



GLOBAL
EMPLOYER
GUIDE

DENMARK





Basic Country Facts

Full Name

- Kingdom of Denmark

Capital

- Copenhagen

Main Languages

- Danish
- Faroese
- German
- Greenlandic

Population

- 5.79 million

Monetary Unit

- Danish krone

Internet Domain

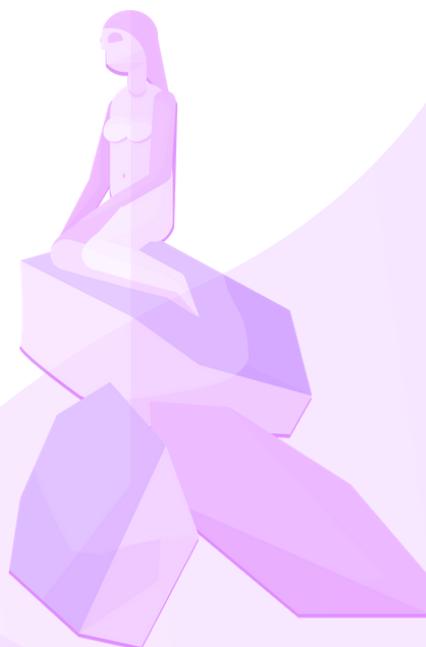
- .dk

International Dialing Code

- +45

Currency

- Danish Krone



STATUTORY LABOR REQUIREMENTS

Probation Period

- In Denmark, there is no general legislation regarding probationary periods. However, for salaried employees (white-collar employees), only a probationary period of up to three months may be agreed. This period cannot be extended.
- For manual employees (blue-collar employees), there is no legislation on the maximum duration of probationary periods. Such provisions may, however, follow from an applicable collective agreement.

Annual Leave

- Under the Danish Holiday Act, employees are entitled to 25 days' holiday every year, and to take 15 of the 25 days consecutively between 1 May and 30 September.

Public Holidays

- The official public holidays in Denmark are those recognized by the Church of Denmark.
- New Year's Day (1 January),
- Maundy Thursday,
- Good Friday,
- Easter Sunday,
- Easter Monday,
- Great Day of Prayers (fourth Friday after Easter),
- Ascension Day (fortieth day after Easter),
- Pentecost (fiftieth day after Easter),
- Whit Monday (day after Pentecost),
- Christmas Day (25 December)
- Second Day of Christmastide (26 December)



Maternity Leave

- The Danish Act on Entitlement to Leave and Benefits in the Event of Childbirth governs women's and men's entitlement to pregnancy, maternity, paternity, parental and adoption leave.
- The Act is quite complicated, but in outline, it entitles women to start their pregnancy leave four weeks before the expected date of birth and to have 14 weeks' maternity leave after the birth.
- Salaried employees covered by the Danish Salaried Employees Act are entitled to at least 50 per cent pay while on pregnancy and maternity leave (until 14 weeks after the birth).

Paternity Leave

- Men or spouses are entitled to 14 days' paternity leave after the birth.
- On top of this, each of the parents is entitled to 32 weeks' parental leave, which
- can be extended to 46 weeks.

Sick Leave

- The rules vary depending on whether the employee is a salaried employee (white-collar employee) or a manual employee (blue-collar employee).
- Salaried employees are entitled to receive their usual remuneration during sickness absence. If the employee is absent for more than 30 days, the employer is entitled to an amount corresponding to the sickness benefits from the local municipality.
- Other employees are entitled to sickness benefits during sickness absence. During the first 30 days of absence, the employer will pay the sickness benefits to the employee. After that, the local municipality will pay the sickness benefits to the employee.

Work Hours

- Full time employment is 37 hours weekly. A work week should not exceed 48 hours, including overtime.

Overtime

- Denmark does not have a mandatory or general overtime regulation. Rules for overtime should be stated in the collective bargaining agreement.
- The typical overtime pay is 50% pay for the first three hours, and 100% pay for subsequent hours, holiday or Sunday work.

Notice Period

- Salaried employees are entitled to a notice period of between one and six months, depending on seniority, when dismissed by the company.
- Where employees resign, they must provide the employer with one month's notice.

Severance

- There is no general statutory regulation on severance pay, but salaried employees who have been in continuous employment for between 12 to 17 years are entitled to a severance payment of between one to three months' salary if dismissed by the employer.

13th Month

- It is mandatory to pay 13th month and 14th month salary.
- 13th month – Christmas bonus normally paid with the November salary
- 14th month at the same time as June salary



Income Tax

- An individual may be taxed in Denmark as having full tax liability to Denmark, as having limited tax liability to Denmark, or according to special expatriate rules or rules regarding work force hire.
- Individuals who are residents in Denmark are subject to full tax liability (i.e. liable to tax on their worldwide income unless the individual is considered to be tax resident in another country according to a double taxation treaty [DTT]).
- An individual who is fully tax resident in Denmark will, as a main rule, be taxed according to the ordinary tax scheme by up to 52.06% (55.89% including AM tax, which is also income tax for DTT purposes) in 2020.
- Generally, individuals are subject to national income tax, municipal tax, regional tax, labor market tax, and church tax (all described below).
- When assessing the tax under the ordinary scheme, the following types of income apply:
 - Personal income (salary, benefits in kind, self-employment income, pension income, etc.).
 - Capital income (interest income, interest expenses, net taxable capital gain, etc.).
 - Taxable income (personal income added to capital income and adjusted for certain itemized deductions).
 - Share income (dividends, capital gains on shares).
 - Property value (value of property situated in Denmark or abroad).

Taxes (2020)	Income Basis	Tax rate (%)
State taxes: -		
Bottom tax	Personal Income	12.14
Top tax	Personal Income	15
Local taxes:		
Municipal tax (average)	Taxable Income	24.954
Labor market tax	Personal Income	8
Share taxes:		
DKK 0 to 55,300	Share Income	27
More than DKK 55,300	Share Income	42

Social Security

- The Danish social security system is financed primarily through ordinary tax revenue and only very limited social security contributions for employees and employers.
- All individuals working in Denmark and fully tax liable to Denmark and who are covered by Danish social security must also pay labor market supplementary pension (ATP).
- Danish social security contributions and in some cases foreign social security contributions are deductible from personal income for tax purposes. The employer is responsible for withholding and paying the contributions on behalf of their employees.
- Employees performing work in Denmark will be mandatory members of the Danish social security scheme, and thereby obliged to pay social security contributions (ATP) of DKK1,135.80 per employee per year.
- The employer's contributions to Danish social security amount to approximately DKK8,000-10,000 per employee per year.
- An exemption from the Danish social security scheme may be obtained if there is a totalization agreement between Denmark and the home country/territory. This applies to both residents as well as non-residents.



Social Security Annual Rates (2019)	DKK
Employee: ATP	1,135.8
Employer: ATP	2,271.6
Contribution to maternity fund	1,150
Industrial injuries insurance (estimate)	5000
Other public social security schemes (partly estimated)	5,300



Deductible Expenses

- The complex Danish tax system is reflected in a number of possible deductions. The tax value of a deduction varies depending on in what type of income or in what tax base the deduction can be made.
- Deductions can only be made related to income from sources that are taxable in Denmark, and it is not possible to deduct expenses exceeding the income.

Employment Expenses

- In general, an employment allowance is available for any individual engaged in active employment. The allowance amounts to 10.50% of the employment income and cannot exceed DKK 39,400 (in 2020).
- Salary earners may deduct travelling expenses from home to work, travelling expenses necessitated by different work places, contributions to unemployment insurance, membership fees to professional trade associations, and union subscriptions.
- Furthermore, under certain circumstances, salary earners' expenses related to the performance of their work, such as technical literature, work clothes, etc., may be deductible from the taxable income if they exceed a basic amount (DKK 6,300 in 2020).



Personal Deductions

Charitable Contributions

- Donations to certain approved charities, foundations, institutions, etc. are deductible in the determination of taxable income.
- The maximum deductible amount per year is DKK 16,600 (in 2020), regardless of whether the contributions are spread out among different foundations.
- The foundation must report the donations made annually to the tax authorities.

Child benefits

- In 2020, a tax-free child benefit of DKK 18,384 per annum is payable to the custodial parent of children aged 0 to 2 (inclusive) if the parent is fully tax liable to Denmark and is not covered by the social security system in the home country.
- The annual benefit for children aged 3 to 6 is DKK 14,556 and for children aged 7 to 14 is DKK 11,448 and is paid on a quarterly basis. For children aged 15 to 17, the amount is DKK 11,448 per year.
- An individual who pays child support maintenance because of divorce is entitled to an annual deduction per child.

Interest expenses

- Interest expenses are deductible from capital income and are generally deducted in the year in which they fall due.
- Penalty interest paid in connection with late payment of taxes is non-deductible.
- Deduction of interest expenses covering a period of more than six months and falling due more than six months before the end of that period must be allocated to the period to which the expenses relate.

Association expenses

- A taxpayer can deduct expenses incurred for quotas for membership of employer associations, unions (maximum DKK 6,000 per year [2020]), and other professional associations that aim to defend the economic interests of the professional group to which the taxpayer falls.



Deductible Expenses

Employment Expenses

- In general, an employment allowance is available for any individual engaged in active employment. The allowance amounts to 10.50% of the employment income and cannot exceed DKK 39,400 (in 2020).

Personal Deductions:

Charitable Contributions

- The maximum deductible amount per year is DKK 16,600 (in 2020), regardless of whether the contributions are spread out among different foundations.

Child Benefits

- In 2020, a tax-free child benefit of DKK 18,384 per annum is payable to the custodial parent of children aged 0 to 2 (inclusive) if the parent is fully tax liable to Denmark and is not covered by the social security system in the home country.
- The annual benefit for children aged 3 to 6 is DKK 14,556 and for children aged 7 to 14 is DKK 11,448 and is paid on a quarterly basis. For children aged 15 to 17, the amount is DKK 11,448 per year.

Interest Expenses

- Interest expenses are deductible from capital income and are generally deducted in the year in which they fall due.
- Penalty interest paid in connection with late payment of taxes is non-deductible.

Association Expenses

- A taxpayer can deduct expenses incurred for quotas for membership of employer associations, unions (maximum DKK 6,000 per year [2020]), and other professional associations that aim to defend the economic interests of the professional group to which the taxpayer falls.



Immigration

- Foreign workers from non-EU / EEA and non-Scandinavian countries are generally required to hold a residence and / or work permit before entering Denmark.
- Work permits are generally issued on the basis of an individual's qualifications and sometimes, Danish labor market considerations.
- Citizens of Nordic countries (i.e., Finland, Iceland, Norway, or Sweden) do not need any type of work or residence permit.
- Denmark is not covered by the EU Blue Card network.
- There are several schemes that the Danish government has put in place for companies to employ highly qualified professionals to obtain residence and a work permit in Denmark.
 1. Positive List Visa
 2. Pay Limit Scheme
 3. Fast-track Scheme
- **Positive List Visa**
 - The Positive List is a list of professions where there is currently a skills shortage in Denmark. Examples include engineers, doctors and medical consultants, auditors etc.
 - Applicants must meet the minimum educational requirements stated in the list before being eligible to apply under this scheme.
 - Duration of permit: 4 years (for an indefinite job contract).
 - For limited or temporary job contracts, the duration of the permit will be the same as the duration of the contract plus an extra 6 months.
- **Pay Limit Scheme**
 - The Pay Limit scheme is designed for high-income individuals earning annual salaries above a specific threshold.
 - The current minimum threshold is DKK 375,000. Individuals under this scheme have to meet this annual income requirement, inclusive of any unpaid holidays.
 - Any holiday pay earned in the course of one income year but will be paid out the following year cannot be included in the calculation of the annual pay of the first income year.
 - Duration of permit: 4 years (for an indefinite job contract). Extensions are permitted.
 - For limited or temporary job contracts, the duration of the permit will be the same as the duration of the contract plus an extra 6 months.
- **Fast-track Scheme**
 - Certain companies certified with the Danish Agency for Labor Market and Recruitment may be able to bring in highly skilled employees under the Fast-track scheme.
 - The scheme is intended for larger companies needing to recruit highly qualified foreign employees on an urgent basis.
 - It encompasses both private and public companies, including universities.
 - The foreign national can apply under the scheme if he or she has been offered a job by a certified company and the job offered meets one of the following criteria:
 - The foreign national is employed according to the conditions in the Pay Limit scheme
 - The foreign national is employed as a researcher
 - The purpose of the employment is a high level educational stay
 - The employment is for a short term stay

Type of Visa	Documentation	Validity	Eligibility
Positive List Visa	<ul style="list-style-type: none"> • A completed application form • A valid passport • A recent passport photo • Proof of your financial situation • Employment Contract • Educational Qualification (Bachelors or Master's Degree) 	4 years	<ul style="list-style-type: none"> • The Positive List is a list of professions where there is currently a skills shortage in Denmark. Examples include engineers, doctors and medical consultants, auditors etc. • Applicants must meet the minimum educational requirements stated in the list before being eligible to apply under this scheme.
Pay Limit Scheme	<ul style="list-style-type: none"> • Original, signed passport valid for 6 months • Employment contracts or job offer • Proof of your financial situation • Application Form 	4 years	<ul style="list-style-type: none"> • The Pay Limit scheme is designed for high-income individuals earning annual salaries above a specific threshold. • The current minimum threshold is DKK 375,000. Individuals under this scheme have to meet this annual income requirement, inclusive of any unpaid holidays.



Value Added Tax (VAT)

- If a company not established in Denmark is providing 'taxable supplies' of goods or services in Denmark, it may have to obtain a non-resident VAT registration.
- In accordance with the EU VAT Directive, foreign traders are legally obligated to register for VAT in certain circumstances in order to report taxable transactions and declare VAT that must be charged.
- Foreign businesses must charge Danish VAT rates if they are VAT registered in Denmark. Failure to do so will leave the company liable to any under collected VAT.
- The framework for the rates is set by the EU (e.g. the minimum VAT rate must be above 15%).
- However, Denmark is free to determine the higher, standard rate, and most of the reduced rates.
- Denmark applies a standard VAT rate of 25% and no reduced rates.
- A special rate of 0% applies to newspapers (i.e. daily or periodical publications meeting specific requirements regarding their contents).
- Also other supplies may be subject to VAT at 0% under certain conditions that mostly relate to international trade.

VAT Rates

Standard rate	25%
Special rate of 0%	0%

Withholding Tax

Dividends

- Dividends paid to a nonresident generally are subject to a 27% withholding tax
- For companies, the final rate is 22%, i.e. 5% can be reclaimed
- The rate is 15% if the recipient holds less than 10% of the payer company, and the tax authorities in the country where the recipient is resident are required to exchange information with the Danish tax authorities under an applicable tax treaty or other international treaty or convention, or according to an administrative assistance agreement in tax cases

Interest

- Interest paid to a nonresident generally is exempt from withholding tax, although a 22% withholding tax applies to interest paid to foreign related entities in certain situations

Royalties

- Royalties paid to a nonresident are subject to a 22% WHT, unless the rate is reduced under a tax treaty or the EU interest and royalties' directive applies



WHT

Dividends	<ul style="list-style-type: none">• Dividends paid to a nonresident generally are subject to a 27% withholding tax• For companies, the final rate is 22%, i.e. 5% can be reclaimed• The rate is 15% if the recipient holds less than 10% of the payer company,
Interest	<ul style="list-style-type: none">• Interest paid to a nonresident generally is exempt from withholding tax, although a 22% withholding tax applies to interest paid to foreign related entities in certain situations
Royalties	<ul style="list-style-type: none">• Royalties paid to a nonresident are subject to a 22% WHT, unless the rate is reduced under a tax treaty or the EU interest and royalties' directive applies

Termination

- The Salaried Employees Act requires that the dismissal of employees with more than one year's service be reasonably justified.
- The circumstances at the actual date of dismissal are decisive for the assessment of reasonableness.
- It is not permitted to terminate employment for reasons such as pregnancy, adoption or demands for equal pay. The employer must be able to document that the termination is not caused by any such reasons, but due to financial reasons or cooperation difficulties.
- Dismissal may be justified by the circumstances of the company, e.g. finances or organizational changes, or by the conduct of the employee, e.g. lack of performance or cooperation problems.
- Regardless of whether the dismissal is justified by the circumstances of the company or your conduct, the employer must give notice of the termination with the above notice periods (see also the sections on dismissals).

Statutory Benefits

- Denmark employment law is relatively simple in terms of compensation laws. There aren't many statutory compensation and benefits laws.
- Instead, trade unions or collective bargaining agreements outline these rules for specific employees. For example, the country does not have a minimum wage, but collective bargaining agreements will often include minimum wage regulations.
- Statutory benefits include annual leave, public holidays, maternity leave, paternity leave, sick leave, notice period, 13th month and 14th month salary.
- It also includes social security benefits.

Statutory Benefits

Annual Leave

Public Holidays

Maternity leave

Paternity Leave

Sick Leave

Notice Period

13th month salary

14th month salary

Maternity fund

Labor Market Supplementary Pension (ATP).

Maternity Fund

Industries Injury Insurance

Payments and Invoicing

- Individual tax returns must normally be filed no later than on 1 July of the year following the tax year.
- However, if the individual receives a pre-printed tax assessment from the tax authorities, any change to the pre-printed tax assessment must be filed no later than 1 May.
- Individuals who are Danish residents or who have had Danish source income are obliged to file a Danish tax return.
- Individuals who become taxable in Denmark are obliged to file a preliminary tax assessment ("pre-assessment").
- The Danish tax authorities will issue a tax card to the employee on the basis of the preliminary tax assessment for the income year. The tax card information automatically becomes available to the Danish employer.

Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Denmark ranked 4th in the World in 2019 in terms of ease of doing business.

GLOBAL
EMPLOYER
GUIDE
DENMARK



**GLOBAL
EXPANSION**