

Policy

Responsible Tax

The Investment Fund for Developing Countries (IFU) promotes investments which support sustainable development in developing countries and contribute to the realisation of the UN Sustainable Development Goals.

Because IFU's profits are reinvested in developing countries, IFU is exempt from paying corporate income tax in Denmark. Among the most important of IFU's development effects are the creation of decent jobs and income for persons and companies resulting among other things in payment of taxes contributing to government revenue and enabling the developing countries to finance their own development.

IFU is committed to a responsible tax practice according to the following three principles:

1. Pay taxes in developing countries

The companies in which IFU invests must comply with local tax laws and pay taxes where they have their economic activity.

The companies in which IFU invests must pay the taxes levied in the countries in which they operate and have their economic activity and comply in any other way with local tax law.

IFU will not participate in tax practices where the purpose is to shift profits from the country in which the profits have in fact been earned to a low-tax country (so-called profit shifting).

IFU recognises the right of governments to design their tax policies so that specific industries or areas become developed and for companies to make such incentive schemes result in sustainable investments.

2. Use holding companies responsibly

IFU may use holding company structures if such structures are considered normal and usual and not in a way that works against the OECD Inclusive Framework on base erosion and profit shifting (BEPS). IFU does not invest through third jurisdictions that are on the EU list of non-cooperative jurisdictions for tax purposes or do not comply with OECD's Global Forum.

IFU is committed to support the OECD Inclusive Framework on base erosion and profit shifting (BEPS). This means that IFU only invests through a holding company in a third jurisdiction if the principal purpose is not to reduce the taxation of returns from the operating company in the respective host country (principal purpose test) and that if the holding company claims any treaty benefits it must meet the BEPS substance requirements, irrespective of whether the third jurisdiction in question has implemented the relevant BEPS substance requirements or not.

IFU may always use holding company structures for reasons such as insulating companies from legal risk, acquiring relevant ownership thresholds with partners, insulating assets, improving financial terms or security, etc.

Structures must in all cases be legal, transparent and not designed to work against the spirit of the law.

IFU will not participate in holding company or fund structures in third jurisdictions that are on the EU list of non-cooperative jurisdictions for tax purposes or do not work towards complying with the peer review process of OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes. Regarding the peer review process this means that jurisdictions that will not complete the peer review process or which have completed the process but are not deemed "compliant" or "largely compliant" are not used.

3. Be transparent

IFU is transparent about its use of holding company structures, publishes a tax compliance statement by an independent tax advisor when investing through third jurisdictions and publishes the aggregate tax expenses of companies in which IFU invests.

IFU publishes information on its entire portfolio annually, including whether a holding company is used in each investment, where the holding company is domiciled and how investments using holding companies in third jurisdictions comply with this policy on responsible tax.

Taxes paid to host countries are an important element of the development effect of IFU's investments. IFU annually discloses the aggregate amount of tax expenses as reported in the accounts of companies in which IFU invests, specified by region.