

WORTH KNOWING ABOUT

Payment of corporate income tax in Denmark



In general, annual corporation tax returns must be filed no later than six months after the end of the financial year and by 1 September after the end of the financial year at the latest.

For companies with year-end between 1 January and 31 March, the tax returns are due in the same year. Companies with year-end 31 March 2021, at the latest, must include this period in the 2020 tax return.

A tax assessment will be issued after the filing of the tax return. This shows the assessed taxable income and the tax to be paid by the company.

The corporate tax rate is 22 %.

Group taxation

Danish group companies are required to file consolidated tax returns which include all Danish entities. The taxation will be based on the consolidated taxable income of all Danish group companies, branches, permanent establishments and real estates. The group may choose to consolidate all foreign entities as well. The benefit of tax consolidation is that losses in one group entity can reduce profits in other entities and thereby reduce the aggregated taxation of the group.

For tax consolidation basis, the group is required to appoint one of the group entities as management company with respect to tax payments. As a main rule, the management company should be the ultimate Danish parent company. If there is no ultimate Danish parent company, one of the other companies should be appointed as management company.

Prepayment of tax

There are 2 types of tax prepayment. The ordinary prepayment of tax is calculated by the tax authorities and the voluntary prepayment of tax is calculated by the company.

Companies established before 1992 are on certain conditions exempted from prepayment of tax.

For group companies, the tax is paid by the management company on behalf of the entire group.

Ordinary prepayment of tax for 2021

The ordinary prepayments of tax are paid in two equal instalments at 20 March and 20 November.

Each ordinary prepayment of tax for 2021 is calculated as 50 % of the average of the actual tax paid for the previous three income years (2017, 2018 and 2019).

If the company receives a refund of tax for the income year 2020, this amount will automatically be deducted from the November 2021 prepayment. The November prepayment of tax will also be reduced by withholding tax on dividends received in the income year 2020.

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If the company expects a drop in income for 2021, the company may request a reduction of the tax prepayment. A request for reduction of the November prepayment of tax can be submitted. It has to be done electronically by using www.skat.dk "TastSelv Erhverv" before the payment deadline.

Voluntary prepayment of tax for 2021

If the ordinary prepayment of tax is not sufficient to cover the final tax for the income year 2021, the company can make a voluntary prepayment of tax and thereby avoid payment of a non-deductible interest on the residual tax.

The company can make the voluntary payment either in March or in November together with the ordinary prepayments, or at 1 February the following year. Voluntary payments in March will be increased by interest while voluntary payments in November will be reduced by interest. However, currently, the rates are 0 %. A voluntary payment in February will be reduced by interest. Currently this rate is 0.9 %.

The rates for the tax year 2021 will be published by the end of 2021.

It is important that the company, before making the voluntary payment, reports the payment to the Danish tax authorities. Otherwise, the payment will be refunded. Furthermore, it is important that the balance of the tax account is positive, because the payment will cover the oldest debt first. If not positive, the payment will automatically be considered as payment of existing debt.

Cash management considerations

From a cash management perspective, it may be a good idea to make voluntary prepayments of tax depending on the actual interest level.

Residual tax for the income year 2020 is due on 20 November 2021 and will be added a non-deductible residual tax rate of 4.4 %. Surplus tax for 2020 will be refunded on 20 November 2021 and will be added a tax free compensation (reimbursement rate) of 0.1 %.

Financial year

Companies with an financial year which differs from the calendar year have to prepay tax in accordance with the rules applying to other companies. The prepayment of tax will be recorded in the year which replaces the calendar year.

If the financial year-end is 30 June 2021, the tax prepayments due on 20 November 2021, will be recorded as prepayments of tax for the year ending 30 June 2021. Consequently, as the prepayment of tax is due almost 5 months after year-end, it will be possible, by voluntary prepayments of tax in November, to match the exact final tax and reduce interest.

If the financial year-end is 31 March 2022, the tax prepayments made in November 2021 will be recorded as prepayments for the year ending 31 March 2022.

Utilization of losses

Under the joint taxation scheme, tax losses in one company can be utilized by companies with taxable profits.

The company that utilizes a loss will have to pay the tax value of the loss to the loss making company.

Tax losses may be utilized without any limitations between the consolidated companies within each year. Effective for income years starting 1 July 2012 or later, taxable income (2021) up to DKK 8,767,500 may be reduced in full by setting off tax losses carried forward from previous years, whereas taxable income exceeding DKK 8,767,500 may only be reduced by 60 % by setting off losses carried forward from previous years.

**DO YOU HAVE ANY
QUESTIONS?
PLEASE CONTACT**



Arne Riis
Partner, Tax
Tel. +45 51 41 77 71
ari@bdo.dk

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