

DENMARK - One of the best locations for business



**360
LAW
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Agenda

- "Denmark is one of the best places for doing business"
- Advantages of establishing a company in Denmark
- Two types of limited companies
- Low corporate tax
- Taxation between Denmark and France
- Nordic expansion
- Flexible labour market
- Social security
- Expat tax regime
- Incorporation procedure
- Other matters

“Denmark is one of the best places for doing business”

- World Bank, Forbes & others



Main benefits that will be explored:

1

Easy to establish and do business in Denmark

2

Danish corporate tax below old EU average

3

Unique tax rule makes a Danish company perfect for expansions into Europe

4

Most flexible labor law in Europe – easy to scale down

5

Virtually no social security payment for employer

6

Expatriate tax regime – 27% tax on salary



Advantages of establishing a company in Denmark

- Quick incorporation procedure → A company can be incorporated online within a few hours – ready to operate
- Online filing + registration → No formal signature, no presence, no notarial deeds, no stamps, everything by email
- Most corporate documents can be filed with the Danish Business Authorities in English
- Low incorporation expenses of DKK 670 (EUR 90) to the Danish Business Authority + fee to advisors
- Minimum capital of DKK 40,000 (approximately EUR 5,400) for Aps or DKK 400,000 (approximately EUR 54,000) for A/S
- NB! NOT an investment. Capital part of operating capital. Ready to spend in the interest of the company



Advantages of establishing a company in Denmark

- Registered office in Denmark can be *c/o* address
- No residence requirements for the management. Foreign management maintains full control.
- No local shareholder requirements. 100% owned subsidiary.
- General and annual board meetings can be held electronically.
- General and annual board meetings can be held in English or French
- Annual accounts may be reported in English



Two types of limited companies

A/S

- Capital requirement: **DKK 400,000** (EUR 54,000)
- **Mandatory** to have both a Board of Directors and an Executive Board
- The **Board of Directors** must consist of at least 3 members.
 - The majority of the members and the chairman and vice-chairman may not be members of the Executive Board as well.
- **The Executive Board** must consist of 1 or more members, including a **CEO** if more than 1 member.
- Board of Directors **may** be substituted by a **Supervisory Council**.
 - Must consist of at least 3 members, none of which are members of the Executive Board

ApS

- Capital requirement: **DKK 40,000** (EUR 5,400)
- **Mandatory** to have an Executive Board of at least 1 member.
 - If more than 1 member there must be a CEO
- **Optional** to have a Board of Directors
- **Optional** Supervisory Council



Lucrative Danish tax rules



Low corporate tax

- Low corporate tax: 22% below EU average
- Low tax for key expats: 27% tax scheme – net 32%
- High tax for employees – incorporated in salary level

Investor mindset: Tax is a cost – reduce DK Tax

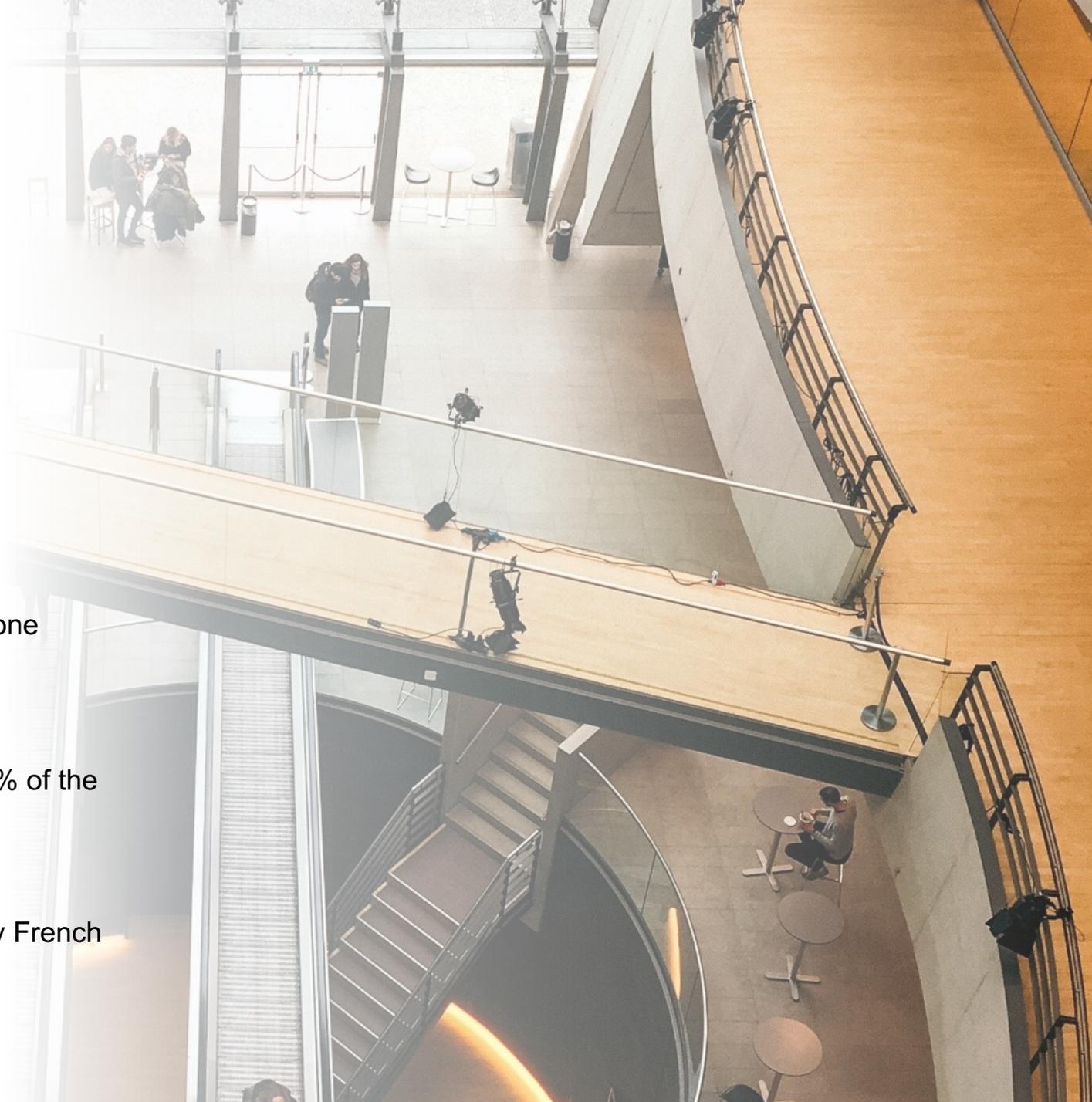
- **Think opposite!**
- If DK tax rate below foreign tax rate, pushing profit to DK provides global tax savings
- France 26,5% and DK 22% → **+4,5% savings bottom-line**
- Denmark a profit center, not a cost center
- Transfer pricing structure

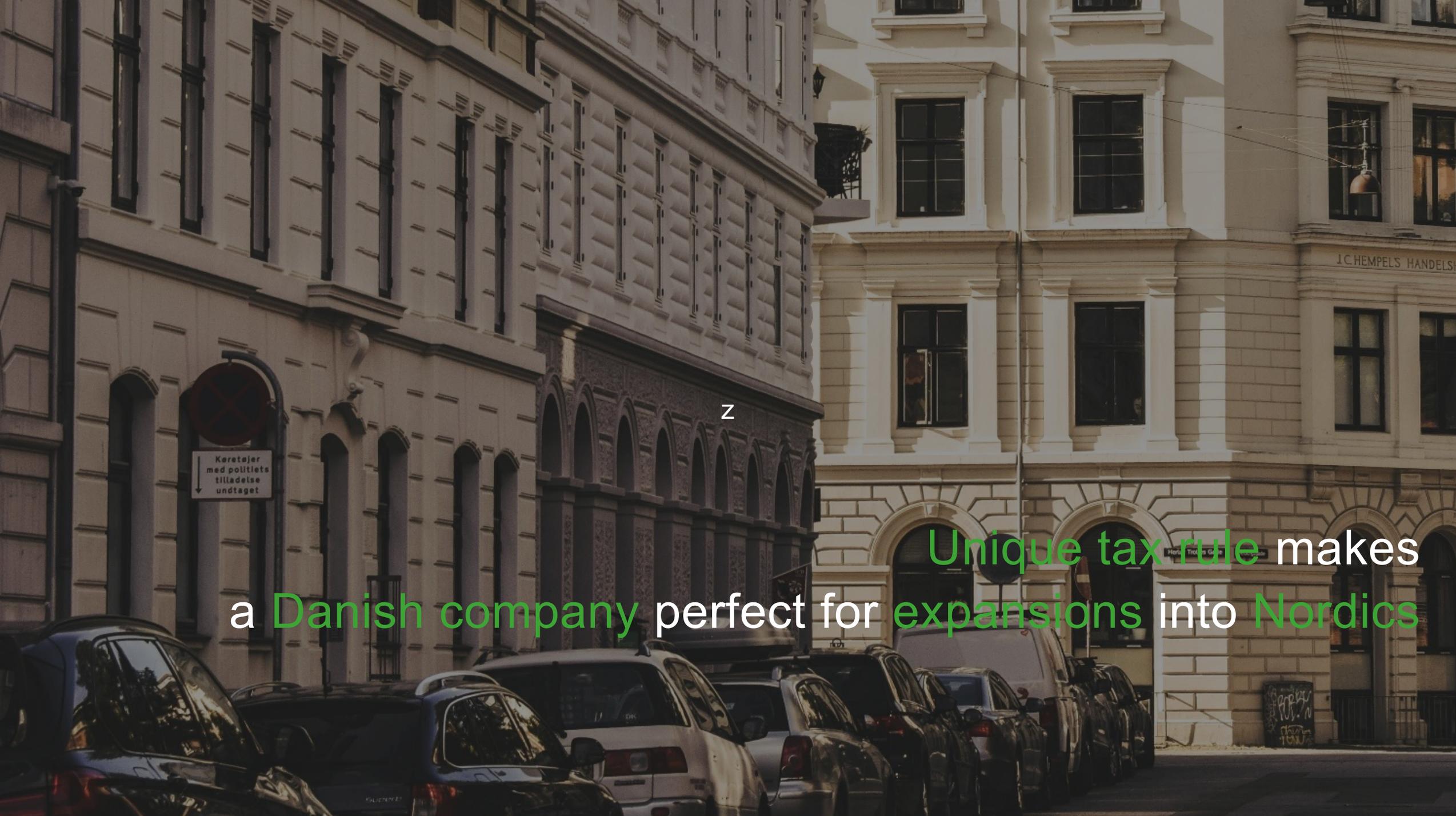




Taxation between DK and FR

- **No double taxation avoidance agreement** between Denmark and France – yet?
 - The Danish and the French Ministers of Finance have signed a new double taxation agreement, expected to enter into force February 1st. 2023 if both countries ratify the agreement .
-
- **Danish withholding tax on dividends to:**
 - French parent companies owning at least 10%: none
 - Other French companies: 27%
 - **Danish withholding tax on royalty payments to:**
 - Associated French companies owning at least 25% of the shares: none
 - Other French companies and persons: 22%
 - **Taxation of capital gains** on the Danish shares sold by French shareholders depends on French legislation





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Unique tax rule makes
a Danish company perfect for expansions into Nordics



Expansion through branches – Unique Danish tax rule

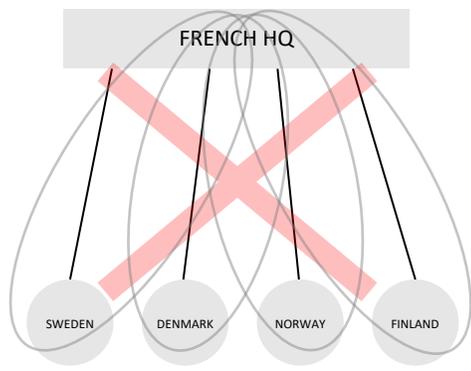
Challenge

Branches are leaner and more cost-efficient compared to companies.
However, branches are subject to double taxation.
Relief of possible taxation imply cost and tax inefficiency

Solution

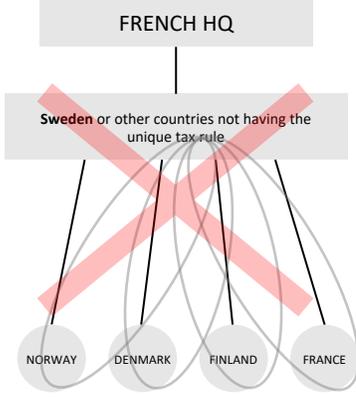
Unique tax rule imply **NO** double taxation.

Alternative 1



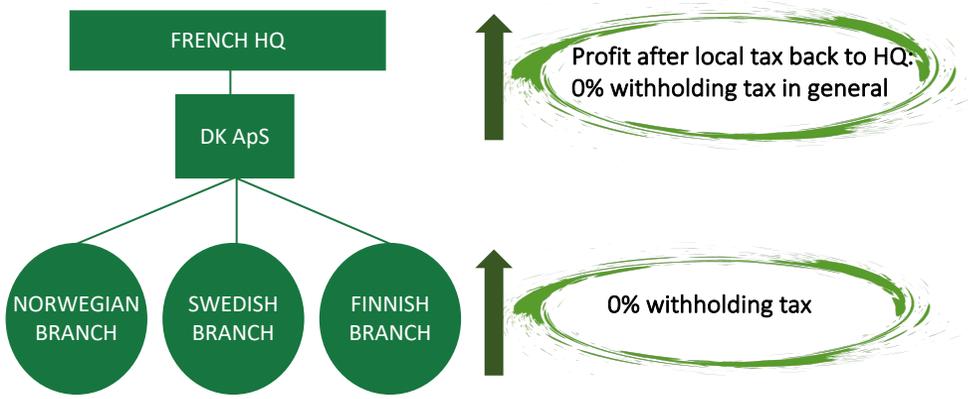
Double taxation with all branches

Alternative 2

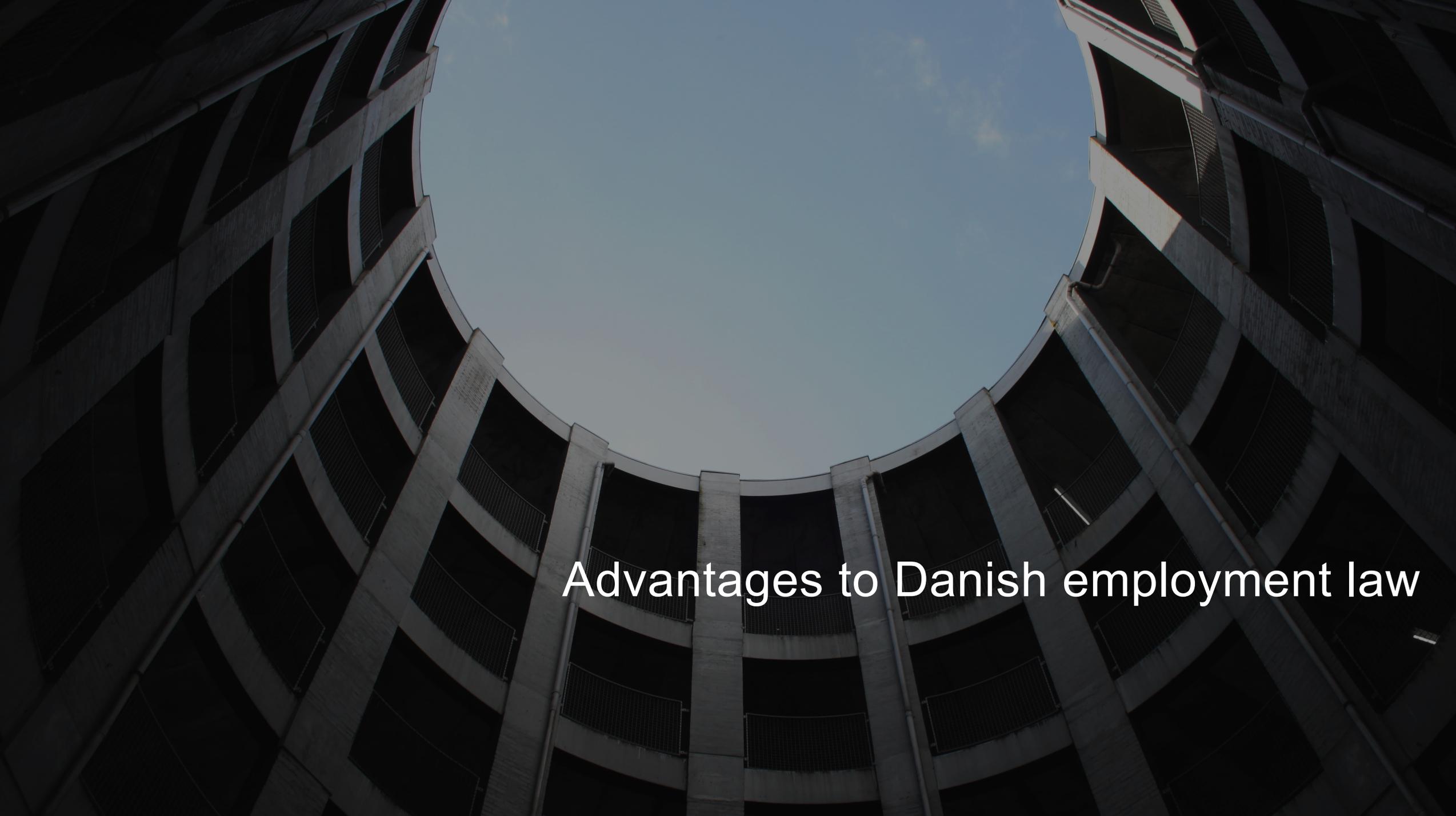


Double taxation with all branches

Alternative 3



No double taxation



Advantages to Danish employment law



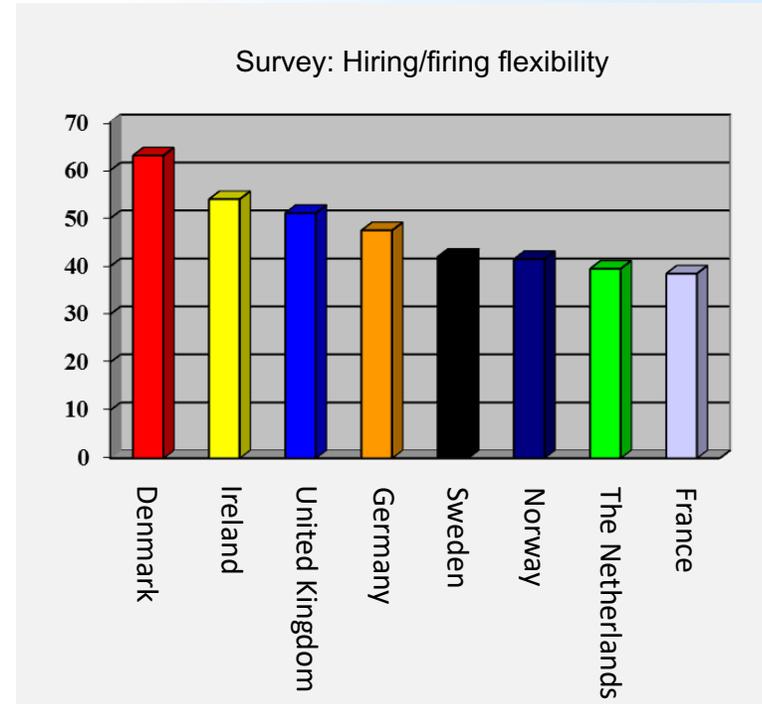
Flexible Labour Market

Danish Flexicurity Model

- DK highest hiring/firing flexibility in Europe
- Scaling down is very time and cost-efficient
- Denmark offers the highest flexibility
- A scale down firing process could be implemented most smoothly in Denmark

Working Permits

- Danish legislation compliant with EU regulation → EU employees are not required to obtain a working permit in DK





Flexible Labour Market

Scaling down is a justified reason to fire

- Short termination periods from 1-6 months
- Employees must work during termination period – no additional costs
- Generally, no additional redundancy payment
- No specific restrictions on cherry picks, first-in-last-out, re-employment etc., as seen in most other countries
- No approval from labor unions as in other countries
- Blue-collar workers – covered by collective bargaining agreements.

Employment period	Termination period
Up to and including 5 months	1 month
Up to an including 2 years and 9 months	3 months
Up to and including 5 years and 8 months	4 months
Up to and including 8 years and 7 months	5 months
Longer	6 months



Low social security payments by employer

Denmark

Employer payment only EUR 1,000/year/employee

Other countries

Employer payment +30% on top of the salary in many countries

Very important when salaries are benchmarked!



Expatriate tax regime

- Expats subject to 27% tax plus social security total 32,84% gross tax of salary up to 7 years
- Minimum salary DKK 70,400 (EUR 9,500 (2022)) per month
- Minimum/guaranteed bonus may be included
- Compensated housing and living expenses may be part of salary.



Incorporation procedure



The incorporation procedure includes:

- Drafting the company's necessary corporate documents, including **memorandum of association** and **articles of association**
- Online registration with the Danish Business Authority → Business registration number (CVR) within few hours.
- Online registration of VAT, import/export and payroll tax if necessary
- Danish My Account (MitID) → all payments between the Danish Company and the public authorities can only be made through a MitID.
- Digital mailbox → All Danish companies are under a mandatory obligation to have a digital mailbox to handle mail from the Danish Public Authorities.



Other matters

- Opening a Danish bank account
- Employment contracts + handbook
- Danish payroll provider
- Minute books and auditor records
- IT policy + Personal data policy
- Applying for business authorizations
- Registration of intellectual property rights





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