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Mind the Gap 2026: Country fiche – Denmark

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Mind the Gap 2026: Boosting public finances through joint efforts to reduce tax gaps and improve compliance

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Country fiche: Denmark

Summary box: Areas of Strength and Areas for Improvement

Areas of Strength

- **Denmark has a long-standing capacity to estimate both the personal income tax and corporate income tax compliance tax gaps using random and risk-based audits, and to estimate the VAT compliance gap using random audits.** These estimates provide detailed insights into non-compliance across taxpayer segments and help calibrate audit strategies, although the results are not published.

- **Denmark applies an efficient and taxpayer-focused approach to tax administration.** The system includes many advanced features such as real-time validation to prevent errors upfront, fully digitalised VAT registration with automated integrity checks and AI-driven taxpayer support (chatbots, nudges). However, pre-filling remains limited to personal income tax, and is not available for VAT.

Areas for Improvement

- **Tax expenditure reporting in Denmark is irregular**. Tax expenditure information is published irregularly as part of an annual tax policy report where the tax-expenditure chapters vary in depth and structure over time. A more standardised and regular publication of TE information could increase transparency and help stakeholder to access the relevant information.

- **Although the level of tax arrears is relatively low, tax arrears collection in Denmark remains an area worth monitoring.** Tax arrears have increased gradually in recent years. Moreover, a substantial proportion of those arrears is unlikely to be recovered as they are considered uncollectable.

1. Introduction and policy context

1.1. Snapshot of the tax system

Denmark has the highest tax-to-GDP ratio in the EU, with strong reliance on labour taxes. Total tax revenues (including social contributions) reached 45.2% of GDP in 2024, 5.8 percentage points (pps) above the EU average ([1]). Denmark's tax mix has traditionally shown a strong reliance on labour taxes, which accounted in 2024 for 53.4% of total tax revenue (compared to 51.5% in the EU). The share of revenues from taxes on capital (26.2% in 2024) and consumption (20.5%) are slightly below the EU average (26.8% and 21.6%, respectively). Among specific tax types, VAT revenues are significantly above the EU average (9.3% of GDP, against 7.1%), similar to revenues from corporate income taxes. Corporate income taxes have grown fast in recent years boosted by the pharmaceutical sector. Revenues from property and environmental taxes are broadly in line with the EU average.

The tax-benefit system has a large redistributive effect in Denmark and the tax wedge on labour is below the EU average across much of the income distribution. The effect of the tax and benefit system on reducing the Gini coefficient was of 10.5 pps in 2024, 2.8 pps above the EU average ([2]). The tax wedge ([3]) is below the EU average at almost all income levels, except marginally for very-low-income earners. This determines a progressive system where the difference in the tax wedge between high-income (167% of average wage) and low-income earners (50% of average wage) is at 8.6 pps, significantly below the EU average of 12.5 pps ([4]). Income inequality, measured by the income quintile share ratio (S80/S20), is relatively low (4.12 vs 4.62 in the EU, income reference year 2024) ([5]). The at-risk-of-poverty and social exclusion -AROPE rate ([6]) is also well below the EU average (17.9% vs 21.0%).

[1] Data on tax revenues are based on European Commission: Data on Taxation Trends, edition 2026 (reference year 2024), which are produced by DG Taxation and Customs from ESA table 9 and National Tax List data, as collected and validated by Eurostat. The 2027 edition (reference year 2025) will be published in the first quarter of 2027. Recent Eurostat release shows a tax-to-GDP ratio of 44.5% in 2025, compared to an EU average of 39.7% (data of 30/10/2026 on [GOV_10A_TAXAG]).

[2] European Commission, DG ECFIN calculations based on EU-SILC survey data. A Gini coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income. The difference between the "gross" (excluding pensions from social transfers) and the "net" Gini coefficient, i.e. before and after application of the tax-benefit system, reflects the difference between market income and disposable income.

[3] The tax wedge is an indicator of the tax burden on labour that can be assessed at different earnings levels. It is calculated as the sum of personal income tax, employee social-security contributions, employer social-security contributions and other mandatory contributions, net of cash family benefits where relevant, expressed as a percentage of total labour costs (composed of the gross wage plus employer social-security contributions). Data are based on the EUROMOD model, calculated by the Joint Research Centre of the European Commission. Unless indicated differently, values indicated in this country fiche refer to single earners.

[4] For a given income level, a lower labour tax wedge is preferable as it implies lower distortions of the labour supply decision. The difference between the labour tax wedge for high- and low-income earners however is an indicator of the progressivity of labour taxation. A higher difference indicates more progressive labour taxation.

[5] The income quintile ratio (S80/S20) is a headline indicator in the EU Social Scoreboard used to monitor income inequality. It measures the ratio between the total equivalised disposable income received by the top 20% of the population and the bottom 20%.

[6] Share of people living in households experiencing at least one of the three poverty and social exclusion risks: risk of poverty, severe material and social deprivation, and/or living in a household with very low work intensity.

In 2026, Denmark did not receive country-specific recommendations (CSRs) in the area of taxation ([7]). The country is not under the Excessive Deficit Procedure, as it registered a government surplus of 2.9% of GDP and a public debt of 28% in 2025.

1.2. Tax complexity and simplification measures

1.2.1. Measures of tax complexity

Denmark's tax system appears moderately complex overall, though complexity is driven more by the design of tax rules than by administrative procedures. Survey-based evidence from the Tax Complexity Index (TCI) places Denmark broadly around the middle of the EU distribution, ranking 12th among Member States. The underlying components of the TCI suggest relatively high tax code complexity but comparatively lower administrative complexity ([8]). Citizen perceptions are considerably more favourable than in most Member States: 57% of respondents report that completing their tax return is easy, above the EU average of 49%, while only 2% rely on professional assistance ([9]). This likely reflects Denmark's high degree of digitalisation and widespread use of pre-filled tax returns.

Legislative activity has been relatively high in recent years, although it moderated substantially in 2025. Denmark recorded 15 tax changes entering into force or announced in 2025, compared with an EU average of around 14 ([10]). This represents a marked decline from previous years, when 31 tax changes were recorded in 2024, 27 in 2023 and 21 in 2022, all above the corresponding EU averages. Despite less activity in 2025, the multi-year pattern therefore points to comparatively high legislative activity. Many of these measures in 2025 form part of the 2026 Budget Agreement and concern targeted incentives or adjustments across a broad range of taxes. Examples include a zero VAT rate for books, higher earned-income tax credits for seniors, temporary reductions in environmental taxes, and measures to support the green transition, such as changes to electricity duties and waste packaging taxes. Some of these initiatives have yet to be enacted and are expected to be proposed in the upcoming national budget bill for 2027. While the breadth of the reform package requires taxpayers and businesses to adapt to a number of legislative changes, many of the measures pursue broader policy objectives related to employment, sustainability and simplification rather than reflecting repeated adjustments to the core tax system.

Demand-side indicators suggest relatively limited reliance on specialised tax and accounting expertise. The accounting, bookkeeping and tax consultancy sector accounts for around 0.5% of gross operating surplus, well below the EU average of 0.9% ([11]). While this indicator

[7] https://data.consilium.europa.eu/doc/document/ST-11116-2026-INIT/en/pdf

[8] The Tax Complexity Index (TCI), developed under the Global MNC Tax Complexity Project, measures the complexity of countries' corporate income tax systems as faced by multinational firms. Based on survey data from tax professionals, it captures both the complexity of tax rules (tax code) and administrative procedures (tax framework), with values ranging from zero (not complex) to one (extremely complex).

[9] European Commission (2025), Flash Eurobarometer 562: Citizens' attitudes towards taxation, fieldwork conducted between 9 and 17 April 2025. Available at: https://europa.eu/eurobarometer/.

[10] The information is based on the tax measures reported by national administrations in the Joint OECD-European Commission Annual Tax Policy Reform Questionnaire, by aggregating and processing the responses received to the 2026 questionnaire. Responses to the 2026 questionnaire are relative to tax policy measures self-reported by the Member States that were implemented, legislated, or announced in each country between 1 January and 31 December 2025. While comprehensive, the list of tax measures is non-exhaustive.

[11] A higher share of gross operating surplus indicates that the accounting, bookkeeping and tax consultancy sector generates a relatively larger share of operating profits and value added in the economy. While not a direct measure of tax complexity, it may point to a comparatively important professional services sector and, indirectly, to greater demand for specialised tax and accounting expertise.

is influenced by several factors, it does not point to a particularly important professional services sector or unusually strong demand for specialised tax and accounting expertise ([12]). Overall, the evidence suggests that Denmark combines relatively complex tax rules with comparatively user-friendly administration and digital compliance systems.

1.2.2. National simplification efforts

Denmark is undertaking efforts to simplify its tax system and enhance tax compliance on an ongoing basis. To simplify the rules regarding non-profit lotteries and games, a reform to other excise duties, adopted in 2025, restructured the tax on winnings from non-profit lotteries and certain games on the liberalised market. To create better opportunities for SMEs to pay employees with shares, a reform to personal income tax on earned income was adopted in 2025 which adjusted the rules on the taxation of employee-owned stocks ([13]). Additionally, a proposed budget bill agreement for 2026 includes measures aimed to support voluntary associations through simpler and less restrictive tax rules for volunteers. The agreement raises the cap on tax-free compensation for volunteers, a change affecting non-tax compulsory payments ([14]).

1.3. Measures of the non-observed economy and the shadow economy

Estimates of economic activities outside the formal economy are relevant for gauging tax gaps. The non-observed economy (NOE) is an official statistic provided by national statistical authorities that estimates all economic activities that may not be captured in the basic data sources used for compiling national accounts. It includes underground, informal, illegal, and household self-use production, as well as activities missed due to imperfect data collection ([15]). The shadow economy is an analogous but narrower concept — used in the economic literature and measured via macroeconomic models — that usually encompasses only legal, market-based productive activities deliberately concealed from public authorities to evade taxes or regulations. Due to limitations and methodological differences between the two approaches, model-based estimates of the shadow economy paradoxically often turn out to be considerably higher than NOE-based estimates.

[12] While some cross-border provision of accounting, tax consultancy and related services may be captured through imports and exports of services, available evidence suggests that such flows are relatively limited. In particular, data from the Eurostat's EU inter-country supply table at basic prices (reference year 2023) indicate that cross-national transactions in these services represent only a small share of overall activity, if any, suggesting that their impact on the interpretation of domestic sector size is likely to be limited.

[13] This information is based on the 2025 and 2026 joint OECD-European Commission Annual Tax Policy Reform Questionnaire, reporting measures that were implemented, legislated, or announced between 1 January and 31 December of respectively 2024 and 2025. In particular, the main objective of the measures reported in this sub-section has been classified by the Member State as 'Simplify the tax system/ increase tax compliance'.

[14] This information is based on the 2025 and 2026 joint OECD-European Commission Annual Tax Policy Reform Questionnaire, reporting measures that were implemented, legislated, or announced between 1 January and 31 December of respectively 2024 and 2025. In particular, the main objective of the measures reported in this sub-section has been classified by the Member State as 'Simplify the tax system/ increase tax compliance'.

[15] Statistical deficiencies (N7) are related to incomplete, not collected or not directly collectable data. See Fernandes, A. (2025), The non-observed economy in the national accounts: New evidence for EU and EFTA Member States - available at https://www.sciencedirect.com/science/article/pii/S0313592625000712 - for the definitions of the other components of NOE: Producers deliberately not registering (N1); Illegal economy (N2); Producers not required to register (N3); Registered legal persons not surveyed (N4); Registered entrepreneurs not surveyed (N5); Producers deliberately misreporting (N6). Informal economy = N3+N4+N5. Underground economy= N1+N6. In other words, the informal economy specifically covers unregistered or small-scale unincorporated enterprises run by households.

Recent data from official sources allow to estimate the size of the non-observed economy (NOE) in Denmark at 1.27% of GDP for 2021 ([16]). The NOE comprises the statistical deficiencies (0.77% of GDP) and underground economy (0.29% of GDP), while illegal economy and informal economy represents, namely, 0.13% and 0.09% of GDP. Denmark thus records well below the EU average (7.4% of GDP) ([17]). The largest part of NOE is concentrated in 'Wholesale and retail trade' (0.27% of GVA) and 'Hotels and restaurants' (0.22%).

Different models produce substantially different estimates for the shadow economy, reflecting the complexity of such estimation. As in most EU Member States, model-based estimates of the shadow economy for Denmark are higher than the non-observed economy estimate discussed above. In 2022, the shadow economy in Denmark represented 9.7% of GDP, according to estimates by Schneider and Asllani for the European Parliament ([18]). This ratio is only about half of the unweighted EU-27 average for the same year (17.6%) and has decreased considerably from 17.4% of GDP in 2003. The report also indicates that personal income tax and indirect taxes are the main drivers of the shadow economy in Denmark. Several other studies provide estimates of similar magnitude for the size of the shadow economy ([19]). However, using a currency demand approach (CDA), a recent study by EY ([20]) reports lower estimates for the Danish shadow economy at 5.9% of GDP in 2023 (EU average 7.9%), down from 8.3% in 2000 (EU average 13.2%).

2. Compliance tax gaps

2.1 Overview

Denmark's tax gap estimation activities are well-developed. The Danish tax gap team was established in 2005, but the outcome of this work has not yet been made publicly available ([21]). Denmark estimates tax gaps relating to the registration or filing gap, the reporting gap, the payment gap, and the gross tax gap ([22]). Denmark reported using top-down and bottom-up approaches, with both, random and risk-based audits. used for the latter ([23]). Denmark further uses survey data to complement audit-based and administrative approaches to tax gap estimation.

Denmark participates in the TADEUS/Fiscalis project on estimating tax gaps. The Fiscalis Project Group on Tax Gap Estimation, a collaborative initiative launched with the support of the European Commission, aims to develop a harmonised approach to estimating tax gaps across EU

[16] For data and documents used for calculations by TAXUD, see Section 1.3 "Measures of the non-observed economy and the shadow economy" in European Commission (2026), Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).
[17] The (unweighted) EU average does not include Luxembourg, which has not yet sent data to EUROSTAT.
[18] This study uses a MIMIC approach (Multiple Indicator Multiple Cause). European Parliament (2022), Taxation of the informal economy in the EU. Study available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734007/IPOL_STU(2022)734007_EN.pdf.
[19] See Fernandes op. cit. (2025) for an overview of various studies. The Rockwool foundation also provides an extensive summary of several studies and results for Denmark, available at: Estimates of the Shadow Economy in Denmark - The ROCKWOOL Foundation
[20] The report is available at https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/insights/tax/documents/ey-gl-shadow-economy-report-02-2025.pdf
[21] Nor is it legally required to publish it; see Annex Table 11.A.1 in the OECD Tax Administration 2024 at https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/11/tax-administration-2024_5c4606e4/2d5fba9c-en.pdf
[22] Based on Annex Table 11.A.2 in the OECD Tax Administration 2024 and clarifications by the Ministry for National Economy.
[23] See Annex Table 11.A.3 in the OECD Tax Administration 2024.

Member States. Denmark participated in the first cycle until April 2024 ([24]) and has joined the project again for the current cycle, launched in 2026.

2.2 Compliance tax gaps in VAT

For 2023, the VAT compliance gap ([25]) in Denmark was estimated at around 9% of the VAT Total Tax Liability (VTTL) ([26]), or approximately DKK 25 billion (EUR 3 billion). After falling from around 11% in 2019 to 6.5% in 2020, it has been steadily increasing since; however, remaining below the 2019 level ([27]). Denmark's VAT compliance gap remained below the EU average of 9.5% in 2023. This rise can potentially be linked to a sharp reduction in the growth in consumption of easily taxable, low risk goods (such as food and non-alcoholic beverages).

Recent regulatory developments at both the EU and national levels have introduced digital measures aimed at improving VAT compliance in Denmark. At the European level, the "VAT in the Digital Age" (ViDA) package was adopted in March 2025 and will be implemented progressively until 2035 ([28]). Among other measures, it introduces digital reporting requirements designed to strengthen VAT compliance. These initiatives align with the digitalisation framework established by the new Danish Bookkeeping Act ("Den nye bogføringslov"), which phases in digital bookkeeping requirements across successive categories of businesses ([29]). The act applies first to companies required to file an annual report. For those using registered approved systems, the requirements took effect in July 2024. For those using non-registered systems they took effect in January 2025. From January 2026, the requirements extend to businesses not required to file an annual report, such as sole proprietorships and partnerships, where net turnover exceeds DKK 300 000 in two consecutive years ([30]).

2.3 Compliance tax gaps in corporate and personal income tax

Denmark conducts estimations of both the Corporate Income Tax (CIT) gap and the Personal Income Tax (PIT) gap. For CIT, the Danish tax administration assesses several components of the tax gap, including the filing gap, reporting gap, payment gap, and gross tax gap ([31]). Denmark uses both bottom-up approaches, methods based on risk data and methods based on random audit data when measuring CIT gaps ([32]). For PIT, Denmark conducts gap estimations covering the registration gap, filing gap, reporting gap, payment gap, and gross tax

[24] For details, please refer to the TADEUS website, the FISCALIS programme website and the Final Report of the Project.
[25] The VAT compliance gap is an estimate of revenues lost due to VAT fraud, evasion and avoidance, bankruptcies and financial insolvencies, or miscalculations.
[26] The VAT Total Tax Liability (VTTL) is the theoretical tax revenue that would be collected in a situation of perfect taxpayer compliance, assuming an unchanged net VAT base.
[27] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.
[28] https://taxation-customs.ec.europa.eu/taxation/vat/vat-digital-age-vida_en.
[29] The act can be read in full here: https://danishbusinessauthority.dk/sites/default/files/2025-02/Act-no-700-danish-bookkeeping-act-24052022_WA.pdf.
[30] https://www.retsinformation.dk/eli/lta/2025/297.
[31] See Annex Table 11.A.7 in the OECD Tax Administration 2024 at https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/11/tax-administration-2024_5c4606e4/2d5fba9c-en.pdf.
[32] See Annex Table 11.A.8 in the OECD Tax Administration 2024 at https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/11/tax-administration-2024_5c4606e4/2d5fba9c-en.pdf.

gap ([33]). PIT gap estimation is based on a combination of bottom-up and top-down approaches, as well as methods using random audit data ([34]). Denmark does however not publish the estimations of either the Corporate Income Tax (CIT) gap or the Personal Income Tax (PIT) gap ([35]).

An academic study drawing on official tax return and random audit data analyses the dynamic effects of audits on self-employed taxpayers in Denmark. The study from 2024 focuses on self-employed individuals, a group with more limited third-party reporting, for which the tax gap is estimated at around DKK 6–7 billion, or about 12% of tax liabilities ([36]). Based on six waves of random audits between 2006 and 2017, covering 17 444 completed audits, the study finds that 52% of self-employed returns involved under-reporting, compared with 41% accurate reporting and 7% over-reporting. On average, an audit increased revenue by about DKK 23 000 (ca. EUR 3 084), or 1.65 times the tax uncovered during the audit. The effects are driven by self-employment income and differ strongly by taxpayer behaviour: unintentional non-compliers increased tax payments persistently, with a total effect of around DKK 58 400 (ca. EUR 7 834), or 3.4 times the tax uncovered, suggesting a learning effect from audits; by contrast, intentional non-compliers showed only a temporary increase in payments, which returned to pre-audit levels, suggesting that deterrence effects are more limited for this group.

European Commission estimates suggest a very low CIT compliance gap in Denmark. Based on a methodology developed by the Joint Research Centre which relies on a top-down approach using national accounts data and estimates of the non-observed economy produced by national statistical offices, the CIT compliance gap of Denmark is estimated at around 1.5% of collected CIT revenues based on 2021 data ([37]). Based on the same methodology, the (unweighted) EU average CIT compliance gap is 9.2% of collected CIT revenues across all Member States. Compared to an earlier estimate for Denmark of around 2.0% in 2017, this indicates a slight decline over time and a level well below the EU average.

2.4 Other compliance tax gaps

The Commission continues its work on excise gap estimation, developing and scrutinising methodologies with experts from over 20 Member States, with the aim of delivering more robust estimates that better support policy and operational work. This work also illustrates Member States' growing engagement in the field.

[33] See Annex Table 11.A.5 in the OECD Tax Administration 2024 at https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/11/tax-administration-2024_5c4606e4/2d5fba9c-en.pdf.

[34] See Annex Table 11.A.6 in the OECD Tax Administration 2024 at https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/11/tax-administration-2024_5c4606e4/2d5fba9c-en.pdf.

[35] Nor is it legally required to publish it; see Annex Table 11.A.1 in the OECD Tax Administration 2024 at https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/11/tax-administration-2024_5c4606e4/2d5fba9c-en.pdf.

[36] The evidence refers to an independent academic study using confidential Danish tax return and random audit data from the Danish Compliance Program, rather than to an official government publication. The Danish Ministry of Taxation did not review the conclusions before publication. See Tobias Gabel Christiansen, "Dynamic effects of tax audits and the role of intentions", 2024, doi:10.1016/j.jpubeco.2024.105121.

[37] European Commission estimates are based on a top-down methodology for approximating CIT compliance gaps using national accounts data. The approach relies on exhaustiveness adjustments made by national statistical offices to Gross Operating Surplus, Gross Value Added and Gross Domestic Product in order to account for non-observed economic activity in the compilation of GNI. The method provides a harmonised proxy for domestic underreporting of corporate income but does not capture all sources of CIT revenue losses, in particular those related to international profit shifting or other forms of legal tax optimisation. For further information on the data sources, underlying assumptions and methodological caveats, see Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

Denmark estimates the excise gap on an ad hoc basis but does not publish the results. Overall, the country levies a large number of excise duties ([38]) and has carried out several targeted compliance analyses in this area.

Denmark does not publish any information on possible other compliance tax gaps. There are no official programmes or published figures for compliance gaps related to other tax measures.

3. Policy Tax Gaps

3.1 Tax expenditure reporting and evaluation

Information on Denmark's tax expenditures is irregularly published as a dedicated chapter titled "*Skatteudgifter*" within the Tax Economic Report (*Skatteøkonomisk Redegørelse*). The publication is issued by the Danish Ministry of Taxation (*Skatteministeriet*). Publications are irregular. Between 2017–2025 the report has been published six times. In each edition the depth, structure and detail of the tax-expenditure chapter have varied significantly, with the 2025 edition omitting the tax expenditure chapter entirely ([39]).

Denmark's Tax Economic Report most recently included a chapter on tax expenditures in 2023, which identified 122 provisions which deviate from the tax base totalling approx. 75.8 billion DKK in forgone revenue, equivalent to about 2.7% of Denmark's GDP. Nine of these are negative tax expenditures (tax sanctions) which result in higher tax payable ([40]). About 56% of the identified tax expenditures are estimated to be personal-oriented and amount in total to approximately DKK 48.6 billion (about 1.8% of GDP), while the remaining just over 44% are estimated to be business-oriented tax expenditures and amount in total to approximately DKK 27.2 billion (about 0.9% of GDP). The chapter presents these 122 provisions in a single large table organised into a nested structure, with personal provisions split into personal taxation, environmental/energy/vehicle taxes, and VAT/other duties, and business provisions split into four similar sub-groups ([41]).

Compared to other Member States, tax expenditure reporting in Denmark shows room for improvement (ranked 22nd overall according to Global Tax Expenditures Transparency Index (GTETI) data). According to the GTETI analysis, transparency in tax expenditure reporting in Denmark is below the EU average. Figure 1 depicts the GTETI results for the five dimensions analysed in comparison to EU averages ([42]). The maximum value for each dimension is 20. Denmark

[38] Over the period 2019–2023 period, 80 different excise duties applied at some point. Rigsrevisionen, Beretning 3/2024

[39] This information is based on the published Skatteøkonomiske Redegørelser (Tax Economic Reports) and their "Skatteudgifter" (Tax Expenditures) chapters, published by the Danish Ministry of Taxation (Skatteministeriet). The reports are available at https://skm.dk/tal-og-metode/regnemetoder/publikationer-om-metode.

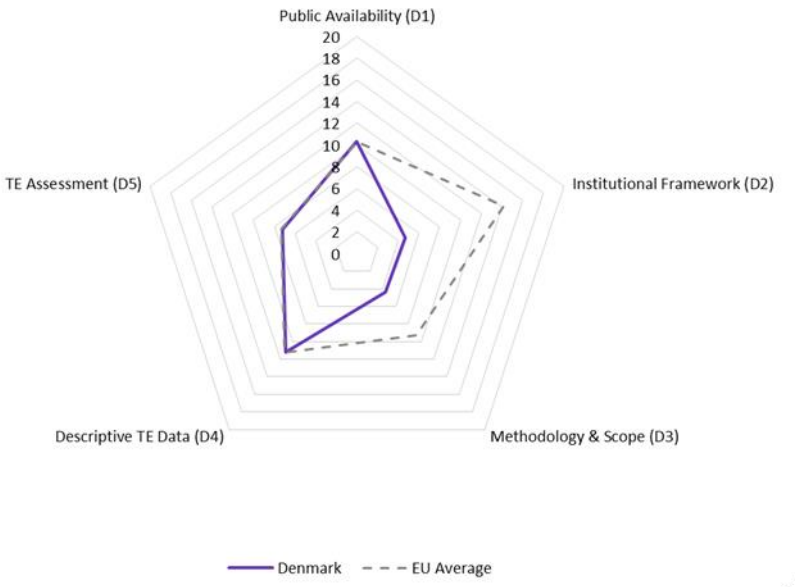
[40] These nine measures given rise to additional revenue of DKK 1.33 billion (ca. EUR 1.79 billion), or less than 2% of tax expenditures that increase revenue forgone and as such are largely immaterial to this analysis.

[41] This information is based on the Danish Ministry of Taxation's (Skatteministeriet) Skatteøkonomisk Redegørelse (Tax Economic Report) 2023, specifically its chapter on tax expenditures (Skatteudgifter, Chapter 8). The full report is available at https://skm.dk/aktuelt/publikationer/rapporter/skatteoekonomisk-redegoerelse-2023.

[42] See the Global Tax Expenditures Transparency Index (GTETI) companion paper (2026) and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches), for details. The GTETI summarises information in five dimensions. These are (1) Public availability — whether a TE report exists and is accessible; (2) Institutional framework — its legal mandate, periodicity, and integration into the budget process; (3) Methodology and scope — the benchmark definition, estimation method, and coverage of taxes; (4) Descriptive tax expenditure data — the granularity and classification of reported provisions; and (5) Tax expenditure assessment — the quality of revenue-forgone estimates and whether TEs are evaluated for effectiveness.

is on par with the EU average on 'Public Availability' and 'Descriptive Tax Expenditure Data' and 'Tax Expenditure Assessment'. However, 'Institutional Framework' is below the EU average (4.67 vs 14.19) as there is no legal requirement to report on tax expenditures nor are procedures in place to facilitate the submission of tax expenditure reports to parliament or their integration into budget proposals/documentation. 'Methodology and Scope' is also below the EU average (4.40 vs 9.28), as tax expenditure reports to date have not adequately explained the benchmark tax system, distinguished structural from non-structural tax provisions, nor do they disclose the revenue estimation methods and underlying economic assumptions.

Figure 1: Denmark vs EU average — GTETI v2.1 dimension scores (max 20 per dimension)



Source: GTETI v2.1.

Denmark has no standardised procedures or statutory legal requirements for regularly reviewing the impact of tax expenditures. Since 2017, however, several Skatteøkonomisk Redegørelse (Tax Economic Reports) have addressed the topic, with some reports including assessments of the scope and effect of tax expenditures ([43]). As the content and scope of these reports vary, they do not constitute a stable or institutionalised review process. Nevertheless, their publication suggests some effort in the evaluation of tax expenditures. In 2007, the Danish National Audit Office (*Rigsrevisionen*) recommended that tax expenditures should be incorporated into the annual budget process and assessed in the same manner as direct expenditures ([44]). This would have involved review by both spending ministries and the Ministry of Finance, as well as dedicated evaluation procedures. However, these recommendations were not implemented ([45]). To the Commission's knowledge, no subsequent measures have been introduced to establish such a

[43] The 2021 and 2018 reports include an evaluation of the scope and effect of tax expenditures. These reports are available on the Danish Tax Administration's website: https://skm.dk/tal-og-metode/regnemetoder/publikationer-om-metode.

[44] The report om transparency of tax expenditures (tax deductions, tax reliefs, etc.) is available at https://www.uk.rigsrevisionen.dk/audits-reports-archive/2007/okt/report-on-transparency-of-tax-expenditures-tax-deductions-tax-reliefs-etc.

[45] As expressed in the Danish State Auditors' comments on the Final Report of 18 March 2010, available at https://www.rigsrevisionen.dk/revisionssager-arkiv/2007/okt/beretning-om-gennemsigtighed-vedroerende-skatteudgifter-fradrag-mv.

framework. Consequently, Denmark still lacks a formalised system for the regular review and evaluation of tax expenditures.

Topics in the Tax Economic Report and ad hoc publications indicate interest in evaluation of tax expenditures. The publication of a large collection of estimates for marginal changes to key tax parameters ("*stilleskruer*") allow also non-government stakeholders to evaluate potential tax changes *ex ante* ([46]). Moreover, the Ministry of Taxation published an analysis of potentially differentiated VAT on certain product categories to consider positive and negative externalities in a broader economic analysis factoring in the impact on revenue, administrative burden, health benefits, and distributional consequences ([47]).

3.2 Policy tax gaps in VAT

Revenue forgone due to the application of reduced rates and national policy-driven exemptions reached nearly DKK 43 billion (EUR 6 billion) in 2023 ([48]). The national policy-driven VAT exemption gap ([49]) was estimated at around DKK 40 billion (EUR 5 billion) in 2023, or 9% of the notional ideal revenue ([50]), while the EU average was 11%. The VAT rate gap ([51]) was estimated at around DKK 3 billion (EUR 400 million) in 2023, or 1% of the notional ideal revenue, lower than the EU average of 12%.

Denmark's VAT policy tax gap remains among the most stable and lowest in the EU due to the very narrow application of exemptions and reduced rates. Denmark applies only specific VAT exemptions and zero-rates to certain cultural and sports activities (around 60% of such measures) and transport services (the remaining 40%). As the use of reduced rates is very restricted in Denmark, a microsimulation of distributional implications of the VAT rate gap is omitted.

Denmark discusses the introduction of reduced rates. The above-mentioned estimates refer to the years until 2023. As of June 2026, the Danish government's coalition programme sets out the government's intention to halve VAT on all foodstuffs and to remove VAT entirely on fruit and vegetables, to be implemented as soon as technically feasible ([52]). Should these measures be

[46] Most recently in the Danish Ministry of Taxation "Skatteøkonomisk Redegørelse 2025" available on https://skm.dk/media/0ykkq4f0/skatteoekonomisk-redegoerelse-2025.pdf

[47] Danish Ministry of Taxation "Analyse af differentieret moms" available on https://skm.dk/media/rvhp52vs/analyse-af-differentieret-moms.pdf

[48] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.

[49] The national policy-driven VAT exemption gap represents the part of the VAT policy gap that can in principle be influenced by national policies on VAT exemptions. In practice, it consists of revenue forgone from services falling under Article 137 (such as real estate and certain financial services), from the SME scheme, and from national exemptions applied under standstill clauses or derogations. The VAT policy gap refers to the revenue lost due to the application of VAT exemptions and reduced, super-reduced, and zero VAT rates on selected products.

[50] The notional ideal revenue is the benchmark VAT revenue that assumes perfect taxpayer compliance in a situation where the current standard VAT rate is applied to all final consumption and household, government, and NPISH investment.

[51] The VAT rate gap refers to the portion of the VAT policy gap resulting from revenues lost due to the application of reduced, super-reduced, and zero VAT rates on selected products.

[52] Statsministeriet (Danish Prime Minister's Office), Det politiske grundlag for firkløverregeringen [The Political Basis for the Four-Leaf Clover Government], June 2026. This is the coalition government's political programme (regeringsgrundlag), which sets out policy intentions and is not itself legislation. The intention to halve VAT on foodstuffs and remove VAT on fruit and vegetables appears in the introduction (Indledning) and in Section 8 (Et rigere Danmark), under the subheading "Skattereform"; the intention to abolish VAT on books appears in Section 11 (Et deltagende og demokratisk Danmark). Available at: https://stm.dk/statsministeriet/publikationer/det-politiske-grundlag-for-firkloeverregeringen/.

adopted and enter into force, food would become a substantial new set of reduced- and zero-rated categories. Currently, new reduced rates remain stated policy intentions rather than enacted law, and no date of entry into force is given for the food measures.

3.3 Policy tax gaps in corporate income tax

Denmark reports 26 CIT-related tax expenditure measures (*Ordninger vedrørende selskabsbeskatning*), with an immediate revenue effect of DKK 16 billion (ca. EUR 2.14 billion or 0.6% of GDP) in 2023. These take various forms, including depreciation rules, deductions, exemptions, deferrals, and reduced-rate regimes. The two largest items are deductions for funds' non-profit distributions and provisions (DKK 6.23 billion, ca. EUR 833 million) and additional deduction for expenses for research and development (DKK 3 400 million, ca. EUR 455 million) ([53]). In January 2025, Denmark implemented legislation that will increase the available deduction for R&D expenses to 114% in 2026, 116% in 2027 and 120% in 2028. At the same time, provisions withdrawing immediate expensing for IT software, know-how, and patent rights were affected from 1 January 2025 (with multi-year tax depreciation rules to apply instead). The cumulative effect of these measures on revenue forgone is not yet known.

Denmark's new government coalition in June 2026 proposed lowering the CIT rate by a total of 3 pps over three years, with the financial sector excluded from the reduction ([54]). This is currently a political proposal, not yet passed into law, and the final rules may still change during the legislative process. Tax rates are generally part of the benchmark meaning that a rate change would not normally be considered a policy tax gap. However, a reduction in the CIT statutory rate might reduce the value of CIT-related tax expenditures, which would lead to a reduction in revenue forgone from CIT-related tax expenditures if implemented.

3.4 Policy tax gaps in personal income tax

Denmark reports 65 PIT-related tax expenditure measures (*Ordninger vedrørende personbeskatning*), with an immediate revenue effect of DKK 29.8 billion (ca. EUR 4 billion or 1.1% of GDP) in 2023. The two largest items are the tax exemption for the child and youth benefit (DKK 5.6 billion, ca. EUR 749 million) and the tax exemption for housing support and urban-renewal grants (DKK 4.4 billion, ca. EUR 589 million) ([55]).

Denmark has introduced a personal income tax reform (the *Aftale om Reform af personskat*) in December 2023. The reform is described as the largest personal tax reform since 2012 ([56]). It reduces taxes for around 3.4 million people (more than half the population), with a total immediate revenue effect of just over DKK 11 billion (ca. EUR 1.47 billion) at 2025 price levels ([57]). It consists of four main elements: an increase in the general employment tax credit, a higher employment credit for single providers, a new employment credit for seniors, and a reform of the

[53] This information is based on the Danish Ministry of Taxation's (Skatteministeriet) Skatteøkonomisk Redegørelse (Tax Economic Report) 2023, specifically its chapter on tax expenditures (Skatteudgifter, Chapter 8). The full report is available at https://skm.dk/aktuelt/publikationer/rapporter/skatteoekonomisk-redegoerelse-2023.
[54] See the proposal under section 9, " Et stærkt erhvervsliv" subsection " Regeringens initiativer" page 49, available at https://regeringen.dk/aktuelt/publikationer-og-aftaletekster/det-politiske-grundlag-for-firkloeverregeringen/.
[55] This information is based on the Danish Ministry of Taxation's (Skatteministeriet) Skatteøkonomisk Redegørelse (Tax Economic Report) 2023, specifically its chapter on tax expenditures (Skatteudgifter, Chapter 8). The full report is available at https://skm.dk/aktuelt/publikationer/rapporter/skatteoekonomisk-redegoerelse-2023.
[56] As stated in Skatteøkonomisk Redegørelse 2025, chapter 5.2, available in full at Skatteøkonomisk Redegørelse 2025.
[57] As stated in Skatteøkonomisk Redegørelse 2025, table 5.1, available in full at Skatteøkonomisk Redegørelse 2025.

middle and top tax brackets. The purpose of these measures is to strengthen work incentives in two ways. First, for people who are already employed, the reform aims to make it more attractive to work more hours or otherwise increase their income, for example through career choices that lead to higher pay. Second, the reform aims to make employment more attractive compared to non-employment, by increasing the economic gain from working rather than not working ([58]).

Note that Denmark's new government coalition has proposed changes to the PIT. The changes proposed in June 2026, include abolishing the middle- and top tax brackets introduced by the 2023 reform. Under the proposal, the tax system would instead consist of a bottom tax (*bundskat*) for income up to DKK 777 900 (ca. EUR 104 070) with an additional top tax rate (*topskat*) of 15% applied to income above that threshold ([59]). This is currently a political proposal, not yet passed into law, and the final rules may still change during the legislative process.

Tax-simulations for 2025 suggest that PIT-related tax expenditures in Denmark somewhat increase inequality ([60]). PIT-related tax expenditures included in the analysis were estimated to imply revenue forgone equivalent to 6.3% of actual PIT revenues, well below the EU average of 19.1% ([61]). The largest share of revenue forgone arises from work-related tax expenditures (4.7% of PIT revenue). The tax expenditures were estimated to increase the Gini coefficient by 0.25 pps, whereas the EU average effect of PIT-related tax expenditures on the Gini coefficient is a reduction of 0.46 pps. Despite the relatively low revenue forgone, PIT tax expenditures are associated with an increase in income inequality ([62]).

4. Effectiveness of tax administration

4.1 Registration/identification of taxpayers

Denmark operates a largely unified tax identification system across tax types, **with some exceptions, particularly for VAT**. Individuals are identified through the CPR number (Civil Registration System) and businesses via the CVR number (Central Business Register). VAT numbers are not derived directly from the CVR but from the Danish Tax Agency's Business Registration System (Erhvervssystemet). Not all businesses carrying out an economic activity have a CVR number ([63]).

Denmark's VAT tax registration is highly digitalised, with automated processes ensuring data integrity. VAT registrations are processed online through the Virk.dk portal, where businesses and individuals can access, modify, and submit registration. Other VAT-related data are submitted through Skat.dk. Automated checks on VAT returns are applied, with adjustments tracked in the

[58] As stated in Skatteøkonomisk Redegørelse 2025, chapter 5.2, available in full at Skatteøkonomisk Redegørelse 2025.
[59] See the proposal under section 8, "Et rigere Danmark" subsection "Skattereform" page 44–45, available at https://regeringen.dk/aktuelt/publikationer-og-aftaletekster/det-politiske-grundlag-for-firkloeverregeringen/.
[60] Simulations are based on EUROMOD and do not account for behavioural changes. For more details on assessing the impacts of tax expenditures in the PIT with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy Challenges, European Commission, European Economy Discussion Paper 212; Leventi et al. (2026), Personal Income Tax Expenditures in the EU, European Commission, Seville, 2026, JRC148748; and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).
[61] According to the European Commission's taxation trends data, PIT revenues in Denmark amounted to approximately EUR 103.1 billion in 2024. This would imply revenue forgone of approximately EUR 6.5 billion due to PIT tax expenditures according to the microsimulation (6.3% of EUR 103.1 billion).
[62] TEs are employed with a broad range of policy objectives. The fact that a given TE might have a regressive distributive effect does not imply that it does not successfully implement its stated objective.
[63] https://skat.dk/en-us/contact-us/businesses/vat

NTSE self-service portal, ensuring transparency for taxpayers. The taxpayer database is maintained through constant data centre maintenance, automated backups, and internal/external audits. Rejected VAT registrations are recorded with a closure code for tracking. While there is no automatic VAT registration upon company incorporation, the system integrates seamlessly with the CVR and third-party data sources, enabling cross-checks to keep records accurate. Additional facilitation measures include digital post, email, SMS, and phone notifications, as well as a personalised taxpayer portal and mobile app to reduce compliance burdens ([64]).

Denmark's e-commerce oversight involves several competent authorities with distinct responsibilities and targeted risk checks, though data integration and automation remain work in progress. Denmark relies on the respective responsibilities of tax, customs, consumer protection, market surveillance, and data protection authorities in overseeing different aspects of e-commerce. While there is no dedicated e-commerce database, the tax administration maintains records of VAT-registered online sellers and performs risk-based checks on One Stop Shop (OSS)/ Import One Stop Shop (IOSS) registrations. Coordination includes dedicated OSS audits and periodic prompts for businesses to review and update their registration data. The tax authority has access to CESOP ([65]), DAC7 ([66]), and DAC6 ([67]) data, but cross-referencing with customs and VAT systems remains partially manual. Challenges persist in fully integrating these data sources, particularly with CESOP, where issues such as missing VAT/TIN fields and difficulties in separating B2B and B2C transactions limit automated risk assessment ([68]).

Denmark's risk-based registration combines third-party data checks with targeted fraud detection, though advanced analytics remain limited. The system uses business registry data, ownership records, and cross-agency information to assess risk, focusing on digital identity verification and legal validation to detect fraud. Applicants denied for financial insecurity are flagged for enforcement and statistical tracking. OSS registrations face two-stage validation, while VAT audits ensure traceable adjustments. While effective, the model could benefit from deeper automation and predictive risk-scoring ([69]).

Denmark's qualification and invalidation of VAT identification numbers in potential MTIC-related cases appear to follow standard administrative procedures. The qualification upon receipt of a Eurofisc MTIC fraud alerts may be procedurally burdensome.

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[64] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection) and European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Denmark, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/7440795

[65] CESOP is an EU-wide system established under Directive (EU) 2020/284 to support the fight against VAT fraud in e-commerce. It requires payment service providers to report cross-border payment data on a quarterly basis to national tax authorities, which then transmit the information to CESOP. The system centralises and analyses this data, enabling Member States to detect undeclared online sales, identify fraudulent traders, and enhance administrative cooperation in combating cross-border VAT fraud.

[66] Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation: automatic exchange of information on income from digital platforms.

[67] Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.: automatic exchange of information on potentially tax-harmful cross-border arrangements.

[68] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection) and European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Denmark, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/7440795

[69] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB

4.2 Tax filing and assessment

Denmark has a strongly digital tax administration centred on *Skattestyrelsen's* online environment. PIT is largely handled through digital pre-filled tax assessments and online self-service. CIT and VAT filing are also carried out electronically through dedicated business portals. Digital solutions are integrated with national e-identification tools and support online reporting, corrections, tax account management, and electronic communication with the authorities.

Denmark's tax administration combines strong digitalisation with real-time error prevention. The *Skattestyrelsen* online environment enables fully digital tax filing, supports online reporting, corrections, and secure communication with authorities. A real-time validation system blocks over 1 million inconsistent declarations annually, correcting EUR 150 million in discrepancies before submission ([70]). This "front-door" approach minimizes errors and taxpayer burden by resolving issues during the declaration phase ([71]).

Denmark records 100% e-filing across tax types and its pre-filling system is advanced but limited to PIT returns. Denmark provides for an advanced example of pre-filling, combining own data already held by public authorities with external data received from third parties to make public services more seamless. The Danish Tax Agency auto-populates PIT returns with data from employers, banks, pension providers, and registries. This process is supported by Denmark's robust digital infrastructure, including the CPR personal ID system, extensive data registers, and strong public-private digital integration ([72]). Denmark achieves 100% e-filing rates across all tax types in 2024, consistently exceeding the EU average: PIT (100% vs. EU 88.4%), CIT (100% vs. EU 97.3%), and VAT (100% vs. EU 99.2%), reflecting full digital adoption ([73]).

Denmark's taxpayer support combines AI tools with secure digital services and human oversight. Taxpayers can use online calculators, payment arrangement facilities, and secure messaging services. AI applications support service delivery through chatbots with predefined replies using AI classifiers for input recognition, machine learning-based email routing to direct inquiries to the correct departments and planned generative AI for draft email replies (expected in early 2027), all operating under a human-in-the-loop approach ([74]).

Denmark makes a thorough use of data obtained through the automatic exchange of information (AEOI), under the Directive on administrative cooperation in the field of taxation (DAC) ([75]), i.e. DAC1 ([76]), DAC2 ([77]), and DAC7 ([78]), for personal and corporate income

[70] OECD (2025), Tax Administration 2025: Comparative Information on OECD and other Advanced and Emerging Economies, OECD Publishing, Paris, https://doi.org/10.1787/cc015ce8-en.
[71] OECD (2025), Tax Administration 2025: Comparative Information on OECD and other Advanced and Emerging Economies, OECD Publishing, Paris, https://doi.org/10.1787/cc015ce8-en.
[72] https://en.digst.dk/ and https://sktst.dk/.
[73] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB
[74] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[75] Sources: Yearly Assessment 2026
[76] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC: automatic exchange of information on income from employment, pensions, director's fees, immovable properties, life insurance products, royalties
[77] Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on financial accounts
[78] Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation: automatic exchange of information on income from digital platforms.

taxation purposes. The identification of taxpayers concerned in Denmark is efficient and above EU average. In 2025, the matching rate measuring success in identifying registered taxpayers with DAC data ([79]) is 86% for the main categories of DAC1 ([80]), 94% for DAC2 and 97% for DAC7, the EU-average being 84%, 92% and 86% respectively. In this respect, the TIN validation tool envisaged in the DAC recast proposal will support Denmark in the matching process to approach a 100% automatic matching rate.

Once the taxpayers have been identified, Danish tax authorities use the available data for a large range of activities: awareness campaigns ([81]), tax risk assessment to detect possible undeclared income and, if relevant, tax assessments or general audits. In Denmark, this use is not only relevant for personal income tax, but also for assessing corporate taxation and VAT, as tax authorities take into account the most recent exchange of information on income from digital platforms (DAC7). Denmark also monitors the fiscal impact of these activities and was able to assess that the use of DAC data leads to important additional tax revenues.

Denmark has been relatively less active in VAT administrative cooperation ([82]). In 2024, Denmark sent 481 requests for information and received 427 requests ([83]). Based on a standardised measure, taking into account the relative size of the Danish economy, Denmark is below the EU weighted average on both the number of requests sent and the number of requests received ([84]).

Denmark records limited results in automatic exchange of VAT information. In 2024, Denmark reported 307 VAT identification numbers allocated to taxable persons not established in the Member State. For information on new means of transport, it forwarded 7 cases. Based on a standardised measure, taking into account the relative size of the Danish economy, Denmark is below the EU weighted average on VAT identification numbers allocated to taxable persons not established in DK and the volume of information on new means of transport ([85]).

4.3 Compliance risk management

Denmark operates a comprehensive compliance risk management (CRM) system with some limitations in transparency. Denmark maintains a formal CRM strategy covering all tax

[79] The matching rate indicates to what extent a Member State has been able to identify their taxpayers in their national tax databases with information received from other Member States under the DAC. Such matching is necessary to ensure that the data can be used for tax compliance purposes. The matching rates mentioned in this report are based on the metrics approved by the tax authorities in the TADEUS meeting of December 2024.
[80] Income from employment, pensions, director's fees, immovable properties.
[81] In 2025, the Danish Tax Agency an awareness campaign reached out to approximately 3.700 taxpayers who had accounts in four different financial institutions and reminded them of their obligation to report the information to the tax authorities. The campaign showed an increase of 13% in reported corrections to the annual tax return.
[82] Based on Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax (VAT), as subsequently amended, the EU and Member States' national tax authorities cooperate to help ensure the correct application of VAT rules on cross-border transactions.
[83] The data is assessed based on the annual statistics, provided pursuant to Commission Implementing Regulation 79/2012 (Annex IV) and presented to the Standing Committee on Administrative Cooperation (SCAC).
[84] The standardised measure normalises the number of requests per EUR 1 billion of GDP, allowing for comparison relative to the size of the economy. In 2024, Denmark sent 1.20 requests per EUR 1 billion of GDP compared to an EU weighted average of 1.60 requests sent per EUR 1 billion of GDP; and received 1.07 requests per EUR 1 billion of GDP compared to an EU weighted average of 1.59 requests received per EUR 1 billion of GDP.
[85] The standardised measure normalises the number of requests per EUR 1 billion of GDP, allowing for comparison relative to the size of the economy. In 2024, Denmark reported 0.77 VAT identification numbers allocated to taxable persons not established in the Member State per EUR 1 billion of GDP compared to an EU weighted average of 7.77 VAT identification numbers per EUR 1 Billion of GDP; and new means of transport 0.59 requests per EUR 1 billion of GDP compared to an EU weighted average of 0.95 new means of transport per EUR 1 billion of GDP.

processes, enabling systematic risk identification, assessment and prioritisation. Denmark does not publicly disclose identified risks or mitigation results, limiting external visibility into the system's performance ([86]).

Denmark uses AI primarily to enhance taxpayer support and streamline service delivery rather than enforcement. The tax administration uses AI-powered chatbots with predefined responses and machine learning for efficient email routing to ensure taxpayer queries are directed to the appropriate department. A generative AI tool, planned for implementation in 2027, will assist staff by drafting responses while maintaining human oversight. ([87]).

Denmark also uses reports exchanged automatically under the DAC, i.e. DAC3 ([88]), DAC4 ([89]) and DAC6 ([90]) for risk-analysis purposes in the field of corporate income taxation. The Danish tax authorities identified successfully 100% of the taxpayers concerned by DAC3, DAC4 and DAC6 reports. These reports are broadly used for risk-assessment (e.g. risk related to transfer pricing, base erosion and profit shifting, harmful tax practices, etc) and possible follow-up actions as general tax audits. s. In practice, the data feeds as risk indicators into a specific corporate IT tool performing joint analysis. This comprehensive use of the relevant data suggests that the Danish authorities have successfully integrated it into an efficient process, which help them maximising the benefits of the DAC.

Denmark uses CESOP data case-by-case. Denmark does not integrate CESOP data into its risk detection systems, citing data quality issues and difficulties matching businesses to payments. Instead, it is used case-by-case, cross-referenced with VIES, national VAT returns, and OSS sales data. While domestic payment card data used for cross-border transaction feeds into risk assessments, CESOP data remains unused for analysis, though stored for potential future application ([91]).

4.4 Audits

Denmark's audit system combines broad compliance coverage with AI-driven prevention. The Danish Tax Administration conducts desk, limited-scope, single-issue, and comprehensive audits, covering most compliance risks. While it does not specifically target tax avoidance or evasion

[86] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Denmark, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/7440795

[87] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection)

[88] Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on rulings and advanced pricing arrangements

[89] Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on country-by-country reports of multinational entities

[90] Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.: automatic exchange of information on potentially tax-harmful cross-border arrangements

[91] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection)

investigations, this may reflect a strategic focus on the AI-powered risk prevention as explained above, reducing the need for such audits ([92]).

Denmark's audit selection relies on AI-driven risk scoring and digital data collection. The tax administration uses supervised machine learning to assign risk scores to taxpayers, enabling targeted audit selection across all major tax types. Web scraping tools are used to collect data from online platforms to enhance risk detection. While AI effectively identifies high-risk cases for audit, final enforcement decisions remain with human auditors, ensuring the system combines data-driven insights with professional judgment ([93]).

Denmark's Large Taxpayer Office delivers outsized results with minimal resources. The LTO handles 40% of total tax revenue with just 2.6% of FTEs (92.9% dedicated to audit/verification), demonstrating high efficiency ([94]).

Denmark makes limited use of advanced instruments of administrative cooperation. These are provided for in the Directive on administrative cooperation in the field of taxation and Regulation 904/2010 to facilitate cooperation on specific cross-border VAT issues. Such instruments entail multilateral controls (MLCs) such as simultaneous controls, joint audits and presence in administrative offices and administrative enquiries (PAOEs). The synergies between participating Member States derived from these coordinated activities usually lead to an increase in the tax assessed and, therefore, contribute to reduce the tax gap. Between 2023 and 2025, Denmark has participated in 4 MLC and 2 PAOE, representing respectively 1.4% and 1.6% of the total of these activities within the EU. Denmark has not initiated any MLC or any PAOE. ([95]).

4.5 Payment and collection

Denmark shows a strong level of digital tax payment compliance ([96]) across tax types. This is particularly evident for e-payments (100% of tax payments were made electronically, above the EU average of 94.9%) and for CIT and VAT on-time payment with 91.61% for CIT (EU average of 89.8%), and 89.12% for VAT (EU average 83.7%). Meanwhile PIT is somewhat below the EU average (74.58%, below the EU average of 79%.). Cash payment of taxes is not possible in Denmark.

Since 2019, Denmark has linked the VAT refund process to the registration stage ([97]), including identity checks to prevent fictitious traders from entering the VAT system, and has integrated this with its compliance risk management system to help prevent fraud. VAT refunds are paid promptly through a fully automated process. Controls are also in place to detect and prevent fraudulent VAT refund claims. Denmark also has a penalty system for failure to submit VAT returns and for late payment, designed around the principles of simplicity and proportionality since 2019.

[92] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Denmark, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/7440795

[93] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection)

[94] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB

[95] EU AIAC Statistics -2023-2025

[96] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB

[97] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

4.6 Tax debt recovery

The Danish tax administration has adopted an increasingly data-driven and targeted approach to tax recovery. The Danish Debt Collection Agency (Gældsstyrelsen) has a formal tax recovery strategy and publishes regular reports on its recovery activities.

Denmark writes off tax claims where continued recovery is considered "obviously purposeless or associated with disproportionate costs," based on an individual assessment of each case. In addition, tax claims below a specified threshold are written off annually. Danish legislation allows the tax administration to exchange information with insolvency administrators on assets that may be used to recover outstanding tax debts. However, there is no dedicated legal framework establishing formal cooperation between the tax administration and insolvency administrators.

Tax arrears collection features an upward trend over the last years that merits monitoring. Denmark's outstanding year-end stock of tax arrears reached 13.2% of total tax revenue collected in 2024, compared with 13.0% in 2023. Although this remains well below the EU average, it continues the upward trend observed since 2018, when tax arrears represented 11.9% of total revenue collected. Of the total stock of tax arrears, Denmark classified only 29.0% as collectible in 2024, compared with 26.7% in 2023. Although this represents a modest improvement, it indicates that a substantial proportion of tax arrears is considered unlikely to be recovered and therefore falls outside the scope of active recovery efforts**.**

As regards mutual assistance for recovery within the EU, Denmark generally submits well-prepared and compliant requests to other Member States, focusing on well-established claims. In 2025, only 13 recovery requests were suspended, compared with 626 recovery requests transmitted to other Member States ([98]).

Denmark has integrated AEOI data in its recovery strategy and uses information from DAC1, DAC2 and DAC7 for recovery purposes, which is considered as best practice.

[98] Statistics transmitted by DK in accordance with Art. 27 of Directive 2010/24. It should be noted that the number of suspensions of recovery requests reported here relates to the number of suspensions in 2025, while the requests concerned may be sent in 2025 or in the preceding year.