour cost, 4 months: 188,932

Outstanding holiday funds as at 31 December 2019, 12.5%: **DKK 23,617**

Accrued holiday days: 8.32

New holiday scheme

New holiday scheme: from 1 September 2020

Bookkeeping must create an account at 1 September 2020 for the future recording of holiday allowance.

The concept of concurrent holidays means that 2.08 vacation days accrue every month and can be used continuously.

The holiday year runs in the period from 1 September 201x to 31 August 202x, and holidays accrued during this period must be taken no later than 31 December 202x. Thereby holidays accrue over a period of 12 months and can be taken over a period of 16 months.

Holiday supplement: Employers can opt to either pay out the holiday supplement proportionally, as holidays are taken, or on two fixed annual payment dates in May and August.

Transfer/payment of unused holidays

As a rule, four weeks of holidays must be taken in the same year as the holidays accrue.

If the holidays are not used because of childbirth, holidays and similar, four weeks are transferred automatically to the next holiday period. If the holidays are not used by the end of this period, the unused holidays are paid out to the employees.

The fifth holiday week is paid out automatically by 31 December if the parties do not agree to carry it over to a subsequent period.

Calculation of the liability for holiday allowance for bookkeeping

The calculation must be made in accordance with the specific method.

The calculation is based on the employee's actual holiday balance in days at the cut-off date and on the employee's *actual* gross payroll costs (salary, company car, free telephone, etc.).

The employee's payroll costs are then recalculated to payroll costs per day and multiplied by the number of due residual holiday days to the employee at the cut-off date.

In addition, the company must allocate a provision for a holiday supplement of 1% along with possible extra holiday entitlements and/or a sixth week of holidays.

Holiday allowance as at 31 December 2020

Person A	DKK per month
Actual gross salary	40,000
Employer pension plan	2,500
Free car	7,000
Free telephone	233
Total labour cost	49,733

Labour costs per day, 21 days: 2,368

Holiday days due as at 31 December 2019: 22 days

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