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Introduction

This introduction to the Danish tax system is intended for newcomers to Denmark and non-Danish speakers who are not yet familiar with the system.

The Danish tax system is a complicated matter of rules and laws. You do not need to be familiar with all of these rules and laws, but it is important that you know what you need to do in relation to your tax.

It is your duty to stay informed about, check and approve the figures which the Danish Customs and tax Administration (SKAT) holds about your financial situation and thereby ensure that you do not pay too much or too little tax.

At skat.dk/english you will find important information on how to pay tax in Denmark.

Please note that E-tax (SKAT self-service facility – Tast-Selv) is in Danish.

You are always welcome to call SKAT on +45 72 22 18 18 if you need further assistance.

Welfare for all

Tax is one of the cornerstones of the Danish society. In Denmark we have decided that all of us have to contribute towards the public purse. In return, we are entitled to a number of public services throughout our lives.

Denmark is a democracy. In practice, Danish citizens have a voice in how the Danish society, including the welfare and the tax system, is put together by voting for a politician or a party in the elections.

Even if we find that we pay too much tax, the majority of us also believe that both individuals and society in general benefit from the tax system.

Denmark is a welfare state, meaning that the tax we pay in the form of income tax, VAT, duties and customs duties are used for public services provided by the state, the regions and the municipalities.

The tax funds are used to cover expenses for hospitals, medical care, education, the police force, the army, public transport and maintenance of infrastructure, etc. Additionally, the tax funds finance the state education grants (SU), social assistance benefits and social pensions.

However, you need to pay for certain things yourself, such as medication, textbooks for higher education or dental care.

The Danish welfare model aims to provide security, affluence and equality of opportunity for all.

The unwritten social contract

We are all parties of an unwritten social contract. Primarily, it means that those of us who have a job contribute to the welfare of children, young people and pensioners via our tax payments.

In the Danish welfare model we also pay towards those of us in the working age who – due to illness or unemployment – are unable to work for short or long periods of time. Consequently, the majority of us are guaranteed a certain income throughout our lives, and the welfare model enables a certain redistribution of wealth from the more affluent to the less affluent in society.

Who needs to pay tax?

Everybody who lives and works in Denmark and who has an income is liable to pay tax. This also applies if, for instance, you:

- have your own business
- are unemployed and receive benefits from your unemployment fund (daily benefits) or from the state (social assistance benefits)
- are a student and receive state education grants
- are retired and receive state pension
- work abroad or have income from abroad while living in Denmark

We are all users of the public system, one way or the other. And in principle, we all have to pay towards it. Still, we are taxed individually. The Danish tax system is progressive, meaning that the higher your income, the higher an amount of tax you have to pay.

This principle is reflected in the proverb: "Those with the broadest shoulders should bear the heaviest burden".

The Danish tax authorities

Denmark has its own Minister for Taxation and Ministry of Taxation with affiliated government agencies, including SKAT, and its own tax laws. Tax is Denmark's primary state revenue source.

SKAT must ensure a fair and effective financing of the future public sector. SKAT provides the required service to individuals and businesses by means of guidance on rules and deadlines in order for tax, customs duties and excise duties to be paid on time.

These rules counteract issues such as tax evasion, corruption and bribery, which are illegal and punished severely in Denmark.

What does SKAT know about you?

SKAT automatically receives most of the information on which the tax calculation of the majority of individuals is based. Your employer provides information on your pay, the bank provides information on interest income and expenses, while unemployment funds and unions provide information on membership fees etc.

As a result, it is very little information you need to provide personally. Often it is sufficient if you check the information in the statements you receive from SKAT. You can see your tax information by logging on to E-tax (SKAT self-service facility – TastSelv) at skat.dk/english (click 'Log on' in the top right corner). You log on using your NemID or E-tax password.

Did you move to Denmark recently?

When you arrive in Denmark you need to:

- obtain an residence permit or a registration certificate
- register with the Danish National Register (Folkeregisteret)
- obtain a tax card
- obtain a health insurance card
- obtain a NemID (Denmark's common logon solution for both public self-service and online banking, etc.)
- possibly have a Danish driving licence issued

As a newcomer to Denmark, you can get personal assistance at one of the four International Citizen Service Centres in Copenhagen, Aarhus, Odense or Aalborg.

If your inquiry only concerns tax matters, you are welcome to call SKAT on +45 72 22 18 18 to book an appointment for a personal meeting. At the meeting you will need to provide information on your income and expenses in order for SKAT to calculate your future tax payment.

SKAT can also issue your NemID, which, among other things, gives you online access to your personal tax information. By using NemID, you ensure that SKAT always has the correct information about you. You access your tax information using your NemID to log on to E-tax (SKAT self-service facility - TastSelv).

You can stay informed on rules and laws at skat.dk/english from where you can also access E-tax.

Limited tax liability

If you have income from Denmark without living here, you may be subject to limited tax liability.

When you are subject to limited tax liability, you are only taxed on certain income and according to certain rules. You need to contact SKAT if you think you are subject to

limited tax liability. For further information, see [Limited tax liability](#) or call SKAT on +45 72 22 18 18.

Vehicle registration

If your car has foreign number plates, you have two weeks to register your car in Denmark and exchange your number plates to Danish plates. You can do so online at skat.dk/motorregistret (please note that the motor registration system is in Danish).

If you do not have a CPR number (civil registration number) and NemID, you can send an e-mail to motorcenter@skat.dk to have your car assessed for registration tax purposes. For further information, see [Bringing a vehicle with foreign number plates to Denmark](#).

Setting up your own business

A number of newcomers to Denmark dream of starting their own business. And Denmark needs new businesses contributing to the Danish society by means of revenue and employment opportunities. If you want to set up your own business, you need to acquaint yourself with certain rules.

Firstly, you need to register your business in order to inform the relevant authorities of the type of business you have and in order for them to make sure that you observe the rules and pay the required taxes and duties. As a business owner, you have a number of obligations.

You must pay tax on the profit of your business, pay VAT on the goods or services you provide, and for some goods and services you need to make sure that duties and taxes have been paid. You are under obligation to keep a register, keep accounts of income and expenses and pay tax, VAT and duties. If you have employees, you need to keep accounts of their pay, A-tax, labour market contributions, pension scheme contributions, holiday accounts, etc. and ensure that money is paid to the relevant authorities.

You can deduct many of the expenses you incur setting up and running your own business, and as a result you will pay less in tax and VAT. In certain cases you can even be refunded duties and taxes paid – another reason to keep proper accounts. Many business owners hire an accountant to do their accounts.

If you have your own business, you need to file an extended tax return.

Various taxes

Danish taxes consist of direct and indirect taxes. The majority of tax revenue comes from direct taxes, see the illustration below.

Direct taxes

Taxes directly deducted from your income are called direct taxes. They include, for example, the tax your employer deducts from your pay, and taxes on property and land.

Health contributions

In 2014, the health contribution is 5% of your income exceeding your personal allowance. Towards 2019, the health contribution is gradually offset against an increased bottom-bracket tax, and after 2019 there will be no such thing as a health contribution.

State tax

Some of your income tax goes to the state. The state tax rates are the same irrespective of where you live in the country, but they depend on your income. The Danish Parliament determines the rate of state tax.

State tax is divided into:

- bottom-bracket tax
- top-bracket tax

In 2014, you only pay top-bracket tax if your personal income exceeds DKK 488,152 (before deduction of labour market contributions).

Municipal tax

We all pay tax to the municipality we live in. This tax is calculated as a percentage of our income. Each municipality determines the tax rate for the people living there. Consequently, your total tax rate depends on the municipality you live in.

Labour market contributions

All of us who hold a job must pay labour market contributions.

This contribution totals 8% of your income. Your employer will deduct the contribution from your pay. The contribution goes towards state expenses for the labour market, to cover daily benefits in the case of unemployment, sickness or maternity/paternity leave (dagpenge), supplementary training, leave of absence, etc.

Church tax

Church tax is used for running and maintaining the churches of the municipality. In Denmark, approximately 79% of the population are members of the Evangelical Lutheran Church in Denmark, and they all pay church tax.

The church tax rate varies from municipality to municipality, and it is collected along with the other direct taxes.

If you are a member of a different church or religious association, and you pay contributions to your church or association, your contribution is tax deductible.

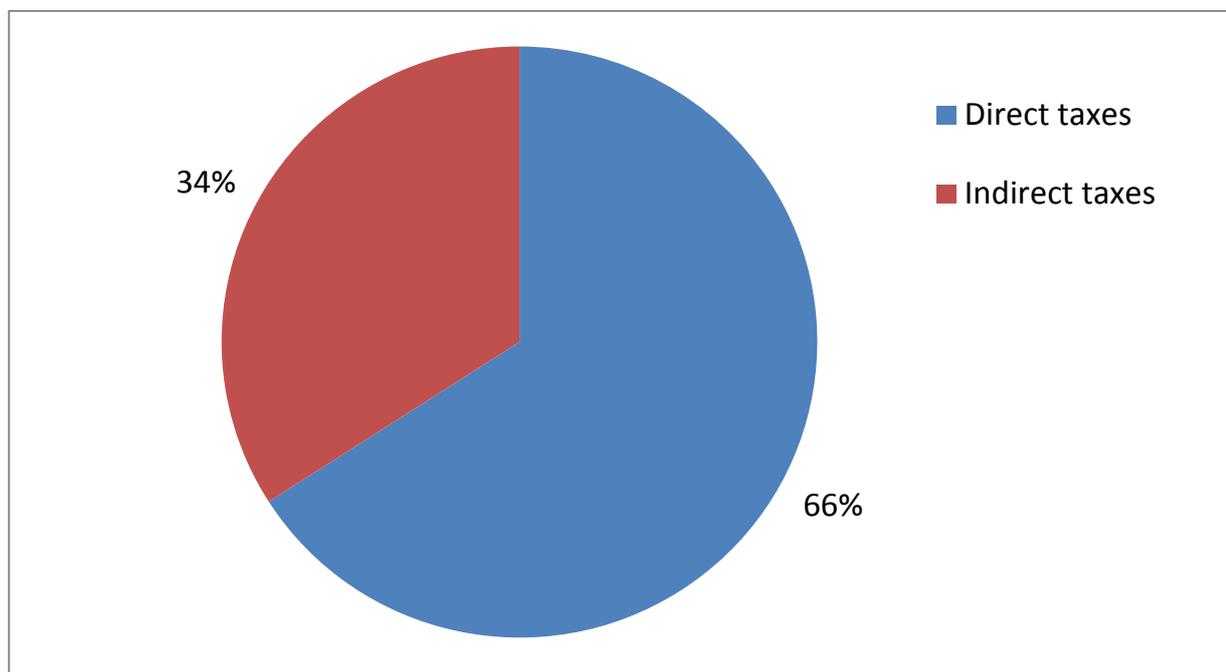
Property value tax, tax on the value of property

If you own a property, you must pay tax to the state on the value of your property – property value tax. SKAT assesses private property in uneven years and business property in even years.

Property value tax also applies to foreign property owned by individuals living in Denmark and to property in Denmark owned by individuals living abroad. The property value tax is included in your overall tax payable during the year. Generally, SKAT automatically receives the information required. However, you need to inform SKAT, if you own property abroad.

Property tax, tax on the value of land (land tax)

If you own property or land, you must pay property tax to the municipality on the value of the land – land tax. The property tax, which varies from municipality to municipality, is determined and collected directly by the individual municipality.



Expected direct and indirect taxes in 2014

Indirect taxes

Indirect taxes are taxes and duties you pay via the goods and services you buy. Indirect taxes are VAT, customs duties, green taxes and excise duties. You pay

indirect tax to the state each time you buy a product or each time you, for example, turn on your water tap.

Indirect tax is included in the price you pay for goods or services. The seller is responsible for paying, for example, VAT, customs duties and excise duties to the state.

Value added tax – VAT

In Denmark VAT is included in the price of almost all goods and services.

VAT is the abbreviation for value added tax and it amounts to 25%. VAT is also levied on services, for example, having your bicycle or car repaired, visiting the hairdresser's or fitness centre, etc.

Green taxes

Green taxes are taxes you pay for using society's resources. Petrol, oil, power, water and waste are examples of resources subject to green taxes.

Excise duties

Excise duties are levied on the import, production or sale of certain goods. The excise duty is included in the price you pay for goods in the shops, so as an ordinary customer you do not need to worry about this.

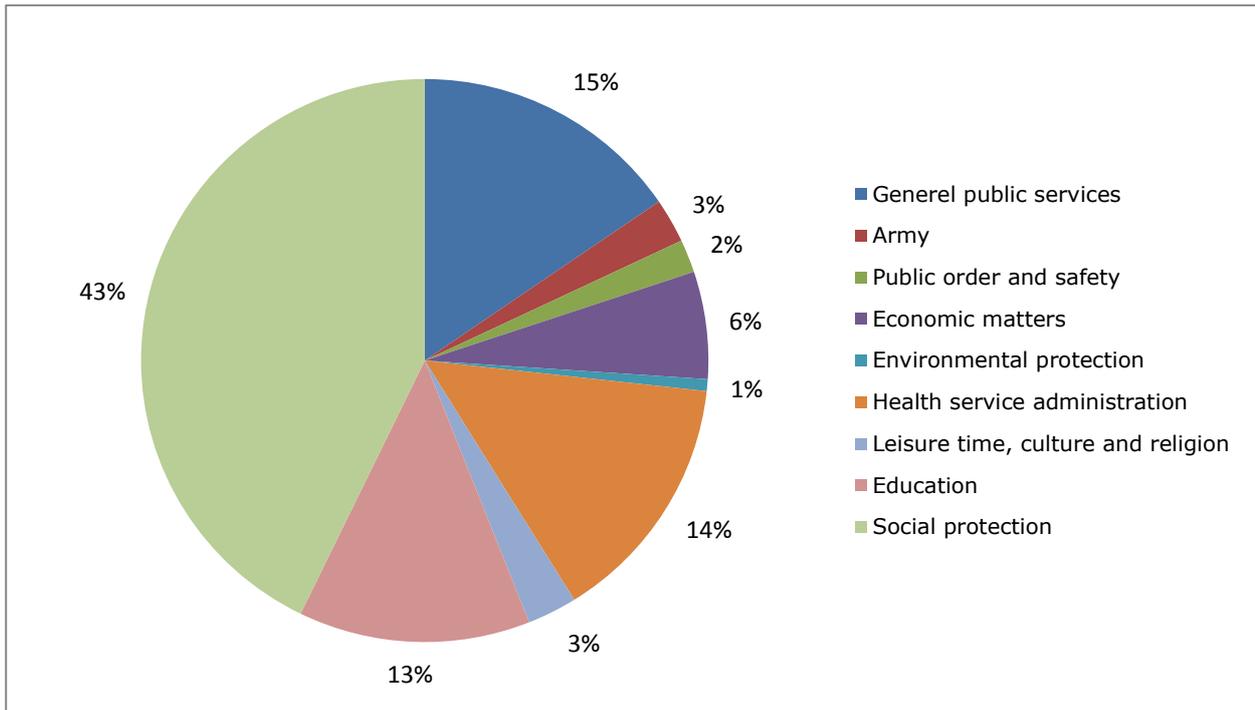
Excise duties apply to, for instance, alcohol, wine and beer, batteries, chocolate and sweets. Additionally, registration tax is levied on cars and motorbikes.

Customs duties

If you have been travelling outside the EU where you have bought goods that you bring into Denmark, you may have to pay customs duties. It depends on what you have bought and how much money you have spent on the goods. Special rules apply to alcohol and tobacco; if you buy more than a certain quantity, you must pay customs duties on alcohol and tobacco.

You have to declare and pay customs duties when you arrive in Denmark (in the airport or at the border crossing).

You can find further information on customs duties and EU member countries at skat.dk/english.



How is the tax revenue distributed? The above illustration shows the overall 2012 distribution of tax revenue.

Important terms

The below terms could be relevant for you in order to understand your pay and how your tax is calculated.

Lønseddel/Payslip

Each time you are paid, whether it is your salary, daily benefits in the case of unemployment, sickness or maternity/paternity leave (dagpenge), social assistance benefits, etc., you receive a payslip.

It may take various forms, but in most cases it contains the same information, including how much you have to pay in tax and various pension contributions, etc., and how much you will be paid.

The following terms may be used on your payslip:

Løn/Pay

Pay could also be stated as 'honorar' (fee), 'indtægt' (income), 'A-indtægt' (A-income), etc.

Usually, your pay is listed at the top of the payslip and the amount listed is your full pay before tax is deducted. At the bottom of your payslip 'Løn til udbetaling' (Pay for disbursement) is usually listed, and this amount is what you will actually be paid.

A-skat/A-tax (tax deducted from income at source)

A-tax is deducted directly from your A-income. Your employer calculates your A-tax based on your withholding rate on your primary tax card.

Arbejdsmarkedsbidrag (AM-bidrag)/Labour market contributions

All of us who have a job must pay labour market contributions at the rate of 8%. The contribution is deducted from our gross pay after deduction of labour market supplementary pension fund contributions and before deduction of other allowances. Then the tax is calculated.

B-skat/B-tax (tax not deducted from income at source)

B-tax is deducted from your B-income, which is income on which tax and labour market contributions have not been withheld by your employer, for example, if you work freelance or have been paid a fee for giving a concert or a presentation. In order to avoid outstanding tax, it would be a good idea to correct your preliminary income assessment if you have a B-income.

Fradrag/Tax deductions and allowances

The tax deductions and allowance corresponding to the pay period will be deducted before your tax is calculated. Your employer obtains information on your deductions and allowance from your tax card.

Skattekort/Tax card

You receive a tax card for the coming tax year along with your preliminary income assessment. You can find your tax card online by logging on to E-tax (SKAT self-service facility – TastSelv) at skat.dk/english (click 'Log on' in the top right corner).

Your employer automatically receives your tax information from SKAT in order to be able to calculate how much of your pay must be withheld for tax purposes. If you change/add information to your preliminary income assessment, the system automatically generates a new tax card.

In Denmark there are three types of tax cards:

Hovedkort/Primary tax card

The primary tax card shows your withholding rate and the deductions and allowances you are entitled to for the coming tax year. You should apply your primary tax card to the job where you earn the most money.

Bikort/Secondary tax card

The secondary tax card is used if you have more than one job. You should apply your secondary tax card to the job where you earn least. Your employer obtains your

secondary tax card online. This tax card only consists of your withholding rate. It does not contain your tax deductions and allowances as you will be fully taxed on this income.

Frikort/Tax exemption card

If you have a tax exemption card, you are not taxed on your pay as long as it does not exceed a certain amount corresponding to the value of your tax deductions and allowances. This amount is stated on your tax exemption card. If your pay exceeds this amount, you will be fully taxed on the pay exceeding this amount. Labour market contributions and the labour market supplementary pension fund contributions will be deducted from your pay, even though you have a tax exemption card.

For more information on tax cards, please see [How to use your tax card](#).

Trækprocent/Withholding rate

Your withholding rate corresponds to the percentage of your income that you must pay in tax. The withholding rate is stated on your preliminary income assessment. The overall withholding rate consists of:

- municipal tax
- state tax
- church tax (if you are a member of the Evangelical Lutheran Church in Denmark)

Labour market contributions are not included in your withholding rate but are deducted from your pay separately before your tax is calculated.

Skattefradrag/Tax deductions and allowances

Everybody who has an income is entitled to tax deductions and allowances. The total amount you end up paying in tax depends on your deductions and allowances.

Having deductions and allowances means that you can earn a certain amount of money without having to pay tax. For example: if your withholding rate is 40%, then 40% is deducted from the part of your pay which exceeds your deductions and allowances. Your employer makes the deductions from your pay and calculates your tax before paying you.

If you are married and do not use all of your deductions and allowances, they (or what is left of them) are transferred to your spouse. This is particularly relevant if one of you have no income.

Personfradrag/Personal allowance

As taxpayers we have a personal allowance which tells us how much we can earn without having to pay tax. In 2014, the personal allowance for individuals over 18 years of age is DKK 42,800.

Andre fradrag/Other tax deductions and allowances

Certain deductions and allowances are only granted if you have certain expenses. These include:

- membership fees to a union or an unemployment fund
- certain pension scheme contributions
- child support payments (for your own children who live away from you)
- interest payments on loans
- expenses for transport (more than 24 km) between home and work

SKAT will be informed about most of your deductions and allowances, however, you will have to provide information on some of them.

Kapitalindkomst/Income from capital

Income from capital is income from interest and investments. If you have savings in the bank generating interest for you or if you have shares or similar, you must pay tax on your profit.

Your income from capital may be positive or negative, depending on whether you have made a profit or a loss on your investments. Accordingly, your income from capital must be either deducted from or added to your earned income before your tax is calculated.

Arbejdsmarkedets tillægspension (ATP)/Labour market supplementary pension fund

The labour market supplementary pension fund is a pension scheme to which all employees contribute from the age of 16 until retirement. If you receive daily benefits in the case of unemployment, sickness or maternity/paternity leave (dagpenge), social assistance benefits and certain other social pensions, you must also contribute to the labour market supplementary pension fund.

Each time your employer calculates your pay, he/she withholds an amount for your labour market supplementary pension fund savings. Your employer also pays towards your savings, and when you pay 1/3, your employer pays 2/3.

You will receive your labour market supplementary pension along with your ordinary state pension when you retire.

TastSelv/E-tax

E-tax is SKAT's online self-service facility to calculate your personal tax payment. SKAT receives much of the information automatically.

You log on to E-tax for individuals using your NemID or your E-tax password by clicking 'Log on' in the top right corner at skat.dk/english. You need to use the E-tax password if you do not have a CPR number (civil registration number).

For more information on NemID, please see [NemID](#).

Forskudsopgørelse/Preliminary income assessment

Your preliminary income assessment shows the income and expenses SKAT expects you to have in the coming tax year. The preliminary income assessment is always available in November.

It is important that you correct your preliminary income assessment if your income or deductions and allowances change considerably during the tax year. If you do not correct the figures, you risk paying too much or too little tax. You find your preliminary income assessment by logging on to E-tax at skat.dk/english.

Årsopgørelse/Tax assessment notice

Your tax assessment notice is available by mid-March in E-tax at skat.dk/english.

The tax assessment notice contains the information which SKAT holds about your income and deductions and allowances for the year that has just ended. This includes:

- your pay
- your interest income and interest expenses
- membership fees to unions and unemployment funds
- information about your property/properties for calculation of property tax, etc.

Additionally, you need to enter any missing figures and correct any incorrect figures. After you have done so, you will receive an updated tax assessment notice.

The tax assessment notice tells you whether:

- you have paid the correct amount of tax in the year that just ended
- you have paid too much tax and is entitled to a refund
- you have paid too little tax and must pay outstanding tax

If you have paid too little tax, you need to pay the rest of the tax you should have paid. If you have paid too much, the amount of overpaid tax will be refunded to your bank account automatically.

Selvangivelse for begrænset skattepligtige/Income tax return for taxpayers with limited tax liability

If you live abroad and work for a Danish employer in Denmark, you need to fill in a [tax return for taxpayers with limited liability](#).

Tax year cycle

November

Your preliminary income assessment for the coming year is always available in November. You find it by logging on to E-tax at skat.dk/english. It contains the figures on which your tax for the coming year is based.

March

Your tax assessment notice for the tax year including the overall calculation of the tax you have paid for the previous year is available in E-tax at skat.dk/english. You can enter any relevant changes as soon as it is available.

Early April

Overpaid tax is refunded to your NemKonto (Easy Account). A NemKonto is an ordinary bank account, such as the account into which your employer transfers your pay, which the public sector uses to refund your overpaid tax. See [NemKonto](#) for information on how to set up your NemKonto.

1 July

Some taxpayers must fill in an extended tax return (if for instance you have your own business, rental income, etc.) no later than 1 July the following year.

Retssikkerhed/Procedural justice

SKAT must provide procedural justice for all individuals and businesses.

Procedural justice implies, for example, that:

- taxes and duties are collected according to the rules
- all individuals and businesses are treated fairly and equally
- everybody pays the taxes and duties stipulated in the legislation
- everybody pays what is required, no more, no less

The Tax Appeals Agency is under the Danish Ministry of Taxation and handles, for example, appeals about decisions made by SKAT.

Additionally, SKAT has a director for legal protection to ensure that all individuals are treated fairly and equally.

Sort arbejde/Moonlighting

Moonlighting is when you are offered and accept a job where neither you nor your employer informs SKAT about the employment and the pay you receive. This is illegal.

You are only exempt from tax if you work for private individuals such as family, friends and neighbours without being paid.

If you are under 16 years of age, however, you may be paid for working in private homes without having to pay tax. Examples: you could be paid for walking someone's dog, mowing the lawn or minding children.

If you work for a business, you have to pay tax no matter how old you are. However, special rules apply to children working in their parents' business.

Also, certain rules apply to pensioners.

This is what you miss if you moonlight

If you moonlight, you risk being fined or in worst case you may be sent to prison. Perhaps you think that you are making a good living by moonlighting. But actually, it is your employer who is making good money. When you are paid for moonlighting, you are not entitled to holiday pay. Nor are you insured if something happens to you while working.

This is what you will be missing if you moonlight:

- holiday pay
- insurance, if you are injured while moonlighting
- overtime pay
- assistance if you are suddenly not paid
- sick pay
- pension paid by your employer
- reference letter from your employer when you stop working
- deduction for transport between home and work
- credit approval by your bank

Contact SKAT

You can contact SKAT in the following ways:

Online

If you have a CPR number (civil registration number) and a NemID, you can use the contact form after having logged on to E-tax at skat.dk/english.

If you do not have a CPR number, you can use the English contact form at skat.dk/contact.

At skat.dk/english you can find information for individuals and businesses in English, and you can manage your tax affairs by logging on to SKAT self-service facility E-tax (TastSelv). You log on using either your NemID or an E-tax password. A limited

number of forms have been translated into other languages than English. They are available from [skat.dk](https://www.skat.dk) under 'Blanketter' (Forms) at the bottom of the page.

Telephone

SKAT's main telephone number is: + 45 72 22 18 18. You can choose English in the menu and be assisted by an English-speaking employee.

Personal appointment

Before you can be assisted personally, you need to contact SKAT on + 45 72 22 18 18. SKAT will then decide if you need a personal appointment at one of the tax centres.

International Citizen Service Centre

At the Danish International Citizen Service Centres, newcomers to Denmark can apply for and have issued:

- [residence permit](#) for non-EU citizens
- [registration certificate](#) for EU/EEA citizens
- [CPR number](#)/personal tax number
- [tax card](#)
- [health insurance card](#)
- [Danish driving licence](#)

At the International Citizen Service Centres all authorities are represented at the same location. This is done to ensure that you and possibly your accompanying family only have to present yourselves at one address in order to handle the paperwork and make inquiries.

The International Citizen Service Centres are located in Copenhagen, Aarhus, Odense and Aalborg.

Citizen Service Centres

The Citizen Service Centres can help you obtain a NemID. You can also order NemID online at [NemID](#).

NemID is a digital signature which you can use for online self-service with, for instance, SKAT, your municipality and your bank.

Useful links

www.skat.dk (SKAT)

www.icitizen.dk (International Citizen Service)

www.lifeindenmark.dk (Borger.dk)

www.nyidanmark.dk (The Danish Immigration Service)

www.workindenmark.dk (The Danish Ministry of Employment)



SKAT