

# International Assignment Services Taxation of International Assignees

## Denmark



# Country: Denmark

Introduction: International assignees working in Denmark

Step 1: Understanding basic principles

Step 2: Understanding the Danish tax system

Step 3: What to do before you arrive in Denmark

Step 4: What to do when you arrive in Denmark

Step 5: What to do at the end of the year

Step 6: What to do when you leave Denmark

Step 7: Other matters requiring consideration

Step 8: Special tax regime for expatriates

Appendix A: Tax rates 2011

Appendix B: Income tax calculation for 2011 (single taxpayer)

Appendix C: Income tax calculation for 2011 (married couple)

Appendix D: Income tax calculation for 2011 (single taxpayer/expatriate scheme)

Appendix E: Double-taxation agreements

Appendix F: Denmark contacts and offices

Additional Country Folios can be located at the following website: [www.pwc.com/ias/folios](http://www.pwc.com/ias/folios)

## Introduction: International assignees working in Denmark

This folio serves as an introduction to the principal provisions governing direct taxation of individuals and is designed to inform both the foreign employee and his/her employer about the most common issues relating to transfers to Denmark. It only reflects Danish legislation as of 1 January 2010 as the Danish tax rules are amended on a continual basis.

A number of changes in the Danish tax rules will take effect during 2010 and 2011. The middle tax was annulled and the overall tax ceiling was lowered as of 1 January 2010. At the same time, a new multimedia taxation was introduced.

A number of changes are expected to take place during the coming years, e.g. concerning tax rates and the basis for taxation. These changes are not described in this folio but will be described when they take effect.

Only the tax rules, which apply to Denmark, including the continental shelf, are described. The taxation systems for Greenland and the Faroe Islands are not covered. Nor are the special rules addressed, which apply to individuals engaged in pilot studies, or the exploration and extraction of hydrocarbon.

The various rules are described separately. In some cases, only one rule applies, but in many cases a number of rules will apply.

A number of issues can be extremely important when planning an assignment to Denmark. The Danish tax rates are high and the tax system is very complex. The information given in this folio is not intended to be comprehensive and before any action is taken further information and more detailed advice should be sought by consulting us. Please find our office addresses and contact persons in Appendix F.

### Introduction

Denmark, Greenland and the Faroe Islands constitute the Kingdom of Denmark.

Denmark covers an area of 43,000 sq. km and consists of the peninsula of Jutland and 406 islands of which the Islands of Zealand and Funen are the biggest. The population is slightly more than 5 million of whom 25% live in the metropolitan area of the capital, Copenhagen.

Greenland covers an ice-free area of 341,700 sq. km and has a population of approximately 53,000. The principal city is Nuuk with its 10,000 inhabitants.

The Faroe Islands cover an area of 1,399 sq. km and has a population of approximately 45,000 inhabitants. The principal city is Thorshavn with its 14,200 inhabitants.

### The Political System

Denmark is a constitutional monarchy and the present monarch is Queen Margrethe II.

The Danish Parliament (Folketing) has one chamber with 179 members including 2 members from the Faroe Islands and 2 members from Greenland.

Both the Faroe Islands and Greenland have extensive home rule with local government and parliaments responsible for local legislation.

### International Co-operation

In language as well as in culture, Denmark is closely related to the other Nordic countries and is also a member of the Nordic Council.

The purpose of Nordic co-operation is to harmonise legislation in the member countries (Iceland, Norway, Sweden, Finland, and Denmark), to lower customs tariffs and to promote the free movement of labour.

Denmark has also been a member of the European Union (EC) since 1973. The membership does not include the Faeroe Islands and Greenland.

### Currency

The Danish currency is krone and øre. 1 krone is 100 øre. For more information see [www.nationalbanken.dk](http://www.nationalbanken.dk).

**Last Updated: January 2011**

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

**MENU**

## Step 1: Understanding basic principles

### The scope of taxation in Denmark

1 An individual may be taxed in Denmark:

- as having full tax liability to Denmark;
- as having limited tax liability to Denmark; or
- according to special expatriate rules.

### Full tax liability

2 A person becomes fully tax liable by taking up residence in Denmark or staying in Denmark for more than 6 consecutive months.

3 Residence in Denmark is deemed to exist if an individual acquires a home in Denmark and takes up residence there. Generally, taxation commences from the date of arrival.

4 An individual who does not set up residence will become subject to full Danish tax liability from the first day of his/her stay if he/she stays in Denmark for a period of at least 6 consecutive months. When determining the 6-month period, short stays outside Denmark due to holidays, etc., are included, whereas stays abroad due to employment may interrupt the 6-month period.

5 Individuals who are resident in Denmark are subject to full tax liability, i.e., liable to tax on their worldwide income, unless the individual is considered to have the centre of his/her interests in another country, according to a double residence clause in a relevant double taxation treaty.

6 A person who is fully tax liable in Denmark will as a main rule be taxed according to the ordinary tax scheme by up to 51.5%. A number of deductions are applicable.

### Limited tax liability

7 A person not liable to full tax liability may become limited tax liable to Denmark. Limited tax liability is restricted to income from Danish sources.

8 The sources of Danish income can be:

- salary for work performed in Denmark and paid by an employer with a legal venue in Denmark;
- certain other types of personal income including directors' fees, pension distributions and social security benefits;
- remuneration covered by the special rules on hiring out personnel;
- income arising from a business enterprise with a permanent establishment in Denmark;
- income from property located in Denmark;

- dividends from Danish companies;
- royalty income from Denmark;
- under certain circumstances, remuneration for advisory assistance.

9 A person with limited tax liability to Denmark will as a main rule be taxed by up to 51.5% on income from sources in Denmark. Deductions related to the work performed are allowed. There is a personal allowance if the person is limited tax liable to Denmark during the whole year. If the person is limited tax liable to Denmark during part of the year, the person can choose a personal allowance.

### Special expatriate rules

10 According to the special expatriate tax regime, the tax rate on salary income is reduced to a flat rate of 26% for 5 years. No deductions are allowed.

11 For hired out personnel the taxation on salary income may be reduced to a flat rate of 30%. No deductions are allowed.

12 A ruling from the European Court (the "Schumacker ruling") states that a person who has earned most of his/her salary in the country in which he/she is considered non-resident (limited tax liable to the country) should be allowed the same deductions on his/her taxable income as a fully tax liable person in the same country. Denmark has altered its internal regulations in accordance with this ruling. An individual with limited tax liability to Denmark and who earns 75% of his/her global income in Denmark can apply these rules.

13 A special employment deduction of 4.25% of the gross income applies for employees and self-employed individuals. The deduction is limited at DKK 13,600 (2011).

The rules are described in further detail below.

### Types of income

14 When assessing the tax under the ordinary tax scheme, the following types of income apply:

- taxable income;
- personal income;
- capital income;
- share income;
- property income.

Wealth tax has been abolished as of 1 January 1997.

The taxable income is the sum of:

personal income

- social security contributions

+/- capital income

- itemized deductions

= taxable income

The sum of taxable income is the same for individuals with either full or limited tax liability.

15 The different types of income are as follows:

- personal income: mainly salary and employment-related benefits, self-employment income and pension income;
- capital income: mainly interest income and expenses;
- taxable income: the sum of the above adjusted for certain itemized deductions;
- share income: dividends and capital gains on shares;
- property income: income from property.

### Methods of calculating tax 2011

Individuals are subject to national income tax, municipal tax, health contribution, labour market contribution and church tax. The municipal tax rates are laid down by municipal councils and may vary.

As of 1 January 2008, the labour market contribution was changed from a social security contribution into an income tax. In 2010 both double tax treaties and social security agreements apply, however from 2011 only double tax treaties apply.

Municipal income taxes (excluding church tax) on taxable income, approximate rate (country average for 2011)	24.90%
Health tax	8.0%
Labour market contribution	8.0%
State taxes:	
Base tax on personal income (+ positive net capital income)	3.64%
Top tax on personal income (+ positive net capital income) in excess of DKK 389,900	15.0%

16 In addition to the above, municipalities impose a special church tax on members of the Danish State Church (Lutheran). The tax varies between 0.4% and 1.5%, and the average church tax is 0.89% (2011). When registering in Denmark, all individuals are registered as members of the Danish State Church unless they explicitly state otherwise.

17 Total income tax is reduced by the tax value of a personal allowance of DKK 42,900 (2011), amounting to a tax value of approximately DKK 15,675 in 2011.

18 The marginal tax rate cannot exceed 51.5. However, labour market contributions, share tax, property value tax and church tax are not comprised in this rule. Net capital income is taxed at a rate up to 47.5% (2011).

19 The same calculation method is used for fully and limited tax liable persons.

Appendix B and C illustrate how taxes are calculated.

20 In principle, married couples are taxed separately. Each spouse must file an annual tax return indicating personal income, capital income and deductible expenses in the same way as for single persons, even if their income is zero.

21 Nevertheless, negative taxable income as well as personal allowances may be transferred from one spouse to the other, and the thresholds for computation of surtax will reflect the married couple's total income. This only applies to married couples when both spouses live in Denmark. The allowances related to the top tax cannot be transferred from one spouse to the other.

#### The tax year and annualization

22 The tax year runs from 1 January to 31 December. If an individual is liable to either full or limited tax liability only for part of the calendar year his/her income will be annualised. The person may choose to use his/her actual income during the calendar year instead of the annualization. These rules imply that the allowances in the various tax brackets will be pro-rated based, on the number of days in the year the individual has been taxable in Denmark/or on the actual income earned in Denmark.

#### Tax treaties

23 If income is taxed in 2 countries, double taxation relief is granted, either in accordance with tax treaties or according to internal Danish provisions.

24 Appendix E lists the countries with whom Denmark has entered into double taxation agreements.

Last Updated: Last Updated: January 2011

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

[MENU](#)

## Step 2: Understanding the Danish tax system

### Taxation of employment income

25 All types of remuneration, whether in cash or in kind, earned by an individual who is fully liable to Danish tax, constitute taxable income. This rule applies regardless of:

- where the service is performed;
- where the employer is resident;
- whether or not the income is remitted to Denmark.

26 Employment income includes base salary, housing and living allowances, home leave allowances, tax equalisation payments (to be grossed up, if paid net), commission, sickness and holiday pay, holiday allowances, bonuses, and benefits in kind, such as employer-provided accommodation, car, telephone, and school fees.

The taxable value of a company car provided by a Danish employer is subject to withholding tax on the same terms as the cash salary.

### Fringe benefits

27 Managing directors, controlling shareholders and other employees with considerable influence on their remuneration are taxed on free accommodation at a value approximating market value. For property rented by the employer, the value is equivalent to actual rent paid. For other employees the taxable value is fixed according to rates published annually by the Ministry of Finance. These rates tend to be significantly lower than the market value. The taxable value of free heating and electricity is assessed as actual employer-paid expenses.

28 An employee is taxed on the value of the private usage of a company car. Regardless of actual use, the taxable value is calculated as a fixed percentage of the car's original purchase price (for leased vehicles the list price). The minimum basis for the calculation is DKK 160,000. The value is fixed at 25% of the list price of the first DKK 300,000 and 20% of the remainder. The employee will be taxed by 1/12 each month even if the car has been available for just one day during a month.

29 As from the fourth calendar year after the first registration of the car, the basis for the calculation is reduced by 25%. The minimum basis for the calculation remains DKK 160,000.

30 Example:

Car value at DKK 500,000

25% of 300,000	75,000
20% of 200,000	40,000
Taxable income	115,000

31 The employer-provided telephone is replaced by multimedia taxation which includes employer-provided telephone and laptop or the like and employer-paid internet access. The taxable value of the total employer-provided multimedia is DKK 3,000 per year. This amount applies per person and not per household.

32 An interest-free loan or low interest loan provided by an employer to an employee is considered part of his/her remuneration and is taxable.

33 As a general rule an option to purchase/subscribe for company shares at a price below market value results in a benefit taxable like any other remuneration from the employer.

34 Indemnities received due to termination of employment, as well as certain presents and bonuses, are taxable income.

### Net remuneration

35 During an assignment to Denmark, an international assignee often receives a net salary, i.e., his/her employer pays his/her salary as well as income taxes due. The application of various reimbursement methods such as loan-bonus, one-year rollover and deferred bonus are not allowed. Taxes paid have to be included in the employee's taxable income by applying the current year gross-up method, which may result in a very high final taxable income.

### Work force hire

36 The work force hire scheme is a separate Danish limited tax liability. The concept of "work force hire" implies that the employee continues to be employed by the employer in the home country, but is hired out to a business enterprise in the host country - under terms similar to a normal employment relationship.

37 The enterprise in the host country is, therefore, deemed to be the employer for tax purposes. In order to be covered by the work force hire rules, first and foremost it must be possible to substantiate that the enterprise in the host country (the deemed employer) is also responsible for the work performed by the employee. Employees who are hired by a Danish enterprise under a work force hire arrangement are taxed in Denmark at a flat rate of 30% of the gross remuneration etc. No deductions are allowed.

38 The work force hire rules only apply to employees who are not liable to either ordinary limited tax liability or full tax liability in Denmark. Consequently, if the stay in Denmark is expected to exceed 6 consecutive months, it may not be possible to use the work force hire rules.

39 The 6-month period is not interrupted by stays abroad due to holidays, etc. However, the period will be interrupted if the stay abroad involves a work assignment.

### Pension disbursements and yield on pension schemes

40 Monthly payments from Danish pension schemes to the insured individual, his/her spouse, or heirs, are considered to be the recipient's personal income, regardless of whether he/she is fully or limited tax liable. A duty of 40% is payable on lump sum payments at pensionable age, in the case of disablement or death.

41 Tax treaties concluded with Denmark may exempt overseas recipients from Danish tax, however Denmark does not renounce the 40% duty, as this duty is not covered by any of the existing treaties.

42 An individual who is fully liable to Danish tax must include payments from foreign pension schemes in his/her taxable personal income if these are paid on a regular basis after retirement.

43 Payments from pension plans or life insurance plans, which are only payable at death, are generally not subject to income tax.

44 Furthermore, before retirement the income tax liability does not include increments on certain life insurance schemes or other pension plans taken out while the insurance/pension holder was not fully tax liable to Denmark, e.g., where deductions have been granted for premiums paid by the individual or where paid by an employer, the premiums have been excluded from taxable income abroad.

#### Taxation of investment income

45 Income on bank deposits, bonds, securities, and other outstanding amounts is usually taxable in the income year in which it falls due and is included in the computation of the capital income.

46 Interest received from the tax authorities in connection with the reimbursement of excess taxes and duties is non-taxable.

#### Interest expenses

47 Interest expenses are deductible without limit from capital income and are generally deducted in the year in which they fall due.

48 Penalty interest paid in connection with late payment of taxes is non-deductible.

49 Deduction of interest expenses covering a period of more than 6 months and falling due more than 6 months before the end of that period must be allocated to the period to which the expenses relate.

#### Dividends

50 Dividends from shares are subject to a special taxation as so-called share income. Share income also includes realised capital gains on shares. Accordingly, capital gains should also be considered when computing the total share income. The rules regarding taxation of capital gains on shares have been changed recently, and some transition rules apply.

51 As of 1 January 2011 share income is taxed at the following rates and tax brackets:

Share income (DKK)	%
0 - 48,300	28%
Above 48,300	42%

For married couples the tax brackets are doubled.

52 On dividends from Danish companies a tax of 28% is withheld at source. Dividends from Danish companies need not be declared if the total share income does not exceed DKK 5,500.

53 Dividends paid to shareholders not resident in Denmark are subject to the same initial 28% withholding tax as dividends paid to residents. According to double taxation treaties entered into between Denmark and a number of countries, a part of the withholding tax may be claimed back by non-resident shareholders. The tax authorities have issued special forms for this purpose.

#### Capital gains tax

54 Generally speaking, Denmark imposes tax on capital gains arising from the sale of private (non-business) assets other than furniture, art, jewellery and an individual's primary and secondary residences.

55 Capital gains on assets other than shares are taxed as capital income.

### Bonds and claims

56 Apart from the following exceptions, capital gains realised on other bonds and other claims are considered taxable income. Unless the individual's profession is the trading of securities, the income is taxed as capital income.

57 Capital gains on bonds and other claims in Danish currency are exempt from taxation if the interest at the time the claim was issued equals or exceeds an officially fixed minimum. The minimum interest rate is fixed regularly. Losses on bonds and other claims in Danish currency are not deductible for tax purposes.

58 Capital gains on bonds and other claims in other currencies are exempt from taxation if the individual's net gain on such bonds and claims does not exceed the equivalent of DKK 2,000 p.a. If the limit of DKK 2,000 is exceeded, the gains are taxable in their entirety.

59 In some situations capital gains on bonds and other claims are taxable if the acquisition of the bonds or claims is financed by loans.

60 As a main rule losses on bonds and other claims in foreign currency are deductible as negative capital income.

### Losses on debt

61 In general, losses on debt are not deductible.

### Shares

62 Net gains on shares - quoted or unquoted - are taxed as share income at the rate of 28% on the first DKK 48,300 (2011) received during the year as dividends and capital gains from the shares and 42% on the remainder. For married couples the thresholds are DKK 96,600

63 The treatment of losses depends on whether the shares are quoted or unquoted.

#### *Quoted shares*

Losses on shares quoted on a regulated market can be offset against gains - dividends and capital gains - on other quoted shares within the same year. Any unused losses may be carried forward for an unlimited period of time. If the tax-payer is married, any unused losses can also be offset against the spouse's gains on quoted shares.

#### *Unquoted shares*

Losses on unquoted shares can be offset against gains - dividends and capital gains - on both quoted and unquoted shares within the same year. If the total annual share income becomes negative, the tax value of the loss on unquoted shares (28%/42%) may be deducted from the ordinary income taxes of the person liable to taxation.

### Stock options

64 In Denmark, tax legislation distinguishes between agreements (incentive schemes) according to which the employees in the company receive:

- options (the employee is given the right to purchase reacquired or treasury shares) and warrants (the employee is given the right to subscribe for newly issued shares);
- convertible debt instruments - the employee grants the company a loan and receives a convertible bond. At exercise the loan may be repaid or converted into newly issued shares;

- the right to buy shares in the company (at a favourable acquisition price).

65 The most common financial instruments are options and warrants. In the following, we have outlined the main issues that arise in connection with the grant of options or warrants to employees.

### Taxation of options and warrants

66 For options vested on or after 1 April 1999 and warrants vested on or after 1 January 2001 the taxable event is deferred until exercise. Please note that we have only described the rules as they apply after these dates. If information is required regarding options vested prior to this date, please contact PricewaterhouseCoopers.

67 The value of the option/warrant is treated as part of the employee's remuneration, and any bargain element of the option is taxed (at exercise) with personal income tax of up to 51.5% (2011) and 8% (2011) labour market contribution which is tax deductible.

68 The bargain element of the option is determined as the difference between the fair market value of the underlying shares at exercise and the exercise price.

69 The employee is required to report the value of the option on his annual tax return in May of the year following the exercise date.

70 When the employee sells the underlying shares he/she is liable to taxation on any capital gains. The taxable amount is calculated as the difference between the sales price and the fair market value of the shares at exercise. See the rules described above.

71 If certain conditions are fulfilled, the employer and employee may agree to use a special set of rules which imply that taxation will be deferred until the point in time when the acquired shares are sold, and the whole gain is then taxed at low capital gains tax rates. If these rules are used, the employer will lose the right of a corporate tax deduction for the option/warrant expense.

72 The gain – calculated as the difference between the sales price and the exercise price – is taxed as capital gains on shares outlined above under section 62.

### Real property

73 In general, one or 2 family houses (including freehold flats) and summer cottages may be sold without triggering tax liability if the owner has lived in the property for at least part of the time of ownership, and he/she is not professionally engaged in buying and selling property.

74 Taxable capital gains from the sale of other property acquired after 1 January 1999 are taxed either as personal income or capital income.

75 Special transitional rules apply to profits on property acquired before 1 January 1999 and sold in the 1999 income year or later.

### Deductions and allowances against taxable income

76 A number of non-interest related deductions are available to the individual taxpayer.

77 Apart from the special deduction available to certain expatriate personnel, most deductions are closely linked to expenses incurred.

78 Apart from pension contributions, the deductions mentioned in the following are not deductible in top tax and therefore have a lower tax value in comparison with a marginal income tax rate of 51.5%. The actual effect will vary with the level of local taxes.

79 Some of the deductions are restricted to individuals who are subject to full Danish tax liability who are not fiscally domiciled in another country according to a double tax treaty and who are not taxed in Denmark of less than 75% of the yearly income.

### Salary earners' deductions

80 Salary earners may deduct the following expenses from their taxable income:

- travelling expenses from home to work;
- travelling expenses necessitated by several different workplaces;
- contributions to unemployment insurance, membership fees to professional trade associations;
- union subscriptions.

81 A deduction is granted for daily travel to and from work in excess of 24 km, regardless of the type of transport used. The general deductions (2011) are:

Distance	Deduction
0 - 24 km	Nil
25 - 100 km	DKK 2.00 per km
101 km +	DKK 1.00 per km

82 Furthermore, under certain circumstances, salary earners' expenses related to the performance of their work, entertainment expenses, technical literature, work clothes, etc. are deductible from taxable income if they exceed a basic amount (DKK 5,500 in 2011).

83 Other non-reimbursed expenses incurred when travelling for the employer may be deductible.

### Double household

84 A married assignee whose spouse remains in the home country may be eligible for a double-household deduction. The deduction amounts to DKK 400 per week or actual expenses with the proper documentation.

### Moving expenses

85 Expenses in connection with an assignment may be deductible from ordinary taxable income, provided that the expatriate continues to work for the same employer.

86 If an employer reimburses business related moving expenses, which are supported by vouchers, the reimbursement is not taxable.

### Contributions to pension schemes

87 Contributions to a lifelong annuity pension plan established with a Danish pension fund, an insurance company, or a financial institution are tax- exempt if made by the employer and, within certain limits, tax deductible if made by the individual.

88 As a general rule, deductible contributions per year to an annuity plan may not exceed DKK 46,000 (2011) if paid by the individual into a private pension plan whereas contributions paid by the employer (regardless of whether the contributions are financed through a reduction of taxable salary) are subject to a general ceiling of DKK 100,000 unless it is a lifelong annuity plan.

89 Due to special regulations applicable in connection with later repatriation, the contribution paid by/for an expatriate to a Danish pension plan should never exceed 20% of the total remuneration including pension contributions.

90 The total contributions to a capital pension plan may not exceed DKK 46,000 p.a. (2011) whether the contributions are paid by the individual to a private plan or by the employer, or a combination of both.

91 Contributions to a foreign pension scheme may be tax exempt/tax deductible. Contributions can be tax exempt/tax deductible if the insurance company/financial institution fulfil certain conditions, and the pension saver enters into a special agreement. According to this agreement Denmark shall be considered country of source in relation to Denmark's taxation of pension payments and taxation of the yield.

92 If a foreign employer makes contributions in the name of the expatriate, the latter must include the amount in his/her Danish taxable income, if the conditions above are not fulfilled.

93 According to special rules in some double taxation treaties, contributions to other foreign pension schemes may be tax deductible in Denmark. It is often a prerequisite that the individual has joined the scheme prior to arrival in Denmark.

94 Mandatory contributions to a pension scheme in the home country may be deductible if the employee is still a member of the social security system in the home country.

## Allowances

95 Allowances for travel expenses may be tax-exempt for the employee if paid out in accordance with rates fixed by the central tax authorities. Allowances exceeding these rates are taxable income. The employee may instead be entitled to a tax deduction of the fixed rates up to an amount of DKK 50,000. Reimbursement of business related expenses supported by vouchers is tax-exempt.

96 Other allowances paid by an employer to cover expenses, which an employee has defrayed during the performance of his/her work are generally taxed up to a maximum rate (51.5% in 2011), whilst the employee may claim deductions for expenses at a lower value dependant on local rates.

## Double taxation

### Taxation treaties

97 To avoid double taxation on income, Denmark has concluded double taxation treaties with a large number of countries. Appendix E lists the treaties that include remuneration regulations.

98 Double taxation may also occur in relation to inheritance tax. To counteract this situation Denmark has concluded treaties with the other Scandinavian countries, Switzerland, Germany, Italy and the US.

### The 183 days' rule

99 As a principle rule the right to tax salaries for personal services is granted to the country in which the work is performed ("physical presence"). Nevertheless, according to the 183 days' rule incorporated in most of the double taxation treaties, Denmark waives the right to tax salaries received by expatriates performing work in Denmark, if:

- the recipient is present in Denmark for a period not exceeding 183 days in the calendar year concerned (in some treaties the 183 days' rule is not a tax year rule, but a current 12-month rule), and;
- the remuneration has been paid by or on behalf of an employer who is not a resident in Denmark, and;
- the remuneration is not borne by a permanent establishment or a fixed place of business, which the employer has in Denmark.

100 Some treaties already include special work force hire rules stating that the country in which the work is performed has the right to tax the remuneration, irrespective of the 183 days' rule. Denmark considers a situation as the work force hire if covered by the wording in the second circumstance listed above, irrespective of whether the treaty specifically mentions this. Only Switzerland is exempt. Therefore, in a work force hire situation Denmark will usually tax the remuneration.

101 In order to avoid taxation in Denmark according to the 183 days' rule it is a prerequisite that the expatriate is not deemed to be resident in Denmark.

102 The 183 days' rule should be considered carefully when planning assignments in Denmark.

103 An individual who is considered resident in another country may be able to obtain exemption from Danish taxes on certain foreign income, even if fully tax liable in Denmark.

#### Internal Danish credit or exemption

104 In addition to treaties, Danish domestic legislation contains credit provisions to be granted on income taxes paid abroad, or exemption with progression on salary earned abroad.

#### Social contributions

##### In general

105 The Danish social security system is financed primarily through ordinary tax revenue. As of 1 January 2008 the labour market contribution is changed from a social security contribution into an income tax. However, both Danish tax treaties and social security agreements apply until the end of 2010. As from 1 January 2011, only tax treaties apply.

106 All individuals working in Denmark and fully tax liable in Denmark who are covered by social security in Denmark must pay labour market supplementary pension (ATP). The previous SP scheme has been abolished.

107 The ordinary contribution to the Labour Market Supplementary Pension (ATP) is calculated with reference to the weekly or monthly hours of work rather than the salary earned. For full-time employees the contribution is DKK 90.00 per month (2011), and the employer pays twice this amount, i.e. DKK 180.00 per month (2011).

108 Furthermore, the employer must pay for the employee's work and accident insurance.

109 As of 1 October 2006, a common fund for maternity benefits has been introduced. Employers who are not comprised by collective agreements must contribute to the fund.

110 The annual contribution to the maternity fund is DKK 725 for each monthly paid full-time employee.

111 Danish social security contributions, and in some cases foreign social security contributions, are deductible from personal income for tax purposes.

## EU Nationals

112 EU nationals and individuals from countries with which Denmark has concluded a social convention may be exempted from Danish social contributions for a period of time, provided that the social legislation of the country in question applies during the same period. As of 1 May 2010 a new EU social convention has come into force.

113 Social security contributions made by an employee, who is fully liable to Danish taxation and fiscally domiciled in Denmark according to the double taxation treaty in question, to the social authorities in another country and which are mandatory according to EU regulations or a social convention concluded between Denmark and the country of origin are deductible for income tax purposes.

## Other nationals

114 Employees from a non-EU country with which Denmark has not concluded a social convention will be liable to pay social contributions in Denmark.

## Unemployment insurance

115 An individual is considered insured for unemployment benefits only if he/she is also a contributing member of a recognised Danish unemployment insurance scheme. For EU and EEA (European Economic Area) nationals who do not maintain social security coverage in the home country during their stay in Denmark, it may be necessary to join a Danish unemployment insurance scheme during the period of expatriation to ensure future coverage in their home country.

116 The Danish social security rates in 2011 are:

### Social security annual rates

#### *Employee:*

Labour Market Supplementary Pension (2011)	1,080 DKK
--	-----------

#### *Employer:*

Contribution to maternity fund	725 DKK
--------------------------------	---------

Labour Market Supplementary Pension (2011)	2,160 DKK
--	-----------

Industrial injuries insurance, estimated	3,000 DKK
--	-----------

Other public social security schemes	3,500 DKK
--------------------------------------	-----------

Last Updated: Last Updated: January 2011

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

MENU

## Step 3: What to do before you arrive in Denmark

### Work and residence permit

#### Nordic nationals

117 Citizens of Finland, Iceland, Norway or Sweden may enter, stay and work in Denmark without a work and residence permit. If residence is taken up in Denmark, the authorities (Folkeregistret) must be notified within 5 days of entry.

#### EU/EEA nationals

118 EU/EEA nationals do not need a work permit. An EU/EEA national can stay in Denmark for up to 3 months from the date of arrival without a residence permit, or 6 months if seeking employment. If the stay is intended to last for more than 3 months, an EU/EEA residence permit must be applied for. The application must be filed with the local authorities (Statsforvaltningerne).

119 If you are an EU/EEA national, a residence permit should be granted if:

- you have a paid job;
- you carry out an independent business in Denmark;
- you render or receive independent personal services in Denmark;
- you are entitled to remain in Denmark after the end of an employment or independent business, for instance, if you reach the age of 67 years or become disabled;
- you have sufficient funds to provide for yourself compared to the level of welfare aid (starthjælp) provided by the Danish state.

120 The immediate family may also be granted a residence permit. Family members under the age of 21 are usually not required to have residence permits.

#### Citizens of new EU member states

121 Citizens from Estonia, Latvia, Lithuania, Poland, Slovenia, Slovakia, the Czech Republic, Rumania, Bulgaria and Hungary have the right to work in Denmark just like other EU citizens.

122 The transition rules which should be used by citizens from these countries were abolished as from 1 May 2009.

#### Third Country Nationals

123 Third country nationals may stay in Denmark without a residence permit for no longer than 3 months or for the period indicated on a required visa.

124 These individuals will have to apply for a residence and work permit before they arrive in Denmark. The application can be filed with a Danish consular office or embassy in either the applicant's country of origin or in a

country where the applicant has lived (legally) for the past 3 months. Under specific circumstances, the application can be filed directly with the Danish Immigration authorities in Denmark.

#### 125 Government fees

From 1 January 2011, governmental fees covering the handling process at the immigration authorities in Denmark have been introduced. The fees are in the range between DKK 1,600 - 6,100 per person/permit.

Besides the governmental fees, there are also fees which have to be paid at the Embassy when submitting an application or when collecting permission.

126 A work permit must be applied for even if the individual will be working in Denmark for less than 3 months. There are several possibilities when you need a residence and work permit. The most relevant possibilities when you already have a job offer in Denmark are mentioned below.

127 Residence and work permits are usually granted to:

- individuals who have specialist status;
- students, trainees;
- foreigners who were once Danish nationals.

128 Residence and work permits may be granted to:

- the spouse, children, etc., of an individual who is resident in Denmark as part of a programme of family reunion. An individual application must be filed.

#### In general

129 Children under 18 can receive a residence permit when living with the parent who has custody of the child and where the parent has obtained a residence permit.

130 It is necessary to apply for a work permit in order to:

- obtain employment;
- perform independent business activities;
- render services.

131 If the individual is a scientist, a lecturer, an entertainer, a representative on a business trip, or if he/she installs, maintains or repairs machinery, equipment, etc., or instructs others in the use of machinery, he/she may not need a work permit. However, the individual may need a visa.

132 The residence permit may be repealed if the permit holder loses his job, or if he is unable to support himself. The authorities are also able to withdraw a residence permit if the permit holder is considered to be a danger to the public health and safety.

133 Travels abroad for a consecutive period of 6 months - in some cases 12 months - will result in the repeal of a residence permit. A work permit will automatically be annulled when the residence permit is repealed.

## Job Card

134 As per 1 July 2002 some non-EU/EEA individuals have the possibility of obtaining a residence permit and work permit based on their education. The rules apply for individuals working within job areas where there is a lack of qualified individuals.

135 The rules imply that if an individual applies for a residence and work permit in order to start working within one of the approved job areas, the authorities will use a simplified procedure:

- there will normally be no hearing of labour organisations or other parties;
- the permit can be issued for a period of 3 years;

136 Any family member (spouse or children under the age of 18) accompanying the individual can be granted a residence permit valid for the same time as the individual receiving the job card.

137 The list of approved job areas and educations in which there are a shortage of qualified individuals, change from time to time.

138 It is also possible to receive a work and residence permit if the individual has been offered a job with a yearly salary of DKK 375,000. However the salary and working conditions must follow Danish standard work requirements and match the education of the individual.

## Employment contracts

139 In Denmark, a written employment contract specifying the rights and obligations of both the employee and the employer is mandatory. Denmark has comprehensive legislation protecting employees and no deviation from the rules to the detriment of the employee is allowed.

## Valuation on arrival

140 The market value of the individuals' assets and liabilities on the date when he/she takes up residence and becomes fully tax liable to Denmark will be considered to constitute the acquisition sum for Danish tax purposes.

141 The taxation of capital gains on certain assets depends on how long the individual has owned the assets and will be determined on the basis of the historical acquisition date.

142 The market value of quoted shares on the date residence is taken will be the value quoted on the relevant stock exchange on that date.

143 The market value of non-quoted shares must be evaluated.

144 The value of share options must be evaluated.

145 The valuation on arrival is not restricted to shares, but will apply to all the individuals' assets and liabilities whether situated in Denmark or abroad.

146 Special rules apply to depreciable assets.

## Importing personal possessions

### Arriving from an EU member state

147 When arriving from an EU country there are no import formalities to consider. This implies that the personal possessions of EU nationals are free from duties, excises and VAT in Denmark. It should be noted that some restrictions exist regarding tobacco and alcoholic beverages. The personal possessions of non-EU nationals who have been domiciled in another EU country prior to arrival in Denmark are also free from duties, excises and VAT provided that the goods have been subject to duty, excise and VAT upon arrival in the EU or have been bought within the EU. Cars are always subject to Danish taxes (please refer to section 163 for car registration tax). However, if you bring your own vehicle to Denmark, and it has been registered (authorised for use on public roads) in another EU member state, the vehicle will not be subject to VAT. It is a condition that the vehicle has driven more than 6,000 km and the vehicle is more than 6 months old.

### Arriving from outside the EU

148 Provisions relating to exemptions from customs duties, excises and VAT comprise "personal possessions" in certain situations. These are when

- (a) establishing a permanent residence in Denmark.
- (b) moving to Denmark as a consequence of marriage.
- (c) the possessions are inherited according to interstate succession or testamentary succession.
- (d) students move to Denmark to study.

149 "Personal possessions" are defined as movable property and household furniture and effects, including motor vehicles for private use, pleasure boats and private aircrafts.

150 The exemptions will usually be granted if certain conditions are met:

- (a,b,c,d) you import the articles for your private use;
- (a,b) you were resident in a non-EU country for a continuous period of at least 12 months;
- (a) the personal belongings have been in your possession and have been used by you for at least 6 months before arrival; for at least 12 months after moving to Denmark you may not sell, rent out or hand over the belongings
- (c) the possessions must be imported no later than 2 years after inheritance
- (c) documentation for the inheritance must be presented upon importation
- (b) documentation for marriage must be provided
- (b) the goods must be imported no later than 4 months after the wedding day, and not earlier than 2 months before the fixed wedding date
- (b) the value of each present must not exceed EUR 1,000
- (a) the possessions must be imported no later than 12 months after the date when your actual residence is established, and not earlier than 6 months before your arrival in Denmark.

(a,b) if the goods arrive before your arrival in Denmark, the authorities will ask you to provide security for the customs duties and excises.

151 Special conditions apply to private cars of non-EU nationals. Exemption from customs duties and VAT is granted only if you submit documentation that you have been registered as the owner of the car and have used the car for at least 6 months prior to your arrival in Denmark and you have stayed outside the EU territory for a 12 month period prior to your arrival in Denmark. At the time of import you must therefore submit a foreign certificate of registration to the customs authorities. Exemption can only be granted if the car is used for private purposes.

152 If you lend, hire out or transfer your car to a third party within 12 months after importation the exemption previously granted will be cancelled. The same provisions apply for personal possessions.

153 There are special rules regarding registration tax and other taxes on cars; see Step 4.

**Last Updated: January 2011**

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

[MENU](#)

## Step 4: What to do when you arrive in Denmark

### Registration in general

154 If you intend to stay for a period of 3 months or more (6 months if within EU/EEA or Nordic countries), you must notify the municipal authorities (Folkeregistret). A passport and other identification papers must be presented. Married couples must submit a marriage certificate. You should ask for a receipt of your notification and for a personal registration number.

155 Once you inform the municipal authorities of your arrival, you should be included in the general Danish health insurance scheme. You should receive a national health insurance card giving you access to free medical treatment from doctors and in hospitals.

156 If you are liable to taxation according to the general rules on tax liability, you must file a preliminary tax return on the basis of which the tax authorities will issue a preliminary tax assessment (forskudsopgørelse). If you are paid from abroad a number of giro payment forms will be enclosed to make payments on account.

157 If you have a Danish employer, the tax card attached to the assessment must be handed over to your employer so that he/she can calculate the withholding tax. You will always have to hand over your tax card unless the employer already has obtained the tax card electronically. This is mainly the case when your employer is Danish. If the Danish employer does not receive the tax card, the employer is obliged to withhold 55% of the gross salary after social security contributions, where applicable.

158 When you bring a private car into Denmark you must inform your local customs office and submit a special form.

159 According to customs legislation you must inform the tax authorities if you come to Denmark with cash amounts, travellers cheques or the like that have a value exceeding EUR 10,000.

### Establishing residence

160 If you do not reside permanently in Denmark and have not stayed here for the previous 5 years, you may require a permit from the Ministry of Justice to buy property in Denmark. A secondment to Denmark for a few years does not constitute permanent residence for these purposes and a work permit must be obtained. However, under certain conditions EU nationals are allowed to buy property in Denmark without a permit from the Ministry of Justice.

### Child benefit

161 In 2011, a tax-free child benefit of DKK 10,584 per annum is payable to the custodial parent of children aged 7-14 (inclusive) if the parent is fully tax liable to Denmark and is not covered by the social security system in the home country. The annual benefit for children aged 0-2 is DKK 16,992 and for children aged 3-6 DKK 13,452 and is paid on a quarterly basis. For children aged 15-17, the amount is DKK 3,528 per year.

162 For non-EU/EEA nationals an additional condition is that the child is living in Denmark, is unmarried and is not supported by public funds. An application for the benefit must be submitted to the municipal social authorities.

## Car registration

163 A special registration tax is levied on all cars registered for use in Denmark, whether privately owned or made available for use to the expatriate.

164 Individuals who reside in Denmark as well as foreign residents who stay in Denmark for more than 1 year and who want to have their car in Denmark must register the car in Denmark. If the expatriate has no residence in Denmark or is seconded to Denmark for less than one year, there might be exemptions.

165 You must either register your car in Denmark or hand over the licence plates to the police. Accordingly, the registration tax payable on an imported used car may be extremely high. We kindly refer to section 147 regarding bringing your own car from another EU member state. Customs duty and VAT are normally charged on vehicles imported from non EU countries.

166 The registration tax for new cars is calculated as 105% of the normal import value including VAT up to DKK 79,000 and 180% of the value in excess of this. Various deductions apply to environmentally acceptable cars and cars with adequate safety measures.

167 The registration tax, which must be paid on used cars upon arrival, is calculated according to special regulations on the basis of the sales price for a similar used car in Denmark. This calculation is made by the Danish tax authorities.

168 If your stay in Denmark is anticipated to be temporary (2 to 3 years), you may obtain permission to pay registration tax by quarterly instalments of the total duty. An interest of the tax calculated is payable. The permission is approved for a maximum of 2 years. The permission might be prolonged every second year. If the permission is not prolonged, you may either re-export the car from Denmark or pay the remaining tax.

169 As an owner of a Danish registered vehicle, you must notify the registration office and hand over your licence plates to the police when you leave Denmark and dispose of your residence. When you re-export your Danish registered car, you are entitled to a refund on part of the paid registration tax. Please note that the authorities may demand a vehicle inspection of the car.

Another option is to flex-lease a new car in Denmark for a given period. Registration tax on flex-lease is only paid for the leasing period.

170 All cars registered in Denmark must be insured against third party risks.

Last Updated: January 2011

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

[MENU](#)

## Step 5: What to do at the end of the year

### Tax return

171 The tax year ends on 31 December. The collection of taxes is based partly on the reporting from the taxpayer and partly on the compulsory reporting from employers, banks and financial institutions. The tax authorities will send you a tax return containing the information already available to the tax authorities.

172 The tax return including all necessary additional information should then be submitted to the authorities by 1 May and no later than 1 July.

173 As of 1 January 2010 new rules have come into force with effect for the income year 2009 and future years. If you make a voluntary payment before 31 December in the income year in question, you can avoid paying interests. If you pay before 1 July in the year following the income year, you will have to pay interest of the amount of unpaid taxes until the day you pay (the day-to-day interest).

174 The tax authorities will send you a tax assessment based on the tax return. It should be noted that this first assessment is not based on any review of your tax return. A significant number of tax returns are later audited for possible errors and corrections.

175 When you receive your tax assessment the tax authorities will repay any overpaid taxes plus interest. Residual taxes up to DKK 18,300 (2011) will be included in the next year's provisional taxes plus a penalty interest which is higher than the day-to-day interest,

176 If your final tax liability exceeds your provisional tax liability by more than the above, the excess amount is due in 3 instalments in September, October and November along with a surcharge.

### Preliminary tax return and assessment

177 Provisional taxes are withheld or collected on the basis of estimated income for the current year.

178 Accordingly, a preliminary tax return must be filed with the tax authorities before or during the income year in question.

179 Individuals who have been liable to Danish income taxes for more than 2 years prior to the income year in question may not need to file a preliminary tax return if no changes from past years are anticipated.

180 Individuals who have not been tax liable for a whole year during a period of at least 2 years need to file preliminary tax returns.

### Capital gains tax

181 Capital gains tax on gains realised in a calendar year falls due for payment in 3 instalments in September, October and November of the following year.

## Final year

182 Individuals leaving Denmark have to file a tax return at the normal deadline (1 May in the year following the year of departure). Income in the year of departure must be pro-rated in the same way as in the year of arrival.

**Last Updated: January 2011**

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

[MENU](#)

## Step 6: What to do when you leave Denmark

### General matters

183 When you dispose of your residence and leave Denmark you must notify the municipal authorities (Folkeregistret) of your change of address when you leave.

184 You must hand in your national health insurance card (sygesikringsbevis) as the scheme only applies to individuals living in Denmark.

### Transferring personal possessions abroad

185 When you leave for a non-EU country an export form must be completed. No formalities apply if you are leaving for an EU-country. Export duties are not levied in either situation.

### Filing a return

186 When you leave Denmark you must file a tax return within the normal deadline

### Taxation on departure

187 Taxes are levied on the unrealised gains for certain types of shares, options, pension schemes etc.

188 As a main rule individuals are taxed on the unrealised gains on their shares and financial assets at the time of giving up full tax liability to Denmark.

189 However, generally the exit tax rules are not applicable in relation to shares and financial assets owned by individuals who have not been subject to full Danish tax liability for a total of 7 years within the ten years prior to termination of full tax liability to Denmark.

190 This exception does not cover ordinary stock options, pension plans etc.

191 The individual will be taxed on recaptured depreciations made while in Denmark on depreciable assets situated abroad such as e.g. property.

192 According to domestic rules it may be possible to receive respite concerning exit tax related to shares. However a number of conditions and requirements must be fulfilled. A tax return and an annual list of shares must be filed with the tax authorities.

193 A person who gives up full tax liability to Denmark, and who prior to this has contributed 20% or more of his/her annual salary to a pension scheme managed by the employer, will be taxed retroactively on the basis of a higher personal income, including a penalty interest per year. The rule applies from the year of departure and for 4 previous years. For some persons this period is extended to 9 previous years prior to departure.

### Exit taxation on options, etc.

194 We have in the following outlined the main issues that arise in connection with the grant of options or warrants to employees. The taxation depends on whether the employee has received the financial instrument prior to the Danish tax liability commenced or after the date the Danish tax liability commenced. It is at present uncertain

whether non-vested warrants as well as vested warrants are subject to exit taxation. We believe there are arguments to support the stance that only vested warrants are subject to exit taxation, although we cannot guarantee that the Danish authorities will accept this position.

195 In paragraph 194, the employee is leaving Denmark holding vested options that were granted to him prior to the commencement of Danish tax liability. In paragraph 198, the employee is transferring out of Denmark holding vested options that were granted to him while he was resident in Denmark.

196 If the employee is transferring out of Denmark holding a vested financial instrument granted prior to the commencement of Danish tax liability, then exit taxation might occur.

197 The employee has been subject to unlimited taxation in Denmark for at least 7 years during the past 10 years.

198 If the employee is leaving Denmark holding a vested financial instrument granted while he was resident in Denmark, an exit tax is payable. At the date of departure from Denmark the value of the financial instrument is taxed as if it was sold.

199 The value of the financial instrument is determined as the difference between:

- the market price of the shares at the date of departure, and
- the exercise price.

200 The calculated exit income is taxed as ordinary salary income. The tax rates vary from approximately 32% to a marginal tax rate of up to 51.5% for income exceeding DKK 389,900 (2011). The benefit is subject to payment of labour market contributions of 8% (tax deductible) and cannot be taxed under the 26% tax regime.

201 Generally, it is possible to ask for an extension with the payment of taxes until the exercise or sale of the financial instrument. However, it requires that the following conditions are met:

- a tax return is filed within the ordinary deadline in May in the year following the departure year.
- a tax return has to be filed in the year following the year the financial instrument is exercised or sold.
- sufficient security need to be granted to the Danish tax authorities for the taxes payable if the employee is moving to a non-EU country.

202 If the market price of the shares at the time of departure from Denmark is higher than the market price of the shares at the time of exercise or sale, it is possible to have the tax recalculated.

203 If the employee returns to Denmark without having exercised or sold the financial instrument, the tax levied on the employee in connection with the departure may be annulled.

Last Updated: January 2011

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

MENU

## Step 7: Other matters requiring consideration

### Estate and Gift tax

204 Inheritance left by a Danish resident is subject to Danish estate tax regardless of the country of residence of the beneficiary. Inheritance received by a Danish resident from a person who was not resident in Denmark prior to death is not subject to Danish estate tax except if the inheritance consists of property located in Denmark or of assets related to a permanent establishment in Denmark. However, if an estate is settled before a Danish court, the entire inheritance will become taxable in Denmark, regardless of the country of residence of the deceased and the heirs.

205 Estate tax amounts to 15% and is levied on the part of the assets, which falls to the deceased's children and their descendants, stepchildren and their descendants, the deceased's parents, or the deceased's cohabitant during the last 2 years of his/her life.

206 Inheritance and insurance payments, which fall to the deceased's spouse, are exempt from the estate tax.

207 Inheritance received by relatives other than the above is subject to a supplementary estate tax of 25% of the value of the assets (after deduction of the first 15%). The estate tax and the supplementary estate tax are not levied on the first DKK 264,100 (2011) of the estate.

208 Gifts and donations not exceeding DKK 58,700 (2011) to the donor's close relatives (offspring and their descendants, parents and grandparents) are tax-exempt. Gifts to the descendants' spouses, which do not exceed DKK 20,500 (2011) are tax-exempt. Gifts and donations to the donor's offspring and their descendants in excess of DKK 58,700 (2011) are levied with a gift tax amounting to 15%. Gifts and donations to the donor's stepparents in excess of DKK 58,700 (2011) and grand-stepparents are levied with a gift tax of 36.25%. Gifts and donations given in close connection to the death of the donor may not be comprised by these rules.

209 Gifts or inheritances between unrelated individuals are taxable as ordinary personal income of a recipient if he/she is fully tax liable in Denmark.

210 A gift is non-deductible for the donor.

### Wealth

211 No wealth tax is levied in Denmark. See below regarding property tax.

### Land tax

212 The assessment value of property is based on the authorities' cash valuation. Tax on land varies between 1.6% and 3.4% in different parts of the country.

### Property tax

213 A property value tax is levied on property in Denmark and abroad. The property value tax is a partial wealth tax which will be levied along with other income taxes. The tax is calculated as 1% of the value up to a ceiling of DKK 3,040,000 (2011) and 3% of the remainder.

214 There are a number of exceptions to the main rules.

## Royalties

215 A royalty tax of 30% must be withheld on certain royalty payments to recipients abroad. Royalty is defined as consideration for the right to use any patent, trade mark, secret formula, etc., According to many tax treaties Denmark has either waived the right to tax the royalties or accepted a lower rate. The royalty tax does not apply to the right to use the copyright of literary, artistic or scientific work.

## Stamp duty

216 Stamp duty is charged on certain documents. The most common documents liable to stamp duty and the rates for 2011 are as follows:

- deeds on Danish residential property occupied by the owner: DKK 1,400+ 0.6%;
- mortgage deeds: DKK 1,400 + 1.5% of the face value of the deed (on Danish property only);
- mortgages on certain moveable's, e.g. cars: DKK 1,400 + 1.5%.

217 In general, only duty in connection with land registration of rights is liable to payment. There is also a duty on insurance documents.

218 Insurance documents are generally liable to stamp duty if the risk is situated in Denmark. The stamp duty depends on whether it is a life insurance or non-life insurance.

## VAT and payroll tax

219 The Danish VAT rate is 25%. Registration with the Danish authorities is compulsory if the VAT liable income exceeds DKK 50,000 per year. However, this registration threshold does not apply for foreign businesses supplying goods or services subject to Danish VAT.

220 Most types of non-VAT registered enterprises must pay payroll tax.

221 There are 4 methods of calculating payroll tax depending on the type of business:

- associations, trusts, tourist agencies, etc.: 5.33% of the wage costs;
- financial institutions: 10.5% of wage costs;
- newspapers: 2.5% of the sale of newspapers;
- other (health care, private schools, passenger transport, etc.): 3.08% of the wage costs plus the net result of the business.

222 Payroll tax is deductible from taxable income.

## Exchange control

223 On 1 October 1988 all foreign-exchange currency restrictions were revoked in principle leaving some reporting provisions only.

224 Individuals become resident in Denmark for exchange purposes when they have obtained accommodation in Denmark and given up their residence abroad.

225 According to the rules in the Danish Customs Act, you must inform the tax authorities if you come to Denmark or you are leaving Denmark with cash amounts, traveller's cheques or the like that have a value exceeding EUR 10,000.

226 No later than one year after entering Denmark the Customs & Tax Authorities must be notified of foreign bank accounts and deposits. The foreign bank(s), etc., must undertake an obligation to notify the Danish tax authorities of annual interest, etc., and deposits at the end of the year. A special form ("Erklæring K") must be filed.

227 If the foreign bank will not assume this obligation the resident, for exchange purposes will not be able to keep the account unless a special need for the account is documented or unless exemption can otherwise be obtained.

228 Furthermore, information on foreign life and pension schemes must be submitted no later than at the first payment of premium. A special form ("Erklæring L") must be filed.

229 The status of a resident for exchange control purposes is revoked on permanent departure from Denmark.

Last Updated: January 2011

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

[MENU](#)

## Step 8: Special tax regime for expatriates

### 26% taxation

230 Expatriates and scientists assigned to Denmark can opt for a special 26% tax rate for a limited period of time, i.e., up to 60 months.

231 The 26% tax rate is calculated on cash salary (including employer-paid private expenses) employer-provided and paid multimedia equipment and the taxable value of company-paid cars. All other income is taxed in accordance with normal rules.

### Expenses

232 Salary-related expenses are not deductible from either income taxed at 26% or from other income subject to ordinary taxation.

233 Other types of income and expenses, e.g., rental income must be included in an ordinary income tax return. The possibility for deducting interest expenses is limited.

### General conditions

234 The following conditions must be met in order to be able to opt for 26% tax:

- the employee must be fully or limited tax liable in Denmark. The tax liability must start at the time when the employment in Denmark commences. A short interim period in order to settle in may be accepted. However, it is not a condition that the employee is fiscally domiciled in Denmark under the provisions of a double taxation treaty;
- the employee must have no full or limited tax liability of salary, business income etc. in Denmark for 10 years prior to commencing work in Denmark;
- the employee's contract of employment shall be concluded with a Danish resident employer or the permanent Danish establishment of a foreign entity. The employer has an obligation to withhold and pay taxes to the tax authorities each month;
- the work is expected to be performed in Denmark. Ordinary business trips, etc., are accepted. However, if the employee is fiscally domiciled in Denmark the expat tax regime can not be applied if work is performed outside Denmark in a way whereby another country has a right to tax the income according to the relevant tax treaty;
- the monthly average salary shall exceed DKK 69,300 (2011) after possible social contributions and deduction for pension contributions. The salary requirement is adjusted annually; see also Appendix D;
- the employee must not have, or have had, any direct or indirect part of the management or control of the activity where he/she is or has been employed during the 5 years prior to entering into the contract. The condition primarily concerns ownership of the enterprise;

- the employee must not have been employed by the Danish employer or an affiliated company within 3 years before entry into Denmark and 1 year following an earlier stay in Denmark where the employee has been subject to Danish tax liability.

### Special provisions for scientists and similar professions

235 Some conditions do not apply to scientists and similar professions approved by a Danish research council or approved in accordance with OECD's definition on research and development. In order to opt for the scientist conditions a formal approval procedure must be followed and a certification must be submitted. The different conditions are:

- the salary requirement does not apply if approved as a scientist through a special approval system, but the minimum requirement must be met by scientists approved in accordance with OECD's definitions;
- scientists may have a guest stay at a Danish university of 12 months within a period of 3 years before entering Denmark and still be able to use the 26% tax regime during a future stay.

### Tax return

236 There is no requirement to file a tax return regarding remuneration subject to the 26% tax regime, as the tax withheld by the employer is a final tax. Other forms of income or staff benefits such as free housing, etc., are taxed according to ordinary Danish tax rules. Consequently an employee who receives those forms of income must file a tax return accordingly.

Last Updated: January 2011

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

MENU

## Appendix A: Tax rates 2011

### Tax rates 2011

The tax rates for 2011 are as follows:

#### Local taxes

Municipal tax (average)	24.90%
Health Tax	8.00%
Local average taxes without church tax	32.90%

#### State taxes

Labour Market Contribution	8.00%
Base tax	3,64%
Top tax	15.00%

Tax bands and local taxes are adjusted annually.

Last Updated: January 2011

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

[MENU](#)

## Appendix B: Income tax calculation for 2011 (single taxpayer)

### Income tax calculation for 2011 (single taxpayer)

(Foreign payroll, he/she owns a property in Denmark with a cash value of DKK 1,000,000).

<b>Tax computation</b>	DKK	DKK
Salary	550,000	
Value of free car	50,000	
Ordinary Labour Market Additional Pension	(1,080)	
Labour Market Contribution	(47,914)	
Labour Market Supplementary Pension	(0)	
Personal income		<u>551,007</u>
Interest income	20,000	
Interest expenses	(100,000)	
Capital income		<u>(80,000)</u>
Transportation expenses	(10,200)	
Employment deduction	(13,600)	
Non-interest related deductions		<u>(23,800)</u>
Taxable income		<u>447,207</u>
Local tax	111,355	
Health tax	35,777	
Base tax	20,222	
Top tax	24,053	
Tax value of personal allowance	(16,006)	
Property tax	10,000	
Total tax		<u>185,401</u>
Labour market contribution		<u>47,914</u>
<b>Total taxes and labour market contribution</b>		<u><b>233,315</b></u>

Last Updated: January 2011

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

[MENU](#)

## Appendix C: Income tax calculation for 2011 (married couple)

### Income tax calculation for 2011 (married couple)

(Foreign payroll, the married couple owns 50% each of a property with a cash value of DKK 1,000,000)

	Husband DKK	Spouse DKK
<b>Tax computation</b>		
Personal income (for tax purposes)	551,007	0
Capital income	(80,000)	0
Non-interest related deductions	(23,800)	0
Taxable income	<u>447,207</u>	<u>0</u>
Local tax	111,355	
Health tax	33,777	
Base tax	20,222	
Top tax	24,053	
Tax value of 2 personal allowances	(32,012)	
Property tax	5,000	5,000
Total tax	<u>164,395</u>	<u>5,000</u>
Labour market contribution	47,914	
<b>Total taxes and labour market contribution</b>	<u><u>212,309</u></u>	<u><u>5,000</u></u>

Last Updated: January 2011

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

MENU

## Appendix D: Income tax calculation for 2011 (single taxpayer/ expatriate scheme)

Income tax calculation for 2011 (single taxpayer/expatriate scheme)  
(Danish payroll, 26% expatriate scheme, Danish social security system)

<b>Tax computation</b>	DKK	DKK
Salary	900,000	
Value of free car	75,000	
Ordinary Labour Market Additional Pension	(1,080)	
Labour Market Contribution	(77,914)	
Personal income - 26% taxation		896,006
Total income tax (26% x 896,006)		232,962
<b>Net income</b>		<b>663,044</b>

Last Updated: January 2011

This document was not intended or written to be used, and it cannot be used,  
for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

[MENU](#)

## Appendix E: Double-taxation agreements

Countries with which Denmark currently has double taxation treaties and where the treaty contains a remuneration clause:

Argentina	Finland	Luxembourg	Sweden
Australia	Germany	Macedonia **	Switzerland
Austria	Greece	Malaysia	Taiwan
Bangladesh	Greenland	Malta	Tanzania
Belgium	Guernsey	Mexico	Thailand
Bermuda	Hungary	Morocco	Trinidad & Tobago
Brazil	Iceland	The Netherlands	Tunisia
British Virgin Islands	India	New Zealand	Turkey
Bulgaria	Indonesia	Norway	Uganda
Canada	Ireland, Rep. of	Pakistan	Ukraine
Cayman Islands	Isle of Man	Philippines	United Kingdom
Chile	Israel	Poland	United States
China, P.R.	Italy	Portugal	Venezuela
CIS *	Jamaica	Romania	Vietnam
Croatia	Japan	Russia	Yugoslavia ***
Cyprus	Jersey	Singapore	Zambia
Czech Republic	Kenya	Slovak Republic	
Egypt	Korea, Rep. of	Slovenia	
Estonia	Latvia	South Africa	
Faroe Islands	Lithuania	Sri Lanka	

### Notes

\* Armenia, Belarus, Georgia, Kyrgyzstan

\*\* The former Yugoslav Republic

\*\*\* The Yugoslav treaty comprises Yugoslavia (Serbia – Montenegro), Croatia

Last Updated: January 2011

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

MENU

## Appendix F: Denmark contacts and offices

### Contacts

**Mona Lorentsen**

Copenhagen  
Tel: [45] 39 45 33 98  
Email: [mlo@pwc.dk](mailto:mlo@pwc.dk)

**Benedicte Wiberg**

Copenhagen  
Tel: [45] 39 45 33 27  
Email: [bew@pwc.dk](mailto:bew@pwc.dk)

**Mette Müller**

Copenhagen  
Tel: [45] 39 45 33 62  
Email: [mmu@pwc.dk](mailto:mmu@pwc.dk)

**Jette Øvlisen**

Aarhus  
Tel: [45] 89 32 56 71  
Email: [jev@pwc.dk](mailto:jev@pwc.dk)

### Offices

Aarhus  
PricewaterhouseCoopers  
Nobelparken  
Jens Chr Skous Vej 1  
DK 8000 Aarhus C  
Denmark  
Tel: [45] 89 32 00 00  
Fax: [45] 89 32 56 08

Copenhagen  
PricewaterhouseCoopers  
Strandvejen 44  
DK 2900 Hellerup  
Copenhagen  
Denmark  
Tel: [45] 39 45 39 45  
Fax: [45] 39 45 39 87

Last Updated: January 2011

This document was not intended or written to be used, and it cannot be used,  
for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

MENU

