



i-paye



**Guide to Contracting in  
Denmark**



# COUNTRY HIGHLIGHTS (2017)

## Denmark – Individual

Currency	Danish Kroner (DKK)
Tax Year	Starts 1 January    Ends 31 December
Tax Rates	Progressive to a top rate of 55.8% (Excluding Church
Tax Credits and Deductions	Tax) Employment Tax Credit 8.75% of Earned Income up to a maximum of 42,800DKK Personal Allowance 45,000DKK Double Households (Max 25,900DKK) Charitable Contributions (Max 15,000DKK)
Social Security	Employer Contribution between 10,000 and 12,000DKK per annum. Employee Contribution circa 1,080DKK per annum

### **Tax Residency**

An individual becomes Tax Resident in Denmark if

- they have a permanent residence in Denmark and a qualifying stay in Denmark; or
- spends more than six month in Denmark.

An individual who is not Tax Resident is taxable in Denmark on Income earned or generated in Denmark.

### **Social Security**

Social Security is payable in Denmark unless the individual is paying Social Security in the country in which their employer is based and they are habitually resident. A certificate of continuing liability to Social Security is required to exempt the individual from Danish Social Security.

### **Right to Work**

EU and EEA Nationals have an unfettered right to work in Denmark without the need to hold a VISA or Work Permit.

Other Nationals, generally, need to have the relevant approval to work prior to their arrival in Denmark and generally send their application to the Danish Embassy in their home country.

# I-PAYE Service

I-PAYE is registered as an employer in Denmark and all individuals are engaged on contracts of employment.

All income is reported to the Danish Authorities, with deduction for expenses allowed under Danish Law. Any expenses that are reimbursed that are not allowed or are above published rates will be subject to Danish Taxation and Social Security at the appropriate rates.

I-PAYE will employ and provide UK and other European Nationals that habitually reside in the UK or outside of Denmark. I-PAYE will not normally seek to employ and provide Danish Nationals.

## As an employee of I-PAYE then you simply would register as working in Denmark and the rest is down to us.

### Frequently Asked Questions

**Q. I currently work on a project in the United Kingdom through a PSC and have an assignment in Denmark, is it true that I can operate the same model in Denmark?**

A. Under Danish Domestic Law a UK PSC may be considered as having a Permanent Establishment in Denmark, which means that all income derived by the business will be subject to Danish Taxation. No matter the taxation position of the company any employment income paid in respect of duties performed in Denmark will be subject to Danish Taxation and Social Security from day 1.

In addition any dividends payable to shareholders will be subject to Danish Dividend Taxation either at resident or non-resident rates.

**Q. What happens if I choose to ignore the rules?**

A. Denmark as with all European Countries may seek to apply the Mutual Assistance Recovery Directive (MARD) to request the UK and other Tax Authorities to collect any unpaid moneys due.

From 1 October 2017 new legislation has been enacted in the United Kingdom that means that any entity engaging in or with business that evades taxation in a Foreign Country will be subject to an unlimited fine. Failing to report income to the Danish Authorities is Tax Evasion, not avoidance, and under Danish Law would generally lead to a criminal conviction.

**Q. I want to do it correctly where should I seek advice?**

A. Information is available in English and other languages on the Danish Tax Authorities website, but it is important that you seek advice on your unique circumstances.

More information is available from I-PAYE on 0151 449 3500



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