

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 financial year equal to the calendar year, the tax returns are due on 30 June in the following year. Companies can, however, choose to have their financial year differing from the calendar year.

A financial year can begin at the earliest on 2 April in the calendar year preceding the calendar year that the financial year is replacing. Consequently, a financial year can begin at the latest on 1 April in the calendar that the financial year replaces.

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%.

## Joint taxation

Danish group companies are required to file consolidated tax returns which include all Danish entities within the joint taxation group. 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.

Pursuant to the joint taxation rules, 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 corporate tax

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

Companies established before 1992 are in certain circumstances 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 2024

The ordinary prepayments of tax are paid in two equal instalments on 20 March and 20 November. Each ordinary prepayment of tax for 2024 is calculated as 50% of the average of the actual tax paid for the previous three income years (2020, 2021 and 2022).

If the company receives a refund of tax for the income year 2023, this amount will automatically be deducted from the November 2024 prepayment. The November

TAX AND VAT  
February 2024

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prepayment of tax will also be reduced by withholding tax on dividends received in the income year 2023.

If the company expects a drop in income for 2024, the company may request a reduction of the tax prepayment. A request for reduction of the November prepayment of tax can be submitted. It must be done electronically by using [www.skat.dk](http://www.skat.dk) "TastSelv Erhverv" before the payment deadline.

#### **Voluntary prepayment of tax for 2024**

If the ordinary prepayment of tax is not deemed by the company to be sufficient to cover the final tax for the income year 2024, 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 on 1 February the following year. Voluntary payments in March will be increased by interest while voluntary payments in November will be reduced by interest. For 2023, the rates are 0.9%. A voluntary payment in February will be reduced by interest. Currently this rate is 1.5%.

The rates for the tax year 2024 will be published by the end of 2024.

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 (Skattekontoen) is positive at the time of payment. If not positive, the payment will automatically be considered as payment of existing debt to the tax authorities of any kind.

#### **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 available to the company from its general financial sources versus the interest rate charged on residual tax.

Residual tax for the income year 2023 is due on 20 November 2024 and will be added a non-deductible residual tax rate of 7.7%. Surplus tax for 2023 will be refunded on 20 November 2024 and will be added a tax-free compensation (reimbursement rate) of 0.4%.

#### **Tax year**

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

If the tax year-end is 30 June 2024, the tax prepayments due on 20 November 2024 will be recorded as prepayments of tax for the year ending 30 June 2024. 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 tax year-end is 31 March 2025, the tax prepayments made in November 2024 will be recorded as prepayments for the year ending 31 March 2025.

#### **Utilisation of tax losses**

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

The company that utilises a loss will have to pay the tax value of the loss utilised to the loss-making company which will then register a corresponding reduction of its loss carry forward.

Tax losses may be utilised without any limitations between the consolidated companies within each year. Effective for income years starting 1 July 2012 or later, taxable income (2024) up to DKK 9,457,500 may be reduced in full by setting off tax losses carried forward from previous years, whereas taxable income exceeding DKK 9,457,500 may only be reduced by 60% by setting off losses carried forward from previous years.

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



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