



Region Midtjylland

Taxation in Denmark

The purpose of this note is to provide a brief summary regarding taxation in Denmark including tax liability and calculation of the income tax and social security contributions.

We have included a tax calculation in the summary in order to give you an idea of your net disposal income in Denmark.

Tax liability

When you move to Denmark to live here with your family and to work here for Region Midtjylland, you will become resident and domiciled in Denmark.

As a main rule, this entails that your worldwide income is taxable in Denmark.

If you have any Indian source income, which India has the right to tax according to the double taxation agreement between India and Denmark, you are entitled to tax relief in Denmark. The kind of tax relief depends on the kind of income.

If you have any Indian source income, we shall be pleased to assist further.

Income and allowances

In addition to the remuneration and employee benefits, you will also be taxed in Denmark on e.g. interest income, share dividends and gains on shares and capital.

You are, however, entitled to a number of allowances, e.g. personal allowance, job allowance, pension scheme contributions, transport allowance for commuting between home and work (provided the distance between home and work exceeds 24 km per day), trade union membership fees, unemployment fund fees, interest expenditure, etc. The various types of allowances will be deducted when your tax is calculated.

How your tax is calculated

Income tax

The Danish income tax consists of local tax, church tax and state tax.

- **Local tax:** Local tax is a flat rate tax. Local tax rates vary, but the average local tax rate for 2007 is approximately 33%.
- **Church tax:** Whether or not you wish to be a member of the Danish National Evangelical Lutheran Church is a voluntary matter. If you choose to be a member of the Danish National Evangelical Lutheran Church, you must pay church tax. Church tax is a flat rate tax. Church tax rates vary, but the average church tax rate in 2007 is approximately 0.7%.

- State tax: State tax is progressive, i.e. state tax is calculated at different tax rates depending on the level of your income: In 2007 the tax rates and brackets are:

State tax	%	Bracket (DKK) (*)
Basic tax	5.48%	0 – 272,600
Middle-bracket tax	6%	272,601 – 327,200
Top-bracket tax	15%	327,201 ->

(*) The taxable amounts are calculated after deduction of pension contributions, labour market supplementary pension contributions and labour market contributions.

Social security contributions

In addition to income tax you must pay social security contributions. Social security contributions consist of labour market supplementary pension contributions and labour market contributions.

- Labour market supplementary pension fund contributions: Labour market supplementary pension fund contributions amount to DKK 81.30 per month (2007). The labour market supplementary pension fund contributions are deductible when your tax is calculated.
- Labour market contributions: Labour market contributions are calculated as 8% (2007) of your remuneration and (some) employee benefits. The labour market contributions are deductible when your tax is calculated.

Tax calculation - example

The tax calculation example below is based on the following assumptions:

- The monthly pay amounts to DKK 45,000.
- You and your employer contribute to a Danish pension scheme. The employer pension contribution amounts to DKK 4,500 per month. The employee pension contribution amounts to DKK 2,250 per month.
- The 25% tax scheme does not apply.
- Personal allowance and job allowance are included in the calculation.
- Other income and allowances are not included in the calculation.
- You are married. Your spouse does not have any income.
- You live in the municipality of Viborg.
- You are not a member of the Danish National Evangelical Lutheran Church.
- The calculation is made on an annual basis.



- 2007 tax rates and brackets apply.
- Exchange rate: INR 1 = DKK 0,135

	<u>DKK/month</u>	<u>INR/month</u>
Gross salary	45,000	333,333
Employee pension contributions	-2,250	-16,667
Labour Market supplementary pension fund contributions	-81.30	-602
Labour Market contributions	-3,413	-25,281
Tax	-14,223	-105,355
Net salary	<u>25,033</u>	<u>185,428</u>