Denmark

Capital city:
Copenhagen

Superficy:
42 915 km²

Population:
5’659 M.

Language:
Danish

Political system:
Constitutional monarchy

GDP/capita 2015:
USD 51 989

Currency:
Danish crown

ISO Code:
DNK

Telephone code:
+45

National day:
June 5th

Denmark

1. Corporate taxation

1.1 Taxes on entities

Legal entities are subject to company tax on their profits.

1.2 Residence and non-residence

A company resident in Denmark is subject to corporate tax on its income and gains form Danish territory. A company is considered resident for tax purposes in Denmark if it is incorporated in Denmark or has its effective management (the day-to-day business decision making) in Denmark.
Foreign companies can be subject to limited tax liability either through a branch or a permanent establishment or through withholding taxes on certain types of Danish source income.
Non-resident companies conducting business in Denmark through a permanent establishment (e.g. a branch) has a tax liability to Denmark.

In some cases the foreign company's business activities will not be deemed to constitute a permanent establishment even though the company is carried out from a permanent establishment. A common feature of these activities is that they have a preparatory or auxiliary character

1.3 Tax year and filing

The tax year in Denmark equals the financial year of the company. A company has to file a return based on its own tax year within 6 months.

After filing a return, a tax assessment is issued by the end of October. The corporate tax is due on November 20. If a company's tax year ends at December 31, it has to pay the outstanding tax (after instalments) 10 month and 20 days after the end of the tax year.

1.4 Payment and collection

Corporate tax is paid in two instalments in March and November. The instalments are due March 20 and November 20. The tax paid on account is automatically calculated on 50% of the average corporate tax paid during the past three years.

1.5 Taxable income

Corporate tax is calculated on the basis of the net profit according to the financial statement adjusted for tax adjustments.
Tax adjustments may include:

a) 75% of representation (nondeductible)
b) Depreciation for tax purposes
c) Fines etc. (nondeductible)

1.6 Danish income subject to withholding tax

Dividends
Dividends between Danish companies can be distributed without withholding tax provided that:
a) The receiving company own 10% of the shares of the distributing company

Dividends towards foreign companies can be distributed without withholding tax provided that:
a) The foreign company may qualify as a company under Danish rules and
b) the foreign company is the "rightful owner" and
c) owns at least 10% of the shares or more of the distributing Danish company and
d) the distribution of dividend is protected by either the EU Parent/Subsidiary Directive or by one of Denmark's tax treaties
If these conditions are not met the withholding tax rate in the relevant tax treaty applies. If no tax treaty exists Denmark withholds 27% of dividends.

Royalties
Danish law states that withholding tax must be paid on all royalties for the use or the right to use patents, trademarks, designs, models etc. The withholding tax rate is 22% as of 1 March 2016 subject to treaty relief. If the royalty payments are to a receiving company in another EU member state and it meets the requirements of the EU Interest/Royalty Directive it is exempted Danish withholding tax.

Interest
Generally, Denmark, does not levy withholding tax on interest payments to non-residents. However if the interest payments are from a controlled Danish company (more than 50% shares or votes) to a non-resident company, they are subject to 22% withholding tax.

1.7 Joint taxation

Jointly taxation occurs at the time, when a Danish company owns more than 50% of the shares or votes of another Danish company. Joint taxation cannot be waived, and is forced.

International joint taxation is voluntary. If chosen, international joint taxation is binding for a period of 10 years.

1.8 Sale of securities

Companies that own non-listed securities, will not pay any taxes on profits. If non-listed securities is sold with loss, this loss is not deductable.

Profit of listed securities is taxable income, unless the company owns more than 10% of the shares.

1.9 Losses

Tax losses may be carried forward indefinitely.

Tax losses carried forward below DKK 7,852,500 (2016) can be deducted in the taxable income. Losses exceeding DKK 7,852,500 can reduce the remaining taxable income with 60%.

1.10 Rates

Taxable income is subject to a corporate tax of 22%. The tax rate is identical for public limited companies, private limited companies and branches.

2. Personal income taxation

2.1 Taxes on income

The tax is calculated on the total income of the taxpayer from personal income, capital income and capital gains from shares. Each type of income has its own tax rate.

A full tax-liability will pay taxes of his or her worldwide income.

2.2 Territoriality and residence

Danish tax law distinguished between full tax-liability and limited tax-liability.

Residents are taxable on their worldwide income and capital gains. Furthermore residents are liable to pay gift tax.

Non-residents are only taxed on income and capital gains from sources in Denmark.

2.3 Tax year and filing

The tax year is the calendar year.

In general a tax return should be filed by May 1 the year following the tax year.

After filing, a return on assessment is received, where if any outstanding or overpaid tax will appear.

2.4 Types of income

Income and allowances are divided into three categories:
a) Personal income, e.g.:
a. Cash salary;
b. Director's fee;
c. Benefits e.g. company car and phone;
d. Personal income are reduced with pension contributions.

b) Capital income, e.g.:
a. Net interest income;
b. Net capital gains.

c) Share income, e.g.:
a. Dividend;
b. Profit/loss from shares.

Deductions are either included in computing the net income of the above categories or categorized as general deductions when computing the taxable income.

2.5 Taxation of property

Property tax at 1% is paid of the property value under DKK 3,040,000. If the value of the property exceeds DK 3,040,000, a tax at 3% is paid of the exceeding value. The profit from sale of a property will be exempted from tax if following condi-

tions are met:
a) The property has served as home of the owner.
b) The land may not exceed 1,400 m2.

2.6 Losses

Losses obtained from sale of securities and property can be carried forward and deducted in future profits.

2.7 Rates

A tax of 15% is imposed if personal income exceeds DKK 467,300 (2016) plus positive capital income exceeding DKK 41,900 (spouses DKK 83,800).

The income tax consists of a two-tier state income tax, a flat rate state surtax "health care tax" and a flat rate local income tax.
a) Church and local tax
a. Local tax varies for the different municipalities. The average municipal tax is 24.910% (2016) and the average church tax is 0.702% (2016).

b) Health care tax
a. The health contribution is 3% (2016) of your income exceeding the personal allowance.

c) State tax
a. State tax is divided into:
I. Bottom-bracket tax, 9,08% (2016) of total taxable income exceeding DKK 44,000 (2016).
II. Top-bracket tax, 15% of personal income in excess of DKK 467,300 plus positive capital net income in excess of DKK 41,900 (spouses DKK 83,800)

d) Labour market contributions
a. Employees pay labour market contribution of 8% of their gross salary

2.8 Social security

Social security is included in the Danish taxes, which means employees do not pay directly towards social security. The taxation will therefore seem larger compared to other countries.
A small amount of the social security is paid by the employer. The employer will pay 1-2% of the fee towards a different amount of funds.
The employee can sign up for an unemployment fund, and this will be a private cost. In addition the employee can also chose to have old-age and survivors in-

surance, disability insurance and/or loss of income insurance. This will also be a private cost.
It has become normal for the employer to pay health insurance for its employees. The health insurance enables the employees to use a private hospital or get a faster treatment by a specialist.

2.9 Expatriates

In Denmark special legislation regarding foreign employees working temporarily here exists.
If a number of conditions are met, foreign employees may choose to be taxes at a flat tax rate of 26%. One of the conditions are, that the monthly salary exceeds a least DKK 62,300 (2016). The foreign employees must also pay labour market contributions at 8%, which result in at an approx. tax at 32%. This taxation can be chosen for a period of 60 months.

2.10 Share option

Share options will be taxed as personal income when the option is exercised.

The taxation will be based on the difference between the agreed share price (it can be bought at) and the actual share price when it's bought. If the share option is given for free, the value of the shares when exercising the option, will be taxed as personal income.

2.11 Pensions

The age of retirement is presently 65 years, but is increasing over a period of time to 67 years. When you retire, you will receive DKK 6,063 (2016) per month as a minimum income. This amount will increase in the case the retired had had a small wage. Normally employees will pay into a pension scheme. Some industries have a required pension scheme as part of the collective agreement. The employer will usually pay 8% of the wage and the employee 4% of the wage. Contributions to pension schemes are deductible from the personal income for payments up to DKK 52,400 (2016). However premiums to life insurances are unlimited. Benefits related to the pension scheme are taxable as gross taxable income.

3. Inheritance and gift tax

Inheritance from a person, living in Denmark at the person's death, is subject to inheritance tax.

a) The inheritance tax is 15% of the value of the estate exceeding DKK 276,600 (2016).
b) If the recipient isn't closely related to the deceased, there will be an additional tax of 25%.

Gifts can be received without any tax, as long as the donor is closely related to the receiver and the cumulated value of the gift is below DKK 61,500 (2016).

Gifts for a child's or a step-child's spouse is tax free if the cumulated value of the gifts is below DKK 21,500 (2016).

A gift from one spouse to another is tax free.

The tax rate for gifts for the above mentioned persons are 15%, and is only imposed if the cumulative value exceeds the tax free limits. Gifts to other relatives or unrelated parties are treated as ordinary income.

4. Value Added Tax

4.1 Rates

VAT is levied at 25% for services and goods.
Certain business activities – ex. listed below - are exempted from VAT:
a) Hospital;
b) Medical and dental care;
c) Banking, insurance and certain financial activities.

5. Other taxes

Profit regarding capital gains on shares and dividend is taxed as equity income. The taxation will depend on whether the taxpayer is married or not. If married the tax will be 27% at the first DKK 101,200 (2017: DKK 103,400) and 42% of the value exceeding. If not married the limit for 27% taxation is DKK 50,600 (2017: DKK 51,700) and 42% of the value exceeding.

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