

# THE OECD TAX-BENEFIT DATABASE

Description of policy rules for  
Denmark 2024



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## Description of policy rules for 2024

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## *Table of contents*

<b>Preface</b>	<b>4</b>
<b>The OECD tax-benefit model for Denmark: Policy rules in 2024</b>	<b>1</b>
<b>1. Reference wages</b>	<b>1</b>
<b>2. Unemployment benefits</b>	<b>1</b>
2.1. Unemployment insurance (Arbejdsløshedsdagpenge og andre a-kasseydelse)	1
2.2. Unemployment Assistance	6
<b>3. Social assistance and housing benefits</b>	<b>7</b>
3.1. Guaranteed minimum income benefit (Kontanthjælp)	7
3.2. Special housing benefit for people on social assistance (Særlig støtte)	12
3.3. Housing benefit (Boligsikring)	12
3.4. The cap on social assistance	15
<b>4. Family benefits</b>	<b>17</b>
4.1. Child and youth allowance (Børne- og ungeydelsen)	17
4.2. Child allowances (Børnetilskud)	18
4.3. Temporary child benefit (Midlertidigt børnetilskud)	20
<b>5. Net costs of Early Childhood Education and Care</b>	<b>22</b>
5.1. Gross childcare fees	22
5.2. Fee discounts and free provision	23
5.3. Subsidy for formal centre-based care (Tilskud til egenbetaling)	23
5.4. Subsidies for private childminding and minding own children (Tilskud til pasning af egne børn)	24
5.5. Tax concessions for childcare expenditures	24
<b>6. Employment conditional benefits</b>	<b>25</b>
<b>7. Social security contributions and payroll taxes</b>	<b>25</b>
7.1. Employee's social security contributions (A-kassebidrag, Efterlønsbidrag, ATP-bidrag)	25
7.2. Employer's social security contributions (ATP-bidrag)	26
7.3. Payroll taxes	27
<b>8. Taxes</b>	<b>27</b>
8.1. Personal income tax	27
8.2. Local income taxes (Kommuneskat and Kirkeskat)	30
<b>9. Selected output from the OECD tax-benefit model (TaxBEN)</b>	<b>30</b>
<b>Annex I: Other benefits and direct taxes</b>	<b>33</b>
Unemployment benefit for disabled persons admitted to the flexible-job scheme (Ledighedsydelse)	33
Voluntary early retirement benefit (Efterløn)	33
Survival allowance (Efterlevelseshjælp)	33
Other child allowances	33

## 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, 2024**.
- 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 2024


### 1. Reference wages

Average wage **[AW]**: The OECD tax-benefit model uses Secretariat estimates of the average full-time wage (available [here](#)).<sup>1</sup> If Secretariat estimates are not available yet, the model uses wage projections obtained by applying forecasted wage growth<sup>2</sup> to the latest available wage estimate.

Minimum wage: There was no statutory minimum wage in Denmark in 2024.<sup>3</sup>

### 2. Unemployment benefits

#### 2.1. Unemployment insurance (*Arbejdsløshedsdagpenge og andre a-kasseydelser*)

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

Variable name:<sup>4</sup> **[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.<sup>5</sup> 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.

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<sup>1</sup> 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.

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

<sup>3</sup> Minimum wages are typically regulated in the general agreements for particular sectors. TaxBEN does not take those minimum wages into account.

<sup>4</sup> 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.

<sup>5</sup> Approximately 70 percent of the Danish workforce is a member of an unemployment insurance fund.

**Age:** Persons can receive unemployment benefits if they are between 18 years and the statutory retirement age (67 years in 2024).<sup>6,7</sup> 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 263,232 (2024) earned within the past 36 months. However, a ceiling of approx. DKK 21,936 per month (2024) applies, which means that prospective recipients of benefits need to have been employed for at least 12 months (i.e.  $12 * \text{DKK } 21,936 = \text{DKK } 263,232$ ).

Persons can also stipulate a part-time insurance (not modelled in TaxBEN<sup>8</sup>) and in this case they become entitled to unemployment insurance after an income of 175,488 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. Although membership is voluntary, TaxBEN assumes workers are members of an unemployment insurance fund for the duration of their employment.

No contribution/employment history is required for recent graduates of a professional education as defined in the unemployment insurance act, provided they choose to be a member of a fund based on their professional education within 14 days of graduation. These recipients may receive Graduate rates of unemployment benefit. The TaxBEN model assumes recipients do not have professional education, and therefore are not eligible for the graduate rate of unemployment benefit.

#### **Behavioural requirements:**<sup>9</sup>

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.

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> TaxBEN assumes that people always stipulate full-time insurance, i.e. part-time insurance is not modelled.

<sup>9</sup> Details on behavioural requirements and sanction provisions for unemployment benefits are reported at <https://www.oecd.org/social/strictness-benefit-eligibility.htm>

### 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.

#### **Individual rate:**

In general, unemployment benefit will be paid at a rate of 90 percent of the recipient's former income from employment net of the 8% labour market contribution up to a ceiling.<sup>10</sup>

In the first three months (481 hours of benefit receipt for full-time insured), the ceiling is 118.86% of the maximum benefit amount (118.86% of DKK 20,359 = DKK 24,199 per month) if the benefit recipient meets the following eligibility conditions:

- Four years membership of an unemployment fund.
- Income of at least DKK 526,464 (2024) earned within the past 36 months. However, only the first DKK 21,936 of income counts each month which means prospective recipients of benefits need to have been employed for at least 24 months.<sup>11</sup>

If the recipient does not meet these eligibility conditions, or after the first three months of benefit receipt, the ceiling is the maximum benefit amount (DKK 20,359 per month).

#### **Youth rate:**

Recipients under the age of 25 generally receive the individual rate described above, however a lower "youth" rate is payable if the recipient:

- has received UI benefits with individual rate for 6 months, and
- is not eligible for the graduate rate (see Section 2.1.1, not modelled in TaxBEN), and
- did not work for at least 24 months (3,848 hours for full-time insured individuals or 2,565 hours for part-time insured individuals) before unemployment.

If subject to the youth rate, the recipient's unemployment benefit is reduced to 50 percent of the maximum benefit amount (DKK 10,180 per month for full-time insured) for the remainder of their benefit period.<sup>12</sup>

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<sup>10</sup> The increased ceiling for certain benefit recipients described here applied from 1 May 2023.

<sup>11</sup> Part-time insured (not modelled in TaxBEN) receive the increased rate for the first 390 hours of benefit receipt if they previously earned DKK 350,976 within the last 36 months and were employed for at least 24 months. The fund membership condition of four years also applies to part-time insured.

<sup>12</sup> In practice, few unemployment benefit recipients are subject to the 50 percent youth rate. Most recipients of unemployment benefits who are under the age of 25 receive either an individual rate or a graduate rate.

The benefit rate<sup>13</sup> paid to young recipients (individual or youth rates) may change depending on participation in active employment policy programs, however these programs are not included in the TaxBEN model<sup>14</sup>.

### Graduate rates (not included in the TaxBEN model):

Graduates who provide for a child aged below 18 will receive 82 percent of the maximum rate (DKK 16,694 per month). Graduates who do not provide for a child aged below 18 will receive 71.5 percent of the maximum rate (DKK 14,557 per month) for the first 481 hours with unemployment benefits. After the first 481 hours with unemployment benefits graduates, who are not providing for a child aged below 18 will receive 49.17 percent of the maximum rate (DKK 10,011 per month) if the graduate is aged below 30 or 62.11 percent of the maximum rate (DKK 12,645 per month) if the graduate is aged 30.<sup>15</sup>

The following table shows all applicable amounts (per month) in 2024 (figures in grey (part-time insured and Graduate rates) are not taken into account in TaxBEN):

Benefit rates (DKK/month)	% of max	Insured:	
		Full-time	Part-time
<i>Maximum benefit rate (ceiling):</i>	100%	20,359	13,573
<i>Increased maximum benefit rate for eligible recipients, first 3 months (ceiling):</i>	118.86%	24,199	16,133
<i>Youth rate (fixed rate)*:</i>	50%	10,180	6,787
<i>Graduate rates (fixed rate):</i>			
• With children	82%	16,694	11,130
• Without children, first 3 months	71.5%	14,557	9,705
• Without children, remaining months, 30+	62.11%	12,645	8,430
• Without children, remaining months, <30	49.17%	10,011	6,674

Note: First 3 months refers to the first 481 hours of full-time benefit receipt, or first 390 hours of part-time benefit receipt.

\* The Youth rate only applies in certain circumstances. See main text above for details.

### 2.1.3. Benefit duration

The benefit is paid on a monthly basis for up to 24 months within a 36-month period. From 1 May 2023 the eligibility for Graduates is reduced to 12 months within a 24-month period.

<sup>13</sup> The rates are listed here: <https://bm.dk/satser/satser-for-2024/dagpenge/>

<sup>14</sup> For more information, see the guidance to the legislation on the youth rate: Vejledning om beregning af dagpengesatsen (retsinformation.dk) .

<sup>15</sup> The reduced rates for graduates after the first 481 hours of unemployment benefits came into effect on 1 May 2023.



The benefit may be prolonged 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.

OECD note: Recipients can only exchange hours in their “employment account” for extended unemployment benefits in months where they did not work at all. As the TaxBEN model only considers the take up of consistent and continuous employment (either part-time or full-time) the effect of the “employment account” is not modelled. Recipients who take up part-time work may be eligible for “supplementary benefits” (see Section 2.1.7) which are included in the TaxBEN model.

#### 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 8% Labour Market Contribution (AM-bidrag, see Sections 7 and 8) is not payable on unemployment benefit income. Recipients of unemployment insurance contribute to the Supplementary Labour Market Pension Scheme (ATP-bidrag, see Section 7). Contributions to the unemployment insurance fund (both the unemployment and early retirement insurance contributions) are also made by unemployment insurance beneficiaries (not modelled in TaxBEN, see Section 7). 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 that would have been received in that month on an hour-to-hour basis.

Unemployed persons (including Graduates and Youth) 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.<sup>16</sup> This applies to all persons independently of whether they are full-time or part-time insurance members.

### 2.1.8. Indexation

All benefits for unemployment insurance are adjusted yearly on the basis of wage development (in the private sector for members employers' organisation for ordinary employees) two calendar years before the adjusted levels come into effect on 1 January. The indexation is calculated as 1.7 percent plus the adjustment rate coefficient which is the amount wages rose over 2 percent minus 0.3 percent. The difference of 0.3 percent is used for obligatory savings for pensions.

## 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).

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<sup>16</sup> 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. Results assume full-time continuous employment since the age of 18 (an employment record of 22 years for a 40 year old). Note that low income levels may not be realistic full time wages, and are illustrative only.

Source: [OECD tax-benefit model, 2024](#)

### 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

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benefits as they are not available for additional work<sup>17</sup>. 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.

### *3.1.2. Benefit Amount*

Benefits are calculated at the individual level<sup>18</sup>. The following table summarizes the maximum amounts for social assistance in 2024, as applied in TaxBEN (figures in grey (social assistance for people without a vocational education) are not taken into account in TaxBEN):

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<sup>17</sup> 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.

<sup>18</sup> 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 month<sup>19</sup>

	2024		2024
Single, >= age 30, with children	16,382	Couple, >= age 30, with children	2 * 16,382
Single, >= age 30, without children	12,326	Couple, >= age 30, without children	2 * 12,326
Single, < age 30, with children, with a vocational education	15,658	Couple, < age 30, with children, with a vocational education	2 * 10,955
Single, < age 30, without children, with a vocational education	7,945	Couple, < age 30, without children, with a vocational education	2 * 7,945
Single, < age 30, with children, without a vocational education	13,509	Couple, < age 30, with children, without a vocational education	2 * 9,454
Single, < age 30, without children, without a vocational education	6,754	Couple, < age 30, without children, without a vocational education	2 * 6,754

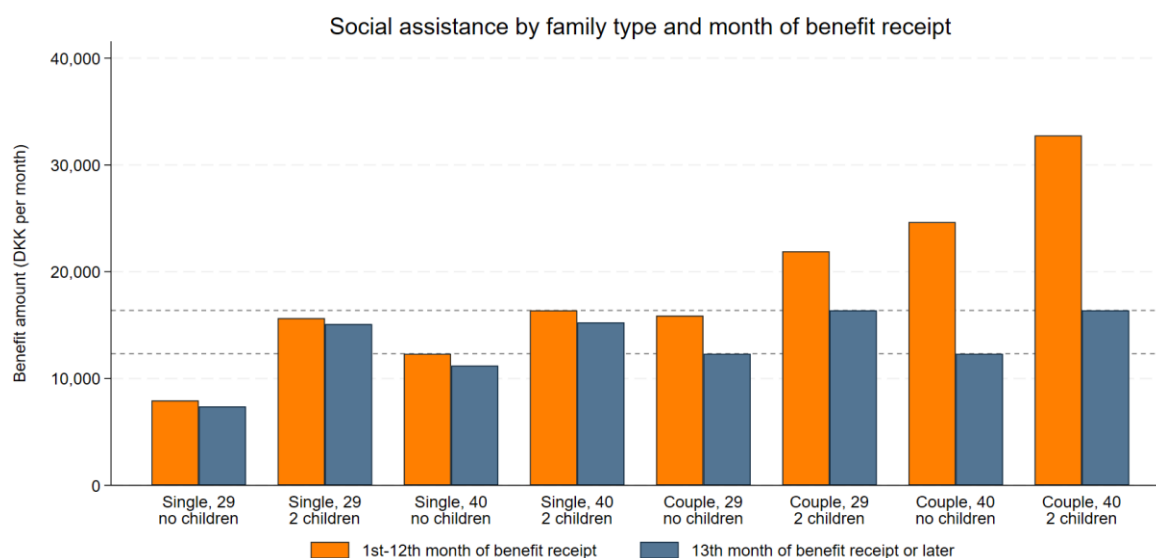
*Note:* For singles below age 30, rates are shown for those who do not reside with their parents. In the TaxBEN model, young adults (from age 18) are assumed to live on their own.

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 5-6 hours per week<sup>20</sup>). In such cases, the benefit (before the means-test) is reduced by DKK 1,125 for single persons receiving the high benefit levels of DKK 16,382 or DKK 12,326 and by DKK 561 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.

<sup>19</sup> 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.

<sup>20</sup> In the TaxBEN model, the threshold for the 225 hour test is simplified to 20% of a full week, that is one day or 7.4 hours per week.

**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.

Source: [OECD tax-benefit model, 2024](#)

### 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*<sup>21</sup>

### 3.1.4. Means test

#### Income test

Income is deducted krone to krone, and includes the following components:

- Earnings net of the labour market contribution (*AM-bidrag*) and the Labour Market Supplementary Pension (*ATP-bidrag*). If the applicant or his or her spouse has income from work, a sum of DKK 30.37 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.
- Unemployment insurance (Section 2.1) net of Labour Market Supplementary Pension contributions (*ATP-bidrag*)
- Other income components not modelled in TaxBEN

<sup>21</sup> This is not modelled in TaxBEN as claimants are assumed to be native and lifelong residents.

## Asset test

As a general rule an administrating municipality does not supply benefits if an applicant or the spouse has sufficient wealth that can cover the material needs of the household. The determination of what is sufficient is made on a case by case basis.

The personal wealth cannot exceed DKK 10,000 (DKK 20.000 for couples). Wealth in this context is defined as items of material wealth that can be transformed to monetary assets. This includes cash, checkable deposits or investments in stocks obligations, securities, precious metals etc. Savings in capital-based pensions and expensive furniture, windfall earnings (lottery win), cars as well as non-self-occupied real estate are considered wealth. Self-occupied housing is usually not considered; however, a person may, based on an individual assessment, be asked to take up a new loan or refinance their existing mortgage if there is considerable equity in their home and if the costs are bearable.

The administrating municipality (PES) shall not consider pensions without the right of redemption. Pension schemes with buy-back rights (pension schemes such as capital pensions) that can be redeemed early are included in the asset assessment after a waiting period of six months of receiving public support and with a trivial limit of DKK 50,000 (DKK 100,000 for spouses).

Material wealth that is required to maintain or gain a sufficient housing standard, employment- and education opportunities for the family are to be excluded from this amount. This may or may not include a car, depending on the individual assessment. Several forms of wealth or income are also excluded such as from insurances against the loss of working capacity paid out as a result of personal injury or support from certain tax-exempt charitable funds.

### 3.1.5. Tax treatment

Social assistance income is taxable, but not subject to the 8% Labour Market Contribution (*AM-bidrag*). Social assistance recipients pay the supplementary pension scheme contributions (*ATP-bidrag*, see Section 7.1) if they have received social assistance for an uninterrupted period of twelve months and they receive the maximum benefit rate (that is, they are not affected by the means test).<sup>22</sup>

### 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).

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

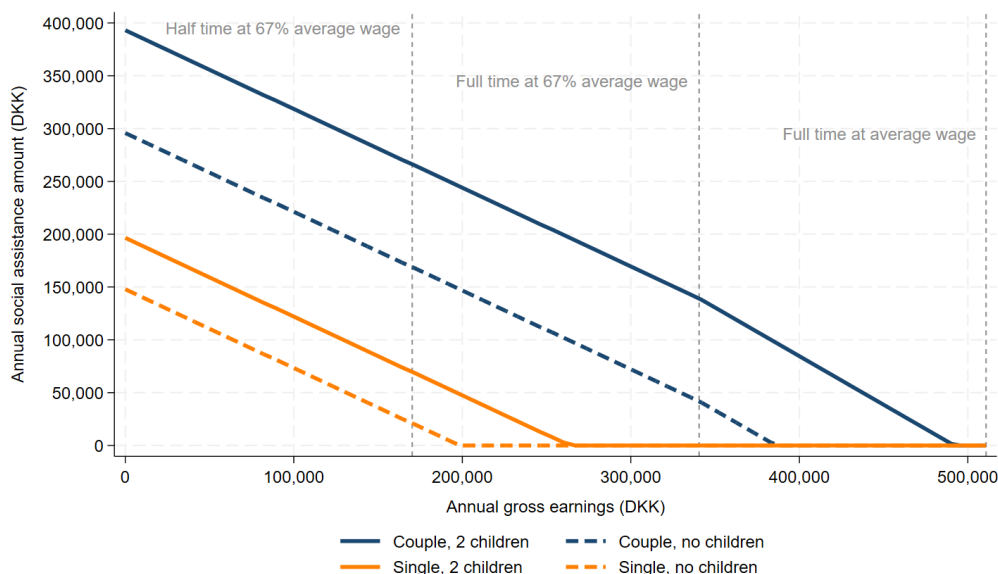
See Section 3.1.4.

### 3.1.8. Indexation

All listed benefits for social assistance are adjusted yearly on the same basis as Unemployment Benefits (see section 2.1.8).

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<sup>22</sup> Recipients who have a reduced rate due to the operation of the 225 hour rule are still considered to receive the maximum rate for the purposes of ATP contributions provided their benefit is not reduced due to the means test.

**Figure 3 – Social Assistance - operation of means test**

Note: The beneficiary is 40 years old; in the 2<sup>nd</sup> month of benefit receipt; children, if present, are 4 and 6; and the beneficiary's spouse, if present, has no earnings. Results for earnings levels equal to or above 67% of average wage assume full-time employment. Results for lower wage levels assume part-time work, with an hourly rate equal to 67% of the average wage.

Source: [OECD tax-benefit model, 2024](#)

### 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. Amounts are as at 1 January 2024.

For families without children, net rent (gross rent minus general housing benefits, see section 3.3) exceeding DKK 3,400 per month is paid. For families with children, all net rent above DKK 4,900 per month per adult is paid (DKK 5,050 if the child is not living at home), reduced by DKK 900 for each child (DKK 750 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. 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 “*boligyldelse*”, is mainly for pensioners (or for recipients of disability pensions granted before 2003). As the “*boligyldelse*” 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<sup>23</sup>. The rent is corrected for the indicative size of the apartment expressed in square meters. The correction factor is the sum of 65 m<sup>2</sup> plus 20 m<sup>2</sup> per household member divided by the actual m<sup>2</sup>. Furthermore, the corrected rent will - if it exceeds certain limits depending on family size - be reduced to a maximum allowed (subsidized) level. In the TaxBEN model, the property size is assumed to be 70 m<sup>2</sup>.

The maximum subsidized rent on 1 January 2024 is DKK 91,200 for households without children and if there are children the maximum is increased by 5% per child, max 20%. Households can receive housing benefits up to DKK 48,120. If there are more than three children this amount is raised by 25% to DKK 60,150.

#### General housing benefits – rent subsidy (*boligsikring*) (in DKK), 2024

Number of children	0	1	2	3	4 or more
Max. subsidized rent per year	91,200	96,285	100,870	105,455	110,040
Max. benefit per year <sup>1</sup>	48,120	48,120	48,120	48,120	60,150

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

The subsidy is calculated as 60% of the rent, minus an income-related deduction (18% of the household income beyond DKK 150,900). 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 150,900. However, if there is more than one child in the household, this threshold is raised by DKK 39,800 per child up to max DKK 270,300 (which equals an increase for three additional children). Households must always pay at least DKK 25,400 out of the payable rent.

#### Thresholds and parameters for the calculation of the rent subsidy (in DKK), 2024

% benefits of rent	Threshold for deduction	% deducted above	Threshold raised per child (2-4)	Minimum own payment
60	150,900	18	39,800	25,400

Finally, a minimum triviality limit of DKK 3,276 applies under which no benefit is paid.

<sup>23</sup> Fixed adjustments to the housing expenses are made if the rent amount comprises non-standard inclusions. The housing expenses is reduced if the rent includes payment for heating, hot water and electricity consumption. The housing expense is increased if the tenant pays water consumption in addition to the rent, if the tenant is expected to maintain the apartment, and if the tenant pays the costs associated with collective heating systems. The specific adjustments are available at [Buligstøtte \(bm.dk\)](https://www.bm.dk).

Source: [Boligstøtte \(bm.dk\)](http://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 (Section 3.3.2). The total household income includes:

- Earnings from employment,
- Unemployment related benefits (Section 2.1)
- Social assistance (Section 3.1), but not including Special Housing Benefit (Section 3.2)
- The employee labour market contribution (*AM-bidrag*) and the ATP pension (*ATP bidrag*) is deducted from gross income for the purposes of the income test.

### 3.3.5. *Tax treatment*

All housing benefits are non-taxable.

### 3.3.6. *Interaction with other components of the tax-benefit system*

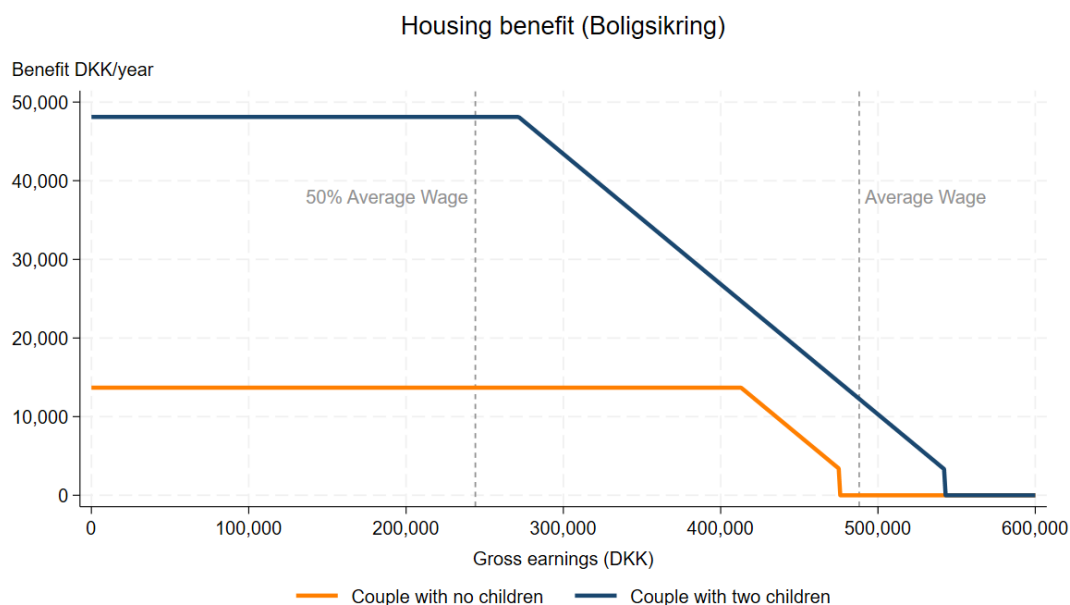
No information

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

See Section 3.3.4.

### 3.3.8. *Indexation*

The listed housing benefits and the corresponding thresholds are adjusted yearly by the price development two calendar years before the adjusted levels come into effect at the 1st of January.

**Figure 4 – Housing Benefits**

Note: Adults are 40 and do not receive Social Assistance. Children, if present, are 4 and 6. Rent is 20% of average wage, i.e. DKK 8513 per month in 2024

Source: [OECD tax-benefit model, 2024](#)

### 3.4. The cap on social assistance

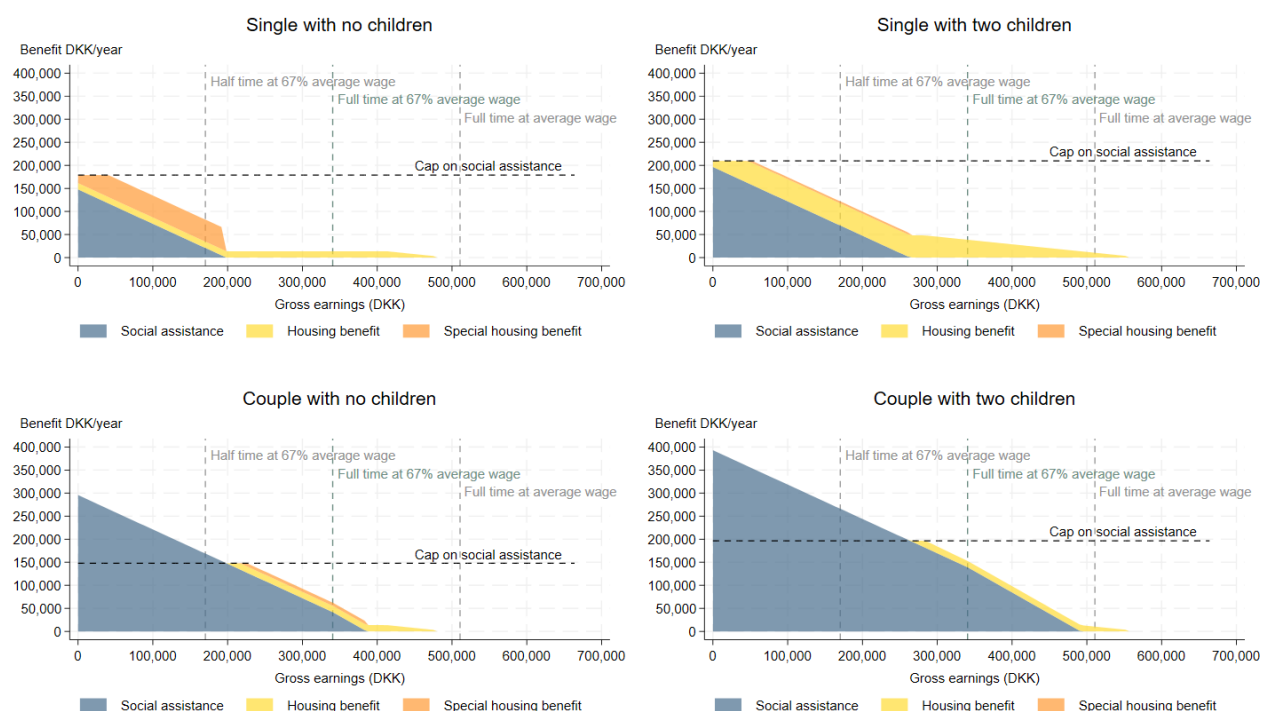
For all recipients of social assistance, there is a cap on the total amount of special housing benefit (særlig støtte) and housing benefit (boligstøtte) that you are entitled to receive. Recipients of social assistance who live in certain special housing due to disability are exempted from the cap. The 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**

	2024		2024
Single, >= age 30, without children	14,909	Couple, >= age 30, without children	12,326
Single, >= age 30, with one child	17,080	Couple, >= age 30, with one child	16,382
Single, >= age 30, with two or more children	17,483	Couple, >= age 30, with two or more children	16,382
Single, < age 30, without children, with a vocational education	11,414	Couple, < age 30, without children, with a vocational education	10,623
Single, < age 30, with one child, with a vocational education	16,742	Couple, < age 30, with one child, with a vocational education	13,987
Single, < age 30, with two or more children, with a vocational education	17,146	Couple, < age 30, with two or more children, with a vocational education	13,848
Single, < age 30, without children, without a vocational education	10,963	Couple, < age 30, without children, without a vocational education	10,179
Single, < age 30, with one child, without a vocational education	15,930	Couple, < age 30, with one child, without a vocational education	13,339
Single, < age 30, with two or more children, without a vocational education	16,331	Couple, < age 30, with two or more children, without a vocational education	13,159

Figure 5 – Housing Benefits and Social Assistance



Note: Adults are 40. Rent is 20% of average wage, i.e. DKK 8513 per month in 2024. Results for earnings levels equal to or above 67% of average wage assume full-time employment. Results for lower wage levels assume part-time work, with an hourly rate equal to 67% of the average wage.

Source: [OECD tax-benefit model, 2024](#)

## 4. Family benefits

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

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.<sup>24</sup> 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.

<sup>24</sup> 1 January 2022 new rules concerning the recipient of the allowance came into force.

#### 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). Amounts as at 1 January 2024 are as follows:

Age group	Quarterly amount (DKK) for each child
0 – 2	5,124
3 – 6	4,056
7 – 14	3,192
15 – 17	3,192

#### 4.1.3. Benefit duration

See section 4.1.2.

#### 4.1.4. Means test

The reference income includes:

- Earnings
- Unemployment Benefits (Section 2.1)
- Social Assistance (Section 3.1), but not housing benefits (Section 3.2 and 3.3)
- The Labour Market Contribution (*AM-bidrag*) and the Supplementary Labour Market Pension contribution (*ATP-bidrag*) are deducted

The benefit amount is reduced with 2 percent of the reference income above a fixed income ceiling which in 2024 amounted to DKK 882,700.

#### 4.1.5. Tax treatment

Child and youth allowance are not taxable.

#### 4.1.6. Interaction with other components of the tax-benefit system

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

#### 4.1.7. Combining benefit receipt and employment/starting a new job

Employment doesn't affect benefit receipt.

#### 4.1.8. Indexation

The allowance is adjusted annually according to the development in the consumer price index.

### 4.2. Child allowances (*Børnetilskud*)

Variable name: **[FB]**

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.<sup>25</sup>

#### 4.2.2. Benefit amount

All benefit amounts are as at 1 January 2024.

The **ordinary child allowance** (*ordinært børnetilskud*) is DKK 6,432 per child aged 0-17 per year and is supplemented by an **extra child allowance** (*ekstra børnetilskud*) of DKK 6,556 per year (irrespective of the number of children).

**Advance payment of child support** (*forskudsvis udbetalt børnebidrag*): There is a state transfer of DKK 18,576 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 2024 consists of a basic amount which is DKK 16,440 per year and a supplement which is DKK 2,136 per year (i.e. in sum DKK 18,576).

#### 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.

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<sup>25</sup> 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.

#### 4.2.8. *Indexation*

All listed benefits for child allowances are adjusted yearly on the basis of wage development in the private sector for members employers' organisation for ordinary employees two calendar years before the adjusted levels come into effect at the 1st of January. The indexation is calculated as 1,7 pct. plus the adjustment rate coefficient which is the amount wages rose over 2 percent minus 0,3 percent. The difference of 0,3 percent is used for obligatory savings for pensions.

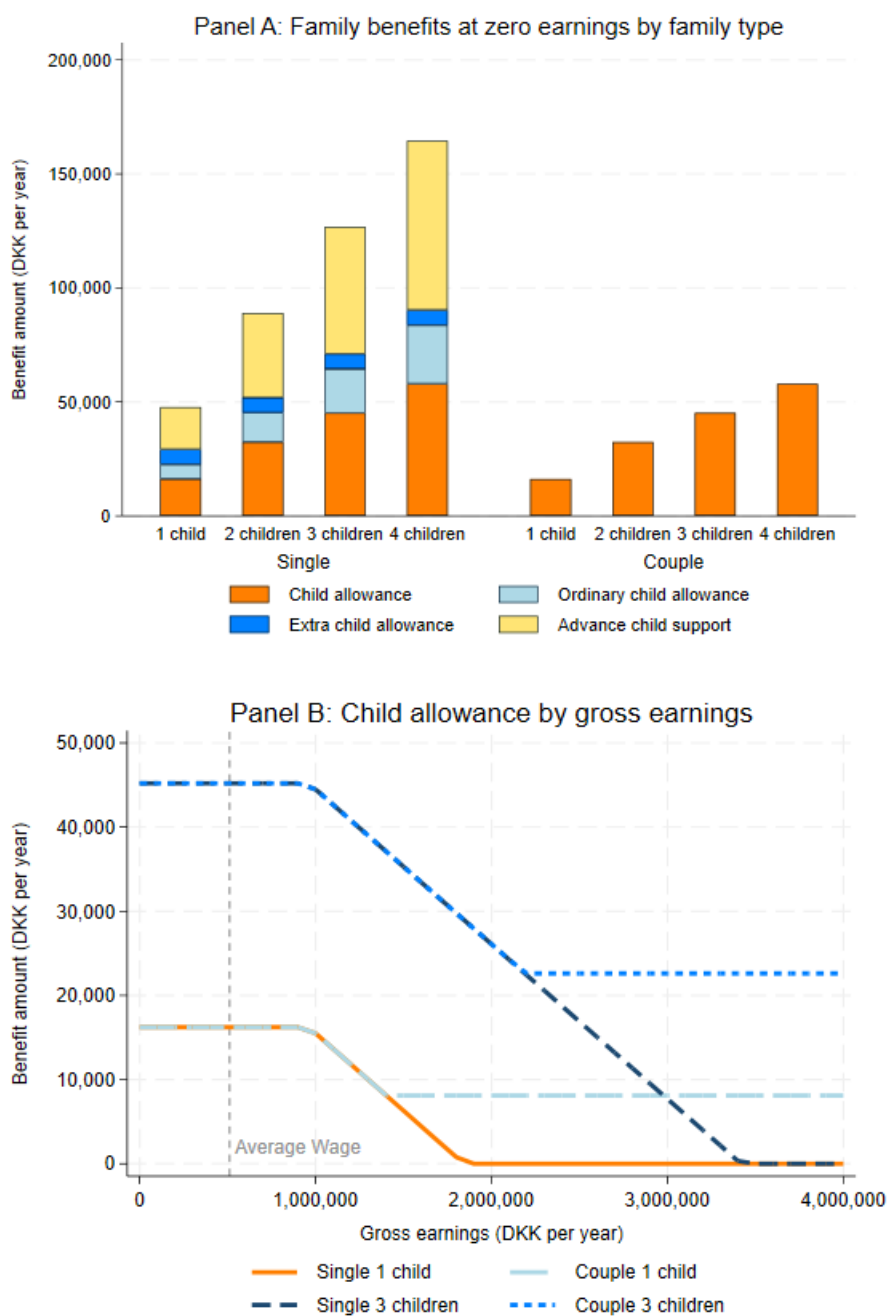
### 4.3. *Temporary child benefit (Midlertidigt børnetilskud)*

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 legislation for the temporary child benefit expired 1 January 2023, and it is no longer included in the TaxBEN model. The last half of the annual payment from 2022 was paid out in January 2023.



**Figure 6 – 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 ungedelsen, 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.

Source: [OECD tax-benefit model, 2024](#)

## 5. Net costs of Early Childhood Education and Care

The **reference date** for the policy rules described in this section is **January 1, 2024**.

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. The first year of compulsory school in Denmark is, as a general rule, the calendar year when the child turns 6.

### 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 2024 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 2024, DKK**

Age	Day-care institution (0-2: <i>Vuggestue</i> 3-5: <i>Børnehave</i> )	Family day-care ( <i>Kommunal dagpleje</i> )
0-2	43 415	36 301
3-5	24 418	<sup>26</sup>

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<sup>27</sup>.

<sup>26</sup> Municipalities do not use family day-care for 3-5 year olds, so fee information is not available.

<sup>27</sup> Parents on maternity and paternity leave can use part-time daycare. 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

## 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 (earnings, unemployment benefits and social assistance benefits net of the labour market contribution *AM-bidrag* and the supplementary labour market pension contributions *ATP-bidrag*) is below DKK 200.301 (2024). From 200.301 to DKK 204.741 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 622.200, i.e. the payment is increased by 1 percentage point for every income increment of DKK 4,441.

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 67.719 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).

The benefit amounts are adjusted yearly on the basis of wage development in the private sector for members employers' organisation for ordinary employees two calendar years before the adjusted levels come into effect at the 1<sup>st</sup> of January.

### 5.3.3. Tax treatment

The benefit is not taxable.

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by a subsidy for flexible childcare (i.e. to pay for a childminder in the evening or at the weekend). These scenarios are outside the scope of the TaxBEN model, and so part-time usage is not modelled in TaxBEN. Source: <https://international.kk.dk/live/childcare-and-school/childcare-services/cost-of-childcare-services>

#### 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

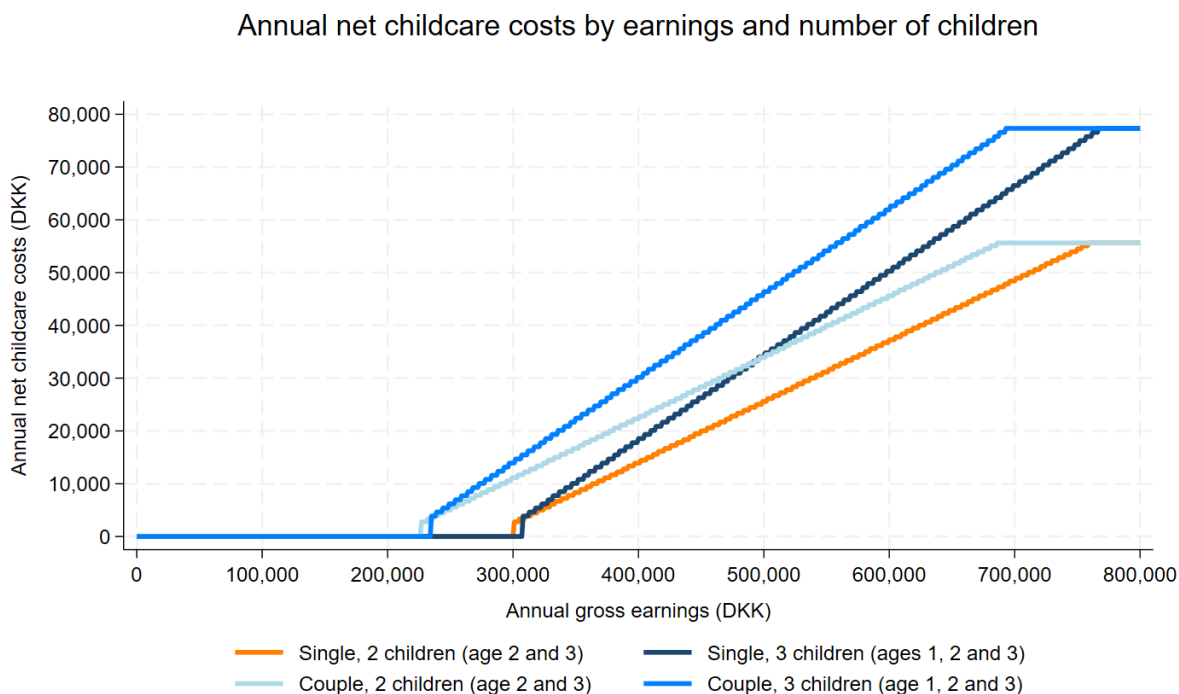
1. having Danish skills that are sufficient in order to develop the child's Danish language skills;
2. not receiving public transfer payments at the same time or having earned income;
3. having resided in Denmark for seven of the past eight years. Each municipality can decide to grant subsidies to parents 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 7 – Net Childcare Costs**



Note: All adults are 40 years old. Children are in full-time care. Families do not receive Social Assistance benefits. Annual gross earnings are before the deduction of AM-bidrag and ATP-bidrag.

Source: [OECD tax-benefit model, 2024](#)

## 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]

#### Unemployment insurance fund (*A-kassebidrag*)

Full-time employees pay contributions to an unemployment insurance fund in order to be eligible for unemployment insurance and early retirement pension.<sup>28</sup> The contribution consists of two parts that can vary between different insurances due to differences in administrative contributions, which in 2024 consist of: one of DKK 4,512 per year for unemployment insurance (*A-kassebidrag*) and the other of DKK 548 for voluntary early retirement scheme (*Efterlønsbidrag*). In addition an average administration fee of DKK 1,573 is added.

In

TaxBEN Note: Unemployment insurance (Arbejdsløshedsdagpenge og andre a-kasseydelser) is voluntary in Denmark, and the general condition to receive unemployment benefit coverage is membership of an insurance fund, which is satisfied by paying the membership fee. Although membership is voluntary, TaxBEN assumes workers are members of an unemployment insurance fund for the duration of their employment. Once a person becomes a member, they are required to pay both the unemployment insurance and administration fees. TaxBEN thus models the unemployment insurance membership fees (*A-kassebidrag*) and associated administration fees for both full-time and part-time workers, as well as for unemployment benefit recipients. Social assistance claimants do not pay these fees. It is crucial to emphasize that in Denmark individuals can choose not to be a member of an *A-kasse* and may still be eligible for other social benefits, such as social assistance, in case of unemployment. Nevertheless, around 70% of the workforce is a member of *A-*

<sup>28</sup> 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.

kasse.<sup>29</sup> The TaxBEN model does not model the voluntary early retirement contribution (Efterlønsbidrag).

### **Supplementary Labour Market Pension scheme (*ATP-bidrag*)**

In addition, there is a compulsory fixed contribution of up to DKK 1,188 to the Supplementary Labour Market Pension Scheme (*ATP-bidrag*) depending on the number of hours worked per month (based on a 160.33 hour working month).

Hours worked per month	ATP-bidrag contribution (annual)
Less than 39 hours	DKK 0
At least 39 hours but less than 78 hours	DKK 396
At least 78 hours but less than 117 hours	DKK 792
At least 117 hours	DKK 1188

Social assistance recipients pay a fixed contribution of DKK 99 per month (DKK 1,188 per year) after 12 months of benefit receipt, if they do not receive a means-tested rate of benefit.

Unemployment benefit recipients pay a fixed contribution of DKK 1.42 per hour of unemployment benefit receipt. An unemployment benefit recipient who does not work therefore pays  $DKK 1.42 \times 160.33 = DKK 227.67$  per month. An unemployment benefit recipient who works part-time pays DKK 1.42 for every hour not worked out of a 37 hour work week, in addition to the contribution in the table above for part-time work.

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 non-government independent, they are not considered as taxes but rather non-tax compulsory payments (NTCP) in TaxBEN.<sup>30</sup>

### **Labour Market Contribution (*AM-bidrag*)**

In addition, workers pay a Labour Market Contribution (*AM-bidrag*) of 8% of earnings net of *ATP* contributions. This is classified as a tax in the TaxBEN model.<sup>31</sup>

There is no automatic indexation of social contribution amounts.

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

Variable names: `[SSCR; SSCR_p; SSCR_s]`

The employer also contributes to the Supplementary Labour Market Pension Scheme. For a full-time employee this contribution is DKK 2,376 (i.e. twice the fixed amount of

<sup>29</sup> In March 2024, 2.1 million were a member of an A-kasse while the Danish work force consists of approx. 3.1 million.

<sup>30</sup> 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.

<sup>31</sup> Before 2008, the revenue was earmarked for certain social security expenditures through the Labour market Fund, but this system was abolished from 2008, and the tax enters the budget in the same way as any other income taxes. From 2011 the last links regarding social security of the tax were removed making all taxpayers working in Denmark pay the labour market contribution. The labour market contribution is thus treated as a personal income tax in the OECD TaxBEN model from 2011 and in the OECD Taxing Wages from 2008.

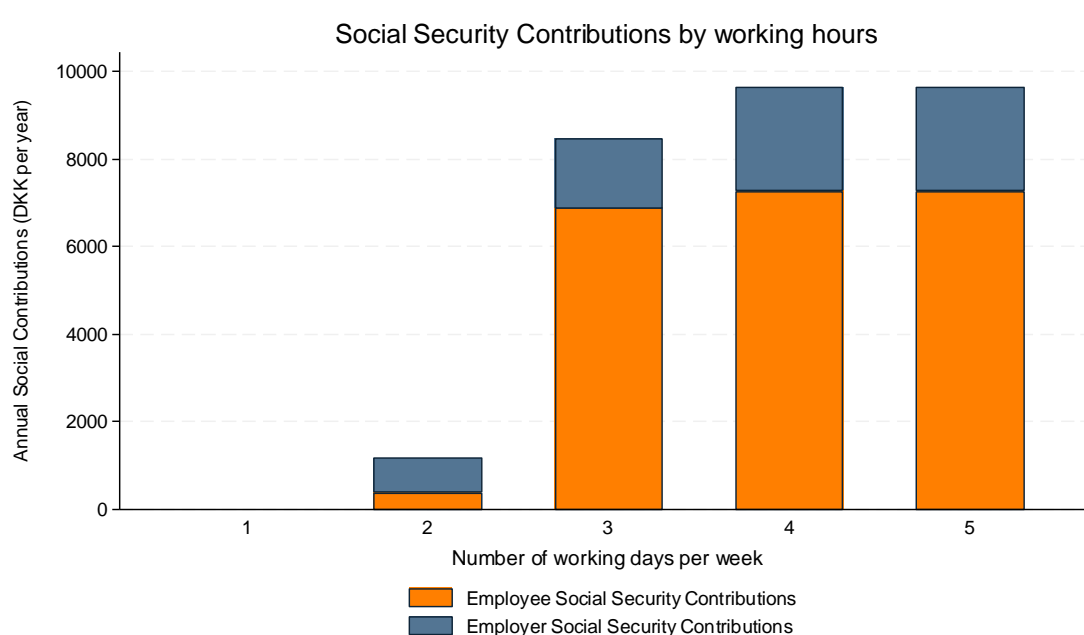
DKK 1,188 for the employee). This is considered a non-tax compulsory payment (NTCP) in the TaxBEN model.

It is compulsory for the employer to contribute also to the Employers' Reimbursement System (DKK 3,149); the industrial injury tax (Varies with sector), and the Employees' Guarantee Fund (DKK 300). In addition, all private sector employers contribute to Financing Contribution (DKK 437) and barsel.dk (DKK 1,350).<sup>32</sup> These contributions are not included in the TaxBEN model.

### 7.3. Payroll taxes

None.

**Figure 8 – 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.)

Source: [OECD tax-benefit model, 2024](#)

## 8. Taxes

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

### 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]`

<sup>32</sup> 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.

### 8.1.1. 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 45,100 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 2024 with a maximum allowance of DKK 25,300. The effective value of the allowance is equal to the average municipality tax (25.067%) multiplied by the value of the deduction.<sup>33</sup>

**Job allowance** (*Jobfradrag*) Taxpayers with an income (plus pension payments) of at least DKK 216,100 receives a job allowance of 4.5% on taxable income. The maximum allowance of DKK 2,800 is achieved at an income of DKK 278,322 and the effective value of the credit is equal to about DKK 701 (25.067% x DKK 2,800 = 701 DKK).

Every year the Tax Credit Scheme and the Job allowance are automatically indexed according to the development in the average wages.

### 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).

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

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<sup>33</sup> 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.



### 8.1.3. Income tax schedule

Individuals pay an 8% Labour Market Contribution (*Arbejdsmarkedsbidrag* or *AM-bidrag*), levied on the gross wage or other income from work net of contributions to the Supplementary Labour Market Pension scheme (*ATP-bidrag*), but *before* the deduction of any other 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 12.01%.

Top bracket tax of the central government is levied at the rate of 14.993% on the sum of the personal income base plus any positive net capital income and contributions to capital pension schemes, minus DKK 588,900. If a married individual cannot utilise the total allowance of DKK 588,900, 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.

Every year the threshold of the top bracket tax is automatically indexed according to the development in the average wages.

### 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:

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Central government income tax	12.01 per cent of DKK 49,700= DKK 5,968.97
Local government income tax	25.067 per cent of DKK 49,700 = DKK 12,458.30

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

**Green check**<sup>34</sup>: From 2023 the general green check refundable tax credit is abolished, except for the supplementary per child amount (DKK 120 per child for up to two children for each parent<sup>35</sup>) and the amount paid to pensioners (DKK 875, not modelled in TaxBEN). The ‘green check’ is nominally fixed and is quickly phased out at a rate of 7.5 per cent for income (the top bracket tax base) above DKK 457,500.

Pensioners may receive an ‘additional green check’ of DKK 280 if the yearly income is lower than DKK 267,400.

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<sup>34</sup> For a historical overview of the Green Check, see <https://skm.dk/tal-og-metode/satser/skattehistorik/groen-check-en-historisk-oversigt>

<sup>35</sup> In TaxBEN lone parents are assumed to have full custody of their children, and thus are eligible to receive twice this amount per child.

## 8.2. Local income taxes (Kommuneskat and Kirkeskat)

Variable names: [\[LOC\\_TAX\\_p; LOC\\_TAX\\_s\]](#)

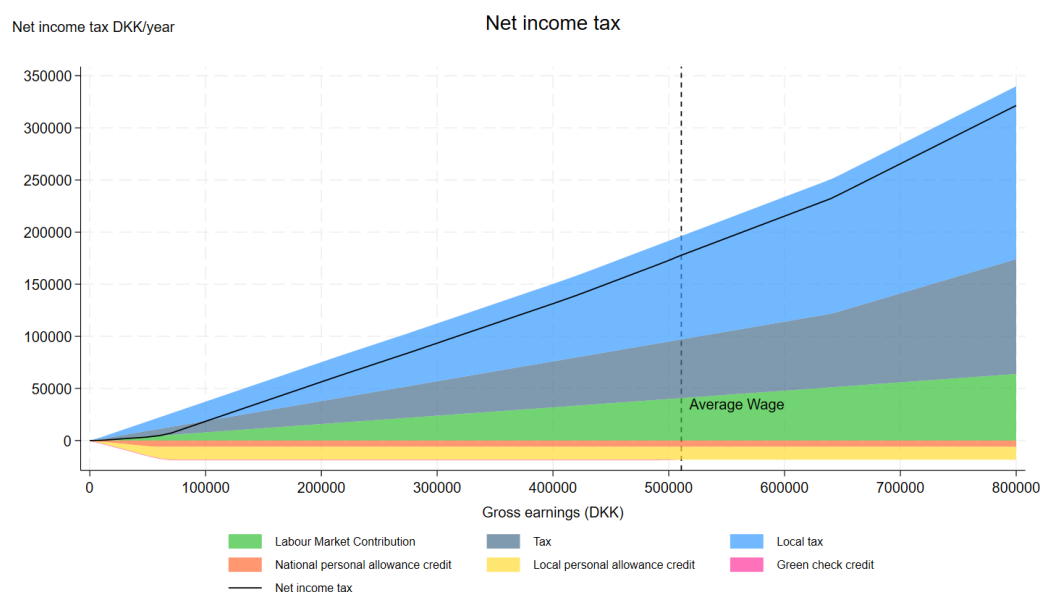
Local income taxes are levied by the municipalities (Kommuneskat). The rate varies by jurisdiction. The tax base is the taxable income base after the deduction of the general personal allowance. Unused allowances can be transferred between spouses. The tax credit varies with tax rates. The minimum, maximum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

- Lowest rate: 23.36 per cent
- Highest rate: 26.3 per cent
- Average rate: 25.067 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 0.868 in 2024.

**Figure 9 – Income Taxes by gross earnings**



Note: For single 40-year old with two children aged 4 and 6.

Source: [OECD tax-benefit model, 2024](#)

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

This section shows selected output of the TaxBEN model for Denmark in 2024 (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.

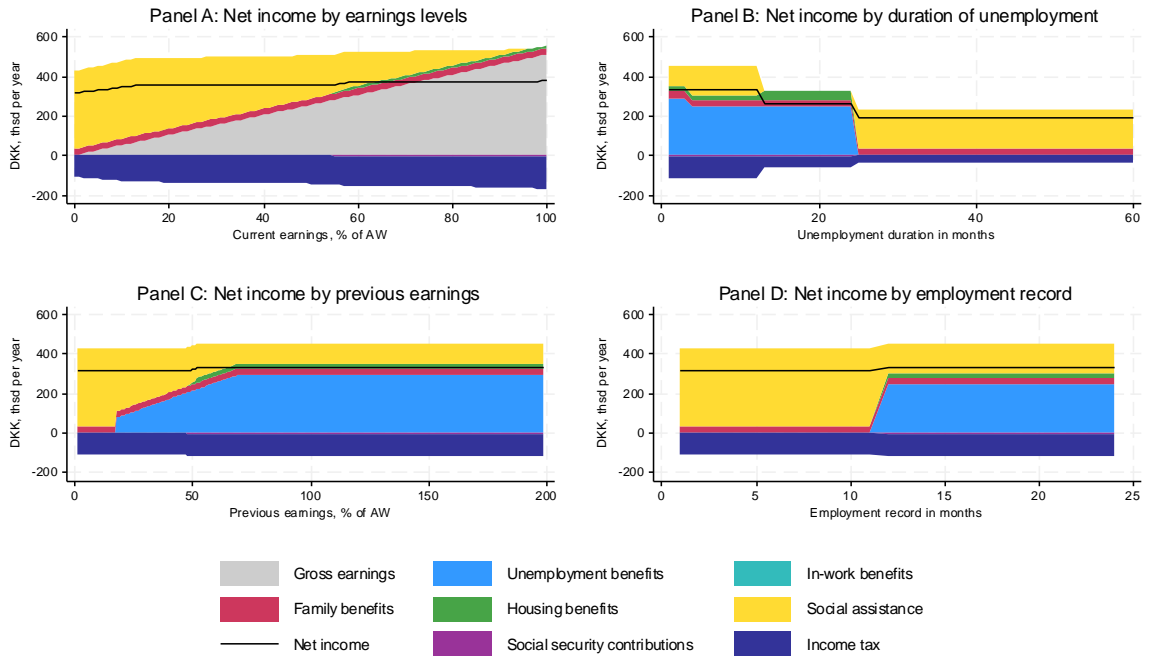
Social assistance and housing benefit supplements are assumed to be available in all the four scenarios provided that the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available 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 2<sup>nd</sup> month of unemployment benefit receipt. In Panel B and D, previous earnings are assumed to be equal to the average wage.

**Figure 9. Selected output from the OECD tax-benefit model**

Couple with two children



*Note: the average wage used to produce the charts above is DKK 510 773.*  
 Source: Calculations based on the OECD tax-benefit model, 2024.

## 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 64 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 voluntary early retirement payment is calculated as in Section 2.1.2 but is corresponding to the maximum unemployment benefit the person would be allowed if unemployed. Members in voluntary 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 16,100 and it shall be payable to any dependent survivor whose estimated annual income does not exceed DKK 265,071. 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 414,169, 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 8,452 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 10,616 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 16,440 a year per child (one pensioner parent) or DKK 18,576 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 37,152 a year
- An allowance of DKK 18,576 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 61,085.

**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 (2024).

Alimony payment	1 child	2 children	3 children	4 children	5 children
	Approximately income limits (DKK)				
<b>100%</b>	560,000	620,000	700,000	810,000	920,000
<b>200%</b>	800,000	900,000	1,100,000	1,200,000	1,300,000
<b>300%</b>	1,400,000	1 700,000	2,000,000	2,200,000	2,400,000

**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 34,055 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

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child under 18 with permanent physical or mental disabilities. Up to a maximum of DKK 5,348 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 \(sm.dk\)](#).