



1. Introduction

This booklet contains brief information about the main aspects of individual taxation, social security, immigration and employment law as of 1 January 2017.

It is written as a quick guide for employers considering sending an employee to Denmark and for employees who are contemplating a work assignment to Denmark. The booklet only presents a broad overview, and simplifications have been made for readability. It does not provide in-depth answers to specific questions.

Because of the complexity of the various laws and on-going legislative changes, none of the information contained in this booklet may be relied upon for specific planning. Rather, we encourage the reader to contact our Global Employer Services specialists to obtain detailed and up-to-date answers to questions.

2. Individual taxation

Taxation in Denmark consists of various kinds of taxes; direct tax (e.g. income tax, AM tax and social security contributions), indirect tax (e.g. VAT and duties on goods and services) and property tax. This Danish guide focuses on direct tax for residents.

Tax residency

Individuals qualifying for Danish tax residency are subject to unlimited tax liability in Denmark, i.e. they are tax liable of their worldwide income from employment, business income, share income, etc.

A person qualifies for the Danish tax residency if:

- He/she is resident in Denmark or
- He/she stays in Denmark (without establishing a residence) for a consecutive period of six months or more. This is not particularly limited to a calendar year. Any given six-month period may trigger tax liability under this rule.

Non-residents may be limited tax liable to Denmark if they have income from Danish sources, e.g. work in Denmark, have other business income from Denmark, dividend income, board member fees, own property etc.

Taxable income

Income is divided into three categories:

1. Personal income (salary and employment benefits, self-employment income, profit from renting out real estate, etc.).
2. Income from capital (interest income, etc.).
3. Share income (dividend, profit/loss from shares, etc.).

Most personal income is subject to AM tax of 8%. This tax is deducted from the income before the other taxes are calculated. The income tax rates are progressive and comprise state, municipality and church taxes. The lowest tax rate is approx. 36% up to a marginal income tax rate of 51.95% exclusive of church tax. Including AM tax, the rates are approx. 41% and 56%.

Share income is taxed according to special rules, and tax rates are progressive at 27% or 42%.

Allowances and deductions

Individuals are entitled to an annual personal allowance of 45,000 DKK, i.e. the first 45,000 DKK of taxable income (after payment of 8% AM tax) is tax free. Unused personal allowance is transferable between spouses.

Most common deductions are:

- Employee contributions to approved Danish (and in some cases EU) pension schemes.
- Travel between home and work.
- Unemployment insurance and union membership subscription.
- Interest expenses (on mortgage and other debt).
- Double household.
- Charity contributions.
- Travel expenses connected to work and not covered by employer (maximum 26,800 DKK).

Property taxes

Property tax is levied on properties in Denmark. Property value tax is levied on properties both in Denmark and abroad. The property value tax is 1% of the publicly

assessed value for Danish properties up to 3,040,000 DKK (408,000 EUR) and 3% of the exceeding amount.

For foreign properties the market value must be used as basis for the property value tax. Property rented out is not subject to property value tax.

Most benefits are taxable. The taxable value of benefits is either based on market value or on an assessed value, which does not necessarily equal the costs for the employer

Gain from sale of property is taxable. However, if the property has been used as private residence, taxation may be avoided.

Inheritance and gift tax

There is no inheritance tax between spouses. Amounts up to 282,600 DKK are tax-free. Inheritance exceeding 282,600 DKK is taxed by 15% or 36.25%.

Between close family members there is no tax on gifts up to 62,900 DKK. Gifts exceeding this amount are taxed by 15% or 36.25%. Gift tax between spouses does not apply.

For individuals falling outside the category, e.g. siblings and non-family, gifts may be considered ordinary taxable income and taxed by rates up to 51.95%.

Tax administration

A tax year in Denmark corresponds to the calendar year. Individuals must annually inform the tax authorities of expected income and deductions for the year (preliminary tax assessment). The preliminary tax assessment includes a tax card, which the employer uses for withholding taxes. If no tax card is available, the employer has an obligation to withhold 55% tax in addition to the 8% AM tax.

The annual tax return must be filed before 1 May of the following year. The filing date may be postponed to 1 July. Filing beyond this date will cause penalties.

Preliminary taxes will be included in the annual tax assessment, and this will result in either tax refund, tax due or equal balance.

Married couples are taxed jointly; however, they have to prepare separate tax returns. Filing date of spousal tax returns is the same, the latest date applies.

Expat scheme

A special expat scheme exists in Denmark.

The expat scheme means that employment income, cash allowances, value of free company car and value of free phone are taxed by a flat rate of 26% for up to 5 years. Including the AM tax of 8% the effective tax rate is 31.92%. Under the expat scheme there are no deduction opportunities.

Other benefits such as free accommodation and other private income are taxed according to the ordinary tax system.

3. Social security

To be able to apply for the expat scheme, the following conditions must be met:

1. Minimum salary – The salary before AM tax including the value of free company car and value of free phone must constitute at least 63,794,65 DKK each month (2017) as an average within a calendar year.

The salary requirement is normally adjusted every 1 January.

2. Danish employer – The taxpayer has to be employed by a Danish employer who has the withholding responsibility etc. and who bears the salary cost.

3. Tax liability – No tax liability in Denmark for 10 years before using the tax regime is allowed.

4. Work in Denmark – In some situations there is a limit as to how much work the taxpayer can physically carry out in other countries whilst using the tax regime. If the individual is fully tax liable in Denmark, and another country gets the right to tax his/her income, then the taxpayer will not be permitted to use the tax regime any longer. A minimum rule of 30 days apply.

The taxpayer has to notify the tax authorities, if he/she opts to use the tax regime.

When the five-year period under the tax regime expires, all income is taxed according to the ordinary tax system

Employee and employer contributions

Employees and employers are liable to pay contribution to supplementary oldage pension ("ATP"). This contribution is a fixed monthly amount of 284 DKK, and is paid one third by the employee (94.65 DKK) and two thirds by the employer (189.35 DKK).

Besides ATP, the employer has to make AER, AES, maternity and finance contributions. Employers must take out an insurance policy for the employees covering accidents and short-term damaging exposure. Contributions to AER, AES, maternity and finance contributions and insurance for accidents etc. depend on the number of employees and working hours, industry, etc.

Costs of social security and occupational insurance are in average approx. 10,000-12,000 DKK p.a. per employee.

Social security administration

Employee ATP contribution is withheld by the employer at payroll processing and is deductible for tax purposes.

Unemployment benefits

Unlike other countries, there is no mandatory unemployment insurance in Denmark. An employee can take out an insurance at a

Danish unemployment fund ("A-kasse"). The unemployment funds are private associations, very often connected to trade unions and other professional organizations.

Unemployment fund membership is voluntary and contribution is tax deductible. The annual contribution varies from one unemployment fund to another, but is most common in the range of 5,000-7,000 DKK p.a. After one year's membership a member is entitled to receive unemployment benefit. For a person moving within the EU community it is possible to avoid the quarantine of one year, if the person can provide documentation of membership of a foreign unemployment fund (form U1/E301).

The benefit is equal to 90% of average earnings of the previous 12 weeks, however, maximized at 4,245 DKK per week. It is possible for individuals to take out extra insurance against unemployment (in addition to unemployment fund). Normally one can take out an insurance policy that covers up to 80-90% (inclusive of benefit from the unemployment fund) of the previous salary income after deduction of AM tax.

4. Immigration

Pension

The Danish pension system consists of three main pillars:

1. National public pension – financed through taxes, etc.
2. Labour market pension and company-paid pension – on a voluntary basis.
3. Individual pension plan – on a voluntary basis.

Pension age is currently 65 in Denmark, but will be increased to age 67 over a transitional period and fully implemented from 2024.

Between the age of 15 and 65 Danish employees earn the right to a full national pension scheme after 40 years' residence. The full amount is reduced by 1/40 for each year of residence less than 40. It consists of a basic amount and an income-related pension supplement. The total pension depends on the pensioner's present income and marital status, but assets have no effect. Basic pension amount is 73.920 DKK p.a. per 1 January 2017.

Pension entitlement to ATP (supplementary old-age pension) depends on the individual's contribution record.

Normally both employees and employers contribute to a company pension scheme, but there is no legal obligation. Furthermore, people often choose to contribute to a private pension scheme by themselves.

Employee contributions to private plans are as a main rule tax deductible, whereas contributions to employer administered plans are as a main rule tax exempted at payroll.

Company pension schemes and private pension schemes are mainly divided into three types: lump sum plans, pension scheme with instalments or life-time annuity – all payable at retirement age.

Family (child) allowance

Individuals covered by Danish social security are entitled to child allowance for every child younger than the age of 18. The basic annual allowance is 17,964 DKK per child up to the age of 3, 14,220 DKK per child aged 3 to 6 and 11, 184 DKK per child aged 7 to 17.

Rates and brackets for 2017 are used.

Please note that starting 1 January 2013 individuals will only receive the full child allowance, if one of the parents has been

fully tax liable to Denmark or working in Denmark for at least 2 years within the last 10 years before receiving the child allowance. After half a year in Denmark individuals receive 25% of the child allowance, after one year in Denmark individuals receive 50% of the child allowance and after one and a half year individuals receive 75% of the child allowance. EU citizens and EEA citizens who have been fully tax liable to another EU country or EEA country or been working in another EU country or EEA country for at least 2 years within the last 10 years are also entitled to receive full child allowance.

If the individual's income exceeds an amount of 814,000 DKK (2017), the allowance is reduced. The reduction amounts to 2% of the individual's income exceeding 814,000 DKK, e.g. if the individual has an income of 914,000 DKK, the allowance will be reduced by 2,000 DKK per year.

Individuals entering, residing and working in Denmark are subject to various immigration rules and regulations. Generally, these rules vary depending on the country of citizenship of an individual. Accordingly, individuals can be divided into the following groups:

- Citizens of the Nordic countries.
- Citizens of other EU countries.
- Citizens of non-EU countries.

Visa requirements

At the official portal (www.nyidanmark.dk) it is possible to find out, if a foreign citizen requires a visa to enter Denmark or not.

Visa to enter Denmark is not required, if a foreign citizen has been provided with a certain type of residence permit in another Schengen country.

A visa is intended to allow foreign citizens to visit Denmark and/or the other countries of the Schengen zone for a short period of time.

A visa allows spending a maximum of 90 days in the Schengen area within a period of 6 months. A visa does not allow working in Denmark. However, certain work related activities are allowed during visits of less than

90 days. Such activities include teaching, attending a course, participating in meetings, negotiations, briefings and training. If the purpose of the visit is to create a product or add value to a company, the individual needs a residence and work permit.

Visa administration

The following documents are generally required for the visa application:

- A signed, completed application form/ invitation letter.
- A passport or other valid travel document. The passport/travel document must be valid for at least three months after the planned departure date. The passport/ travel document must have been issued within the past ten years and must have at least two blank pages.
- A passport photo.
- Payment of visa processing fee.
- Relevant documentation, such as information about the reason for the trip, proof of available accommodation, proof of sufficient means to cover the living expenses as well as the return travel.
- Proof of travel insurance.

Most visa applications are processed and decided on by Danish diplomatic missions abroad. These cases will usually be decided within a few days. In accordance with the Schengen rules, decisions about visa applications should be made within 15 days, if possible.

Immigration authorities

There are two immigration authorities in Denmark:

- For EU citizens: The Regional State Administration (Statsforvaltningen) is responsible for issuing EU registration certificates.
- For non-EU citizens: The Danish agency for International Recruitment and Integration (SIRI) is responsible for issuing residence and work permits.
- Citizens of Nordic countries who want to reside and work in Denmark do not need to apply for an EU registration certificate.

Residence application for EU citizens

An EU citizen may freely enter Denmark and work. If the employee is to be registered in Denmark with a CPR-number, an EU residence certificate must be applied for.

The following documents are required for the residence application in Denmark:

- Completed application form, passport, passport photo, employment contract and/or employer statement.

EU dependants

The spouse and children must each submit their own application form.

Residence and work application for non-EU citizens

A number of schemes have been designed in order to make it easier for highly qualified professionals to get a residence and work permit in Denmark. The most commonly used are:

The Positive List is a list of the professions and fields currently experiencing a shortage of qualified professionals. Individuals who have been offered a job in one of these professions or fields have particularly easy access to the Danish labour market.

The Pay Limit Scheme gives individuals who have been offered a job with a gross annual pay of no less than 408,000 DKK a year particularly easy access to the Danish labour market.

The Fast Track Scheme enables certified companies to hire highly qualified foreign nationals on short notice without having to wait for an application to be processed. Specific conditions apply.

The following documents are required for the residence and work application in Denmark:

- Completed application form.
- Copy of passport.
- Employment contract.
- Documentation of education.
- Documentation of paid immigration fee.

An applicant must appear in person to have biometric features (signature, photo and fingerprints) recorded when submitting an application for residence at a Danish embassy or consulate, a Danish police station or at The Danish Immigration Service Centre.

Citizens of non-EU countries will be issued biometric residence cards, which include the holder's facial image and fingerprints stored on a microchip embedded in the card.

Appendix 1 - Income table for 2017

Non-EU dependants

The spouse and children must each submit their own application form.

The residence and work permit automatically grants the spouse permission to work.

Civil registration number (CPR-number)

In order to apply for a CPR-number you must meet in person at the local municipality. You will need to bring:

- Valid EU registration certificate (EU citizens).
- Copy of your residence and work permit (non-EU citizens).
- Signed lease contract.
- Passport.
- Marriage/birth certificates, translated if applicable.

The CPR-number will be issued, and the individual will be enrolled in the national healthcare system.

Taxation of earned income salary, company car (restricted stock units, stock options etc.)

| Taxable base DKK | Tax rate % |
|------------------|-----------------|
| 0 – 48,913 | 8 |
| 48,913 – 521,304 | 41 ¹ |
| >521,304 | 55 ¹ |

¹Tax rate varies due to different municipality tax rates. The rate shown applies to Copenhagen. Marginal tax rate exclusive of church tax is limited at 55.79% (all municipalities). Please note that personal allowance of 45,000 DKK only applies once.

Taxation of unearned income (pension, capital income, certain benefits etc.)

| Taxable base DKK | Tax rate % |
|------------------|-----------------|
| 0 – 45,000 | 0 |
| 45,000 – 479,600 | 36 ¹ |
| >479,600 | 51 ¹ |

¹Tax rate varies due to different municipality tax rates. The rate shown applies to Copenhagen. Marginal tax rate exclusive of church tax is limited at 51.95% (all municipalities). Please note that personal allowance of 45,000 DKK only applies once. Capital income is taxed at a maximum of approx. 42%.

Social security table

| Employee | | Employer |
|-----------------------------------|-----------------------------------|--------------------------------------|
| ATP contribution fixed amount DKK | ATP contribution fixed amount DKK | Other costs per employee approx. DKK |
| 1,136 p.a. | 2,272 p.a. | 8 - 10,000 p.a. |

Taxation of share income

| Share income DKK | Tax rate % |
|------------------|------------|
| 0 – 51,700 | 27 |
| > 51,700 | 42 |

Net income table

Income tax and AM tax exclusive of social security contribution (ATP)

| Gross income (DKK) | Total tax incl. AM tax (DKK) | Net income (DKK) | Gross income (EUR) | Total tax incl. AM tax (EUR) | Net income (EUR) | Average tax (Percentage) |
|--------------------|------------------------------|------------------|--------------------|------------------------------|------------------|--------------------------|
| 75,000 | 12,918 | 62,082 | 10,081 | 1,736 | 8,344 | 17.2 |
| 150,000 | 41,982 | 108,018 | 20,161 | 5,643 | 14,519 | 28.0 |
| 250,000 | 80,734 | 169,266 | 33,602 | 10,851 | 22,751 | 32.3 |
| 400,000 | 140,410 | 259,590 | 53,763 | 18,872 | 34,891 | 35.1 |
| 750,000 | 315,504 | 434,496 | 100,806 | 42,406 | 58,400 | 42.1 |
| 1,000,000 | 452,528 | 547,472 | 134,409 | 60,824 | 73,585 | 45.3 |
| 1,250,000 | 589,552 | 660,448 | 168,011 | 79,241 | 88,770 | 47.2 |
| 1,500,000 | 726,576 | 773,424 | 201,613 | 97,658 | 103,955 | 48.4 |
| 3,000,000 | 1,548,720 | 1,451,280 | 403,226 | 208,161 | 195,065 | 51.6 |

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