

Setting up in Denmark

1. Denmark and the Danes

Denmark is an attractive northern European country that offers many advantages to foreign investors. It is one of the 25 member states of the European Union and also part of the Scandinavian market, consisting of the five Nordic countries. A foreign business with a domicile in Denmark has direct access to both of these markets as well as a convenient entry to the Baltic nations.

Other favourable business conditions include a stable social and political climate and a well-trained labour force.

Setting up in Denmark provides an overview of the main economic, financial, legal and tax considerations with which prospective foreign investors are concerned.

1.1 Geography

Denmark is not a country of great contrasts.

Demographically, it has a homogeneous population of which about 5.8 per cent are immigrants or descendants of immigrants. Climatically, the difference between the average temperature in summer and winter is only 20 degrees. Topographically, "mountainous" is not the first word that springs to mind – the highest point is a mere 175 metres above sea level. Geographically, the country is small, and although it includes many islands, communications are highly developed. Indeed, the infrastructure is excellent everywhere.

	Size (sq. km)
Total area	43,098
Jutland	29,737
Zealand	9,834
Funen	6,289
Land use	
Cultivated area	66%
Woodland	11%
Towns	10%

Denmark proper, excluding Greenland and the Faroe Islands, covers 43,098 sq. km. The Jutland peninsula accounts for more than half of this area, while the rest consists of 407 islands. About 90 of these are inhabited, the largest being Zealand and Funen. About two-thirds of the country is cultivated, about 11 per cent is wooded, and about 10 per cent is urban area.

1.2. Population

Denmark's total population is 5,475,791 (January 1, 2008). The population density is higher than that of its Scandinavian neighbours, Norway and Sweden, but substantially lower than that of Germany and Great Britain.

In 1966, the birth rate began to decline, reaching a record low of 50,822 in 1983; since then, however, the trend has reversed. The number of births during the 90s has fluctuated between 63,000 and 70,000. In 2007, there were 64,082 births, and the population declined slightly. The excess of births over deaths was 8,478. Net immigration stood at 23,090.

The Danish population (January 1, 2007)	
Total	5,475,791
0-16 years	1,148,034
17-24 years	499,943
25-64 years	2,974,773
65+ years	853,041
Men	2,712,666
Women	2,763,125
Live births (2005)	64,082
Deaths (2005)	55,604
Immigrants (2006)	64,656
Emigrants (2006)	41,566
Foreign nationals in Denmark	
Home country:	
Africa	8%
Asia	28%
Europe	59%
Others	5%

54 per cent of all Danes are in the 25-64 age group (60-67 is the normal retirement age). The 0-16 age bracket makes up 21 per cent, and the 17-24 age group - of which the majority are in school or training - accounts for 9 per cent. On January 1, 2008, the number of foreign nationals living in Denmark was 497,962, or 9.1 per cent of the population.

1.3 Education

Compulsory school attendance starts at around age seven and lasts for nine years, with an optional tenth year of primary school. There are a total of 595,573 pupils in Danish primary and lower-secondary schools. After completing this education there are several possibilities for further education. The two most important lines are vocational schools with around 126,000 students and the three-year upper-secondary schools with around 106,000 pupils. Only about 4 per cent of school leavers do not embark upon some type of secondary education or prolonged training.

After having completed upper-secondary school or vocational school at a similar level, students are eligible to undertake higher education at university or at one of the colleges of higher education, such as those which provide training for engineers, architects, teachers and nurses, etc. There are a total of 182,630 students in higher education in Denmark.

Education is free, and students may apply for cash government grants and student loans to support themselves while completing their education.

1.4 The social safety net

State support is also available to other groups who are unable to provide for themselves.

Government-financed nursing homes accommodate 22,667 people, mostly the elderly. 1,074,286 people receive a pension. Of these, 835,635 receive only the basic pension to which everyone over the age of 67 is entitled, DKK 61,152 a year (2008), plus various supplements. Early retirement pensions are paid to 232,934 persons who are unfit for work, for instance because of disablement. 141,479 Danes between the ages of 60 and 65 have left the labour market under a job-release scheme in which they receive between DKK 94,900 and DKK 173,420, which is financed through the unemployment funds. About two-thirds of the expenses borne by these funds are paid by the government. The maximum of DKK 173,420 per year also applies to unemployment and sickness benefits and to maternity leave for mothers (unless otherwise is stated in their wage agreement). All parents receive a tax-free government allowance of DKK 10,064 to DKK 14,156 per year for each child.

1.5 High taxes – high standard of living

Social expenditures, education and health services are financed primarily by the government and local authorities, and thus through direct and indirect taxes. Payroll taxes, on the other hand, play a far less significant role here than in most other countries.

As the level of transfer payments and public services is high, the burden of taxation in Denmark is heavy. Direct and indirect taxes correspond to about 54 per cent of GDP. Nevertheless, personal incomes are sufficient to ensure a standard of living that is among the highest in the world.

1.6 Greenland and the Faroe Islands

Greenland and the Faroe Islands form part of the Kingdom of Denmark and thus share with it a number of institutions (such as the parliament and the Royal House), legislation (above all the Constitution), and branches of the government. To a great extent, however, they are autonomous.

Greenland	
Total population (January 1, 2008)	56,462
Population, Nuuk	15,047
Ice-free area (sq. km)	410,449
Foreign trade (2005)	
Total imports (DKK m)	3,591
Total exports (DKK m)	2,426
Fish exports (DKK m)	2,110
Subsidies from Denmark (DKK m)	3,069

Greenland has a population of nearly 57,000 and an ice-free area of approx. 410,000 sq. km. The largest city is Nuuk (Godthaab). Nuuk houses Greenland's parliament (*Landstinget*) and its central administration (*Landsstyret*). The Danish government provides financial aid and meets expenditures for Greenland.

Denmark also manages Greenland's defence and general foreign policy. One exception is relations with the European Union. Greenland joined the EU on Denmark's entry on January 1, 1973. But it obtained autonomy in 1979, and in 1982 a majority voted to withdraw from the Union as of 1985. At the same time, Greenland entered into a long-term agreement with the EU on fishing rights that gave its fishermen access to the EU markets for their catches. Fish products account for 87 per cent of Greenland's total exports.

The Faroe Islands, with 48,378 inhabitants and an area of 1,396 sq. km, has had home rule since 1948. Lately, however, there have been negotiations regarding the autonomy for the Faroe Islands in its relationship with Denmark. Tórshavn, the principal city (pop. 12,496), is the seat of the Faroese parliament (*Lagtinget*) and the local government (*Landsstyret*). As in

Greenland, the mainstay of the economy is fishing. Fish products account for nearly 100 per cent of total exports.

The Faroe Islands	
Total population (January 1, 2007)	48,350
Population, Tórshavn	19,339
Area (sq. km)	1,396
Foreign trade (2006)	
Total imports (DKK m)	4,649
Total exports (DKK m)	3,745