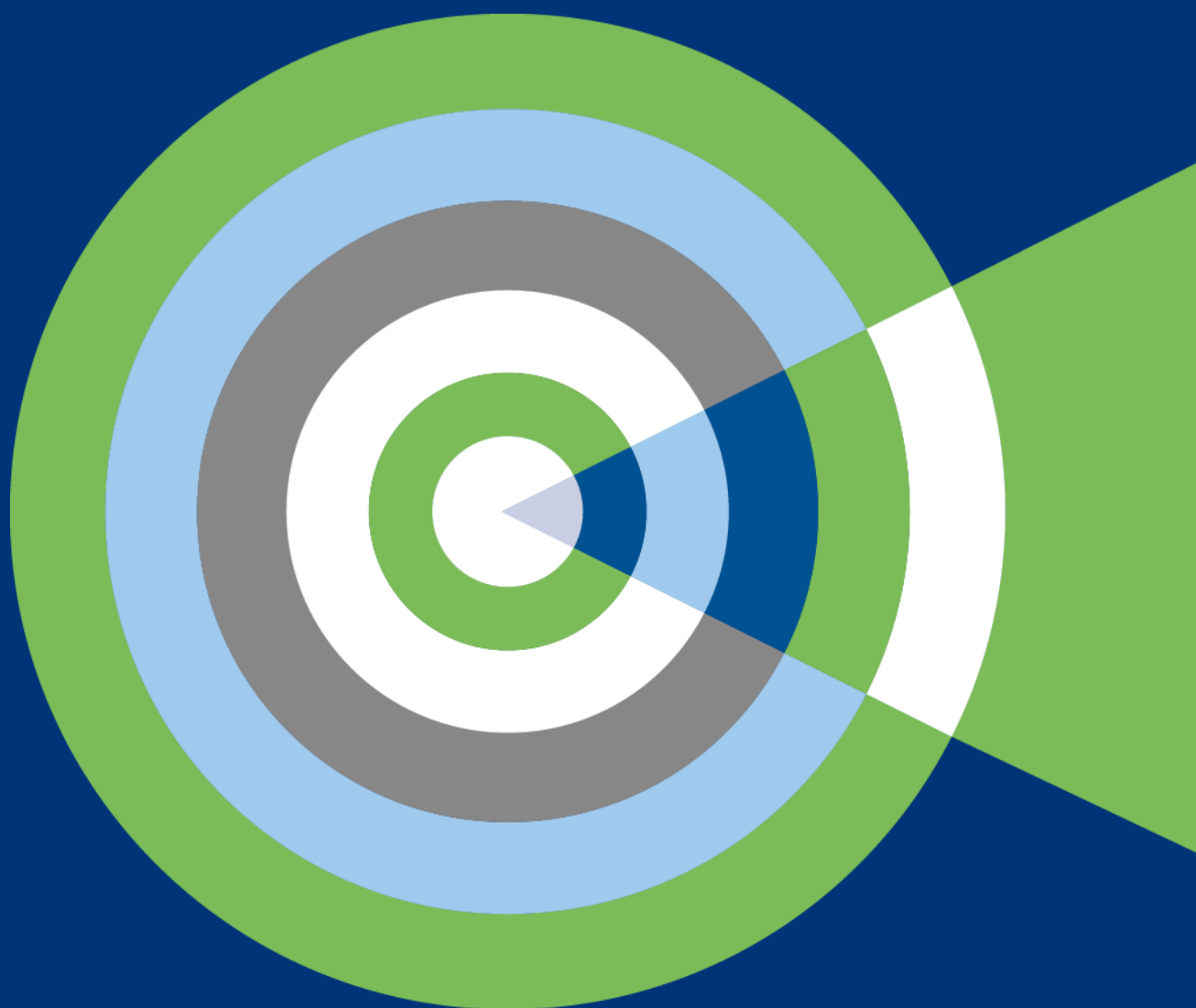


DOING BUSINESS

IN DENMARK



The network
for doing
business

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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 80 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Denmark has been provided by the office of UHY representatives:

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You are welcome to contact [Vibeke Düring Reyes Jensen \(vibeke@info-revision.com\)](mailto:vibeke@info-revision.com) for any inquiries you may have.

A detailed firm profile for UHY's representation in Denmark can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at October 2013.

We look forward to helping you do business in Denmark.

2 – BUSINESS ENVIRONMENT

The Kingdom of Denmark is a constitutional monarchy with Queen Margrethe II as the head of state.

The queen's most important political function is to appoint the prime minister, who is the head of government. The Danish parliament (the *Folketing*) is the country's legislative authority and has 179 members. Elections are held every four years.

The Danish population numbers around 5.3 million inhabitants, some 85% of whom live in urban areas.

Denmark has a land area of 43,094 square kilometres, 64% of which is cultivated farmland and woodland. Denmark consists of the Jutland peninsular and 406 islands, Zealand being the largest.

The official language is Danish. In addition, most Danes speak English and many speak German.

The Danish currency is the krone (DKK). Each krone consists of 100 Øre. One euro is equal to approximately DKK 7.46 (2016). The interest rate is fixed by Denmark's national bank. Denmark is not a member of the European Currency Union (euro).

ECONOMY

Denmark has a very open economy.

Owing to limited natural resources, the country depends strongly on foreign trade. Imports and exports account for around 30% of Denmark's gross national product (GNP).

The Danish economy, one of Europe's strongest, is characterised by a surplus state budget, a stable currency, low interest rates and low inflation.

FINANCING

Investment in Denmark can be financed in many ways.

The most common methods are described briefly below.

BANKS

Financing through banks can take the form of investment capital, overdraft facilities, foreign currency loans or a combination thereof.

DEBTOR FACTORING

Debtor factoring allows a business to obtain payment of credit balances at the time of invoicing instead of waiting for payment. It is a useful, if sometimes costly way, of funding necessary working capital.

LEASING

If an enterprise needs additional financing, leasing of assets may be a useful solution. The lessee does not own the leased assets, but pays a regular amount for their use.

MORTGAGE LOANS

Mortgage loans are extremely efficient and widely used for long-term financing. Such loans are based on bonds traded publicly on the stock exchange. This results in very competitive rates of interest (currently some 2–5% per annum).

VENTURE CAPITAL

Venture capital can be used to finance company activities such as business expansion and takeovers, for example. In practice, this form of financing is available only to existing businesses or newly established businesses with an approved business concept or model.

COPENHAGEN STOCK EXCHANGE (OMX THE NORDIC EXCHANGE)

Financing through the Copenhagen Stock Exchange is possible only for existing enterprises with a proven track record and significant market capitalisation (a minimum DKK 8.5 million). In addition, considerable openness is required with regard to the enterprise's commercial and financial capability.

FIRST NORTH

First North is a Nordic alternative marketplace for trading in shares operated by the stock exchanges in Denmark, Sweden and Iceland. It combines the benefits of simplicity and being public, but does not have the legal status of a regulated market. First North is a good choice for young, small or growth companies.

BUYING AND RENTING REAL PROPERTY

Certain minor restrictions apply to the right of foreign individuals to purchase real property in Denmark, but primarily with respect to holiday cottages.

There are no restrictions on public or private limited companies registered with the Danish Business Authority regarding acquisition of property for business activities, irrespective of whether or not the company is owned by foreign individuals or foreign companies.

Pricing of property is a matter of negotiation between a buyer and seller, usually conducted through an estate agent. Property prices vary depending on the property's location, age, quality etc.

Property can also be rented. The annual rent for office premises in the Greater Copenhagen area typically ranges between DKK 900–2,800 per square metre depending on location, furnishing etc.

The price of production premises is often somewhat lower, depending on location, type of premises, special layout etc.

3 – FOREIGN INVESTMENT

Denmark's policy and legislation regarding foreign investment is characterised by openness and non-discrimination.

Denmark is further characterised by:

- Long-term political stability
- Long-term economic stability
- Low inflation
- Effectively, a low level of corporate tax owing to favourable depreciation facilities and a tax rate of 22%
- A well-educated workforce
- High productivity
- Well-developed infrastructure.

Existing investment incentives apply to both Danish and non-Danish investors so no special subsidies or state grants are available. Denmark's membership of the European Union (EU) enables businesses in Denmark to obtain EU subsidies for research and development projects conducted in co-operation with companies and research institutions in other EU countries.

VAEKSTFONDEN

Vækstfonden is a Danish organisation set up to assist newly started small- and medium-sized businesses obtain finance for projects which are unable to be funded solely by banks and external investors because of the risk involved.

The purpose of proposed projects must be to strengthen the competitiveness of a company and the project must include elements such as new technology and development of new products or production methods.

Vækstfonden's funding package can be tailored to meet the needs of an individual company and utilise the following three forms of financing listed below.

EQUITY INVESTMENT

Vækstfonden can offer additional equity to young companies with a significant growth potential.

GROWTH LOAN

Well-established companies with growth plans, but which lack sufficient security to be granted a loan by a bank, can obtain a 'growth loan' (*Vækstlån*).

SUBORDINATED LOAN

Subordinated loans strengthen a company's balance where equity is not solid enough to obtain further loans through a bank.

GUARANTEES FOR NEWLY ESTABLISHED GROWTH BUSINESSES

GROWTH GUARANTEES (*VÆKSTKAUTION*)

Vækstfonden offers a guarantee to obtain loans, leasing agreements and factoring for companies with a financing level up to DKK 2 million.

SECURITY GUARANTEE (*VÆKSTGARANTI*)

This guarantee is offered for companies with growth plans that cannot provide enough security to obtain a guarantee or lease from a guarantee institution or a leasing company in the ordinary way.

Please also see Vaekstfonden's website at www.vf.dk.

4 – SETTING UP A BUSINESS

As stated in the previous section, there are no major restrictions on investment by foreign companies or individuals in Denmark or on the transfer of foreign currencies to and from Denmark, and similarly, there are no restrictions on the ownership of Danish businesses or companies by foreign companies or individuals.

A business will normally be established in one of the following forms listed below.

BUSINESS STRUCTURES

PUBLIC LIMITED COMPANY (AKTIESELSKAB – A/S)

The minimum capital required to establish a public limited company is DKK 500,000. The general meeting is the supreme authority of a public limited company. A general meeting must be held within five months of the end of the financial year. Shareholder rights are exercised at the general meeting.

Resolutions to be adopted by the general meeting include:

- Adoption of the annual report for the most recent financial year
- Distribution of profits or covering of losses
- Other items to be referred to the general meeting according to the company's articles
- Election of the board of directors
- Election of auditor(s).

An extraordinary general meeting must be convened at the request of the board of directors, the auditor(s) or a minimum of 10% of the company's shareholders.

A public limited company must have a board of directors consisting of not less than three members elected by the general meeting.

Employees in companies employing an average of more than 35 persons are entitled to elect employee representatives to the board of directors. The number of such representatives may be equal to half the number of board members elected by the general meeting, but never less than two members.

The board of directors must appoint an executive board consisting of one to three members, unless the company's articles stipulate a higher number.

The board of directors and the executive board are responsible for the management of the company. The board of directors is also responsible for the proper organisation of the company's activities and must decide whether its capital resources are at all times adequate for the company's operations. The board of directors must also ensure that the company's books and capital assets are managed satisfactorily in accordance with the company's situation.

The executive board is responsible for the day-to-day management of the company and must follow the guidelines and directions given by the board of directors in that respect. A public limited company must be registered with the Danish Business Authority.

PRIVATE LIMITED COMPANY (ANPARTSSELSKAB – APS)

The minimum capital required to set up a private limited company is DKK 50,000.

The rules applying to private limited companies are largely identical to those for public limited companies. However, a board of directors is not obligatory; managerial responsibility may lie solely with the executive board.

The rules applying to private limited companies in relation to foundation, non-cash contributions etc., are also less strict than those for public limited companies.

BRANCH

A foreign company may carry on business through a branch. The branch should be managed by one or more branch managers resident in Denmark, but dispensation from this rule may be granted. The activities of the branch are subject to Danish law and any disputes must be settled before a Danish court.

A branch must be registered with the Danish Business Authority. A branch in Denmark is subject to the articles of association of its parent company and the Danish Business Authority must be notified about any amendments to these articles.

PARTNERSHIP

A partnership is a business relationship between two or more individuals or companies for the purpose of making a profit.

A partnership is not an independent legal entity; all the partners are jointly and severally liable with all their assets for the debts and obligations of the partnership.

As no specific legislation on partnerships exists, it is customary to draw up an agreement to regulate the relationship between the partners and other matters relating to the partnership.

LIMITED PARTNERSHIP

A partnership and a limited partnership are essentially very similar. In the latter, however, the liability of one or more of the partners may be limited. One partner always remains liable for the debt and obligations of the partnership to the extent of all his/her assets.

LIMITED PARTNERSHIP COMPANY – P/S

A limited partnership company resembles a limited partnership. The minimum capital requirement is DKK 500,000 and the company is essentially subject to the legislation applying to public limited companies.

A limited partnership company must be registered with the Danish Business Authority.

JOINT VENTURE

A joint venture consists of a number of partners co-operating on a specific project. The co-operation is usually carried out in the form of a public or private limited company or a partnership (see above).

REPRESENTATIVE OFFICE

Doing business through a representative office is an option if the activities to be performed are solely of an assisting or preparatory nature. Examples of such activities are information gathering and showroom activities etc. but not sales or authorisation to enter into sales contracts. A representative office has no permanent operating location in Denmark and as such is not liable to Danish tax.

VAT, IMPORT AND EXPORT

VALUE ADDED TAX (VAT)

Businesses and companies carrying on activities that are subject to VAT must be registered with the Danish Business Authority.

VAT is settled on a monthly, quarterly or semi-annual basis, depending on the size of the turnover.

VAT is added to domestic sales of goods and services at 25%.

VAT on purchased goods and services can be deducted on the VAT settlement.

As a member of the EU, Denmark is also subject to the common EU rules.

IMPORT AND EXPORT

No major restrictions apply to the import and export of goods. However, a number of procedures must be complied with for statistical reasons.

If goods are purchased in a non-EU member state, 25% import VAT must be added to the price. Businesses registered for VAT with the customs and tax authorities may deduct this import VAT on the VAT settlement.

Goods purchased in a non-EU member state are subject to customs duty. The amount of duty depends on the type of goods and the country in which the goods were purchased. A business purchasing goods from a non-EU member state must be registered as an importer with the Danish customs and tax authorities.

Sales of goods and services business to business between EU member states are not subject to VAT. However, the exporter must obtain the recipient's VAT registration number to the EU country in which the recipient is resident, as various statistical data must be filed with the EU authorities.

Sales of goods in non-EU member states are not subject to VAT.

5 – LABOUR

DANISH LABOUR FORCE

The Danish labour force is characterised by high educational and loyalty levels.

The Danish labour market is largely regulated by collective agreements between trade unions and employers' associations within the various business sectors. The vast majority of working people are members of trade unions.

During the past 20 years, the Danish labour market has been very stable in terms of salary and wage adjustments, strikes etc.

SALARY AND WAGE LEVEL

Direct costs in the form of salaries and wages are high by comparison with similar countries, but indirect payroll costs are very low.

The overall salary and wage level is therefore not significantly different from that in comparable countries.

Indirect payroll costs in the form of social security payments, including the labour market supplementary pension scheme (ATP), amount to around DKK 5,000 per employee.

EMPLOYMENT

There are typically three employee categories:

- Salaried employees on a monthly salary
- Employees paid hourly
- Fixed-term employees.

SALARIED EMPLOYEES

Salaried employees are usually employed on a permanent basis. Notice periods depend on the employment period and range from three months to nine months after nine years' employment.

EMPLOYEES PAID HOURLY

Employees paid hourly are typically employed by the same company for a number of years at a time. They can be dismissed at very short notice, but some companies have entered into special agreements setting out special provisions in this area.

FIXED-TERM EMPLOYEES

Fixed-term employees are employed until a specific date or event, or until completion of a specific assignment. They enjoy the same rights as salaried employees, except that their notice period is between one and nine months depending on the period of employment.

HOLIDAY PAY

All employees have a statutory right to five weeks' holiday a year, of which three weeks may be (but need not be) taken in the summer months.

Labour agreements frequently specify longer holidays.

Employers must give their employees holiday pay.

SALARIED EMPLOYEES

In the course of a year, salaried employees earn the right to a minimum of five weeks' holiday to be taken in the following year. When taking this holiday, employees receive their normal salary.

Employees also receive a holiday allowance of 1% of the salary earned. This is normally paid on 1 June.

If the employee leaves his/her job, holiday pay relating to untaken holiday must be paid to *Feriegiro*, the public agency administering holiday pay (see below).

EMPLOYEES PAID HOURLY

Employers are required to pay 12.5% of the wages of employees paid hourly to *Feriekonto* every quarter. The relevant amount will then be paid to the employee by *Feriekonto* when any holiday is taken.

SICKNESS PAY

Salaried employees continue to be paid by their employers during sickness.

Salaried employees who become sick may be dismissed only if they have been sick for more than 120 days, either continuously or within the period of one year, and only if a contractual agreement exists to this effect.

Workers paid hourly are entitled to sickness pay only for the first two weeks of sickness, but may receive sickness benefit from an unemployment insurance fund or from the state.

HEALTH SYSTEM

Denmark has a well-developed health system.

Residents, including non-Danish citizens, are entitled to free medical assistance and hospital treatment. These services are paid for through the tax system (see below).

UNEMPLOYMENT – SOCIAL SECURITY

A basic principle of Danish society is that all individuals over the age of 18 must provide for themselves.

However, an extensive social security system offers a safety net to those who for some reason are unable to do so.

The Danish trade unions administer a number of unemployment insurance funds on behalf of the state. On becoming a member of such a fund, employees pay an annual contribution of approximately DKK 5,000, which is deductible from their tax (see below).

In case of unemployment, the fund will pay out benefits according to specific rules. Benefits will usually amount to 90% of the minimum wage rate, but may not exceed approximately DKK 17,300 per month.

Individuals who are not members of an unemployment insurance fund may receive benefits from the state. The amount is usually less than that paid by an unemployment insurance fund.

PENSIONS

Upon reaching 65 (for those born after January 1955, the age is 67) individuals are entitled to receive a state retirement pension for which the minimum annual amount is approximately DKK 70,000.

There is also the ATP pension scheme, to which both employees and employers contribute.

It is also common to subscribe to private pension schemes. The contributions to such schemes vary. Contributions to instalment pension schemes are deductible from personal tax.

Finally, a number of companies have established special pension agreements, and within the collective bargaining framework some employer's associations and trade unions have established agreements on a labour market pension.

EDUCATIONAL SYSTEM – CHILDCARE

Employees are entitled to around 20 weeks' maternity leave, which can to some extent be split between the parents.

Maternity benefit is paid by the state according to the same rules as unemployment benefit.

Provision also exists for up to 32 weeks' parental leave.

At the end of maternity leave there are various childcare possibilities, such as nurseries for infants aged six months to two years and kindergartens for children aged three to six. For this service parents are normally required to pay a monthly amount that varies according to where they live.

Schooling (the public school system) begins at the age of six and continues for nine or ten years. After this, children can continue for three years at high schools, commercial schools, technical schools, etc. Several courses provide access to higher education at universities, business schools, technical colleges, etc.

Education is paid for through the tax system (see next section).

6 – TAXATION

CORPORATE TAX

FILING OF TAX RETURN

Danish public and private limited companies must file tax returns stating their taxable income every year and no later than six months after the end of a financial year.

Any company, regardless of the location of its incorporation, will be considered taxable in Denmark if it is managed and controlled in Denmark.

If a Danish company under the rules of a foreign state is treated as a transparent company, the company is also under Danish law considered to be transparent.

PAYMENT OF CORPORATE TAX

Corporate tax in Denmark is 22%, which is paid on account twice during a financial year, on 20 March and 20 November. A so-called 'voluntary payment of corporate tax' may be made. Tax instalments payable on account may be reduced in special cases.

Residual tax is subject to non-deductible interest of 3,6% (2015). Interest of 0,3% (2015) is added to tax refunds.

COMPUTATION OF TAXABLE INCOME

Taxable income consists of all income for the year based upon the territorial income tax method, less expenditures relating to acquiring, securing and maintaining the income, including depreciation, write-offs and interest.

TAX ADVANTAGES

DEPRECIATION ON EQUIPMENT, MACHINERY ETC.

Fiscal depreciation is calculated by the declining-balance method at 25% per annum. 25% of the acquisition costs may thus be depreciated in the year of acquisition, irrespective of when the asset was actually acquired. Fiscal depreciation may be deducted only if the asset has been put into operation before the end of the financial year.

In certain circumstances, an advance fiscal depreciation may be deducted (ie on assets ordered prior to the year in which delivery and entry into operation took place).

The price obtained from the sale of equipment, machinery etc., will be deducted from the balance of the company selling the asset.

DEPRECIATION ON BUILDINGS

Fiscal depreciation is allowed on buildings used for depreciable purposes. Such purposes are production, storage and retail sales. Fiscal depreciation may also be effected on a number of other types of buildings. However, this does not apply to residential property or office buildings disassociated from other depreciable buildings. The depreciation rate is 4% per annum of the cash acquisition amount.

If the building is subsequently sold for a value that exceeds the cash acquisition amount less accumulated depreciation, this profit is taxable.

No depreciation may be made on land or sites.

AMORTISATION OF INTANGIBLE FIXED ASSETS (GOODWILL, KNOW-HOW, RIGHTS ETC.)

Amortisation depreciation is allowed on most acquired intangibles. The basic amortisation period is seven years and the straight-line method is used. However, for rights etc. amortisation is performed over the remaining period if this is less than seven years. Amortisation is allowed only during the period in which the right exists.

Expenses relating to rebuilding, improvement or outfitting of rented premises used for business purposes and not for residence, may be amortised under the straight-line method over the period of rent at 20% per annum if the rental agreement is not a fixed-term agreement.

If an intangible is subsequently sold at a value that exceeds the amortised value, such a profit is taxable.

JOINT TAXATION

Joint taxation of all Danish subsidiaries and Danish permanent establishments is compulsory. For instance are two Danish affiliated companies, owned by a foreign parent/holding company, jointly taxed. The definition of Danish subsidiaries corresponds to the definition for accounting purposes and consequently it follows the deciding influence/majority of votes.

If the subsidiary is not consistent throughout the entire income year in which the company has been group-related, all companies in the joint taxation must have the same accounting year as the administrative company. Also, periodic income statements must be prepared if there are changes in group-related companies.

Foreign subsidiaries may be taxed jointly with Danish companies. This is an option, but if international joint taxation is elected, all foreign and Danish companies, permanent establishments and real estate must be included in the joint taxation. This also applies to foreign parent companies and sister companies.

Generally, the election will be binding for a period of ten years. If the joint taxation is interrupted during this period, the recapture balance will be subject to full recapture. If the joint taxation is discontinued at the end of the ten-year period, the amount subject to recapture is calculated on the basis of a fictitious liquidation profit, maximised to the tax value of the losses deducted.

If the jointly taxed companies include foreign companies, the tax computation will exclude any tax paid abroad under double taxation treaties.

CFC TAXATION

According to controlled foreign company (CFC) taxation, Danish companies that hold a controlling interest (deciding influence/majority of votes) in financial companies are forced to jointly tax with the foreign financial company for Danish tax purposes.

A company qualifies as a financial company if at least half of the total net income consists of interests, commissions, royalties, bank and insurance activities, leasing etc.

Furthermore, the financial assets as an average have to be more than 10% of the total assets.

DIVIDENDS FROM SUBSIDIARIES

Taxation of dividends depends on whether the shares are considered as shares of a subsidiary or group company shares.

Subsidiary shares are defined as:

- The company owns 10% or more of the subsidiary company
- The subsidiary company is located in a country within the EU or a country with a double taxation treaty with Denmark where the taxation has to be waived or reduced.

Group company shares are defined as:

- The company has the deciding control of the subsidiary company – normally when having the voting majority.

Dividends from a subsidiary or a group company to a Danish parent company are tax-exempted.

There is a tax avoidance rule for shares owned by a joint “in-between” holding company, so the actual ownership is assessed as if the “in-between” holding company does not exist.

If the dividend is tax deductible in the other country, then the dividend will be taxable unless the subsidiary is located in an EU country.

Dividends from all other shares – called portfolio shares - are taxable (see below for further information).

It should be noted, however, that a withholding tax on dividends to a Danish parent company may be payable in the country in which the subsidiary is resident.

In many instances, such a tax cannot be enforced wholly or partly due to double taxation regulations or EU legislation.

DIVIDENDS FROM A DANISH COMPANY TO A FOREIGN COMPANY

A company may receive tax-exempt dividends from a Danish subsidiary provided that the shares in the Danish company are considered subsidiary shares or group company shares.

However, this does not apply to dividends relating to shares owned by companies in countries outside the EU and without a double taxation treaty with Denmark.

If dividends are paid by a Danish company to its foreign parent and if the latter is resident in a non-EU member state with which Denmark has no double taxation treaty, a withholding tax of 27% (2016) must be paid.

As a company may receive tax-free dividends from a Danish or foreign subsidiary (see above), and as no dividend tax is due on dividends paid from a Danish company to its foreign parent in another EU member state or a country with which Denmark has a double taxation treaty, it may be very attractive to establish a holding company in Denmark.

BENEFICIAL OWNER

The assessment of the Danish Customs and Tax Administration (SKAT) for whether dividends, interest payments, royalties etc. are subject to withholding tax is based on whether the recipient may be considered the beneficial owner of the amount.

The assessment of whether dividends etc. are subject to withholding tax will not therefore in all cases be based on the immediate recipient of the dividends etc.

SKAT may for example consider a Danish company liable to pay withholding tax on dividends paid to a(n) (intermediary/conduit) holding company if the parent company/the ultimate recipient of the dividends must be considered the beneficial owner. This will typically be the case if the ultimate recipient has not directly been able to receive the dividends without being subject to withholding tax, for example in the absence of a double taxation convention with Denmark. Similarly, SKAT will consider whether the (intermediary/conduit) company is engaged in a real activity and whether it has effective decision-making power with respect to the dividends etc.

Furthermore, the Danish Government has introduced more stringent rules with respect to:

1) Dividends from foreign companies to Danish (intermediary) holding companies –

More stringent rules have been introduced for foreign companies which form a Danish (intermediary) holding company for the purpose of minimising tax on dividends from foreign subsidiaries. This may be the case, for example, if a company abroad forms a Danish company, where the sole object is to invest in companies in other countries. The parent company then receives dividends from companies in other countries via a Danish company for the purpose of reducing the taxes which another country would have imposed if the dividends had been paid directly to the parent company.

– This tightening of rules means that in some cases dividends paid to foreign shareholders will be subject to withholding tax when:

- The Danish company has received dividends from abroad and redistributes such dividends to foreign companies
- The Danish company cannot be considered the beneficial owner

2) Avoidance of withholding tax – More stringent rules have been introduced for foreign shareholders who attempt to avoid withholding tax on dividends from Danish companies by making other forms of ‘distributions’. For example, a foreign parent company may sell the shares in its Danish subsidiary to a Danish ‘intermediary’ holding company in return for a debt instrument. The subsidiary may then distribute tax-exempt dividends to the ‘intermediary’ holding company after which the ‘intermediary’ holding company may pass on the amount to the foreign parent company as instalment payments which are also tax-exempt. The same scenario may apply in the case of a foreign natural shareholder.

In future, other forms of ‘distributions’ to foreign shareholders, including intercompany share sales, will be subject to withholding tax.

CARRYING FORWARD A LOSS

Where a company realises a tax loss, provision exists for this loss to be carried forward and set off against future taxable income. Various limitations apply to this rule as regards change of ownership.

Restrictions apply, however, in the way that only 60% of tax losses exceeding DKK 7.852 (2016) million may be used in a single year, while the rest may be carried forward to be used in later years' positive income.

TAX CREDIT FOR LOSSES – RESEARCH AND DEVELOPMENT ACTIVITIES

The tax value of losses, which comes from research and development costs, may be refunded by the tax authorities. For the tax year 2016 companies can get the tax value of deficit / development costs of up to 25 million. kr. refunded (the tax value is up to 5.5 million.).

THIN CAPITALISATION

Specific provisions apply to restrictions of deductibility for interest expenses and capital losses regarding thin capitalisation, which occurs when the financing of a company controlled by a Danish or foreign entity principally consists of interest-bearing loans from this entity. Included in controlled debt is also debt to a third party, where security is provided by a group entity. The deductibility restriction does not apply if the controlled debt does not exceed DKK 10 million, or if the lending company can document that similar financing can be obtained from an independent lender.

REDUCTION OF INTEREST DEDUCTION

Under certain conditions, a reduction of net financial expenses exceeding DKK 21.3 million (2016) may apply.

EBIT RULES

If net financial expenses exceed DKK 21.3 million, earnings before interest and taxes (EBIT) will be reduced with up to 80% of net financial expenses at a maximum.

TRANSFER PRICING

The Danish tax rules on transfer pricing are based on the arm's length principle. Companies with cross-border transactions must prepare and maintain written documentation which justifies that company transactions are conducted on an arm's length basis. For domestic intercompany transactions and intercompany transactions with companies in countries with which Denmark has a double tax treaty or in member countries of the EU, documentation is not required for small- and medium-sized companies (with total assets of DKK 0–125 million or net turnover of DKK 0–250 million and a number of employees of 0–250 based on the consolidated group).

CAPITAL GAINS TAX

The principal rule is that capital gains and losses are taxable.

Revenue from capital gains must be included in the taxable income of a company.

COMPANY SHAREHOLDINGS

The tax liability on profit/loss on shares depends on whether the shares are considered shares in a subsidiary or group company shares.

SUBSIDIARY SHARES OR GROUP COMPANY SHARES

Profits on subsidiary shares or group company shares are exempted from tax. Losses on such shares are not deductible.

OTHER SHAREHOLDINGS (PORTFOLIO SHARES)

Shares in listed companies are taxed each year, regardless of whether the shares are sold or not. The difference in the value at the beginning of the income year and the end of the income year will be taxable (or deductible, if a loss).

For shares in companies other than listed companies, it is possible to be taxed either according to the above-mentioned rule or when first selling the shares.

Gains on unlisted shares are not taxable, even when ownership is less than 10%. Dividends are however taxable, but only 70% of the received dividend is taxable, which means that the tax rate is 15,4% in 2016 (70% of the corporate tax rate on 22%)

LAND AND BUILDINGS

Profits earned from land or buildings are taxable.

A deduction in the profit of DKK 10,000 per year (of ownership) is permitted. Improvements on buildings, which haven't already been deducted, can also reduce the profit, if the amount of improvements per year exceeds DKK 10,000.

Special rules for land or buildings acquired before 19 May 1993 apply.

Under certain conditions, it will be possible to reinvest profit in a new commercial building, thereby postponing the taxes until the new building is sold.

A loss is not tax deductible, but can be set off against any future profits which the company may obtain from selling land and buildings.

COMPANY TAXATION**BRANCHES OF FOREIGN COMPANIES**

A branch is taxable in Denmark on income earned from its Danish activities.

A branch must therefore file an income tax return each year stating its taxable income computed according to the provisions that apply to companies.

PARTNERSHIPS

An enterprise established in the form of a partnership is not individually taxable. Instead, each partner in the business is taxed on his/her individual share of profits as stated in his/her income tax return, and may make fiscal depreciation on his/her share of the partnership's assets etc.

If a partner is a foreign company, the company must be registered with the Danish customs and tax authorities and file an income tax return each year stating the taxable income computed according to Danish tax provisions.

FOREIGN RELATIONS

The basis for Danish tax liability is the operation of activities from a fixed address in Denmark. In addition, the global income tax method is applied.

Foreign subsidiaries may opt for joint taxation – see ‘Joint Taxation’ section on page 15.

Denmark has double taxation treaties with most of the countries with which it has economic ties, including the other Scandinavian countries, countries of the EU, the Baltic countries and the new Eastern European nations.

Denmark has specific computation and documentation rules for transfer pricing in respect of transactions involving Danish enterprises and affiliated foreign units (parent companies/subsidiaries, branches etc).

PERSONAL TAX

WITHHOLDING TAX

An employer must withhold tax from the wages or salaries paid to employees.

INCOME TAX RETURN

Income tax is paid by employees on account, based on an advance assessment, and computed finally in association with the filing of an annual tax return after the end of the income year.

GROSS TAX

An employer must withhold gross tax (labour market contribution) of 8% (2016) from wages and salaries paid to employees.

COMPUTATION OF TAXABLE INCOME

Taxable income is computed on the basis of:

- Earned income
- Unearned income
- Deductible expenses.

The taxable/deductible values for these three categories vary.

Earned income comprises wages and salaries, less any labour market contribution and income from personally owned companies and commercial buildings etc.

Unearned income is principally interest, both earned and paid, and other capital income. Deductible expenses are primarily contributions to unemployment insurance funds and trade unions, transport allowances, employment deductions and alimony.

TAXABLE WAGES AND SALARIES

An employee is liable for tax on wages and salary, as well as on benefits received from the employer, such as use of a car, telephone and housing.

Special rules apply to the value assessment of benefits received.

TAX ON TAXABLE INCOME

This can be divided into two categories:

- Local (municipal) tax and health tax (3% in 2016)
- State tax.

Local (municipal) tax rates are based on the taxpayer's place of residence and the average tax payable is approximately 24.9%. This is a flat rate applied to all the taxable income.

The state tax is progressive and increases with the amount of earned and unearned income.

The various rates, excluding the labour market contribution (8%), are currently as follows:

TABLE 1
Taxable income

| | 2016 |
|---|----------------|
| Local tax, including health tax (approximately) | 27,9% |
| First-tier tax (state tax) | 9,08% |
| Top-bracket tax (state tax) | 15.0% |
| TOTAL INCOME TAX | 51.98%* |

*This is reduced to 51.95% due to the tax ceiling.

First-tier tax and local tax are calculated on the basis of the taxable income ie the sum of earned income, unearned income and deductible expenses.

The top-bracket tax is calculated on earned income plus positive net capital income exceeding DKK 41,900 (DKK 83,800 for married persons). Top-bracket tax is paid from income above DKK 467.300 (after reduction of labour market contributions). However, net capital income exceeding the above limit is taxed to a maximum of 42% (2016).

There is an upper limit on the total income tax percentage. For 2016, the tax ceiling (excluding labour market contribution) is 51.95%. If the income tax percentage exceeds the ceiling, the state tax will be reduced.

In addition, church tax of approximately 0,7% of the taxable income is payable for members of the Danish state church (where membership is voluntary).

A basic allowance of DKK 44,000 (2016) applies in respect of the tax computation for local tax, church tax and first-tier tax.

An employment allowance is granted based on salary. In 2016, the employment allowance is 8,3% of the salary, to a maximum of DKK 28,000.

GREEN CHEQUE

As a part of the tax reform, a so-called 'green cheque' has been introduced as compensation for increased energy taxes. This is not an actual cheque, but rather an amount of DKK 950 received by everyone with an income below a certain amount. The amount is automatically incorporated in the preliminary income assessment and tax assessment notice.

WEALTH TAX

Wealth tax was abolished in Denmark from 1997.

FOREIGN EMPLOYEES, 26% EXPATRIATE TAX SCHEME

Foreign employees assigned to work in Denmark may be liable to special taxation of 26% for five years of their gross income without any deductions.

The income will furthermore be subject to payment of a labour market contribution (8%). Researcher taxation can be applied in one or more periods not exceeding 60 months in total and it is possible to work for the same company/group

The employee will only qualify if he/she hasn't been fully liable to taxation in Denmark or subject to limited tax liability on earned income etc. or commercial income within the last ten years prior to the employment. Previous periods on the Expatriate Tax Scheme are not included.

The employee is also not allowed to have been directly or indirectly involved within the past five years prior to the employment in the management of or have had control or significant influence over the company where he/she is being employed.

The monthly income including certain benefits (for instance free company car, free phone etc.) must be a minimum of DKK 62.300 (2016) before labour market contributions. Within the same calendar year, the salary requirement must be met as an average monthly salary. The monthly salary must appear in the contract of employment.

Example:

| | |
|-----------------------------------|-------------|
| Income per month | DKK 100,000 |
| Labour market contributions, 8% = | DKK 8,000 |
| Taxable income = | DKK 92,000 |
| 26% tax = | DKK 23,920 |
| Net pay = | DKK 68,080 |

Other income, including certain benefits, interest, dividends etc. is taxable under the regular income tax rules.

ØRESUND AGREEMENT

The Danish and Swedish governments have entered into a joint agreement to remove a number of the day-to-day problems experienced by employees living in one country and working in another, and of the employers of such employees.

The agreement is intended to ensure that the differences between the tax systems of the two countries do not become an obstacle when choosing a country in which to live and work. Under the agreement, income is taxed in the country of work. Øresund Bridge tolls (are tax deductible, as are pension scheme contributions in the present or former country of residence.

INCOME FROM SHARES

In addition to the taxable income described in the previous section, income from shares must be computed. Such income may be made up of dividends or gains and losses from shares.

The first DKK 50.600 (2016) of such income is taxed at 27%, the remainder at 42%. For spouses, the basic allowance is DKK101.200 (2016). Any withheld dividend tax may be set off against the above taxes.

Losses on listed shares may only be set off against profits, including dividends and gains on corresponding shares. A loss can be carried forward and set off against future income from listed shares. Losses on unlisted shares are set off against income from listed and unlisted shares, or other income.

7 – ACCOUNTING & REPORTING

An individual or legal entity involved in professional or business activities in Denmark is subject to the Danish Bookkeeping Act (*Bogføringsloven*) and is consequently obliged to keep books in a proper and diligent manner.

Such books must contain complete information on the business and financial circumstances of the individual or legal entity subject to the Act for the purposes of creditors and public authorities.

Bookkeeping records may be kept in various formats, including electronic files, provided that a clear trail can be followed between individual entries and any relating vouchers and documentation.

Electronic documentation could be stored outside of Denmark, provided that certain requirements are met.

PREPARATION OF ANNUAL REPORTS

Commercial enterprises are also subject to the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*).

According to this Act, companies are divided into four classes for accounting purposes – A, B, C and D. The legal structure and size of the company determine the class which the company belongs to (see table below).

TABLE 2

Table of accounting classes

| CLASS | COMPANY TYPE | SIZE CRITERIA |
|-------|---|--|
| A | All personally owned firms and partnerships irrespective of size. Limited partnerships that meet the size criteria | Total assets DKK 0–7 million Net turnover DKK 0–14 million Number of employees 0–10 |
| B | Public and private limited companies, limited partnerships, commercial foundations and limited partnership companies that meet the size criteria | Total assets DKK 0–44 million Net turnover DKK 0–89 million Number of employees 0–50 |
| C | Public and private limited companies, limited partnerships, commercial foundations and limited partnership companies that meet the size criteria. There are two classes (c and C) within this category | Total assets DKK >44<156 million Net turnover DKK >89 <313 million Number of employees > 50 <250 |
| D | Listed companies and state-owned public limited companies | None |

If the company exceeds or falls short of the size criteria for two consecutive financial years it will be transferred to another accounting class.

Companies in class A may voluntarily prepare annual reports including the signatures of the board of management, a description of the accounting policies applied, a profit and loss account, balance sheet and notes to the accounts.

Companies in class B must include a report by the board of management in their annual reports. These companies must also comply with various additional requirements with regard to the notes and accounting policies applied.

Companies in classes C and D must meet further requirements with regard to the contents of their annual reports. They must also prepare a cash flow statement.

Further to the above Danish Financial Statements allows microbusinesses (from 2016) to prepare the financial statements with less requirements to disclosures.

All listed companies must prepare consolidated financial statements according to the international accounting/financial reporting standards (IAS/IFRS). All other companies can voluntarily prepare financial statements according to the international accounting standards if all standards are followed.

Danish accounting legislation is extensively based on the IAS/IFRS.

An annual report must be filed with the Danish Business Authority immediately after the general meeting and no later than five months after the end of the financial year.

All financial statements from companies in class B and C must be filed digitally –XBRL. The general meeting must therefore be held no later than five months after the end of a financial year. Where companies are quoted on the stock exchange and for state-owned companies, the general meeting must be held not later than four months after the end of a financial year.

In principle, public or private limited companies owning subsidiaries must also prepare consolidated financial statements. However, this is not necessary where the company is itself a subsidiary of another company required to prepare such statements in accordance with similar provisions in an EU member state. A number of further exemption provisions also apply.

The financial year for a public or private limited company comprises 12 months. All companies in a group must in principle share the same financial year.

AUDIT REQUIREMENTS

Companies in accounting classes B, C and D are required to present audited financial reports.

The general meeting must elect one or more auditors to perform this task.

The auditor must be independent of the company to be audited and must be either a state authorised public accountant or a registered public accountant (both also named as approved auditors). In the case of listed companies, one auditor must be a state authorised public accountant.

The audit must be conducted in accordance with international auditing standards (ISA) and further requirements according to Danish regulation.

Very small public and private limited companies (with total assets of DKK 0–4 million, a net turnover of DKK 0–8 million and with number of employees between 0 – 12) are not required to have their financial statements audited.

From 2013, it is possible for companies within class B to have their financial statements audited according to the international standards (ISA) and further Danish requirements, or to choose a limited review according to a special Danish standard (*Udvidet gennemgang*). This limited review is based upon a review according to the International Review standard (ISRE 2400) with some additional requirements.

8 – UHY REPRESENTATION IN DENMARK

CONTACT DETAILS

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Buddingevej 312
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Søborg
Denmark
Tel: +45 39 53 50 00
Fax: +45 39 53 50 99
www.info-revision.dk

Year established: 1986
Number of partners: 12
Total staff: 95

CONTACTS

Liaison contact: Flemming Andreasen
Position: Managing Partner
Email: fa@info-revision.dk

Liaison contact: Vibeke Düring Jensen
Position: Partner
Email: vd@info-revision.dk

BRIEF DESCRIPTION OF FIRM

INFO: REVISION ranks as the 14th largest audit and accountancy firm in Denmark and is one of the 7 largest in Copenhagen. 2014 turnover is projected to reach USD 16 million.

SERVICE AREAS

Accounting
Audit
Business administration, inclusive of payroll services
Consultancy
Corporate structure
Forensic accountancy
IT services, inclusive of hosting services
Liquidation
Strategy consulting
TAX
Transactions services, inclusive of due diligence
Turnaround/ recovery
VAT

SPECIALIST SERVICE AREAS

Transaction Services
IT services
Tax
Interim and business administration

PRINCIPAL OPERATING SECTORS

Catering establishments & services
Educational Services
Hotels
Information Technology (IT) & services
Management companies & services
Media, Advertising, PR
Real Estate and Rental and Leasing
Retail



The network
for doing
business

LANGUAGES

English, German, Swedish, Norwegian languages.

CURRENT PRINCIPAL CLIENTS

(Partial list of clients permitting public disclosure. Confidentiality precludes disclosure of all clients in this document.)

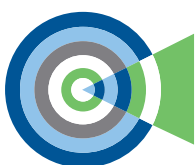
OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

Argentina, Australia, Czech Republic, China, France, India, Lithuania, Luxembourg, Morocco, Netherlands, Norway, Poland, Switzerland, Spain, Sweden, UK, US, Taiwan, Turkey, Luxembourg, Netherlands, Russia.

BRIEF HISTORY OF FIRM

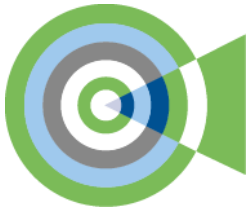
Established in 1986, INFO:REVISION has experienced steady growth and development since its foundation, growing from 15 to 105 staff.

We aim to be the natural partner to SMV-Businesses. We know about the challenges our clients meet and we deliver both solutions and the important flexibility. As the majority of our clients are privately owned businesses, our services are aimed towards both the owner as well as the business. Today, we provide assistance to more than a 1600 clients in all lines of business.



APPENDIX I**USEFUL WEBSITES**

| | |
|--|--|
| info revision | www.info-revision.dk |
| UHY International | www.uhy.com |
| Danish State-Authorised Public Accountants in Denmark | www.fsr.dk |
| Danish Bar and Law Society | www.advokatsamfundet.dk |
| Danish Customs and Tax Authority | www.skat.dk |
| Vækstfonden | www.vf.dk |
| Danish parliament | www.folketinget.dk |
| Danish National Bank | www.nationalbanken.dk |
| Copenhagen Stock Exchange | www.omxgroup.com |
| First North | www.omxgroup.com/firstnorth |
| Danish Business Authority | www.es.dk |
| Danish Patent and Trademark Office | www.dkpto.dk |
| Ministry of Economic and Business Affairs | www.em.dk |
| Ministry of Employment | www.bm.dk |
| Guide to financing | www.finansieringsguiden.dk |
| Guide to companies | www.startguiden.dk |
| A portal providing access to a range of public and private information sources and digital services in the commercial domain | www.virk.dk |



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