cutting through complexity

Denmark Country Profile

EU Tax Centre

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Key tax factors for efficient cross-border business and investment involving Denmark

EU Member State

Yes

Double Tax Treaties

With:

Argentina	Czech Rep.	Jamaica	New Zealand	Trinidad & Tobago
Armenia	Egypt	Japan	Norway	Tunisia
Australia	Estonia	Jersey	Pakistan	Turkey
Austria	Faroe Islands	Jordan	Philippines	Uganda
Bangladesh	Finland	Kenya	Poland	UK
Belarus	Georgia	Rep. of Korea	Portugal	Ukraine
Belgium	Germany	Kuwait	Romania	US
Bermuda	Greece	Kyrgyzstan	Russia	Venezuela
Brazil	Greenland	Latvia	Serbia	Vietnam
British Virgin Islands	Guernsey	Lebanon	Singapore	Zambia
Bulgaria	Hong Kong	Lithuania	Slovakia	
Canada	Hungary	Luxembourg	Slovenia	
Cayman Islands	Iceland	Macedonia	South Africa	
Chile	India	Malaysia	Sri Lanka	
China	Indonesia	Malta	Sweden	
Croatia	Rep. of Ireland	Mexico	Switzerland	
Cyprus	Isle of Man	Montenegro[(a)]	Taiwan	
	Israel	Morocco	Tanzania	
	Italy	Netherlands	Thailand	

Note: (a) Treaty signed with former Yugoslavia applies.

Forms of doing business

Public Limited Company or Stock Corporation (Aktieselskab - A/S), Private Limited Company (Anpartsselskab - ApS).

Legal entity capital requirements

A/S: DKK 500,000,

ApS: DKK 50,000.

Residence and tax

A company is resident if it has been incorporated in Denmark or if the place of

system	effective management is in Denmark. A territorial income condition applies for resident companies. Generally speaking, income from permanent establishments and foreign property is not included in a company's taxable income. However, the worldwide tax liability applies: if a group has opted for international joint taxation (see below); if there is a Controlled Foreign Company (CFC) tax liability (see below). The following are also subject to taxation: international shipping and air transport activities; foreign dividends, interest and royalties.
Compliance requirements for CIT purposes	Filing of : CIT return, appendix to tax return concerning controlled transactions (if applicable) and of Tax Statements (if applicable), assessment of joint taxable income (if applicable) and group structure chart (if applicable). On account CIT payments are due on March 20 and November 20.
Tax rate	22 percent (2016 onwards)
Withholding tax rates	On dividends paid to non-resident companies The general WHT rate is 27 percent. Under most tax treaties the rate is reduced to 15 percent via reclaim. Relief at source for non-Danish entities is only available when the parent-subsidiary directive applies, in which case the participation exemption implies that no WHT is due (0 rate), or if a Danish tax exemption certificate has been issued to the payee (available for certain sovereign funds, etc.). Please refer to section I.a. below. On interest paid to non-resident companies As a general rule no WHT on interest payments applies. However, a 22 percent WHT applies to interest payments on "controlled debts". On patent royalties and certain copyright royalties paid to non-resident companies 22 percent / possible exemption. On fees for technical services No On other payments No Branch withholding taxes No
Holding rules	Dividend received from resident/non-resident subsidiaries Exemption (100 percent) applies to dividends from subsidiary shares (10

percent or more participation and the subsidiary is located in an EU or treaty country) and to dividends from group company shares (majority of votes).

Capital gains obtained from resident/non-resident subsidiaries

Non-resident shareholders are not subject to Danish capital gains tax on the disposal of shares in Danish companies.

Generally, any capital gains resident companies realize on the sale of unlisted shares are tax-exempt. However, capital gains on the sale of listed (non-group/non-subsidiary) shares are subject to 22 percent corporate income tax. Such gains are taxed annually on a mark-to-market basis. Capital gains on bonds and other debt are generally subject to 22 percent corporate income tax.

Tax losses

Losses from a business activity can be offset against positive income and may be carried forward indefinitely. A change in ownership (more than 50 percent) may restrict this so that the losses may not be used to reduce the taxable income below the net income from capital.

Losses carried forward from previous years exceeding DKK 8.025 million (2017) can only be used to reduce future income with 60 percent.

Tax consolidation rules/Group relief rules

Joint taxation is mandatory for Danish group companies, Danish PEs, and Danish property. Group relation exists if the ultimate owner of more than one Danish entity holds more than 50 percent of the equity or voting rights of the Danish entity.

International joint taxation continues to be optional.

Where it is elected, all foreign and Danish group companies and PEs/property must be included in the international joint taxation. This also applies to foreign parent/related companies.

The value of foreign tax losses deducted in Danish international taxation will be added to a balance of account (retaxation balance). Generally, the election for international joint taxation will be binding for a period of 10 years. If the joint taxation is discontinued during this period, the retaxation balance will be subject to full retaxation. If the joint taxation is discontinued at the end of the 10-year period, the amount subject to retaxation is calculated on the basis of a fictitious liquidation profit, maximized to the tax value of the losses deducted.

Foreign taxes paid by subsidiaries participating in international joint taxation can be offset against Danish taxes using the credit method. This applies irrespective of possible exemption provisions in a double tax treaty.

Registration duties

No

Transfer duties

On the transfer of shares

No

On the transfer of land and buildings

Yes

Stamp duties

Yes, a levy on registration applies. The value is determined at DKK 1,660 plus 0.6% of the transfer amount.

Real estate taxes

Yes, a levy on registration applies. The value is determined at DKK 1,660 plus 0.6% of the transfer amount.

Controlled Foreign Company rules

Yes - CFC taxation may be triggered if there is:

■ Controlling interest (a majority of votes);

■ Substantial financial income (more than 50 percent of total net income) and financial assets account – on average – for more than 10 percent of the total assets.

CFC taxation applies irrespective of where the subsidiary is resident and irrespective of the level of taxation. If a company qualifies as a CFC, all the company's income will be subject to taxation at the parent company level. The parent is granted a credit for income tax paid by the CFC.

Transfer pricing rules

General transfer pricing rules

Yes

Documentation requirement

Yes

Thin capitalization rules

Yes, 4:1 debt-to-equity ratio. In addition, also interest ceiling rule and EBIT-rule.

General Anti-Avoidance rules (GAAR)

Anti-avoidance rules targeting double-dip structures and applying a beneficial ownership approach.

Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions

The General Anti-Avoidance Rules in the Parent-Subsidiary Directive have been implemented in the Danish Tax Assessment Act, effective from May 1, 2015. The scope of the rules is broader than that laid down in the Directive, since they also apply to interest and royalties, tax-exempt mergers and tax treaties. The exact scope, however, is still to be established in practice.

Advance Ruling system

Advance binding rulings may be applied to specific transactions or arrangements, either planned or completed.

IP / R&D incentives	Yes
Other incentives	No
VAT	25 percent flat rate.
Other relevant points of attention	No

Source: Danish tax law and local tax administration guidelines, updated 2017

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