

This guide has been prepared by an independent third-party accounting firm and reviewed and updated by an independent third-party law firm.

November 2023

DENMARK – TAX CONSIDERATIONS ON SHORT-TERM LETTINGS

The following information is a guide to help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in Denmark. Tax can be tricky and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are supplying short-term accommodation in Denmark, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you;

- Income taxes
- Value added tax (VAT)

We draw your attention to the fact that Airbnb may have an obligation to report income earned by users of the platform. Therefore, if there is a mismatch between the information reported by Airbnb and the income you reported in your annual income tax return, the tax authorities may ask you questions.

Please understand that this information is not comprehensive, and is not intended to be legal advice. If you are unsure about your local tax obligations, we encourage you to check this with official local sources, or to seek advice from qualified professionals.

Please note that we do not update this information in real time, so you should confirm that the laws or procedures have not changed recently.

This guide is applicable for rentals taking place in the year 2023.

INCOME TAX

The rules outlined below are current as of 8 November 2023.

Denmark's tax year runs from 1 January to 31 December.

Coming within the charge to income tax in Denmark.

If you are a Danish resident who is domiciled in Denmark, you are liable for tax on rental income notwithstanding the location of the property.

If you are not Danish resident and you are domiciled outside of Denmark, you are liable for tax on income derived directly from Danish property.

There are special rules regarding rental income that are below a certain tax-exempt threshold. (please see “Rules applicable to income earned in relation to short-term lettings in Denmark” below).

For further general information, please consult the Danish tax authorities’ [website](#).

Reporting tax in Denmark.

Tax returns should be filed online; however, in certain cases paper filing is accepted.

Reporting tax - filing deadline.

The filing deadline for rental income is 1 May in the year subsequent to the income year i.e., for the 2023 tax year the filing deadline would be 1 May 2024.

Reporting tax - payment deadline.

Every November, Danish tax residents receive a preliminary tax assessment from the Danish tax authorities with an estimate of the upcoming year’s income and tax payments. This amount should be paid during the year. Where this is not applied, and the taxes are paid at a later date, then interest and surcharges will apply.

Danish tax authority contact details.

Address:
Skattestyrelsen
Hannemanns Allé 25
2300 København S

Telephone: +45 72 22 18 18

Website: www.skat.dk. This website allows you to log in and send digital messages to the Danish Tax Agency in a secure environment.

Income tax rates in Denmark.

The tax rates in Denmark are progressive:

- Personal income (hereunder, Business Income) up to approx. 56 % tax,
- Capital income 0 to 42 % tax,
- Share income 27 or 42 % tax.

Rules applicable to income earned in relation to rental of short-term accommodations in Denmark.

If you are letting your permanent residence or summer house or a part hereof on a short-term basis, you are liable to taxes in Denmark on the rental income. A rental period of four consecutive months or less qualifies as a short-term rental period.

The tax liability applies regardless of whether you own the property you let, or you rent the property you let.

The taxable income depends on whether you use:

- 1) The threshold-method or
- 2) The income/deduction-method.*

*Please note that if you chose the income/deduction-method, then you cannot later choose the threshold-method.

1) The threshold-method

You are liable to taxes on 60 % of the total rental income that exceeds the tax-free threshold.

The total rental income contains rental payments, including payments of gas, electricity, water and internet.

No further deductions or depreciations than the tax-free threshold can be made when using the threshold-method.

The threshold applicable depends on whether you are letting your residence or summer house through a rental bureau (a sharing economy platform) that reports the income to the Danish tax authorities or whether you are letting out your residence or summer house independently. A sharing economy platform is defined as a company that, as per agreement with a taxpayer, digitally mediates the rental of an asset (home/vehicle/boat etc.). Danish sharing economy platforms are by law obliged to report details on the rental (e.g., period of rental, income, etc.) to

the Danish tax authorities and foreign sharing economy platforms may voluntarily chose to do so to make use of the higher tax-free threshold. In this regard Airbnb has entered into an agreement with the Danish Authorities to report data to the Danish Tax Agency equally to other Danish sharing economy platforms. As such when letting your residence or summer house through Airbnb, you can make use of a higher tax-free threshold than if you rent out your residence independently. Please see the rates immediately below.

Letting your residence or summer house through a rental bureau:

The rental income is automatically reported to the Danish tax authorities via the rental bureau.

The tax-free thresholds are as follows:

- a) 31,200 DKK (2023) if you are letting out your permanent residence
- b) 44,500 DKK (2023) if you are letting out your summer house

Note: the threshold only applies if the income is reported to the tax authorities via the bureau. If the income is not reported by the bureau, then the rules regarding independent letting applies.

Sample computation based on the threshold a) in case of renting out a permanent residence (via a rental bureau):			
Annual rental income		36,000	DKK
Payments received for gas, electricity, and water	+	3,000	DKK
Total rental income	=	39,000	DKK
Threshold	-	31,200	DKK
Total rental income minus the threshold	=	7,800	DKK
60 % of the total rental income minus the threshold	=	4,680	DKK
Total taxable income	=	4,680	DKK

Independent letting:

You are liable to taxes on 60 % of the total rental income that exceeds the tax-free threshold.

The tax-free threshold if you are letting independently is 12,200DKK (2023) for both permanent residences and summer homes.

Sample computation based on the threshold method in case of renting out a permanent residence independently:			
Annual rental income		30,000	DKK
Payments received for gas, electricity and water	+	3,600	DKK
Total rental income	=	33,600	DKK
Threshold	-	12,200	DKK
Total rental income minus the threshold	=	21,400	DKK
60 % of the total rental income minus the threshold	=	12,840	DKK
Total taxable income	=	12,840	DKK

2) The income/deduction-method

If the income/deduction-method is chosen the taxable income is the total rental income, with a deduction of incurred expenses. These expenses are proportionate payments of gas, electricity, water, telephone, heat, expenses of maintenance regarding furniture and equipment and expenses associated with the letting – for instance advertising spending.

In this case the deductions cannot exceed the income, i.e., if the deductions are higher than the income earned no tax loss will be triggered.

Depreciations can in theory be applied on furniture etc. In practice this is very complicated to handle and the burden of proof for actual wear and tear lies on the taxpayer.

Sample computation based on the income/deduction method in case of renting out a permanent residence:			
Annual rental income		30,000	DKK

Payments received for gas, electricity and heat	+	5,000	DKK
Total rental income	=	35,000	DKK
Expenses: Gas, electricity, water telephone, heat and costs of maintenance regarding furniture and equipment	-	4,000	DKK
Total taxable income	=	31,000	DKK

Special reliefs from income tax in Denmark that an individual providing short-term accommodations may be able to avail of.

No special rules apply for short-term rental activities - property taxes and property value taxes should still be paid.

Please note that there is a difference in the tax treatment, depending on whether the property is rented to the same person(s) for more or less than 4 months. If you are letting out your apartment for more than 4 months to the same person, it will qualify as long-term letting. In such case, you can as an alternative to the abovementioned methods (the threshold-method and the income/deduction-method) choose whether the tax-free threshold applicable to your long-term letting is:

- 1) The larger of
 - a. 1.33% of the property's public value for the income year prior to the relevant income year¹ (2/3 of the total annual rent if you are renting the home you are letting), or
 - b. DKK 24,000 per year.

Or,

- 2) The same as for the rental of short-term accommodations (Threshold depending on whether the letting is via a bureau or independent)

Income tax obligations for non-residents in Denmark.

¹ If you have received a new public value assessment concerning the income year 2020, then you must use 1.33% of 80% of the public value for the income year prior to the relevant income year (i.e., DKK 2,000,000 x 0.8 / 100 x 1.33)

If you are not a resident in Denmark, or you are resident but domiciled abroad, and you generate income from property situated in Denmark, then the income from this property is taxable in Denmark.

If you are unsure about your tax residency position, please consult the Danish tax authority [website](#) for more information.

Income tax obligations for a Danish resident in receipt of foreign rental income.

As outlined above in the section “Coming within the charge to income tax in Denmark”, Danish residents who are domiciled in Denmark are liable for tax on rental income notwithstanding the location of the property.

If you are resident in Denmark and you receive property rental income derived from outside of Denmark, a credit against your Danish tax might be granted for the foreign taxes paid.

VALUE ADDED TAX

Value added taxes can be complicated and you should take your time to understand the rules as they apply to you and your particular situation.

Broadly speaking, Value-Added Tax (VAT) in Denmark is a tax on consumption. Most goods and services supplied in Denmark are subject to VAT.

A person who supplies goods and/or services in Denmark may have to charge VAT and pay this to the Danish tax authority. As with all taxes, we encourage you to consult with a tax advisor regarding your potential VAT obligations in Denmark.

If you are currently renting a room to guests, you may be required to apply VAT to your rental charge and to pay this VAT amount to the Danish tax authorities. As Airbnb is not supplying the rental, it is the responsibility of the host to consider local VAT obligations of the rental charge.

Do I need to collect any VAT from guests if I am letting short-term accommodation in Denmark?

In general, individuals who are considered to operate a business in Denmark need to charge VAT on their supplies, once the criteria for VAT registration is met.

Currently, in Denmark, you are required to register for VAT if your turnover exceeds DKK 50,000 within a 12-month period. As such, where you supply short term accommodation and you exceed this threshold you should register for VAT.

If you are an individual who is not resident in Denmark, but your accommodation is located in Denmark, then you should also register for VAT, as no registration threshold applies to you.

We encourage you to consult a tax advisor if you need assistance in determining whether you need to register for and charge Danish VAT.

For further guidance on registering for VAT, please see the Danish authorities' [website](#).

VAT applies to me. How do I determine how much tax I need to collect from my guests?

At the date of issuance of this document, the VAT rate applicable to supplies of holiday accommodation in Denmark is 25%, where supplied for a period of less than 30 days. In general, only the rental of single rooms will be considered VAT taxable activity. In other words, the rental of an entire apartment or a house will usually be VAT exempt. However, in certain situations the rental of an entire apartment or house will also be considered VAT taxable accommodation, if it is comparable to a hotel accommodation. This assessment is made on case-by-case basis.

If the accommodation is supplied for a period of greater than 30 days, but does not include additional services, such as breakfast, cleaning and changing of linen, the supply may be VAT exempt (i.e. VAT may not be chargeable on the supply).

The determination of whether the rental qualifies as VAT taxable "holiday accommodation" is made on a case-by-case basis. We recommend that you confer with a local tax advisor.

VAT applies to me. How do I collect VAT from guests?

If you determine that you need to charge VAT on the supplies that you make to guests, please keep in mind that you have to collect this VAT from your guests and report and remit this VAT in a periodic VAT return. In Denmark, the VAT return typically covers a quarterly period for the first year and thereafter on a biannual basis (if the turnover is less than DKK 5 million) and is required to be filed by the 1st day of the third month following the reporting period (i.e. the Q1 VAT return is due to be filed by the 1st June). The VAT payment is required to be made on the same day that the VAT return is required to be filed.

Some formalities, such as issuing a receipt or an invoice to your guests, may be required. Please find more information on this [here](#).

For further guidance on filing returns, please see the Danish tax authorities' [website](#).

Your pricing towards B2C Guests should be VAT inclusive. Therefore, if you are supplying

holiday accommodation, which is subject to VAT at 25%, then the amount of VAT due should be calculated by dividing the agreed accommodation price by 125 and multiplying this amount by 25. For example, a total price for accommodation of DKK 300 is agreed. The VAT arising on this supply should be calculated as follows; $300/125 * 25 = \text{DKK}60$.

We recommend that you check your obligations in terms of pricing and the applicable invoice requirements with a local tax advisor.