

# NARRATIVE REPORT ON DENMARK



## PART 1: NARRATIVE REPORT

### Introduction

With a large welfare state, a society characterised by social trust and a high degree of tax compliance, Denmark has traditionally been firmly in favour of financial transparency. Denmark has few characteristics of secrecy jurisdictions (though there are some), however, transparency and aggressive tax practices have recently come under real public scrutiny. Thus, Denmark has seen a number of significant developments on corporate transparency. After a brief introduction, the next sections provide an overview of these developments.

### Taxation in Denmark

Denmark has one of the biggest welfare states in the world providing health care, education, elderly care, and unemployment benefits among other things. Denmark also has some of the highest tax rates in the world to finance it. While the corporate tax rate is in line with most other OECD countries, the personal income tax rates on labour and the Danish VAT in particular are among the highest rates in the world. This illustrates the reliance of the Danish state on tax collection and, by extension, on tax compliance.

Denmark continuously scores very high on indices of social trust and very low on corruption. Over the past few years, however, financial secrecy has increasingly risen up the political agenda. The emergence of tax and transparency in the public debate can largely be traced back to civil society campaigns, mostly in terms of tax justice for developing countries. More recently, a series of documentaries by the Danish Broadcasting Company (DR) have shed light on the questionable practices of some Danish tax advisers and the ease with which profits and wealth can be shifted out of Denmark for tax purposes.

Note that this list excludes many British Commonwealth Realms where the Queen remains their head of state.

### Limited liability partnerships

While the lack of public debate on these issues is surprising for a country where tax compliance and transparency are so important, it is perhaps even more surprising that Denmark continues to allow some corporate structures that can facilitate tax avoidance. A special Danish version of the limited liability partnership (LLPs) has long been used for tax planning and tax evasion purposes by foreigners. The LLPs are generally absolved from taxation, may provide anonymity, and there has historically been no records of beneficial ownership. Combined with Denmark's relatively good reputation on tax matters internationally, these features have

Rank: 83

Chart 1 - How Secretive?

31  
Secrecy Score

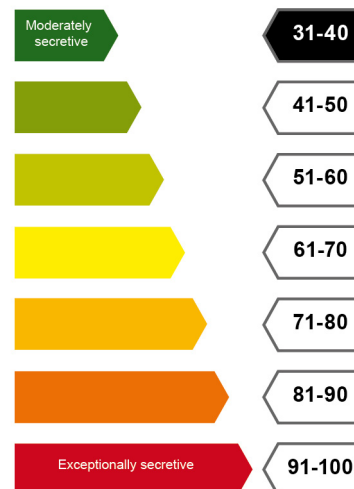
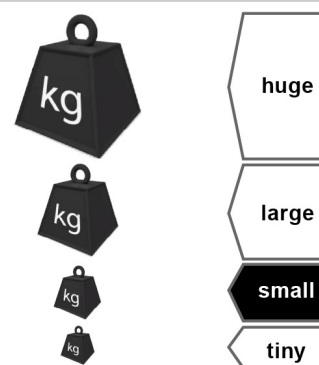


Chart 2 - How Big?



Denmark accounts for slightly over 0.2 per cent of the global market for offshore financial services, making it a small player compared with other secrecy jurisdictions.

The ranking is based on a combination of its secrecy score and scale weighting.

Read more:  
 → Full data  
 → Denmark on TJN Blog  
 → Full Methodology

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made the Danish LLPs a preferred tax planning option for many foreign companies.

### **Open tax lists and international efforts**

In 2012, the current centre-left government introduced so-called “open tax lists” for companies. The open tax lists initially published corporate tax records for the previous year for all companies liable for tax in Denmark . In 2014, the corporate tax records available were expanded to cover the past two tax years . While making corporate tax payments and non-payments available to the public has contributed to increased transparency, it has been difficult to ascertain the actual impact on firm behaviour. The initiative has also been met, unsurprisingly, with strong corporate resistance, with some commentators comparing the open tax lists to a public pillory and predicting it may hurt investment in Denmark .

Bilaterally, Denmark has recently agreed to amend tax treaties with Luxembourg and Ireland in what can most aptly be described as a defense of its tax base. The revised treaty with Ireland ensures that flight personnel resident in Denmark but employed by Irish airline companies such as Ryanair can now be taxed in Denmark instead of Ireland. The revision to the Denmark-Luxembourg treaty on the other hand closed a loophole that exempted retirees living in Luxembourg from paying taxes on their Danish pensions.

### **Leaks and the Danish tax authorities**

In response to the media scandals following LuxLeaks and SwissLeaks, the Danish public and politicians have expressed serious concerns over current international rules regarding taxation and transparency. In addition criticism has been directed towards the Danish tax authorities, who failed to obtain the SwissLeaks HSBC files, despite knowing about the data and its relevance to Danish taxpayers for a number of years. The tax authorities admitted their mistake and have now implemented new processes for decisions about such data and established an entirely new unit dedicated to international exchange of tax information.

### **Goldman Sachs buys Danish infrastructure via Luxembourg**

In late 2013, the Danish Government announced the sale of 19% of the shares in DONG Energy, a majority-owned state enterprise and the largest energy company in the country, to Goldman Sachs. Amid massive media attention, the investment structure behind the deal was revealed, with Goldman Sachs purchasing the shares through a number of recently established holding companies in Luxembourg, Delaware and the Cayman Islands. The sale was criticised for many reasons . One of the major problems was that the ultimate owners were unknown. Furthermore, the structure effectively allowed Goldman Sachs to avoid Danish dividend taxation . The sale of DONG Energy shares is still a hot political topic and demands have been put forward that the Minister of Finance reveal the other bids and bidders that ultimately lost out to Goldman Sachs.

### **Public procurement policies and the Fair Tax Mark**

The DONG case, combined with other highly publicised stories of firms based in tax havens winning public contracts (cf. the DR documentaries noted above), has led to increased attention from civil society and politicians to public procurement policies in Denmark and transparency. Civil society organisations have been pushing for transparency and responsible procurement and investment practices in public organisations, and surveys show the vast majority of Danes would support “fair tax”-related transparency requirements from public contractors. Several local authorities in Denmark have pledged not to contract with companies utilizing secrecy jurisdictions, though so far no effective policies have been put into place. A main obstacle has been the EU public procurement rules, under which is it difficult, if not impossible, for public organisations to include “subjective” requirements regarding corporate structures and tax practices.

One suggested solution, pointed to by civil society organisations, has been to develop a Danish Fair Tax Mark, inspired by the UK

accreditation initiative. Requirements inspired by such a mark may be in accordance with EU public procurement rules, as criteria are fixed and largely related to transparency. A number of Danish politicians have publicly supported this approach, and in December 2014, a broad alliance in Parliament officially encouraged interested stakeholders to develop a Danish Fair Tax Mark-equivalent, as part of the so-called “Tax Haven Package”.

### The Tax Haven Package

The Tax Haven Package, introduced by broad agreement in the Danish Parliament in December 2014, is the most comprehensive and significant political undertaking within the field of transparency and taxation in Denmark over the past few years. The package contains a number of initiatives to combat tax avoidance and foster transparency.

Besides the encouragement for a Danish “Fair Tax Mark”, the introduction of a public beneficial ownership registry is particularly significant. At the time of writing, the specifics of the registry were still in process, but it will be established in accordance with the fourth EU anti-money laundering directive, will cover most corporate forms and funds (including the above-mentioned limited liability partnerships) and will seek to make information publicly available. The final legislation is expected to be presented in the fall of 2015. The new beneficial ownership registry will be in addition to the existing public registry of shareholders, which covers ownership above a 5% threshold.

The package also implements and expands the use of the anti-avoidance clause agreed in the amended EU Parent-Subsidiary Directive. The same clause will be sought applied nationally to transactions within the scope of the EU interest/royalty and merger directives as well as all Danish bilateral tax treaties.

Furthermore, the package tightens legislation around bearer shares (i.e. anonymous shares), prohibiting the issuing of new bearer shares, and requires all existing owners of bearer shares to register with the public registry of shareholders. It also introduces taxation on certain trusts and

foreign funds by taxing the founder’s income , and extends the open tax lists incrementally towards 2017, where information for five tax years will be publicly available.

Finally, the package strengthens the Danish authorities’ powers and resources to combat tax avoidance, evasion and money laundering. The tax authorities will be given power to withdraw tax rulings in certain cases where assets are transferred out of Denmark and the real value of the asset turns out to differ significantly from the value determined in the ruling. And extra funds will be provided to the tax authorities’ “Project Tax Haven”, aimed at combating cross-border activities resulting in avoidance and evasion of Danish tax, as well as the Danish Business Authority’s anti-money laundering activities.

*With thanks to @FairSkat for their input to this report.*




### Read more:

- [Full Data for Denmark](#)
- [Denmark on TJN Blog](#)
- [Full Methodology](#)






## PART 2: DENMARK'S SECRECY SCORE





## TRANSPARENCY OF BENEFICIAL OWNERSHIP – Denmark

- 1  *Banking Secrecy: Does the jurisdiction have banking secrecy?  
Denmark partly curtails banking secrecy*
- 2  *Trust and Foundations Register: Is there a public register of trusts/foundations, or are trusts/foundations prevented?  
Denmark partly discloses or prevents trusts and private foundations*
- 3  *Recorded Company Ownership: Does the relevant authority obtain and keep updated details of the beneficial ownership of companies?  
Denmark partly maintains company ownership details in official records*






## KEY ASPECTS OF CORPORATE TRANSPARENCY REGULATION – Denmark

- 4  *Public Company Ownership: Does the relevant authority make details of ownership of companies available on public record online for free, or for less than US\$10/€10?  
Denmark does not require that company ownership details are publicly available online*
- 5  *Public Company Accounts: Does the relevant authority require that company accounts are made available for inspection by anyone for free, or for less than US\$10/€10?  
Denmark requires that company accounts be available on public record for free*
- 6  *Country-by-Country Reporting: Are all companies required to publish country-by-country financial reports?  
Denmark partly requires public country-by-country financial reporting by some companies*

## EFFICIENCY OF TAX AND FINANCIAL REGULATION – Denmark

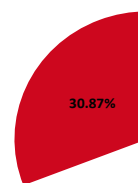
- 7  *Fit for Information Exchange: Are resident paying agents required to report to the domestic tax administration information on payments to non-residents?  
Denmark requires resident paying agents to tell the domestic tax authorities about payments to non-residents*
- 8  *Efficiency of Tax Administration: Does the tax administration use taxpayer identifiers for analysing information efficiently, and is there a large taxpayer unit?  
Denmark uses appropriate tools for efficiently analysing tax related information*
- 9  *Avoids Promoting Tax Evasion: Does the jurisdiction grant unilateral tax credits for foreign tax payments?  
Denmark avoids promoting tax evasion via a tax credit system*
- 10  *Harmful Legal Vehicles: Does the jurisdiction allow cell companies and trusts with flee clauses?  
Denmark partly allows harmful legal vehicles*

## INTERNATIONAL STANDARDS AND COOPERATION – Denmark

- 11  *Anti-Money Laundering: Does the jurisdiction comply with the FATF recommendations?  
Denmark partly complies with international anti-money laundering standards*
- 12  *Automatic Information Exchange: Does the jurisdiction participate fully in multilateral Automatic Information Exchange via the Common Reporting Standard?  
Denmark participates fully in Automatic Information Exchange*
- 13  *Bilateral Treaties: Does the jurisdiction have at least 53 bilateral treaties providing for information exchange upon request, or is it part of the European Council/OECD convention?  
As of 31 May, 2015, Denmark had at least 53 bilateral tax information sharing agreements complying with basic OECD requirements*
- 14  *International Transparency Commitments: Has the jurisdiction ratified the five most relevant international treaties relating to financial transparency?  
Denmark has ratified the five most relevant international treaties relating to financial transparency*
- 15  *International Judicial Cooperation: Does the jurisdiction cooperate with other states on money laundering and other criminal issues?  
Denmark partly cooperates with other states on money laundering and other criminal issues*

## Secrecy Score

## Denmark - Secrecy Score



## Denmark KFSI-Assessment



## Notes and Sources

The ranking is based on a combination of its secrecy score and scale weighting (click [here](#) to see our full methodology).

The secrecy score of 31 per cent for Denmark has been computed by assessing its performance on 15 Key Financial Secrecy Indicators (KFSI), listed on the left. Each KFSI is explained in more detail, [here](#).

Green indicates full compliance on the relevant indicator, meaning least secrecy; red indicates non-compliance (most secrecy); and yellow indicates partial compliance.

This paper draws on data sources including regulatory reports, legislation, regulation and news available as of 31.12.2014 (with the exception of KFSI 13 for which the cut-off date is 31.05.2015).

Full data on Denmark is available here: <http://www.financialsecrecyindex.com/database/menu.xml>

All background data for all countries can be found on the Financial Secrecy Index website: <http://www.financialsecrecyindex.com>