

Denmark Increases Withholding Tax on Dividends from Tax-Free Portfolio Shares

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Denmark has gazetted an amendment to the Executive Order on Withholding Tax introducing a new provision that allows tax to be withheld at 15.4% on dividends from tax-free portfolio shares.

The tax-free portfolio shares are unlisted shares owned by a company holding less than 10% of the share capital (cf. section 4C of the Capital Gains Tax Act (*Aktieavancebeskatningsloven*)). When receiving dividends from tax-free portfolio shares, the recipient company must include 70% of the dividend in its taxable income (cf. section 13 of the Corporation Tax Act, subsection 2). The 15.4% in dividend withholding tax, thus, corresponds with 70% of the 22% dividend withholding tax rate that applies under the current rules.

The amendment also states that foreign states and their institutions receiving dividends from Danish shares will no longer be exempt from Danish withholding tax.

The changes entered into force on 1 May 2023.

The full text of the gazetted Executive Order (BEK No. 449) can be found [here](#) (in Danish only).