The Danish Government's Legislative Program Changes Within the Area of Tax Law

The legislative program for the year 2024-2025 includes a number of proposed changes in the tax area. Some of the changes have already been presented as bills, while others will be introduced shortly or during the spring. Largely, the legislative program states to intent implementation of the government's pronounced entrepreneurship strategies earlier in 2024.

Tax Reductions for the Entrepreneurial Sector. In June, the government presented a new entrepreneurial strategy, which in October has largely been proposed as a bill. The bill includes the following proposed changes regarding corporate tax:

Removal of Dividend Taxation for Unlisted Portfolio Shares: It is proposed to abolish the taxation of dividend distributions from tax-exempt portfolio shares (unlisted shares with ownership below 10%). This initiative aims to improve access to capital for companies and includes both Danish and foreign dividend recipients.

Increase in the Cap for Deposits on Share Savings Accounts: It is proposed to increase the cap to DKK 166,200 from the calendar year 2025 (2025 level).

Taxation upon Disposal of Newly Listed Portfolio Shares: Companies with less than 10% ownership in newly listed entities are proposed to be able to choose taxation upon disposal (realization principle) instead of mark-to-market taxation. After a 7-year period, the company will enter to mark-to-market taxation.

Increase in the Progressive Threshold for Share Income: The progressive threshold for taxation of income from shares is increased from DKK 63,300 to DKK 83,100 (2025 level).

Increase in Tax Credit for R&D Expenses: It is proposed to raise the limit for tax deductions for research and development expenses from DKK 25 million to DKK 35 million from the income year 2027 onwards. Companies will therefore be able to receive a payment corresponding to the tax value of losses up to DKK 35 million annually at the group level.

Gross Tax Scheme for Foreign Researchers: It is proposed to ease the gross tax scheme for foreign researchers by lowering the salary requirement that grants access to taxation under the scheme. The requirement is proposed to be lowered from DKK 78,000 per month to DKK 63,000 per month (2025 level).

Increase in the Deduction Limit for Carried Forward Losses: The government intends to increase the utilization of carried forward losses from DKK 9.8 million to DKK 20.8 million (2025 level).

Change in Depreciation on Software, Know-How, and Patent Rights. Another bill proposed in October suggests removing the possibility of immediate depreciation of software acquired from January 1, 2025. For software acquired from January 1, 2025, the acquisition cost can subsequently be depreciated by up to 25% annually.

It is also proposed to remove the possibility of immediate depreciation of know-how, patent rights, and license and usage rights thereto, if the expenses are incurred on or after January 1, 2025. Instead, the acquisition cost can be depreciated by up to 1/7 annually, which currently applies to the depreciation of goodwill and other intangible assets.

Permanent Increase of the R&D Deduction to 120%: The same bill proposes to increase the R&D deduction to a rate of 120% up to a cap of DKK 1 billion from 2028 onwards. In 2026 and 2027, the rate will be increased to 114% and 116%, respectively.

Changes in Foundation Taxation. In October, a bill was also proposed to change the taxation of foundations. The bill includes the following proposed changes:

Taxation of Unutilized Provisions: Taxation occurs subsequently if the provisions are not distributed. In this case, the foundations are taxed as they would have been if they had not made provisions – with an additional 5% of the unutilized provision amount for each year.

Adjustment of the Distribution Obligation: It is proposed that income, which a foundation includes in its income statement according to CFC rules, should not be included in the calculation of the income that the foundation must distribute.

Elimination of Losses in Tax-Free Mergers: It is proposed that losses should be eliminated in a tax-free merger. This should apply to existing losses after deductions for distributions and provisions that foundations and business foundations can carry forward.

Tax Exemption for Certain Interest: It is proposed that foundations and associations subject to taxation under the Foundation Tax Act should not include interest from subsidiaries in their taxable income when the subsidiaries' deduction for interest expenses is limited under thin capitalization rules.

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The legislative program also includes a commitment to introduce bills in the following areas, which have not yet been published:

Generational transfers. The legislative program includes a commitment to introduce a bill to amend the Inheritance Tax Act, among others. The amendment aims to reduce the inheritance and gift tax on the transfer of family-owned businesses from 15% to 10%, to introduce a legal right to a standardized model for valuing the business when determining the tax base and to expand the possibility of transferring property businesses with succession.

Easing the Taxation of Shareholder Loans. The legislative program includes a commitment to introduce a bill that aims to strengthen entrepreneurship throughout Denmark by easing the taxation of shareholder loans.

Amendment of the Minimum Taxation. The legislative program states the intention to adapt the Minimum Taxation Act to New Administrative Guidelines Regarding OECD's Model Rules. The expected bill within this area should aim to implement the changes to the Minimum Taxation Act that are necessary to ensure that the law complies with the administrative guidelines regarding OECD's model rules on minimum taxation.

Furthermore, the transfer pricing rules are expected adjusted to ensure that Denmark meets the political commitment stemming from OECD's report on Amount B, which proposes a simplified and streamlined approach to determining arm's length prices for certain distributors.

Additionally, the requirements for documentation of group transfer pricing practices are expected eased, and the provision in the Corporate Tax Act regarding so-called reverse hybrid entities is adjusted to align with OECD's recommendations concerning investors acting together in relation to the hybrid entity.

Amendment of the tax Treatment of Gains and Losses on Crypto Assets. The expected bill aims to ensure a more appropriate taxation for trading in crypto assets. The purpose is to make it easier for taxpayers to calculate and pay the correct tax when trading crypto assets. The bill follows up on expected recommendations from the Tax Law Council.

KPMG are closely following the publication of new legislative changes.

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