

THE OECD TAX-BENEFIT DATABASE

Description of policy rules for
Denmark 2022



THE OECD TAX-BENEFIT DATABASE FOR DENMARK

Description of policy rules for 2022

OECD contact: Eliza-Jane Pearsall, Jobs and Income Division, Directorate for Employment, Labour and Social Affairs. Email: Tax-Benefit.Models@oecd.org

National team: James Erec Hulverscheidt (Ministry of Employment); A. Matthias Kisling Harris (Ministry of Taxation).

This version: October 2022

This work is published on the responsibility of the Director of the OECD Directorate for Employment, Labour and Social Affairs. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation or of the governments of its member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of the source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.

Table of contents

Preface	4
The OECD tax-benefit model for Denmark: Policy rules in 2022	1
1. Reference wages	1
2. Unemployment benefits	1
2.1. Unemployment insurance (Arbejdsløshedsdagpenge og andre a-kasseydelse)	1
2.2. Unemployment Assistance	5
3. Social assistance and housing benefits	6
3.1. Guaranteed minimum income benefit (Kontanthjælp)	6
3.2. Special housing benefit for people on social assistance (Særlig støtte)	10
3.3. Housing benefit (Boligsikring)	11
3.4. The cap on social assistance	13
4. Family benefits	14
4.1. Child and youth allowance (Børne- og ungeydelsen)	14
4.2. Child allowances (Børnetilskud)	15
4.3. Temporary child benefit (Midlertidigt børnetilskud)	17
5. Net costs of Early Childhood Education and Care	19
5.1. Gross childcare fees	19
5.2. Fee discounts and free provision	20
5.3. Subsidy for formal centre-based care (Tilskud til egenbetaling)	20
5.4. Subsidies for private childminding and minding own children (Tilskud til pasning af egne børn)	20
5.5. Tax concessions for childcare expenditures	21
6. Employment conditional benefits	21
7. Social security contributions and payroll taxes	22
7.1. Employee's social security contributions (A-kassebidrag, Efterlønsbidrag, ATP-bidrag)	22
7.2. Employer's social security contributions (ATP-bidrag)	22
7.3. Payroll taxes	23
8. Taxes	23
8.1. Personal income tax	24
8.2. Local income taxes (Kommuneskat and Kirkeskat)	26
9. Selected output from the OECD tax-benefit model (TaxBEN)	26
Annex I: Other benefits and direct taxes	29
Unemployment benefit for disabled persons admitted to the flexible-job scheme (Ledighedsydelse)	29
Voluntary early retirement benefit (Efterløn)	29
Survival allowance (Efterlevelseshjælp)	29
Other child allowances	29
Annex II: Programs not currently implemented	32
1.1. Sickness Benefit (sygedagpenge)	32
1.2. Mandatory employer sick pay (arbejdsgiverperioden)	33
1.3. Temporary wage compensation (lønkompensation)	34
1.4. Temporary work sharing scheme (midlertidig arbejdsfordelingsordning)	36

Preface

This report provides a detailed description of the tax and benefit rules in Denmark as they apply to working-age individuals and their dependent children. It also includes output from the [OECD Tax-Benefit model \(TaxBEN\)](#), which puts all these complex legal rules into a unified methodological framework that enables international comparisons of how tax liabilities and benefit entitlements affect the net disposable income of families in different labour market circumstances, e.g. in employment versus unemployment.

The **main body** of the report describes the rules that are relevant for the family and labour market characteristics that are within the scope of the **TaxBEN** model (see below for the methodology and user guide). The **annex** provides information on other cash benefits and taxes on employment income that are relevant for other groups of the working-age population, but are outside the scope of the **TaxBEN** model.

TaxBEN is essentially a large cross-country calculator of tax liabilities and benefit entitlements for a broad set of *hypothetical* families (“vignettes”), e.g. a married couple of 40-years-old adults with two children aged 4 and 6 (click [here](#) for a quick overview of the **TaxBEN** model). **TaxBEN** incorporates rules on the main taxes on employment income, social contributions paid by employees and employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family and childcare benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits, maternity and parental leaves benefits are included in the model for a sub-set of countries and years. The main policy instruments that are currently not included in the **TaxBEN** model are taxes on wealth (e.g. taxes on immovable and unmovable properties), indirect taxes (e.g. VAT), early-retirement benefits, short-time work compensation schemes, sickness benefits, and in-kind benefits (e.g. subsidised transport and free health care).

Useful online resources for the OECD tax-benefit model (TaxBEN)



[TaxBEN web calculator](#)



[Methodology and user guide](#)



[OECD tax-benefit data portal](#)



[Network of national experts](#)


Guidelines for updating this report (for national experts)



[General guidelines](#)

Detailed [guidelines for updating Section 5](#) “Net costs for Early Childhood Education and Care”

Reading notes and further details on the content of this report

- **Reference date** for the policy rules described in this report: **January 1, 2022**.
- The TaxBEN models all policies in effect on the reference date. This includes temporary policies implemented in response to the **Covid-19 pandemic**.
- The symbol  in the text provides a link to the glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- **TaxBEN** variables are indicated in the text using the format `[variable name]`.

The OECD tax-benefit model for Denmark: Policy rules in 2022


1. Reference wages

Average wage **[AW]**: The OECD tax-benefit model uses Secretariat estimates of the average full-time wage (available [here](#)).¹ If Secretariat estimates are not available yet, the model uses wage projections obtained by applying forecasted wage growth² to the latest available wage estimate.

Minimum wage: There was no statutory minimum wage in Denmark in 2022.³

2. Unemployment benefits

2.1. Unemployment insurance (*Arbejdsløshedsdagpenge og andre akasseydelser*)

This is an unemployment insurance benefit. It is contributory, not means-tested and taxable. 

Variable name:⁴ **[UB; UI_p; UI_s]**

2.1.1. Eligibility conditions

Unemployment insurance is voluntary in Denmark. The general condition to receive unemployment benefit coverage is membership of an insurance fund and this condition is satisfied with the payment of the membership fee. Unemployment insurance can cover both employees and self-employed and in a combination. Below we only describe the legislation for employees as self-employed are not considered in TaxBEN.

¹ Average Wages are estimated by the Centre for Tax Policy and Administration at the OECD. For more information on methodology see the latest Taxing Wages publication.

² Wage growth projections are based on [OECD Economic Outlook](#) and [EU economic forecasts](#) (for non-OECD countries).

³ Minimum wages are typically regulated in the general agreements. The general agreement for the manufacturing sector ('industriens overenskomst') is sometimes used as benchmark, and defines a minimum wage of DKK 122.15 / hour in 2021. TaxBEN does not take this minimum wage into account.

⁴ The variable names ending with "_p" refer to the first adult (so-called "principal" adult) whereas those ending with "_s" are related to the spouse.

Age: Persons can receive unemployment benefits if they are between 18 years and the statutory retirement age.^{5,6} Persons under the age of 18 can also be admitted if they have completed vocational training of at least 18 months (not considered in TaxBEN).

Contribution/employment history: The qualifying criteria for access to unemployment benefits is based upon previous income. The criterion is an income of at least DKK 246,924 (2022) earned within the past 36 months. However, a ceiling of approx. DKK 20,577 per month (2022) applies, which means that prospective recipients of benefits need to have been employed for at least 12 months (i.e. $12 * \text{DKK } 20,577 = \text{DKK } 246,924$).⁷

Persons can also stipulate a part-time insurance and in this case they become entitled to unemployment insurance after an income of 164,616 DKK within the last three years. Prospective recipients need to have been employed for at least 12 months as well.

Hereafter, the qualifying criteria for obtaining a new unemployment benefit period is based upon hours worked (1,924 hours within 36 months for full time insurance and 1,258 hours within 36 months for part-time insurance).

A requirement of at least one year's membership of an unemployment insurance fund also applies.

Behavioural requirements:⁸ 

1. Registration with the public employment service as a job seeker and be available for work;
2. Register jobseeking activity and have an updated CV on “jobnet” continually throughout the unemployment spell;
3. Be available for interviews on request.

If unemployment is self-induced, there is a three-week waiting period to receive unemployment insurance benefits.

TaxBEN assumes “involuntary” job loss and that the behavioural requirements above are satisfied.

COVID-19 measures

The activities at the Danish job centers were suspended 12 March 2020 until 15 June 2020. This meant that people receiving unemployment benefits did not have to participate in any

⁵ Older unemployed can be eligible for a voluntary early retirement scheme. TaxBEN does not assume that persons enroll in this scheme but continue to be available to the labour market until normal legal retirement age. Please see the Annex for details.

⁶ The retirement age in Denmark has gradually increased to reach 67 years in 2022. Please see <https://www.retsinformation.dk/eli/ft/200612L00057> for further information.

⁷ TaxBEN assumes that people always stipulate full-time insurance, i.e. part-time insurance is not modelled.

⁸ Details on behavioural requirements and sanction provisions for unemployment benefits are reported at <https://www.oecd.org/social/strictness-benefit-eligibility.htm>

(otherwise mandatory) activities at the job center or activities proposed by the job center. However, jobseekers were encouraged to continue to actively search for jobs.

During the second lockdown starting 7 November 2020, unemployment beneficiaries were exempted from only certain ALMP requirements, such as physical attendance and a regard for their individual health situation when planning the unemployment process.

From 1 September 2021, there was no restrictions or temporary measures applying to the job centers or the unemployment beneficiaries. However, it was encouraged for the job centers to be flexible and take the beneficiaries circumstances into account, when planning meetings and activities. The requirements for personal meetings were suspended between 19 December and 31 January. Digital conferences were made possible from 12 March 2020 until 1 August 2021. This option was reinstated on December 19 2021 until 1 February 2022. Furthermore, the activities and meetings have required to be in accordance with the general Covid-19 health care guidelines throughout the pandemic.

2.1.2. Benefit amount

Unemployment benefit amounts depend, among other things, on: previous earnings; whether the person is full-time or part-time insured; age. Special rules apply for persons below age 25 and for persons who have just completed their education or a vocational training of 18 months' duration, and have not been employed previously ("Graduates").

Calculation of unemployment benefit rate is based on the 12 months with the highest income (wages and income from self-employment) within the past 24 months. The aim of this is to ensure that no one is punished for taking temporary low-paid jobs immediately before becoming unemployed.

In general, unemployment benefit will be paid at a rate of 90 percent of the recipient's former income from employment. However, a ceiling applies of a maximum rate of DKK 19,351 per month (DKK 232,212 per year) in 2022. Graduates who do not fulfill the regular eligibility criteria have access to unemployment benefits immediately after graduation and will receive 71.5 per cent of the maximum rate (DKK 13,836 per month and DKK 166,032 per year). Graduates who are also parents will receive 82 per cent of the maximum rate (DKK 15,868 per month and DKK 190,416 per year).

For jobseekers who are under 25 ("Youth") and do not have sufficient education for the "graduate" rights (see above), the unemployment benefit is 50% of the maximum unemployment benefit (DKK 9,676 per month and DKK 116,112 per year). This is not modelled, as TaxBEN assumes that the necessary education level for graduate rights is always obtained.

Amounts are reduced to two-thirds for those who are part-time insured.

The following table shows all applicable amounts (per month) in 2022 (figures in grey (part-time insured and Youth) are not taken into account in TaxBEN):

Max unemployment benefit levels for employees	DKK/month
Full time insured	19,351
Part time insured	12,901
Graduate benefit level, full time insured (with dependent children)	15,868
Graduate benefit level, part time insured (with dependent children)	10,579

Graduate benefit level, full time insured (with no dependent children)	13,836
Graduate benefit level, part time insured (with no dependent children)	9,224
Youth benefit level, full time insured	9,676
Youth benefit level, part time insured	6,451

2.1.3. Benefit duration

The benefit is paid on a monthly basis for up to 24 months within a 36-month period, with an option to prolong the benefit period by up to 1 year by working for a period of half a year during the benefit period. Hours worked are recorded in an “employment account” that can be exchanged for unemployment benefits at a ratio of 1:2. This means that “every hour of work counts” towards extending the benefit duration. A tool has been created on jobnet.dk where the benefit period can be calculated.

Participation in activation schemes or training does not qualify for extending the period. To re-qualify for a full 2 years benefit period, the person will have to fulfill the eligibility conditions for re-qualification (see Section 2.1.1; re-qualification is not modelled in TaxBEN).

COVID-19 measures

In the period between 1 March and 31 August 2020 and between 1 January and 30 June 2021, the limit for duration of unemployment benefits was suspended. These periods are not included in the continuous monthly usage of unemployment benefits, also referred to as “dead periods”.

Unemployed persons who lost their rights to unemployment benefit in the period 1 November 2020 to 31 October 2021, will have their unemployment benefit extended by two months. If the right to unemployment benefits expired in the period 1 November 2021 to 30 April 2022, as a result of the pause in the unemployment benefit seniority from 1 January 2021 to 30 June 2021, the unemployment benefit will likewise be extended by two months. This extension can be used until 30 June 2022.

This policy is not implemented in the 2022 TaxBEN as this policy does not affect unemployment starting on January 1st, 2022.

2.1.4. Means test

See Section 2.1.7.

2.1.5. Tax treatment

Unemployment benefits 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% social security contribution (see Section 7) but do pay supplementary pension scheme contributions (a fixed amount). Contributions to the unemployment insurance fund (both the unemployment and early retirement insurance contributions) are also made by unemployment insurance beneficiaries. Contributions are tax deductible.

2.1.6. *Interactions with other components of the tax-benefit system*

Unemployment benefit recipients can receive / claim other benefits without specific constraints. Unemployment benefits are taken into account for the means test of social assistance (see Section 3.1).

2.1.7. *Combining benefit receipt and employment/starting a new job*

The benefit is compatible with work but earnings reduce the amount of unemployment benefits on an hour-to-hour basis.

Unemployed persons who work part-time, can top-up their income with **supplementary unemployment benefits**, provided that certain conditions are fulfilled: The person must still be registered at jobnet.dk, must be available for full-time employment, and must be actively looking for a full-time job.

The right to the supplementary benefit is calculated on a monthly basis. A person is considered working part time if the person works less than 160.33 hours in a given month (i.e. 37 hours per week). Supplementary benefits can only be paid out in months where the person is eligible for at least 14.8 hours' worth of benefits (that is having worked less than $160.33 - 14.8 = 145.53$ hours per month or $145.53 / 160.33 * 5 = 4.5$ days per week).

Unemployed persons who have a part-time job can receive supplementary benefits for a maximum of 30 weeks (7 months) within a 104-week (two-year) period. Unemployed persons who have a part-time job and a fixed term of notice will need a "notice waiver" certificate from their employer in order to receive supplementary benefits.⁹ This applies to all persons independently of whether they are full-time or part-time insurance members.

2.2. *Unemployment Assistance*

OECD note: in many OECD countries, jobseekers who do not qualify for Unemployment Insurance (UI – Section 2.1), or whose entitlement to UI is low or have expired, can claim Unemployment Assistance (UA – this section) and/or Social Assistance benefits (SA – Section 3). UA and SA benefits have different purposes (and reach different target groups). For instance, while the main purpose of UA is to encourage the labour market reintegration of jobseekers who have exhausted or are not eligible to the standard UI benefit, the purpose of SA programmes is to provide an acceptable standard of living for families unable to earn sufficient incomes from other sources. Conditions for UA typically include requirements to register with the public employment service and participate in active job search in a similar way as for UI. This is *not always* the case for SA benefits, for which low income is the key entitlement criterion and activation requirements exist only for those who are capable of work.

Based on this definition, Denmark does not currently provide a national/local Unemployment Assistance programme. Nevertheless, Denmark does provide a Social Assistance programme (described in Section 3.1).

⁹ This certificate serves as a proof that the unemployed person can quit their part-time job at a moment's notice in order to take up full-time employment. When an employer signs a notice waiver, they renounce to the right of a term of notice in case of the employees resignation.

Figure 1 – Unemployment benefits by previous earnings



Note: All figures are for single adults. For 40-year olds, long and continuous employment record (22 years) assumed. Figures for 2nd month of benefit receipt.

3. Social assistance and housing benefits

3.1. Guaranteed minimum income benefit (*Kontanthjælp*)

Variable name: [SA; SA_p; SA_s]

This is a non-contributory benefit, means-tested and taxable.

Payment rates depend on age and family composition.

3.1.1. Eligibility conditions

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 benefits. Instead, a “social event”, such as unemployment, sickness or disability, must have happened. Unemployed individuals can receive social assistance as long as they meet the eligibility requirements for the unemployment insurance (Section 2.1.1). For couples claiming social assistance, the obligation to be available for work holds for both capable partners (but not their children). Individuals who are not unemployed and have experienced other types of “social events”, e.g. as sickness or disability, may not be required to be available for work but will have to meet other requirements, e.g. participation in rehabilitation activities. Single people who are employed full time are not eligible for social assistance

benefits as they are not available for additional work¹⁰. However, in a 1-earner couple both the spouse and full time employee are eligible for social assistance if the wage is so low that it cannot provide for the spouse.

COVID-19 measures (Not currently implemented in TaxBEN model)

The activities at the Danish job centers were suspended on 12 March 2020. They have since partially and entirely re-opened, and since 1st of February 2022 there have been no restrictions.

3.1.2. Benefit Amount

Benefits are calculated at the individual level. The benefit is DKK 15,570 per month (i.e. approximately 80% of the maximum unemployment insurance benefit) for single persons of 30 years or more with dependent children ('providers'), and DKK 11,716 (i.e. 60% of the maximum unemployment insurance benefit) for singles of 30 years or more without children ('non-providers'), minus any earned income. For married couples the benefit amount depends on the income and savings of both spouses (assets up to DKK 10 000 for a single person and DKK 20 000 for a married couple to shall not be taken into account; financial assets are not considered in TaxBEN). A married couple with children may get up to two times DKK 15,570 (DKK 11,716 without children) minus any earned income. Social assistance for people under the age of 30 with a vocational education who do not reside with one or both parents is DKK 7,552 (DKK 3,644 when they reside with one or both parents¹¹). Social assistance for lone parents below the age of 30 years is DKK 14.882, if they have a vocational education.¹² For a married couple under the age of 30, the amounts are up to two times DKK 10,412 (with children) and two times DKK 7,552 (without children).

The following table summarizes the maximum amounts for social assistance in 2022, as applied in TaxBEN (figures in grey (social assistance for people without a vocational education) are not taken into account in TaxBEN):

¹⁰ In practice, a person working full time would generally be expected to have sufficient earnings that they would not be eligible for the guaranteed minimum income benefit.

¹¹ Note that in TaxBEN, young adults (from age 18) are assumed to live on their own.

¹² Social assistance benefit recipients can receive additional cash support from the municipal authority for particular expenses such as medicines and dental treatments, relocation costs for improving the housing or employment situation; expenses for maintaining a child where custody has been awarded upon the death of the custodial parent. In case of death of the partner the municipal authority can pay also a survivor allowance (see Annex). All these expenses are assumed to be zero in TaxBEN and accordant cash support is not simulated.

Maximum SA amounts, DKK per month¹³

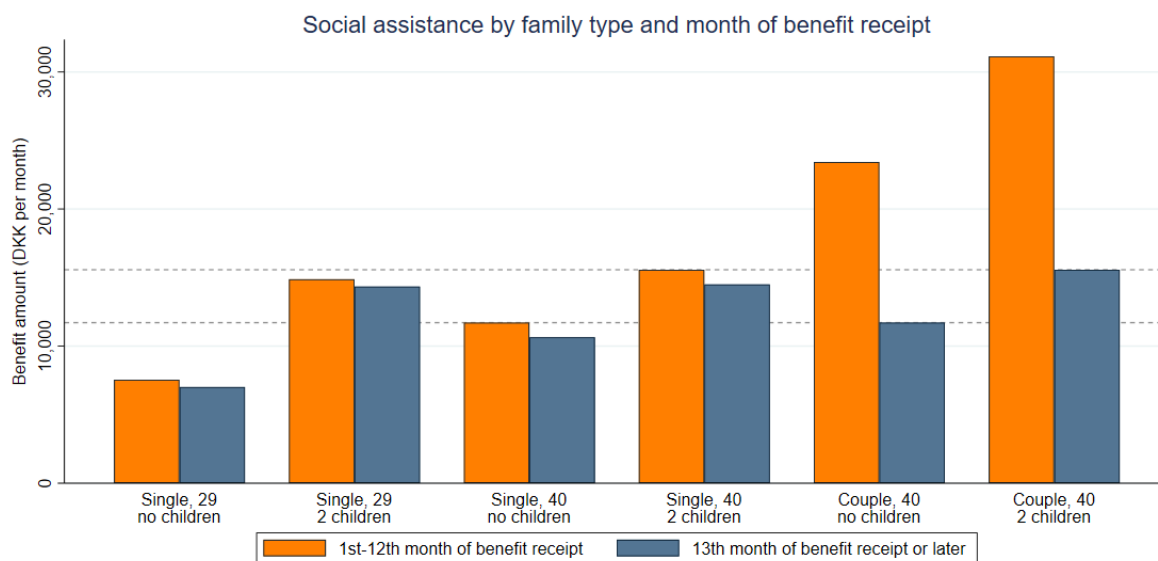
	2022		2022
Single, >= age 30, with children	15,570	Couple, >= age 30, with children	2 * 15,570
Single, >= age 30, without children	11,716	Couple, >= age 30, without children	2 * 11,716
Single, < age 30, with children, with a vocational education	14,882	Couple, < age 30, with children, with a vocational education	2 * 10,412
Single, < age 30, without children, with a vocational education	7,552	Couple, < age 30, without children, with a vocational education	2 * 7,552
Single, < age 30, with children, without a vocational education	12,840	Couple, < age 30, with children, without a vocational education	2 * 8,986
Single, < age 30, without children, without a vocational education	6,420	Couple, < age 30, without children, without a vocational education	2 * 6,420

Note: For singles below age 30, rates are shown for those who do not reside with their parents.

Social assistance is reduced after receiving the benefit for one year within the previous three years if a person who is able to work has not worked a minimum of 225 hours in the previous 12 months (i.e. approximately 1 day per week out of a 37-hour work-week; 225-hour rule). In such cases, the benefit (before the means-test) is reduced by DKK 1,069 for single persons receiving the high benefit levels of DKK 15,570 or DKK 11,716 and by DKK 534 for single persons receiving lower benefits (single persons who receive self-sufficiency and return benefit or transition benefit are exempted from the 225-hour rule). For married couples the total benefit will be reduced to one benefit for one person of 30 years or more depending on whether the couple has children if one or both partners fail to fulfill the 225-hour rule.

¹³ There is a limit to how much a person can receive overall in special support (Guaranteed minimum income benefit (Kontanthjælp) Special housing benefit for people on social assistance (Særlig støtte) and Housing benefit (Boligsikring)). The limit depends among other things on age, whether a person is a dependent, married/cohabiting or single.

Figure 2 – Social Assistance – operation of 225 hour rule



Note: Beneficiary is unemployed and is assessed to be able to work 225 hours, but does not meet the hour requirement. Children, if present, are 4 and 6. Horizontal lines highlight equivalent rates.

3.1.3. Benefit duration

The applicant receives social assistance every month. There is no limit to the duration of the benefit. There is a requirement of residence in Denmark (including Greenland/Faroe Islands) for 9 out of the previous 10 years in order to receive social assistance. During this waiting period, the applicant can get a *self-sufficiency and return benefit or transition benefit*¹⁴

3.1.4. Means test

Income is deducted krone to krone. If the applicant or his or her spouse has income from work, a sum of DKK 28.66 per hour worked will not be deducted from the total benefits payable. The total number of hours for which such an amount may be ignored shall not exceed 160 hours per month per person.

3.1.5. Tax treatment

Recipients of social assistance pay income tax. They do not pay the 8 per cent labour market contribution (*AM-bidrag*) but do pay the supplementary pension scheme contributions (*ATP*) if they have received social assistance for an uninterrupted period of twelve months if they are not experiencing a deduction in their social assistance, because they have not worked a minimum of 225 hours in the previous 12 months.

3.1.6. Interactions with other components of the tax-benefit system

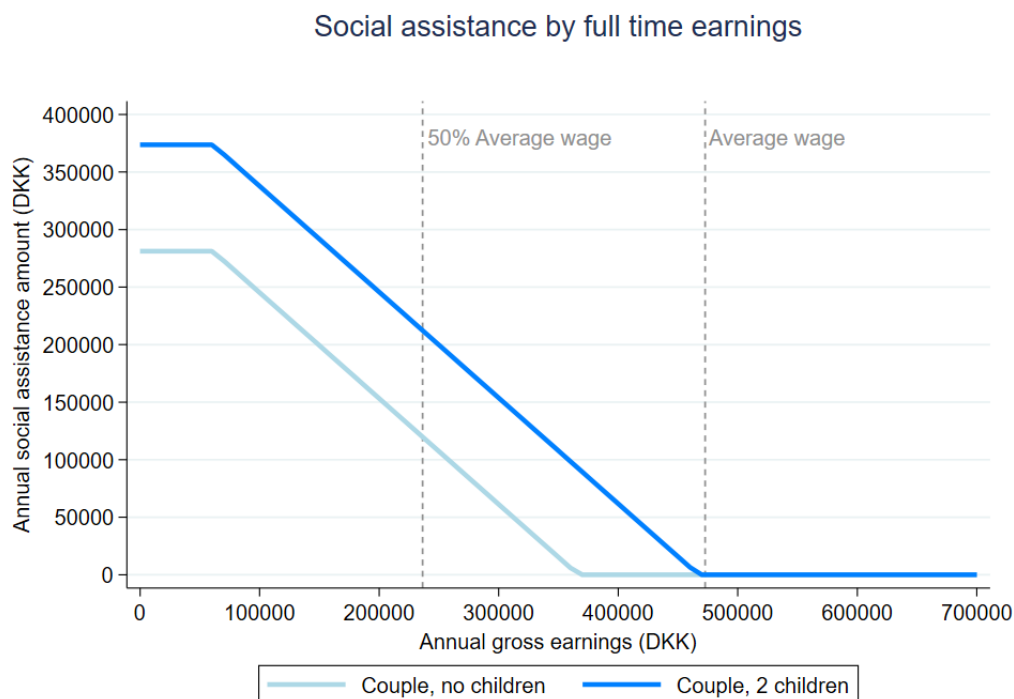
Unemployment benefits are taken into account for the means test (see Section 2.1).

¹⁴ This is not modelled in TaxBEN as claimants are assumed to be native and lifelong residents.

3.1.7. Combining benefit receipt and employment/starting a new job

See Section 3.1.4.

Figure 3 – Social Assistance - operation of means test



Note: The chart shows the effect of full time work (40 hours per week) at different earnings levels on social assistance benefits. Note that low income levels may not be realistic full time wages, and are illustrative only. Single people working full time are not eligible for social assistance, and so are not shown. The beneficiary is 40 years old; in the 2nd month of benefit receipt; children, if present, are 4 and 6; and the beneficiary's spouse, if present, has no earnings.

3.2. Special housing benefit for people on social assistance (*Særlig støtte*)

Variable name: **[HB; HB_SPEC]**

This benefit is granted as a supplement to persons who fulfill the conditions to receive social assistance and are in a particularly difficult situation due to high housing costs.

For families without children, net rent (gross rent minus general housing benefits, see section 4) exceeding DKK 3 200 per month is paid. For families with children, all net rent above DKK 4 650 per month per adult is paid (DKK 4 750 if the child is not living at home), reduced by DKK 850 for each child (DKK 700 if the child is not living at the home) other than the first. The total amount of social assistance after tax and special housing benefit cannot exceed 90% of the previous net earnings, which is considered to be broadly equivalent to be the net earnings in the most recent calendar month before the change that led to the need for social assistance occurred. If this amount is not a reasonable expression of the applicant's earning capacity, the average income in the last three calendar months is used instead. From the fourth month onwards, the total amount cannot exceed the maximum unemployment benefit after tax.

3.3. Housing benefit (*Boligsikring*)

Variable name: [\[HB ; HBEN\]](#)

This is a non-contributory benefit, means-tested and not taxable.

3.3.1. Eligibility conditions

There are two main housing benefits in Denmark: the first, the “*boligsikring*”, is primarily targeted at working-age households without pensioners, whereas the second, the “*boligydelse*”, is mainly for pensioners (or for recipients of disability pensions granted before 2003). As the “*boligydelse*” is dominantly paid to pensioners it is not described in this report and is not simulated in TaxBEN.

3.3.2. Benefit amount

The actual rent before electricity, antenna, gas and warm water expenditures is the basis for housing benefits. The rent is corrected for the indicative size of the apartment expressed in square meters. The correction factor is the sum of 65 m² plus 20 m² per household member divided by the actual m². A household can therefore receive full subsidy up to 85 m². Furthermore, the corrected rent will - if it exceeds certain limits depending on family size - be reduced to a maximum allowed (subsidized) level.

The maximum subsidized rent is DKK 83,100 for households without children and if there are children the maximum is increased by 5% per child, max 20 per cent. Households can receive housing benefits up to DKK 43,848. If there are more than three children this amount is raised by 25% to DKK 54,810.

General housing benefits – rent subsidy (*boligsikring*) (in DKK), 2022

Number of children	0	1	2	3	4 or more
Max. subsidized rent per year	83,100	87,255	91,618	96,199	101,009
Max. benefit per year ¹	43,848	43,848	43,848	43,848	54,810

1. Note: Benefits cannot exceed 15% of the rent in families without children.

The subsidy is calculated as 60% of the rent with an income-related deduction of 18% of the household income beyond DKK 148,100. For household without children the subsidy cannot exceed 15% of the rent. For households with children, the subsidy is also 60% of the rent and then reduced by 18% of the household income beyond DKK 148,100. However, if there is more than one child in the household, this threshold is raised by DKK 39,000 per child up to max DKK 265,100 (which equals an increase for three additional children). Households must always pay at least DKK 25,000 out of the payable rent.

Thresholds and parameters for the calculation of the rent subsidy (in DKK), 2022

% benefits of rent	Threshold for deduction	% deducted above	Threshold raised per child (2-4)	Minimum own payment
60	148,100	18	39,000	25,000

Finally, a minimum triviality limit of DKK 3,216 applies under which no benefit is paid.

Source: [Boligstøtte \(bm.dk\)](#)

3.3.3. Benefit duration

There is no limit to the benefit duration. Housing benefit is paid on a monthly basis.

3.3.4. Means test

The benefit is phased-out against the total household income augmented to taking into account financial wealth minus the deductions outlined above. The total household income should include earnings from employment, unemployment related benefits and social assistance. From this income, one should deduct the employee labour market contribution.

3.3.5. Tax treatment

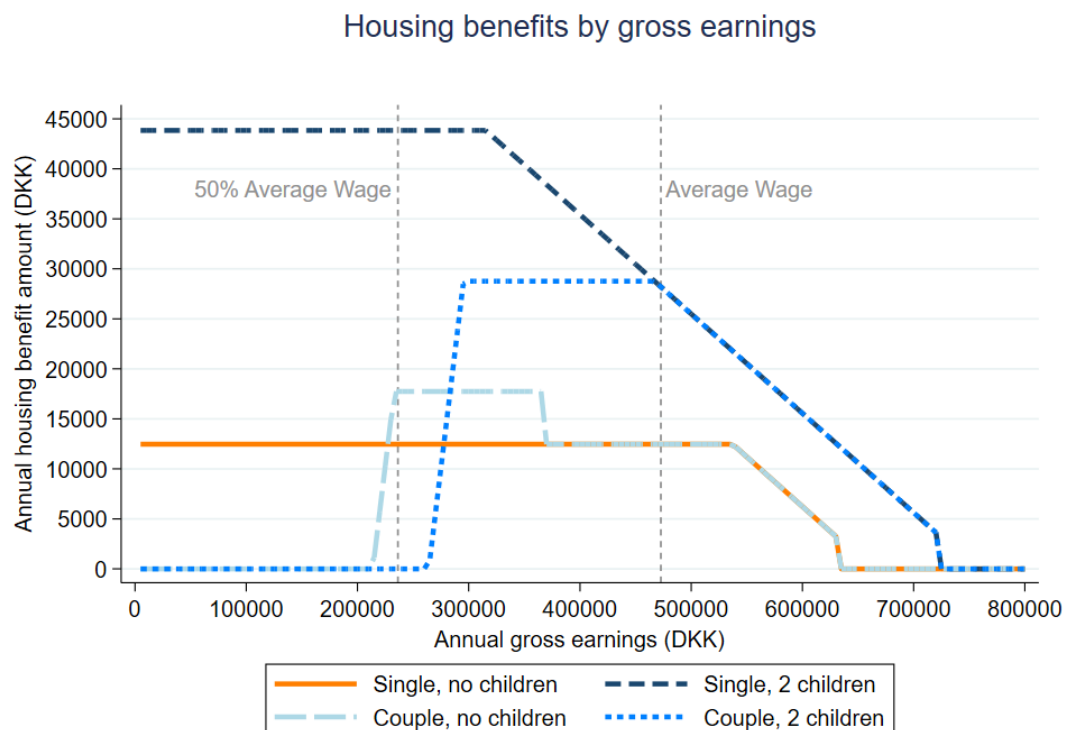
All housing benefits are non-taxable.

3.3.1. Interaction with other components of the tax-benefit system

3.3.2. Combining benefit receipt and employment/starting a new job

See Section 3.3.4.

Figure 4 – Housing Benefits



Note: Adults are 40. In case of couples, spouse does not work and receives Social Assistance. Children, if present, are 4 and 6. Rent is 20% of average wage, i.e. DKK 7878.77 per month in 2022.

3.4. The cap on social assistance

For all recipients of social assistance, there is a cap on the total amount of special housing benefit (særlig støtte) and housing benefit (boligstøtte) that you are entitled to receive. Recipients of social assistance who live in certain special housing due to disability are exempted from the cap. The cap depends among other things on age, whether a person is a dependent, married/cohabiting or single. The following table summarizes the different limits.

The cap does not mean that the amount a person receives in social assistance is reduced, but that one is paid less in special housing benefit and housing benefit. The following table outlines the cap for each type of social assistance recipient (figures in grey are not taken into account in TaxBEN):

The cap per person, DKK per month

	2022		2022
Single, >= age 30, without children	14,171	Couple, >= age 30, without children	11,716
Single, >= age 30, with one child	16,233	Couple, >= age 30, with one child	15,570
Single, >= age 30, with two or more children	16,617	Couple, >= age 30, with two or more children	15,570
Single, < age 30, without children, with a vocational education	10,848	Couple, < age 30, without children, with a vocational education	10,097
Single, < age 30, with one child, with a vocational education	15,913	Couple, < age 30, with one child, with a vocational education	13,294
Single, < age 30, with two or more children, with a vocational education	16,296	Couple, < age 30, with two or more children, with a vocational education	13,162
Single, < age 30, without children, without a vocational education	10,420	Couple, < age 30, without children, without a vocational education	9,674
Single, < age 30, with one child, without a vocational education	15,141	Couple, < age 30, with one child, without a vocational education	12,678
Single, < age 30, with two or more children, without a vocational education	15,522	Couple, < age 30, with two or more children, without a vocational education	12,507

4. Family benefits

4.1. Child and youth allowance (*Børne- og ungeydelsen*)

Variable name: **[FB]**

This is a non-contributory benefit, means-tested and not taxable.

4.1.1. Eligibility conditions

Families who live in Denmark with children below the age of 18 qualify for child and youth allowance. As a main rule, the allowance is split evenly between the custody holders.¹⁵ In TaxBEN lone parents are assumed to have full custody of their children, and thus are eligible to receive the entire allowance.

Entitlement to child and youth allowance is gradually acquired through periods of employment or residence in Denmark of 6 months' duration. A national of the EU/EEA or Switzerland acquires entitlement to the child and youth allowance on the basis of work or residence in EU/EEA or Switzerland as well as in Denmark.

4.1.2. Benefit amount

The allowance is age dependent: for children aged from 0 to 14 the allowance is given in accordance with the child allowance scheme, which contains three subgroups (children aged 0-2, 3-6, and 7-14); for children aged 15 to 17 the allowance is given in accordance with the youth allowance scheme.

For children aged from 0 to 14 the allowance is paid out in quarterly amounts, while for children aged 15-17 the amount is paid out in monthly rates of DKK 966 (i.e. the quarterly amount divided by 3).

Age group	Quarterly amount (DKK) for each child
0 – 2	4,653
3 – 6	3,681
7 – 14	2,898
15 – 17	2,898

4.1.3. Means test

The benefit amount is reduced with 2 percent of earned income after the labour market contribution (*Arbejdsmarkedsbidrag*) (8 per cent, see Section 8.1.3) above a fixed income ceiling which in 2022 amounted to DKK 828,100

4.1.4. Tax treatment

Child and youth allowance are not taxable.

4.1.5. Interaction with other components of the tax-benefit system

The benefit is universal and can be received together with any other benefit.

4.1.6. Combining benefit receipt and employment/starting a new job

Employment doesn't affect benefit receipt.

4.2. Child allowances (*Børnetilskud*)

Variable name: **[FB]**

¹⁵ 1 January 2022 new rules concerning the recipient of the allowance came into force.

Parents in Denmark may be entitled to other family benefits that depend on whether they belong to a particular group or are in a particular situation. In such cases parents typically receive child allowances as applicable whose amounts depend on the specific situation. Examples are allowances for single parents, orphans; cases where paternity has not been established; mothers with multiple births; parents receiving an old-age or disability pension, etc. These allowances are typically non-contributory, not means-tested and not taxable.

Most of these supplements are not applicable within TaxBEN and are therefore described in the Annex. The focus of this section is on the ordinary and extra child allowance to lone parents (*ordinært børnetilskud*; *ekstra børnetilskud*) and advance payment of child support (*forskudsvis udbetalt børnebidrag*).

4.2.1. Eligibility conditions

To be eligible for the **extra child allowance** (*ekstra børnetilskud*) as a single parent, the recipient must be:

- entitled to the ordinary child allowance as a single parent
- have custody
- have the child living with them.

To receive the **ordinary child allowance** (*ordinært børnetilskud*) as a single parent one has to be a single parent and meet the following conditions: be the sole provider; not married; be resident in Denmark; the child (or children) lives in Denmark; Danish citizenship (or have lived in Denmark for a minimum of one year); the child is not married. The single-parent situation must be proven once a year.

It is possible to receive **advance payment of child support** (*forskudsvis udbetalt børnebidrag*) if the ‘absent parent’ does not pay the child support on time.¹⁶

4.2.2. Benefit amount

The **ordinary child allowance** (*ordinært børnetilskud*) is DKK 6,068 per child aged 0-17 per year and is supplemented by an **extra child allowance** (*ekstra børnetilskud*) of DKK 6,184 per year (irrespective of the number of children).

Advance payment of child support (*forskudsvis udbetalt børnebidrag*): There is a state transfer of DKK 17,520 per year for each dependent child. The state advances the money and then demands the absent parent to pay it in full or in part. The alimony payment in 2022 consists of a basic amount which is DKK 15,516 per year and a supplement which is DKK 2,004 per year (i.e. in sum DKK 17,520).

4.2.3. Benefit duration

As long as eligibility conditions hold, ordinary child allowance and the extra child allowance is paid on a quarterly basis. Advance payment of child support is paid on a monthly basis.

4.2.4. Means test

Not means-tested.

¹⁶ This is the usual assumption in TaxBEN, i.e. if public alimony payments are in place, they are granted in the model upon meeting further possible eligibility conditions.

4.2.5. Tax treatment

Non-taxable.

4.2.6. Interaction with other components of the tax-benefit system

Both supplements are universal and can be received together with any other benefit.

4.2.7. Combining benefit receipt and employment/starting a new job

Employment doesn't affect benefit receipt.

4.3. Temporary child benefit (Midlertidigt børnetilskud)

On 1 January 2020, a temporary child benefit was introduced for persons affected by the cap on social assistance (described in Section 3.4), or persons receiving the self-sufficiency and return benefit or transition benefit (not taken into account in TaxBEN), applying retroactively from 1 August 2019.

The monthly amount for temporary child benefit in 2019 was DKK 700 per child per month for parents at the lowest benefit level, DKK 600 per child per month for single parents and DKK 550 per child per month for all other qualified recipients (see the table for the levels in 2022).

Single parents receive an additional benefit of DKK 650 (2019) per month independent of the number of children. The benefit applies to children from 0-14 years of age. For example, a single mother receiving social assistance with two children in the 0-14 year age group can receive up to DKK 1,850 (2019) in extra tax-free benefits per month.

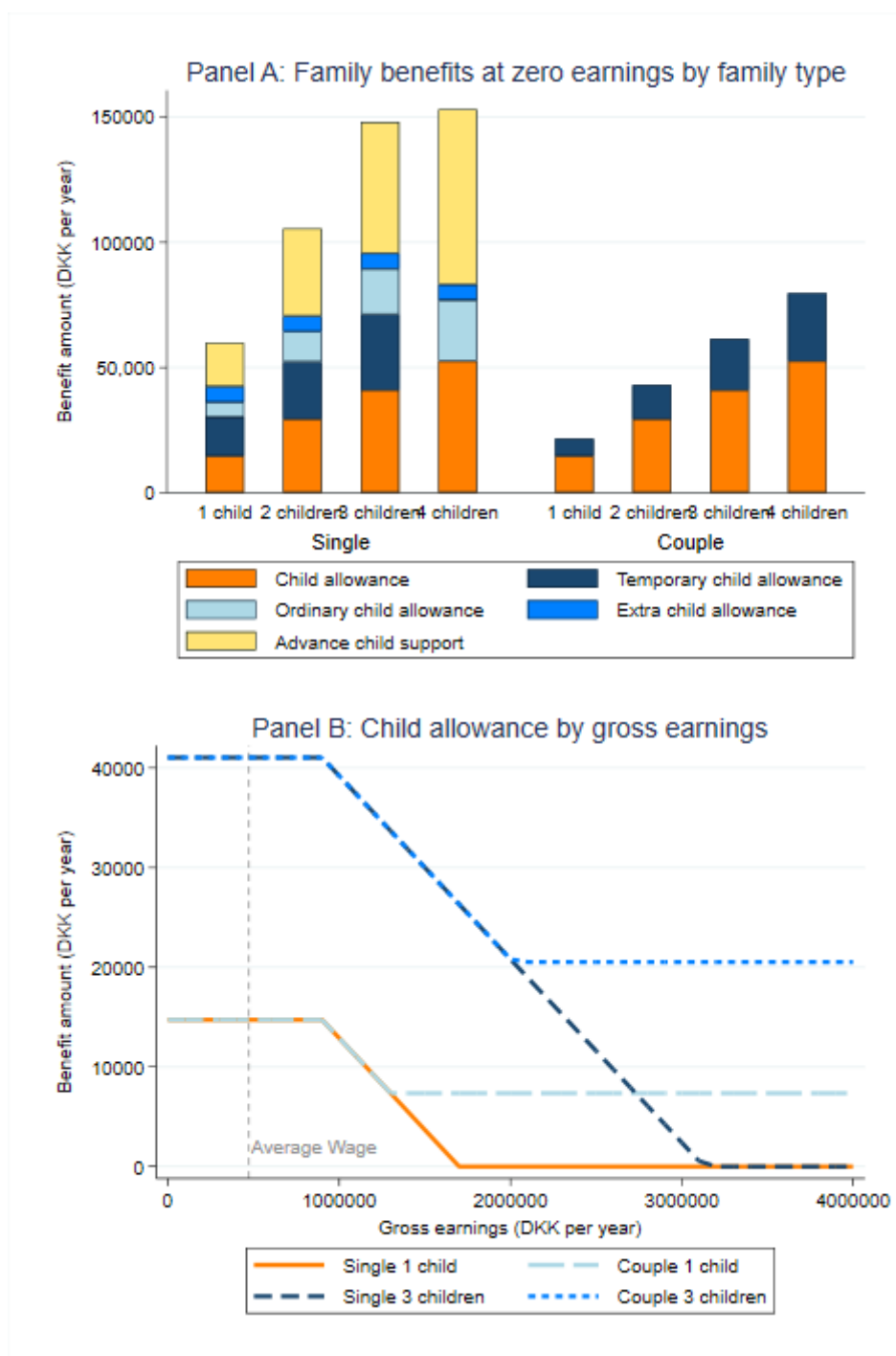
The temporary child benefit is calculated in such a way that recipients cannot receive a higher total amount than the amount their housing benefits were reduced with due to the the cap on social assistance. For people receiving the self-sufficiency and return benefit or transition benefit they can receive no more than DKK 1.891 in 2019 (DKK 1.940 in 2022).

Maximum temporary child benefit in 2022, DKK per month per child

	2022		2022
Single, >= age 30, with children	616	Couple, >= age 30, with children	564
Single, < age 30, with children, with a vocational education	616	Couple, < age 30, with children, with a vocational education	564
Single, < age 30, with children, without a vocational education	718	Couple, < age 30, with children, without a vocational education	718

Note: The temporary child allowance are paid out to parents with a child aged between 0-14, who are affected by the cap on social assistance. The amount stated for couples are the total amount the couple can receive. Singles are eligible for an extra DKK 666 independent of the number of children. Couples and singles can only receive as the reduction in the amount received in special housing benefit or house benefit due to the limit on social assistance. There currently is a law with a sunset clause 31. December 2023.

Figure 5 – Family Benefits



Note: Panel A shows family benefits for families with zero earnings, by payment and family type. Panel B shows Child Allowance (Børne- og ungedydelsen, see section 4.1) by gross earnings for selected family types. Adults are aged 40. In couple families the spouse has no earnings. One child families have a child aged 4. Two child families also have a child aged 6. Three child families also have a child aged 8. Four child families also have a child aged 10.

5. Net costs of Early Childhood Education and Care

The **reference date** for the policy rules described in this section is **January 1, 2022**.

In Denmark, the guaranteed day-care availability ensures that all children from 26 weeks until school age are entitled to be enrolled in a day care facility.

5.1. Gross childcare fees

Variable name: `[DKcc_cost]`

The average gross fee across municipalities paid per year by parents for full time day-care in 2021 is shown in the table below. Parents with low incomes pay less (see Section 5.3) and there is also a price-reduction if the parent(s) have more than one child in day-care.

In the average fee paid for a child in day-care institutions the price includes lunch, even if the parent(s) pay this rate separate. In family day-care lunch is always included in the fee. TaxBEN applies the fee for day-care institutions only.

Average fee paid per year 2022, DKK

Age	Day-care institution	Family day-care
0-2	40.233	33.311
3-5	22.572	34.536 ¹⁷

Source: statistikbanken.dk table RES88

Note: The yearly rates are the rates decided by the municipalities as of 1 January. The figures have been corrected in cases where one or more months are free of payment. The rates are before subsidies (See Section 5.3)

Childcare fees are not tax deductible and are not taken into account when determining entitlement to benefits such as social assistance. The actual fees depend on the household income, see Section 5.3.

5.1.1. Discounts for part-time usage (not modelled)

Municipal authorities have the possibility to offer parents a part-time daycare service. The gross operating expenditure for the daycare service varies depending on whether or not it is a part-time or full-time daycare service. The state covers a minimum of 75% of the gross operating expenditure for the daycare service. Furthermore, parents on maternity leave have a right to apply for a part-time daycare service of 30 hours per week with a discount in their own payment.

In Copenhagen, part-time daycare is not generally offered to parents, except those on maternity and paternity leave¹⁸. Parents may also have access to part-time daycare if they have a documented need due to work that lies outside the normal operating hours of daycare facilities. In this case their part time care is complemented by a subsidy for flexible childcare (i.e. to pay for a childminder in the evening or at the weekend). These

¹⁷ Very few children aged 3-5 attend family day-care in Denmark. The average fee presented here is indicative.

¹⁸ Source: <https://international.kk.dk/live/childcare-and-school/childcare-services/cost-of-childcare-services>

scenarios are outside the scope of the TaxBEN model, and so part-time usage is not modelled in TaxBEN.

5.2. Fee discounts and free provision

See Section 5.3.

5.3. Subsidy for formal centre-based care (*Tilskud til egenbetaling*)

Variable name: `[cc_benefit/ cc_subsidy]`

5.3.1. Eligibility

Subsidised day-care is available to all households with young children (26 weeks until school age) in day-care.

5.3.2. Benefit amount

Parents pay a maximum of 25% of the budgeted gross operating expenditure for day-care services for children from 26 weeks to age six. The average parent's gross payments are given in Section 5.1.

There is no charge for day-care if the household income (gross income net of general social security contributions) is below DKK 187,900 (2022). From DKK 187,901 to DKK 192,066 the payment is 5% of the full rate. From that income level, the payment is linearly increased until the full price is paid at a household income of DKK 583,700, i.e. the payment is increased by 1 percentage point for every income increment of DKK 4,165.

There are special discount rates for single parents: the scale for calculating the payment in percent of the full rate for financially aided place subsidy increases with DKK 65,747 for each level of income.

There are special discount rates for siblings: First, if the household at the application time has more than one child under 18 years of age, the scale for calculating the payment in percent of the full rate for financially aided place subsidy increases with DKK 7,000 for each level of income. Second, 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 discount for siblings is calculated subsequently.

Parents of children with special social problems can have a supplemental subsidy in addition to the above-mentioned subsidy (not modelled in TaxBEN).

5.3.3. Tax treatment

The benefit is not taxable.

5.4. Subsidies for private childminding and minding own children (*Tilskud til pasning af egne børn*)

The local council may decide to allow parents with children aged 24 weeks to school age the opportunity to choose a financial subsidy for minding their own children instead of accepting a place in a day-care facility. The municipal council may decide that such subsidies shall be payable only to parents with children of a specific age group.

Subsidies for minding own children are conditional upon the applicant

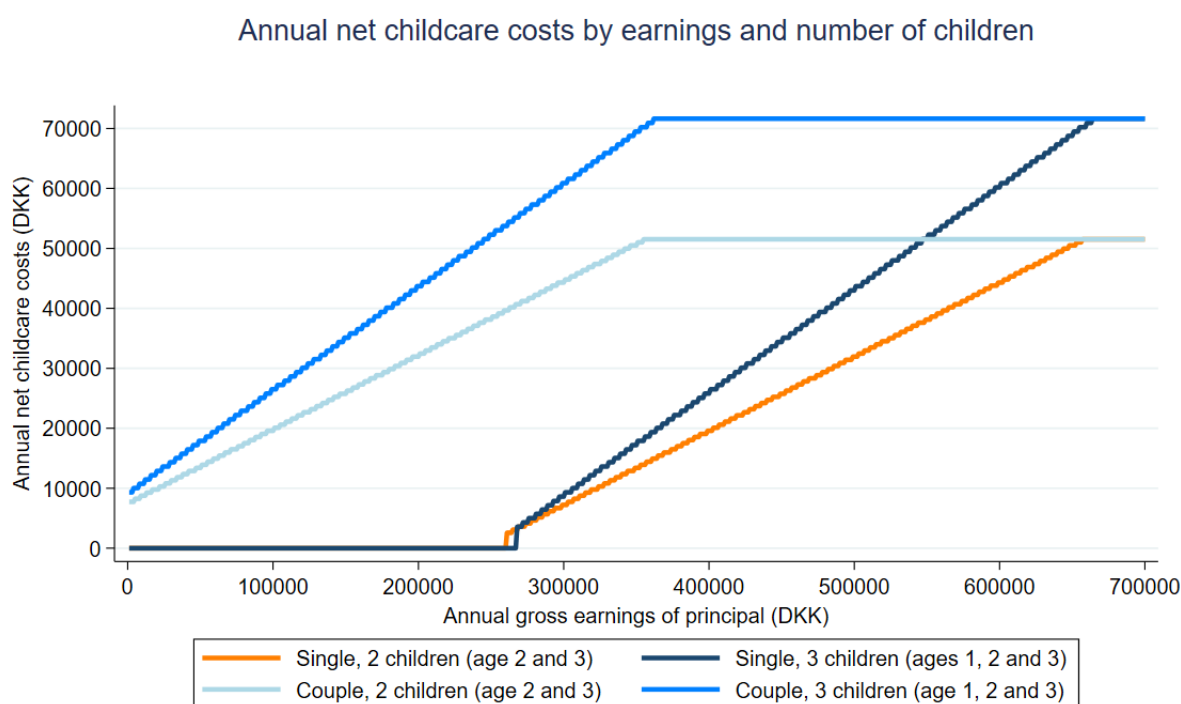
1. having Danish skills that are sufficient in order to develop the child’s Danish language skills;
2. not receiving public transfer payments at the same time or having earned income;
3. having resided in Denmark for seven of the past eight years. Each municipality can decide to grant subsidies to parents taking care of their children instead of using a day care facility.

This subsidy is not implemented in TaxBEN.

5.5. Tax concessions for childcare expenditures

None.

Figure 6 – Net Childcare Costs



Note: All adults are 40 years old. In case of couples, spouse earns 50% of average wage, i.e. DKK 236 363.21/year in 2022.

6. Employment conditional benefits

OECD note: This section provides information on employment-conditional (“in-work”) benefits for employees, i.e. benefits whose eligibility is conditional on being regularly employed and working a certain number of hours or having earnings beyond a certain minimum. This definition notably excludes ‘workfare’ programmes and related ‘work-first’ policies that make out-of-work benefits conditional on participation in work activities.

This section provides information also on *one-off* and/or *temporary* payments for benefit recipients who are out of work and make a transition into employment. These types of

benefits are referred to as transitional “into-work” benefits in order to differentiate them from the “regular” in-work benefits that do not have any predefined maximum duration after moving into work.

Based on this definition, Denmark does not have an “in-work” benefit programme.

7. Social security contributions and payroll taxes

7.1. *Employee’s social security contributions (A-kassebidrag, Efterlønsbidrag, ATP-bidrag)*

Variable names: [SC; SS_ee_p; SS_ee_s; SS_ue_p; SS_ue_s; SS_sa_p; SS_sa_s; neg_it]

Full-time employees pay contributions to an unemployment insurance fund in order to be eligible for unemployment insurance and early retirement pension.¹⁹ The contribution consists of two parts: one of DKK 4,416 per year for unemployment insurance (*A-kassebidrag*) and the other of DKK 520 for voluntary early retirement scheme (*Efterlønsbidrag*). In addition an average administration fee of DKK 1,523 is added. In TaxBEN, the contribution to the unemployment insurance fund is modelled as an 8% tax rate in 2022. (Source: [A-kassernes administrationsbidrag \(star.dk\)](#), [Indbetaling til efterlønsordningen \(borger.dk\)](#))

In addition, there is a compulsory fixed contribution of DKK 1,136 to the Supplementary Labour Market Pension Scheme (*ATP-bidrag*) for full-time workers who work at least 117 hours per month. For workers who work less than 117 hours but not less than 78 hours, the rate is DKK 757. For those who work less than 78 hours but not less than 39 hours, the rate is DKK 379 whereas for those working less than 39 hours per month the rate is DKK 0. The fixed contribution is DKK 94.65 per month for those receiving a guaranteed minimum income benefit (*Kontanthjælp*). These contributions are modelled as a standard tax relief from the personal income tax. As the employee (and employer, see below) contribution is paid to a privately-managed pension scheme, they are not considered as taxes but rather non-tax compulsory payments (NTCP) in TaxBEN.²⁰ (Source: [Virk, Ydelser, du betaler ATP-bidrag af \(borger.dk\)](#))

If the employee only works part-time and for the remaining hours receives benefits, or does not work and receives benefits, s/he also pays a fixed amount of the benefits to the general Supplementary Pension Scheme. Typically, this amount is DKK 1.34 for every hour s/he receives the benefit based on a working week of 37 hours. In the TaxBEN calculations, this amount applies to recipients of Social Assistance and Unemployment Benefits working part-time (compare Sections 2 and 3).

7.2. *Employer’s social security contributions (ATP-bidrag)*

Variable names: [SSCR; SSCR_p; SSCR_s]

¹⁹ Although contributions to the unemployment funds are not mandatory in Denmark, these payments have been defined as social security contributions and classified as taxes in the Danish national accounts until the 2014 revision of the Danish national accounts. Currently, contributions to the unemployment funds are no longer classified as taxes in the Danish national accounts.

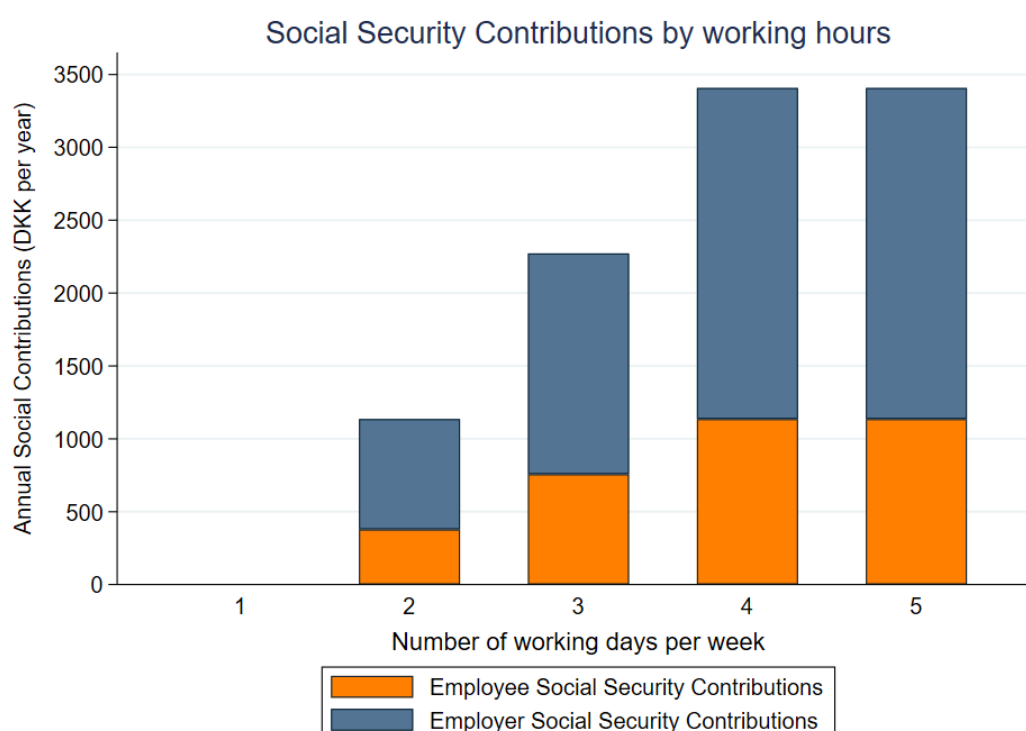
²⁰ NTCPs refer to compulsory payments made by employers or employees in connection with the employees’ labour activity that do not qualify as taxes and social security contributions. See [the “Associated paper: non-tax compulsory payments” to the latest OECD Taxing Wages report](#) for more details on NTCPs.

The employer also contributes to the Supplementary Labour Market Pension Scheme. For a full-time employee this contribution is DKK 2,272 (i.e. twice the fixed amount of DKK 1,136 for the employee). It is compulsory for the employer to contribute also to the Employers' Reimbursement System (DKK 2,803); the industrial injury tax (Varies with sector), and the Employees' Guarantee Fund (DKK 520). In addition, all private sector employers contribute to Financing Contribution (DKK 825) and barsel.dk (DKK 1.150). Those contributions are considered as non-tax compulsory payments (NTCP) in TaxBEN and are not considered in the tax calculations.²¹

7.3. Payroll taxes

None.

Figure 7 – Social Security Contributions by working hours



Note: For 40-year old one-earner couple with 2 children (ages 4 and 6). Primary earns average wage. (SSC are not dependent on wage, but working hours per month.)

8. Taxes

Taxation in Denmark is mainly at the individual level. The taxation period is the calendar year.

²¹ Both these payments are paid to privately managed funds. The Financing Contribution covers part of the Danish state's expenses to ATP-contributions as well as expenses to Employees' Guarantee Fund for the unemployed. Barsel.dk is a statutory scheme covering the part of the private sector labour market that is not covered by other approved maternity/paternity compensation schemes.

8.1. Personal income tax

Variable name: [IT; INCTAX_p; INCTAX_s; TAX_p; TAX_s; LMC_p; LMC_s; HEALTH_tx_p; HEALTH_tx_s]

8.1.1. Tax allowances

Variable names: [ALL_p; ALL_s; EarnCredit_p; EarnCredit_s; EarnCreditLP_p; EarnCreditLP_s]

Standard tax allowances:

Deductibility of social security contributions: The employees' payments to labour market supplementary pension schemes are not included in personal income or taxable income, i.e. are fully deductible. Contributions to unemployment insurance and early retirement pension are only deductible in the taxable income.

Tax Credit Scheme (*Beskæftigelsesfradrag*): Wage or salary earners who make expenses in order to earn their income (e.g. transport expenses, trade union membership dues, unemployment premiums) can fully deduct these expenses from taxable income. The tax credit scheme allows taxpayers to deduct 10.65 per cent of earned income to a maximum of DKK 43,500 in order to calculate taxable income, it thus serves as a tax allowance. Lone parents get an extra employment allowance of 6.25 per cent in 2022 with a maximum allowance of DKK 23,700. The effective value of the allowance is equal to the average municipality tax (24.982%) multiplied by the value of the deduction.²²

Job allowance (*Jobfradrag*) Taxpayers with an income (plus pension payments) of at least DKK 202,700 receives a job allowance of 4.5% on taxable income. The maximum allowance of DKK 2,700 is achieved at an income of DKK 262,700 and the effective value of the credit is equal to about DKK 675 (24.982% x DKK 2,700 = 675 DKK).

8.1.2. Tax base

Variable names: [TAXABLE_p; TAXABLE_s; PERS_p; PERS_s]

In the Danish personal income tax system, the income of the individual taxpayer is split into three categories:

- *Personal income*, which consists of employment income, business income, pensions, unemployment benefits etc. less employees' contributions to certain pension schemes and their payments to labour market supplementary pension schemes (see Section 8.1.1).
- *Capital income* (e.g. interest income and some capital gains) is calculated as a net amount (the sum of positive and negative capital income net of interest expenses). Dividend income and the property value of owner-occupied dwellings are taxed at different tax rates (capital income is not considered in TaxBEN).
- *Taxable income* – the aggregate of personal income and capital income less deductions (see Section 8.1.1).

²² Various non-standard tax allowances also exist, e.g. related to the actual costs that are made in order to acquire income, interest payments or contributions/premiums paid to private pension saving plans. These are not modelled in TaxBEN.

Regarding the tax unit, the earned income of each spouse is taxed separately. However, some unutilised personal allowances can be transferred between them.

8.1.3. Income tax schedule

Individuals pay an 8% Labour Market Contribution (*Arbejdsmarkedsbidrag*), levied on the gross wage or other income from work *before* the deduction of any allowance (compare Section 7.1).

Low bracket tax of the central government (*Bundskat*) is levied on the sum of the personal income base plus any positive net capital income minus the general tax allowance. The rate is 12.09%.

Top bracket tax of the central government is levied at the rate of 15% on the sum of the personal income base plus any positive net capital income and contributions to capital pension schemes, minus DKK 552,500. If a married individual cannot utilise the total allowance of DKK 552,500, the unutilised part is not transferred to the spouse.

If the marginal tax rate including local tax but excluding church tax exceeds 52.07 per cent, the top bracket tax rate is reduced by the difference between the marginal tax rate and 52.07 per cent.

8.1.4. Tax credits

Variable names: [CREDITS_p; CREDITS_s; HEALTH_cr_p; HEALTH_cr_s; GREEN_p; GREEN_s]

General personal allowance: Each person is granted general personal allowance, which is converted into a non-refundable 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:

Central government income tax	12.09 per cent of DKK 46,600 = DKK 5,633.94
Local government income tax	24.982 per cent of DKK 46,600 = DKK 11,641.61

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

There is a *special* personal allowance for an individual younger than 18 years: DKK 37,300 (not considered in TaxBEN as working individuals are assumed to be at least 18 years old).

Green check: Individuals older than 18 years receive a ‘green check’ of DKK 263 as refundable tax credit to compensate the increase in energy, transport and environmental taxes (DKK 875 for pensioners); this amount is increased with DKK 90 per child for up to two children (DKK 110 for pensioners). Only the recipient of the child and youth allowance receives the increased ‘green check’ for children. If the recipient receives the full child and youth allowance the amount of the increased ‘green check’ is DKK 180 per child for up to two children (DKK 220 for pensioners). The ‘green check’ is nominally fixed and is quickly phased out at a rate of 7.5 per cent for income above DKK 429,200. If the yearly income of the individuals is lower than DKK 250,800 the individuals receive an ‘additional green check’ of DKK 280.

8.2. Local income taxes (Kommuneskat and Kirkeskat)

Variable names: [LOC_TAX_p; LOC_TAX_s]

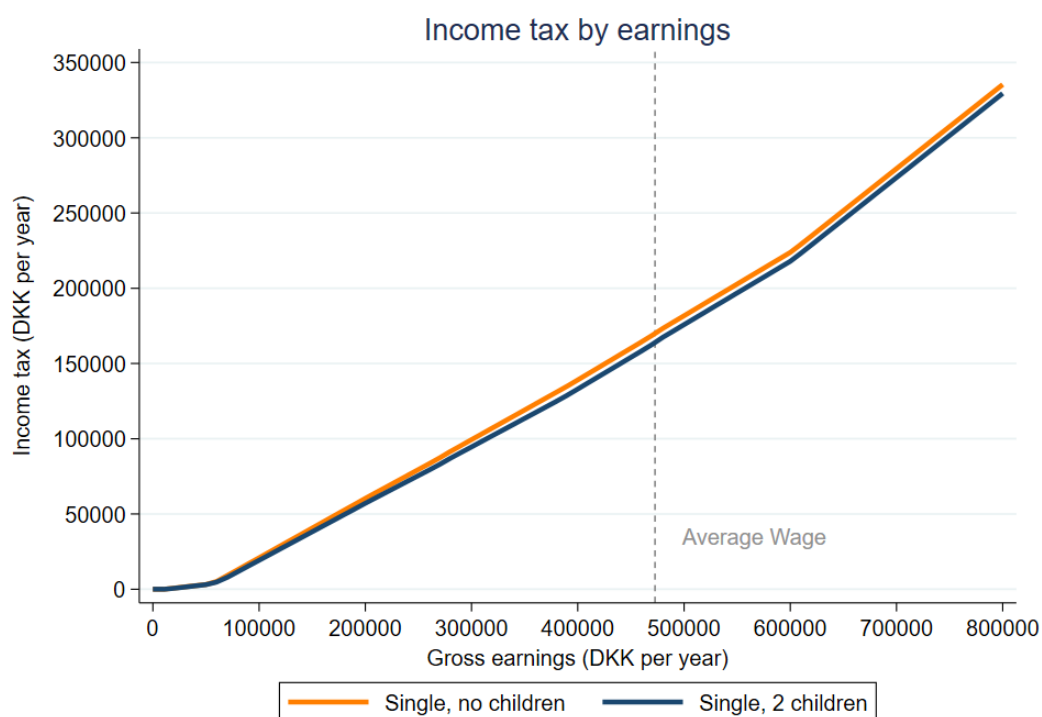
Local income taxes are levied by the municipalities (Kommuneskat). The rate varies by jurisdiction. The tax base is the taxable income base after the deduction of the general personal allowance. Unused allowances can be transferred between spouses. The tax credit varies with tax rates. The minimum, maximum and average amount of the municipality tax (Kommuneskat) are given below:

- Lowest rate: 22.8 per cent
- Highest rate: 26.3 per cent
- Average rate: 24.982 per cent

The average rate is used in TaxBEN; it is applied to the tax base minus the personal allowances.

The church tax (Kirkeskat) is a voluntary contribution and is not simulated in TaxBEN. It is paid by about 75% of taxpayers and the average rate was 0.876 in 2022.

Figure 8 – Income Taxes by gross earnings



Note: For single 40-year old. Children, if present, are 4 and 6.

9. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for Denmark in 2022 (see figure below). TaxBEN by default produces the following output: 1) net household incomes (**black line**) and 2) related income components (**coloured stacked areas**) for selected family and individual circumstances (users are free to select many of these

circumstances). The model and the related web calculator is accessible from the [project website](#). The figure below shows output for a two-adult family with two children (adults are both 40 years old whereas children are 4 and 6 years old respectively) and four different scenarios:

By percentage of the average wage (**Panel A**);

By unemployment duration (in months) for a jobseeker claiming unemployment benefits (**Panel B**);

By previous gross earnings levels for a jobseeker claiming unemployment benefits (**Panel C**);

By previous employment record (in months), for a jobseeker claiming unemployment benefits (**Panel D**).

The stacked areas show the following household income components: **GROSS** = gross earnings; **UB** = unemployment benefits; **SA** = social assistance / guaranteed minimum income benefits; **HB** = housing benefits; **FB** = family benefits; **IW** = in-work benefits; **SSC** = social security contributions; **IT** = income tax. Note that these components may be the result of the aggregation of more than one benefit/tax into a composite category. Please refer to the sections above for the benefits/taxes included in each category.

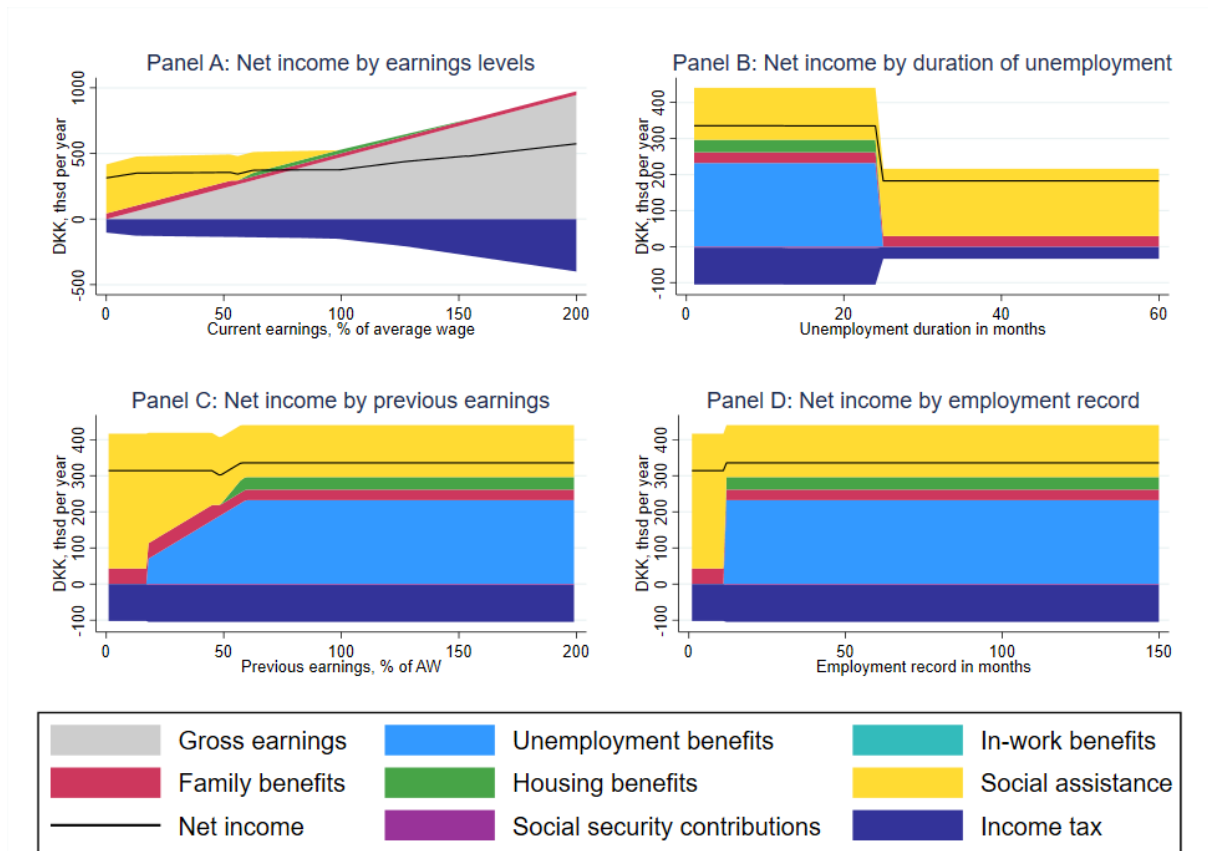
Social assistance and housing benefit supplements are assumed to be available in all the four scenarios provided that the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

Panel A assumes that one adult family member (the so-called ‘second adult’ using the TaxBEN terminology) is out of work and not eligible for unemployment benefits (e.g. because they have expired) whereas the other adult member (the so-called ‘first adult’) is employed full-time throughout the entire year at different earnings levels ranging between 0 and 200% of the average wage (AW). When earnings of the first adult are precisely 0% of the AW this person is assumed to be out of work without receiving unemployment benefits (again, e.g. because they have expired) but claiming social assistance or guaranteed minimum income benefits, as applicable.

Panels B to D assume that the second adult is out of work and not eligible to unemployment benefits whereas the first adult is also out of work and claiming unemployment benefits. In Panel B and C the first adult is assumed to have a ‘long’ employment record of 264 consecutive months before the job loss. The x-axis in Panel B measures the time of benefit receipt, starting from the first month. The x-axis in Panel C shows the amount of previous gross earnings (before any social contribution payments). Results in Panels C and D refer to the 2nd month of unemployment benefit receipt. In Panel B and D, previous earnings are assumed to be equal to the average wage.

Figure 7. Selected output from the OECD tax-benefit model

Couple with two children



*Note: the average wage used to produce the charts above is DKK 472 726.
Source: Calculations based on the OECD tax-benefit model, 2022.*

Annex I: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Denmark that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

Unemployment benefit for disabled persons admitted to the flexible-job scheme (Ledighedsydelse)

Unemployed persons with reduced work capacity can be admitted in so-called flexible-job schemes if they have a permanently reduced work capacity and 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 job scheme.

Voluntary early retirement benefit (Efterløn)

Members of an unemployment insurance fund, who have reached the age of early retirement, currently 63 years, have been members of an unemployment insurance fund for 30 years and have paid contributions for voluntary early retirement in a corresponding period, are entitled to a voluntary early retirement payment until they reach the retirement age (currently 67 years). The early retirement payment is calculated as in Section 2.1.2 but for a maximum of 91% of the maximum unemployment benefits, i.e. DKK 4,063 per week (DKK 211,308 per year) if they go into voluntary early retirement as soon as they reach the age of early retirement (currently the age of 63). However, if the transition into voluntary early retirement is postponed until three years before the public retirement age and if the person in this period has worked 30 hours a week on average, the voluntary early retirement payment is paid at the rate of 100% of the maximum unemployment benefits, i.e. DKK 4,465 per week (DKK 232,212 per year). Members in early retirement are not obliged to be available for work. However, they may work for an unlimited number of hours with an hour-to-hour deduction.

Survival allowance (Efterlevelseshjælp)

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 15,303 and it shall be payable to any dependent survivor whose estimated annual income does not exceed DKK 251,939. 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 393,651, no survivor's allowance will be paid.

Other child allowances

Special allowance for parents still studying (Særligt børnetilskud til uddannelsessøgende): A total of up to DKK 7,972 is under certain conditions payable a

year for a parent who is undertaking formal education, but only for one child. The supplement is paid quarterly and is depending of the income of the parents.

Supplementary child allowance (*Supplerende børnetilskud i visse praktik- og skoleperioder*): This is a supplementary child allowance for parents in trainee or school practice. Family breadwinners can in certain periods of training or education receive a supplementary child benefit of 55 percent of the difference between his or her trainee or school practice allowance (incl. any other income) and the state education grant with a breadwinner allowance. The supplementary child benefit will lift their total income to a level equivalent to the comparable state education grant with a breadwinner allowance.

Child allowance for multiple births (*Flerbørnstilskud*): Parents with multiple births receive DKK 0 for the first child and DKK 10,016 for the following child from 0-6 years of age.

Special child allowance (*Særligt børnetilskud*) to parents, who e.g. have chosen to adopt as a single parent, are retired etc.:

- Children of pensioners receive DKK 15,516 a year per child (one pensioner parent) or DKK 17,520 a year per child if both parents are pensioners. The supplement is paid quarterly and is means tested against the income of the parents. The total amount of received special child allowance is reduced by 3% if the family income is over the limit set for Social Pensions supplements. In the event where a family receives several special child allowances, the reduction is shared equally among these.
- Full orphans receive DKK 35,040 a year
- An allowance of DKK 17,520 is also payable when paternity cannot be determined.

Adoption Grant (*Adoptionstilskud*): In case of adoption of a foreign child, there is a possibility to receive a one-time allowance of DKK 57,635.

Child maintenance (*Børnebidrag*). Every year a set of guidelines are published, which suggest the size of income that leads to a raise in the alimony payment of absent parents. It is important to emphasize that it is only a recommendation, not a fixed rule. According to the guidelines, the alimony payment is raised with 100% of the basic amount, when an absent parent with one child earns more than DKK 530,000 per year. This income limit 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 actual suggested approximately income limits (2022).

Alimony payment	1 child	2 children	3 children	4 children	5 children
Approximately income limits (DKK)					
100%	540,000	600,000	680,000	790,000	920,000
200%	700,000	900,000	1,100,000	1,200,000	1,300,000
300%	1,400,000	1 700,000	2,000,000	2,100,000	2,400,000

Source: [Indkomstoversigt for fastsættelse af børne- og ægtefællebidrag i 2022 \(retsinformation.dk\)](https://www.retsinformation.dk/da/indkomstoversigt-for-fastsaettelse-af-borne-og-aegtefaellebidrag-i-2022)

Compensation for loss of income for parents of children with disabilities (*Dækning af tabt arbejdsfortjeneste*): Parents taking care of a child under age 18 who have a substantial and permanent disability can get a compensation for loss of earnings up to DKK 33,063 per month if they choose to give up their job fully or partially to provide domiciliary care and/or training of the child. The parents can also get a subsidy covering any necessary extra costs they have as a consequence of the functional impairment of a child under 18 with permanent physical or mental disabilities. Up to a maximum of DKK 5,207 per year, the subsidy covers all relevant extra costs relating to the personal day-to-day maintenance of everyday life for children with permanent physical or mental disabilities such as extra costs for transport and medicine. Source: [Børn og unge \(sm.dk\)](#).

Annex II: Programs not currently implemented

This section provides a brief description of other social protection systems in Denmark, but which are not currently included in the OECD tax-benefit model.

1.1. *Sickness Benefit (sygedagpenge)*

1.1.1. *Entitlement and eligibility conditions*

You can receive sickness benefit if you are unable to work due to your own illness or injury. In general, you must live in Denmark and pay income tax in Denmark there to qualify. In addition, you must have some connection to the labour market. As unemployed, you can fulfil the employment requirement if you would have been entitled to unemployment benefit if you had not fallen ill. The employment requirement can also be fulfilled, if you within the past month have completed a vocational training that lasted at least 18 months.

In order to receive sickness benefit, you are obliged to among other things:

- Assist and participate in the case information, including being examined
- In principle to participate in activation programs unless you are so seriously ill, that it is obvious that you cannot participate.
- Participate in consultations in the job center unless there is a valid reason to be absent.

The employer is obligated to pay out sickness benefit for the first 30 days (explained in more detail in section 1.3).

COVID-19 measures (Not currently implemented in TaxBEN model)

For people, who are at higher risk for COVID-19 (e.g. people with a chronic illness) and their close relatives, can during the reopening of Denmark stay away from work if it is too risky. They will receive wages or sickness benefits until 1 September 2020. Employers receive sickness benefit reimbursement throughout the period. The scheme is extended until 31 August 2021.

1.1.2. *Benefit amounts*

Sickness cash benefit (sygedagpenge) is calculated on the basis of hours of work during the illness and the hourly wage the employee has had during the last 3 months before the first day of absence. Benefits are paid monthly, with no minimum amount. The maximum amount is DKK 4,460 per week or DKK 120.54 per hour (37 hours per week) (2022).

Depending on the collective agreement, some employers (the majority) will continue to pay the employee full salary throughout the sickness spell (up until 22 weeks, generally) and will receive a public reimbursement of the level of sickness benefit in refund.

1.1.3. *Benefit duration*

22 weeks within a 9-month period. No waiting period before receiving benefits.

COVID-19 measures (Not currently implemented in TaxBEN model)

As a result of the Covid-19 situation, receivers of sickness benefit are eligible for an temporary extension of the right to sickness benefit by an additional 3 months in certain situations (for instance if sickness benefits would run out between 9 March to 30 September 2020).²³ Usually sickness benefit can be provided for or up to 22 weeks. The scheme is extended until 30 June 2021.

1.1.4. Means test

Not means tested.

1.1.5. Tax treatment

Sickness benefit is taxable income.

1.1.6. Interactions with other components of the tax-benefit system

Sickness benefit recipients can receive/claim other benefits without specific constraints.

1.1.7. Combining benefit receipt and employment/starting a new job

If you are partially incapacitated, you may receive reduced sickness benefits. It is a condition that a doctor considers that you can only work part-time or that you have to have outpatient treatments.

You can, at any time during a sickness benefit scheme, opt for a partial enrollment and start working on reduced time. You will receive pay for the hours you work, along with sickness benefit for the hours you are on sick leave.

You must be absent from work for at least four hours a week to receive sickness benefit.

1.2. Mandatory employer sick pay (arbejdsgiverperioden)*1.2.1. Entitlement and eligibility conditions*

Some collective agreements provide for the continued payment of wages and salaries in the case of sickness for certain groups of employees. If the employee does not get their salary during sickness, they are entitled to sickness cash benefit from the employer during the first 30 days (arbejdsgiverperioden) if they have a minimum working period of 74 hours during the 8 weeks immediately preceding the sickness. Employers will receive sickness benefit reimbursement after the first 30 days.

COVID-19 measures (Not currently implemented in TaxBEN model)

If an employee has COVID-19 or is quarantined due to COVID-19, their employer will receive sickness benefit reimbursement from the first sickness day if the employer continue to pay salary. Applicable from the 27 February 2020 until 30 June 2021 and again from the 23 November 2021 to 28 February 2022.

²³ <https://fm.dk/nyheder/nyhedsarkiv/2020/juni/bred-aftale-om-genopretning-af-dansk-oekonomi-og-udfasning-af-hjaelpepakker/>

1.2.2. *Benefit amounts*

Some (the majority) will receive full salary regardless of how long they have been employed by the company and some will receive a benefit equivalent to the sickness benefit from the employer if they fulfil the requirements described above.

1.2.3. *Benefit duration*

30 calendar days, from the first day of sickness.

1.2.4. *Means test*

Not means tested.

1.2.5. *Tax treatment*

Both sickness benefit received from the employer and salary are taxable incomes.

1.2.6. *Interactions with other components of the tax-benefit system*

It is possible to receive/claim other benefits without specific constraints

1.2.7. *Combining benefit receipt and employment/starting a new job*

-

COVID-19 measures (Not currently implemented in TaxBEN model)

1.3. *Temporary wage compensation (lønkompensation)*

First agreement of March 15:

<https://bm.dk/nyheder-presse/pressemeddelelser/2020/03/trepartsaftale-skal-hjaelpe-loenmodtagere/>

<https://www.retsinformation.dk/eli/ta/2020/267>

Agreement of extending to 9 July:

<https://bm.dk/nyheder-presse/pressemeddelelser/2020/04/trepartsaftale-om-midlertidig-loenkompensation-forlaenget-med-en-maaned/>

Agreement of extending to 29 August and gradually phasing out of the scheme:

<https://em.dk/nyhedsarkiv/2020/juni/regeringen-og-arbejdsmarkedets-parter-udfaser-gradvist-loenkompensationsordningen/>

Agreement on wage compensation in Northern Denmark, November 2020:

<https://bm.dk/media/15217/trepartsaftale-om-lokal-loenkompensationsordning.pdf>

Agreement on wage compensation, December 2020:

<https://bm.dk/media/15436/aftale-om-loenkompensationsordning.pdf>

Extension of agreement of wage compensation, January 2021:

<https://bm.dk/media/15633/aftaletekst-om-forlaengelse-af-loenkompensation.pdf>

Extension of wage compensation (to June 30 2021) in agreement of gradual reopening, March 2021:

<https://www.stm.dk/media/10258/rammeaftale-om-plan-for-genaabning-af-danmark.pdf>

Phasing out the wage compensation scheme, end June 30:

Tripartite agreement on the adjustment of the wage compensation scheme in connection with the gradual reopening of Denmark

[trepartsaftale-om-tilpasning-af-loenkompensationsordningen.pdf \(bm.dk\)](#)

Extension of agreement of wage compensation, December 2021

[trepartsaftale-10122021.pdf \(regeringen.dk\)](#)

Terminated February 15:

[Oversigt over kompensationsordninger | Virksomhedsguiden](#)

[Bekendtgørelse om en midlertidig generel lønkompensationsordning fra december 2021 til januar 2022 til virksomheder i økonomisk krise som følge af COVID-19 \(retsinformation.dk\)](#)

1.3.1. Entitlement and eligibility conditions

In order to receive compensation from the scheme, employers must face a reduction of at least 30% of their staff, or a reduction of more than 50 employees. These employees must agree to the reduced working time, and the firms must be covered by a collective agreement.

Employers must not dismiss their employees while they are receiving the wage subsidy.

1.3.2. Benefit amounts

The government will subsidise 75% of a worker's wage, up to a maximum of DKK 23,000 per month for a full-time employee. Non-salaried employees are eligible for a wage subsidy of 90%, up to a maximum of DKK 23,000 per month. The individual worker receives 100% of their salary, with the employer making up the difference.

1.3.3. Benefit duration

This scheme is effective between March 9, 2020 and August 29, 2020. It was extended by agreement to June 9 and then July 9 and lastly to August 29 with the tripartite wage agreement of June 5 2020. The scheme will then finally cease. The new agreement includes, among other things that the employees must take three weeks' holiday during the period. The first agreement from March 15 included 5 days mandatory holiday.

The scheme was ceased in August 2020 and reintroduced first in certain parts of the country and certain sectors. In December, it was reintroduced in the entire country and will be effective until the restrictions cease.

With the reintroduction in December, the companies can notify holidays for the individual employee corresponding to one holiday or one day leave of absence without pay per pay compensation month (28 calendar days) when employees are sent home on wage compensation.

1.3.4. Means test

Not means tested.

1.3.5. Tax treatment

The company receiving the subsidy must pay tax of the subsidy. The employee is receiving salary, which is taxed as usual.

1.3.6. Interactions with other components of the tax-benefit system

It is possible to receive/claim other benefits without specific constraints.

1.3.7. Combining benefit receipt and employment/starting a new job

-

1.4. Temporary work sharing scheme (midlertidig arbejdsfordelingsordning)

Agreement on temporary work sharing scheme, August 2020:

<https://bm.dk/media/14729/trepartsaftale-arbejdsfordeling.pdf>

Agreement on extension of the temporary work sharing scheme, November 2020:

<https://bm.dk/media/15311/aftaletekst-forlaengelse-af-arbejdsfordeling.pdf>

1.4.1. Entitlement and eligibility conditions

Members of an insurance fund. Non-members extraordinarily sign up for an unemployment fund and pay in 3 months' membership per month, where the right to supplementary unemployment benefits is desired under the new work sharing scheme. It covers 2 months of backward membership per. month, as well as ordinary membership fee during the period of supplementary unemployment benefits during the work sharing. After the expiry of the temporary scheme, the employee will not be entitled to unemployment benefits.

1.4.2. Benefit amounts

Employees send home in the work sharing scheme will receive unemployment benefit and the maximum unemployment benefit rate is be increased to DKK 23,000 per month in the scheme. Employees in the scheme will not use their unemployment benefit entitlement. The increase in the unemployment benefit rate is primarily financed by an employer contribution

1.4.3. Benefit duration

Maximum duration of 4 months.

1.4.4. Means test

Not means tested.

1.4.5. Tax treatment

Unemployment benefit is taxable income.

1.4.6. Interactions with other components of the tax-benefit system

It is possible to receive/claim other benefits without specific constraints.

1.4.7. Combining benefit receipt and employment/starting a new job

-