



Thinking beyond borders: Management of extended business travelers - Denmark

April 2024



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01

Key message

1 Key message

Extended business travelers are likely to be taxed on employment income relating to Danish workdays.

02

Income tax

2 Income Tax

2.1 Liability for income tax

A person's liability for Danish income tax is determined by residence status. A person can be a resident or a non-resident for Danish tax purposes.

An individual who is resident in Denmark is also considered a resident for tax purposes.

Likewise, an individual who stays in Denmark for at least 6 consecutive months is considered a resident in Denmark for tax purposes. Short stays abroad for leisure or holiday will not interrupt the 6-month period. The tax liability comes into effect from the date of first arrival.

The general rule is that an individual who is tax resident in Denmark is taxable on the individual's worldwide income.

A non-resident of Denmark is a person who does not fulfil the resident requirements. Such an individual is in general only taxable in Denmark on income derived directly or indirectly from sources in Denmark.

Employment income is generally treated as Danish-sourced if it is paid from a Danish employer and derived from work performed in Denmark.

Employment income is considered paid from a Danish source if the employer, formal or economic, has taxable activity in Denmark in accordance with the domestic tax law.

Employment income from a non-Danish source can also be considered taxable in Denmark for the employee. This is the case even if the employer, formal or economic, has no taxable activity in Denmark but income still relates to work performed in Denmark and the employee stays in Denmark for more than 183 days within a 12-month period.

2.2 Tax trigger points for employment income

Technically, there is no threshold/minimum number of days that exempts the employee from the requirements to file a Danish tax return, nor from paying tax in Denmark. To the extent that the individual qualifies in accordance with the dependent personal services article of the applicable double tax treaty, there will be no tax liability. The treaty exemption will not apply if a Danish entity is the individual's economic employer.

2.3 Types of taxable income

For extended business travelers, who are likely to be considered fully tax liable in Denmark but tax treaty resident in their home country – provided that a double tax treaty is in place – and therefore taxed in Denmark on Danish sourced income only, the types of income that are generally taxed are employment income and benefits-in-kind from the employer.

2.4 Tax rates

Taxation is based on categories of income. For example, interest is classified as investment income, and employment income is classified as personal income. Different tax rates apply to the different categories. The 2024 tax rates are as follows:

Personal income tax table 2024

Taxable income brackets		Marginal tax rate including labour market tax*
From Danish krone (DKK)	To DKK	Percent
0	54,021	8
54,021	640,109	43,8
640,109	Over	56.5%

* Including voluntary church tax of an average of 0.67 percent and based on an average municipality tax rate (24.98 percent). The marginal tax rate varies approximately + 1-2 percentage point depending on which municipality the taxpayer lives in. The calculation of the marginal tax rate includes the taxable value of a mandatory employment allowance. The allowance is maximized to DKK 45,100 (2024) for employed individuals.

2.5 Local tax rates

Local tax rates vary, but the average local tax rate for 2024 is approximately 25.18 percent, excluding voluntary church tax.

2.6 State tax rates

The state tax consists of a basic tax rate of 12.091 percent (2024) and a high tax rate of 15 percent (2024), applicable to income exceeding DKK 640,109 (in 2024), after deduction of 8 percent labour market contribution.

Local and state tax rates apply to both residents and non-residents.

2.7 Hiring out of labour

A 30 percent withholding tax may be levied on salaries of non-resident employees on a hired-out scheme (i.e., employees who perform services in Denmark for a Danish company without being employed by the company). The Danish entity receiving the services of the employee must withhold taxes. In addition, Danish labour market contributions apply resulting in an effective rate of 35.6 percent.

2.8 Expat tax regime

Expatriates assigned to Denmark can opt for a 32.84 percent (27 percent flat rate after deduction of 8% labour market contribution) gross tax on their cash remuneration, taxable value of company car, company paid telephone and company paid health care insurance. All other income, including other benefits are taxed at ordinary tax rates.

The expat tax regime can be used for 7 years in total, and a number of conditions must be met, not least relating to the salary level, which in 2024 must be DKK 75,100 per month in average after deduction of mandatory labour market pension contribution (ATP)

03

Social Security

3 Social Security

3.1 Liability for social security

Employees performing work in Denmark will be mandatory members of the Danish social security scheme, and thereby obliged to pay social security contributions (ATP) of DKK 1,188 per employee per year (2024). The employer's contributions to Danish social security amount to approximately DKK 8,000 - 15,000 per employee per year. An exemption from the Danish social security scheme may be obtained if there is a totalization agreement between Denmark and the home country/jurisdiction. This applies to both residents as well as non-residents.

04

Compliance obligations

4 Compliance obligations

4.1 Employees' compliance obligations

The tax year is the same as the calendar year. Individual tax returns shall be filed no later than on 1 July of the year following the tax year. Individuals receiving a pre-printed tax assessment from the tax authorities shall file any changes no later than 1 May. The tax authorities send out a pre-printed tax assessment if the tax authorities deem the income statement to be very simple. It is generally possible to extend the due date from 1 May to 1 July.

Tax returns must be filed by non-residents who receive any Danish-sourced employment income.

4.2 Employers reporting and withholding requirements

If the remuneration is paid out from a Danish entity or from a Permanent Establishment in Denmark, the company has a monthly reporting obligation as well as withholding obligations.

05

Immigration

5 Immigration

5.1 Work permit/visa requirements

Employees from certain countries/jurisdictions must apply for a visa before they enter Denmark. The type of visa required will depend on the purpose of the individual's entry into Denmark. A visa does not give the right to perform work in Denmark.

In most cases, foreign nationals need to have a residence and work permit before they can begin working in Denmark.

EU/EEA citizens and Swiss citizens can live and work in Denmark under the EU regulations on freedom of movement. Consequently, they do not need a work permit; however, they do need to apply for an EU-registration certificate if staying in Denmark for more than 3 months.

06

Other issues

6 Other issues

6.1 Double taxation treaties

In addition to the Danish domestic regulations, Denmark has entered into double taxation treaties with more than 90 countries/jurisdictions in order to prevent double taxation and allow cooperation between Denmark and overseas tax authorities when it comes to enforcing their respective tax laws.

6.2 Permanent establishment implications

There is a risk that a permanent establishment (PE) is created as a result of business travel to Denmark, depending on the type of services performed, the level of authority the employee has when performing services in Denmark and the duration of the stay in Denmark.

6.3 Indirect taxes

Value-added tax (VAT) is applicable at 25 percent on goods and services. Zero-rate may apply (e.g., newspapers). Further, some services are VAT exempted (e.g., insurance, financial services, postal, medical, education and passenger transport).

6.4 Transfer pricing

Denmark has a transfer pricing regime. A transfer pricing implication could arise to the extent that the employee is being paid by an entity in one jurisdiction but is performing services for the benefit of an entity in another jurisdiction, in other words, a cross-border benefit is being provided. This would also be dependent on the nature and complexity of the services performed.

Furthermore, Danish taxpayers engaged in intercompany transactions must prepare written documentation to substantiate that prices and conditions for the intercompany transactions are at arm's length. The documentation must be prepared on a contemporaneous basis and should be finalized no later than the time of the tax return.

6.5 Local data privacy requirements

Denmark has data privacy laws and has implemented the EU regulations on the matter as set out in the General Data Protection Regulation (GDPR).

6.6 Exchange control

Denmark does not restrict the flow of Danish or foreign currency into or out of the country. Certain reporting obligations, however, are imposed. The obligation to perform the reporting is levied on financial institutions. In addition, there are local rules to control tax evasion and money laundering.

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Foot notes:

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