

Denmark

1. Government requirements

Registration requirements

Corporate forms

The most common corporate forms and foreign business registrations in Denmark are:

- Limited liability companies (A/S & ApS)
- Branch offices of a foreign company
- Non-Danish companies (tax registration of a foreign company, i.e., for permanent establishment, as employer, etc.)

A new Danish company or foreign business registration will be granted a commercial registration number (CVR number), which is an identification of the company, to be used in connection with all reporting to the authorities.

Tax registration (employer registration)

A new Danish company or business registration may register for tax purposes at the Danish authorities through the Danish Business Authorities' self-service portal at www.virk.dk.

The Danish entity must register as employer in order to process payroll to fulfill its monthly obligation to withhold A-tax and labor market contribution in accordance with section 46 of the Danish Withholding Tax Act (Kildeskatteloven) and section 7 of the Danish Labour Market Contributions Act (Arbejdsmarkedsbidragsloven).

Employees new to Denmark are required to apply for a Danish personal tax number (CPR number/Tax ID) to be enrolled in the Danish tax system and to be part of the payroll of the new Danish entity. The application for a CPR number can either be completed and submitted online at the Danish Tax Authorities website (www.skat.dk) or completed on the paper form 04.063 and send to Skattestyrelsen, Postboks 9, 4930 Maribo, Denmark.

Social security registration

As part of the employer registration, the Danish entity must register for payment and contribute to social security on behalf of employees covered by the social security legislation in Denmark.

Social security reporting is part of the monthly payroll reporting and is managed by the social security authorities called ATP.

Other registrations:

NemID (EasyID)

A new Danish company or branch/permanent establishment must acquire a business NemID. NemID is a legitimation log-in function that makes it possible for the management/administration of the entity to access public services online, such as the e-filing system of the Danish Tax Authorities (TastSelv), the self-service portal of the Danish Business Authority (virk.dk) or the entities mandatory digital mailbox (e-Boks).

A business NemID can be ordered at www.medarbejdersignatur.dk.

NemKonto (EasyAccount)

All entities in Denmark are required to have a NemKonto. A NemKonto is the company's existing bank account that is assigned as a NemKonto. All payments from Danish Authorities are transferred directly to this account.

A local Danish bank account is assigned as NemKonto by the bank. A foreign bank account is assigned as NemKonto by completing the registration form – foreign NemKonto for companies – and send to NemKonto Support, Lauritz Plads 1, 9000 Aalborg, Denmark.

e-Boks (Mandatory digital mailbox)

The e-Boks system is key in communicating back and forth between your Danish entity and the authorities. Any information important to the company from the authorities is available only through e-Boks – this includes all letters from public authorities. e-Boks is also a crucial part of administrative operations in general.

e-Boks is set up automatically with the business registration but can only be accessed with NemID.

The e-filing system (TastSelv Erhverv)

TastSelv Erhverv is the e-filing system of the Danish Tax Authorities. The e-filing system is for payroll purposes applied by employers to report income information to the income register, eIndkomst.

TastSelv/eIndkomst is accessed through the Danish Tax Authorities website - www.skat.dk.

Ongoing compliance requirements

The company (employer) has payroll tax obligations on a monthly basis and there is no annual payroll tax reporting.

The company is required by law (please see above section) to withhold payable tax and Danish Labour Market contributions (AM-contribution). The tax rates are individual for A-tax but for AM-contribution it is 8%. There are possibilities for an expat tax scheme which could be applied for.

The size of the company determines when the reporting of tax and payment of the same, is due. The tax should be reported by the end of the present month for large companies and by the 10th in the upcoming month for smaller companies. The definition of small or large companies is if you pay more than DKK1 million in A-tax per year or not.

The reporting of income and taxes should be made through the e-filing system of the Danish Tax Authorities - eIndkomst.

Quarterly payment of social security

The social security contributions are collected on a quarterly basis. All entities registered with a CVR number will receive invoices in the entity's e-Boks (Digital Mandatory Mailbox) from ATP and Samlet Betaling.

Even though the company receives an invoice in their e-boks, ATP is calculated through the salary of each month and the base for the calculation is the normal working hours. The rate is paid with 1/3 from the employee and 2/3 from the employer. The rate varies depending on whether the employee is working full-time or part-time.

The amount on the invoice for Samlet Betaling is calculated from the basis of the reported ATP for the previous quarter, and the invoice should be paid manually as it does not have anything to do with the payroll run, but is only a fee/ contribution to the state.

2. Pension requirements

Registration for pension is not required or mandatory but it is common practice in Denmark that the employer offers the employee a pension scheme within a pension provider. The pension scheme is an agreement between the employer and the pension provider. It usually covers some insurances as well, but this is depending on the individual agreement.

In case the company would like the employee to have a specific seniority before the pension scheme enters into force, this is also possible to agree with the pension company. The percentage (employer/employee) differs and is a matter of company policy. It is very common that the employee has the possibility to pay extra percentages/ amounts to the scheme.

There is also possibility for foreign employees to make a special agreement regarding the pension scheme (§53A) in order for them to be taxed immediately instead of at the time of retiring.

3. Employment obligations

Labor Law

The employer should comply with mandatory employment and labor laws for all employment issues such as:

- Working hours, rest hours, illness, personal data and vacations
- Salary frequency and any applicable minimum wage
- Occupational safety and health
- Any applicable collective bargaining agreement

Labor Contract Law

The employer should follow the Labor Contract Law to:

- Sign labor contracts with employees on time
- Renew labor contracts with employees on time
- Terminate labor contracts with employees in accordance with the applicable mandatory law

Danish Holiday Act

If the employees are following the Danish Holiday Act in regard to holidays, the employer is obliged to encourage the employees to use their holidays.

Since September 2020, the Danish Holiday Act prescribes the use of concurrent holiday which means the employee is earning 2.08 days per month and these days could be used in the upcoming months. The earning period is 12 months (September to August) and the days earned in this period could be used in the same period and until December.

Absence (illness)

If an employee is ill on a long-term basis, there are possibilities to apply for reimbursement at the authorities. There are special conditions for the application and the first 30 calendar days are always paid by the employer, without any refund from the authorities.

4. Payroll requirements

There is no specific regulation related to payment frequency. It depends on the company policy or the employment contract. Monthly payment is the most common payment frequency.

Payslips

The company is required to issue a payslip to each employee. The payslip should include the following information:

- The employee's salary
- The employee's salary
- The amount withheld in taxes and AM-contribution
- The name, address and the CPR number of the employee
- The employer's name, address and the CVR number of the employer

Æ-boks

The most common way of delivering payslips in Denmark is by Æ-boks which is like a distribution central, from where the payslips get distributed to the employees' Æ-boks.

Everyone with a Danish CPR number has an Æ-boks which is a digital mailbox.

ÆY has a license to Æ-boks for this upload and would be able to upload the payslips on the clients' behalf.

5. Banking requirements related to payroll

Salary payments made by the company to its employees, including expatriate employees, must be in DKK and be transferred to a Danish Bank account.

The most common payment method in Denmark is through Nets which works like a clearing house. Nets payment files are standardized in most Danish payroll systems.

The agreement with Nets is made between the company, your bank and Nets. Nets requires that the company has a Danish bank account and that one person from the company has a Danish Nem-ID in order for the company to upload the payment file.