

Reference date for all information is July 1st 2008

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

DENMARK 2008

1. Overview of the tax-benefit system

Denmark's unemployment insurance system is voluntary, with around 90 per cent of the workforce covered. The amount of benefit is related to previous earnings subject to a relatively low ceiling. There is no unemployment assistance. Social assistance is administered by local authorities and benefit amounts are determined by national guidelines. Recent reforms ensure that social assistance usually is lower than unemployment insurance. Social assistance is contingent on there having been a "social event". Unemployment is such an event, but it is not normally paid to those in work. Housing costs and the number of children are taken into account when calculating social assistance and there is also an income-related housing benefit system. Child benefits are lump-sum amounts depending on the number and age of children and on the number of adults. Subsidised child-care is available to all households. The tax unit is the individual. Social security contributions by employees and, especially, employers are low.

1.1. Average Worker wage (AW)

The 2008 AW in Denmark is 359 300 DKK¹.

2. Unemployment insurance

Unemployment insurance is voluntary. The general condition is membership of an insurance fund for the last year.

A person can receive unemployment benefits until he reaches his retirement age presently 65 years.

2.1 Conditions for receipt

The unemployed person must be registered with the public employment service as a job seeker and be available for work.

Another element is that the unemployment insurance funds must interview each unemployed member every 3rd month in order to control that members receiving unemployment benefits are available for the labour market.

¹ AW refers to the Average Wage estimated by the Centre for Tax Policy and Administration (www.oecd.org/ctp). For more information on methodology see *Taxing Wages 2006-2007*, OECD, 2007, part 4, sections 2 and 3.

Reference date for all information is July 1st 2008

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

From January 2008 unemployed members have to register themselves digitally once a week at 'Jobnet' and thereby confirm that they are still unemployed and available for the labour market.

If the job loss is 'voluntary' the person will not receive unemployment benefits for the first 3 weeks.

2.1.1 *Employment conditions*

After 52 weeks of full-time work within the last three years, the employee is entitled to benefit immediately on becoming unemployed.

2.1.2 *Contribution conditions*

The conditions are fulfilled with payment of the membership fee.

2.2 *Calculation of benefit amount*

2.2.1 *Calculation of gross benefit*

The benefit amounts to 90 per cent of previous earnings after deducting 8 per cent social security contributions from those earnings. The maximum monthly benefit is DKK 15,232 (DKK 3,515 per week). The minimum monthly benefit is DKK 12,480 (DKK 2,880 per week).

2.2 *Income and earnings disregards for benefit recipients and those starting a new job*

Wages reduce the amount of unemployment benefits (one hour of work reduces the benefit by the value of one hour), while other income and earnings are not taken into account.

2.3 *Tax treatment of benefit and interaction with other benefits*

Unemployment benefits and cash assistance fall under the temporary income relief scheme and are normally taxable. The earnings related contributions are only paid over earned income. Recipients of unemployment benefits do not pay the 8 per cent social security contribution but do pay supplementary pension scheme contributions (fixed amount). Contributions to the unemployment insurance fund (both the unemployment and early retirement insurance contributions) are also made by unemployment insurance beneficiaries.

2.4 *Benefit duration and waiting periods*

The benefit period is four years. Educational programs do not qualify for extending the period. To re-qualify for benefits, a minimum of 26 weeks must be spent in paid employment within the duration of 3 years.

2.5 *Treatment of particular groups*

2.5.1 *Young persons*

For "new comers" who have joined the insurance immediately after finishing their education the unemployment benefit amounts to 82 per cent of the maximum unemployment benefit i.e. DKK 2,880 per week (DKK 12,480 monthly).

Reference date for all information is July 1st 2008

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

The unemployment benefit for younger persons within the scope of the scheme for young persons (under 25) without sufficient education for the “newcomers” rights amounts to 50 per cent of the maximum unemployment benefit, per week DKK 1,758 (DKK 7,618 monthly)

2.5.2 *Older workers*

Members of an unemployment insurance fund who have reached the age of early retirement (currently 60 years) and as a main rule have been members of an unemployment insurance fund for 30 years and who have paid contributions for voluntary early retirement in a corresponding period are entitled to voluntary early retirement pay until they reach the retirement age (currently 65 years). The early retirement pay is paid at an individually calculated rate, see section 2.2.1 but for a maximum of 91 per cent of the maximum unemployment benefits which corresponds to DKK 3,200 per week (DKK 13,867 per month) if they go into voluntary early retirement as soon as they reach the age of early retirement (currently the age of 60). If the transition into voluntary early retirement is put off for a minimum of 2 years and if the member in this period has worked for a minimum of 3,120 hours the voluntary early retirement pay is paid at the rate of 100 per cent of the maximum unemployment benefits, see section 2.2.1 corresponding to DKK 3,515 per week (DKK 15,232 per month). Members do not have a duty to be available for work may work for an unlimited number of hours with an hour-to-hour deduction.

2.5.3 *Temporary benefit for unemployed persons with a permanently reduced capacity to work, who have been admitted to the so called “flexible-jobs” scheme.*

A ”flexible-job” is exclusively offered to persons with a permanently reduced capacity to work, who have exhausted all possible offers of rehabilitative training without gaining reentry to the ordinary labour market. In the event of unemployment a temporary benefit (“ledighedsydelse”) is paid by the municipality until another”flexible-job” is offered. The “flexible-job” scheme and the “ledighedsydelse” are administered by the municipalities. It is not a requirement for the person to be a member of an unemployment insurance fund. A special early retirement scheme also exists for persons admitted to the “flexible-jobs” scheme.

3. Unemployment assistance

There is no unemployment assistance in Denmark.

4. Social assistance

Payment rates are depending on the ages, so that people between 18 and 24 years old receive less than people who are 25 years or more.

4.1 *Conditions for receipt*

A “social event”, such as unemployment, must have taken place; a low income is not in itself a social event. If social assistance is being received due to unemployment, job search will be enforced.

The Danish system is for both people who are ready for the labour market and people who have other problems than unemployment. For people who are ready for the labour market job-search is a condition for becoming (and remaining) entitled to the benefit. The other group have to fulfil other condition so as sickness treatment and/or activation to be intitled.

Social assistance is the lowest security net in the Danish system, but low income as such is not a condition for becoming entitled to social cash benefit. It is possible to “top-up” low unemployment

benefit, but normally people who are entitled to unemployment benefit do not fulfil the conditions for receiving cash benefit (ie. cash benefit is depending on own fortune and spouse income and fortune) and normally the unemployment benefit is a bigger amount of money than cash benefit.

4.2 Calculation of benefit amount

4.2.1 Calculation of gross benefit

Calculation of benefit amount

4.2.1 Calculation of gross benefit

For single people the benefits are calculated for the individual. They amount DKK **11.904** which approximately amounts to 80 per cent of the maximum unemployment insurance benefit for those with dependent children and DKK **8.959** for others which approximately **amounts** to 60 per cent of the maximum unemployment insurance benefit. For married couples the benefits are based on the income and fortune conditions of both spouses. A married couple with children may get two times DKK 11.904 subtracted any income the couple may earn.

After 6 months the sum of social assistance and housing benefits cannot be higher than DKK **11.904** per person for recipients and their spouses/cohabitants with dependent children and DKK **8.959** for recipients and their spouses/cohabitants without dependant children. For a single person with dependant children the maximum is DKK **14.850**, and for single persons without dependant children the maximum is DKK **11.904**.

4.2.1.1 Irregular additional payments [NEW ITEM]

The municipal authority may provide assistance towards reasonable individual expenses incurred by a person due to a change of circumstances if the payment of such expenses by the person concerned would seriously reduce the possibilities of that person and his/her family of providing for themselves in future. Normally assistance shall only be granted if the expense has arisen as a result of unforeseeable needs. Provided always that, having considered the individual circumstances of each case, the municipal authority may exceptionally cover foreseeable expenses where the payment of such expenses is of vital importance to the status of the person concerned or his/her family.

The municipal authority may provide assistance towards any health care expenses, medicine, dental treatment, etc., which are not covered under any other legislation if the claimant is financially incapable of paying such expenses. Assistance shall only be granted if the treatment is necessary and reasonable on health grounds. Only exceptionally will assistance be provided towards health care. The municipal authority may provide assistance towards expenses incurred in connection with the claimant's exercise of access rights to his/her own children under 18 who are not living with the claimant. It is a condition of assistance being provided hereunder that the claimant is financially incapable of paying the said expenses.

The municipal authority may provide assistance towards travel costs for the purpose of maintaining contact with children who have been removed to another country without the consent of the custodial parent. It is a condition that the matter has been reported to the Danish police, and that the municipal authority has presented the case to the Ministry of Foreign Affairs. It is also a condition that the custodial parent is financially incapable of paying the said costs.

Reference date for all information is July 1st 2008

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

The municipal authority may provide assistance towards the expenses of maintaining a child where upon the death of the custodial parent custody has been awarded to one or more persons who are not subject to a duty to maintain the child. It is a condition that the child's income, including special child benefits under the Act on Child Benefits Act and advance payment of child maintenance, is not sufficient to cover the necessary expenses for maintaining the child.

The municipal authority may provide assistance for any relocation for the purpose of improving the housing or employment situation of the claimant or his/her family. It is a condition that neither the claimant nor his/her spouse is financially capable of paying the expenses.

If the claimant is moving to another country, it is a condition of assistance being provided by the municipal authority that the claimant is a national of or has a particular connection to the country in question, or that the claimant has been secured permanent employment opportunities in the said country.

Upon application the municipal authority shall pay a survivor's allowance to any person whose husband/wife or cohabiting partner has died.

Payment of the allowance shall be subject to the surviving dependant having cohabited with the deceased at a joint address in Denmark for the last three years immediately preceding the death.

The maximum amount of the allowance is DKK 10,000, and it shall be payable to any dependent survivor whose estimated annual income does not exceed DKK 160,000. If the estimated annual income exceeds the amount set out in the first sentence hereof, the allowance will be reduced, and if the estimated annual income exceeds DKK 250,000, no survivor's allowance shall be payable.

The calculation of the estimated annual income shall include the survivor's estimated personal annual income, including any amounts devolving on the survivor as a result of the death. In addition, any property or property rights of the survivor exceeding DKK 100,000, including any property rights vesting as a result of the death. Where there is no administration of the estate, any property and property rights belonging to the deceased and his/her surviving spouse exceeding DKK 100,000 will be included. The amounts to be calculated according to the second and third sentences hereof shall be included at 30 per cent.

The allowance will be paid as soon as possible following the date of application.

Where there are indications that the estimated annual income of the surviving dependant can only be established with considerable uncertainty, the dependant's allowance will be payable by an amount on account.

In the case of persons who are subject to the rules set out in the Act on Payment of Property Taxes, the difference between the amount of survivor's allowance hereof and a calculation whereby the allowance is calculated subject to deductions of any property and property rights consisting of immovable property and serving as the survivor's dwelling may be granted by way of a loan subject to prior application. Any such loan will be granted subject to the rules provided for by the Act on Loans Granted for the purpose of Payment of Property Taxes.

To the extent that it follows from Council Regulation No. 1408/71 of 14 June 1971 and the associated EEA Agreement, the provisions on survivor's allowance shall be dispensed with in respect of any persons covered by Danish social security legislation under this Regulation and the EEA Agreement.

Reference date for all information is July 1st 2008

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

The Minister for Social Affairs shall lay down rules governing the definition of recipients, calculation of income and property, adjustment and subsequent of the allowance, including rules governing procedures in connection with the granting of loans, hereof. In addition, the Minister for Social Affairs shall lay down rules governing the decision-making powers, etc., for persons covered by Council Regulation No. 1408/71 of 14 June 1971 and the associated EEA Agreement.

4.2.1.2 *Obligations of family members [NEW ITEM]*

As mentioned social assistance is family based, so the obligation to be available for the labour market/activation for the applicant is the same for any spouse, but not for any children.

If a spouse refuse to fulfil the conditions for getting social assistance, none of the spouses can get social assistance.

To secure availability a 300 hour rule have been passed, which sais, that a spouse who are not unable to work is entitled to social assistance, if he/she has had ordinary work for 300 hours within the last two years.

4.2.2 *Income and earnings disregards for benefit recipients and those starting a new job*

If the applicant or his or her spouse has income from work or income derived as a result of an activation scheme, a sum of DKK **13.00** per hour worked shall not be deducted from the total benefits payable. If there is a reduction on the social assistance for married couples after they have received assistance in 6 months and income from work, a sum of DKK **31.68** per hour worked shall not be deducted from the total benefits

4.3 *Tax treatment of benefit and interaction with other benefits*

Recipients of social assistance (SA) pay income tax. They do not pay the 8 per cent social security contribution but do pay the supplementary pension scheme contributions if they have received social assistance for an uninterrupted period of six months.

4.4 *Benefit duration and waiting periods*

No limit.

There is a waiting period of 7 years if you arrive from abroad. In the waiting period the applicant can get starting allowance.

4.5 *Treatment of particular group*

4.5.1 *Young people*

Social assistance for people under the age of 25 who do not reside with one or both parents the benefit is DKK **5.773**. It is DKK **2.786** for people under 25 who are residing with one or both parents.

Reference date for all information is July 1st 2008

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

For recipients under 25 years the assistance is reduced after 6 month so that the assistance is DKK **4.852** for people, who do not reside with one or both parents. It is DKK **2.412** for people under 25 who are residing with one or both parents.

4.5.2 Married couples

There will be a reduction on the social assistance for married couples after they have received assistance in 6 months. The reduction is DKK **566** per person per month.

4.5.3. In 2002 a kind of qualifying principle was introduced regarding social assistance. It became a condition for receiving social assistance, that the applicant had been a resident in Denmark for the last 7 out of 8 years. If the applicant does not fulfil the obligation he will get starting allowance instead. The benefit is DKK **4.787** for married people or people living together – each, if they are 25 years or more. It is DKK **5.773** for single people. People with children receive extras for up to two children.

4.5.4 Calculation of gross benefits - special housing benefits for people receiving social assistance

For families without children, net rent (gross rent minus general housing benefits) exceeding DKK **2.350** per month is paid. For families with children, all net rent above DKK **3.400** per month per adult is paid, reduced by DKK 650 for each child other than the first. The total amount of social assistance after tax and special housing benefits is subject to one of two maxims, depending either on previous income or the maximum unemployment benefit. The first three months the maximum is previous income after tax. After three months the total amount can never exceed maximum unemployment benefit after tax.

If the sum of special housing benefits and the person's other income after tax exceed DKK **11.904** after tax, total social assistance may not exceed 90 per cent of previous net earnings when in work. When cash benefits have been paid to a person for an uninterrupted period of three months, the sum of special housing benefits and the person's other income after tax must not exceed the amount of maximum unemployment benefit payable under the act on unemployment insurance.

4.5.4 Older workers

There are no rules for older workers in this scheme.

4.5.5 Others if applicable

No special schemes.

5. Housing benefits for rented accommodation VFM (Astrid)

5.1 Conditions for receipt

There are two housing benefits: general and special housing benefits.

The general housing benefit is also divided into two schemes: the first scheme, rent subsidy (boligsikring), is primarily aimed at tenants with children and (other) tenants with high rent. From 2003 this scheme also covers disability pensioned.

The other scheme, pensioners rent allowance (boligydelse), is exclusively for recipients of old age pension and disability benefits (before 2003) and is somewhat more generous than rent subsidy.

From 2000-2003 the general housing benefit scheme where changed significantly and since 2004 benefits are by large granted in the same way and only minor changes have been implemented.

The special housing benefits are linked to social assistance. In case of a so called “social event” such as unemployment or illness, anyone can in principle become eligible, depending on the household’s income, the rent paid, number of children etc.

5.2 Calculation of benefits

5.2.1 Calculation of gross benefits — general housing benefits

General terms:

Rent excluding consumption of electricity, gas, and water is corrected for the indicative size of the apartment expressed in square meters. The correction factor is the sum of 45 m² plus 20 m² per household member divided by the actual m². Corrected rent will - if it exceeds certain limits depending on family size - be reduced to a maximum allowed (subsidized) level.

Thresholds and parameters in calculation of housing benefits (in DKK), 2008.

| Scheme | Per cent benefits of rent | Threshold | Per cent above | Threshold raised per child (2-4) | Maximum benefit | Minimum own payment |
|--------------|---------------------------------|-----------|-------------------|-------------------------------------|--------------------|------------------------|
| Boligsikring | 60 | 120,500 | 18 | 32,300 | 36,264 | 20,500 |
| Boligydelse | 75 | 127,600 | 22½ | 33,600 | 37,776 | 13,500 ¹ |

¹ And at least 11 percent of household income.

Rent subsidy:

The maximum subsidized rent is DKK 68,700 for household with no children and increasing by 5 percent per child.

General housing benefits – rent subsidy (boligsikring) (in DKK), 2008

| Number of children | 0 | 1 | 2 | 3 | 4 or more |
|-------------------------------|------------------|--------|--------|--------|-----------|
| Max. subsidized rent per year | 68,700 | 72,135 | 75,570 | 79,005 | 82,440 |
| Max. benefit per year | 15% of the rent, | 36,264 | 36,264 | 36,264 | 45,330 |

Reference date for all information is July 1st 2008

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

or max. 36,264

For household with no children, the rent subsidy is calculated as the difference between 15 per cent of the subsidized rent and an own payment calculated as 18 per cent of the household income beyond DKK 120,500.

For households with children (under 18 years old), the rent subsidy is calculated as the difference between 60 per cent of the subsidized rent and an own payment calculated as 18 per cent of the household income beyond DKK 120,500. Are there two or more children in the household, this threshold is raised by DKK 32,300 per child up to four children (per 2nd, 3rd and 4th child).

Households with children can receive benefits up till DKK 36,264. If there are more than three children in the household this amount is always 25 percent higher, this year making it DKK 45,330 (see table above).

Regardless of the benefit calculated the household must always pay at least DKK 20,600 out of the payable rent. Otherwise the benefit is reduced accordingly.

Pensioners rent allowance:

For all households the rent allowance is calculated as the difference between 75 per cent of the subsidized rent and an own payment calculated as 22,5 percent of the household income beyond DKK 127,600. Are there two or more children in the household, this threshold is raised by DKK 33,600 per child up to four children (per 2nd, 3rd and 4th child).

Households can receive benefits up till DKK 37,776. If there are more than three children in the household, this amount is always 25 percent higher. If pensioners are referred to specific housing due to specific needs, there is no limit to this amount.

Regardless of the benefit calculated the household must always pay at least DKK 13,500 out of the payable rent or 11 percent of the household income. Otherwise the benefit is reduced accordingly.

5.3 *Tax treatment of benefit and interaction with other benefits*

All housing benefits are non-taxable.

5.4 *Treatment of particular groups*

There are no housing benefits exclusively for young people, older workers or others. These groups are entitled to rent subsidy on the same terms as other applicants, with no regards to age. Income, capital, rent, size of the apartment and number of children (if any) are the only factors which are taken into account when measuring out the rent subsidy.

Physically handicapped persons operate under the same rules. However, there are favourable adjustments in some rates and percentage rules, meaning that larger housing and higher rent is subsidised.

6. Family benefits VFM

6.1 Conditions for receipt

Each child aged 0-17 years qualifies the family for benefits.

6.2 Calculation of benefit amount

6.2.1 Calculation of gross benefit

The annual amounts are DKK 16.428 per child aged 0-2; DKK 13.004 per child aged 3-6; and DKK 10.232 per child aged 7-17. The benefit is paid out on a quarterly basis.

6.2.1.1 Irregular additional payments

6.2.2 Income and earnings disregards

Child benefits are not subject to any means test.

6.3 Tax treatment of benefit and interaction with other benefits

Family benefits are not taxable.

6.4 Treatment of particular groups

6.4.1 Young persons

6.4.2 Older workers

6.4.3 Others if applicable

Lone parents receive normal family benefits but also qualify for additional payments of DKK 4.636 per year (independent of the number of children) plus DKK 4.556 per child aged 0-17.

Reference date for all information is July 1st 2008

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

Parents with multiple births receive DKK 0 for the first child and DKK 7.504 for the following child from 0-6 years of age.

Orphan's supplement: Full orphans receive DKK 26.256 a year; half-orphans receive DKK 13.128.

Children of pensioners supplement: Children of pensioners receive DKK 11.628 a year per child (one pensioner parent) or DKK 13.128 a year per child, plus DKK 4.556 per year independent of the number of children (two pensioner parents). The supplement is paid quarterly and is depending of the income of the parents (only the large supplements of 11.628 and 13.128).

Adoption grant: For the adoption of a foreign child, a single lump sum of DKK 43.225.

Study supplement: A total of up to DKK 5.976 is payable a year for each parent who is studying. The supplement is paid quarterly and is depending of the income of the parents.

Reference date for all information is July 1st 2008

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

7. Childcare for pre-school children VFM

The fraction of children in childcare (by age and type of childcare) is shown in the table below (2007).

| | Nursery | Kindergarten | Afterschool centers | Ageintegrated day care institutions | Special day care institutions | Family day care | day All |
|--------|---------|--------------|---------------------|-------------------------------------|-------------------------------|-----------------|---------|
| 0 år | 1,6% | 0,0% | 0,0% | 4,5% | 0,0% | 10,4% | 16,5% |
| 1-2 år | 9,3% | 3,7% | 0,0% | 31,8% | 0,2% | 44,9% | 90,0% |
| 3-5 år | 0,1% | 46,9% | 5,2% | 43,6% | 0,4% | 0,3% | 96,5% |

Compulsory schooling starts the year the child turns 6 years.

7.1 Out-of-pocket childcare fees paid by parents

The average fee paid per year by parents for full time day-care is shown in the table below. Parents with low incomes pay less (see section 7.2) and there is also a price-reduction if the parent(s) have more than one child in day-care.

| | Nursery | Kindergarten | Family day care |
|-----|---------|--------------|-----------------|
| 0-2 | 31.836 | - | 24.535 |
| 3-5 | - | 16.918 | - |

Childcare fees are not tax deductible

Fees are not taken into account when determining entitlement to benefits such as social assistance, but the fee you pay depend on your income, see section 7.2.

7.2 Child-care benefits

[cash benefits received by parents for children in childcare]

7.2.1 Conditions for receipt

Subsidised day-care is available to all households with young children in day-care.

7.2.2 Calculation of benefit amount

7.2.2.1 Calculation of gross benefit

For children in the age until school age the proportion can be at a maximum of 25 pct. The parents of a child are from July 1. 2006 guaranteed day-care when the child is 26 weeks until school age.

Reference date for all information is July 1st 2008

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

There is no charge for day-care if the personal income [gross income net of general social security contributions] is below DKK 138.301. From DKK 138.301 to DKK 141.362 the subsidy is 23,75 per cent of the actual expenses in a given day (28,5 per cent for children I the age of 3 year until school age). From that income level, the subsidy is linearly reduced until the full price is paid at a personal income of DKK 429.200, i.e. the subsidy is reduced by 0,25 per cent point for every income increment of DKK 3.062.

There are special discount rates for siblings: if a family has more than one child in day care, the full price is charged for the child in the most expensive day care facility and half the price is charged for all the remaining children in day care. The income related payment is calculated subsequently.

7.2.2.2 Income and earnings disregards

See above

7.2.3 *Tax treatment of benefit and interaction with other benefits*

The benefit is not taxable.

7.2.4 *Treatment of particular groups*

Parents of children with special social problems can have a supplemental subsidy in addition to the above-mentioned subsidy (see section 7.2.1).8. Employment-conditional benefits

There are no benefits targeted on people in work.

9. Lone-parent benefits VFM

Lone parents receive normal family benefits but also qualify for additional payments of DKK 4.636 per year (independent of the number of children) plus DKK 4.556 per child aged 0-17 (section 6.4.3). In addition, there is a state transfer of DKK 11 628 per year for each dependent child in case an ‘absent parent’ does not contribute (this amount) to the family. The state advances the money and then demand the absent parent to pay it in full or in part . This transfer is included in the calculations for single parents.

The alimony payment consists of a basic amount which is DKK 11.628 /year and a supplement which is DKK 1500 /year (2008 numbers). All together for each child the alimony payment is DKK 13.128 /year.

Every year a set of guidelines are published, which suggest the size of income that leads to a raise in the alimony payment. It’s important to emphasise that is only a recommendation, not a fixed rule.

According to the guidelines, the alimony payment is raised with 25 % of the basic amount, when an absent parent with one child earns more than DKK 350.000 /year. This income limitation is raised according to the number of children of the absent parent.

The percentage of the basic amount, which is added, is raised according to the income of the absent parent, up to 300 %

The table below shows the suggested income limits for 2008

Reference date for all information is July 1st 2008

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

| Alimony payment + | 1 child | 2 children | 3 children | 4 children | 5 children |
|-------------------|------------------------|------------------------|------------------------|------------------|------------------|
| 25 % | app. 350.000 kr. | app. 370.000 kr. | app. 405.000 kr. | app. 450.000 kr. | app. 515.000 kr. |
| 50 % | app. 370.000 kr. | app. 405.000 kr. | app. 450.000 kr. | app. 515.000 kr. | app. 590.000 kr. |
| 100 % | app. 405.000 kr. | app. 450.000 kr. | app. 515.000 kr. | app. 590.000 kr. | app. 700.000 kr. |
| 200 % | app. 6-700.000 kr. | app. 7-800.000 kr. | app. 8-900.000 kr. | * | * |
| 300 % | app. 1,0-1,2 mill. kr. | app. 1,2-1,4 mill. kr. | app. 1,4-1,6 mill. kr. | * | * |

9.1 *Conditions for receipt*

All parents who in reality are lone-parents are in titled to the benefit

9.2 *Calculation of benefit amount*

The benefit is not affected by parent income.

9.3 *Tax treatment of benefit and interaction with other benefits*

The benefit is not taxable.

9.4 *Benefit duration*

As lone as the parent in reality are a lone-parent, they are in titled to the benefit

10. Tax system

10.1 *Income tax*

Reference date for all information is July 1st 2008

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

10.1.1 Tax allowances and credits

10.1.1.1 Standard allowances

If a wage or salary earner has expenses related to earning his income (e.g. transport, trade union membership dues, unemployment premiums) these expenses are fully deductible against taxable income. In this report contributions to unemployment insurance are considered as a standard tax allowance (*and as a social security contribution*).

The tax credit scheme allows the taxpayer to deduct 4.0 per cent of earned income to a maximum of DKK 12 300 in order to calculate taxable income. The effective value of the credit is equal to the municipality tax (24.8 pct.), the church tax rate (0.7 pct.) plus the 8.0 per cent health tax rate that is paid to the state (33.5 per cent on average) multiplied by the value of the deduction.

10.1.1.2 Standard tax credits

Each person is granted a personal allowance, which is converted into a wastable tax credit by applying the marginal tax rate of the first bracket of the income tax schedule. For a person 18 years of age and older the tax credit amounts to:

| | |
|--|---|
| For central government income tax | 5.48 per cent of DKK 41 000 = DKK 2 247 |
| For central government health tax | 8.0 per cent of DKK 41 000 = DKK 3 280 |
| For local government income tax and church tax (average rate) | 25.54 per cent of DKK 41 000 = DKK 10 471 |

Special personal allowance for an individual younger than 18 years: DKK 30 600.

If a married person cannot utilise the personal allowance, the unutilised part is transferred to the spouse.

10.1.2 Income tax schedule

Low bracket tax to the central government is assessed on the aggregate of personal income and positive net capital income at the rate of 5.48 per cent.

Medium bracket tax to the central government is assessed on the part of the aggregate of personal income and positive net capital income above DKK 279 800, at the rate of 6 per cent. If a married individual cannot utilise the total allowance of DKK 279 800, the unutilised part is transferred to the spouse.

Top bracket tax to the central government is assessed on the excess of DKK 335 800 of the aggregate of personal income and positive net capital income at the rate of 15 per cent. If a married individual cannot utilise the total allowance of DKK 335 800, the unutilised part is not transferred to the spouse.

Reference date for all information is July 1st 2008

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

If the marginal tax rate including local tax but excluding church tax exceeds 59 per cent, the top bracket tax rate is reduced by the difference between the marginal tax rate and 59 per cent. At the average local tax rate, this reduction equalled 0.293 per cent in 2007.

10.1.3 State and local income taxes

The Local Government Reform and the Financing Reform in effect per 1 January 2007 have some implications for the distribution of income taxes between the municipalities and the government. Most importantly, the number of taxation levels has been reduced from three to two as the new regions, as opposed to the counties, cannot impose taxes. As per 1 January 2007 municipalities took over the share of the county revenue that did not correspond to the new state health contribution of 8% - i.e. approx. 4%.

Local income taxes are levied by the municipalities (and the church). They are flat-rate taxes levied by the local authorities (the rate varies by jurisdiction).

The tax base is taxable income. Tax credit varies with tax rates. The average amount is given below including the state health contribution of 8%.

- Lowest rate: 21.9 per cent
- Highest rate: 27.8 per cent
- Average rate: 25.547 per cent (municipalities: 24.813; church: 0.734 and state health contribution of 8)

The average rate is used in this study. It is applied to the tax base less personal allowances.

10.2 Treatment of family income

The tax unit is the individual. Spouses are taxed separately, but the tax liability of a married individual may depend on the spouse's income.

10.3 Social security contributions

Employees are required to make a fixed contribution of DKK 8 292 for unemployment insurance. From 1999 onwards, the contribution for unemployment insurance is split into two: one part consists of the contribution for unemployment insurance (DKK 3 372) while the other part consists of a voluntary contribution to an early retirement scheme (DKK 4 920).

In this Report, both contributions are included. However, an administration charge paid to the unemployment fund is not included. It varies between funds from DKK 696 to DKK 2 015. The mean charge across all 29 funds in Denmark is approximately DKK 1 034. The typical charge for an industrial worker is DKK 1 248.

Additional social security contributions are assessed on the basis of employees' gross earnings at the rate of 8.0 per cent². Social security contributions are not assessed on social transfers nor on capital income.

² In the *Revenue Statistics* this payment is not reported as a social security contribution, but as a separate type of personal income tax. For presentational reasons it is included here as a social security contribution.

Reference date for all information is July 1st 2008

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

Normally, a compulsory contribution of 1 per cent of employees' gross earnings is paid to an individual Labour Market Supplementary Pension Scheme established for the employee – this contribution is not considered as a social security contribution but rather as savings being made by the individual. However, from 2004 to 2008, this contribution was suspended (see Section 4). In addition, there is a compulsory fixed contribution to a general Labour Market Supplementary Pension Scheme of DKK 975.6 for workers who work at least 117 hours per month; their employer makes a corresponding contribution that is double this amount (for workers who work less than 117 hours but not less than 78 hours, the rate is DKK 650.4; for workers who work less than 78 hours but not less than 39 hours, the rate is DKK 325.2). Under this scheme, each employee has a plan and it should be noted that the contribution that is ascribed to this plan is determined by the level of employment and does not necessarily relate to the actual amount described above. For the purposes of this Report, only the fixed contribution of DKK 975.6 is included in the tax calculations.

From 2000 and on the social security contribution is zero. The employer only contributes to a Labour Market Supplementary Pension scheme, which for a full-time employee corresponds to a fixed amount of DKK 1 951.2 (Twice the fixed amount of DKK 975.6 mentioned in Section 2.1

11. Part-time work

11.1 Special benefit rules for part-time work

The general condition is membership of an insurance fund for the last year. After 34 weeks of full-time work within the last three years, the employee is entitled to benefits immediately on becoming unemployed. The maximum unemployment benefit is reduced to two-thirds.

11.2 Special tax and social security contribution rules for part-time work

The 8 per cent general social security contribution is proportional to earned income. If the employee is insured part-time, s/he pays two thirds of the unemployment and early retirement insurance contributions. The DKK 975.60 fixed amount supplementary pension contributions are paid in proportion to the number of hours worked per week. Regarding the part-time employees the fixed amount paid is DKK 650.40 for employees working from 78 and up to 117 hours per month, DKK 325.20 for employees working from 39 and up to 78 hours per month and DKK 0 for employees working less than 39 hours per month. Also for these groups the employer pays twice.

The 8 per cent general social security contribution is proportional to earned income – and is only paid on earned income.

If the employee is insured part-time, s/he pays two thirds of the unemployment and early retirement insurance contributions. The individual employee decides how much s/he wants to be insured – full-time or part-time. The same contribution is paid for everyone - for employed, unemployed, part-time employed and for those who receive benefits and work part-time.

The fixed amount paid to the Supplementary Pension Scheme varies with the number of hours worked. If the employee only works part-time and for the remaining hours receives benefits s/he also pays a fixed amount of the benefits to the Labour Market Supplementary Pension Scheme. Typically this amount is DKK xxx for every hour s/he receives the benefit. In the model calculations we assume that the same amount applies to recipients of Social Assistance and Unemployment Benefits.

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

12. Policy developments

12.1 *Policy changes introduced during 2008*

12.2 *Future policy changes announced in 2008*

ANNEX – ADIR/SKAT

DEFINITION OF SOCIAL SECURITY CONTRIBUTIONS AND PAYROLL TAXES.

The following text has been adapted from Annex A of the OECD *Revenue Statistics*.

Social security contributions to general government

Classified here are all compulsory payments that confer an entitlement to receive a (contingent) future social benefit. Such payments are usually earmarked to finance social benefits and are often paid to institutions of general government that provide such benefits. However, such earmarking is not part of the definition of social security contributions and is not required for a tax to be classified here. However, conferment of an entitlement is required for a tax to be classified under this heading. So, levies on income or payroll that are earmarked for social security funds but do not confer an entitlement to benefit are excluded from this heading and shown under personal income taxes or taxes on payroll and workforce. Taxes on other bases, such as goods and services, which are earmarked for social security benefits are not shown here [...] because they generally confer no entitlement to social security benefits.

Contributions for the following types of social security benefits would, *inter alia*, be included: unemployment insurance benefits and supplements, accident, injury and sickness benefits, old-age, disability and survivors' pensions, family allowances, reimbursements for medical and hospital expenses or provision of hospital or medical services. Contributions may be levied on both employees and employers.

Social security contributions paid to institutions outside general government

Contributions to social insurance schemes which are not institutions of general government and to other types of insurance schemes, provident funds, pension funds, friendly societies or other saving schemes [are included here if they are compulsory or quasicompulsory (e.g., by virtue of agreement with professional and union organisations)]. Provident funds are arrangements under which the contributions of each employee and of the corresponding employer on his/her behalf are kept in a separate account earning interest and withdrawable under specific circumstances. Pension funds are separately organised schemes negotiated between employees and employers and carry provisions for different contributions and benefits, sometimes more directly tied to salary levels and length of service than under social security schemes.

Payroll taxes

This heading covers taxes paid by employers or employees either as a proportion of payroll or as a fixed amount per person, and which do not confer entitlement to social benefits. Examples of taxes classified here are the United Kingdom national insurance surcharge (introduced in 1977), the Swedish payroll tax (1969-1979), and the Austrian Contribution to the Family Burden Equalisation Fund and Community Tax.