DENMARK

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1. INTRODUCTION

a. Forms of Legal Entity

The main legal entities used in Denmark are public limited liability companies (*aktieselskab, "A/S"*), private limited liability companies (*anpartsselskab, "ApS"*), partnerships (*interessentskab, "I/S"*), limited partnerships (*kommanditselskab, "K/S"*), P/S partnerships (*Kommanditaktieselskab/partnerselskab, "P/S"*) and personal businesses/sole proprietorships (*enkeltmandsvirksomheder*).

The key difference is that companies adopted in a corporate form are considered separate legal persons. A separate legal person is characterised by the assets of the business being separate from its owners in such a way that it, in principle, independently of the owners, is possible for the corporation to acquire rights and assume obligations, be a party to litigation as a plaintiff or as a defendant, etc. As a general rule, companies adopted in a corporate form are the only type of entities that are subject to Danish corporate tax. Partnerships, limited partnerships and similar entities are generally treated as transparent for tax purposes and the tax implications therefore directly attach to the owners.

The key forms of non-transparent entities in Denmark are:

- Public limited companies (*aktieselskab, "A/S"*); and
- Private limited companies (*anpartsselskab, "ApS"*).

b. Taxes, Tax Rates

i Corporate tax

Danish-incorporated businesses are subject to the Danish corporate tax on the taxable income at a rate of 22%.

However, shipping companies may opt-in for an advantageous tax scheme, the so called tonnage tax scheme, rather than paying standard corporation tax. Additionally, Danish upstream oil and gas activities are not covered by the ordinary corporate income tax regime but are instead covered by special rules set out in the Danish Hydrocarbon Tax Act.

Lastly, some special types of corporate entities are completely tax exempt or subject to a lower tax rate.

According to a recently published legislative proposal, an increased corporation tax may apply to financial companies as of 1 January 2023. The tax rate will remain 22%, but the taxable income is proposed to be multiplied by a factor, which de facto increases the taxation to 25.2% in 2023 and 26% in 2024 and future income years. The proposal is currently under consideration by the Danish Parliament's tax committee. See section 2 for more details.

ii Value added tax ("VAT")

Supplies of services or goods are subject to a 25% value added tax (VAT) on the invoiced amount. In connection with the supply of services or goods, the seller will be required to impose a 25% VAT on the invoiced amount. The buyer will be entitled to claim a reimbursement of the VAT provided that the buyer itself is operating a business. Most Danish services and goods are subject to the VAT, however, the supply of real estate (with the exception of newly constructed real estate and building plots) and the supply of financial services and products are generally not subject to VAT.

The VAT is paid on an annual, biannual, quarterly, or monthly basis depending on the service or goods provider's annual turnover.

c. Common divergences between income shown on tax returns and local financial statements

Danish corporations' taxable profits are calculated in accordance with the general Danish rules on taxation, in so far as they can be applied to the corporation in question. Danish taxation is based on a net income principle, where it is the gross income minus the expenses incurred to "secure and maintain" the income that is to be taxed.

When calculating the taxable income, the general approach is to start with the accounting result, adjusting for income that is not taxed (in full), income that cannot be deducted (in full), as well as accounting depreciations and write-downs and other adjustments that are not considered in the same way for tax purposes as for accounting purposes.

The following points will commonly lead to a divergence between financial results and the taxable income:

- As for assets subject to depreciation, any difference between the tax value and the carrying value (book value) of the assets;
- Specific deduction rules on e.g. entertainment expenses, travel expenses etc.;
- Limitations on deductions of financing costs (e.g. the Danish interest-ceiling rule) or hybrid mismatches;
- Transactions between controlled parties may result in the tax authorities' correction of the tax returns, if the transactions do not reflect the arm's length principle;
- Intra-group dividends are generally tax exempt, and losses are non-deductible;
- Other specific deduction rules may limit deductions on e.g. entertainment expenses; and
- Tax losses carried forward from previous income years.

Certain entities are covered by special rules on calculation of taxable profits which take the specificities of the entities concerned into account (e.g. cooperatives, certain banks, certain insurance companies, mutual insurance associations).

2. RECENT DEVELOPMENTS

There are various developments in Danish tax law that are relevant to M&A matters.

As a member of the EU and an active participant in the negotiations at OECD, the Danish tax system is generally becoming increasingly aligned with international standards. The current Danish Government has a strong focus on preventing tax avoidance and tax abuse which is reflected in its initiatives both in international negotiations and through domestic legislation.

Additionally, financing of the Danish welfare system through taxes is also highly prioritised by the current government which is reflected in new proposals for increasing taxation.

a. OECD BEPS 2.0 The Two Pillar Solution

Denmark has agreed to the OECD Two Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy of October 2021. No proposals or amendments of Danish law regarding the taxation of digital economy businesses have currently been made. It is expected that the agreement will be implemented in co-ordination with the other EU countries (through EU directives). The Danish Government has expressed a wish for quick implementation.

Pillar One essentially involves allocation of profits to the market country for taxation purposes, while Pillar Two involves a global minimum tax rate for larger companies. Denmark does not currently have a specific digital services tax, and the introduction of such will therefore involve amendments of law.

The Danish Government has previously stated that Pillar One potentially could lead to a loss of Danish corporate tax revenue, while Pillar Two is expected to have a significant positive effect on Danish corporate tax revenue due to expected reduction of profit shifting out of Denmark and repatriation of Danish activity and thus tax base. Despite all, the Danish Government has expressed that the OECD, including the BEPS (Base Erosion and Profit Shifting) 2.0 project, is still considered the best option for a sustainable and long-term solution to this global issue. The issue of taxation in a digital economy business is expected to be an ongoing political discussion, both locally and on an international basis.

b. Prevention of the use of shell entities

The EU Commission has put forward a proposal for a council directive putting down rules to prevent the misuse of shell entities for tax purposes and amending Directive 2011/16/EU (COM/2021/565 final).

The purpose of the proposal is to discourage the use of entities and legal arrangements with no, or only minimal, business and economic activity which are primarily used for tax purposes.

The proposal builds on the existing framework and systems for the automatic exchange of information using a Central Directory for advance cross border rulings ("DAC3") and reportable cross border tax arrangements ("DAC6"), which have already been implemented in Danish law.

On 10 March 2022 the Ministry of Taxation completed an external consultation of the proposal with relevant stakeholders. The contents of the final directive and its eventual adoption, will depend on the negotiations at EU level, which are currently ongoing.

c. Status of anti-avoidance and beneficial ownership cases

A general trend in Danish tax law is the prevention of tax avoidance and abuse which in recent years has led to stricter anti-avoidance rules and the introduction of a general anti-avoidance rules ("GAAR"). The GAAR includes both a general anti-avoidance provision (implementation of the EU Anti-Avoidance Directive (2016/1164) Article 6) and a specific provision on the abuse of double taxation treaties.

Denmark generally applies a very strict beneficial ownership test looking at the actual funds' flow. In recent years, the Danish Tax Authorities ("DTA") have had a significant focus on the issue of beneficial ownership and several cases are currently pending at the Danish courts with respect to how the term "beneficial ownership" should be determined and furthermore, judgments by the Danish courts have recently been rendered on the issue.

In addition, with respect to the term "beneficial ownership", it is important to note that the DTA are not only focusing on substance but are also focusing on (deemed) flows of funds. Thus, irrespective of substance at the level of an intermediary non-Danish holding company, the DTA have in some cases viewed entities with significant substance as conduit entities for Danish tax purposes.

Upon an audit by the DTA, it is likely that in order to assess the beneficial ownership, the DTA will put emphasis on whether the dividends received by an intermediary holding company from a Danish company have in fact been re-routed up the ownership chain as e.g. dividends, interest or other contributions or considerations (i.e. the character of the funds flow is not of importance).

A factor which is usually given significant importance by the DTA is whether an intermediary holding company has the authority to control the received dividend (as opposed to a recipient which immediately repays the funds to a company further up in the structure in a back to back kind of arrangement).

In 2021, the Danish High Courts have mostly ruled in favour of the tax authorities. The decisions have been appealed to the Danish Supreme Court.

d. Transfer Pricing ("TP") documentation

The rules on TP documentation (transfer pricing documentation) have undergone some changes in recent years, largely due to the increased focus and scrutiny by the Danish Tax Authorities on controlled transactions and restructurings.

As for income years beginning on or after 1 January 2021, submission of TP documentation (master and local file) is mandatory and must be filed no later than 60 days after the deadline for submitting the tax return. Failure to provide accurate TP documentation will result in penalties as well as a right for the tax authorities to make a discretionary assessment of the taxable income. Prior to this amendment, the TP documentation was only submitted to the DTA upon request.

The obligation to file TP documentation generally only applies to larger groups or certain transactions. However, all pure Danish transactions (i.e. transactions involving only Danish entities) have with the new legislation become exempt from this submission requirement.

A company is always obliged to inform the DTA about all intragroup transactions in its tax return.

e. Financing of a new right to early retirement: expected from 2023

In October 2020, a majority in the Danish Parliament made a political agreement on “A new right to early retirement”, which aside from making it possible for certain employment groups to retire earlier, also includes several measures to finance the agreement. The following points will describe the measures relevant for tax purposes.

Increased taxation of financial companies and cap on deduction of wages

According to a recently published legislative proposal, an increased corporate tax may apply to financial companies as of 1 January 2023. The tax rate will remain 22%, but the taxable income is proposed to be multiplied by a factor, which de facto increases the taxation to 25.2% in 2023 and 26% in 2024 and future income years. The rules will apply to Danish companies and companies with a permanent establishment in Denmark that is considered a “financial company” as defined in the proposal. The proposal entails that both income from financial activity and non-financial activity will be included.

The proposal is currently under consideration by the Danish Parliament’s tax committee.

Limited deduction of wage costs

The proposal on financial corporate taxation (described above) also includes a proposed cap on deductions for companies with highly paid employees (such as executives and CEO’s). This means that wage costs exceeding a certain threshold will not be deductible for the employing company. The threshold is expected to be a yearly gross pay of more than DKK7.5 million, (i.e. approximately EUR1 million in 2022 and therefore subject to adjustment by 2023).

Mark to market taxation on Real Estate

As of spring 2022, a proposal is awaited from the Danish Ministry of Taxation on a mark to market taxation of real estate.

Currently, capital gains on real estate are taxed after the realisation principle, (i.e. any increase in the value of a property is not taxed when it occurs), but instead when the property is sold or otherwise disposed of. A mark to market taxation would entail that value increase and decrease is included in the company’s taxable income and covered by the general corporate tax rules (corporate tax rate of 22%).

The new rules are expected to cover Danish and foreign companies subject to Danish corporate tax. It will not apply to sole proprietorships or tax exempt entities. As for transparent entities for tax purposes (e.g. Danish *interessentskab, kommanditselskab* or *partnerselskab*), the participant will be taxed on their own merits (whether that be a person or a legal entity). Funds are expected to be covered by the rules.

The purpose of these new rules, aside from making it possible for certain employment groups to retire earlier, is that the Danish Government finds that a so called tax gap exists for investments in real estate. Foreign investment funds are believed to have benefitted from the possibility of transferring properties in the form of companies (i.e. as share acquisitions) and not as an ordinary asset trading and have thereby avoided paying tax on the capital gains from real estate.

3. SHARE ACQUISITION

a. General Comments

Generally, many deals (for example acquisitions of real estate) are carried out as a sale of shares instead of an actual asset sale. A share acquisition of all shares means that the buyer acquires the entire company.

An acquisition of shares is not a taxable event for the target company, (i.e. there is no taxation of the target's underlying assets). Sales of shares are not subject to any stamp duties or transfer taxes.

There are no immediate Danish tax consequences for a foreign company that acquires the shares of a Danish company.

In general, the tax position of the acquired Danish target company remains unchanged (apart from the restriction on carry forward of losses, which on a change of ownership may become restricted, see section 3.b. below).

For the seller, acquisitions of shares are covered by the rules on taxation of capital gains from sale of shares (the Danish Act on Taxation of Capital Gains on Sale of Shares). This is the case when partially selling some of the shares and in the case of a sale of all shares in a company.

The Danish Tax Authorities may choose to reassess tax returns both for the purpose of increasing or decreasing the target's taxes under the ordinary deadline until 1 May in the fourth year after the relevant income year (additional two years for controlled transactions).

From a buyer's perspective:

- In general, acquisitions of shares are considered less buyer friendly than acquisitions of assets.
- The buyer acquires, among other things, target's tax assets and liabilities (deferred taxes etc.). The buyer should therefore be aware of any possible historical tax risks, that the buyer may acquire along with the shares.

From a seller's perspective:

- As opposed to the buyer, the seller should be aware that any possible tax assets are transferred to the buyer in the acquisition and will therefore not benefit the seller, e.g. if the target's tax return from a previous income year is reassessed after the acquisition and it turns out that target is entitled to a tax refund.
- Acquiring shares are covered by the rules on capital gains from the sale of shares meaning that gains are taxable, and losses are deductible for the seller. However, aside from commercial shares, the capital gains from the seller's own shares, group shares, subsidiary shares or from tax exempt portfolio shares exempt from tax. Thus, an acquisition of shares within a group should not have any adverse tax consequences for the seller.
- The seller should however be aware that different anti-avoidance rules may lead to a requalification of tax exempt capital gains to taxable dividends (especially if foreign shareholders are involved).

b. Tax Attributes

Tax losses carried forward

In general, losses may be carried forward indefinitely to reduce future taxable income, both income from operations and capital gains (however, certain capital losses may only be used against capital gains from the same source).

Losses can be carried forward and can offset future taxable income by a basic amount (in 2022: DKK8,872,500). A remaining loss exceeding the basic amount may reduce the remaining taxable income by 60%. Any loss that cannot be utilised may be carried forward.

On a change of ownership, a tax loss carried forward may become restricted.

Loss carry back

Denmark does not have any carry back rules in the ordinary corporate tax regime.

Depreciation

As for depreciable assets (such as real estate), they may involve a deferred tax liability for Target. If the tax value of the asset (i.e. the assets value after depreciations in accordance with the Danish tax law) is lower than the asset's actual value reflected in the financial statements (i.e. the carrying amount), then the asset will have a deferred tax liability.

c. Tax Grouping

All Danish corporations within a group are subject to mandatory joint taxation. Any permanent establishments and Danish real estate held by foreign controlled corporations are also subject to mandatory joint taxation.

Voluntary (international) joint taxation is also an option for foreign corporations, etc, who are part of a group with Danish corporations.

Where a target company is part of a tax group with the seller, the company will exit the seller's joint taxation when the control of the company is transferred to the buyer. In a sales transaction, the company is subject to mandatory joint taxation with the seller until closing, and the joint taxation between the company and the seller ceases as per closing.

No later than one month after closing (i.e. the exit from the seller's joint taxation), the seller must ensure that the seller's administration company through the Danish Tax Agency's online self-service facility (the E-tax corporate income tax portal) notifies the Danish Tax Agency and documents i) the date of the company's exit from the seller's joint taxation, ii) the period in which the company's income is to be included in the seller's joint taxation income, and iii) the reason for leaving the seller's joint taxation.

If, as a result of the transaction, the company enters a Danish joint tax group with the buyer, the administration company of the buyer must similarly notify the Danish Tax Agency no later than one month after closing of the above mentioned details, and the seller's administration company must confirm and approve the notified change.

d. Tax Free Reorganisations

Generally, acquiring shares are covered by the rules on capital gains from the sale of shares meaning that gains are taxable, and losses are deductible for the seller. However, aside from commercial shares, the capital gains from the sale of own shares, group shares, subsidiary shares and from tax exempt portfolio shares are exempt from taxes.

Depending on the reorganisation framework and whether pre-approval from the Danish Tax Authorities is obtained, the conditions and impact of the reorganisation may vary (e.g. ability to carry forward tax losses, re-actualisation of tax liability on future sales, etc.). Additionally, anti-avoidance rules (including the Danish GAAR) may restrict the possibility for tax free reorganisations.

Types of tax neutral reorganisations (and the basic conditions):

i Tax free merger:

- A merger may be tax free if all assets and liabilities of the company are transferred to the receiving company. The remuneration to the shareholders must consists of shares in the continuing company.
- A merger must take effect from the beginning of the receiving company's fiscal year (may therefore become effective retroactively).
- Following a tax exempt merger, any tax losses from before the merger date may not be carried forward to the receiving company. However, in the event of mergers between jointly taxed companies, the losses incurred while the companies were jointly taxed may be deducted.
- A tax free merger must be reported to the Danish Tax Authorities and a final income statement from the terminated company must be submitted as well.

ii Tax free demerger

- In a demerger, a company transfers part or all its assets and liabilities to one or more companies. The shareholder of the company will receive newly issued shares in the receiving company/companies and possibly a cash compensation amount.
- A demerger may be completed as either a demerger with termination, whereby the contributing company ceases to exist and at least two new companies arise, or as a branch demerger, where part or all the business of the contributing company is transferred to a new company. As for branch demergers, the assets and liabilities that are split into one or more receiving companies must each form a branch of the demerging company (also known as "the branch requirement").
- The reorganisation may be carried out with or without the DTA's permission, in the latter case a three year holding requirement apply, whereby the transferred shares may not be sold or otherwise divested within three years of the demerger.
- Additional conditions apply, including special rules for cross border demergers.
- The demerger must be registered through the DTA's online self-service platform.

iii Tax free contribution of assets:

- In the case of a tax free contribution transfer of assets, a company transfers all or a branch of its assets and liabilities to another company in exchange for shares in the receiving company.
- The reorganisation may be carried out with or without the DTA's permission, in the latter case a three year holding requirement apply (see above for further details).
- The contribution must be registered through the Danish Tax Agency's online self-service platform.

iv Tax free exchange of shares:

- An exchange of shares involves a shareholder exchanging their shares in one company for shares in another company.
- The reorganisation may be carried out with or without the DTA's permission.
- As for exchanges without prior approval, it is a condition that the shares are exchanged at market value, and that the shares in the acquiring company are considered to have been acquired at the same time and for the same price as the exchanged shares. Additionally, the exchanged shares may not be sold or otherwise divested within three years of the exchange.
- The exchange must be registered through the Danish Tax Agency's online self-service platform.

e. Purchase Agreement

The share purchase agreement ("SPA") should generally include a description of the shares sold (either all of target's shares or specific description of the shares).

The SPA should also specify, whether dividends that have been distributed but are not yet due for payment (i.e. pending dividends) should be paid to the buyer or the seller.

If the target company is part of a joint taxation group, the SPA (or an attached schedule) should regulate the termination of joint taxation, including joint taxation contributions.

The buyer usually requires more extensive indemnities and/or warranties about any undisclosed tax liabilities of the target company. The extent of the indemnities or warranties is a matter for negotiation and should reflect the findings from the tax due diligence review of the target company.

Previous income years are open for reassessment until 1 May in the fourth year after the relevant income year (additional two years for controlled transactions). In exceptional cases (e.g. gross negligence or intent to evade tax) the tax authorities may investigate and resume completed income years. In this case, an ultimate statute of limitation period of 10 years applies. The SPA should therefore include a general warranty that all taxes (including joint taxation contributions), VAT and other charges have been calculated correctly, as well as reported and paid on time.

f. Transfer taxes on share transfers (including mechanisms for disclosure and collection)

No stamp duty or transfer taxes are payable on a transfer of shares.

g. Share Purchase Advantages

A purchase of shares is simpler in concept than a purchase of assets since the buyer acquires the target company "as it finds it", including both assets and liabilities. Therefore, a purchase of shares is likely to be more attractive to the seller.

Other advantages of a purchase of shares are that the buyer purchases the net assets only. The buyer may also benefit from tax losses of the target company and avoids paying transfer taxes e.g. property registration fee.

Lastly, the buyer may benefit of existing supply, employment, and technology contracts.

h. Share Purchase Disadvantages

One of the disadvantages of a purchase of shares is that the buyer acquires all assets and liabilities and therefore also acquires deferred tax liability for depreciation recovery on the difference between the tax value and the carrying value (book value) of the assets.

When purchasing the shares of a target company, the buyer also adopts the cost basis of the assets and therefore does not benefit from a step up in value on the assets. There is also no deduction for the purchase price or for transferred goodwill.

Losses incurred by any companies in the buyer's group in years prior to the acquisition of the target cannot be offset against any profits made by the target company.

4. ASSET ACQUISITION

a. General Comments

When acquiring assets or activities, the related liabilities are typically also transferred. For tax purposes, a purchase price allocation must be made between the depreciable assets (please also see section 4.b. Purchase Price Allocation).

As for seller's historical tax liabilities, these will remain with the seller, as only the assets/activities (and their respective possible liabilities) are transferred. Even though the historical tax liabilities remain with the seller, a buyer may still wish to carry out some due diligence before purchasing the assets. This could be done to reveal any non-compliance practice or procedures in relation to the assets or the nature and tax depreciation profile of the assets for valuation purposes, etc.

From a buyer's perspective:

- The assets are acquired at market value at the time of purchase, which normally involves an increase compared to the seller's tax value of their assets. The buyer will then receive a higher basis for depreciation on depreciable assets (a "step up").
- When acquiring assets, the buyer has the possibility of depreciation on the acquired goodwill.

From a seller's perspective:

- In general, asset acquisitions are considered less seller friendly than share acquisitions.
- The seller is taxed on the realised capital gains/losses computed as the difference between the sales price (i.e. the market value) and the seller's tax values of the assets.

b. Purchase Price Allocation

Purchase price allocation is necessary in connection an acquisition of assets.

When selling depreciable assets and real estate in general, Danish law requires a distribution of the purchase price on the individual assets. The agreed allocation serves as the basis for capital gains taxation of the seller and as the depreciation basis/acquisition price for the buyer.

The Danish Tax Authorities may challenge either the total cash value or the allocation between the depreciable assets. Where no allocation is made, the tax authorities may assess an appropriate allocation and both the seller and buyer are obliged to apply the assessed values.

In a transaction between independent parties, the DTA will generally accept the allocation agreed between the parties in relation to both the buyer and seller's tax, but it is not required to do so.

c. Tax Attributes

Tax losses of the target are not transferred to the buyer in an asset acquisition. They remain with the company or are normally used at the time of the transaction.

d. Tax Free Reorganisations

It is possible to complete tax exempt demergers of assets and contributions in form of assets. See further detail under section 3.d.

e. Purchase Agreement

The description of the purchased assets in an asset acquisition is generally more difficult than in share acquisitions. Therefore, in general, where a business is transferred by way of an asset deal, the following items is recommended to be included in a purchase agreement:

- A precise description of the overall business transferred;
- A specific description of the assets and liabilities that the business consists of, and which of these are included in the purchase. A practical solution when transferring a larger business is to only list the assets that are not transferred. This may be combined with a 'going concern' guarantee for the buyer, whereby the buyer is guaranteed to have all the assets necessary to continue the operation of the acquired business area;
- If the buyer assumes debts or other obligations, this should be specified;
- A description of how the assets and liabilities are intended to be transferred to the buyer;
- A provision as to when the buyer must incur expenses and receive income from the business (usually the acquisition date).

Additionally, the purchase agreement should carefully consider the purchase price allocation to each individual asset, as the depreciation profile for the various categories varies. A balance sheet/transfer sheet is therefore recommended.

As for assets with varying values (e.g. inventories, receivables and other), the agreement would normally include a principle for calculating their actual value on the acquisition date.

f. Depreciation and Amortisation

- **Depreciation**

When acquiring assets, the basis for the buyer's depreciation of assets is based on the purchase price (market value), which normally involves a step up in value of the assets compared to the seller's tax value of the assets. The buyer will then receive a higher basis for depreciation on depreciable assets.

The various categories of assets have different depreciation profiles. Consequently, the purchase price allocation in an asset deal is of great importance for the estimation of future cash flow.

Most operating assets, such as plant, machinery, equipment and motor vehicles, may be depreciated by up to 25% per year in accordance with the declining balance method. The depreciation rate can vary from year to year at the taxpayer's discretion. The price of minor assets, software and certain equipment or R&D may be written off in the year of acquisition, whereas certain heavy fixed assets and infrastructural facilities are subject to a reduced depreciation rate.

Generally, buildings are depreciated individually using the straight line method with a depreciation rate of up to 4% a year. The following building types are in general not depreciable, unless integrated with or closely related to a manufacturing or depreciable building:

- Office buildings,
- Banks, credit institutions etc.,
- Businesses operating postal services,
- Accommodations (apart from hotels and camping cabins),
- Some apartment hotels and nursing homes, and
- Hospitals, dentists, doctors' offices, etc.

Intangibles (including goodwill) acquired by a Danish company are generally depreciable by up to one-seventh annually. Knowhow and patents are subject to favourable rules that allow immediate write-off of the purchase price in the acquisition year.

Generally, the annual depreciation charge for tangible and intangible assets is computed on the cash equivalent of the cost price. The cash equivalent price is the actual cost price less the excess of the nominal value of loans (taken over from the seller) over market value.

Amortisation

The purchase price (or a proportion) can be depreciated or amortised for tax purposes.

g. Transfer Taxes, VAT

VAT

The Danish VAT rate is currently 25% and applies to most supplies of goods and services by VAT taxable entities.

The transfer of a business (or part of a business) as a going concern ("TOGC") is outside the scope of VAT and no VAT is charged on such transfer. The transfer of assets qualifies as a TOGC when the following conditions are met:

- The transferred assets constitute the entire or an independent part of the business. Generally, all goods and services that are necessary for the continuation of the business or part of it must be transferred to the buyer;
- The buyer continues the transferred business;
- The seller ceases to operate the transferred business; and
- The buyer is registered for VAT to the extent that this is necessary to continue the transferred business.

A TOGC must be notified to the Danish Tax Authorities by the seller within eight days of the transfer.

A TOGC triggers an obligation for the seller to settle any VAT adjustment liability under the capital goods scheme with the DTA. A VAT adjustment liability may exist when certain investment goods are included in the transfer. The VAT adjustment liability may be transferred to the buyer, provided that the buyer accepts to succeed in such liability.

Where receivables from VATable supplies are transferred as part of the business transfer, there is a risk that the buyer would not be entitled to adjust the output VAT if the receivables gets in an irrecoverable debt. Local advice should be sought to ensure that the output VAT can be adjusted for such irrecoverable debt by the buyer.

In general, where the transfer does not qualify as a TOGC for VAT purposes, then the transfer is treated as a sale of assets subject to Danish VAT. Certain exceptions may apply, e.g. if the seller and the buyer form part of the same VAT group, or if the assets have solely been used for VAT exempt purposes, e.g. VAT-exempt leasing of real property, or if the assets are comprised by the statutory VAT exemptions in the Danish VAT Act, e.g. sale of real property with old buildings.

The seller's right to deduct VAT from the incurred sales costs (e.g. financial advisers, auditors, lawyers, etc.) depends on whether the transferred business was VAT taxable (full deduction of VAT), VAT exempt (no deduction), or partly VAT taxable (partial deduction). The buyer's right to deduct VAT from the incurred costs (e.g. financial advisers, auditors, lawyers, etc.) depends on whether the acquired business will be used for VAT taxable purposes (full deduction of VAT), VAT exempt purposes (no deduction), or partly VAT taxable purposes (partial deduction).

Stamp duty

No stamp duty is in general payable on a transfer of assets.

However, registration of a change of ownership of land and buildings is subject to a duty of DKK1,750 plus 0.6% (in 2022) of the fair market value.

Mortgage instruments are subject to a duty of DKK1,730 plus 1.5% (in 2022) of the principal amount when the loan is raised or re-financed.

Other registrations (including burdens, easements, marriage agreements etc.) are subject to a fixed DKK1,730 fee.

h. Asset Purchase Advantages

- The purchase price (or a proportion) can be depreciated or amortised for tax purposes.
- A step up in the cost base for tax purposes is obtained.
- No previous liabilities of the company are inherited.
- No acquisition of a tax liability on retained earnings.
- Possible to acquire only part of a business.
- Greater flexibility in funding options.
- Profitable operations can be absorbed by loss making companies in the buyer's group, thereby effectively gaining the possibility to use the losses.

i. Asset Purchase Disadvantages

- The investment cost is typically higher, as the buyer is paying for the assets at market value and not just the net value of the assets. Furthermore, the seller's tax cost is usually higher when selling assets, which is typically reflected in the purchase price;
- The buyer may need to renegotiate supply, employment, or technology contracts;
- A higher capital outlay is usually involved (unless the debts of the business are also assumed);
- accounting profits may be affected by the creation of acquisition goodwill;
- The buyer cannot benefit from any losses incurred by the target company, since such losses remains with the seller;
- The seller might still need to sell any assets not purchased and liquidate the company, which may be unattractive for the seller and thereby increasing the purchase price; and
- The asset acquisition may in general be unattractive to the seller and thereby increasing the purchase price for the buyer.

5. ACQUISITION VEHICLES

a. General Comments

The structuring of investments in Denmark may be achieved by using local and foreign companies, trusts, and mutual funds. Acquisitions will often involve a SPV (single or special purpose vehicle) set up for the transaction.

Where SPVs are used, it may be important for the seller to ensure that the underlying investors also accept the purchase agreement as security for the fulfilment of the buyer's obligations.

b. Domestic Acquisition Vehicle

- Danish holding company

A Danish limited liability company as a holding company is often used as the acquisition vehicle where the foreign buyer wishes to benefit from the Danish rules on tax consolidation and offset tax losses (due to financing costs) of the acquisition vehicle against taxable profits of other companies in the Danish tax group. Generally, it is advisable that the Danish rules restricting interest tax deductions are analysed to ensure that financing costs will be deductible for tax purposes and thus can reduce taxable profits in any other operating companies.

- Local branch

Rather than a direct acquisition of the shares or assets of a target, a foreign buyer may wish to use a Danish branch of a foreign company as the acquisition vehicle. Shares may be allocated to a Danish permanent establishment (PE) where the return relates to the Danish branch.

The buyer should ensure that the Danish branch has sufficient operating activity to constitute a PE for Danish tax purposes.

A Danish branch of a foreign company is not a commonly used as an acquisition vehicle.

c. Foreign Acquisition Vehicle

- Foreign buyer or foreign holding company

A foreign buyer may choose to purchase the target directly instead of using an acquisition vehicle where the tax value of the interest deductions is higher in the jurisdiction of the buyer.

The use of a Danish holding company/SPV/BidCo is very commonly used by foreign buyers.

d. Partnerships and joint ventures

- **Joint ventures**

Basically, there are three types of joint ventures:

- Corporate joint venture, where the joint venture partners hold shares in a Danish company;
- Unincorporated joint venture, where, for example, the joint venture partners enter into a partnership;
- Strategic joint venture, where the joint venture partners cooperate on specific strategic objectives.

A corporate joint venture is treated as a corporate entity for Danish tax purposes, while unincorporated and strategic joint ventures are treated as transparent entities for Danish tax purposes.

The choice of joint venture primarily depends on the most beneficial tax positions on e.g. the offset of losses or interest expenses against profits subject to corporate or personal income tax.

- **Partnerships and limited partnerships**

Partnerships are also used as acquisition vehicles, as the structure is very simple. Partnerships are transparent for tax purposes, and each partner therefore has unlimited liability, but may also deduct any losses from the partnership.

Foreign companies etc., including foreign investors and partners, may be subject to limited tax liability on the Danish sourced income, if the entity is considered to have a permanent establishment in Denmark. As for passive investors, a provision in the Danish Corporate Tax Act specifies that a company with an investment in shares and with an acquisition of receivables, debts and financial contracts will, in general, only be regarded as having a permanent establishment in Denmark, if there is also a business activity, cf. the Danish Corporate Tax Act, Article 2(6).

Alternatively, a limited partnership is also an option.

e. Strategic vs Private Equity Buyers

This section is left intentionally blank.

6. ACQUISITION FINANCING

a. General Comments

The choice of financing model is generally governed by business/financial and legal matters. The most suitable financing model therefore depends on the case by case analysis.

Financing can basically be divided into two main categories, namely equity financing and debt financing.

Equity

A public limited company must have a minimum share capital equal to DKK400,000, and a private limited company must have a minimum share capital equal to DKK40,000.

A buyer may use equity to fund its acquisition or to capitalise the target post acquisition. There is no capital duty on the introduction of new capital into a Danish company or branch (or to a Danish-registered Societas Europaea), regardless of the nature of the contribution to equity. Any dividend distributions from a Danish corporation to a foreign parent company should not be subject to Danish withholding tax ("WHT") provided that the foreign parent company is the beneficial owner of the dividend.

If the foreign parent company cannot be deemed the beneficial owner of the dividend, Danish WHT should generally be withheld at source with a rate of 27% unless it can be documented that i) the ultimate beneficial owners ("UBOs") are EU and/or double tax treaty residents, ii) that these UBOs have ultimately received the payments and iii) that the respective UBOs are entitled to treaty benefits under the relevant double tax treaty (or are comprised by the EU Parent Subsidiary Directive).

If this cannot be documented, the UBOs may be able to reclaim any Danish WHT fully or partly depending on the specific tax status of the investors.

The use of equity may be more appropriate than debt in certain circumstances, for example i) where the target is loss making, it may not be possible to obtain immediate tax relief for interest payments, ii) a number of restrictions on Danish tax relief for interest may eliminate the principal advantage of using debt, iii) there may be non-tax reasons for preferring equity. For example, it may be desirable for a company to have a low debt-to-equity ratio for commercial reasons

Debt

The principal advantage of debt is the potential tax deductibility of interest as the payment of dividends does not result in a tax deduction.

Where it is decided to use debt, a further decision must be made as to which company should borrow and how the acquisition should be structured. Tax losses incurred by a Danish acquisition vehicle as a result of tax deductible financing costs may offset the positive taxable income in the Danish target group, as described in the section on group relief/consolidation.

Tax losses incurred by the acquisition vehicle prior to closing are either entity specific or only available for offset against any taxable income from companies participating in the buyer's tax group prior to closing. Thus, the timing of income and expenses should be considered.

As a main rule, any net financing costs incurred by Danish companies should be deductible for Danish corporate tax purposes. However, the Danish tax system includes a number of rules that may limit the tax deductibility of interest and other financial expenses (see further below).

b. Foreign Acquirer

From a Danish tax perspective there is no difference in the type of vehicle foreign investors may invest in compared to Danish investors.

However, special Danish rules on hybrids may apply.

c. Debt

The general limitations on the deductibility of interest expenses (described below) apply to share and asset acquisitions.

i Limitations on Interest Deductions

The Danish interest limitation rules relate to the following sets of rules: i) the thin capitalisation rule, ii) the interest ceiling rule and iii) the EBITDA-rule. The rules are applied in the above order.

Thin Capitalisation

The Danish thin capitalisation rule generally applies where a company's related party debt (which should include third party debt where such debt is guaranteed or otherwise secured by a related party) exceeds DKK10 million and its debt to equity ratio exceeds the 4:1 safe harbor (measured at year end).

Debt and equity should be calculated based on fair market values rather than book values.

The thin capitalisation safe harbor debt to equity ratio of 4:1 may be exceeded where it can be documented that similar financing could be obtained from an unrelated party and the interests payable represent an arm's length amount (i.e. both the quantum of debt and the interest rate applicable are arm's length).

Should a restriction be triggered under the thin capitalisation rule, excess debt should be requalified as equity until the 4:1 debt to equity ratio is met, and the related interest expenses should be disallowed for deduction purposes.

According to the thin capitalisation rule, the safe harbour should generally be calculated on a consolidated basis for Danish companies within the same group. However, this requirement only applies if the respective Danish companies would also be deemed to be group related in case, they were not controlled by a non-Danish holding company or an ultimate Danish holding company.

Interest ceiling rule

Under the interest ceiling rule, net financial expenses of DKK21.3 million should always be deductible. Please note that the term "financial expenses" comprise other expenses than strict interest payments.

If net financial expenses exceed the de minimis threshold of DKK21.3 million (following the application of the thin capitalisation rule), net financial expenses should be deductible to the extent that they do not exceed the interest ceiling. The interest ceiling should be calculated as the tax value of the Danish tax group's qualifying assets multiplied by a standard interest rate which is adjusted and published each year. The standard interest rate for 2022 is 2.2%.

In general, an interest disallowance under the interest ceiling rule should be permanent (i.e. the disallowed amount should not be carried forward to later periods for offset against taxable income).

EBITDA Rule

Under the EBITDA rule, the deductibility of net financial expenses (following the application of the thin capitalisation and interest ceiling rules) should be limited to 30% of the EBITDA. The 30% ratio may be replaced by the actual EBITDA ratio of the consolidated Danish tax group if more favourable.

A DKK22.3 million de minimis threshold should apply with respect to the EBITDA rule (i.e. where the group's interest capacity is less than DKK22.3 million, financial expenses of up to DKK22.3 million should be deductible irrespective of the EBITDA rule).

Disallowed interest under the EBITDA rule may be carried forward indefinitely and re-activated in future years while unused interest capacity may be carried forward for a maximum of five years

ii Related Party Debt

Generally, all Danish resident companies are subject to the Danish transfer pricing rules. These rules prescribe that all transactions between a Danish company and related companies must satisfy the arm's length principle (i.e. the prices and terms must reflect those that could be applied in a transaction with a third party). In most cases, the company must prepare documentation that supports the basis for the pricing.

The transfer pricing rules are relevant in relation to many aspects of a transaction, such as shareholder loans, intercompany guarantees, cash pool arrangements and transfer of goods, services and assets. The practice of the tax authorities is somewhat unclear, and each case must be examined on its specific facts and circumstances. Caution is advisable when determining the basis of the prices, especially where large amounts are involved.

iii Debt Pushdown

It is possible to introduce or increase leverage in a Danish company after the transaction (debt pushdown). There are various ways to complete the debt pushdown, and the Danish interest limitation rules should be considered. As these rules are complex, local advice should be sought to ensure that a debt pushdown will be effective.

d. Hybrid Instruments

Generally, amounts registered with the Danish Register of Companies are classified as equity. If an amount is not registered as equity, it is generally characterised as a loan even when it carries a right to participate in profits. Conversely, registered preference shareholders are always considered equity investors even where they are not entitled to participate in excess liquidation proceeds.

A subordinated debt is not regarded as share capital. Convertible notes are always regarded as loans until conversion. As a general rule, payments made before conversion are taxed as interest. After the conversion, the yield is taxed as a dividend.

Denmark has special anti-avoidance rules which applies to hybrid instruments, preventing double non-taxation.

e. Other Instruments

This section is left intentionally blank.

f. Earn-outs

Earn-outs are generally used in transactions where the parties of the transaction cannot agree on a value or where it is desirable to keep the old management/old shareholders involved with the company for a certain period following closing.

A payment is generally qualified as an earn-out for Danish tax purposes according to the Danish Tax Assesment Act art. 12 B if there is uncertainty of the total amount of the earn-out or if there is uncertainty about the duration of the earn-out.

An earn-out is taxed in accordance with art. 12 B if the earn-out is paid by one payment on closing and by several yearly payments after closing. If the earn-out is paid by one payment on closing and only one payment after closing the earn-out is not considered a periodic payment covered by art. 12 B.

The parties to a transaction must capitalise the value of the earn-out on closing and keep account of the capitalised value during the lifetime of the earn-out. The capitalised (the net present) value of the earn-out payment will be included in the sales prices of the underlying asset. Hence, if the underlying asset is shares, this means that the earn-out is to be treated as capital gains on the sale of the shares. If the payments under the earn out exceed the capitalised value, the seller will be taxed on the excess amount as ordinary taxable income and the buyer will receive a corresponding deduction in the taxable income.

As a main rule, an agreement between non-related parties should be recognised for Danish tax purposes by the Danish Tax Authorities.

According to Danish case law, an earn-out payment from the buyer to the seller of a company may be (fully or partly) requalified from a (tax exempt) capital gains event to salary if the earn-out payment(s) are primarily conditioned on the continued employment of the seller in a period after the sale. Local advice should be sought.

7. DIVESTITURES

a. Tax Free

As a main rule a sale of shares is a taxable event. However, a sale of shares in a company by a corporate shareholder holding more than 10% of the shares (if the shares are listed; for unlisted shares, the minimum holding requirement does not apply) is tax exempt for Danish tax purposes following section 4 A and section 9 of the Danish Act on Taxation of Capital Gains on shares.

Where the transaction is structured as a share exchange in which the seller receives shares in the purchasing company in exchange for shares in the target company, the seller may rollover the capital gain on the shares in the target company to the new shares. The rollover may be carried out either with or without pre-approval from the tax authorities. Various conditions must be met, depending on whether pre-approval is obtained, and local advice should be sought.

No pre-approval is required where the transaction is structured as a tax exempt merger, but special conditions must be met to obtain the rollover of capital gain for the seller and the tax values for the merging companies.

The Danish rules also allow for tax exempt demergers and contributions in kind of assets. The reorganisations may be carried out without pre-approval from the tax authorities in certain circumstances; however, a number of conditions must be satisfied and the shares received in the transaction generally cannot be sold for a period of three years. It is recommended to seek local advice to avoid adverse tax consequences of such transactions.

With the introduction of the Danish GAAR, no exemption is granted for tax exempt cross border mergers, demergers, share exchanges and contributions in kind if an arrangement or series of arrangements have been put into place for the main purpose or one of the main purposes of obtaining a tax advantage that is not in accordance with the object or purpose of the EU Parent Subsidiary Directive, which is not genuine having regard to all relevant facts and circumstances. Furthermore, arrangements or series of arrangements shall be regarded as not genuine to the extent that they are not put into place for valid commercial reasons that reflect the economic reality.

b. Taxable

Generally, a planned exit to third parties would normally be made as either a sale of shares or a sale of assets (i.e. by way of an asset deal or a liquidation).

However, a sale of shares is generally the preferred exit alternative as a sale of shares to third parties should not be subject to Danish capital gains tax, WHT or stamp duties/transfer taxes.

A sale of assets is generally subject to Danish corporate income tax and stamp duties/transfer taxes may apply.

Sale of Shares

As a main rule, Denmark does not apply limited tax liability to gains on the sale of shares to third parties. Thus, a non-Danish company selling its shares of a Danish subsidiary should not be subject to Danish capital gains tax or WHT on the sale. However, if the sale of shares is combined with a reinvestment, a special anti-avoidance rule could potentially apply. However, for a transaction like this a re-investment should not be relevant.

There are no stamp duties or transfer taxes on the transfer or registration of shares in a Danish company.

Sale of Assets

Any gain on the sale of assets is generally subject to corporate income tax based on the realisation principle.

The Danish corporate income tax rate is 22%.

When selling depreciable assets, the buyer and seller must allocate the total cash value of the transfer to each category of depreciable assets included in the sale. The agreed allocation serves as the basis for capital gains taxation of the seller and as the depreciation basis/acquisition price for the buyer.

The Danish tax authorities may challenge either the total cash value or the allocation between depreciable assets. Where no allocation is made, the tax authorities may assess an appropriate allocation and both the seller and buyer are obliged to apply the assessed values.

The transfer agreement should carefully consider the purchase price allocation between the categories of assets because the depreciation profile for the various categories varies.

c. Cross Border

Generally, a sale of shares is a taxable event. However, a sale of shares can be exempt from taxes in certain cases, (i.e. if the shareholder holds more than 10% of the shares, if the shares are listed; for unlisted shares, the minimum holding requirement does not apply) and for some demergers and acquisitions if specific requirements are fulfilled.

Please also refer to section 7.a.

8. FOREIGN OPERATIONS OF A DOMESTIC TARGET

a. Worldwide or Territorial Tax System

Resident companies are subject to taxation in Denmark on their worldwide income, according to the Danish Corporation Tax Act art. 8.

Branches and permanent establishments (of non-resident companies) are subject to taxation in Denmark only on their Danish source income.

b. CFC Regime

Denmark has two sets of Controlled Foreign Corporation ("CFC") rules: one regime for CFCs owned by Danish resident individuals, and one regime for CFCs held by Danish resident companies or non-transparent entities.

For individuals, CFC taxation will only be imposed if the resident individual controls the foreign company. The Danish individual will be taxed with a flat rate of 22% on any CFC income. Note that dividends to pay the CFC income tax may be distributed without tax.

The CFC regime for Danish corporate holders (including all limited liability entities) applies to both Danish and foreign financial companies. The Danish company or legal entity must be a "parent company" of the foreign entity in order for the income of the foreign entity to be CFC taxed. The foreign company or legal entity must have a CFC income exceeding more than 33.33% of its aggregate income.

c. Foreign Branches and Partnerships

As a main rule, income attributed to a permanent establishment in a foreign country should not be included in the taxable income of the company provided the Danish tax authorities agree that a permanent establishment exists, which will have a decreasing effect on the Danish taxes all things being equal.

The corporate income tax rates may differ between Denmark and the "permanent establishment country" leading to a different tax levied on the income attributed to the permanent establishment(s).

d. Cash Repatriation

Cash can be repatriated through e.g. dividend distributions or interest payments.

The domestic Danish dividend WHT rate is 27% on dividend payments to non-Danish corporate investors. However, the 27% WHT rate may be reduced to 0% at source provided that the following conditions are met:

- The recipient of the dividend holds at least 10% of the share capital of the dividend distributing Danish company,
- The recipient is a corporate entity/pension fund and the beneficial owner of the dividend; and
- The recipient qualifies for protection under 1) the EU Parent Subsidiary Directive (90/435/EC); or 2) a jurisdiction with which Denmark has entered into a DTT that provides for a reduced rate of dividend WHT (i.e. the DTT provides for a dividend WHT rate of less than 27%).

Additionally, the WHT may be lowered for corporate investors following application to the Danish Tax Authorities to 22% or 15% depending on where the investor is located, and the WHT may be lowered following a double tax treaty.

Dividends may only be distributed out of the distributable reserves.

For a Danish corporation as investor with a shareholding of at least 10%, the dividend is exempt for CIT purposes.

Interest payments from a Danish company to a foreign company should not be subject to Danish interest WHT provided that the foreign company can be deemed the beneficial owner of the interest.

If the foreign company cannot be deemed the beneficial owner of the interest, Danish WHT should be withheld at source with a rate of 22% unless it can be documented that

- The UBOs are EU and/or double tax treaty residents,
- that these UBOs have ultimately received the funds; and
- the respective UBOs are entitled to treaty benefits under the relevant double tax treaty (or are comprised by the EU Interest-Royalty Directive). If this cannot be documented, the UBOs may be able to reclaim any Danish WHT fully or partly depending on the specific tax status of the investors.

9. OTHER GENERAL INTERNATIONAL TAX CONSIDERATIONS

a. Special Rules for Real Property, including Shares of "Real Property-Rich" Corporations

Registration of a change of ownership of land and buildings is subject to a duty of DKK1,750 plus 0.6% (in 2022) of the fair market value.

However, there are no transfer taxes or stamp duties (in Danish ''Tinglysningsafgift'') when transferring property though the use of property companies.

For Danish business properties, two types of property charges may be levied.

Firstly, a land tax (in Danish: "Grundskyld").

Secondly, some municipalities levy a business property tax (in Danish: "Dækningsafgift").

Effective from 1 January 2022 the business property tax shall, as well as the land tax, be computed upon the public value of the land. In addition, the method for determining the public value of land for non-residential properties has been changed. The new public values will be introduced gradually.

It should be noted that in Denmark capital gains and losses on real estate are taxable after a realization principle. However, there is currently a political agreement implying that real estate with a total value off more than DKK100 million from 2023 will be taxable after mark to market taxation (of capital gains). The mark to market taxation will lead to increased cash tax liabilities, which may result in additional strain on the company's liquidity and negatively impact financial results.

As of the date of this report, no draft proposal has been presented on the matter in the parliament.

b. CbC and Other Reporting Regimes

As Denmark signed the international agreement on automatic exchange of country by country reports ("CbC reports"), Danish businesses that are either the ultimate parent company or the surrogate parent entity of a group subject to CbC reporting should submit a CbC report to the Danish Tax Agency.

The Danish rules on CbC is in accordance with the standards settled in the OECD TP Guidelines.

A domestic company is required to prepare and submit a CbC report og the group for the financial year following the end of that year, if i) the consolidated financial statements include at least on foreign entity or a foreign permanent establishment, and ii) the consolidated revenue recognised in the consolidated financial statements for the preceding financial year is at least DKK5.6 billion (approximately EUR750 million).

If the domestic company is included in the consolidated financial statements of another country, this obligation does not exist.

The CbC Report must be submitted no later than one year after the end of the financial year concerned.

10. TRANSFER PRICING

Generally, Danish resident companies are subject to the Danish transfer pricing rules. These rules prescribe that all transactions between a Danish company and related companies must satisfy the arm's length principle (i.e. the prices and terms must reflect those that could be applied in a transaction with a third party). In most cases, the company must prepare documentation that supports the basis for the pricing.

Denmark's TP documentation requirements are generally based on OECD TP Guidelines. Denmark has issued a statutory order on documentation of the pricing of controlled transactions and Danish TP documentation guidelines, which generally comply with the OECD TP Guidelines. However, additional requirements may apply in certain instances. A company is also obligated to inform the Danish Tax Authorities about all intragroup transactions in their tax return.

The transfer pricing rules are relevant in relation to many aspects of a transaction, such as shareholder loans, intercompany guarantees, cash pool arrangements and transfer of goods, services and assets. The practice of the tax authorities is somewhat unclear, and each case must be examined on its specific facts and circumstances. Caution is advisable when determining the basis of the prices, especially when large amounts are involved.

The Danish transfer pricing rules generally require companies to prepare TP documentation on an onoing basis and the documentation must have been finalised no later than at the time for submission of the corporate tax return for the relevant year. Corporate tax returns are generally due to be filed within six months of the end of the applicable fiscal year.

Furthermore, effective for fiscal years starting 1 January 2021, a master file and a local file must be submitted to the Danish tax authorities within 60 days after the deadline for filing the tax return for the relevant year.

Please note that as a main rule the TP documentation requirements do not apply for minor groups. Groups with less than 250 employees which either have a balance sheet total of less than DKK125 million or an annual turnover of less than DKK250 million are generally not obligated to prepare TP documentation. However, TP documentation must always be prepared for certain transactions with companies, permanent establishments, etc. domiciled in a country outside the EU or in a country with no tax treaty with Denmark.

11. POST-ACQUISITION INTEGRATION CONSIDERATIONS

a. Use of Hybrid Entities

Hybrid entities must be classified based on Danish law. Hybrid entities are rarely used.

b. Use of Hybrid Instruments

Hybrid instruments must be classified based on Danish law. Hybrid instruments are rarely used.

c. Principal/Limited Risk Distribution or Similar Structures

Denmark generally follows the OECD methodology. However, local requirements may apply.

d. Intellectual Property

Goodwill or other intellectual property rights acquired by a Danish company may be amortised by up to one-seventh annually. Know-how and patents may also be depreciated fully in the income year it is acquired

Profit or loss incurred as a result of a sale of acquired Goodwill or other intellectual property rights is taxable.

e. Special Tax Regimes

i Tonnage Tax regime

Shipping companies which are strategically and commercially managed within the EU/EEA may apply the Danish tonnage tax regime on income from vessels with a gross tonnage of minimum 20 tonnes that are providing transport of passengers or goods between different positions/locations, as well as income from certain special vessels without consideration to the requirement of transportation between different destinations.

For tonnage taxed activities, the taxes are imposed on synthetic income calculated as certain fixed monetary amounts on the net tonnage of each vessel subject to the Tonnage Tax Regime.

Consequently, the shipping companies are not taxed on their profits and are consequently generally not able to deduct their expenses.

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ii Research and Development Costs ("R&D")

According to the Danish Assessment Act art. 8 B, R&D costs can be treated as tax deductible up to 130% (2022). The tax value of R&D costs may alternatively, according to the Danish Assessment Act art. 8 X, within certain categories be refunded upon application to the Danish tax authorities.

To utilise the R&D scheme, the development costs must fulfill specific conditions described in the preparatory work and established by the DTA. One of the central requirements is that the costs relate to creation of new knowledge that can significantly improve materials, mechanisms and products, process systems and services.

However, please note that the DTA's recent interpretation of the rule is very restrictive, especially regarding software development activities.

The R&D tax credit scheme can be used upon application to the DTA. The DTA will pre-accept the application and refund the amount, whereafter the DTA will make an assessment of the categorisation of the costs. Hence, if the DTA finds that the costs do not meet the conditions as defined above, the tax credit will have to be reversed.

12. OECD BEPS CONSIDERATIONS

Denmark generally supports the BEPS actions and has implemented several BEPS Action Points in Danish law. As a member of the EU and an active participant in the negotiations at OECD, the Danish tax system is generally becoming increasingly aligned with international standards. The current Danish government has a strong focus on preventing tax avoidance and tax abuse which is reflected in its initiatives both in international negotiations and through domestic legislation.

See also section 2 above.

13. ACCOUNTING CONSIDERATIONS

A business combination is defined under International Financial Reporting Standards ("IFRS") as a transaction or event in which an acquire obtains control of one or more businesses.

In Denmark, non-listed companies can freely choose to adopt either the Danish Accounting Act or IFRS when preparing their accounts. According to Danish generally accepted accounting principles (GAAP), most business combinations are to be accounted for as acquisitions. According to the IFRS, the acquisition method is used for all business combinations.

Merger accounting is restricted in the Danish Accounting Act to a small number of genuine mergers. One major requirement for a genuine merger is that the fair values of the entities are not significantly different. Further detailed conditions must be met. Merger accounting can always be used for intercompany combinations.

14. OTHER TAX CONSIDERATIONS

a. Distributable Reserves

Only unrestricted distributable reserves stated in the annual report can be used for ordinary dividend distributions.

Reference is made to section 8.d regarding withholding taxes on dividend payments.

b. Application of Regional Rules

See section 11.e.

c. Tax Rulings and Clearances

It is possible to apply for a binding ruling from the Danish tax Authorities in order to get a confirmation regarding the tax consequences of an action that a taxpayer has made or intends to make. Such a ruling can normally be obtained within a period of four to six months. A fee of DKK400 is payable when filing the application.

15. MAJOR NON-TAX CONSIDERATIONS

This section is left intentionally blank.

16. APPENDIX I - TAX TREATY RATES

Jurisdiction	Dividends %	Interest %	Royalties %	Footnote Reference
Albania	No tax treaty	No tax treaty	No tax treaty	
Argentina	15 / 10	12	3 / 5 / 10 / 15	[1], [2], [3]
Armenia	15 / 5 / 0	5 / 0	10 / 5	[4], [5], [6]
Australia	15	10	10	
Austria	15 / 0	N/A	N/A	[7], [72], [73]
Azerbaijan	15 / 5	8 / 0	10 / 5	[8], [9], [10]
Bangladesh	15 / 10	10 / 0	0	[11], [12]
Barbados	No tax treaty	No tax treaty	No tax treaty	
Belarus	15	-	-	[72], [73]
Belgium	15 / 0	10	N/A	[13], [73]
Bolivia	No tax treaty	No tax treaty	No tax treaty	
Bosnia and Herzegovina	No tax treaty	No tax treaty	No tax treaty	
Botswana	No tax treaty	No tax treaty	No tax treaty	
Brazil	25	15 / 10	25 / 15	[14], [15]
Bulgaria	15 / 5	N/A	N/A	[16], [72], [73]
Canada	15 / 10 / 5	10 / 0	10 / 0	[17], [18], [19]
Chile	15 / 10	10 / 5 / 4	10 / 2	[16], [20], [21]
China	10 / 5	10 / 0	10 / 7	[16], [22], [23]
Croatia	10 / 5 / 5	5	10	[16], [24]
Cyprus	15 / 0 / 0 / 0	N/A	N/A	[25], [72], [73]
Czech Republic	15 / 0 / 0	N/A	10	[26], [72]
Denmark	-	-	-	[7]
Egypt	20 / 15	15	20	[27]
Estonia	15 / 5	10 / 0	10 / 5	[16], [28], [29]
Faroe Islands	15 / 0	N/A	N/A	[72], [73]
Finland	15 / 0	N/A	N/A	[7], [72], [73]
France	No tax treaty	No tax treaty	No tax treaty	[70]
Gambia	No tax treaty	No tax treaty	No tax treaty	

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Jurisdiction	Dividends %	Interest %	Royalties %	Footnote Reference
Georgia	10 / 5 / 0 / 0	N/A	N/A	[4], [72], [73]
Germany	15 / 5	N/A	N/A	[30], [72], [73]
Greece	18	8	5	
Hungary	15 / 0 / 0	N/A	N/A	[7], [31], [72], [73]
Iceland	15 / 0	N/A	N/A	[7], [72], [73]
India	25 / 15	15 / 10 / 0	20	[27], [32]
Indonesia	20 / 10	10 / 0	15	[1], [33]
Ireland	15 / 0	N/A	N/A	[13], [72], [73]
Israel	10 / 0 / 0 / 0	5 / 0	N/A	[7], [34], [35], [72], [73]
Italy	15 / 0	10 / 0 / 0 / 0	5 / 0	[36], [37], [38]
Jamaica	15 / 10	12.5 / 0	10	[39], [40]
Japan	15 / 0	10 / 0	0	[41], [42]
Kazakhstan	No tax treaty	No tax treaty	No tax treaty	
Kenya	30 / 20	20 / 0	20	[43], [44]
Korea, Republic of	15	15 / 0	15 / 10	[45], [46]
Latvia	15 / 5	10	10 / 5	[16], [47]
Lithuania	15 / 5	10	10 / 5	[16], [47]
Luxembourg	15 / 5	N/A	N/A	[16], [72], [73]
Macedonia	15 / 5 / 0	N/A	10	[16], [31], [72]
Malaysia	0	N/A	10	[72]
Malta	15 / 0	N/A	N/A	[36], [72], [73]
Mauritius	No tax treaty	No tax treaty	No tax treaty	
Mexico	15 / 0	15 / 5	10	[13], [48]
Montenegro	15 / 5	N/A	10	[16], [72]
Namibia	No tax treaty	No tax treaty	No tax treaty	
Netherlands	15 / 0	N/A	N/A	[7], [72], [73]
New Zealand	15	10	10	
Nigeria	No tax treaty	No tax treaty	No tax treaty	
Norway	15 / 0	N/A	N/A	[7], [72], [73]

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Jurisdiction	Dividends %	Interest %	Royalties %	Footnote Reference
Pakistan	15	15 / 0	12	[71]
Philippines	15 / 10	10 / 0	15	[39], [49]
Poland	15 / 5 / 0	5 / 0	5	[16], [24]
Portugal	10	10 / 0	10	[50]
Romania	15 / 10	10 / 0	10	[39], [51]
Russia	10	N/A	N/A	[72], [73]
Saudi Arabia	No tax treaty	No tax treaty	No tax treaty	
Serbia	15 / 5	10 / 0	10	[16], [52]
Singapore	10 / 5 / 0	10 / 0	10	[13], [53]
Slovakia	15	N/A	5 / 0	[54], [72]
Slovenia	15 / 5	5	5	[16], [24]
South Africa	15 / 5	N/A	N/A	[16], [72], [73]
Spain	No tax treaty	No tax treaty	No tax treaty	
Sri Lanka	15	10 / 0	10	[55]
Switzerland	15 / 0	N/A	N/A	[26], [72], [73]
Taiwan	10	10 / 0	10	[56]
Tanzania	15	12,5	20	
Thailand	10	15 / 10 / 0	15 / 5	[57], [58]
Trinidad and Tobago	No tax treaty	No tax treaty	No tax treaty	
Tunisia	15	12	15	
Turkey	20 / 15	15 / 0	10	[27], [59]
Ukraine	15 / 5	10 / 0	10 / 0	[16], [60], [61]
United Kingdom	15 / 0	N/A	N/A	[13]
United States	15 / 5 / 0	15	N/A	[62], [30], [73]
Venezuela	15 / 5	5 / 0	10 / 5	[63], [64], [65]
Vietnam	15 / 10 / 5	10 / 0	15 / 5	[66], [39], [67], [68]
Zambia	15	10 / 0	15	[69]
Zimbabwe	No tax treaty	No tax treaty	No tax treaty	

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Footnotes	
[1]	If the receiving company directly owns at least 25% of the total capital of the paying company, which is considered resident in the country of source, and the receiving company is considered the rightful owner of the dividend, the country of source will only be able to impose 10% tax on dividend.
[2]	Article 10 does not apply to situations in which the rightful owner carries on a trade in that state in which the paying company is resident through a permanent operating point or carries out free trade.
[3]	The country of source is (in general) able to apply tax up to 3% regarding news, 5% regarding copyright on artistic work in general, 10% regarding patent and trademarks and 15% regarding everything else
[4]	0% tax rate for corporate shareholders holding a certain capital participation of at least 50% and a combined investment of at least EUR2 million. 0% tax rate to the Georgian National Bank and to government entities. 5% tax rate to corporate shareholdings holding a capital participation of at least 10% and a combined investment of at least EUR100,000.
[5]	Interest paid to the Armenian National Bank or any government institution is free of withholding tax.
[6]	The tax can be raised to 10 % in certain cases.
[7]	0% tax rate to corporate shareholders holding a capital participation of at least 10%.
[8]	5% tax rate to corporate shareholders holding a capital participation of at least 20% and provided that an investment of at least EUR1 million has been made.
[9]	Interest is free of withholding tax if it is paid by or to either country's government or an administrative-territorial subdivision or a local authority or Central Bank thereof; or if the beneficial owner of the interest is either the State Oil Fund in Azerbaijan or the Investment Fund for Developing Countries in Denmark.
[10]	5% regarding royalties on patent or trademark.
[11]	10% tax rate for corporate shareholders holding a capital participation of at least 10%.
[12]	Interest paid to the Bangladeshi National Bank, the Bangladesh Government and interest paid in connection with a loan provided or guaranteed by the Bangladeshi National Bank, government or any governmental institution are free of withholding tax.
[13]	0% tax rate to corporate shareholders holding a capital participation of at least 25%.
[14]	Interest paid to the Brazilian Government, or a political subdivision thereof is free of withholding tax.
[15]	25% tax rate on trademarks.
[16]	5% tax rate to corporate shareholders holding a capital participation of at least 25%.
[17]	5% tax rate to corporate shareholders holding a capital participation of at least 25%. 10% of the gross amount of the dividends if paid by a non-resident owned investment corporation which is resident in Canada to a beneficial owner which is resident in Denmark, who holds at least 25% of the capital of the company paying the dividends.
[18]	Default interest, interest paid to the Canadian National Bank, interest paid in connection with a credit purchase of goods or services between independent parties, interest paid to certain pension funds, interest deriving from government stocks and interest from export loans provided or guaranteed by The Export Development Corporation are free of withholding tax.

Footnotes	
[19]	Royalties for literary or artistic work (excluding movie rights), and royalties for the use of computer software or any patent or royalties for the use of information concerning industrial, commercial or scientific experience are free of withholding tax.
[20]	4% tax rate for primary financial companies and when the interest pertains to sales of machinery or equipment. 5% tax rate on interest derived from bonds and securities that are traded on a recognised securities market.
[21]	2% tax rate for the use of scientific, commercial or industrial use.
[22]	Interest paid to the Chinese National Bank or the Chinese Government, and interest paid in connection with a loan provided or guaranteed by the Chinese National Bank, government or any governmental institution is free of withholding tax.
[23]	10% tax rate for literary work or artwork. 7% for industrial, commercial or industrial use.
[24]	5% tax rate to pension providers investing.
[25]	0% tax rate to corporate shareholders holding a capital participation of at least 10%, to pension providers investing and to government entities.
[26]	0% tax rate to corporate shareholders holding a capital participation of at least 10% and to pension providers investing.
[27]	15% tax rate to corporate shareholders holding a capital participation of at least 25%.
[28]	Interest paid to the Estonian National Bank, or the Estonian Government and interest paid in connection with a loan provided or guaranteed by the Estonian National Bank, government or any governmental institution are free of withholding tax.
[29]	5% for industrial or commercial use.
[30]	5% tax rate to corporate shareholders holding a capital participation of at least 10%.
[31]	0% tax rate to pension providers investing.
[32]	Interest paid to the Indian National Bank, or any government institution is free of withholding tax. 10% tax rate to interest paid to a bank.
[33]	Interest paid to the Indonesian Government and to certain government institutions is free of withholding tax.
[34]	0% to pension providers investing and to government entities. 0% to pension providers investing and to government entities.
[35]	Interest paid: to pension providers; in connection with corporate bonds; to the government; and to certain government institutions is free of withholding tax.
[36]	0% tax rate to corporate shareholders holding a capital participation of at least 25% for at least 12 months.
[37]	Interest paid in connection with a credit purchase of industrial, commercial or scientific equipment, and interest paid by the Danish Government or a government institution, and interest paid on a loan provided or secured by the Italian government or a subdivision thereof are free of withholding tax.
[38]	Royalties from literary work, artwork and scientific work (excluding IT-programming and movie rights) are free of withholding tax.
[39]	10% tax rate to corporate shareholders holding a capital participation of at least 25%.
[40]	Interest paid to the Jamaican Government, or a subdivision thereof is free of withholding tax.
[41]	0% withholding tax if the recipient of the dividend has owned directly for a period of six months at least 10% of: in the case that the dividend paying company is a resident of Japan, the voting power of that company; and in the case that the company paying dividends is a resident of Denmark, the capital of that company; or a pension fund under certain conditions.

Footnotes	
[42]	Certain interest - when based on the income, sales, profit or other forms of cashflow of the borrower or an associated entity of the borrower, or if the interest is based on the value of certain assets of the borrower or an associated entity of the borrower, or finally if the interest is based on payments of dividend of other such forms of payment made by the borrower or an associated entity of the borrower - may be taxed in the contracting state in which the interest arises. The tax rate cannot exceed 10% if the beneficial owner of the interest is a resident in the other contracting state.
[43]	20% tax rate to corporate shareholders holding a capital participation of at least 25% for at least six months.
[44]	Interest paid to the Kenyan National Bank, or the Kenyan Government is free of withholding tax.
[45]	Interest paid to the government, or a subdivision thereof is free of withholding tax.
[46]	10 % tax rate on industrial investments.
[47]	5% for industrial, commercial or scientific use.
[48]	5% tax rate for interest paid to banks.
[49]	Interest paid in connection with a loan provided by the Philippine state or an institution controlled by the Philippine state is free of withholding tax.
[50]	Interest paid to the Portuguese state or any subdivision thereof and interest paid to the Portuguese National Bank is free of withholding tax.
[51]	Interest paid to the Romanian state and interest paid in connection with a loan guaranteed or indirectly financed by the Romanian state is free of withholding tax.
[52]	Interest paid to the Serbian state or any subdivision thereof and interest paid to the Serbian National Bank is free of withholding tax.
[53]	Interest paid to the Singaporean Government is free of withholding tax.
[54]	Royalties from cultural activities are free of withholding tax.
[55]	Interest paid to the state of Sri Lanka, any subdivision thereof or any financial institution owned by the state of Sri Lanka is free of withholding tax.
[56]	Interest paid to the state of Taiwan, any subdivision thereof or any financial institution owned or controlled by the state of Taiwan is free of withholding tax.
[57]	10% tax rate for interest paid to financial institutions. Interest paid to the state of Thailand, any subdivision thereof or any financial institution owned or controlled by the state of Thailand is free of withholding tax.
[58]	5% tax rate for literary work, artwork and scientific work.
[59]	Interest paid to the Turkish Government or to Türkiske Cumhuriyet Merkez Bankasi is free of withholding tax.
[60]	Interest paid to the state of Ukraine in connection with a loan provided or guaranteed by a financial institution owned or controlled by the state of Ukraine and interest relating to a credit purchase of industrial, commercial or scientific equipment is free of withholding tax.
[61]	Royalties from know-how on industrial, commercial and scientific experience are free from withholding tax.
[62]	0% tax rate to corporate shareholders holding a capital participation of at least 80% for at least 12 months, certain public institutions and pension funds.

Footnotes	
[63]	5% tax rate to corporate shareholders holding a capital participation of at least 25% for at least 12 months.
[64]	Interest paid to the Venezuelan Government, or any subdivision thereof, including the Venezuelan National Bank, and interest paid on loans provided or guaranteed by any of the abovementioned institutions with the purpose of promoting export and development is free of withholding tax.
[65]	5% tax rate for technical assistance.
[66]	5% tax rate to corporate shareholders holding a capital participation of at least 70% or an investment of at least USD12 million.
[67]	Interest paid to the Vietnamese Government, or any subdivision thereof, including the Vietnamese National Bank is free of withholding tax.
[68]	5% for commercial or industrial use.
[69]	Interest paid to the government of Zambia, or any subdivision thereof, is free of withholding tax.
[70]	Currently no tax treaty, however in progress.
[71]	Interest paid to the Pakistani Government, or the Pakistani National Bank is free of withholding tax.
[72]	Interest is exempt from taxation, unless the rightful owner carries on business in the other contracting state trough a permanent establishment situated therein, or unless the rightful owner performs independent personal services from a fixed place situated therein, and the debt-claim from which the interest is paid is effectively connected with the permanent establishment / fixed place. If the interest amount surpasses market value due to a special connection between the rightful owner and the payer, the surplus amount is taxable by both states. Or Interest is exempt from taxation unless the rightful owner carries on business or performs independent personal services from respectively a permanent establishment or fixed place in that state in which the debt-claim is effectively connected to. If the interest amount surpasses market value due to a special connection between the rightful owner and the payer, the surplus amount is taxable by both states.
[73]	Royalties are exempt from taxation, unless the rightful owner carries on business in the other contracting state trough a permanent establishment situated therein, or unless the rightful owner performs independent personal services from a fixed place situated therein, and the right or property from which the royalties arise is effectively connected with the permanent establishment/fixed place. If the royalty amount surpasses market value due to a special connection between the rightful owner and the payer, the surplus amount is taxable by both states. Or Royalties are exempt from taxation unless the rightful owner carries on business or performs independent personal services from respectively a permanent establishment or fixed place in the other contracting state, and the right or property from which the royalties arise is effectively connected to the other contracting state. If the royalty amount surpasses market value due to a special connection between the rightful owner and the payer, the surplus amount is taxable by both states.

17. APPENDIX II - GENERAL CORPORATE ENTITY TAX DUE DILIGENCE REQUESTS

As a main rule, the statute of limitations (“SoL”) in Denmark is 1 May in the fourth calendar year following the end of the relevant income year.

On this basis the 2022 income tax year will remain open to potential tax authority audit until 1 May 2026.

The SoL may be extended by two years under certain circumstances including with respect to intercompany transactions and certain tax exempt restructurings.

It should be noted, however, under extraordinary circumstances (e.g. gross negligence, fraud etc.) the tax authorities can investigate and reopen closed income years. In those situations, an absolute SoL of 10 years applies.

On this basis, unless otherwise stated below, documents are requested for the past five years.

Nº.	Category	Sub-Category	Description of Request
1	Tax Due Diligence	Tax	Confirmation that all tax and VAT filings have been made in due time and been settled in due time, and whether you consider these to be correct and in accordance with applicable law.
2	Tax Due Diligence	Tax	Information on whether any aggressive tax positions have been taken by the Target Companies
3	Tax Due Diligence	Tax	Description of the Target Companies’ internal business procedures in relation to corporate taxes, e.g. - who has the overall responsibility and the day to day responsibility for corporate taxes, - who handles communication with the tax authorities regarding corporate taxes and to what extent have the Target Companies had correspondence with the tax authorities, and are any external advisers employed in this connection (auditors, tax experts etc) - who is responsible for preparing/reviewing the income tax returns, and to what extent are external advisers employed for this.
4	Tax Due Diligence	Tax	Provision of copies of the long form annual audit reports for the Target Companies for the income years under review.
5	Tax Due Diligence	Tax	Provision of a corporate overview, including an overview of the members of the Danish joint taxation group of which the Target Companies are part of and the members of the VAT group of which the Target Companies are part of (if any).
6	Tax Due Diligence	Tax	Indication of name and contact information of tax advisers (internal and external) who have been assisting the Target Companies enabling us to contact the tax advisers to discuss existing risks.
7	Tax Due Diligence	Tax	Provision of a description of the involvement of external tax advisers.
8	Tax Due Diligence	Tax	Provision of copies of any correspondence with tax authorities (incl. requests, inquiries, decisions, considerations, audits, advance rulings etc.)
9	Tax Due Diligence	Tax	Provision of all correspondence, memos etc. relating to corporate tax, transfer pricing, property taxes, VAT, PAYE and excise duties between the Target Companies and the auditors and/or other tax advisers.
10	Tax Due Diligence	Tax	Provision of a copy of the Danish tax/VAT registration certificates for the Target Companies
11	Tax Due Diligence	Tax	Provision of an overview of any COVID-19 aid packages received by the Target Companies.

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Nº.	Category	Sub-Category	Description of Request
12	Tax Due Diligence	Tax	Provision of corporate tax returns and specifications (including draft returns ready for submission) for the Target Companies for the income years under review, including: 1) submitted tax returns, 2) schedules for computation of the taxable income, 3) computation of deferred taxes including tax reconciliations, 4) schedules for computation of the joint taxable income, 5) schedules for computation of interest limitation (if any) and 6) schedules for fixed assets.
13	Tax Due Diligence	Tax	Provision of copies of tax assessments (in Danish: årsopgørelser) for the Target Companies for the income years under review.
14	Tax Due Diligence	Tax	Provision of information on the expected taxable income for the period from 1 January 202X and until today's date, especially whether any changes is expected to the taxable income etc. compared to the income years under review for the Target Companies.
15	Tax Due Diligence	Tax	Confirmation that all tax returns, notifications, payments etc. have been filed and paid in due time.
16	Tax Due Diligence	Tax	Provision of information on any permanent establishments for the Target Companies (if not relevant then an indication of this).
17	Tax Due Diligence	Tax	Provision of a list of the jurisdictions of which the Target Companies have paid taxes within the last three years (if the Target Companies have not paid taxes in any other jurisdictions than Denmark then an indication of this).
18	Tax Due Diligence	Tax	Provision of information pertaining to any announced or ongoing tax audits of the Target Companies.
19	Tax Due Diligence	Tax	A list with dates and a description of any acquisitions, mergers, or other restructurings within the income years under review.
20	Tax Due Diligence	Tax	Information on any (i) distribution of dividend, (ii) payment of interest on shareholder loans and (iii) any other payments or funding to/from related parties (parties, loan amount, interest level), including restructuring of funding, group contributions, cash pooling etc) for the past three income years and copies of any form for reporting on withholding taxes etc.
21	Tax Due Diligence	Tax	Provision of an overview of all transactions between the Target Companies and its shareholders.
22	Tax Due Diligence	Tax	Provision of copies of any transfer pricing policy prepared for the intra-group transactions (i.e. policy for interest rates on loans, profit margins on services performed etc.).
23	Tax Due Diligence	Tax	Provision of copies of any benchmark studies etc. prepared in connection with the transfer pricing policy.
24	Tax Due Diligence	Tax	Provision of copies of any transfer pricing documentation prepared for the Target Companies.
25	Tax Due Diligence	Tax	Provision of copies of property valuations for properties owned by the Target Companies.
26	Tax Due Diligence	Tax	Provision of copies of property tax bills for the income years (if any).
27	Tax Due Diligence	Tax	Provision of copies of any lease agreements, including addenda (if any).

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Nº.	Category	Sub-Category	Description of Request
28	Tax Due Diligence	VAT	Provision of the VAT returns for the Target Companies for the past three years.
29	Tax Due Diligence	VAT	Provision of documentation of the voluntary registration for the lease of real property.
30	Tax Due Diligence	VAT	Information on whether the Target Companies have any employees working on the development of the building, e.g. working construction on the building site.
31	Tax Due Diligence	VAT	Information on whether any other lease agreement is in place.
32	Tax Due Diligence	VAT	Specification on the level of VAT deduction of the Target Companies. If the Target Companies are only entitled to partial VAT recovery, a specification on the determination of the deduction percentage is needed.
33	Tax Due Diligence	VAT	Provision of specifications on the VAT regulation obligation on each of the investment goods.
34	Tax Due Diligence	VAT	Confirmation that all VAT returns have been filed and VAT has been paid in due time.
35	Tax Due Diligence	VAT	Specification on whether the Target Companies have sold any real property within the past three years and if so, a specification on the VAT treatment hereof.
36	Tax Due Diligence	PAYE	Confirmation that all PAYE withholding obligations and payment and reporting of taxes, labour market contributions and social securities have been made in due time.
37	Tax Due Diligence	PAYE	Provision of information on the general handling of PAYE (withholding tax, payment and reporting of taxes and labour market contributions and payment and reporting of social security contributions).
38	Tax Due Diligence	PAYE	Provision of information on incentive/bonus/benefit/stock programs, etc. for employees and management of the Target Group (If not relevant, then an indication of this).
39	Tax Due Diligence	PAYE	Provision of an overview of payments to self-employed consultants made by the Target Companies for the past three years.
40	Tax Due Diligence	PAYE	Information and details about any internationally mobile employees working for Target Companies.

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FOR MORE INFORMATION CONTACT:

Thomas Frøbert
+45 72 27 34 33
THF@bechbruun.com

Jonas Lynghøj Madsen
+ 45 72 27 34 37
JLM@bechbruun.com