



ENTREPRENEURSHIP IN DENMARK – NEW STRATEGY: DENMARK AIMS TO BECOME A WORLD-CLASS ENTREPRENEURIAL COUNTRY

The Danish government has presented a strategy plan that outlines its vision and initiatives to make Denmark a world-class country for entrepreneurship by 2030; the strategy provides ease on various areas – including ease on specific corporate and taxation matters.

The strategy plan identifies five areas of action: (i) improving access to capital and reducing taxation for entrepreneurs, (ii) reducing administrative burdens and red tape, (iii) activating more talents and increasing diversity among entrepreneurs, (iv) fostering more knowledge-based and innovative entrepreneurs, and (v) supporting more entrepreneurs across the country. The strategy also presents the economic costs and benefits of the strategy presented, as well as the specific measures and instruments that will be implemented to achieve the goals.

Action area 1: Improving access to capital and reducing taxation for entrepreneurs

The first area of action is to improve access to capital and reduce the taxation for entrepreneurs. In this relation, the government proposes to:

1. abolish the taxation of dividends from unlisted portfolio shares for companies, to increase the threshold for taxation of personal income from shares from DKK 61,000 to DKK 80,000 (as of 2024);
2. Amendment of the peculiar Danish “periodical payments” tax regime to align taxes with actual payments where a sales price takes the form of earn-outs/milestones;
3. introduce a five-year period of realization taxation of newly listed portfolio shares for companies;
4. increase the possibility of fully deducting carried-forward losses from DKK 9,5 million to DKK 20 million;
5. ease the taxation of shareholder loans, so that there will be no multiple taxation in the cases where a loan is repaid and subsequently borrowed again, and;
6. legalise equity crowdfunding for limited liability companies in order for businesses to raise risk capital from a wider group of investors.

These measures are expected to make it more attractive for Danish and foreign investors to invest in unlisted companies and to ease the liquidity challenges for entrepreneurs who sell their shares.

Action area 2: Reducing administrative burdens and simplifying regulatory processes

The second area of action is to create fewer burdens and less hassle for entrepreneurs by easing the way to run a business in Denmark and thus, reducing the administrative and regulatory obstacles that entrepreneurs face. To address this, the government inter alia propose to:

1. halve the capital requirement for establishing a limited liability company to DKK 20,000 DKK, which is in line with the other Scandinavian countries;
2. create a digital overview of the legal requirements and deadlines for entrepreneurs;
3. examine the possibility of establishing a clear definition of an entrepreneur, which could facilitate the identification and support of entrepreneurial activities; and
4. ensure a strengthened access to a basic payment account for businesses and associations, which could lower the barriers for starting and running a business.

Action area 3: Activating more talents and increasing diversity among entrepreneurs

The third area of action is to bring more talents forward, including the representation of women among entrepreneurs. The government plans to strengthen the access to targeted, risk-willing capital for women in Export and Investment Fund of Denmark (EIFO) and to implement measures in EIFO, the Innovation Fund and ATP to increase the diversity among entrepreneurs. In order to support the above, the government proposes the following initiatives in relation to taxes:

1. ease the salary requirement for key employees in the flat tax scheme by DKK 15,000 from DKK 75,100 (as of 2024) to approx. DKK 60,000 per month. This makes it easier to attract international talent by widening the compass of individuals eligible for this form of tax break;
2. abolish the limit on how much of the salary start-ups can offer as income tax exempt equity remuneration and replace it with a requirement for a basic salary for the employees; and
3. investigate whether it is possible to give non-listed companies a legal right to use a schematic valuation for employee shares when they use rules for granting tax-exempt employee shares.

Action area 4: Fostering more knowledge-based and innovative entrepreneurs

The fourth area of action is to create more knowledge-based entrepreneurs. In order to create more knowledge-based entrepreneurs the government proposes to increase the ceiling for tax credits for research and development (R&D) expenses from DKK 25 million to DKK 35 million, so that companies can receive the tax value of losses stemming from R&D expenses up to 35 million DKK annually per group.

Further, there has been presented initiatives to establish a new fast track for intellectual property rights (IP) for entrepreneurs and strengthen the patent voucher scheme and the knowledge of IP rights.

Action area 5: Supporting more entrepreneurs across the country

The fifth and final area of action is to create more entrepreneurs in Denmark by e.g. strengthening the access to financing for especially small companies and cooperating with the Danish foundations.

Our Remarks

We are positive about the strategy plan and its impact on Danish entrepreneurship. It provides relevant initiatives which address real challenges; the initiative to create fewer burdens and less hassle for entrepreneurs seeks to simplify and streamline the regulation and administration that entrepreneurs face, which can be a significant obstacle for innovation and growth. We will continue to follow the developments closely.

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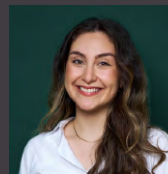
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