

TAX, VAT & DUTIES

Guide to doing business in Denmark 2026



ADVISORY | ACCOUNTING | TAX

This publication aims to provide an overview for individuals considering conducting business in Denmark, whether by establishing a company or a branch, or through other means.

An aerial photograph of a modern city at dusk. A prominent skyscraper with a glass facade is on the left, reflecting the orange and blue light of the sunset. In the background, a harbor with several cranes and a ship is visible. The sky is filled with soft, colorful clouds.

Table of contents

Introduction	3
Discover Denmark in brief!	4
Why Denmark is great for doing business	5
Incorporating a business in Denmark – the legal framework	5
Bookkeeping requirements and the General Data Protection Regulation	8
Corporate taxation	10
Taxation of individuals	15
VAT and other taxes	18
About Redmark	20
Contact us	21

Introduction

This publication aims to provide an overview for individuals considering conducting business in Denmark, whether by establishing a company or a branch, or through other means.

Our aim is to provide an overview of the business environment as well as key aspects of the legal framework governing Danish business activities. For anyone planning to establish a new business in Denmark, further professional assistance is recommended.

Please be advised that Danish tax legislation does not apply to Greenland and the Faroe Islands for tax purposes. However, there are tax treaties in force between Denmark and these two jurisdictions.

This document serves as general guidance only, and Redmark is not responsible for any potential errors or omissions contained within this booklet.

Discover Denmark in brief!

Denmark, located in Scandinavia, the northernmost region of Europe, is bordered by Germany to the south, with Sweden and Norway to the north and east. It has a population of 6 million, 1.4 million of whom reside in the vibrant capital of Copenhagen, named by Forbes as the best city in the world for work-life balance.

Other prominent cities in Denmark include:

- **Aalborg** in the north: renowned for Aalborg University, ranked as Europe's top engineering university for six consecutive years.
- **Aarhus** in the Jutland region: home to Denmark's largest commercial port.
- **Esbjerg** in the southwest of Jutland: Denmark's energy hub and offshore capital.
- **Odense** in the heart of Denmark: recognized as Europe's robotics capital.

The Kingdom of Denmark encompasses not only Denmark itself but also the Faroe Islands and Greenland, all under the formal rule of King Frederik X. Denmark operates as a constitutional monarchy with a parliamentary democracy, where general elections are held every fourth year. Denmark has been a member of the European Union (EU) since January 1973 but opted out of adopting the Euro, retaining its national currency, Danske Kroner (Banking code DKK). However, the monetary-policy consist of a fixed-exchange-rate policy towards the Euro currency. Additionally, Denmark is a member of NATO, UN and OECD.

The Danish people are ranked among the happiest in the world; a testament to the Danish culture and society built on high levels of social trust. Trust is an integral part of both Denmark's social and business environment.

Beyond its reputation as a superb living and business destination, Denmark proudly hosts some of the world's most esteemed and recognizable companies, including industry giants like Novo Nordisk, Maersk, LEGO, and many others.

Wind turbines on a summer day in Jutland

Facts

Location: Northern Europe
Government: Parliamentary democracy
Capital city: Copenhagen
Population: 6.001 million in 2025
Language: Danish (High level of English proficiency)
Currency: Danish krone (DKK)
GDP: 428 billion (2024)
GDP per capita: USD 71.829 (2024)
Time zone: GMT +1

Why Denmark is great for doing business

Denmark ranks as Europe's best country for business and 4th in the world in the most recent Doing Business report from the World . Furthermore, Denmark is ranked the 3rd most digitally competitive economy in the world in IMD's World Digital Competitiveness Ranking 2024.

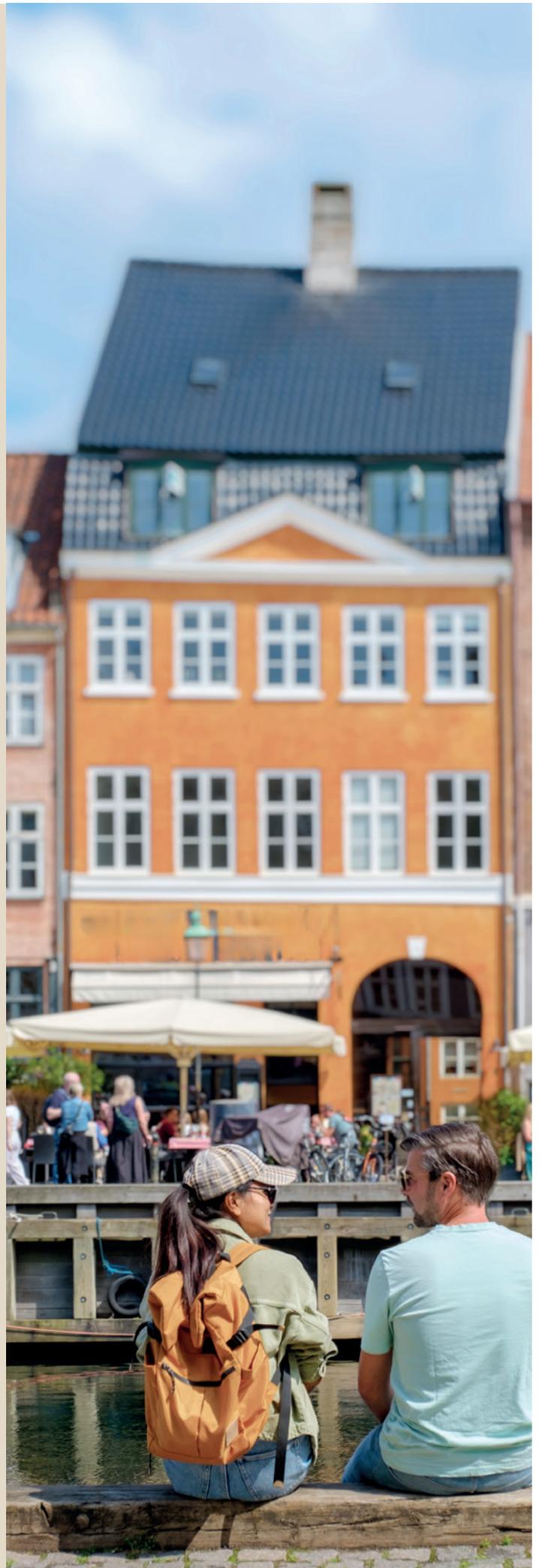
Denmark offers a stable and prosperous environment for businesses, underpinned by a robust economy marked by low corruption and high GDP per capita. Its business-friendly policies, transparent legal system, extensive tax-treaty network to avoid double taxation and government support for innovation make it an attractive destination. Denmark prioritizes work-life balance, fostering a motivated and well-educated workforce.

With a strong emphasis on renewable energy and sustainability, Denmark leads in green initiatives, creating opportunities in eco-friendly sectors. Innovation thrives in Denmark, especially in areas like renewable energy, clean technology, life sciences, and design. Its well-developed infrastructure, strategic European location, and high level of English proficiency further enhance its appeal for international businesses. With a flexible labour market and a collaborative work culture, Denmark stands as a beacon for companies aiming for success and environmental responsibility in Northern Europe.

Incorporating a business in Denmark – the legal framework

As a rule of thumb – depending on your field of business – there is no need for government approval to conduct business in Denmark. Some areas of business in Denmark require a license from a public or regulatory authority. Examples include, but are not limited to, attorney-at-law, certified public accountant, the financial services sector and to some extent healthcare services.

The incorporation process mainly depends on the choice of business entity. Business entities in Denmark can be categorized in regulated business entities and non-regulated business entities generally distinguished by the business owners' level of liability.



Business entities

Business activities in Denmark can be conducted through companies, partnerships or sole proprietorships, allowing investors to choose the structure that best fits their needs. The following section begins with non-regulated entities, where owners bear personal liability, before moving on to regulated entities, which offer limited liability and are subject to specific legal requirements.

Non-regulated business entities

General Partnership (Interessentskab, I/S)

A General Partnership is a form of business entity that requires – as the name implies – at least two parties. A General Partnership can be established as a partnership between natural persons, legal persons or a combination hereof.

A General Partnership is a non-regulated form of business entity in the sense that it is not regulated by the Danish Companies Act. A General Partnership is a separate legal entity, meaning it may own assets, incur debt and responsibilities, have employees, etc. However, unlike the Limited Companies, the participants in a General Partnership personally bear joint, unlimited liability for the company's obligations.

Distribution of ownership and profits and the participating partners' mutual allocation of liability and other obligations is most often regulated in a General Partnership agreement. Such an agreement is not mandatory, but is highly recommended.

Registration is not required for a General Partnership unless the participating partners are exclusively Limited Companies. If so, the General Partnership must be registered with the Danish Business Authority.

***From a tax perspective,** a General Partnership (I/S) is tax transparent. This means that the partnership is not a separate tax entity and profits and losses are taxed directly for the participating partners.*

Sole Proprietorship/Sole Trader (Enkeltmandsvirksomhed)

A Sole Proprietorship (in Danish "Enkeltmandsvirksomhed") offers a straightforward way to establish a business without the need for formalities such as part-

nership agreements or minimum capital requirements, as is the case for Limited Companies. This option is particularly suitable for small businesses and startups due to its simplicity, cost-effectiveness and quick setup process. However, it's important to note that in a Sole Proprietorship, there is no legal distinction between the owner and the business. This means the owner assumes full responsibility for all obligations and liabilities incurred during business operations.

***From a tax perspective,** there is no distinction between the business and the individual behind the business. The business' profits and losses are taxed directly for the owner.*

Branch & Representative Office

A foreign company or individual can, instead of establishing a business in Denmark, conduct their business activities in Denmark through a Branch Office or a Representative Office. In both scenarios the office must be registered with the Danish Business Authority.

Depending on the business activities conducted through the Branch Office or Representative Office, the activity may be deemed a permanent establishment in Denmark. If the specific activity constitutes a permanent establishment, the activity will be subject to taxation in Denmark. A separate tax report must be prepared for the permanent establishment, and a Danish tax return must be filed. The arm's length principle applies when preparing the tax report and tax return for the permanent establishment.

If the activity in Denmark consists solely of preparatory or auxiliary functions, it cannot constitute a permanent establishment, e.g. warehousing or showroom facilities (however, this depends on the specific circumstances).

Permanent establishment is a complex concept, and therefore, we always recommend seeking specific advice before establishing business activities in Denmark.



The island of Middelgrundsfortet and offshore wind turbines off the coast of Copenhagen

Limited liability companies [regulated entities]

Limited Liability Companies (Aktieselskab, A/S)

Limited Liability Companies, in short LLCs (in Danish "A/S" or "ApS"), are characterized by ownership being distributed as per the share capital of the company. A shareholder's liability is limited to the nominal value and amount of shares subscribed or purchased.

Public Limited Company ("A/S") is required to have a minimum share capital of DKK 400,000. At the time of incorporation, at least 25% of this amount, equivalent to DKK 100,000, must be fully paid if the share capital is contributed in cash. The share capital may also be provided in the form of other assets.

Public Limited Companies can be solely owned by a foreign individual or company or ownership can be shared among individuals, companies, or a combination thereof. As of 1st July 2016, shareholders are registered with the Danish Business Authority. However, only shareholdings of at least 5% of the capital or votes are publicly available.

The management may consist of either a board of directors (a minimum of 3 persons) and the managing director(s) (a minimum of 1 person) or a board of managing directors overseen by a supervisory board (a minimum of 3 persons).

Private limited liability company (Anpartsselskab, ApS)

A Private Limited Company ("ApS") must have a share capital of a nominal value of at least DKK 20,000. The minimum share capital requirement must always be paid up in full.

The options for distribution of ownership of a Private Limited Company are almost identical to those of the Public Limited Company. Shareholdings of at least 5% of the capital or votes are registered with the Danish

Business Authority and are publicly available. The main difference in distribution of ownership compared to a Public Limited Company is that a Private Limited Company cannot make its shares available to the public (i.e. listed on a stock exchange).

The management may consist of either a board of managing directors, or a board of directors and a managing director(s), or a board of managing directors supervised by a supervisory board. A board of directors or a supervisory board is only required if the company employs more than 35 persons for 3 consecutive years.

From a tax perspective, Limited Companies (A/S and ApS) are separate tax entities. This implies that annual profits and losses are taxed at the company level. The owners are taxed personally only when profits are distributed to the shareholders, such as through dividends.

Limited Partnership Company (Partnerselskab, P/S)

A Limited Partnership Company is a limited form of business that requires at least two parties. As with a Public or Private Limited Company, The Limited Partnership is also regulated by the Danish Companies Act, and ownership is distributed among shares, with minimum share capital of DKK 400,000 required at the establishment. In general a Limited Partnership must meet the same requirements in the Danish Companies Act as stated for Public Limited Companies.

The special feature of Limited Partnerships is that there must be at least one general partner among the participating partners who bears personal and unlimited liability for the company's obligations. The other partners are referred to as limited partners. These participants are liable under the same conditions as participants in Limited Companies, i.e. limited to their share capital contributions to the company.

From a tax perspective, the Limited Partnership (P/S) is tax transparent. This means that the partnership is not a separate tax entity and profits and losses are taxed directly for the participating partners.

This form of business entity is often used by law, auditing and consultancy firms.

Bookkeeping requirements and the general Data Protection Regulation

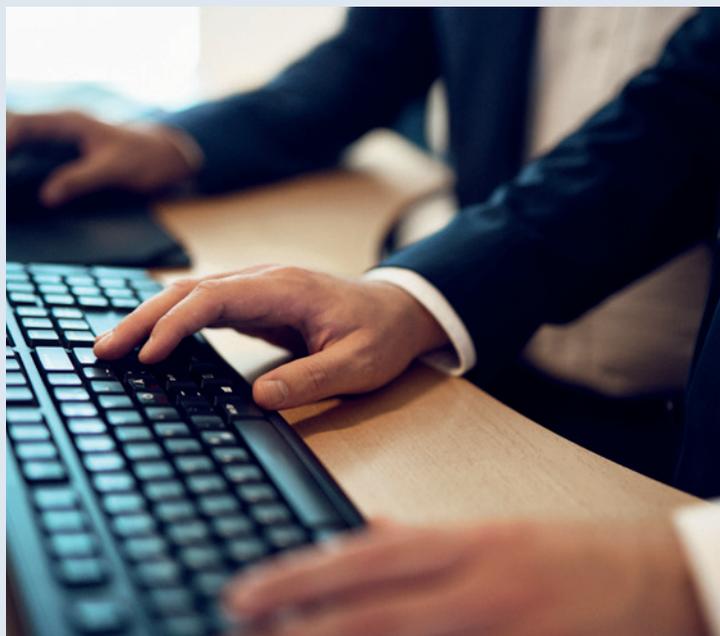
Bookkeeping must be digital:

1. Requirements for digital registration and storage of receipts related to the individual registrations. That means no more receipts or accounting records in paper format (must be digital – scan or pdf will be ok until e-invoicing comes into force). Note that the new executive order states that 'receipts' must be limited to purchase and sales receipts in relation to digital accounting.
2. Specially approved systems must be used – or the enterprise itself must meet a number of requirements for the IT system applied. *(More details below)*.
3. Accounting records are no longer required to be stored in Denmark (the former section 12 of the Danish Bookkeeping Act contained restrictions in this regard).

Data protection legislation regulates the processing of personal data. The rules aim to protect individuals' right to privacy and have received a lot of attention, especially in recent years, partly as a result of the General Data Protection Regulation ("GDPR"). GDPR is a regulation adopted in the EU and applying throughout the EEA. In Denmark, in addition to the GDPR, the Danish Data Protection Act (databeskyttelsesloven) also applies, containing special Danish rules on the processing of personal data. The Data Protection Act supplements the GDPR. This means that the Data Protection Act is complementary to the GDPR.

Bookkeeping and salaries

We recommend that smaller companies use Danish approved systems and that Danish salary systems be used for salary administration. Larger companies can use international systems; however, it is important that such systems be reviewed to confirm that they support the Danish requirements.



Accounting requirements

Businesses in Denmark typically prepare annual reports according to the Danish Annual Accounts Act. However, some voluntarily choose to prepare their annual reports based on international standards (IAS and IFRS). This is usually due to the potential to attract foreign investors or if they have a global presence.

Companies listed on the Nasdaq stock exchange are required to prepare their annual reports according to international standards.

The Danish Annual Accounts Act is divided into accounting classes A, B, C and D:

Accounting Class A includes sole proprietorships and other small businesses, associations, etc.

Accounting Class B includes small limited companies with an upper limit for balance sheet total of DKK 55 million, revenue of DKK 111 million, and 50 employees.

Accounting Class C includes large limited companies that exceed the limits of Accounting Class B.

Accounting Class D includes listed companies and state-owned public limited companies.

ACCOUNTING REQUIREMENT	SIZE CLASS	BALANCE SHEET	REVENUE	EMPLOYEES
D	Publicly listed on Nasdaq	–	–	–
D	State-owned public limited companies	–	–	–
C	Large companies	> DKK 195 million	> DKK 391 million	> 250 employees
C	Medium-sized companies	DKK 56-195 million	DKK 112-391 million	51-250 employees
B	Small companies	DKK 0-55 million	DKK 0-111 million	0-50 employees
B	Micro companies	DKK 0-3.5 million	DKK 0-7 million	0-10 employees
A	Very small companies and sole proprietorships	Regardless of size	Regardless of size	Regardless of size

The accounting requirements increase as you move up the accounting classes. For example, the requirement for consolidated financial statements only applies when a company reaches Accounting Class C.

Deadline for filing annual reports as per the company's articles. For non-listed/non-PIE entities, the deadline is 30 June and for PIE entities, 30 April.

Audit requirements

In Denmark, only companies in Accounting Class C and above, as well as companies with a balance sheet total exceeding DKK 50 million, are subject to audit requirements.

Companies in Accounting Class B can choose between an audit or an extended review.

An extended review is, as the term suggests, an extended review of the annual financial statements. In addition to a review, an extended review includes, among other things, confirmations from banks, legal letters, property registers and documentation for tax filings.

An extended review differs from an audit in that the auditor, as a general rule, does not physically check inventory counts or test accounting figures and supporting documentation.

Companies with a turnover below DKK 8 million, a balance sheet total under DKK 4 million and fewer than 12 employees have the option to exempt themselves from obtaining an assurance statement on their annual financial statements.

ACCOUNTING REQUIREMENT	SIZE CLASS	BALANCE SHEET	REVENUE	EMPLOYEES	AUDIT
D	Publicly listed on Nasdaq	–	–	–	Yes
	State-owned public limited companies	–	–	–	Yes
C	Large companies	> DKK 195 million	> DKK 391 million	> 250 employees	Yes
C	Medium-sized companies	DKK 56-195 million	DKK 112-391 million	51-250 employees	Yes
B	Small companies	DKK 0-55 million	DKK 0-111 million	0-50 employees	Audit not required; extended review
B	Very small companies	DKK 0-4 million	DKK 0-8 million	0-12 employees	No
A	Very small companies and sole proprietorships	Regardless of size	Regardless of size	Regardless of size	No

Sustainability reporting

The original plan was for thousands of Danish companies to report on sustainability under the CSRD, with publicly listed companies starting in 2024 and large companies in Accounting Class C starting in 2025. However, the European Commission is currently in the process of exempting 80% of companies from this requirement.

A company is subject to the CSRD directive if it is a publicly listed company with over 250 employees, or a company with more than 1,000 employees, EUR 50 mil-

lion in revenue, and a balance sheet total of over EUR 25 million.

While ESG reporting is mandatory for large companies and listed public interest entities in Denmark (PIEs), smaller businesses and non-PIEs can still gain significant benefits by voluntarily disclosing their environmental, social, and governance performance. The regulation for voluntarily reporting is flexible and can be implemented based on the strategy for the business and less formal regulation.

Corporate taxation

International investors and companies can benefit from one of the world's most digitalized economies and taxation systems, with the ease of paying taxes ranking within the top 10 in the most recent Doing Business report from the World Bank.

Taxable income and corporate tax liability

The tax liability on corporate income and capital gains depends on the residency status of the company.

For tax purposes, a company is considered a resident of Denmark if it is registered as a Danish Public or Private Limited Company (A/S or ApS) and has its central management located within Denmark. Similarly, if a company is incorporated abroad but operates under a structure similar to a Danish Limited Company and has its principal management functions carried out in Denmark, it will also be deemed to be a tax resident. Determination of effective management is based on where the company's key business decisions are made on a daily basis.

Resident companies are fully liable to pay corporate taxes on their global corporate income and capital gains. However, income from real estate or a permanent establishment abroad is exempt from Danish tax liability.

Non-resident companies can be subject to Danish limited tax liability either through a permanent establishment – as explained under branch offices and representation offices – or by deriving certain types of income or capital gains from sources in Denmark.

Tax rate

Denmark's corporate taxation structure employs a flat corporate income tax rate of 22% on taxable income including capital gains.

Corporate income tax return

Resident companies and permanent establishments in Denmark real estate of foreign entities must file an annual corporate income tax return. The deadline is six months after the end of the financial year (5 months if the financial year ends on 31 March).

A corporate income tax return is filed digitally via the Danish Tax Agency's digital tax platform. Besides information on taxable income, the entity must disclose information about for example dividends received and distributed, certain restructuring during the year, and summary information on the controlled transactions that the entity has been part of during the year.

Taxable income

For resident companies, taxable income is determined on the basis of the result shown in their annual report (adjusted to account for differences between income calculation for accounting and taxation purposes). For non-resident companies, taxable income is based on specific types of income derived from sources in Denmark. Please note that the table on the next page is not exhaustive.

Competitive tax rules

- Low social security rates and employer costs
- Losses can be carried forward indefinitely
- Extensive tax treaty network to avoid double taxation
- Costs incurred for R&D activities related to a taxpayer's business are tax-deductible at 108%
- Danish tax rules include a cash tax credit scheme for companies with losses due to deductions for R&D expenses. When using the tax credit scheme, the tax value of losses attributable to R&D becomes refundable



Overview of taxable income for resident- and non-resident companies

TAX LIABILITY	RECIPIENT	
	Resident	Non-resident
Type of income		
Business profits	Taxable	Non-taxable
Dividends	Mainly tax-free	Mainly tax-free
Capital gain/loss on debt & monetary claims	Taxable	Non-taxable
Capital gain/loss - shares	Mainly tax-free	Non-taxable
Interests	Taxable	Non-taxable
Royalties	Taxable	Taxable

The tax liability illustrated above is subject to exemptions and only serve as a general overview. Please find further descriptions hereof below.

BUSINESS PROFITS

Resident

Business profits are taxable for resident companies without prejudice to the geographical origin of the profit unless the profit can be attributed to a permanent establishment or real estate situated in another state.

Non-resident

Business profits originating from a non-resident company's business activities in Denmark are not liable to Danish taxation unless the profit can be attributed to a permanent establishment or real estate situated in Denmark.

DIVIDENDS

Resident

In general, dividends received by a resident limited company from a Danish or foreign company are tax-free if the receiving company owns at least 10% of the distributing company.

If the receiving company owns less than 10% of the distributing company the dividend is either tax free or fully taxable as described below:

- Dividends from unlisted companies are tax-free.
- Dividends from companies listed on a stock exchange are fully taxable

Non-resident

Dividends received by a non-resident company from Danish unlisted companies are tax-free if Denmark has waived or reduced its right to taxation according to an EU directive or tax treaty between Denmark and the company's country of residence

Dividends received by a non-resident company from Danish companies listed on a stock exchange are tax-free if the receiving company owns more than 10% of the distributing entity, and if Denmark has waived or reduced its right to taxation according to an EU directive or tax treaty between Denmark and the company's country of residence.

If the receiving non-resident company owns less than 10% of the Danish distributing company listed on a stock exchange, the dividend is liable for Danish corporate tax. In that case, the distributing company is obliged to apply a withholding tax of 22% if the recipient is a foreign company and 27% if the recipient is a foreign individual. Refunds for Danish dividend withholding tax can be claimed for if Denmark has waived or reduced its right to dividend tax according to a tax treaty between Denmark and the country of residence of the recipient.



View of the city of Aalborg

CAPITAL GAIN & LOSS – DEBT AND MONETARY CLAIMS

Resident

Capital gains and losses from debt and monetary claims are taxable for resident companies without prejudice to the geographical origin of the gain/loss unless it can be attributed to a permanent establishment situated in another state.

Non-resident

Denmark applies no tax liability to non-resident companies that derive gain/loss on debt and monetary claims from Danish sources unless the gain/loss can be attributed to a permanent establishment or real estate situated in Denmark or in some cases if derived from affiliated companies in Denmark (50% ownership).

CAPITAL GAIN & LOSS – SHARES

Resident

In general, capital gains and losses from the sale of shares are tax-free unless the sale involves shares in publicly traded companies where the ownership stake is less than 10 %.

Non-resident

Denmark applies no tax liability to non-resident companies that realize gains and losses on the purchase or sale of shares in Danish limited companies.

***NB!** The repurchase of shares by the issuing company is reclassified as dividends. This means that tax liability in these cases follows the regulations for dividends. However, in certain cases, an exemption can be obtained to treat the repurchase of shares as capital gains and losses.*

INTERESTS

Resident

Interest income is taxable for resident companies without prejudice to the geographical origin of the income unless the income can be attributed to a permanent establishment situated in another state.

Non-resident

Denmark applies no tax to non-resident companies that receive interest payments from Danish entities unless the interest payments can be attributed to a permanent establishment or real estate situated in Denmark or in some cases if the interest payments are received from affiliated Danish companies (more than 50% ownership).

ROYALTIES

Resident

Royalty income is taxable for resident companies without prejudice to the geographical origin of the income unless the income can be attributed to a permanent establishment or real estate situated in another state.

Non-resident

Royalty payments originating from Denmark received by a non-resident company are liable to Danish taxation unless the recipient is a resident for tax purposes in an EU/EEA member state, and the parties are affiliated in the form of at least 25% ownership.



Tax payments

Tax on account

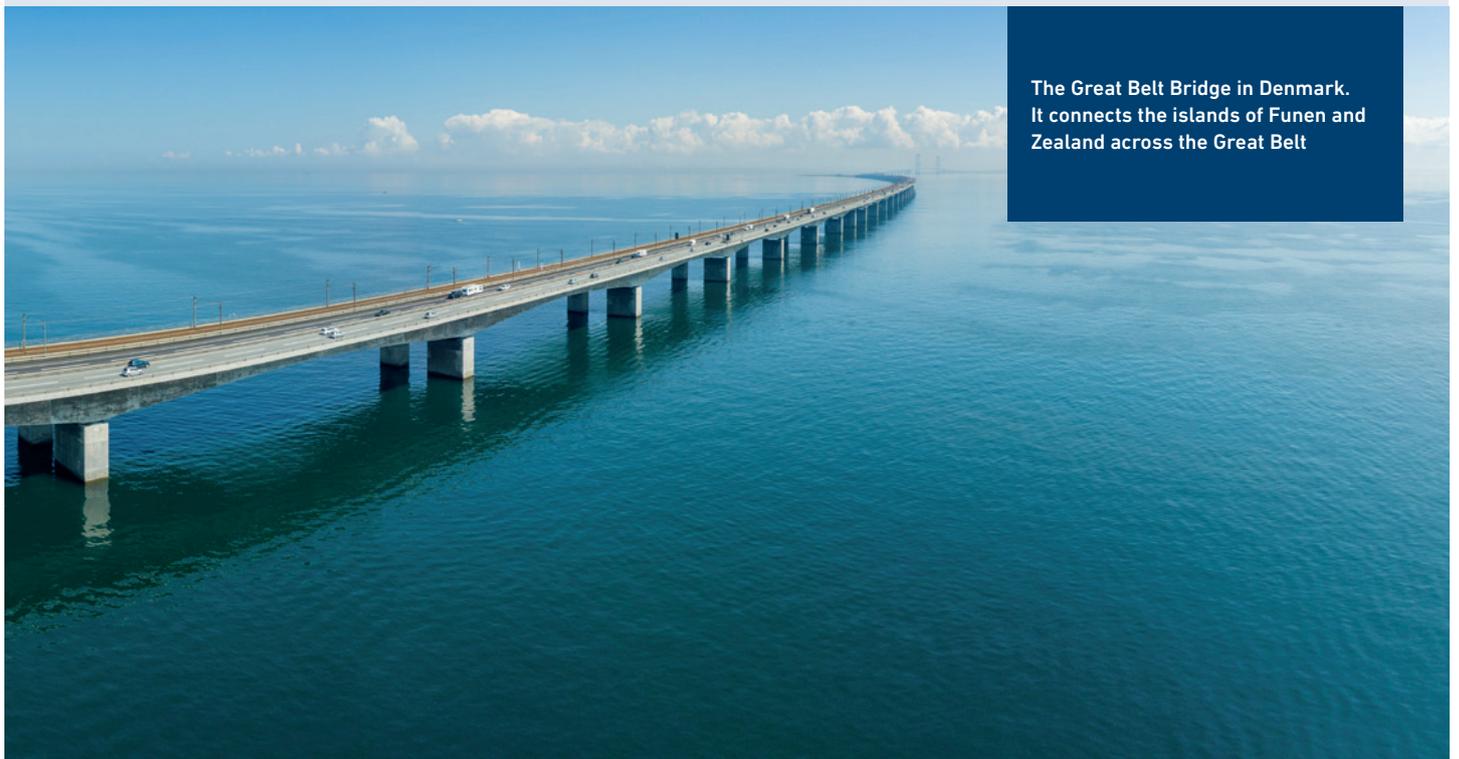
In Denmark, businesses are required to make tax payments on account to cover their expected income tax for the year. These payments are mandatory for companies that have reported taxable profits in the last three fiscal years. Companies that are newly established or have not generated a profit are not required to pay tax on account.

Tax payments on account are made in two equal instalments, one in March and one in November. The amount is automatically calculated as 50% of the average corporate tax paid over the last three years. However, businesses can adjust their installments if their financial situation changes during the year.

To avoid interest charges on any remaining tax liability, companies can also make an optional third payment by 1 February of the following year. Overpayments are refunded with interest, while underpayments may result in additional interest expenses. Companies also have the option to make voluntary prepayments throughout the year if they anticipate higher profits or need to adjust their expected tax obligations.

Tax losses and joint taxation

Operating tax losses may be carried forward indefinitely, but with a yearly cap on utilization. Carry back of tax losses is not possible. One company's unutilized tax loss can be utilized by other Danish affiliated companies if the companies are part of a joint taxation group. National joint taxation is mandatory for permanent establishments in Denmark and Danish limited companies if affiliated by more than 50% holdings of the voting rights.



The Great Belt Bridge in Denmark. It connects the islands of Funen and Zealand across the Great Belt

Transfer pricing



Danish companies and permanent establishments involved in transactions with related group entities must provide summarized details of these transactions in their tax filings. Additionally, they are obligated to maintain and submit written records outlining the pricing and terms applied, ensuring compliance with the arm's length principle. In certain cases, assessment by an independent accountant is also required.

The documentation requirements are compliant with the OECD's transfer pricing guidelines. Relevant entities must thus prepare and file a local file and a master file. The filing deadline is 60 days after the deadline for filing their corporate income tax return for the year.

Companies that are part of smaller groups, are exempted from the documentation requirements. The following exemption thresholds (group level) apply:

- Less than 391 employees, **and**
- Less than DKK 250 million consolidated turnover, **or**
- Less than DKK 195 million consolidated assets

If the thresholds are exceeded, the company is covered by the documentation and filing requirements in Denmark if the company has intragroup transactions across borders. Furthermore, exemptions from the listed thresholds applies. This is expected to change for the income year 2027.

Taxation of individuals

Denmark taxes individuals residing in Denmark on their global income and capital gains. This includes not just salary but also goods, services, employer benefits like company cars, pension and social benefits. While Denmark does not have a wealth tax, property tax may apply in some cases (see below).

Individuals, excluding sole traders, have limited tax deductions. However, some costs like commuting expenses are partially deductible.

The global income principle only applies to residents for tax purposes, i.e., individuals with unlimited tax liability. Tax residency can be established by access to a habitual abode in Denmark with the intention of permanent residency or uninterrupted stay for at least 6 months.

Non-tax residents may be liable to pay taxes in Denmark if they derive income from sources in Denmark. Examples can include, but are not limited to, remuneration for work performed in Denmark for a Danish employer, dividends from Danish entities or income from immovable property in Denmark.

Taxable income

Denmark's taxation structure for individuals employs a progressive income tax rate and is comprised of different types of taxable income.

Personal income

Personal income encompasses all taxable earnings that do not fall under capital income or share income.

This type of income is subject to a progressive tax rate determined by the individual's municipal tax rate and whether their annual income exceeds the top tax bracket of DKK 641,200 / 777.900 / 2.592.700 (2026). For income exceeding this threshold, an additional tax rate of 7,5 / 7,5 / 5% applies. The average tax rate in Denmark ranges from approximately 42% to 56%.

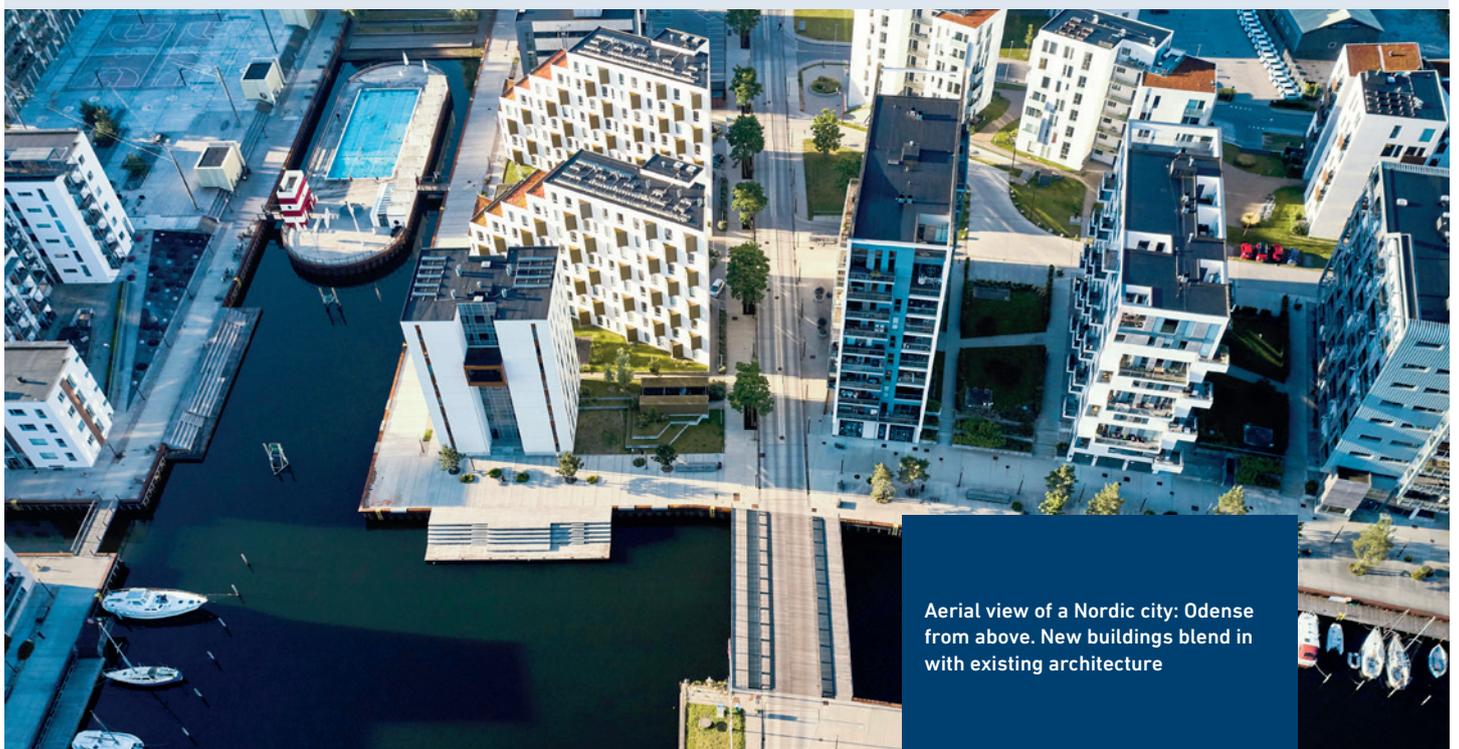
The labour market contribution is a tax of 8%, which is deducted from all salary income. The employer withholds the contribution from the salary after ATP and the employee's own pension contributions have been deducted, but before other taxes are applied.

Capital income

Capital income includes, but is not limited to, earnings from interest payments and profits from capital gains on debt and monetary claims, both in domestic and foreign currency. Capital income is taxed as net income with a tax rate not exceeding 42%.

Share income

Share income mainly includes gain and loss on sale and purchase of shares and earnings from dividend payments. Share income is taxed in two brackets. A tax rate of 27% is applied on the first DKK 79.400 (2026) and 42% on share income exceeding the bottom tax bracket. Any unutilized amount from this bottom tax bracket allowance can be used by a spouse.



Aerial view of a Nordic city: Odense from above. New buildings blend in with existing architecture



Aarhus skyline – modern futuristic buildings and skyscraper

Tax on real estate

Immovable property is, as a general rule, subject to property value tax and, in some cases, land tax. For Danish tax residents, properties are subject to property value tax regardless of whether the property is in Denmark or in a foreign state. Property value tax is calculated as a percentage of the value of the property (0.51% of the value up to DKK 9.007.000 and 1.4% of the value exceeding this threshold).

Individuals are exempt from paying property value tax on properties which are not at their disposal due to them being uninhabitable or rented out. In case of the latter, taxes on the income from the rental will apply instead.

Land tax applies to all properties located in Denmark and is calculated based on the official property valuation.

Tax scheme for researchers and highly paid employees

Denmark has a special tax scheme for researchers and high-income employees wishing to work and reside in Denmark. This scheme allows for taxation at a reduced tax rate of 32.84% (27% A-tax + 8% AM-tax) on their salary and some employee benefits. The tax scheme can be utilized for up to 7 years within a lifetime.

To qualify for the scheme, both the employee and the employer must meet specific conditions:

1. The employee must hold a valid employment contract with a Danish employer or a foreign company with a permanent establishment in Denmark.
2. Non-EU nationals must obtain a valid work and residence permit.

3. The employee must become fully or partially taxable in Denmark upon commencement of the employment.
 - a. *The employee can move to Denmark no earlier than 1 month prior to commencement of the employment.*
4. The employee must have a minimum salary level of DKK 65.400 (2026) per month.
5. The employee must not have been fully or partially tax liable in Denmark within the last 10 years before employment.
6. The employee cannot directly or indirectly be part of the management of the employing company.

Tax return for individuals

Tax residents in Denmark as well as non-tax residents are obligated to file an annual Danish tax return for the purpose of reporting any income or assets not reported automatically. The tax return deadline is either 1st May or 1st July in the year following the relevant fiscal year, depending on the individual's specific circumstances.

Individual tax returns are filed digitally via the Danish Tax Agency's digital tax platform. A tax return for tax residents must cover information on the individual's global income. For non-residents, the tax return must only cover the specific income for which the individual is subject to Danish limited tax liability.

Please note that income received from certain Danish entities will automatically be reported to the Danish tax authorities. This includes, but is not limited to, salaries paid by a Danish employer, or a permanent establishment located in Denmark, interest income from deposits held by Danish financial institutions, and dividends, gains or losses on shares in Danish depositories.

A man in a dark suit and glasses is shown in profile, looking out a window. He has his hand near his chin in a thoughtful pose. The background is a bright, out-of-focus view of a building's exterior with white structural elements.

In Denmark, the tax process for individuals consists of three elements. The preliminary tax assessment is issued before the income year and/or during an income year in case of relocation to Denmark during the income year or in case of amendments during the income year. The preliminary tax assessment is an estimate of the total taxes for the income year, based on the individual's expected income and deductions.

The annual tax assessment is issued in the spring following the income year, and provides a final calculation of the individual's taxes, thus indicating either an overpaid or an underpaid tax as a result of the preliminary taxes paid during the income year.

The tax return is the final step, and it allows individuals to report or correct any income or deductions not automatically registered by the Danish tax authorities to ensure accurate taxation.

Social security

Denmark's social security system is known as one of the best in the world, as it provides essential coverage, including healthcare, pensions, unemployment benefits, family allowances, and work injury compensation. On top of that, Danish social security contributions are some of the lowest in the world, with an employee contribution of DKK 99 per month and an employer contribution of approx DKK 12,000 per employee per year.

The country of coverage is determined based on the actual circumstances of the individual in terms of country of residence, working country(ies) etc. For citizens of the EU, EEA, Switzerland and the UK, the country of coverage is determined according to EU regulation 883/2004, according to which the main rule is that an individual is covered by the social security system in the country where they work.

VAT and other taxes

VAT and excise duties in Denmark: a quick guide

In Denmark, Value added Tax (VAT) is a general consumption tax on most goods and services. If your business involves transactions within Denmark, understanding the VAT system is essential for compliance. The standard VAT rate is set at 25%, which is one of the highest in the European Union. Denmark does not offer reduced VAT rates.

Businesses are required to register for VAT if their taxable turnover exceeds DKK 50,000 (approx. EUR 6,700) within a calendar year. Once registered, businesses must report and pay VAT based on their turnover, which determines how frequently VAT returns are filed. Businesses with annual revenue exceeding DKK 50 million are required to submit VAT returns monthly. Those with annual revenue between DKK 5 million and DKK 50 million report quarterly, while businesses with revenue below DKK 5 million file semi-annually. VAT returns must be submitted electronically via the Danish Tax Authority (Skattestyrelsen).

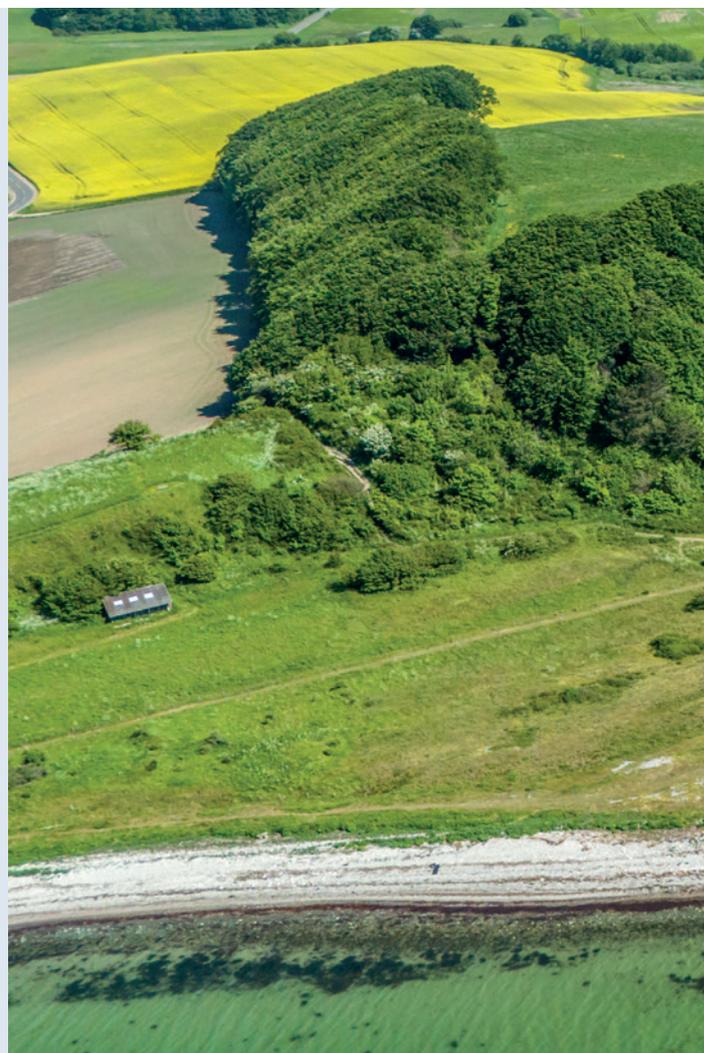
There are several special VAT rules that apply to specific goods and services in Denmark, and some sectors are exempt from VAT.

VAT-exempt sectors:

- **Healthcare:** Treatments by doctors, dentists, physiotherapists, etc.
- **Education & Social Services:** Schools, childcare, home care.
- **Culture & Sports:** Artists, museums, amateur sports clubs.
- **Finance & Insurance:** Banks, insurance, pensions.
- **Real estate:** Rental and sale of used buildings/land.
- **Charity:** Approved nonprofit organisations.

Special VAT rules:

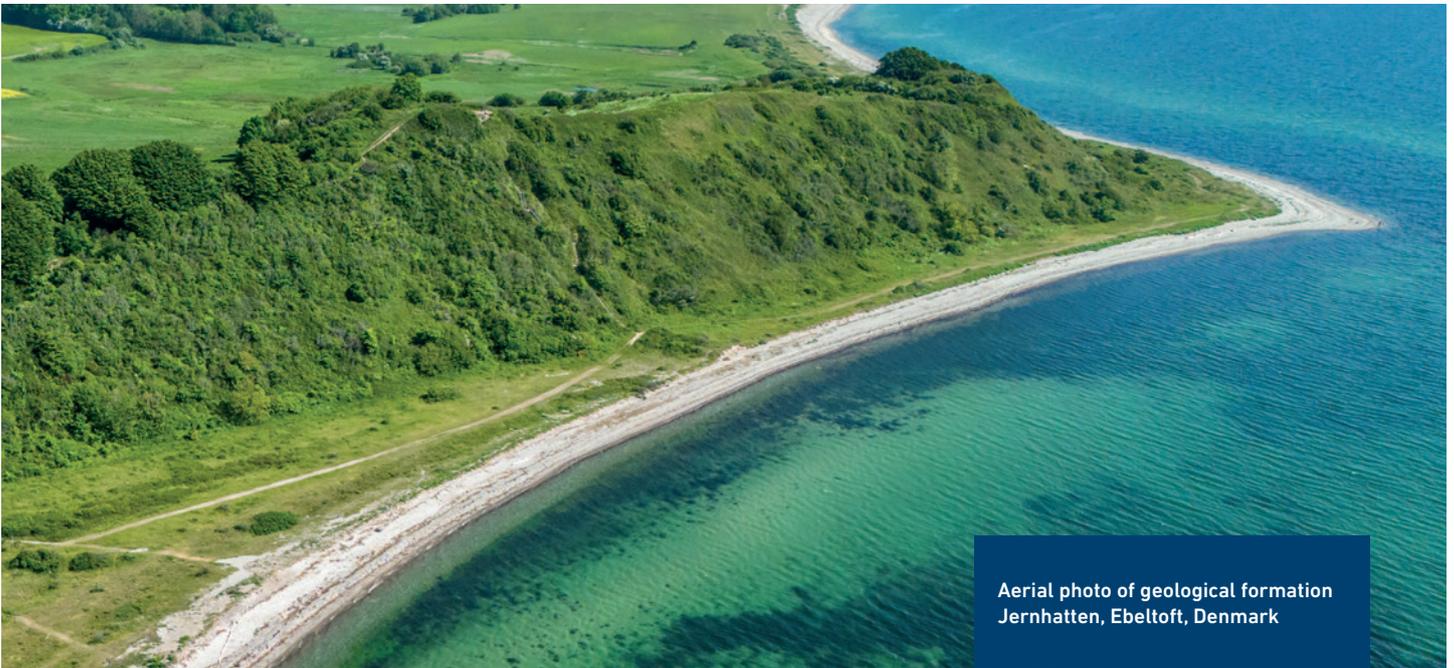
- **Newspapers:** 0% VAT under certain conditions.
- **Used goods:** VAT only on profit margin (margin scheme).
- **Exports:** VAT-exempt with proper documentation.
- **Travel agencies:** Special VAT calculation on profit.



For example, the sale of real estate is generally exempt from VAT, though there are exceptions. New buildings and building plots, for instance, are subject to VAT. Similarly, Denmark has a margin scheme, which applies to second-hand goods, artwork, antiques and collectibles. Under this scheme, VAT is not charged on the full sale price but only on the dealer's profit margin.

Most financial and insurance services are exempt from VAT, but businesses in this sector may instead be subject to payroll tax (see more below).

When exporting goods and services to non-EU countries, the exports are zero-rated for VAT, allowing businesses to recover input VAT on related expenses. For digital services sold to private consumers within the EU, businesses must adhere to the EU's VAT rules, including the VAT One Stop Shop (OSS) scheme.



Aerial photo of geological formation Jernhatten, Ebeltoft, Denmark

Import (customs duties)

If you are importing goods into Denmark, you may need to pay customs duties (told). Customs duties are taxes applied to goods brought in from outside the EU and are regulated by both Danish and EU laws. These duties exist to protect EU businesses from unfair competition, generate government revenue, and regulate trade to ensure compliance with safety standards.

The amount of duty you pay depends on:

- **the type of goods** (each product has a specific tariff rate)
- **the customs value** (price + shipping + insurance)
- **the country of origin** (some countries have special trade agreements with the EU that reduce or eliminate duties)

Businesses importing goods must declare them to the Danish Customs Agency (Toldstyrelsen). This is done through the EU's customs system. Before importing, the business must register as an importer with the Danish Tax Agency (Skattestyrelsen).

Excise duties

In addition to VAT, Denmark imposes excise duties on specific goods. These duties are separate from VAT and are applicable to certain items. Excise duties are designed to reduce consumption of unhealthy or polluting products, encourage environmentally friendly choices, etc.

Excise duties apply to a range of goods, including:

- **alcohol** (beer, wine, spirits)
- **tobacco** (cigarettes, cigars, rolling tobacco)
- **fuel and energy** (gasoline, diesel, electricity, coal)
- **sugar and soft drinks** (including sodas and energy drinks)
- **plastic bags** and other environmentally regulated products

Excise duties are usually fixed amounts per unit (e.g., per litre, kilogramme or per item). The rates vary depending on the product type and its impact on health or the environment.

Businesses that produce, import, or sell goods liable to excise duty in Denmark are subject to pay the excise duties. Some businesses may get refunds or exemptions, for example, if they use taxed products for industrial or research purposes.

If your business deals with excise goods, you must register with the Danish Tax Agency (Skattestyrelsen). Excise duties are reported and paid regularly, usually monthly or quarterly.

Payroll tax

In Denmark, most businesses pay VAT on the goods or services they sell. However, some businesses are exempt from VAT, such as:

- banks and financial institutions
- insurance companies
- healthcare services (e.g., doctors, dentists, physiotherapists)

The kind of businesses mentioned and certain other VAT-exempt businesses must instead pay payroll tax. Calculation of this tax depends on several factors.

If your business is subject to payroll tax, you must register with the Danish Tax Agency (Skattestyrelsen).

Payroll tax is reported and paid quarterly or annually.

Redmark is one of Denmark's largest consulting and accounting firms, with more than 400 employees and offices in Aalborg, Hadsund, Randers, Viborg, Hadsten, Aarhus and Copenhagen.



About Redmark – noticeable difference

With a comprehensive range of skills and knowledge, and a progressive, involved and committed approach, Redmark's ambition is to make our mark on the Danish auditing and consulting market and to be recognised for combining highly qualified financial advice with motivation and presence.

Redmark specialises in a diverse array of fields, encompassing consulting, auditing, tax, VAT, business services, digitalization and more. We tailor our services to the specific needs of different industries and companies of all sizes – from doctors and physio-

therapists to the real estate sector, educational institutions, and utility companies. And we are constantly building on our industry knowledge.

We provide comprehensive solutions and make a noticeable difference when we address the challenges at the top of your agenda. We care about you, your challenges, and your dreams, and we take action to assist you every step of the way. We focus on the needs of our customers, we keep our promises, and long-term and present relationships with our customers are important to us.

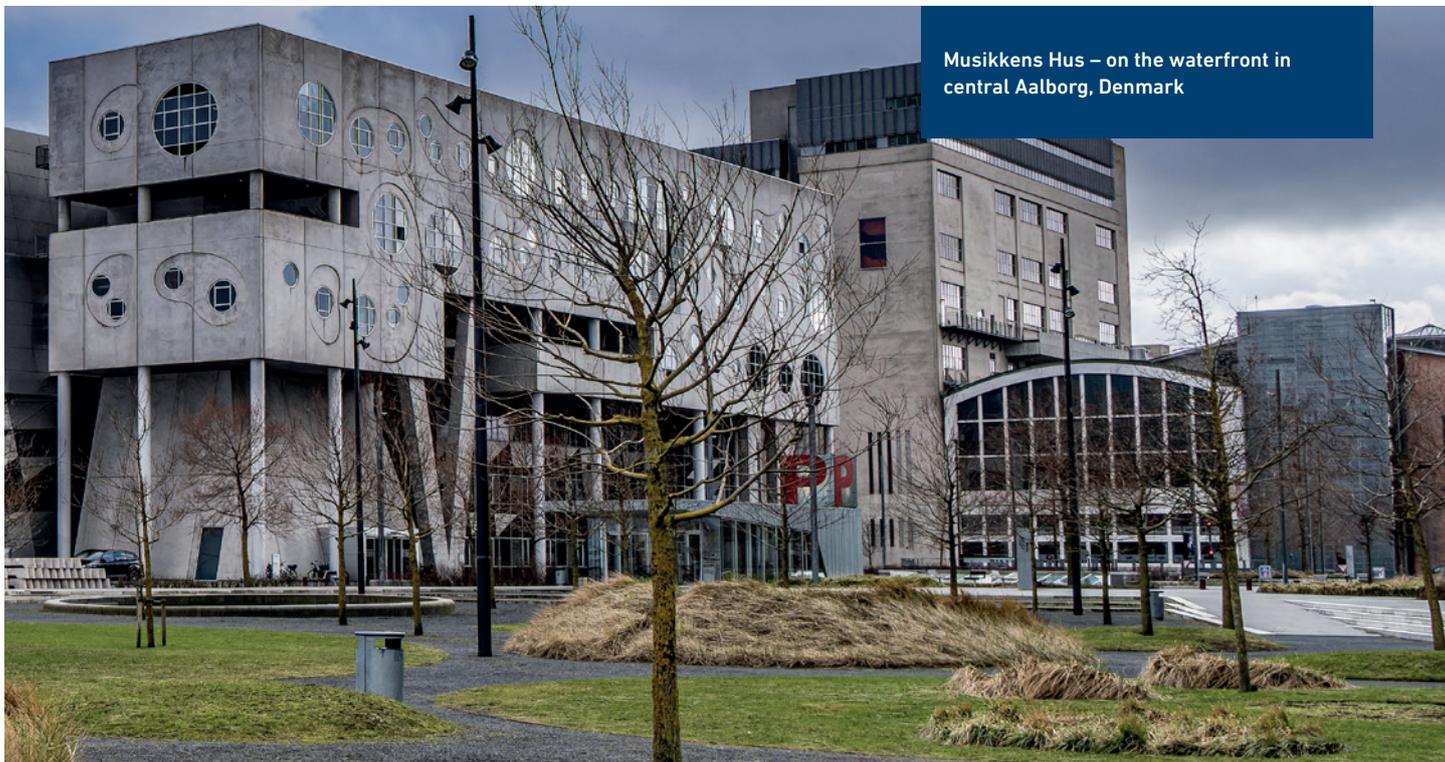
About MGI Worldwide

A member of

mgi worldwide

As a member of MGI Worldwide, we can act efficiently and quickly, both nationally and internationally. MGI Worldwide is a worldwide alliance of auditors and consultants. The network has a presence in almost 100 countries around the world and employs around 10,000 people across 407 offices. Member firms are committed to helping countless clients set up and grow their business locally, regionally, and internationally.

Musikkens Hus – on the waterfront in central Aalborg, Denmark



Contact us



TAX

Jens Pedersen

Partner, Head of the TAX Department

jpe@redmark.dk

+45 41 86 56 77



VAT

Kirsten Nielsen

Partner, Head of the VAT Department

kin@redmark.dk

+45 41 86 56 84



AUDIT

Henrik J. Thomsen

Partner, State Authorized Public Accountant

hjt@redmark.dk

+45 41 96 58 93



AALBORG

Hasseris Bymidte 6
DK-9000 Aalborg
Tel. +45 98 18 33 33
aalborg@redmark.dk

HADSUND

Aalborgvej 51
DK-9560 Hadsund
Tel. +45 98 57 39 44
hadsund@redmark.dk

RANDERS

Tronholmen 5
DK-8960 Randers SØ
Tel. +45 89 12 50 00
randers@redmark.dk

VIBORG

Mariendalsvej 11
DK-8800 Viborg
Tel. +45 70 70 74 89
viborg@redmark.dk

HADSTEN

Vesselbjergvej 3
DK-8370 Hadsten
Tel. +45 86 98 34 55
hadsten@redmark.dk

AARHUS

Sommervej 31C
DK-8210 Aarhus V
Tel. +45 86 13 31 00
aarhus@redmark.dk

KØBENHAVN

Dirch Passers Allé 76
DK-2000 Frederiksberg
Tel. +45 39 16 36 36
copenhagen@redmark.dk