

Worth knowing about:

## Real Estate investments - tax saving possibilities - in Denmark

**A foreign investor may invest directly in real estate in Denmark or through a Danish company. A direct investment entails that the foreign investor becomes liable to tax to Denmark but limited to tax on the income related to the investment.**

### Danish taxation

Companies - foreign or Danish - are taxed at a flat rate of 22 % (the ordinary corporate income tax rate) of any income which is taxable in Denmark. In the computation of the taxable income, interest expenses are - as a main rule - fully deductible. However, Danish tax legislation contains three rules which put limitations on the tax deductibility of interest. The financing structure should therefore be carefully considered before entering the Danish market.

Acquisition costs and improvement costs must, to a certain degree, be added to the purchase price and can therefore not be deducted as operating costs.

A foreign group is for tax purposes required to consolidate all Danish activities (subsidiaries, permanent establishments in Denmark and Danish real estate) which entail the possibility to deduct losses in one entity against profits in another entity. The group structure should, however, be considered carefully since certain group structures will not give access to consolidation.

Certain buildings can be depreciated for tax purposes by 3 % or 4 % per year, which depend on whether the buildings are acquired before or after 1 January 2023. Machinery and equipment, furniture and fixtures can be depreciated according to the declining balance method at a rate of up to 25 % per year. Maintenance costs are fully deductible whereas improvement costs may be deducted immediately, rather than depreciated, to the extent the total annual costs of maintenance, improvement and reconstruction do not exceed 5 % of the acquisition cost of the building.

### Capital Gains

Sale of real estate may trigger a capital gain. Capital gains are taxed at the normal corporate income tax rate. In addition, tax depreciation recaptures in connection with the sale will be taxable as well. Capital losses on real estate can only be offset against the company's capital gains from real estate in the year of disposal, or in the following income years (indefinitely).

Foreign corporate shareholders of Danish real estate companies are generally not subject to tax in Denmark on capital gains from the sale of shares in the Danish real estate company and the sale does not trigger taxation on recaptured tax depreciation. Further, Danish real estate companies held through a Danish holding company may be sold by the Danish holding company exempt from Danish capital gains tax and the sale does not trigger taxation on recaptured tax depreciation.

### TAX AND VAT

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## Stamp duty

In connection with the acquisition of real estate a stamp duty of DKK 1,850 + 0.6 % of the acquisition sum will apply. Mortgage loans are subject to a stamp duty of DKK 1,850 + 1.45 %. The stamp duty does not apply to sale of shares in real estate companies.

## Real estate tax

Real estate tax is imposed on the value of the land, but not the building. In addition, a municipality real estate tax on buildings used for offices, hotels, plant, workshops and similar business purposes may be imposed. These real estate taxes are deductible when computing the income subject to corporate income tax.

## VAT

As a main rule, the sale of real estate will not trigger VAT. However, VAT will apply if a building has been newly built, is substantially rebuilt or in case of sale of land plots in a professional capacity.

## Environmental taxes

Denmark levies a number of “green taxes” including taxes on carbon dioxide emissions and on wastewater which may influence the operating profit.

## Payments out of Denmark

Profit from a direct investment in Danish real estate to a foreign owner may be transferred to the foreign owner without triggering withholding tax.

Dividends from a Danish subsidiary to a foreign parent company entitled to claim benefits under the EU parent/subsidiary directive or a tax treaty with Denmark are generally tax-exempt in Denmark. A relatively strict and detailed beneficial ownership and anti-abuse test is applied. Otherwise, dividend is subject to 27 % withholding tax that may subsequently be reduced to 22 % or lower according to a double tax treaty. As of 2025, dividends paid to shareholders holding tax-exempt portfolio shares (i.e. certain shareholdings of less than 10% of the nominal share capital) are also tax exempt under certain circumstances.

Interest payments on loans from a corporate controlling or group related (both terms subject to broad definition) company can be subject to Danish interest withholding tax, unless an exemption applies. If Danish interest withholding tax applies, the applicable rate is 22 %.

## Individuals as investors

Physical persons which invest in Danish real estate will be liable to tax in Denmark. The rules described for companies apply in broad terms also to individuals, but the tax rates are different.

## Legal matters for companies

A Danish company can be established as a public limited company (A/S) or as a private limited company (ApS). The requirements for registering an A/S or ApS are straightforward and much of the process can be carried out online. The minimum capital is for an A/S DKK 400,000 and for an ApS DKK 20,000 (as of 2025). Companies must file annual financial statements with the Danish Business Authority.

## Using Denmark for foreign real estate investments

A Danish company does not include income or capital gains from foreign real estate/permanent establishments in the Danish taxable income unless international tax consolidation is elected (international joint taxation). Consequently, if a Danish company invests in foreign real estate, income and expenses as well as capital gains or losses will be excluded from Danish taxation irrespective of how the property has been taxed abroad. Foreign investors could therefore potentially benefit from using a Danish company to hold foreign real estate investments if this is also commercially viable.

**Do you have any questions?**

**Contact:**



**Arne Riis**

Partner, Tax

Phone: +45 51 41 77 71

[ari@bdo.dk](mailto:ari@bdo.dk)

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