

Worth knowing about:

## Doing business in Denmark

**It is easy to set up a business in Denmark. Low taxes for corporations and expatriates make Denmark an attractive location for foreign companies to set up a business. However, before starting a business in Denmark, there are a number of practical issues to consider which we will outline below.**

BDO is a market leader within the area of accounting and business advisory services to small and medium-sized enterprises. We have an in-depth knowledge about local markets and lines of business. Our products and services are designed to suit your company's requirements when establishing your business in Denmark.

### Corporate forms

The most common corporate forms of business in Denmark are limited liability companies (A/S & ApS). However, foreign companies may register themselves with either a branch or as a foreign company. Both limited, liability companies and branches are subject to the same tax rate which at the moment is 22 pct.

When deciding which corporate form to choose, the scope and nature of the activities to be performed in Denmark will be important. It is preferable for most enterprises to undergo a survey which seeks to establish the future demands of the business before choosing the corporate form.

All companies and branch offices must be registered with the Danish Tax Authorities (Skattestyrelsen) and the Danish Business Authority (Erhvervsstyrelsen).

- An A/S must have a minimum subscribed capital of DKK 400,000. The management structure must be set up as a two-tier system with a supervisory board and a management board. The A/S form is widely used by medium-sized and large companies.
- An ApS must have a minimum subscribed capital of DKK 20,000 from 1 January 2025. In contrast to the A/S, it is not required to have a two-tier system. The ApS form is commonly used by small and medium-sized companies.
- Enterprises outside the EEA must obtain a declaration of reciprocity from their local business authority before setting up a branch office.
- A foreign company may be registered in Denmark.

### Accounting

As a main rule, the company must appoint an auditor.

An A/S and ApS must prepare annual financial statements including a profit and loss account and a balance sheet. In most cases the financial statements must be audited by an accountant.

### Tax Legal

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Companies, which do not exceed two of the three below mentioned amounts in two consecutive years, can choose not to appoint an auditor – although a statement must still be filed.

- A balance sheet amount of DKK 4,000,000
- A net turnover of DKK 8,000,000
- An average of 12 full-time employees during the accounting year

A branch office must submit the annual report of its parent company within five months after the end of its financial year. The annual report will be publicly available.

### **Payroll and bookkeeping**

Danish employers are obligated to withhold preliminary tax from salary paid. There-fore, a newly established foreign enterprise must consider whether it prefers to run its own payroll or outsource the payroll to a third-party.

Furthermore, hard-copy accounting records must be stored in Denmark. However, electronically stored accounting records can be stored abroad, if it's kept in accordance with the Danish Bookkeeping Act, and the company at any time can access the records in Denmark.

A branch office must keep accounting records separately from the parent company.

### **Individual taxation**

All individuals' resident in Denmark are liable to tax on their global income. Non-residents are only liable to tax on income from Danish sources. The income must be declared on a tax return before the 1st of July in the calendar year subsequent to the income year.

The marginal tax rate for individuals is approximately 57 pct (2025). The annual social contributions amount to approximately DKK 1,200 for the employee.

Denmark offers a special tax regime to highly paid inbound expatriates and researchers recruited abroad. Employees fulfilling certain conditions may elect to be taxed on their salary at a flat rate of 27 pct. for up to 84 months. In addition to the 27 pct. tax, labour market contribution of 8 pct. must be paid.

### **Residence and work permit**

Citizens of the EU/EEA and Switzerland are free to reside and work in Denmark. However, if an EU/EEA or Swiss citizen wishes to reside in Denmark for more than three months, the citizen must apply for a registration certificate. Citizens from outside the EU/EEA must apply for a residence and work permit before they start working.

### **Indirect taxes**

Supply of goods and services in Denmark is subject to Danish VAT. The standard VAT rate is 25 pct. There is no reduced rate in Denmark. Further, there is no registration threshold for foreign companies. The VAT registration request must be submitted to the Danish Tax Authorities no later than eight days before the supply of goods and services takes place.

If a non-Danish company is solely having intra-community acquisitions into Denmark, the company will have to register when exceeding the threshold of DKK 80,000 on a yearly basis.

The reporting period depends on the amount of VAT-liable turnover in Denmark and varies from monthly to half-yearly.

Non-EU companies must appoint a tax representative in Denmark who is jointly and severally liable for any VAT payments to the Danish Tax Authorities.

**Do you have any questions?  
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