

## Denmark adopts easement of taxation of Danish and foreign investment funds

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The bill regarding easement of taxation of Danish and foreign investment funds was adopted by the Danish Parliament on 24 January 2019. For background on the bill, see EY Global Tax Alert, [Danish Government proposes to ease taxation of Danish and foreign investment funds](#), dated 5 October 2018.

The key changes include:

- ▶ The taxation of Danish individual investors investing in "equity-based" mutual investment funds classified as "investment companies" under Danish tax law is changed. Under the new rules, returns from shares and units in Danish and foreign "investment companies" that primarily invest in equities (a 50% test) are taxed as "equity income" for Danish individuals. Further, losses from listed equities and "equity-based investment institutes with minimum taxation" can be offset against returns from "equity-based investment companies."
- ▶ The rules on Danish taxation of dividends received by nonresident investors from Danish mutual investment funds are changed. Following the changes, nonresident investors are tax exempt on dividends from Danish "investment companies" and "investment institutes with minimum taxation." The exemption on Danish outbound dividends will only apply if the Danish mutual investment fund pays tax at a rate of 15% on dividends received by the fund from Danish equities. The Danish mutual investment funds will still be required to withhold tax at a rate of 27% on dividend distributions to foreign investors and the foreign investor must file a reclaim to recover the Danish withholding tax.

### Update of timeline

1. According to the law, the tax easements on returns from equity-based “investment companies,” are effective from the income year 2020.
2. The dividend withholding tax exemption for nonresident investors is effective from 1 March 2019.

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