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Transfer Pricing in Denmark



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From the income year 2025, the Danish rules on transfer pricing documentation have been relaxed. Companies with controlled transactions below DKK 5 million annually are no longer required to prepare or submit documentation. In addition, dividends and cash capital contributions are no longer covered by the documentation requirement.



Why Transfer Pricing?

The main purpose of the transfer pricing rules is that intra-group purchases and the sale of goods, services, and rights must be priced under market terms. All controlled transactions must therefore be priced as if they were carried out between independent parties.

Transfer pricing is an international phenomenon that applies in most parts of the world. However, different sizing requirements apply when transfer pricing documentation must be prepared and possibly submitted in the various countries.

In Denmark, many companies are covered by the statutory obligation to prepare and submit transfer pricing documentation on an annual basis. The documentation must prove that the individual company's controlled transactions are priced under market terms.

Who is subject to the rules?



Groups that have over 250 or more employees worldwide



Groups that have less than 250 employees but have:

- an annual total balance sheet value of DKK 195 million or more and
- an annual turnover of DKK 391 million or more.



Groups that have cross-border controlled transactions with entities located in tax havens

In addition, there are a number of exceptions – such as dividends and capital contributions in cash – that are no longer subject to the documentation requirement.

Who is subject to the transfer pricing documentation?

According to the Danish rules, all controlled transactions must be priced under market terms – in line with the arm's length principle. All transactions between affiliated companies and permanent establishments, as well as main shareholders are regarded as controlled.

Danish companies, permanent establishments and natural persons must disclose the scope of their controlled transactions to the Danish tax authorities on an annual basis. This is carried out as part of the tax return submission process.

If they do not qualify for certain exemptions, companies and permanent establishments must also prove to the tax authorities that their controlled transactions have been priced according to the arm's length principle.

The documentation must be prepared on an ongoing basis and finalized in time to be submitted no later than 60 days after the deadline for filing the tax return. If the deadline for the tax return is extended, the deadline for the transfer pricing documentation is extended accordingly.

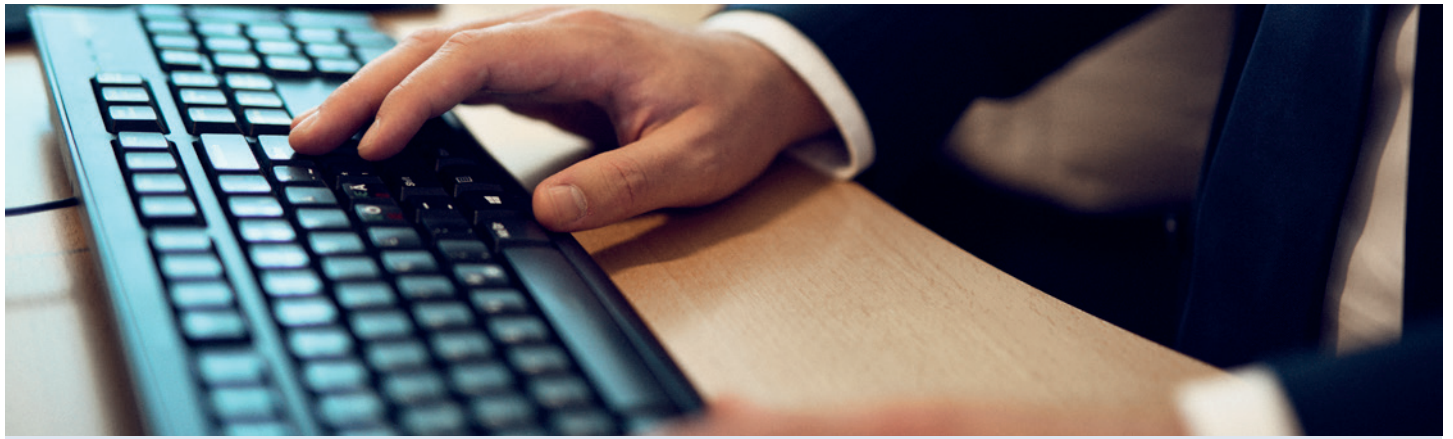
Companies and permanent establishments that are taxliable in Denmark and have controlled transactions must upload transfer pricing documentation if the group has 250 employees or more as a whole (foreign entities are included in this criterion).

Companies and permanent establishments that are part of a group with fewer than 250 employees may be exempt from the documentation requirement if, from the income year 2025, the group either has:

- a consolidated turnover of less than DKK 391 million or
- a consolidated balance sheet below DKK 195 million

However, this exemption does not apply to controlled transactions involving entities located in non-EU/EEA tax haven jurisdictions with which Denmark has no double taxation agreement. In such cases, transfer pricing documentation must be prepared and submitted in accordance with the applicable deadlines – irrespective of the group's size.

The exemption related to minimum thresholds for cross-border controlled transactions, applicable from 2025, still applies as long as Denmark has an agreement with the relevant country on the exchange of tax information.



The group definition

A company is part of a group when it exercises decisive influence over other companies/permanent establishments, or when decisive influence is exercised over the company in question. 'Decisive influence' entails the holding of more than 50% of the share capital or voting rights.

According to the rules on mandatory submission of transfer pricing documentation for controlled transactions, the group definition is broader than the group concept, which applies to, e.g. joint taxation. Transactions between companies that each belong to separate jointly taxed groups, but which are interlinked by a natural person who exercises decisive influence over both companies at the top, will therefore be regarded as a controlled transaction that is potentially covered by the documentation requirement.

The equity interest and voting rights of related parties will also be taken into account when determining whether there is decisive influence. 'Related parties' are regarded as the relevant shareholder's spouse, parents, and grandparents, as well as children and grandchildren and their spouses or estates after the persons mentioned. Stepchildren and adopted children are equated with biological relationships.

Exemptions for certain controlled transactions

Pursuant to the general provisions of the Danish transfer pricing rules, entities exceeding the applicable size thresholds are required to prepare documentation for controlled transactions. Nevertheless, a number of exemptions have been introduced with the aim of alleviating the administrative burden for taxpayers.

Effective from the income year 2025, additional alleviating measures have been implemented, which fully or partially exempt certain controlled transactions from the obligation to prepare transfer pricing documentation in Denmark.

Where all controlled transactions undertaken in a given income year fall within the scope of the exemptions set out below, the entity shall be fully exempt from the Danish transfer pricing documentation requirement, irrespective of the size of the group to which it belongs.

The following provides an overview of the exemptions from the transfer pricing documentation requirements under Danish law.

1. **Exemption:** Controlled transactions between Danish entities subject to the same tax regime.

Controlled transactions between two Danish entities are exempt from the documentation requirement in the vast majority of cases, regardless of the group's size. The majority of 'purely' Danish groups are therefore exempt from having to document compliance with the arm's length principle.

However, the following controlled transactions between Danish entities are not exempt from the documentation requirement:

- Controlled transactions where one party is taxed according to the tonnage tax act or hydrocarbon tax act.
- Controlled transactions where one party is covered by the special rules for the taxation of cooperatives.
- Controlled transactions where one party is covered by the special rules for the taxation of 'tax-exempt' associations or other tax-exempt entities.
- Controlled transactions where one party is covered by specific rules for the taxation of cooperatives.
- Controlled transactions where one party is a permanent establishment of a foreign entity.



2. Exemption: New minimum thresholds for cross-border controlled transactions.

- Exemption applies where the total cross-border controlled transactions in the income year amount to less than DKK 5 million, excluding receivables and payables.
- Exemption also applies where total intra-group receivables and debts at year-end amount to less than DKK 50 million.

These thresholds do not apply to transactions involving certain intangible assets under Section 40 of the Danish Tax Control Act, including goodwill, trademarks, patent rights, etc.

Furthermore, the thresholds do not apply to controlled transactions with countries outside the EU/EEA where Denmark does not have an agreement on exchange of tax information. The thresholds are calculated on a gross basis, without netting.

3. Exemption: Group contributions, dividends or similar paid in cash are exempt from the transfer pricing documentation requirement.

If the company's only controlled transactions in the income year consist of cash-based contributions, dividends or similar, the company is fully exempt from the documentation requirement.

However, if the company has other controlled transactions subject to documentation, the type of transaction (e.g. dividend or contribution) must still be disclosed in the local file.

4. Exemption: Special rule for agreements on joint control with less than 5% ownership and voting rights.

5. Exemption: Special rule for controlled transactions with participants in legal entities subject to special tax rules for life insurance companies or pension institutions.

6. Exemption: Controlled transactions that are insignificant in scope and frequency.

A single, insignificant transaction that does not require documentation may, according to the Danish Tax Agency, include:

- Use of meeting rooms at a group company
- Temporary secondment of an employee to a group company
- Travel expenses for employees from a group company when accompanying own staff
- One-off purchases or sales of minor fixed assets
- Catering costs for training events involving group company employees
- Shared costs for joint events or similar minor expenses

Transactions involving intangible assets cannot be considered insignificant.

Even if controlled transactions are exempt from the documentation requirement, they must always be priced at arm's length. The Danish Tax Agency may still conduct audits if there is doubt regarding the pricing.



Deadlines and consequences

Transfer pricing documentation for a fiscal year commencing on or after 1 January 2021 must be prepared on an ongoing basis and submitted to the Danish Tax Agency no later than 60 days after the deadline for filing the corporate tax return. If the deadline for filing the tax return is extended, the deadline for submitting the transfer pricing documentation is extended accordingly.

Failure to submit documentation on time, or the submission of insufficient documentation can be sanctioned by the tax authorities in the form of fines and an estimated assessment of the company's taxable income.

The fine level for failure to submit or for submitting insufficient transfer pricing documentation was established several years ago, based on the typical costs incurred by companies when preparing such documentation. Accordingly, the fine is set at DKK 250,000 per infringement. This amount may be reduced to DKK 125,000 if the company subsequently prepares documentation of sufficient quality after the deadline has passed.

In addition, any income adjustment resulting from an estimated assessment will trigger a supplementary fine equal to 10% of the increase in taxable income.

Content of transfer pricing documentation

The transfer pricing documentation is in two parts and consists of the following:

1. Master file: Joint documentation that describes the overall activity of the entire group.

2. Local file: Country-specific documentation that describes the entity in Denmark and the controlled transactions with it.

The volume of documentation depends on the complexity of the group, the number of companies subject to documentation, and controlled transactions. The transfer pricing documentation in Denmark must be prepared in either Danish, Norwegian, Swedish or English.

Specific requirements apply to the content of the documentation:

Joint documentation (master file) must include:

- Group structure

A group diagram showing the group's legal and organisational structure, including a specification of the countries in which each related party operates.

- Business activity

A general description of the group's business activities and strategy for the same. The file must also contain a description of the group's supply chain, significant value factors, significant service agreements, and a brief, overall functional analysis.

- Intangible assets

A general description of the group's overall strategy for development, ownership, and utilisation of intangible assets, including research and development activity.

- Financial activity

A general description of how the group is financed, including a description of the key financial arrangements with independent providers of finance.

- Accounting and tax position

An overview of the group's consolidated accounts for the year as well as information on any Advanced Pricing Agreements (APAs).



The country-specific documentation (local file) must include:

- A detailed description of the company
This includes a description of the company's management, organisation, business strategy, competitors, and any reorganisation.
- Overview of controlled transactions
A description of all the company's controlled transactions, which will typically include purchases, sales, management fees, loans, guarantees, payment of royalties, etc.
- Functional analysis
A detailed functional analysis must be prepared for each type of controlled transaction. This includes the identification and allocation of all significant functions, assets, and risks that are relevant to the particular controlled transaction.
- Comparative analysis for each type of controlled transaction.
A comparative analysis of the controlled transaction must be prepared on the basis of the functional analysis. This implies that the controlled transaction has to be tested in order to determine and prove that the controlled transaction has been priced under market terms. Pricing is tested by comparing the controlled transaction with comparable independent transactions.

- Financial activity
All intra-group financing services must be described, analysed and tested individually. The purpose of this is to prove that these transactions have been carried out in accordance with the arm's length principle.
- Intangible assets
All relevant transactions regarding intangible assets must be described, analysed, and tested individually. The purpose of this is to prove that those transactions have been carried out in accordance with the arm's length principle.
- Accounting and tax position
Brief overview of the company's accounting and tax position, as well as information on concluded Advanced Pricing Agreements (APAs).



Country-by-Country Reporting and Global Minimum Tax

As part of the international initiative to counter aggressive tax planning and promote a fairer allocation of tax revenues, a set of rules has been introduced to increase transparency and ensure a minimum level of taxation for multinational enterprise groups.

These rules apply exclusively to groups with consolidated annual revenue exceeding DKK 5.6 billion (EUR 750 million).

Country-by-Country Reporting

For large groups with a total turnover greater than DKK 5.6 billion (EUR 750 million), additional requirements apply in the form of specific country-by-country reporting (CbCR). The purpose of CbCR is to provide tax authorities with an overview of where multinational groups create value and pay taxes.

If the parent company of such a group is registered in Denmark, it must prepare and submit a CbCR to the Danish Tax Authority.

Danish entities that are part of a group with a consolidated turnover of DKK 5.6 billion or more, where the parent company is located outside Denmark, must notify the Danish Tax Authority of which group entity is responsible for submitting the CbCR, and to which tax authority the report will be filed.

The report must include information on revenue, profit, tax, and number of employees, broken down by each country in which the group operates.



Global Minimum Tax – Pillar II

Starting from the 2024 income year, Denmark has implemented new rules on global minimum taxation – also known as Pillar II under the OECD's BEPS 2.0 initiative. The purpose is to counter profit shifting to low-tax jurisdictions and ensure that all countries receive a fair share of tax revenue.

The rules apply to multinational groups with consolidated revenues exceeding DKK 5.6 billion (EUR 750 million) in at least two of the last four financial years. Groups falling within the scope must pay an effective minimum tax rate of 15% in each jurisdiction where they operate. The tax authorities' control framework consists of two elements: registration and submission of a standardised information return.

Registration – Information Form

From FY 2024 onwards, registration must be completed in the information form if the group's consolidated revenue exceeds DKK 5.6 billion in one or more of other four preceding fiscal years (2020–2023). The current fiscal year is excluded from the assessment.

Reporting – Standardised Return or Notification

Each group entity – including Danish entities – is required to submit a standardised return regarding minimum taxation, unless the group has designated a specific entity to file on behalf of others.

If another group entity is responsible for the filing, Danish entities may, under certain conditions, simply notify the Danish Tax Agency of 1) the identity of the filing entity and 2) the jurisdiction in which the filing takes place within the below deadlines:

- 15 months after the end of the financial year for entities with a calendar year-end.
- 18 months if the group applies a deferred filing model.

Please note: The first reporting obligation applies to the 2024 income year, provided the group had consolidated revenues exceeding DKK 5.6 billion in at least two of the four preceding years (2020–2023). For calendar-year entities, the earliest deadline for submitting the standardised return or notification is 30 June 2026.

As of 27 January 2026, no solution has been published in Denmark for reporting or fulfilling Pillar II obligations for the Danish entities concerned



Year-end adjustments

Year-end adjustments are a recognised and widely applied mechanism for aligning actual financial results with the arm's length principle, particularly as multinational enterprises review intra-group transactions at the close of the fiscal year. Under Danish tax law, such adjustments are permitted – but they must be proactively identified, contractually supported, and thoroughly documented to mitigate the risk of unintended tax consequences.

Rather than serving as a reactive measure, year-end adjustments should form part of a proactive transfer pricing strategy. Market volatility, operational changes, and limitations in comparables often necessitate corrections, which must be implemented with care.

Danish companies are therefore advised to:

- Identify potential deviations early in the fiscal year
- Maintain robust documentation supporting the rationale and methodology
- Assess the tax and regulatory implications, including classification and indirect tax effects
- Consider VAT and customs implications, particularly for goods transactions where adjustments may affect the taxable base or customs value

In an increasingly complex transfer pricing environment, year-end adjustments offer a valuable tool for managing risk and ensuring compliance – provided they are applied with diligence and foresight.



Redmark's transfer pricing services

At Redmark, we tailor our transfer pricing advisory services to each client's unique needs, covering key areas such as Country-by-Country Reporting, global minimum tax, and year-end adjustments. Our goal is to deliver solutions that are both practical and precisely aligned with the client's business.

We often initiate the advisory process by providing an overall explanation of transfer pricing rules and models, after which we have a conversation about the customer's business. We then agree on how the advisory process should proceed based on this initial meeting.

The companies we help are diverse and include both Danish-owned medium-sized groups and Danish subsidiaries of foreign groups. That's why our advice is also diverse. Some customers already have

considerable expertise in transfer pricing but need advice in understanding specific Danish conditions. Other customers need us to manage the process of preparing their transfer pricing documentation.

We also help many of our customers to improve the pricing procedures for their controlled transactions. For example: an adjustment of transfer prices as a result of changes in the company, the improvement of internal procedures for pricing, or the settlement of controlled transactions.

Redmark is part of MGI Worldwide, an international network consisting of 400 audit, tax and consultancy firms from over 100 different countries. This international cooperation means that we can offer advice regarding transfer pricing as well as other audit and tax matters, throughout the world.



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