



# Setting up in Denmark

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# Setting up in Denmark

## 1. Denmark and the Danes

Denmark is an attractive northern European country that offers many advantages to foreign investors. It is one of the 25 member states of the European Union and also part of the Scandinavian market, consisting of the five Nordic countries. A foreign business with a domicile in Denmark has direct access to both of these markets as well as a convenient entry to the Baltic nations.

Other favourable business conditions include a stable social and political climate and a well-trained labour force.

*Setting up in Denmark* provides an overview of the main economic, financial, legal and tax considerations with which prospective foreign investors are concerned.

### 1.1 Geography

Denmark is not a country of great contrasts.

Demographically, it has a homogeneous population of which about 5.8 per cent are immigrants or descendants of immigrants. Climatically, the difference between the average temperature in summer and winter is only 20 degrees. Topographically, "mountainous" is not the first word that springs to mind – the highest point is a mere 175 metres above sea level. Geographically, the country is small, and although it includes many islands, communications are highly developed. Indeed, the infrastructure is excellent everywhere.

	Size (sq. km)
Total area	43,098
Jutland	29,737
Zealand	9,834
Funen	6,289
Land use	
Cultivated area	66%
Woodland	11%
Towns	10%

Denmark proper, excluding Greenland and the Faroe Islands, covers 43,098 sq. km. The Jutland peninsula accounts for more than half of this area, while the rest consists of 407 islands. About 90 of these are inhabited, the largest being Zealand and Funen. About two-thirds of the country is cultivated, about 11 per cent is wooded, and about 10 per cent is urban area.

## 1.2. Population

Denmark's total population is 5,511,451 (January 1, 2009). The population density is higher than that of its Scandinavian neighbours, Norway and Sweden, but substantially lower than that of Germany and Great Britain.

In 1966, the birth rate began to decline, reaching a record low of 50,822 in 1983; since then, however, the trend has reversed. The number of births during the 90s has fluctuated between 63,000 and 70,000. In 2008, there were 64,981 births, and the population increased slightly. The excess of births over deaths was 10,436. Net immigration stood at 29,858.

The Danish population (January 1, 2009)	
Total	5,511,451
0-16 years	1,149,162
17-24 years	517,546
25-64 years	2,969,247
65+ years	875,496
Men	2,732,020
Women	2,779,431
Live births (2008)	64,981
Deaths (2008)	54,591
Immigrants (2008)	72,749
Emigrants (2008)	43,490
Foreign nationals in Denmark	
Home country:	
Africa	8%
Asia	28%
Europe	59%
Others	5%

54 per cent of all Danes are in the 25-64 age group (60-67 is the normal retirement age). The 0-16 age bracket makes up 21 per cent, and the 17-24 age group - of which the majority are in school or training - accounts for 9 per cent. On January 1, 2009, the number of foreign nationals living in Denmark was 486,786, or 8.8 per cent of the population.

### 1.3 Education

Compulsory school attendance starts at around age seven and lasts for nine years, with an optional tenth year of primary school. There are a total of 580,097 pupils in Danish primary and lower-secondary schools. After completing this education there are several possibilities for further education. The two most important lines are vocational schools with around 124,000 students and the three-year upper-secondary schools with around 111,000 pupils. Only about 4 per cent of school leavers do not embark upon some type of secondary education or prolonged training.

After having completed upper-secondary school or vocational school at a similar level, students are eligible to undertake higher education at university or at one of the colleges of higher education, such as those which provide training for engineers, architects, teachers and nurses, etc. There are a total of 191,188 students in higher education in Denmark.

Education is free, and students may apply for cash government grants and student loans to support themselves while completing their education.

### 1.4 The social safety net

State support is also available to other groups who are unable to provide for themselves.

Government-financed nursing homes accommodate 22,667 people, mostly the elderly. 1,113,533 people receive a pension. Of these, 867,243 receive only the basic pension to which everyone over the age of 67 is entitled, DKK 61,152 a year (2008), plus various supplements. Early retirement pensions are paid to 246,490 persons who are unfit for work, for instance because of disablement. 141,479 Danes between the ages of 60 and 65 have left the labour market under a job-release scheme in which they receive between DKK 94,900 and DKK 173,420, which is financed through the unemployment funds. About two-thirds of the expenses borne by these funds are paid by the government. The maximum of DKK 173,420 per year also applies to unemployment and sickness benefits and to maternity leave for mothers (unless otherwise is stated in their wage agreement). All parents receive a tax-free government allowance of DKK 10,064 to DKK 14,156 per year for each child.

### 1.5 High taxes – high standard of living

Social expenditures, education and health services are financed primarily by the government and local authorities, and thus through direct and indirect taxes. Payroll taxes, on the other hand, play a far less significant role here than in most other countries.

As the level of transfer payments and public services is high, the burden of taxation in Denmark is heavy. Direct and indirect taxes correspond to about 54 per cent of GDP. Nevertheless, personal incomes are sufficient to ensure a standard of living that is among the highest in the world.

## 1.6 Greenland and the Faroe Islands

Greenland and the Faroe Islands form part of the Kingdom of Denmark and thus share with it a number of institutions (such as the parliament and the Royal House), legislation (above all the Constitution), and branches of the government. To a great extent, however, they are autonomous.

Greenland	
Total population (January 1, 2008)	56,462
Population, Nuuk	15,047
Ice-free area (sq. km)	410,449
Foreign trade (2005)	
Total imports (DKK m)	3,591
Total exports (DKK m)	2,426
Fish exports (DKK m)	2,110
Subsidies from Denmark (DKK m)	3,069

Greenland has a population of nearly 57,000 and an ice-free area of approx. 410,000 sq. km. The largest city is Nuuk (Godthaab). Nuuk houses Greenland's parliament (*Landstinget*) and its central administration (*Landsstyret*). The Danish government provides financial aid and meets expenditures for Greenland.

Denmark also manages Greenland's defence and general foreign policy. One exception is relations with the European Union. Greenland joined the EU on Denmark's entry on January 1, 1973. But it obtained autonomy in 1979, and in 1982 a majority voted to withdraw from the Union as of 1985. At the same time, Greenland entered into a long-term agreement with the EU on fishing rights that gave its fishermen access to the EU markets for their catches. Fish products account for 87 per cent of Greenland's total exports.

The Faroe Islands, with 48,378 inhabitants and an area of 1,396 sq. km, has had home rule since 1948. Lately, however, there have been negotiations regarding the autonomy for the Faroe Islands in its relationship with Denmark. Tórshavn, the principal city (pop. 12,496), is the seat of the Faroese parliament (*Lagtinget*) and the local government (*Landsstyret*). As in

Greenland, the mainstay of the economy is fishing. Fish products account for nearly 100 per cent of total exports.

The Faroe Islands	
Total population (January 1, 2007)	48,350
Population, Tórshavn	19,339
Area (sq. km)	1,396
Foreign trade (2006)	
Total imports (DKK m)	4,649
Total exports (DKK m)	3,745

# Setting up in Denmark

## 2. Economy

In the early 1950s, Denmark was predominantly an agricultural country with some industry whose products were intended mainly for its home market. Since then it has become a modern industrial country in which manufacturing exports play an important role.

The service sector has also grown rapidly in this period. Public and private service organisations now account for above two-thirds of GDP at factor cost and for two-thirds of total employment.

Gross domestic product at factor cost (2007)					
		GDP		Total employed	
	DKK bn	%	1,000s	%	
Agriculture and fishing	68	2.6	83	2.9	
Manufacturing	573	22.1	396	13.7	
Electricity, gas, oil and water supply	57	2.7	15	0.5	
Construction	186	7.2	192	6.6	
Non-government services	1214	46.9	1208	41.7	
Government services	575	18.4	1003	34.6	
Total	2586	100.0	2,898	100.0	

### 2.1 Infrastructure

Denmark has an exceptionally good infrastructure.

There are 72,405 km of good roads in Denmark (including 1,071 km of motorways) and a railway network of 2,644 km that carries about 7.5 million tonnes of goods annually. Bridges and ferries provide fast links between the numerous islands and between these and the Jutland peninsula. No place in Denmark is more than 50 km from a port. In 2006, total sales of electricity from public power stations were around 34 billion kWh, which is high for a population of 5.5 million. The postal and telecommunications services are heavily trafficked and highly developed, as are the country's road, rail, sea and air transport services.

Finally the IT-infrastructure in Denmark is highly developed on an international scale. In 2007, 97 per cent of all enterprises had access to the internet and eight out of ten had a high-speed connection. Furthermore about 84 per cent of all enterprises had their own webpage. Also the public sector is focused on using the advantages the information technology offers. It is now possible for citizens and enterprises to download forms and information material on a majority of the public authorities' web pages. Additionally a so-called digital signature has been developed in 2003, which is now implemented in numerous public solutions.

## 2.2 Industry and non-agricultural trade

Denmark has few natural raw materials.

Salt is quarried from deposits far beneath the ground. Chalk and clay from higher strata are used in cement and brick production.

Oil has been extracted from the Danish sector of the North Sea since 1972, and natural gas since 1982. In 2006, Danish production came to 20 million cubic metres of oil and 10.9 billion cubic metres of natural gas. Today the Danish oil production exceeds our own consumption. Our net export of oil products amounted to DKK 14.0bn in 2008. In recent years, the government has granted licences to explore large areas for new commercially viable oil and gas fields. Pipelines for North Sea products run to the west coast of Jutland, and gas is distributed to industry and other consumers through a network covering nearly the entire country. Denmark also supplies gas to the Swedish and German networks.

By tradition, agriculture and fishery are major suppliers of raw materials to important sectors in Danish manufacturing. Now, however, most Danish manufacturers use imported raw materials and semi-manufactures. About half of Danish industrial production is sold on foreign markets.

Lately the manufacturing apparatus has undergone extensive renewal. For several years prior to 1983, Danish industrial investment was running low by both domestic and international standards. From 1983 to 1987, however, investment probably grew faster in Denmark than in any other western European country.

From 1987 to 1992, a stagnant home market forced Danish industry to focus on exports. Since 1992, investment activity has reflected the general economic trend. Machinery investments sensitive to economic trends declined in 1992 and 1993, regained momentum in 1994 and have with few years exception remained high since. This can be explained partly by the tight labour market that makes increased use of capital more attractive. Machinery investments grew at an annual rate above 9 per cent in 2007.

Danish industry is dominated by small and medium-sized enterprises. There are about 296,000 workplaces in Denmark; of these only 1.2 per cent have more than 100 employees.

Distribution of companies by number of employees (2006)	
0 - 4	66.5%
5 - 19	24.5%
20 - 99	7.8%
100 +	1.2%

The dominant position of small and medium-sized businesses shows that Danish industry is highly specialised; many small enterprises are sub-contractors for large companies in Denmark and abroad.

The iron and metal industry, which ranges from machinery to electronics and scientific instruments, dominates trade statistics. Other large industries are food, beverages, tobacco and chemicals, which includes Denmark's considerable pharmaceutical industry.

## 2.3 Building and construction

In 2006 total investment in the building and construction sector, which employs about 190,000 persons, came to DKK 186bn, of which housing construction accounted for almost 58 per cent.

There are about 2.5 million dwellings in Denmark, and more than half of these are owner-occupied. The renovation of older houses accounts for an increasing share of building investment.

From 1983 to 1986, the sector grew dramatically, especially the industrial building segment. But activity stagnated afterwards; the number of building starts went from about 30,000 units per year in the mid-1980s to about 12,000 in 1993. After 1990, housing construction has picked up again rising, and nine out of ten dwellings in Denmark have been built since then. In 2008, new housing starts numbered 12,485.

## 2.4 Agriculture and fishery

There are about 43,000 independent farmers - less than one quarter the number at the end of the Second World War. They cultivate a total area of 2.7 million hectares (about 7 million acres), and their prosperity depends more or less on the common agricultural policy of the EU.

Crop production, which includes cereals, sugar, beet and fodder for livestock, seeds and rape for oil production, is considerable. But since the structural changes in the industry a century ago, livestock products have come to the fore and now account for nearly 70 per cent of aggregate farm sales.

The processing of agricultural produce is undertaken largely by co-operative societies owned by the farmers themselves. Recently, they have invested heavily in the further processing of meat, ready-meals and other products in preparation for the growing sales expected on a wide range of export markets.

Horticulture is another major Danish agricultural industry. It has about 4.7 million square metres under glass and exports large quantities of flowers, potted plants and other products. Forestry is also more important than outsiders might at first believe; woodlands occupy 12 per cent of Denmark's total area.

Denmark (when the Faroe Islands and Greenland are included) is the leading fishing nation in Europe. About 1.8 million tonnes of fish are landed annually in Danish ports. One-fourth is used for consumption, and the rest is converted into fish meal, fish oil and fodder for Den-

mark's nearly 380 trout farms and 1,980 fur farms, which are among the world's largest producers of mink.

Agriculture (2008)	
Number of farms	43,415
Arable land (1000 ha)	2,667
Number of employees	68,000
Agricultural sales (2007 DKK bn)	
Crop products	24,307
Livestock products	36,962
Total	61,269

## 2.5 Service sector

Since around 1980, two-thirds of the population in active employment has been engaged in rendering services of various kinds, such as transport, trade in goods and money, tourism and IT. IT-service trades are among the fastest growing businesses in Denmark.

The biggest export earners in this diversified sector are shipping and aviation. The Danish merchant fleet is one of the most modern in the world, ranking among the largest in the world in tonnage at 9.5 million GT 1 January 2008. There is a total of around 13,000 people employed by the merchant navy in Denmark.

During the 1980s, about one-third of Danish ship-owners registered their ships abroad. In 1988, the Danish International Shipping Register was established and the rules governing taxation, dues and manning were relaxed. This has since caused a significant return of tonnage to the Danish flag.

Denmark has 23 civil airports, of which Copenhagen Airport (at Kastrup), with 257,591 take-offs and landings and 21.4 million passengers in 2007, is in the international league.

Banking and financial services are covered in a separate Fact Sheet.

# Setting up in Denmark

## 3. Financial markets

### 3.1 Internationalisation

Since 1982, the Danish money and capital markets have undergone a process of internationalisation, and today they fulfil all of the EU requirements regarding the free movement of capital and cross-border trade in financial services. One of the main features of the Danish financial market is a very large bond market, relative to the country's size, stemming from an unusually widespread issuance of mortgage credit bonds. The structure of this market is outlined below.

### 3.2 The central bank

Danmarks Nationalbank is an autonomous institution whose objective is to maintain a secure monetary system and to facilitate and control the circulation of money and the lending activities in the country. The central bank is responsible for Danish monetary policy, for the tactical management of government debt and currency reserves, and for issuing notes and coins.

### 3.3 Banks

Danish banks have become increasingly concentrated over the past decades. The number of banks reached its peak in the 1950s, with about 160 commercial banks and 475 savings banks. Since the mid-1980s, their number has fallen sharply; in 1989, six of the largest banks merged into two large commercial banks, Danske Bank and Unibank. The most recent major mergers were Danske Bank's merger with BG Bank, Denmark's third-largest bank, and Unibank's merger with the Finnish-Swedish bank Merita Nordbanken to form Nordea. Both took place in 2001.

At the end of 2007, Denmark had 147 banks.

The banking sector in Denmark runs on state-of-the-art technology, as is evident in the services it offers both in the domestic market and abroad. Denmark has always been dependent on foreign trade, and the business policies of its banks have therefore been internationally oriented.

Four Danish banks have foreign branches, and a number of foreign banks either are directly represented in Denmark or have announced plans for cross-border services here.

Banking business is governed by the Danish Banking Act, and banks operate under the supervision of the Danish Financial Supervisory Authority, which is a directorate under the Ministry of Business and Industry.

### 3.4 Insurance companies

In 2007, about 219 insurance companies conducted business in Denmark. Some 118 were non-life companies, 33 were life insurance companies, and 64 were pension funds.

Like the banking sector, the insurance sector has become very concentrated in recent years because of mergers and acquisitions, for example Codan's acquisition of Hafnia, Tryg's acquisition of Baltica, Danske Bank's acquisition of Danica and Unibank's acquisition of Tryg-Baltica.

### 3.5 The mortgage credit system

The Danish mortgage credit system has a long history. Mortgage credit institutions grant loans secured on property and finance these loans through bond issues. Most property in Denmark is financed by mortgage loans. Formerly, mortgage credit institutions were mutual organisations (owned by the borrowers), but they have recently been converted into limited liability companies.

Today there are eight mortgage credit institutions in Denmark, three of which are owned by banks. The five biggest mortgage credit institutions are - BRFKredit, Nordea Kredit, Nykredit, Realkredit Danmark and Totalkredit.

### 3.6 The Copenhagen Stock Exchange

Over the years, the large number of bonds in circulation has helped to create an efficient market in Denmark, and the Copenhagen Stock Exchange is now a fully modernised market for both shares and bonds. Trades are settled through the Danish Securities Centre, which was established in 1983, and options and futures have been traded on the exchange since 1988.

In 1996, the Copenhagen Stock Exchange was converted from a private foundation to a limited company. Sixty per cent of the share capital was distributed to members, and 20 per cent was distributed to issuers of shares and bonds.

# Setting up in Denmark

## 4. The labour market

### 4.1 The Danish labour force

The Danish labour force totals about 2.9 million persons (1.54 million men and 1.38 million women). In 2008, about 2.8 million were in active employment (78 per cent of all men and 74 per cent of all women aged 16 to 66).

The private sector employed about 2.0 million, including 396,000 in manufacturing and 192,000 in construction. About 820,000 were employed in the public sector, and 1.8 per cent were unemployed.

In 2008, 486,786 non-Danish nationals were living in Denmark, equal to about 8.8 per cent of the population. Citizens of the other EU countries and the Scandinavian countries have a legal right to seek work in Denmark, while others must apply for work permits.

With certain exceptions, non-Danish citizens working in Denmark are subject to the same tax rules as Danish nationals. They may vote in municipal and regional elections after three years of residence, but must have a Danish citizenship to participate in national elections and referendums.

### 4.2 High levels of training and education

Like many other western countries, Denmark has a well-trained and well-educated labour force. Employees continually adapt their skills and qualifications to the demands of new technologies through vocational training and refresher courses. The costs of these courses are split among employers, employees and the public sector.

After leaving school, many young people acquire special technical skills and many receive an advanced education. In the past, youth unemployment was a serious problem, but in recent years, various measures have improved the situation. Under a youth-employment scheme introduced on April 1, 1996, people under the age of 25, after six months' unemployment within a nine-month period, have the "right and duty" to undergo education or training of at least 18 months' duration. In 2008, the unemployment rate for people aged 16 to 24 stood at 1.8 per cent, a significant decline from previous years.

During the early part of the 1990s, Denmark had a relatively high level of unemployment, peaking in 1993-1994 with more than 12 per cent of the workforce out of work. After that, unemployment fell steadily to 5.1 per cent at the beginning of 2002. Improved market trends and labour market reforms were two of the reasons for the fall in unemployment in the 1990s. Another was the fact that a large number of people left the labour market. Special leave schemes, early retirement and optional retirement depleted the labour force, reducing unemployment. Unemployment rose during the last recession, however, and peaked at 6.4

per cent in 2004. In March 2002, 140,100 people were out of a job, and this number had risen to as many as 180,600 people by the end of October 2003. Since then the unemployment fell sharply due to a boom in the economy, and in June 2008, only 47,000 people, or 1.7 per cent of the labour force, were unemployed. Subsequently, unemployment has risen due to the current economic crisis, and in January 2009, 64,200 people were unemployed, equalling 2.3 per cent of the labour force.

Because of the high unemployment rate during the first half of the 1990s, labour market policies have focused on upgrading the qualifications of the unemployed and improving the opportunities for advancement and training for the unskilled labour force. The 1994 labour market reform gave high priority to drawing up an individual plan of action for each unemployed person, including offers of various “activation” jobs and training programmes. As unemployment fell quickly during 1994 and 1995, the aim of the labour market policies changed to ensure an ample supply of labour and to provide the unemployed with incentives to seek ordinary employment. In 1995, the “right and duty” principle was introduced with offers to people in the activation period. With the decision in 1996 to begin the activation period after two years’ unemployment instead of four years and in 1999 after one year, this principle has come to play an increasingly important role. The intention of the principle is to motivate the unemployed to seek ordinary employment or education on their own initiative. All in all, the aim of the labour market reforms has been to reduce structural problems by means other than a general reduction in the unemployment benefit level.

In the autumn of 2002, a small labour market reform was launched. The reform aimed to simplify the activation policy and reduce the poverty trap for families on welfare benefits.

In 2006, the government launched a reform to adjust the Danish welfare system to future challenges, particularly the aging of the Danish population. One of the measures is to gradually raise the official retirement age from 62 in 2024 to 67 in 2027.

Earlier measures taken in the 1990s focused on reducing unemployment. To achieve this aim, the government stepped up activation and increased training and education efforts. In the coming years, the principal aim of labour market policy will be to increase the labour force. Like many other countries of the western world, Denmark will see a massive aging of its population in the years ahead. As the Danish pension system is not fully funded, the labour force needs to expand or else the government will have to increase the tax burden or reduce welfare benefits.

## 4.3 The organisations

*Dansk Arbejdsgiverforening (DA)* is the central organisation for employers in the building, civil engineering, trade and industry sectors. DA has 13 member organisations, and its members employ about 30 per cent of the total working population. In addition, there are in-

dependent employer organisations within certain sectors, for example, agriculture and finance.

There is a high degree of trade union membership in Denmark: about 80 per cent of all employees belong to a union. This is due to both tradition and the fact that union membership and unemployment insurance are closely linked.

*Landsorganisationen i Danmark (LO)* is the counterpart of DA and an umbrella organisation for 17 trade unions. Its members are employees and come mostly from companies of DA member organisations. On December 31, 2007, some 2.1 million people, or more than 75 per cent of the workforce, were members of a trade union under LO. One of the largest individual unions is HK, which consists of commercial and clerical employees and has about 300,000 members. The general workers union, 3F, which organises most unskilled workers, has 345,368 members, while the metal workers union has some 130,000 members.

#### 4.4 Wage and working conditions

Working conditions are laid down in a complex system of legislation and organisational agreements. In Denmark, many aspects of wage and working conditions, such as working hours and minimum wages, are determined through collective bargaining rather than being regulated by legislation as in some other EU countries.

Employment legislation deals with subjects such as equal pay for men and women, the length of holiday periods, environmental directives for workplaces, and the statutory notice which must be given prior to layoffs.

Traditionally, the organisational agreements are negotiated every second year, but occasionally they apply for three or four years since the employers usually try to secure as long a period as possible. The collective bargaining process is based on the so-called "basic agreement", which was the result of a prolonged period of industrial unrest at the turn of the twentieth century. The agreement was most recently amended in 1986. The process is also governed by legislation, especially if the parties are unable to reach an agreement. In such cases, the public mediation institution intervenes.

Because of its broad powers, this institution is usually able to secure an agreement and prevent industrial conflicts. For example, it can postpone an announced strike or lockout. When strikes or other breaches of the collective agreements occur, another public body, the Labour Market Court (*Arbejdsretten*), serves as mediator.

If the two sides of the labour market cannot reach a new collective agreement in spite of the mediation efforts, a national strike is called. A national strike can also occur if the result of the mediation is rejected in a ballot of the labour force.

This was the case in the spring of 1998, when the negotiated agreement was rejected by the wage earners. The result was the

sixth national strike since the Second World War. After a couple of weeks of national strike, government normally intervenes and gives the mediation agreement the force of law, possibly with minor modifications, in order to end the conflict before the damage becomes too great. This also happened in 1998. The result for the labour force was moderate wage increases, a small rise in pensions and two extra days off (five days for families with children younger than 14). A relatively new feature is a provision to hold annual local wage negotiations for all workers; previously only skilled workers enjoyed this privilege. Under the 2000 central wage agreement, the term of most agreements was extended to four years, unions' claims for six weeks' holiday were accepted by employers, and gradual improvements to existing pension schemes were agreed on.

In December 2003, an agreement on access to the Danish labour market for workers from the new EU member states was made. Under this agreement, the Danish labour market has been open to workers from the new EU member states since May 1, 2004. But during a transitional period, nationals from the new EU member states must hold a work and residence permit. It is a condition for obtaining a work and residence permit that the person concerned has a full-time job and that the terms and conditions agreed with the employer are in accordance with the terms and conditions applying on the Danish labour market. The work and residence permit will lapse if the person concerned loses his or her job.

In February 2007, a collective agreement for 600,000 persons in the private sectors was made. One of the main elements of the agreement, which will expire in 2010, was childcare leave. The agreement ensures three weeks of paid leave for men and full pension compensation for women. This means that women and men are now entitled to three weeks of paid leave each plus another three weeks to be shared at the parents' discretion. In total, parents are entitled to 52 weeks of childcare leave on public childcare benefit.

## 4.5 Conclusion

The Danish labour market is undergoing a period of wide-ranging changes. Although these changes are domestic in origin, new EU regulations will probably also have an influence. For example, EU authorities will gradually take a greater hand in security and environmental conditions in workplaces.

Domestically, there are tendencies towards both centralisation and decentralisation. On one hand, employer organisations have become more centralised in recent years, and since the employee organisations are now following suit, the outcome will probably be larger collective organisations.

On the other hand and more importantly, the collective bargaining process is becoming more decentralised. To a greater ex-

tent than before, the members of the two organisations set the guidelines for the process and conduct wage negotiations locally.

## Setting up in Denmark

### 5. Forms of business enterprise

Business operations in Denmark may be conducted under the following legal forms:

- public limited company  
*(aktieselskab)*
- branch office  
*(filial)*
- private limited company  
*(anpartselskab)*
- partnership  
*(interessentskab)*
- limited partnership  
*(kommanditselskab)*
- limited partnership company  
*(kommandit-aktieselskab)*
- co-operative society  
*(andelselskab)*
- sole proprietorship or one-man firm  
*(enkeltmandsfirma)*
- commercial foundation  
*(erhvervsdrivende fond)*
- European companies - European public limited-liability companies, European Economic Interest Groupings and European Co-operative Societies  
*(SE companies, EØFG and SCE)*

As foreign investors most often set up a public limited company or a branch office, these forms of business are explained in some detail.

All public limited companies, private limited companies, limited partnership companies, commercial foundations, sole proprietorships, partnerships, limited partnerships, co-operatives, corporate funds, the various types of European companies, branch offices of foreign corporations and other limited liability businesses and societies must register with the Danish Commerce and Companies Agency. The registration is published in the Registration Gazette on the Danish Commerce and Companies Agency's Web site.

## 5.1 Public limited company (aktieselskab)

The Danish Public Companies Act reflects Scandinavian efforts to harmonise legislation with EU rules governing public limited companies and the right of establishment.

### 5.1.1 Formation procedure

The following procedure is mandatory:

1. The promoters must draw up and sign a memorandum of association which must contain a draft of the articles of association, the price at which shares are offered for subscription, the period within which the first general meeting is to be held, etc.
2. The articles of association must be drawn up in conformity with the memorandum of association and contain, as a minimum, the provisions required by the Companies Act.
3. There may be any number of promoters. None of the promoters may have filed for bankruptcy or a suspension of payments. If the promoter is a physical person, the person must be of legal age and not under guardianship or joint guardianship.
4. A resolution on the company's formation must be taken at the first general meeting.
5. The board of directors must apply to have the company registered with the Danish Commerce and Companies Agency not later than six months from the date of the memorandum of association. The company cannot be registered unless the subscribed capital, and not less than DKK 500,000, has been paid up. This amount is the minimum share capital required for a Danish public limited company.

### 5.1.2 Minimum capital

The minimum capital required, DKK 500,000, may be in forms other than cash (non-cash contributions), including tangible assets, goodwill, patents, trademarks, etc. The non-cash contribu-

tions must have a value which can be expressed as money equivalents. Such contributions may not be an obligation to perform work or render services.

### 5.1.3 Shares and shareholders

Shares may be registered by name or to bearer. Shares are freely transferable and non-redeemable unless otherwise stipulated by law. The articles of association may provide restrictions as to the transferability of registered shares or the conditions with respect to redemption. In principle, all shares have equal rights, but the articles of association may provide for different classes of shares. In this case, the articles of association must state the differences between the share classes, the size of the share classes, and any limit on pre-emption rights for new shares in the event of an increase in the share capital.

Shares may not be issued at price below par (that is, under 100 per cent of the shares' nominal value). Each company sets the denomination of its shares in its articles of association. Different classes of shares in the same company may have different par values.

If the minimum par value of a share is DKK 50, a share of DKK 10,000 would carry voting rights equal to 200 shares of DKK 50. Shares may be issued at a premium. If shares are issued at a premium either upon the formation of the company or upon an increase in its share capital, the premium amount is held as free reserves.

There is no minimum requirement for the number of shareholders or shares. Every share carries the right to vote, although there may be voting restrictions on some classes of shares.

As stated, a company may issue shares of various classes which may limit or extend the rights of shareholders. The usual procedure is to divide the share capital into "A" shares and "B" shares.

The "A" shares are usually the company's original (or equity) capital and are often held by a limited circle of owners. "A" shares often have trading restrictions and also a larger number of voting rights than other shares, which might be designated as "B" shares, for example. However, no share may carry more than ten times the votes of any other share of equivalent denomination. By way of compensation, "B" shares are sometimes preference shares and occasionally cumulative preference shares.

The board of directors must keep a record of all shares of the company (the register of shareholders) in which the shares must be entered in numerical order (unless they have been issued through a joint securities service agency) and – for shares registered in the name of the holder – also under the names of the shareholders.

The register of shareholders must be accessible to public authorities. In companies where the employees have not elected any

members to the board of directors, the register of shareholders must also be accessible to an employee representative. In the case of a group whose employees have not elected any members to the board of directors of the parent company, the register of shareholders of the parent company must be accessible to employee representatives of the other companies in the group. The articles of association may stipulate that the register of shareholders must also be accessible to shareholders, for example, through electronic media. This policy must be approved at the general meeting by the same voting majority that is required for the adoption of an amendment to the articles of association.

The company must keep a special list of the shareholders who own shares that either carry 5 per cent or more of the voting rights or represent 5 per cent or more of the share capital (over DKK 100,000). The ownership interest stated above includes shares which the party has charged as collateral security, unless the chargee controls the voting rights and declares an intention of exercising such rights.

The list must be accessible to the public authorities, the shareholders, the board of directors, and, if the employees have not elected any members to the board of directors, a representative of the company's employees at the company's registered office. Any interested party can obtain an extract of the list. For shares admitted to trading on regulated markets special rules on transparency and publication regarding the publication of major shareholdings apply.

#### 5.1.4 The Danish Securities Centre

Danish VP Securities Services (*Værdipapircentralen*) is an organisation responsible for the computer registration of Danish shares and bonds.

All listed Danish shares are registered electronically and held electronically at Danish VP Securities Services. For listed companies, these electronic titles have thus replaced share certificates. Transactions in listed shares, bonds and investment fund units are settled via Danish VP Securities Services.

Shares are usually registered in denominations of DKK 100. However, some companies register their shares in denominations of DKK 250, 500 or 1000.

#### 5.1.5 Management

Management is vested in a board of directors consisting of not less than three members.

If a company has employed an average of 35 or more persons during the preceding three years, its employees are entitled to elect from among themselves members to the board of directors for a period of four years. The number of members elected by em-

employees must be equivalent to half the number elected to the board at the annual general meeting, but not less than two.

Any group company which has employed an average of at least 35 employees during the preceding three years must allow its employees the option of electing representatives to the board of the parent company, in accordance with special rules.

The board of directors must appoint a management board consisting of one to three members, in the absence of any provisions in the articles of association providing for a larger management board.

The board of directors and the management board have overall responsibility for the management of the company's business. The management board is responsible for the company's day-to-day operations, whereas the board of directors must ensure proper organisation of the company's business, make sure that bookkeeping and asset management processes are checked in a satisfactory manner, and from time to time consider whether the financial position of the company is sound.

The majority of the members of the board of directors must be non-management board members. A member of the management board may not be appointed chairman.

Members of the board of directors and management board must be of legal age and may not be under guardianship or joint guardianship.

A company is not allowed to grant loans or provide security to any shareholder or member of the board of directors or of the management board (or person closely associated with them) of the company or its parent.

No member of the board of directors or of the management board may participate in the treatment of any matter relating to contracts between the company and themselves or to lawsuits against themselves.

Authority to sign on behalf of a company is vested in the entire board of directors, a member of the board of directors, or a member of the management board. The authority to sign may be restricted only insofar as more than one member may be required to sign jointly or one or more specific members may be required to sign individually or jointly. The company's articles of association must list any such restrictions in the authority to sign on behalf of the company.

## 5.2 Branch office (*filial*)

Foreign public limited companies, limited partnership companies, and companies under similar forms of incorporation that are domiciled in one of the member states of the European Union may carry on business through a branch office in Denmark. Companies that are lawfully registered in countries outside the EU may also carry on business in Denmark through a registered branch office if they are allowed to do so under an international agree-

ment or if the Danish Minister of Trade and Industry has granted them permission. A branch name must include the company name with the addition of the word *filial* (branch) as well as a clear indication of the nationality of the company.

The Danish Commerce and Companies Agency must be notified of the establishment of a branch office.

The branch must be managed by one or more branch managers who can sign for the branch and grant authority.

Branch managers must be of legal age and may not be under guardianship or joint guardianship.

### 5.3 Private limited company (*anpartselskab*)

The Danish Private Companies Act provides for the establishment of companies similar to the German *G.m.b.H.* and the French *S.A.R.L.* In view of the probable impact of EU directives on company legislation, the Danish government thought it advisable to enable small companies and companies with a small number of owners to choose a less complex structure than that of a public limited company. The Private Companies Act is similar, both in form and in content, to the Public Companies Act, the only difference being that private limited companies do not issue share certificates, have a less complicated organisation, and generally have fewer owners.

The liability of the owners of a private limited company is the same as for a public limited company; that is, liability is limited to their capital contributions.

The minimum capital amount that the founder or founders must supply is DKK 125,000, and there is no maximum. A private company need have only one founder. Although the private limited company classification is intended to appeal to a small number of persons combining resources to set up a company, there is no maximum number of owners.

Private limited companies must use the word “Anpartsselskab” (private company) or the contraction “ApS” in their name.

Like public limited companies, private limited companies must be listed with the Danish Commerce and Companies Agency, and the tax status of these two types of enterprises is the same.

Conversion of an existing public limited company to a private limited company – which, incidentally, has no tax implications – is effected by a resolution adopted at a general meeting of shareholders by the majority required for amendments to the articles of association. The same procedure is followed for the conversion of a private limited company to a public limited company.

### 5.4 Partnerships and the like

Partnerships, sole proprietorships, limited partnerships, cooperative societies and other limited liability companies and so-

cieties that are not encompassed by the Danish Public Companies Act, the Danish Private Companies Act or the Danish Act on Corporate Funds are governed by the Danish Act on Certain Commercial Undertakings, provided that the aim of the enterprise is to further the economic interests of its owners through business operations. Branches of similar foreign enterprises are also encompassed by the Act.

Companies with limited liability, including companies that are covered by the Danish Act on Certain Commercial Undertakings, must be registered with the Danish Commerce and Companies Agency. Limited liability business enterprises covered by the Danish Act on Certain Commercial Undertakings must present annual accounts in compliance with the regulations set forth in the Danish Financial Statements Act. The distinguishing characteristics of the various forms of partnership are explained below.

#### 5.4.1 Partnership *(Interessentskab)*

A partnership is a partnership in which all partners are personally liable, without limitation, as well as jointly and severally liable, for the commitments of the partnership. A partnership agreement governing the relationship between partners is usually drawn up. In the absence of such an agreement, disputes are settled by reference to prevailing practice in the particular trade or line of business.

#### 5.4.2 Limited partnership *(Kommanditselskab)*

A limited partnership is a partnership in which one or more partners, the general partners, are personally liable, without limitation, as well as jointly and severally liable, for the commitments of the partnership, whereas the liability of one or more other partners, the limited partners, is limited.

#### 5.4.3 Limited partnership company *(Kommandit-aktieselskab)*

A limited partnership company is a limited partnership operating a business in which a limited liability company, with its entire share capital, is the limited partner or in which the company's limited partners have contributed a specific amount of capital that has been distributed as shares.

A limited partnership company is generally subject to the same regulations as a public limited company. A limited partnership company must indicate its status as such in its name.

#### 5.4.4 Co-operative society (*Andelsselskab*)

This type of enterprise is more common in Scandinavia than elsewhere, and formation is easy.

A co-operative society is an enterprise or organisation operated in the common interest of and for the benefit of its members in their capacity as buyers, suppliers or the like, and in which the profit, exclusive of return on contributed capital, is either distributed among its members according to their share of the sales or retained in the society.

A co-operative society is taxed as a single entity according to special rules. Its profits are normally distributed on the basis of the turnover or volume of each member's transactions.

#### 5.4.5 Sole proprietorship (*Enkeltmandsfirma*)

Any name may be selected; the owner's name may, but need not, appear in the firm's name.

### 5.5 Commercial foundation (*Erhvervsdrivende fond*)

A commercial foundation is understood to be a fund which transfers goods or immaterial rights, performs services or the like, or carries on business selling or leasing real property.

#### 5.5.1 Instrument of foundation

Corporate funds must draw up an instrument of foundation that contains the following information:

- The fund's name, which must include the word "fond"
- The fund's founder/founders
- The fund's domicile
- The fund's objective
- The amount of the base capital of the foundation and how it was paid up (in the form of cash or other assets)
- Whether the fund is to take over other assets than cash on its establishment
- Special rights or advantages allotted to the founder or to others

- The number of committee members
- The manner in which accounts are kept
- The appropriation of profits

### 5.5.2 Capital

The base capital must be at least DKK 300,000. The foundation may not be registered until the base capital designated in the instrument of foundation is fully paid up.

### 5.5.3 Management

A commercial foundation must be managed by a committee which, in addition to any representatives elected by the employees, consists of at least three members. The procedure for electing employee representatives to the committee is the same as for limited liability companies. The committee may employ one or more managers. The managers and at least half of the members of the committee must be residents of Denmark unless the fund authorities grant an exemption from this requirement or the requirement conflicts with international obligations.

## 5.6 European companies

European public limited-liability companies, European Economic Interest Groupings and European Co-operative Societies (SE, EØFG and SCE).

There are a number of special European companies. The common feature of these companies is that they are based primarily on EU regulations which mean that the various types of business are identical in their structure in all the EU member states.

There are three types of European companies represented in Denmark:

European public limited-liability companies (SEs)

European Economic Interest Grouping (EEIGs)

European Co-operative Societies (SCEs)

The common feature of the three types of business is that they are subject to very special regulation on registration, which – to a certain extent – separates them from Danish organisations or enterprises. If you contemplate setting up such an enterprise or business, we recommend that you contact the Danish Commerce and Companies Agency.

## 5.7 Bookkeeping and annual accounts

Commercial undertakings established in Denmark are subject to the Consolidated Bookkeeping Act and must comply with the provisions therein. For each accounting year, annual accounts con-

sisting of a balance sheet, a profit and loss account and notes must be prepared. The annual accounts must be submitted to auditors and filed with the Danish Commerce and Companies Agency.

## 5.8 Auditing and accounting - legal requirements

Public limited companies, branch offices, private limited companies, limited partnership companies, limited liability business enterprises and individuals engaging in business operations must file a balance sheet, a profit and loss account and their annual tax return with the tax authorities.

The annual accounts must give a true and fair view of the company's assets and liabilities, its financial position and its profits. Annual accounts consisting of a balance sheet, a profit and loss account and notes are drawn up for each financial year. These are accompanied by an annual report and, in the case of parent companies, consolidated accounts.

The company must send an attested copy of the certified accounts to the Danish Commerce and Companies Agency. Company accounts are open for public inspection at the Agency, but company tax returns are not.

## 5.9 Establishment costs

A foreign company setting up in Denmark must, of course, reckon on paying for local professional advice and assistance, particularly legal advice and assistance.

## 5.10 Registration fees and annual fees

No registration fees are required of any of the forms of business enterprises mentioned above.

Commercial foundations pay an annual fee of 1/6 per mille of the shareholders' equity, from a minimum of DKK 100 to a maximum of DKK 25,000, but pay no registration duty.

# Setting up in Denmark

## 6. Taxation

The Danish tax system for individuals rests on the global taxation principle.

The principle holds that the income of individuals with full tax liability is taxed in Denmark irrespective of whether the income is earned in Denmark or abroad. The tax system for Companies rests on the territorial taxation principle. Neither individuals nor companies pay wealth tax in Denmark.

Individuals with full tax liability are generally individuals living in Denmark.

Companies with full tax liability are generally companies which are registered with the Danish Commerce and Companies Agency. Foreign companies which are managed from Denmark are also subject to full tax liability.

Relief from double taxation is granted under the double taxation treaties which Denmark has concluded with other countries, or under internal Danish rules.

Individuals and companies with limited tax liability are taxed only on income from certain activities in Denmark and on certain specific earnings. Only costs directly related to the income are tax-deductible.

Individuals and companies with limited tax liability are generally not taxed in Denmark on the yield on Danish bonds or interest earned on deposits with Danish banks. Their share dividends are subject to a 28 per cent dividend withholding tax. This coupon tax is refundable wholly or partly if Denmark has a double taxation treaty with the investor's country of domicile. Subject to specified conditions, dividends can be paid net of the reduced treaty withholding tax to private investors resident in certain countries.

The purpose of this section is solely to render a brief account of some of the tax rules which are relevant to business enterprises wishing to set up in Denmark.

Anyone wishing to set up a business in Denmark should seek professional advice from a lawyer or accountant.

### 6.1 Income tax

#### 6.1.1 Companies

The corporation tax rate is 25 per cent. The tax is payable on account in two instalments (March and November) in the income year, with a final settlement in November of the following year.

The advance tax is initially set at a rate of 50 per cent of the average of the previous three years' income tax.

A company registered in Denmark may be taxed jointly with both Danish and foreign subsidiaries on condition that the share capital of the subsidiary is controlled by the company.

All transactions with related parties must be entered into on an arm's-length basis. The pricing method must be documented. There are rules on thin capitalisation, which generally limit the possibility of deducting interest and capital losses on debt to persons and companies controlled from abroad if the Danish company's debt-equity ratio exceeds 4:1. Loans from third parties for which collateral has been supplied are considered a basis for controlled debt.

Special rules limit the possibility of deducting interest expenses exceeding DKK 21,3 million.

For Danish holding companies that own at least 10 per cent of the share capital of a company with full tax liability in Denmark, dividends will be paid without Danish tax being withheld.

Similar rules generally apply to foreign holding companies in the EU or another country with which Denmark has entered a double taxation agreement. There are special rules on dividends from certain financial companies, however. In general, these rules have made Denmark an attractive domicile for holding companies.

An example of a corporation tax computation is shown at the end of this section.

## 6.1.2 Individuals

The income of individuals with full tax liability is classified as personal income, capital income and share income. Personal income includes salary, the taxable value of fringe benefits such as free housing and a free car, earnings from independent business activities, pension income, etc. There is a deduction from income of 4,25 per cent, with a maximum of DKK 13.600 (2009). The deduction is calculated on wages or salary less deductible pension contributions. The maximum tax value of the deduction is about DKK 4,500 (2009). Capital income comprises interest earnings and profit from real property companies; gains on real property used as a residence by the owner, however, are generally exempt from taxation. All interest expenses are deductible as negative capital income. Share income includes dividends earned from Danish and foreign companies and taxable gains on shares.

There is a 8 per cent social security levy on employment income and business profits. The levy is deductible from personal income. The income brackets noted below apply to income after deduction of the levy.

Taxation is progressive. The sum of personal income and positive net capital income up to DKK 347.200 (2009) is taxed at a rate of about 39 per cent (2009), depending on the level of local taxes. Income over DKK 347.200 (2009) is subject to an additional tax up to 21 per cent (6 + 15). The maximum marginal rate is 59 per cent. If the total taxes give a cumulative rate over 59 per cent, the 21 per cent tax rate is reduced.

Capital income is calculated as a net amount (for example interest earnings less interest expenses), and positive net capital

income is subject to a marginal rate of up to 59 per cent, whereas negative net capital income has a tax value of only about 33 per cent (2009).

Dividend income from Danish and foreign companies is subject to 28 per cent share income tax, provided it does not exceed DKK 48.300. Income between DKK 48.300 and DKK 106.100 is taxable at a rate of 43 per cent. Income exceeding DKK 106.100 is taxable at a rate of 45 per cent. The thresholds for calculating share income tax are doubled for spouses. Taxation of share income at a rate of 45 per cent took effect as from 2008. Lifting the tax rate to 45 per cent has resulted in the introduction of a interim balance to ensure that profits generated at a corporation tax rate higher than 25 per cent are taxable at a maximum rate of 43 per cent.

Allowances such as travel allowances and maintenance payments to a former spouse or children generally have a tax value of 33 per cent in 2009.

There is no deduction for payments to private health insurance schemes.

The total tax is reduced by the tax value of a personal allowance amounting to about DKK 16.500 (2009).

An example of an individual income tax computation is shown at the end of this section.

Expatriate staff who are stationed in Denmark may under certain conditions choose to pay 25/33 per cent tax on gross employment income, excluding certain payments in kind, which are subject to the normal tax rates. When the social security levy is taken into account, total taxation is about 31/39 per cent. This tax rate may apply for a maximum of three/five years.

The following conditions must be fulfilled: the monthly salary must be at least DKK 63.800 net of social security levy (2009), the contract of employment must have been concluded with a Danish person or company or a person or company that has a permanent establishment in Denmark. Full tax liability begins as soon as employment commences.

Other income, such as certain payments in kind and interest earnings, is taxed in accordance with the general rules.

## 6.2 Some deductions

*Depreciation of buildings:* Buildings used for production purposes can normally be depreciated using the straight-line method at a rate of 4 per cent per year until the building is fully depreciated. The depreciation base is that part of the cash acquisition sum which is attributable to the building itself. No depreciation may be taken on office buildings, except for ancillary buildings, or land.

*Machinery, office equipment, motor cars:* The cash acquisition cost of machinery, office equipment and motor cars, is pooled and depreciated at 25 per cent using the reducing balance method.

Full depreciation is allowed in the year of acquisition, unless the asset is to be used for leasing, when there is no depreciation in the first year unless special approval has been obtained. If no depreciation is allowed in the first year, leasing assets are depreciated at 50 per cent in the second year and 25 per cent in subsequent years.

In the year of sale, the sales proceeds are deducted from the opening balance of the plant and equipment pool, before depreciation allowances are taken.

Special deduction rules govern infrastructure installations and machinery and equipment of a permanent nature.

*Royalties:* Royalty payments are fully deductible. If the recipient is not fully taxable in Denmark, the payer must withhold 30 per cent royalty tax. The royalty tax may be avoided wholly or in part if a double taxation treaty confers the right of taxation wholly or partly on the recipient's country of residence.

*Interest expenses:* Interest expenses are deductible on an accrual basis for companies and on the due date for individuals, subject to payment within certain time limits.

*Income tax:* Taxes paid cannot be deducted from taxable income.

*Losses:* Negative taxable income may be carried forward and set off against taxable income with no time limit. Negative taxable income cannot be carried back.

### 6.3 VAT and excise duties

The current VAT rate on goods and services is 25 per cent of the sales price. Enterprises registered for VAT may set off VAT paid against VAT received on their sales, and are required to pay the difference to the tax authorities.

All goods and services are subject to the same VAT rate.

Imports from countries outside Denmark are subject to VAT. Excise duties are also levied on imports from other countries.

Exports from Denmark are usually exempt from VAT.

### 6.4 Special oil and gas tax

Enterprises engaged in oil exploration, extraction, transportation and related activities in Denmark are subject to a special form of taxation – the hydrocarbon tax.

### 6.5 Tax rules for shipping companies

Shipping companies may choose to pay tax according to special rules. Instead of computing taxable income in accordance with the ordinary rules, they may compute taxable income on the basis of net tonnage per day per vessel, regardless of actual earnings.

The company's other income is computed in accordance with the ordinary rules.

#### Double taxation treaties

As of January 2009, Denmark had concluded double taxation treaties with the following countries:

Argentina	Germany	Morocco	Thailand
Armenia*	Greece	Netherlands	Trinidad and Tobago
Australia	Greenland	New Zealand	Tunisia
Austria	Hungary	Norway	Turkey
Azerbaijan	Iceland	Pakistan	Uganda
Bangladesh	India	Philippines	UK
Belgium	Indonesia	Poland	Ukraine
Belarus*	Iran	Portugal	USA
Bosnia-Herzegovina	Ireland	Rumania	Venezuela
Brazil	Israel	Russia	Vietnam
Bulgaria	Italy	Serbia-Montenegro**	Yugoslavia
Canada	Jamaica	Singapore	Zambia
Chile	Japan	Slovakia**	
China	Jordan	Slovenia	
Croatia**	Kenya	South Korea	
Cyprus	Latvia	South Africa	
Czech Republic	Lithuania	Sri Lanka	
Egypt	Luxembourg	Sweden	
Estonia	Macedonia	Switzerland	
Faroe Islands	Malaysia	Taipei	
Finland	Malta	Taiwan	
Georgia*	Mexico	Tajikistan	
	Moldavia	Tanzania	

\* CIS agreement (the former Soviet Republics).

\*\* The Yugoslavian agreement is used.

Example:

Corporation tax computation

	DKK
Income after tax according to financial statements .....	1,000,000
<b>Additions</b>	
Taxes according to financial statements .....	600,000
Book depreciation .....	300,000
Non-deductible costs .....	50,000
	<u>950,000</u>
	<u>1,950,000</u>
<b>Deductions</b>	
Tax depreciation .....	400,000
Non-taxable income .....	<u>20,000</u>
Taxable income .....	<u>1,530,000</u>
Corporation tax at 25 per cent .....	<u>382,500</u>

Generally payable as advance tax in two instalments on  
March 20 and November 20

Example:

Income tax computation for an individual (2009)

The individual is assumed to be unmarried.

	DKK
Personal income (salary 500,000, social levy 40,000) .....	460,000
Capital income, net .....	+30,000
Deductions .....	- 10,000
4,25 per cent of 500,000, max. 13,600 .....	- <u>13,600</u>
Taxable income.....	<u>466,400</u>
Lower rate tax (about 39 per cent of 466,400 *).....	181,896
Intermediate rate tax (6 per cent of 142,800) (460,000+ 30,000 - 347,200) .....	+ 8,568
Higher rate tax (15 per cent of 142,800**) (460,000 + 30,000 - 347,200) .....	+21,420
Tax value of personal allowance (39 per cent of 42,900) .....	<u>- 16,731</u>
Income tax.....	195,153
Social levy .....	+40,000
Total tax and social levy .....	<u>235,153</u>

\* The lower rate tax includes a variable local authority tax and health care contribution.

\*\* The higher rate tax is reduced from 15 per cent because of the maximum marginal rate 59 per cent.

# Setting up in Denmark

## 7. Useful sources of information

Danmarks Statistik  
(Statistics Denmark)  
11 Sejrøgade  
DK-2100 Copenhagen Ø  
Tel.: +45 39 17 39 17  
Fax: +45 39 17 39 99  
Web site: [www.dst.dk](http://www.dst.dk)

*Statistisk Årbog*  
(Statistical Yearbook)  
*Statistisk Tiårs oversigt*  
(Ten-year statistical survey)  
*Statistisk Månedsoversigt*  
(Monthly review of statistics,  
supplement to Statistical News)  
*Statistiske Efterretninger*  
(Statistical News)  
*Nyt fra Danmarks Statistik*  
(News from Denmark's Statistik)  
Danmarks Vareindførsel  
og Vareudførsel  
(Denmark's foreign trade)

Udenrigsministeriet  
(Ministry of Foreign Affairs)  
2 Asiatisk Plads  
DK-1448 Copenhagen K  
Tel.: +45 33 92 00 00  
Fax: +45 32 54 05 33  
Web site: [www.um.dk](http://www.um.dk)

Danmarks Nationalbank  
(The Danish central bank)  
5 Havnegade  
DK-1093 Copenhagen K  
Tel.: +45 33 63 63 63  
Fax: +45 33 63 71 03  
Web site: [www.nationalbanken.dk](http://www.nationalbanken.dk)

Report and Accounts  
(issued annually in English)  
Monetary Review  
(four times a year in English)

Finansministeriet  
(Ministry of Finance,  
Department of the Budget)  
1 Christiansborg Slotsplads  
DK-1218 Copenhagen K  
Tel.: +45 33 92 33 33  
Fax: +45 33 32 80 30  
Web site: [www.fm.dk](http://www.fm.dk)

Erhvervsministeriet  
(Ministry of Business and Industry)  
10-12 Slotsholmsgade  
DK-1216 Copenhagen K  
Tel.: +45 33 92 33 50  
Fax: +45 33 12 37 78  
Web site: [www.em.dk](http://www.em.dk)

Finansrådet  
(Danish Bankers' Association)  
7 Amaliegade  
DK-1256 Copenhagen K  
Tel.: +45 33 70 10 00  
Fax: +45 33 93 02 60  
Web site: [www.finansraadet.dk](http://www.finansraadet.dk)

Dansk Industri  
(Federation of Danish Industries)  
18 H.C. Andersens Boulevard  
DK-1787 Copenhagen V  
Tel.: +45 33 77 33 77  
Fax: +45 33 77 33 00  
Web site: [www.di.dk](http://www.di.dk)

Håndværksrådet  
(Federation of Crafts and  
Smaller Industries)  
26 Islands Brygge  
DK-2300 Copenhagen S  
Tel.: +45 33 93 20 00  
Fax: +45 33 32 01 74  
Web site: [www.hvr.dk](http://www.hvr.dk)

Dansk Erhverv  
(Danish Chamber of Commerce)  
Børsen  
DK-1217 Copenhagen K  
Tel.: +45 33 74 60 00  
Fax: +45 33 74 60 80  
Web site: [www.danskerhverv.com](http://www.danskerhverv.com)

Københavns Fondsbørs  
(Copenhagen Stock Exchange)  
6 Nikolaj Plads  
DK-1067 Copenhagen K  
Tel.: +45 33 93 33 66  
Fax: +45 33 12 86 13  
Web site: [www.xcse.dk](http://www.xcse.dk)

Landbrugsrådet  
(The Agricultural Council)  
3 Axeltorv  
DK-1609 Copenhagen V  
Tel.: +45 33 3940 00  
Fax: +45 33 39 41 41  
Web site: [www.landbrugsraadet.dk](http://www.landbrugsraadet.dk)

Erhvervs- og Byggestyrelsen  
(National Agency for Enterprise  
and Construction)  
17 Langelinie Alle  
DK-2100 Copenhagen Ø  
Tel.: +45 35 46 60 00  
Fax: +45 35 46 60 01  
Web site: [www.ebst.dk](http://www.ebst.dk)

Atradius  
(Credit Insurance)  
8A Sluseholmen  
DK-2450 Copenhagen SV  
Tel.: +45 33 26 50 00  
Fax: +45 33 26 50 10  
Web site: [www.atradius.dk](http://www.atradius.dk)

Eksport Kredit Fonden EKF  
(Export Credit Fund EKF)  
Langelinie Alle 17  
DK-2100 Copenhagen Ø  
Tel.: +45 35 46 61 00  
Fax: +45 35 46 61 11  
Web site: [www.ekf.dk](http://www.ekf.dk)

FIH  
(Finance for Danish Industry)  
43 Langelinie Alle  
DK-2100 Copenhagen Ø  
Tel.: +45 72 22 50 00  
Fax: +45 72 22 50 01  
Web site: [www.fih.dk](http://www.fih.dk)

Dansk Arbejdsgiverforening  
(Danish Employers' Confederation)  
113 Vester Voldgade  
DK-1790 Copenhagen V  
Tel.: +45 33 38 90 00  
Fax: +45 33 12 29 76  
Web site: [www.da.dk](http://www.da.dk)

LO, Landsorganisationen  
i Danmark  
(The Federation of Trade Unions)  
32D Islands Brygge  
DK-2300 Copenhagen S  
Tel.: +45 35 24 60 00  
Fax: +45 35 24 63 00  
Web site: [www.lo.dk](http://www.lo.dk)

Erhvervs- og Selskabsstyrelsen  
(Danish Commerce and Companies Agency)  
1 Kampmannsgade  
DK-1780 Copenhagen V  
Tel.: +45 33 30 77 00  
Fax: +45 33 30 77 99  
Web site: [www.eogs.dk](http://www.eogs.dk)

Further information can be obtained at all Danish embassies and consulates.

# Setting up in Denmark

## 8. Danske Bank in brief

Measured by total assets, the Danske Bank Group is the largest financial enterprise in Denmark and one of the largest in the Nordic region. The Group offers Danish and international customers a wide range of services in the fields of banking, mortgage finance, insurance, leasing, real-estate brokerage and asset management.

### 8.1 Banking, insurance, mortgage finance and asset management

The Group serves personal and business customers through banks with nationwide branch networks in Denmark, Sweden, Norway, Northern Ireland, the Republic of Ireland, Finland and the Baltic states.

In addition, customers in Denmark are served by head office departments, finance centres and subsidiary companies. Customers in Sweden are also served by a large corporate client department and several head office departments.

The Group also has branches in London, Hamburg, and Warsaw. A subsidiary in Luxembourg specialises in private banking services, and one in St. Petersburg serves the Bank's corporate customers. In addition, the Group is represented in the leading international financial centres and in Denmark's most important export markets.

The Group's insurance activities are handled by the Danica Pension insurance group, which offers life and pension products under its own brand name. Mortgage finance activities are provided by Realkredit Danmark. Apart from banking, insurance and mortgage finance services for personal and business customers, the Group provides asset management services to institutional clients and life insurance providers.

### 8.2 Customer base

In total, the Group serves 5 million retail customers and a significant number of public sector and institutional organisations. Some 2 million customers use the Bank's online services.

### 8.3 Staff

A well-qualified and professional staff provide an individual service tailored to the wishes and needs of customers. The Danske Bank Group employs about 23,500 staff.

### 8.4 Growth and development

The Group continues to expand its activities to take advantage of promising business opportunities that also offer a satisfactory return. Our considerable capital strength enables us to both expand our business universe and adapt existing activities in a competitive market environment.

You can find us here:

Denmark Danske Bank <a href="http://www.danskebank.dk">www.danskebank.dk</a>	Lithuania Danske Bankas <a href="http://www.danskebankas.lt">www.danskebankas.lt</a>
Estonia Sampo Pank <a href="http://www.sampopank.ee">www.sampopank.ee</a>	Northern Ireland Northern Bank <a href="http://www.northernbank.co.uk">www.northernbank.co.uk</a>
Finland Sampo Pankki <a href="http://www.sampopankki.fi">www.sampopankki.fi</a>	Norway Fokus Bank <a href="http://www.fokus.no">www.fokus.no</a>
Germany Danske Bank <a href="http://www.danskebank.com/de">www.danskebank.com/de</a>	Poland Danske Bank <a href="http://www.danskebank.com/pl">www.danskebank.com/pl</a>
Ireland National Irish Bank <a href="http://www.nationalirishbank.ie">www.nationalirishbank.ie</a>	Russia ZAO Danske Bank <a href="http://www.danskebank.com/ru">www.danskebank.com/ru</a>
Latvia Danske Banka <a href="http://www.danskebanka.lv">www.danskebanka.lv</a>	Sweden Danske Bank <a href="http://www.danskebank.se">www.danskebank.se</a>