

International Fiscal Association

2026

Melbourne Congress

cahiers

de droit fiscal
international

VOLUME 110

B: Tax and the energy
transition



1938-2026

Summary and conclusions

Denmark aims to be a global frontrunner in promoting carbon neutrality and environmental preservation, with the Danish Climate Act of 2020 setting binding targets to achieve climate neutrality by 2050 and an interim goal to reduce greenhouse gas emissions by 70 per cent from 1990 levels by 2030.

A comprehensive taxation framework demonstrates Denmark's commitment to using fiscal policy as one of the key instruments in achieving its climate goals, whilst aiming to maintain competitiveness in the renewable energy sector. As per 2025, Danish policies are in place and predict to meet the 70 per cent target in 2030 and include a system of CO₂ equivalent taxation, which (as per 2024) has been estimated to cover 89 per cent of total emissions, including non-fossil fuel emissions. The fiscal policy in Denmark should further be seen in context with various subsidies and compensation schemes for certain sectors and for green technology.³

Denmark applies a flat corporate income tax rate of 22 per cent uniformly to resident companies and foreign companies with permanent establishments in Denmark, including those engaged in energy production and distribution.

Companies engaged in oil and gas exploration and exploitation are subject to a separate regime under the Hydrocarbon Tax Act, which imposes a supplementary tax of 52 per cent in addition to standard corporate income tax rate with an additional supplementary corporate tax rate of 3 per cent (i.e. a total of 25 per cent), resulting in a combined marginal tax rate of 64 per cent. The tax base under the Hydrocarbon Tax Act is to some extent narrower than the corporate tax base.

Carbon capture, utilisation, and storage ("CCUS") activities are, as the main rule, taxed under the ordinary corporate income tax regime, unless those activities are to be considered as an integrated part of hydrocarbon exploration and exploitation activities. Income from CCUS operations, including the sale of captured carbon or climate credits, is included in the taxable base.

Fixed assets used for electricity or heat production exceeding one MW capacity are depreciated at a reduced rate of 15 per cent, whilst assets for transport, storage and distribution of electricity, heat, oil and gas are subject to an even lower depreciation rate of 7 per cent. To incentivise green investment, Denmark introduced a temporary uplift allowing companies to claim tax depreciation on 108 per cent of the cost price for new machinery

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³ These schemes will not be within the scope of this report.

and equipment acquired between 1 January 2025 and 31 December 2026, excluding assets operated on fossil fuels.

Denmark extended its taxing rights to the Exclusive Economic Zone from 1 July 2023, specifically covering offshore wind development and related infrastructure. Renewable energy investments are typically structured through special purpose vehicles as private or public limited companies subject to the ordinary 22 per cent corporate tax rate, though Denmark also allows fiscally transparent entities such as general partnerships and limited partnerships where profits and losses are allocated directly to partners.

The consumption of energy products such as coal, oil and natural gas is subject to excise taxes by reference to their energy content. The CO₂ excise tax (introduced in Denmark in 1992) is calculated based on the average carbon content of energy products and imposed at the point of release for consumption.

With effect from 1 January 2025, the Green Tax Reform for the industry sector has strengthened the Danish carbon price signal considerably by making substantial changes to existing CO₂ taxes and energy taxes, and by introducing a new CO₂-equivalent emissions tax for companies covered by the EU Energy Trading System.

When the Green Tax Reform is fully implemented, these taxes will result in a uniform tax rate of 750 DKK (2022-level)⁴ per ton CO₂-equivalent emitted outside the ETS scheme and 375 DKK (2022-level) per ton for companies subject to the ETS scheme, with the aggregated price of emitting one ton CO₂e amounting to 750-2,200 DKK.

The new Danish CO₂-equivalent emissions tax will for mineralogical processes be reduced to 1/3 (i.e. 125 DKK per ton) during a transitional period from 2025-2033.

This reform is expected to result in additional CO₂-equivalent emission reductions of approximately 1.3 million tons in 2025, increasing to approximately 2.6 million tons in 2030.

As one of the first countries in the world, Denmark is expected to introduce a CO₂ equivalent emission tax on livestock and production in the agricultural sector, which is planned to be phased in linearly from DKK 300 (2022-level) per ton CO₂e in 2030 to DKK 750 (2022-level) per ton in 2035. The tax will be applied with a basic allowance of 60 per cent of average emissions, resulting in effective tax rates of DKK 120 (2022-level) in 2030 and DKK 300 (2022-level) in 2035 per ton. Further, a CO₂ equivalent emission tax on carbon-rich, low-lying soils (in Danish: "lavbundsjord") is expected to be introduced from 2028, starting at a rate of 40 DKK (2022-level) per ton of CO₂e. Finally, a tax in agricultural lime is expected to be introduced in 2030.

Denmark's vehicle registration tax consists of a progressive tax based on vehicle value and a supplement based on CO₂ emissions, with registration tax for electric and hybrid vehicles lower than for combustion-fuelled cars, and special incentives available for zero-emission and low-emission vehicles. For zero-emission vehicles, only 40 per cent of the registration tax amount is levied if registered by 31 December 2026, with a base deduction of 161,300 DKK (in 2026) for passenger vehicles which is subject to a gradual phase-out. This is in effect exempting zero-emission passenger vehicles from registration tax where the value does not exceed 419,300 DKK in 2026.

Foreign investors in Danish renewable energy projects are subject to the same 22 per cent corporate income tax rules as domestic investors. Denmark is applying limited tax liability rules to non-resident entities with Danish-source income, including income from

⁴ 100 EUR is equal to 747,304 DKK per 24 April 2026.

permanent establishments, real property and infrastructure located in Denmark or its Exclusive Economic Zone. Profits arising from renewable energy installations or capital gains from the sale of renewable energy installations located in Denmark are generally taxable in Denmark if the seller is a non-resident and the installations are connected to a permanent establishment.

Introduction

Denmark aims to be a global frontrunner in promoting carbon neutrality and environmental preservation.

In 2020, the Danish parliament enacted the Danish Climate Act, setting out binding targets and regular progress assessments to ensure that Denmark achieves its climate objectives.⁵ The Climate Act sets out that Denmark aims to reach climate neutrality by 2050 in response to the Paris Agreement, with an interim aim to reduce greenhouse gas emissions by 70 per cent from 1990 levels by 2030.⁶

The Danish Climate Act prescribes for a new interim target for 2035 to be introduced in 2025 why a revision of the Danish climate targets was initiated accordingly.⁷ Following this revision, a draft bill was published for public hearing expressing an ambition to further accelerate the efforts of decarbonising the Danish economy by introducing a new emission target at 82 per cent in 2035 and a negative emissions target by setting out an ambition of a 110 per cent reduction compared to 1990 levels in 2050.⁸ The bill was, however, not passed before the parliamentary election in Denmark on 24 March 2026.

This ambitious approach has been – and is expected to continue to be – guiding a range of policy choices and reforms in Denmark as supporting the transition to a green economy, including in relation to the Danish tax policy based on carbon taxes and levies designed to incentivise reductions in carbon emissions.

Denmark's electricity energy mix is increasingly dominated by renewable, low-carbon energy sources, with a significant part arising from wind. In addition to land-based wind turbines and solar panels, the Danish production of electricity is mainly covered by wind turbines at sea and biomass-based plants. Further, as outlined in the latest "Energy Statistics 2023" report from the Danish Energy Agency, the district heating sector will phase out coal completely by the end of 2028, thereby lowering the reliance on fossil fuels in Denmark's total energy supply.⁹

The Danish retail market for energy is privatised, and the competition is quite robust. In particular, the electricity and gas markets have shown increasing competitiveness. The Danish market further has a high level of integration into the northern energy market by actively participating in the Nord Pool electricity exchange and thereby relying on strong interconnectors to the neighbouring countries for export of energy. The Danish energy

⁵ Legislative Act, no. 965 of 26 June 2020.

⁶ The EU's Green Deal legislative package was later introduced and adopted, and the EU is now similarly aiming to reach climate neutrality by 2050.

⁷ As set out in art. 2 of the Climate Act, the Danish Minister for Climate, Energy and Utilities is obliged to introduce interim climate aims with a 10-year perspective at least every five years.

⁸ Arts. 1 and 2 in the draft bill as published for hearing on 18 February 2026 (KEFM annex 177, 2025/26).

⁹ Table on the production of primary energy (p. 5) (Link: [Energistatistik – Samlet_2023_eng.pdf](#)).

infrastructure for electricity, gas and hydrogen is owned and operated by actors owned by the state.

The Danish export of technology for energy (thermostats, wind turbines and similar) and related services is of a very considerable size, accounting for 123.4 billion DKK (approximately 16.5 billion EUR) in 2024.¹⁰

I. Direct taxation

I.A. Domestic rules for direct taxation of investment in renewable energy production including renewables and fossil fuels

The Danish corporate income tax system

Denmark applies a corporate income tax system based on a flat rate of 22 per cent, which applies uniformly to resident companies and to foreign companies with a permanent establishment in Denmark. This includes companies engaged in energy production and distribution, which are generally subject to the ordinary corporate tax rules unless they fall within a specific sectoral regime.

Under the general rules, taxable income includes profits from business operations, capital gains, interest, royalties, and rental income. Companies may deduct operating expenses, depreciation of tangible and intangible assets, and tax losses carried forward. Losses can be carried forward indefinitely, although their use may be subject to annual limitations depending on the size of the taxable income.¹¹

Energy companies operating in Denmark are typically taxed under this general framework. However, certain activities are subject to special rules. Most notably, companies engaged in the exploration and exploitation of oil and gas resources from Danish territory or from the Danish Exclusive Economic Zone are subject to a separate regime under the Hydrocarbon Tax Act.¹²

This regime imposes a supplementary tax of 52 per cent on hydrocarbon income, in addition to the standard corporate income tax with an additional supplementary corporate tax rate of 3 per cent (i.e. a total of 25 per cent), resulting in a combined marginal tax rate of 64 per cent. The tax base under the Hydrocarbon Tax Act is to some extent narrower than the corporate tax base, and the hydrocarbon regime includes ring-fencing rules, enhanced deductions for capital investment, and special provisions for decommissioning costs.

For companies involved in electricity generation, district heating, or renewable energy production, the ordinary corporate tax rules apply. However, these companies may be subject to regulatory frameworks that affect their pricing and cost recovery, particularly in the case of municipally owned utilities. Renewable energy projects may benefit from

¹⁰ According to an analysis of the Danish export of energy technology carried out by the Danish Energy Agency, the Confederation of Danish Industry, Green Power Denmark, Danish District Heating Association and the Danish Chamber of Commerce. Press release, Confederation of Danish Industry, 20 June 2025. (Link: Ny rekord: Eksporten af energiteknologi når ny milepæl – DI).

¹¹ The legislative framework is set out in consolidated act no. 279 dated 13 March 2025.

¹² The legislative framework is set out in consolidated act no. 477 dated 7 May 2025.

accelerated depreciation for certain green investments, and income from subsidies or feed-in tariffs is treated as taxable income under the general rules.

CCUS activities are, as a main rule, taxed under the ordinary corporate income tax regime unless those activities are to be considered as an integrated part of hydrocarbon exploration and exploitation activities. Income from CCUS activities, including the sale of captured carbon or climate credits, is included in the taxable base.

Danish gas and district heating plants with public deliveries and resident in the supply area of the plant, are tax exempt. The tax exemption does not apply to income from electricity provided by a combined heat and power plant.

Taxation and incentives for investments in energy-related infrastructure

Denmark's corporate income tax system generally applies a flat rate of 22 per cent to all companies, including those engaged in renewable energy production.

Subsidies and grants received under renewable energy support schemes are treated as taxable income under the corporate income tax regime. Investment-related expenses, including those eligible for uplift or accelerated depreciation, are deductible in calculating taxable income.

For tax depreciation purposes, Denmark distinguishes between general machinery and equipment and energy-related infrastructure.¹³ While most machinery and equipment are depreciated using the double declining balance method at a rate of 25 per cent annually, stricter rules apply to fixed assets used to produce electricity or heat with a capacity exceeding one MW. These assets are depreciated at a reduced rate of 15 per cent. Assets used for the transport, storage, and distribution of electricity, heat, oil, and gas are subject to an even lower depreciation rate of 7 per cent. These differentiated rates reflect the long-term nature and regulatory stability of energy infrastructure.

To incentivise green investment, Denmark has introduced a temporary uplift for new machinery and equipment acquired between 1 January 2025 and 31 December 2026. Under this scheme, companies may claim tax depreciation on 108 per cent of the cost price of qualifying assets. However, this uplift does not apply to assets that are operated on or capable of being operated on fossil fuels. The measure is designed to support the green transition by favouring low-emission technologies.

In addition to these tax rules, Denmark has extended its taxing rights to include activities in the Danish Exclusive Economic Zone since 1 July 2023. This extension specifically covers offshore wind development and related infrastructure, ensuring that income from such activities is subject to Danish taxation even if the physical assets are located outside the territorial baseline.¹⁴

While Denmark does not offer a separate corporate tax regime for renewable energy companies, several support schemes exist outside the tax system. These include investment subsidies, feed-in tariffs, and contracts for difference (i.e. arrangements under which producers are guaranteed a fixed strike price for electricity, with the state paying a top-up where the market price falls below that level and the producer repaying the difference where it exceeds it) administered by the Danish Energy Agency.

¹³ The legislative framework is set out in consolidated act no. 1222 dated 13 October 2025.

¹⁴ Legislative Act no. 710 dated 13 June 2023.

Furthermore, under the Act on the Promotion of Efficient Energy Use and Greenhouse Gas Reduction, companies undertaking renewable energy projects may apply for grants to support energy savings and emissions reductions. These grants are usually considered state aid, which is why these are administered in accordance with EU State aid rules on environmental and energy aid.

Companies investing in hydrogen and other emerging technologies may also benefit from targeted support under Denmark's climate and energy plans, although these are typically structured as direct subsidies or public-private partnerships rather than tax incentives.

Nuclear energy is currently not part of Denmark's energy mix and is not supported through fiscal or regulatory incentives.

As mentioned above, Denmark applies a dedicated tax regime for oil and gas exploration and exploitation. This regime imposes a 52 per cent hydrocarbon tax on income derived from the first-time sale of oil and gas, the sale of licenses, permits, and rights to exploration and exploitation, and net financial income directly connected to hydrocarbon activities. The hydrocarbon tax is levied while taking into account the ordinary corporate income tax with an additional supplementary corporate tax rate of 3 per cent (i.e. a total of 25 per cent) for hydrocarbon activities, resulting in a combined marginal tax rate of 64 per cent.

Unlike the general corporate tax regime, the hydrocarbon tax regime allows for the deduction of start-up costs, including those incurred in establishing the business. Expenditures for licenses, permits and rights may be amortised over their useful life.

Costs related to feasibility studies, exploration, and appraisal are generally deductible. However, if incurred prior to the commencement of production, they must be capitalised and deducted over five years, starting from the first year of production. In such cases, an additional uplift of 5 per cent annually is allowed, resulting in a total deduction of 125 per cent over five years.

Capital assets such as drilling rigs, platforms, and equipment used in exploration, production, and refinement are depreciated at 15 per cent annually using the double declining balance method. Additionally, 5 per cent of the cost price of such assets may be directly expensed in each of the first five years. Where assets are used partly for hydrocarbon and partly for other activities, costs must be apportioned accordingly.

Taxpayers under the hydrocarbon tax regime may deduct annual provisions for decommissioning and abandonment costs. These provisions are subject to a carry-back mechanism, allowing unused decommissioning losses to offset prior years' tax payments. The carry-back amount is reduced by 5 per cent per year from the time of abandonment to the year of offset. If carry-back is not feasible, the tax value of unused decommissioning losses may be refunded in cash, providing a form of fiscal certainty for long-term infrastructure liabilities.

Special provisions apply to installations used for carbon capture storage. Such installations could possibly be established in existing oil and gas fields or other potential storage structures with permission from the Danish Energy Agency.¹⁵

¹⁵ The National Geological Survey of Denmark and Greenland estimate that the total storage potential in the Danish subsoil is as much as between 12 and 22 billion tons of CO₂ (onshore or offshore). The Danish Energy Agency issued the first permit for a pilot and demonstration project on CO₂ storage in Denmark in 2022 (Link: the Danish Energy Agency, About CCS).

Preferential depreciation continues to apply in full, provided the asset is still used (partly) for hydrocarbon purposes. However, enhancement costs related to carbon capture storage are, in general, excluded from this treatment, and operating expenses for carbon capture storage are only deductible against hydrocarbon income if the taxpayer can demonstrate that such costs would have been incurred regardless of the carbon capture storage in the case of such mixed activity.¹⁶

Under the Net Zero Industry Act (NZIA), oil and gas producing companies will, going forward, as an EU-wide obligation be required to contribute to carbon storage capacity from 2030.¹⁷

Denmark implemented the Global Anti-Base Erosion (“GloBE”) rules in 2023.¹⁸ The Danish legislation is transposing the GloBE rules into Danish law by way of the implementation of Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union.

This has, however, not led to adjustments of any existing tax incentives for renewable energy investment as Denmark does not have any tax incentives deemed to run counter to the GloBE rules.

Legal entity structures usually applied for renewable energy investment

Renewable energy investments such as wind farms, solar parks, and hydrogen or biogas facilities are typically structured through special purpose vehicles (SPVs). These are most commonly established as private limited companies (ApS) or public limited companies (A/S), depending on the scale of the project and the investor profile. These entities are subject to the ordinary corporate income tax regime, which applies a flat rate of 22 per cent on taxable profits.

The choice of investment structure in Danish renewable energy projects depends, however, on the investor profile, financing strategy, and regulatory context.

Denmark also allows for the use of fiscally transparent entities, including general partnerships and limited partnerships. These are known respectively as interessentskaber (I/S) and kommanditselskaber (K/S). These entities are not taxed at the entity level. Instead, the profits and losses are allocated directly to the partners or participants, who are taxed individually according to their own tax status. This structure is particularly attractive for institutional investors, for example, pension funds, and corporate groups seeking to optimise tax outcomes and manage losses, especially in the early years of a renewable energy project when tax losses are expected.

The choice between a corporate SPV and a transparent entity depends on the investor base, financing arrangements, and regulatory considerations.

Danish pension funds, which are significant investors in renewable energy infrastructure,

¹⁶ Act no 710 dated 13 June 2023.

¹⁷ As set out in article 23 of regulation (EU) 2024/1735 of the European Parliament and of the Council of 13 June 2024 on establishing a framework of measures for strengthening Europe's net-zero technology manufacturing ecosystem and amending Regulation (EU) 2018/1724.

¹⁸ Act no 1535 dated 12 December 2023.

are not subject to corporate income tax.¹⁹ Instead, they are taxed under a separate regime, the Pension Investment Return Tax Act, which is a 15.3 per cent tax on the annual return of pension assets. This tax applies to interest, dividends, capital gains, and other investment returns, including those from renewable energy projects held through SPVs or transparent entities. The tax is assessed annually and applies regardless of whether the investment is held directly or through a partnership structure.

Important cases and administrative guidance relevant to the energy sector

MOGAS case

Within the energy sector, there is one landmark Supreme Court case relating to overseas preliminary surveys and the future profits from successful projects within the hydrocarbon sector, and one highly profiled ongoing audit relating to profits from overseas offshore wind projects.

The Mærsk Olie og Gas A/S (“MOGAS”) case, decided by the Danish Supreme Court on 6 September 2023, addressed a significant transfer pricing dispute involving MOGAS, now part of TotalEnergies EP Denmark A/S, and MOGAS’s then parent company A.P. Møller – Mærsk A/S (APMM).²⁰ The case concerned the Danish Tax Agency’s discretionary adjustments to taxable income for the income years 2006, 2007, and 2008, following an audit of intra-group transactions with MOGAS’ subsidiaries in Algeria and Qatar.

The transactions under scrutiny included feasibility studies conducted by MOGAS in the early 1990s, which laid the groundwork for later oil exploration projects; performance guarantees issued by MOGAS to host governments, ensuring that its subsidiaries could meet contractual obligations; and technical and administrative services (referred to as “timewriting”) provided to the subsidiaries, invoiced at cost.

The Danish Tax Agency argued that these transactions were not priced at arm’s length, as required under Section 2 of the Danish Tax Assessment Act. This provision mandates that intra-group transactions be priced as if they were conducted between independent parties. The Danish Tax Agency contended that the feasibility studies and guarantees had clear economic value for the subsidiaries and should have been compensated through royalties, profit-sharing, or other market-based mechanisms.

After going through administrative proceedings, the case first came before the Eastern High Court, which sided with the taxpayers. The High Court accepted MOGAS’s argument that the feasibility studies were part of its own investment strategy and not intended to benefit the subsidiaries directly. It also found that the performance guarantees were issued in MOGAS’s own interest and did not constitute a service to the subsidiaries. The court concluded that cost-based invoicing for technical services was within the acceptable range of arm’s length outcomes and that the Danish Tax Agency’s discretionary assessment lacked sufficient justification.

¹⁹ According to the Danish trade association for insurance companies and pension funds, the Danish pension funds have currently invested 385 billion DKK (approx. 51.7 billion EUR) in green investments (including renewable energy infrastructure). At the UN General Assembly in 2019, the Danish pensions made a conditional pledge to invest 450 billion DKK (approx. 60.5 billion EUR) in 2030 (Link: Pensionsbranchens betingede klimatilslagn – Læs mere).

²⁰ U.2023.5171.H

Upon appeal on the initiative of the Ministry for Taxation, the case came before the Supreme Court, which overturned the High Court's decision. The Supreme Court found that the feasibility studies and performance guarantees had clear economic value for the subsidiaries, enabling them to secure and operate oil exploration licenses. The Supreme Court emphasised that independent parties would have required ongoing compensation, such as royalties or profit-sharing, for such contributions. It also ruled that the cost-based invoicing of technical services did not reflect market terms. Importantly, the Supreme Court held that the transactions were so closely interrelated that they should be assessed on an aggregated basis, and that the Danish Tax Agency's discretionary assessment was both justified and consistent with OECD Transfer Pricing Guidelines, which are transposed into national Danish law.²¹

As a result, the Supreme Court upheld the Danish Tax Agency's income adjustments, increasing MOGAS's taxable income by over DKK 1.3 billion across the three years in question. Both MOGAS and APMM were ordered to pay legal costs to the Ministry of Taxation.

Danish tax audits related to value creation during the development of energy infrastructure

Another interesting tax audit issue in the context of the energy sector is the stages of value creation during the development of non-domestic energy infrastructure.

In its annual reports from 2020-2025, Danish renewable energy major Ørsted has disclosed disputes with the Danish tax Agency regarding the taxation of a number of overseas offshore wind farms.²² As of the latest reporting (2025), the decisions of the Danish tax Agency in this regard appear to be contested by Ørsted and the cases seem to remain unresolved.

According to the 2025 annual report, the Danish Tax Agency has, as per 31 December 2025, increased Ørsted Wind Power A/S's tax payments to Denmark with DKK 10.8 billion (excluding interest) for the income years 2015-2018 with possible further increase for the income year 2019.

On basis of the 2020-2025 annual reports, it appears that the Danish Tax Agency's position is that Ørsted should be subject to increased Danish taxation as Ørsted is deemed to not have acted at arm's length terms when charging fees for development services provided to the project companies, and that the full value of expected, future cash flows related to the offshore wind farms should be taxed in Denmark.²³ This implies a controversial element: the timing of taxation. The Danish Tax Agency's assertion seems thus to imply that the taxation to a larger extent should be triggered before the wind farms were even constructed, effectively bringing forward the taxing event to a stage where the assets were still under development.

Taxation of Power Purchase Agreements

A 2025 binding ruling²⁴ concerns the tax treatment of a Power Purchase Agreement (PPA) under Danish law, specifically whether such an agreement should be classified as a financial contract and thereby be subjected to mark-to-market taxation. The case involved a company

²¹ Section 2 of consolidated act no 1500 dated 124 November 2025.

²² See e.g. Ørsted, Annual report, 2025, note 4.1, p. 157.

²³ Ibid.

²⁴ SKM2025.38.SR

entering into a so-called sleeved PPA, where electricity produced by a wind farm is delivered to the public grid and then consumed by the company via the grid, facilitated by a balance-responsible party (BRP).

The PPA stipulated that the company will purchase all electricity produced at a fixed price per kilowatt-hour, but as the quantity is variable, the amounts would depend on actual production. This means that the company assumes the risks associated with price, quantity, and timing of production. Occasionally, more electricity would be produced than the company can use at the time of delivery, resulting in surplus electricity being sold on the spot market and repurchased later.

The Danish Tax Council concluded that the PPA qualified as a financial contract, even though the quantity was not fixed in advance. The Council rejected the argument that a fixed quantity is a necessary condition for a contract to be considered financial. Instead, it held that the agreement to purchase all production at a fixed price constitutes a sufficiently determinable basis for taxation. Furthermore, the Council found that the PPA did not qualify for the exemption for contracts for the ordinary supply of goods to be used in the recipient's business. This was due to the presence of surplus electricity not immediately used in the company's operations, despite being repurchased later.

The ruling may have significant implications for the bankability of renewable energy projects in Denmark. By extending the scope of financial contract taxation to include PPAs that have traditionally been treated as ordinary commercial supply agreements, the ruling introduces mark-to-market taxation, which can result in substantial volatility and liquidity burdens, particularly for long-term contracts. The decision may discourage the use of PPAs, which are essential for financing renewable energy projects, and could affect other contracts with fixed prices but variable quantities.

It should be noted that binding rulings in principle only apply to the party asking for the ruling. However, they do typically reflect the position of the principles of the Danish tax authorities. The ruling has received criticism in the literature, where it has been argued that both a fixed price and a fixed quantity are required for a contract to be subject to financial contracts taxation, and that the original purpose of the legislation was to regulate financial derivatives rather than tax supply contracts as a separate asset from the goods supplied.

Following this ruling, a broad political agreement was reached in mid-February 2026 to amend the rules on the taxation of fixed-price agreements and contracts for difference used as price-hedging mechanisms, inter alia with a view to removing barriers to the green transition. However, due to the parliamentary election in Denmark on 24 March 2026, no proposed legislation has yet been put forward.

II. Indirect taxation

II.A. Carbon taxes, environmental and energy taxes

Denmark has a history of integrating environmental considerations into its tax system and applies a broad range of energy and environmental taxes with the objective of ensuring an effective pricing of externalities and preserving the Danish environment. Thus, the ambition of the Danish environmental taxes is to align with the estimated external cost of production or consumption activities.

Taken together, the Danish energy and environmental taxes are raising considerable

public revenue, although declining consistently since 2015.²⁵ This trend of declining revenue for energy and environmental taxes is expected to continue as the Danish economy moves ahead towards carbon neutrality.

As in most OECD countries, energy taxes account for the largest share of tax revenue, although Denmark differs from other similar countries in its considerable taxes on vehicles. Taxes on pollution (including CO₂ emissions) account for a smaller share of total green tax revenue, although the level of these taxes is relatively high compared to many other OECD countries.²⁶

The revenue from the Danish carbon taxes, environmental and energy taxes is, as a main rule, not “earmarked” as allocated to protect and restore the environment. However, there are examples of such policy choice, including for the new CO₂-equivalent tax on emissions from livestock and production in the agricultural sector, which is on track to be implemented in Denmark with effect from 2030.²⁷

According to the OECD, 65 per cent of greenhouse gas (GHG) emissions in Denmark was in 2023 subject to a positive Net Effective Carbon Rate (ECR) by way of the Danish emissions trading system (ETS) permit prices as well as excise taxes on carbon and energy content. The excise taxes on the energy and carbon content in certain energy products (including fuels) were the largest driver, covering roughly 40 per cent of the emissions in 2023.²⁸

The excise taxes on the industry sector’s consumption of fossil fuels were, however, relatively low, and the taxes were differentiated by reference to the purpose of the consumption, leaving some CO₂-emissions untaxed.²⁹

Danish policies are in place and predict to meet the 70 per cent target in 2030 and include a system of CO₂ equivalent taxation, which (as per 2024) have been estimated to cover 89 per cent of total emissions, including non-fossil fuel emissions.³⁰

With effect from 1 January 2025, the Green Tax Reform for the industry sector in Denmark has strengthened the carbon price signal considerably by making substantial changes to the already existing CO₂-taxes and energy taxes on energy products (coal, natural gas, oil, etc.)³¹ and by introducing a new CO₂-equivalent emissions tax for companies covered by the European Union’s Energy Trading System (“ETS”).³²

The Green Tax Reform for the industry sector have a phased introduction from 2025 to

²⁵ According to Danmarks Statistik, the revenue from energy and environmental taxes as well as transport taxes has consistently declined from 2015–2024. (Link: *Grøn økonomi* – Danmarks Statistik)

²⁶ As described by the OECD in the Country Note for Denmark on Environment at a Glance, 2025. (Link: *Environment at a Glance: Denmark*.)

²⁷ As set out in the political agreement “Aftale om et grønt Danmark” (p. 25), the revenue from this tax will in 2030–31 be earmarked for investments in e.g. climate technology, green initiatives and production conversion targeted at the farmers who are mostly affected of the CO₂-equivalent tax and have difficulties transitioning their production (Link: *Aftale om et Grønt Danmark*).

²⁸ As described in the OECD Country Notes for Denmark on Pricing Greenhouse Gas Emissions. (Link: *Pricing Greenhouse Gas Emissions: Key findings for carbon pricing in Denmark*.)

²⁹ As explained in the 2023 Economic Analysis (*Skatteøkonomisk Redegørelse 2023*) by the Danish Ministry of Taxation. As illustrated in figure 5.1 of this analysis, the excise taxes on energy and CO₂-content of the energy product would differ from 0–2.200 DKK per ton CO₂ with a 0 per cent rate for e.g. domestic flights and oil production (Nord Sea and refineries) and a 2.200 DKK rate for petrol used for transport.

³⁰ Fiscal Consequences of Green Transition in Denmark in Special issues on the green transition and the Danish economy (2025), Lars Haagen, Danish Ministry of Finance, *The Danish Journal of Economics*, May 2025, p.33.

³¹ Act no 683 dated 11 June 2024.

³² Act no 619 dated 11 June 2024.

2030 and is expected to have a considerable impact, leading to an additional CO₂e emission reduction of approximately 1,3 million tons in 2025, increasing to approximately 2,6 million tons in 2030.³³

Additionally, the Danish parliament approved the “Green Tripartite Agreement” in 2024, which is further expected to significantly reduce CO₂e emissions in Denmark for the agricultural sector.³⁴ One of the key elements in the agreement is thus the introduction of a new CO₂e emissions taxes targeting emissions from livestock, etc. These taxes are expected to have a phased introduction from 2028 to 2035.

The Danish energy and carbon taxes are designed in compliance with EU state aid rules set out in articles 107 and 108 of the Treaty on the Functioning of the European Union (TFEU) as well as other relevant EU rules, including the free movement of goods as set out in article 26 and articles 28-37 TFEU.

The Danish energy and carbon taxes

From 1 January 2025, Denmark has introduced the CO₂-equivalent emissions tax for companies covered by the ETS scheme (specified as the ETS1). Moreover, CO₂-equivalent emissions are taxed with a combination of excise taxes targeting the carbon – and energy content of certain energy products.

The Danish taxation on CO₂-equivalent emissions thus consists of multiple elements: (i) excise taxes related to the energy content of certain fuels and electricity, (ii) a CO₂ excise tax related to the consumption of the energy products, and (iii) the CO₂-equivalent emissions tax.

When the Green Tax Reform is fully implemented by 2030, these taxes in aggregate will result in a uniform tax rate of 750 DDK (2022-level) per ton CO₂e emitted outside the scope of the ETS-scheme and 375 DKK (2022-level) per ton CO₂e emitted by a company subject to the ETS-scheme.³⁵

When this is added up with the existing excise taxes on the energy content of certain fuels and electricity that continue to be applied as part of the reform (although to some extent at a reduced level), as well as payments under the ETS-scheme, the aggregated price of emitting one ton CO₂e will amount to 750 DKK – 2.200 DDK.

The rate, base and revenue for the individual energy and carbon taxes will be explained in further detail below. Further, an introduction will be made to the new CO₂-equivalent emissions taxes targeting the agricultural sector to be implemented with effect from 2028 and 2030.

³³ Bills L 182 and L183, 2023-2024.

³⁴ The agreement is a result of negotiations between the Danish Government, Local Government Denmark, the Confederation of Danish Industries, the Danish Metalworkers' Federation, the Danish Agriculture & Food Council, the Danish Society for Nature Conservation, Danish Industry and the Danish Food Federation, NNF. After the conclusion of the agreement by the parties, the agreement was presented for the Danish parliament, which approved the agreement on 18 November 2024 by a broad parliamentary majority.

³⁵ For emissions related to mineralogical processes, etc., within the sectors subject to the ETS-scheme, a rate of 125 DKK (2022-level) per ton CO₂e will be fully phased in by 2030 and applies during a transitional period of 9 years (from 1 January 2025 to 31 December 2033).

The Danish energy taxes

The consumption of energy products such as coal, oil, and natural gas used as motor fuel and heating fuel is subject to excise taxes by reference to their energy content³⁶ (referred to in this report as “energy taxes”).

Together with the Danish energy tax on the consumption of electricity³⁷ and the Danish CO₂(e) excise tax,³⁸ the Danish energy taxes are transposing the EU Energy Tax Directive (Directive 2003/96 EC)³⁹ into Danish law.⁴⁰

The rates of the energy taxes are set out by reference to trading units (e.g. kilo or litre) while the basis for calculating the rate for a specific unit is the specific energy content of the energy product in question (G/unit). The reference to G) entails that the energy taxes are overall balanced to aim for all energy products being taxed on an equal basis within the categories of transport, households and the industry sector.⁴¹

While biomass consumed for heating purposes is exempted from energy tax, certain biofuels are subject to energy tax.⁴² The application of energy tax is thus not limited to fuels of fossil origin.

Motor fuels used for road transport are taxed at a higher level than energy consumption for heating and industry processes.⁴³ For electricity used for road transport, the rate is, however, temporarily lowered to the EU minimum level until 2030, where the electricity is charged from an installation provided and operated by an undertaking.⁴⁴

Further, energy used for space heating purposes is, in general, taxed at a higher level than energy used for industrial processes, as the rates of the energy taxes are differentiated between business and non-business use.⁴⁵

While the energy taxes are considered in general to create economic incentives similar

³⁶ The legislative framework is set out in consolidated act no 604 dated 28 May 2025 and, consolidated act no 648 dated 28 May 2025.

³⁷ The legislative framework is set out in consolidated act no 1284 dated 3 November 2023.

³⁸ The legislative framework is set out in consolidated act no 1353 dated 2 September 2020.

³⁹ Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity.

⁴⁰ The EU energy tax directive entered into force in 2003, and the directive sets out the structure and minimum excise tax rates for the taxation which is obligatory for the EU member states to apply for energy products used for heating, transport and electricity. A proposal for a revised directive is currently under negotiation in the ECOFIN Council.

⁴¹ Bills L182 and L183, 2023-2024.

⁴² The energy products subject to energy and CO₂-excise taxes in Denmark follow the Energy Taxation Directive (ETD). Art. 2 of the ETD includes a definition of which energy products are covered by the directive. It follows from art. 2(1), litra (a) that among others, bio-oils and fats are covered by the directive when these are intended for use as heating fuel or motor fuel. It is therefore the starting point that bio-oils should be subject to general energy tax. Further, in Denmark, the scope of the directive is interpreted to include waste containing carbon elements when used as a heating fuel.

⁴³ Similarly, the minimum rates of the EU energy tax directive are differentiated in a similar manner.

⁴⁴ As set out in act no 1353 dated 12 December 2012. The scheme was subsequently extended from 2021 to 2030 by legislative act no 203 of 14 February 2021 and further expanded by act no. 1776 dated 29 December 2025. According to the preparatory work for this act, the scheme applying a low rate for electricity used for road transport has been reported to the European Commission as State Aid by reference to the General Block Exemption Regulation (GBER) with effect from 1 January 2024 to 31 December 2026.

⁴⁵ Undertakings registered for VAT-purposes are granted partial reimbursement for the energy excise tax (for use for process purposes), the reimbursement is granted to the applicable EU minimum level.

to those of carbon taxes, the energy taxes are not directly linked to the emissions of CO₂ from a given energy product. The energy taxes are thus charged by reference to consumption while promoting energy efficiency (and thereby indirectly reduced emissions). Further, the Danish energy taxes have traditionally been relatively low for the consumption of energy in the industry sector.⁴⁶

As part of the Green Tax Reform, the energy taxes were accordingly restructured while supplemented by a higher and more uniform CO₂ excise tax. In essence, the rates of the energy taxes are overall lowered to the EU minimum level while the CO₂ excise tax is increased and the new CO₂e emissions tax for companies subject to the ETS-scheme is introduced.⁴⁷

Accordingly, the excise taxes for energy products used for industry processes by undertakings not being subject to the ETS scheme are, in effect, reduced to the EU minimum level by way of reimbursement (in accordance with the applicable administrative framework) while subject to a considerably increased CO₂ excise tax.⁴⁸

As a consequence of this reform, the aggregated tax level for energy products used for industry processes is thus significantly increased (when fully phased in). At the same time, the electricity tax is decreased gradually towards 2030.⁴⁹

As a further new initiative, the scope of energy products used for industry processes was expanded to include CCUS activities with effect from 1 January 2026.⁵⁰

The CO₂ excise tax

The CO₂ excise tax was introduced in Denmark as early as 1992.⁵¹ The CO₂ excise tax is generally applied to the energy products subject to energy taxes (with certain exceptions).⁵²

The CO₂ excise tax rates are calculated based on the average carbon content of the energy product and thus, indirectly, the amount of CO₂ emitted at combustion. The tax is imposed at the release for consumption of the energy product in scope.

Unlike the Danish energy taxes, the CO₂ excise tax – as a main rule – targets all consumptions of fossil energy products in scope in a similar manner, regardless of the purpose of the consumption.

As part of the Green Tax Reform, the CO₂ excise tax was restructured as the rates were raised considerably. Further, energy products used for domestic commercial flights, domestic ferry services and commercial fishing were included in the scope of the tax subject to a gradual phase in from 2025 to 2029 with a 750 DKK (2022-level) rate applied from 1 January 2030.⁵³ Energy products used for international flights and international shipping,

⁴⁶ As explained in Bill L 182, 2023-2024.

⁴⁷ As explained in sections 1 and 2 of Bill L 183, 2023-2024.

⁴⁸ Section 2 of Bill L 183, 2023-2024

⁴⁹ The Danish electricity tax is further generally lowered to the EU minimum level during a temporary period of 2 years, with effect from 1 January 2026.

⁵⁰ Act, no. 1778 dated 29 December 2025.

⁵¹ Act no 888 dated 21 December 1991 with subsequent changes (referred to below as the CO₂ Excise Tax Act). Reference is further made to consolidated act no 1353 dated 2 September 2020.

⁵² The CO₂ excise tax primarily targets fossil fuels, while biofuels are, as a main rule, exempted.

⁵³ The CO₂ excise tax was, however, subsequently suspended for commercial fishing during the period 2026-2028, while now with a gradual phase-in from 2029, cf. act no. 1782 dated 29 December 2025.

however, continue to be excluded from the scope as set out in the EU energy tax directive. Furthermore, domestic flights and shipping activities subject to the ETS and the newly introduced Danish CO₂e emission tax are excluded from the scope of the CO₂ excise tax.⁵⁴

A range of reimbursements is applicable (subject to the applicable administrative framework), all promoting certain policy objectives:

First, in order not to double the price signal, companies covered by the ETS scheme may, subject to certain modifications, obtain full reimbursement of the CO₂ excise tax on quota-covered fuel consumption, including heat for industry process purposes, as now also subject to the CO₂-emissions tax.⁵⁵

In the same line, VAT-registered undertakings may further obtain full reimbursement of the CO₂ excise tax on the undertaking's consumption of quota-covered energy for heat and cooling for industry process purposes, as now also subject to the CO₂-emissions tax.

Further, VAT-registered undertakings covered by the ETS scheme may obtain partial reimbursement of CO₂ excise tax on fuels used for the production of heat, etc.⁵⁶

Second, to incentivise innovation, new or existing turbine engine systems in companies that either have or will have measures taken in the future to limit emissions of greenhouse gases other than CO₂, reimbursement of the CO₂-excise tax may be granted.⁵⁷

Further, the CO₂ excise tax is reimbursed for activities connected to the capture and storage of CO₂, provided that those activities are carried out by an undertaking registered for VAT-purposes and that the undertaking has concluded an agreement with the Danish Tax authorities regarding the reimbursement.⁵⁸

And last, to ensure a gradual phase-in of the Green Tax Reform, VAT-registered undertakings can obtain partial reimbursement for the period 2025-2029 of the CO₂ excise tax on non-quota-covered energy used for industry process purposes.⁵⁹ A similar phase-in applies for domestic commercial flights, domestic ferry services and commercial fishing (from 2029).

The tax for companies subject to the ETS-scheme

As part of the Green Tax Reform, the new Danish CO₂e-emissions tax is being introduced at a rate of DKK 375 (2022-level) per ton of CO₂e emitted by companies within the EU Emissions Trading System (ETS I).

However, for mineralogical processes and similar processes, the tax is reduced by 1/3 to DKK 125 (2022-level) per ton of CO₂-equivalent emissions during a transitional period of 9 years from 1 January 2025 to 31 December 2033.⁶⁰ This reduction is considered state aid and is approved by the EU Commission as compatible aid.⁶¹

The tax is phased in gradually from 2025 to 2030.

⁵⁴ According to the preparatory work for the legislative act introducing this exception from the CO₂ excise tax, this is considered state aid and will be reported to the EU Commission as such, cf. Section 10 of Bill L183, 2023-2024,

⁵⁵ The CO₂ Excise Tax Act, art. 9 a, (1) and (2).

⁵⁶ The CO₂ Excise Tax Act, art. 9 a, stk. 2.

⁵⁷ The CO₂ Excise Tax Act, art. 9 d.

⁵⁸ The CO₂ Excise Tax Act, art. 9 f.

⁵⁹ The CO₂ Excise Tax Act, art. 9 e.

⁶⁰ Decision no. SA.109130 (2024/N) – Denmark. Reduced CO₂e emissions tax rate for certain production processes.

⁶¹ Bill L 182, 2023-2024, Section 10.1.

The tax is levied by reference to the emission of one ton of CO₂-equivalent from the processes and activities included in the scope, and in the same quantities as subject to the ETS obligations.

The definition of “one ton of CO₂e” in the Danish CO₂e-emissions tax act thus refers to the definition set out in article 3, *litra f*), in ETS1 directive, according to which “CO₂e” means carbon dioxide [or the GhG’s mentioned in annexe II to the directive ([i.e. N₂O, HFCs, PFCs])] in a quantum with a similar potential of global heating.⁶²

The tax is levied for all production units with permission to emit CO₂ under the ETS1. This is why the collection of the tax is drawing upon the administrative framework already in place for ETS1.

The CO₂-equivalent emissions tax on the agricultural sector (to be introduced in 2030)

In addition to the Green Tax Reform on the industry sector, a green reform for the agricultural sector is considered pivotal in achieving Denmark’s goal of reducing CO₂e emissions by 70 per cent by 2030.⁶³

As one of the first countries in the world, Denmark is expected to introduce a CO₂-equivalent emissions tax on the agricultural sector. As set out in the Green Tripartite Agreement, the CO₂-equivalent emission tax is intended to be imposed on livestock and agricultural production, i.e. the biological processes that generate greenhouse gas emissions.

The tax is planned to be phased in linearly with a marginal rate from DKK 300 (2022-level) per ton CO₂-e in 2030 to 750 DKK (2022-level) per ton CO₂-e in 2035. However, to create an incentive to limit the CO₂-equivalent emissions from the sector, a basic allowance of 60 per cent of the average emissions from the given type of livestock is provided, meaning that the effective tax rate is 120 DKK (2022-level) per ton CO₂-e in 2030 and 300 DKK (2022-level) in 2035 per ton CO₂e.

The tax is intended to be charged on the basis of the actual emissions due to the biological processes from the livestock and the agricultural production by reference to emission factors. The technical implementation of the tax is yet to be presented to the Danish parliament, and it is expected to be a comprehensive task from a technical point of view to set out the base for the application of this tax.

The tax rates and the base allowance are indicated at 2022-levels and are intended to be reviewed (and possibly reassessed) in 2032.

In addition, a CO₂-equivalent emission tax on carbon rich, low-lying soils (in Danish: lavbundsjord) is expected to be introduced in 2028, starting at a rate of DKK 40 (2022-level) per ton CO₂e (subject to review in 2027). Finally, a CO₂-equivalent emission tax on agricultural lime used in the fields is expected to be introduced in 2030 at a rate of 750 DKK (2022-level) per ton CO₂-e.

The revenue from the CO₂-equivalent emission tax on livestock and production in the agricultural sector during 2030-2031 is expected to be earmarked for support targeted at supporting the farmers who are most severely affected by the CO₂e tax in the transition of those productions.⁶⁴

⁶² Bill L 182, 2023-2024, p. 38.

⁶³ As explained in the political agreement “Aftale om et Grønt Danmark”, 2024, p. 4.

⁶⁴ Supra fn. 28.

The Danish implementation of the ETS Directive and the CBAM regulation

The ETS Directive

Another key policy instrument to counter CO₂e emissions from a Danish perspective is the ETS Directive.

EU Directive 2023/959 (the ETS Directive) establishes a system and a market for trading CO₂ allowances on the European market based on a “cap and trade”-principle. The ETS Directive applies to certain greenhouse gas emissions from activities listed in Annexes I (ETS 1) and IV (ETS 2) to the Directive.

The ETS Directive was implemented in Danish law by the CO₂ Quota Act⁶⁵ and the CO₂ Quota Executive Order.⁶⁶ The Danish Energy Agency issues emission permits to the companies covered by the quota-obligations. The permit gives the company permission to emit CO₂ from the production units covered by the directive.

For further description of the EU ETS Directive, reference is made to the EU-report.⁶⁷

The EU Carbon Border Adjustment Mechanism (CBAM)

For certain goods and precursors imported from third countries, the EU Carbon Border Adjustment Mechanism (CBAM) is applied EU-wide to prevent carbon leakage by pricing the carbon emitted during the production of carbon-intensive goods that are entering the EU, and to encourage cleaner industrial production in non-EU countries.⁶⁸

CBAM will apply with effect from 1 January 2026 after a transitional phase was introduced from 2023 to 2025. In Denmark, the CBAM is collected and administered by the Danish Energy Agency and the Danish Customs Authority on the basis of EU Regulations no. 2023/956 and no. 2023/1773. As a supplement to the CBAM Regulations, an executive order on the administration of CBAM has been adopted in Denmark.⁶⁹

For further description of the CBAM, reference is made to the EU report.⁷⁰

Other environmental taxes or subsidies

According to the OECD, Denmark has significantly reduced its GHG emissions since 2003, mainly due to the shift from coal to natural gas and renewables. Transport is now the first source of emissions, followed by agriculture.⁷¹

The CO₂ emissions from the transport sector are targeted by a range of different means.

The fuel taxes for petrol and diesel used for road transport are very high in comparison to the tax for electricity used for road transport.

⁶⁵ Act no 1453 dated 1 December 2025.

⁶⁶ Executive Order no 2134 dated 21 December 2020.

⁶⁷ EU Report on Subject 2 2026 Melbourne Congress written by Marina Bisogno.

⁶⁸ Initially, the CBAM applies to imports of cement, iron and steel, aluminium, fertilisers, electricity and hydrogen. The scope of CBAM is, however, currently under review with the aim of expanding its scope beyond those current sectors to include so-called “downstream products”.

⁶⁹ Executive Order no 1500 dated 10 December 2024.

⁷⁰ See *supra* fn. 72.

⁷¹ OECD: Environment at a Glance: Denmark.

In addition to the fuel and electricity taxes applied in the context of the Danish energy and CO₂e-excise taxes as well as the upcoming ETS₂ quota scheme for road transport,⁷² the Danish taxes on vehicles are amongst the highest levels in the EU.⁷³

A one-off registration tax is levied for vehicles used for passenger transport, vehicles used for the transport of goods (including lorries up to 4,000 kg), motorcycles, auto campers and some types of busses.⁷⁴

The tax consists of two main components: (i) a progressive tax based on the value of the vehicle (including VAT) and (ii) a supplement based on CO₂ emissions for vehicles.

The rate for passenger vehicles and motorcycles is 25 per cent of 72,900 DKK (2025-level), 85 per cent of 72,900 to 226,500 DKK (2025-level) and 150 per cent of the value above this amount. For vehicles used for the transport of goods and lorries up to 4,000 kg, the rate is 0 DKK up to a value of 84,000 kr. (2025-level) and 50 per cent of the value above this amount. For busses, the rate is 0 DK up to a value of 12,100 DKK and 60 per cent of the value above this amount. For auto campers above 3 tons, the rate is a minimum 45 per cent of the value of the vehicle over 12,100 DKK, excluding the registration tax.⁷⁵

The CO₂-supplement starts from 280 kr. pr. gram CO₂ (2025-level). Accordingly, the registration tax for electric vehicles and hybrid vehicles is lower than for comparable combustion-fuelled cars.

Further, special incentives in the registration tax are available for zero emission vehicles⁷⁶ and low emission vehicles⁷⁷ to further support the purchase of such vehicles.

For zero-emission vehicles, a gradual phase in of the registration tax is applied from 2026 to 2036. Accordingly, only 40 per cent of the registration tax amount is levied if the vehicle is registered on 31 December 2026 at the latest, while the registration tax amount will increase gradually from 2027 to 2036. The full registration tax is applied from 2036 onwards.

Further, a base deduction reducing the registration tax is applied for electric vehicles for zero-emission vehicles to 161,300 kr. DKK (2026-level) for vehicles used for the transport of passengers and 76,000 DKK (2026-level) for vehicles used for the transport of goods. The base deduction is to be gradually reduced from 2026 to 2036, and from 2036 onwards will amount to 137,000 DKK for vehicles used for the transport of passengers and 65,000 DKK for vehicles used for the transport of goods.⁷⁸

Effectively, these deductions cause zero-emission passenger vehicles to be free from registration tax in 2026 where the value of the vehicle (including VAT) does not exceed 419,3000 DKK, and vehicles used for the transport of goods are, in effect, exempt from registration tax in 2026 if the value (including VAT) does not exceed 462,700 DKK.⁷⁹

⁷² Separate from the existing EU Emissions Trading System (ETS 1), the ETS₂ will cover and address the CO₂ emissions from fuel combustion in buildings, road transport and additional sectors (mainly small industry not covered by the existing EU ETS) with effect from 2030.

⁷³ As set out by the Incentives and Legislation for Denmark, European Alternative Fuels Observatory (Link: <https://alternative-fuels-observatory.ec.europa.eu/transport-mode/road/denmark/incentives-legislations>)

⁷⁴ The legislative framework is set out in consolidated act no 370 dated 3 April 2025.

⁷⁵ With effect for vehicles registered from 2025. Special tax rules apply for auto campers registered before 2025 and for smaller auto campers.

⁷⁶ I.e. vehicles emitting 0 gramme CO₂ per kilometre or an electric and fuel cell powered motorcycle.

⁷⁷ I.e. vehicles emitting more than 0 gramme CO₂ per kilometre but less than 50 g CO₂ pr. kilometer.

⁷⁸ A similar base deduction is granted for electric and fuel cell powered motorcycles, starting from 102.900 DKK in 2026 with a gradual reduction from 2027 to 2036.

⁷⁹ Act no 1777 dated 29 December 2025.

For low-emission vehicles, a gradual phase in of the registration tax is applied from 2025 to 2035. Accordingly, only 65 per cent of the registration tax amount is levied if the vehicle is registered on 31 December 2025 at the latest, while the registration tax amount to be levied is increasing gradually from 2026 to 2035. The full registration tax is applied from 2035 onwards.

Further, a base deduction reducing the registration tax is applied for electric vehicles for zero-emission vehicles to 45,000 DKK. The base deduction is to be gradually reduced from 2026 to 2030, and from 2030 onwards will amount to 35,000 DKK.⁸⁰

The revenue from the Danish vehicle registration tax is considerable due to the high rates applied. The main part of the revenue derives from vehicles from passenger transport, which is expected to decline going towards 2030.

Furthermore, periodical vehicle taxes are charged on an ongoing basis to the owner or user of the vehicle (e.g. a lessee).

The owner or user will be subject to one of the three following taxes, depending on the years of the first registration of the vehicle, while for diesel and gas cars, an additional tax is charged to economically align the taxation for diesel and gas-fuelled vehicles (which in general are taxed at a lower level than petrol) with vehicles fuelled by petrol.

A CO₂ vehicle tax applies to vehicles used for the transport of passengers and goods (excluding buses) registered on 1 July 2021 or later. The CO₂-vehicle tax is calculated on the basis of CO₂ emission per kilometre for the vehicle in question, i.e. the lower the emission, the lower the charge.

Vehicle tax promoting energy efficiency applies for vehicles used for transport of passengers (excluding buses) registered between 1 July 1997 and 30 June 2021. Vehicle tax promoting energy efficiency further applies for vehicles used for transport of goods registered between 18 March 2009 and 30 June 2021. The vehicle tax promoting energy efficiency is calculated on the basis of mileage per litre fuel for the vehicle in question, i.e. the higher mileage, the lower the charge.⁸¹

The vehicle tax based on weight applies to vehicles used for the transport of passengers registered before 1 July 1997 and for vehicles used for the transport of goods registered before 18 March 2009. The vehicle tax based on weight further applies for motorcycles. The tax is calculated on the basis of the weight of the vehicle, i.e. the heavier (and more fuel-consuming) vehicle, the higher tax.⁸²

With effect from 1 January 2025, Denmark has introduced a mileage-based road tax for lorries.⁸³ The tax applies to lorries weighing 12,000 kg or above. The tax is based on mileage (kilometres) and takes into account the weight and CO₂ emissions of the truck.

Payment is made either via a box (an "On-board-Unit") installed in the lorry or by purchasing a digital tax receipt before the journey begins. The tax applies when the lorry is used on parts of the national and municipal road network, and the tax area will be gradually expanded towards 2028 to fully include the public road net in Denmark.

⁸⁰ Art. 5 C in the consolidated act no. 370 dated 3 April 2025.

⁸¹ The legislative framework is set out in consolidated act no 1050 dated 12 August 2025.

⁸² The legislative framework is set out in consolidated act no 1164 dated 15 September 2025

⁸³ Acts no 763 dated 13 June 2023 and no 1489 dated 10 December 2024.

II.B. Interaction of carbon tax or other environmental or energy taxes with income tax

II.B.1. *The tax treatment of CO₂ quotas, carbon credits and carbon offsets*

In 2004, special provisions were introduced to the Danish income tax law regarding the tax treatment of CO₂ quotas.⁸⁴ These specific rules were later expanded to a more general scheme, which deals with all types of quotas.⁸⁵

When a CO₂ quota is acquired, a deduction for the acquisition price is allowed in the income year in which the quota is used in production.⁸⁶ Consequently, no deduction is allowed in relation to expenses connected to the acquisition of CO₂ quotas that are not used in production.⁸⁷

The profit or loss on the sale of a CO₂ quota is included in the calculation of taxable income for the income year in which the quota is sold without being used in production. The profit or loss is calculated as the difference between the sale price and the acquisition price.⁸⁸

The acquisition cost of a quota allocated free of charge is fixed at 0 DKK, while the acquisition cost for an acquired quota (or a part thereof) is fixed at the acquisition price.⁸⁹ The sale price is fixed at 0 DKK for a quota used in production or which is terminated without being used in production.⁹⁰

The value of CO₂-quotas granted free of charge is not further included in the recipient's taxable income.⁹¹

Further, CO₂ quotas are, for tax purposes, considered to have similar traits as financial instruments. Hence, profits from the disposal of CO₂ quotas and credits constitute CFC income.⁹²

Transactions with CO₂ quotas and credits are subject to Danish VAT under specific circumstances. Denmark applies a reverse-charge principle in national transactions with such CO₂ quotas, meaning it is the buyer who has the obligations to account for and pay VAT.⁹³

⁸⁴ Act no. 464 dated 9 June 2004.

⁸⁵ As set out in art. 40 A (1) of consolidated act no. 1222 dated 13 October 2025, the provision applies to "a quota giving the right to produce, supply, use, exploit or capture a certain quantity of a product or resource or to discharge a certain quantity of products or resources, including polluting waste products, and which can only be used once".

⁸⁶ Art. 40 A (1) of the consolidated act no. 1222 dated 13 October 2025.

⁸⁷ At the end of an allocation period, excess quotas may, however, be exchanged for new CO₂ quotas, which may be used in production in the new allocation period.

⁸⁸ Art. 40 A (2) of the consolidated act no. 1222 dated 13 October 2025.

⁸⁹ Art. 40 A (3) of the consolidated act no. 1222 dated 13 October 2025.

⁹⁰ Art. 40 A (4) of the consolidated act no. 1222 dated 13 October 2025.

⁹¹ Art. 7 Y of the consolidated act no. 1500 dated 24 November 2025.

⁹² See art. 32 (5), no. 10 as introduced by act no. 1394 dated 23 December 2012. It follows particularly from the preparatory work (Bill L 81, 2012-13, section 2.4.) that "ordinary securities etc are included in the basis when calculating whether the CFC taxation should take place. CO₂ quotas have the special characteristics that they are largely bought and sold solely to obtain a profit, just as with trading in ordinary securities. CO₂ quotas can thus be used as financial assets. They are, however, not included in the basis for CFC taxation. [On this basis,]it is proposed that CO₂ quotas are to be included in the basis for the CFC taxation, so that the taxation continues to constitute a safeguard against the relocation of mobile income."

⁹³ See the Legal Guide of the Danish Tax Agency, section D.A.13.2.2.6.

Carbon credits and carbon offsets are, at the outset, treated in a similar way as CO₂ quotas for tax purposes.⁹⁴

II.C. Other specific climate or energy taxes

In Denmark, a broad range of environmental and energy taxes is applied.

Given the specific scope of this national report, the following taxes are deemed specifically relevant to highlight:

Taxes on waste incineration, nitrogen tax and sulphur tax

Waste consisting of hydrocarbon components (e.g. plastic) is considered a fuel similar to fossil fuels such as oil, coal or gas when incinerated.

Waste incineration is subject to three different taxes:

- Waste heat tax on the amount of heat supplied from the waste incineration plant.⁹⁵
- Energy tax payable per GJ of heat produced.⁹⁶ In principle, the energy tax is calculated based on the energy content of the combustible waste.
- CO₂ tax payable on the amount of CO₂ content (for non-biodegradable waste only).⁹⁷

The nitrogen tax is levied on fuels emitting NO₂ equivalents at combustion, such as e.g. coal, mineral oil products and waste by reference to the Nitrogen Oxides Tax Act (NOx).⁹⁸

Waste plants and industrial plants with an input of more than 10 MW that use fuel products containing NO₂ equivalents are obliged to be registered with the Danish Tax Agency. These companies must pay the nitrogen tax based on emissions.

For companies not required to measure emissions, the NOx tax is paid based on standard rates for the relevant fuel.

Companies reducing their emissions through relevant technical measures are eligible for reimbursement of a part of the nitrogen tax (subject to the relevant administrative framework).

The sulphur tax is payable on fuels that emit sulphur into the air during combustion by reference to the Danish Sulphur Tax Act.⁹⁹ Only fuels with a sulphur content of more than 0.05 per cent are subject to tax. This includes, e.g. coal, mineral oil products and some types of waste. The tax rate depends on the product and can be calculated according to the weight of the product, the sulphur content of the fuel or the amount of sulphur actually emitted during combustion of the product. Companies reducing their emissions through relevant technical measures are eligible for reimbursement of a part of the sulphur tax (subject to the relevant administrative framework).

⁹⁴ As explained in the preparatory work to act no. 1394 dated 23 December 2012 (L 81, 2012-13, p. 15).

⁹⁵ Art. 1, section 1, no. 5 of consolidated act no. 648 dated 28 May 2025.

⁹⁶ Art. 1, section 1, no. 6 of consolidated act no. 648 dated 28 May 2025.

⁹⁷ Art. 2, no. 14 and art. 5, section 2 and 3 of consolidated act no. 1353 of 2 September 2020.

⁹⁸ The legislative framework is set out in consolidated Act no. 364 dated 3 March 2025.

⁹⁹ The legislative framework is set out in consolidated Act no. 362 dated 4 April 2025.

III. International tax aspects

Income tax in Denmark for inbound renewable energy investment

Foreign investors in Danish renewable energy projects are generally subject to the same corporate income tax rules as domestic investors. There is no separate tax regime for foreign investors in renewables, but Denmark does apply limited tax liability rules to non-resident entities with Danish-source income.

Although the substantive tax treatment of income is aligned across investor types, foreign investors may face additional compliance requirements, such as registration for tax purposes, documentation of beneficial ownership, and treaty-based reporting obligations.

Denmark does not apply special tax rules exclusively for cross-border investment in renewables such as solar or wind, or in infrastructure like electricity grids, hydrogen networks, or terminals. However, the extension of Danish taxing rights to the EEZ since 1 July 2023 ensures that income from offshore wind farms and related infrastructure is subject to Danish taxation, even if the physical assets are located outside the territorial baseline.

Foreign investors typically use special purpose vehicles (SPVs) to hold renewable energy assets in Denmark. These are most often structured as private limited companies (ApS) or public limited companies (A/S). In some cases, particularly for joint ventures or syndicated investments, transparent entities such as “Kommanditselskaber (K/S)” or “Interessentskaber (I/S)” are used. These allow income and losses to flow through to the investors, who are taxed in their home jurisdictions, subject to Danish source rules.

The choice of entity structure depends on the investor's tax profile, treaty access, and financing strategy. There is no legal requirement to use a specific structure for foreign investment, but corporate entities are often preferred for governance and regulatory compliance.

Profits or capital gains from the sale of renewable energy assets located in Denmark are generally taxable in Denmark if the seller is a non-resident and the assets constitute Danish real property or a permanent establishment. The standard corporate tax rate of 22 per cent applies. As a main rule, Denmark cannot tax non-residents on share gains. However, gains from the sale of shares in certain Danish company structures (K/S'er) may be taxable if the shares are considered to derive their value primarily from Danish real property or infrastructure.

There is no distinction in tax treatment between public or widely held investments and private or corporate investments, although treaty relief may apply depending on the investor's jurisdiction. Denmark has a broad network of double tax treaties, many of which allocate taxing rights over capital gains to the country of residence, subject to exceptions for real property and infrastructure.

For international tax purposes, renewable energy investments such as solar panels and wind turbines are generally treated as movable property.¹⁰⁰ This follows from the fact that for depreciation and valuation purposes wind turbines and other renewable energy installations are characterised as movable property.¹⁰¹

¹⁰⁰ Regardless that renewable energy investments are considered as immovable property for other tax purposes, e.g. in the context of the Land Registration Act (SKM.2006.444.VLR) and in the context of section 34(6) of the Danish Capital Gains Taxation Act on Shares (U.2023.1536.H).

¹⁰¹ SD-cirkulære 1985-15 dated 7 May 1985. Reference is further made to the Legal Guide of the Danish Tax Agency, section C.C.2.4.2.4.1

Accordingly, wind turbines and other renewable energy installations are also considered movable property in the context of the Danish taxation of capital gains on real estate, from which renewable energy installations are excluded.¹⁰²

Denmark applies withholding tax on certain types of outbound payments to foreign investors, including 27 per cent, reduced to 22 per cent, on dividends, if the recipient is a company holding at least 10 per cent of the shares, and further reduced under applicable tax treaties or EU directives. Interest and royalties are generally not subject to withholding tax unless paid to related parties in low-tax jurisdictions.

Foreign investors may claim treaty relief or exemptions under EU law, provided they meet substance and documentation requirements. Denmark also applies transfer pricing rules and beneficial ownership tests to cross-border payments, which may affect the deductibility of expenses and access to treaty benefits.

Denmark does not offer tax subsidies specifically targeted at foreign investors in renewable energy. However, foreign investors are fully eligible to participate in state aid schemes and investment support programmes administered by the Danish Energy Agency, provided they meet the relevant eligibility criteria. These schemes are typically technology-neutral and open to both domestic and foreign entities.

Subsidies are not embedded in the tax law but interact with the tax system as taxable income. Foreign investors must register for tax purposes in Denmark and comply with Danish accounting and reporting standards to access these schemes. There are no additional incentives or exemptions under foreign investment laws specifically for renewable energy, although Denmark's investment framework is generally open and non-discriminatory.

Tax rules relating to outbound investment in renewable energy projects by resident investors

In 2024, Danish energy technology and services exports totalled 123.4 billion DKK. The increase was driven primarily by wind energy technology and related services.¹⁰³

Denmark applies a territorial taxation system for corporate income tax purposes, meaning that Danish resident companies are generally not taxed on foreign business income earned through permanent establishments or subsidiaries abroad, provided certain conditions are met.¹⁰⁴

This territorial approach is designed to avoid double taxation and to support Danish outbound investment. However, Danish companies must still comply with transfer pricing rules, controlled foreign company (CFC) rules, and substance requirements, which apply regardless of whether the target jurisdiction has low, no, or high taxation.

Dividends from, and capital gains on, foreign subsidiaries are typically exempt from Danish taxation under the participation exemption, provided the Danish parent company owns at least 10 per cent of the shares or the shares are unlisted portfolio shares

¹⁰² SKM.2010.339.SR and SKM.2010.340.SR. Reference is further made to the Legal Guide of the Danish Tax Agency, section C.H.2.1.2.

¹⁰³ Link: Eksport af energiteknologi og -service 2024 | Green Power Denmark

¹⁰⁴ Section 8 (2) of the consolidated act no. 279 dated 13 March 2025.

Bilateral tax treaties may affect the taxation of renewable energy investment

The double tax treaties in Denmark's treaty network generally follow the principles of articles 7 and 9 of the OECD Model Tax Convention, and the internal legislation is interpreted closely in line with the OECD Commentary.

No special scheme or interpretation of the profit attribution rules is applied with respect to income deriving from renewable energy.

The geographical scope

In general, the treaties in the Danish double tax treaty network include a definition of the geographical area of "Denmark" which essentially means that activities carried out in the seabed etc., within Denmark's exclusive economic zone are included in the geographical scope of the treaties (i.e. also beyond the Danish 12-nautical mile limit).¹⁰⁵

Until 1 January 2023, Denmark did, however, only have internal taxing rights to income deriving from activities carried out outside of the Danish 12-nautical mile limit for hydrocarbon extraction due to the Danish hydrocarbon taxation act.

Following a political agreement to establish an energy island with an associated offshore wind farm and facilities for CCUS in the North Sea (among other places), new Danish income tax legislation was introduced to include activities connected to the establishment and use of artificial islands, installations and constructions, including wind turbine parks, energy islands and CCUS facilities.¹⁰⁶

Accordingly, the Danish rules on the limited tax liability of foreign companies and natural persons when carrying out a business with a permanent establishment in Denmark were amended to include such activities carried out through a permanent establishment on the Danish continental shelf but outside the 12-nautical mile limit.

Finally, the limited tax liability for natural persons' remuneration for personal work in employment in Denmark was amended to include remuneration for personal work in Denmark's exclusive economic zone, where the personal work relates to the establishment and use of artificial islands, installations and facilities. The geographical scope of the limited tax liability for hiring-out of labour was adjusted accordingly.

Special provisions on construction PEs and provisions on the extraction of natural resources

The double tax treaties in Denmark's treaty network usually include a provision on construction PEs according to which a building site or construction or installation project (including for renewable energy) constitutes a permanent establishment only if it lasts a certain period of time.

The OECD Model Convention, on which Denmark's double tax treaties are overall based,

¹⁰⁵ As e.g. set out in art. 3 (1), litra b) of the double tax treaty between France and Denmark concluded on 4 February 2022. The term "Denmark" is not to be understood as the "Kingdom of Denmark" as the Faroe Islands and Greenland are not parties to Denmark's tax treaties unless specifically stated in the treaty.

¹⁰⁶ Act no. 710 of 13 June 2023. In order to comply with the UN Convention on the Law of the Sea, these amendments to the Danish income taxation do, however, not include activities related to the establishment and use of pipelines used under water exclusively for transit through Denmark's exclusive economic zone.

sets out a period of more than twelve months. This period varies, however, in Denmark's treaties from six to twelve months.

A range of Denmark's treaties further specifies that the definition of a PE, in particular, should include a "mine, an oil or gas well, a quarry or any other place of extraction of natural resources."¹⁰⁷ At first glance, such a provision does not target renewable energy installations but is limited to extractible natural resources (oil, gas and minerals).

Similarly, some treaties in the Danish treaty network include specific provisions on offshore activities. This includes the treaties between the Nordic countries, the treaty between Denmark and the United Kingdom, the treaty between Denmark and Ireland, and the treaty between Denmark and the Netherlands.

In a recent binding ruling,¹⁰⁸ the Danish Tax Council made an interesting clarification regarding the interpretation of such offshore provisions. The binding ruling addresses activities carried out on the Danish continental shelf in connection with offshore renewable energy construction. The work was to be carried out outside territorial waters but within the Exclusive Economic Zone.

The company requesting the ruling did not own or operate any vessels but provided equipment and employees to operate from a third-party owned and operated vessel. The work was assumed to take approximately 120 days.

The question was whether this would establish a PE for the company. The relevant treaty contained a 12-month threshold for construction activities, so in this particular case, no "construction PE" would arise. The treaty did, however, also contain an offshore provision, deeming a PE after (aggregated) 30 days for activities carried on offshore "*in connection with the exploration or exploitation of the seabed and its subsoil and their natural resources*".

In this respect, the Danish Tax Council took the stance that such provision only applies to hydrocarbon activities, meaning that e.g. installing foundations or monopiles for offshore wind seemingly would not amount to exploitation of the seabed.

However, in light of the subsequent update of the Commentary of the OECD Model to Article 5 in connection with the exploitation of natural resources, it will be interesting to follow how Denmark and its treaty partners will address such onshore and offshore provisions going forward.¹⁰⁹

First, it would be relevant to have clarified whether these provisions are intended to encompass not only the extraction of commodities such as hydrocarbons but also e.g. carbon capture storage (CCS) activities.¹¹⁰

Second, the binding ruling includes an insightful discussion of when a place at sea can constitute, first of all, a place of business, and secondly, whether this can be fixed. The

¹⁰⁷ As e.g. set out in art. 5 (2), litra f) of the double tax treaty between Armenia and Denmark concluded on 14 March 2018, in art. 5 (2), litra f) of the double tax treaty between Algeria and Denmark concluded on 30 September 2021, and art. 5 (2), litra f) of the treaty between France and Denmark concluded on 4 February 2022.

¹⁰⁸ SKM2025.276.SR

¹⁰⁹ According to point 187 of the discussion draft "Provision on Activities in Connection with the Exploration and Exploitation of Extractible Natural Resources", 16 November 2023 to 4 January 2024, a more general wording of such type of provision is assumed to encompass the extraction of commodities such as hydrocarbons, precious metals, metal ores, rare earth elements and other minerals. It is, however, not assumed to cover, for example, the harnessing of renewable resources such as hydroelectric, wind, wave, tidal or solar power. In these matters, it might be hard to argue that an "extraction" is carried out.

¹¹⁰ The term "extraction" might, in such line of reasoning, refer to the initial capture and separation of CO₂ from its source, which can be from large industrial facilities like power plants or directly from the air.

conclusion in the ruling is that a location at sea can be a “place of business”. This is in line with the Commentary to the OECD Model, stating that even though a vessel is not fixed, if the vessel operates within a commercially and geographically coherent area, this area is the “place” to consider.¹¹¹ An offshore wind farm will, thus, be a specifically designated location, identified with coordinates.

Once this conclusion had been reached, whether this place of business was also “fixed” was a relatively straightforward assessment, since the analysis for geographical purposes had been concluded.

The characterisation of gains on the sale of renewable energy installations for tax treaty purposes

In Denmark, wind turbines and solar panels are generally treated as movable assets for the purposes of income tax and capital gain tax (as explained above).

Accordingly, the Danish tax agency is expected to characterise wind turbines and other renewable energy installations as movable property in the context of the double taxation treaties that Denmark has entered into. Consequently, the income as well as any gains (or losses) from the sale of such installations are therefore from a Danish perspective only taxable in the country where the installations are located, provided the installations can be attributed to a permanent establishment in that country.¹¹² The relevant case law in this context therefore focuses on whether there was a permanent establishment of the company in question in the state where the renewable energy installation was established.¹¹³

However, to our knowledge there are no apparent examples of Danish case law where the qualification of renewable energy installations as movable or immovable property in the context of the treaties entered into by Denmark has been assessed. From a Danish perspective, this may be due to the fact that Denmark applies a territorial principle in relation to the taxation of permanent establishments of Danish companies in other countries,¹¹⁴ Danish companies, etc., should thus in principle not include income and expenses relating to a permanent establishment abroad, just as share transfers, as a main principle, are not taxed either.

For investments in renewable energy installations in Denmark, foreign investors – as a result of the Danish qualification of renewable energy installations as movable assets – will only be taxed on the ongoing income and sale if there is a permanent establishment in Denmark.

¹¹¹ The example in point 23 refers to a mine which “clearly constitutes a single place of business, even though business activities may move from one location to another in what may be a very large mine as it constitutes a single geographical and commercial unit as concerns the mining business”. The example in point 26 refers to a ship which operation “is restricted to a particular area having a commercial and geographic coherence”.

¹¹² In accordance with arts. 7 and 13 of the OECD Model Convention on the basis of which the network of tax treaties in Denmark is generally based.

¹¹³ See e.g. SKM2006.606.SR SKM2016.568.SR and the National Tax Tribunal's decision of 5 October 2011, case no. 10-03364.

¹¹⁴ Section 8 (2) of the consolidated act no. 279 dated 13 March 2025.



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