

## Operational Tax News

### The Danish fund tax regime—2022 election by 31 October 2021

**14 October 2021**

The new Danish fund tax regime is now in place for the second year.

Each year, foreign investment funds interested in the Danish retail market should check whether they qualify as equity-based investment companies according to Danish tax rules, and consider electing for the new tax regime from 2022 before 31 October 2021.

A new regime, which has applied since 2020, was introduced to make foreign funds more attractive for Danish individual investors. Under this regime, the yield on “equity-based investment companies” is taxed as “share income” instead of “capital income”, resulting in lower tax rates that apply within certain brackets.

To qualify as an equity-based investment company, an investment fund must fulfill the following requirements:

#### Initial notification

Initial notification to the Danish tax authorities must be made no later than 31 October prior to the calendar year for which the election should take effect.

Therefore, initial notifications for 2022 should be filed before 31 October 2021.

#### Annual reporting

The investment fund must invest at least 50% of its assets in equities as defined by the Danish rules. To prove compliance, the investment fund must compile an asset test on four evenly distributed dates of the calendar year and submit this asset test information annually to the Danish Tax Authorities before 1 July of the following year.

Therefore, asset test information for a 2021 notification should be submitted before 1 July 2022. Accordingly, the asset test information for a 2022 notification should be submitted before 1 July 2023.

## Qualification as opaque

The fund must be qualified as opaque (nontransparent) for Danish tax purposes. While corporate-based investment funds should typically fulfill this requirement, funds structured on a contractual basis may need an individual assessment.

The list of funds that have applied for this fund tax regime and are considered as equity-based investment companies from 2020 (Liste over aktiebaserede investeringsselskaber 2020) is available on the [Danish tax authorities' website](#).

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