

REDUCTION OF THE INHERITANCE AND GIFT TAX IN SUCCESSION OF FAMILY BUSINESSES

Background

The Danish government and its supporting parties have passed the Danish Finance Act whereby the conditions for succession of family businesses are improved. The Danish government expects a reduction in the inheritance and gift tax in succession from the current 15% to 5% in 2020.

The tax reduction replaces a reintroduction of the capital tax rate mentioned in the Danish government's coalition agreement. The purpose of the reduction is to maintain Danish jobs and give businesses a stronger capital base when the family business transfers to the next generation.

Description

An initiative concerning a reduction of the inheritance and gift tax in the Danish Finance Act means better conditions for transferring businesses to family members. The initiative means that the inheritance and gift tax is reduced from currently 15% to 5% in 2020. It is expected that the tax is reduced to 13% in 2016 and 2017, 7% in 2018, 6% in 2019, and approximately 5% in 2020.

The tax reduction is reserved to succession of family businesses only and will not include general property which will be ensured by anti-avoidance rules. The characteristics and scale of the anti-avoidance rules have not yet been decided. The wording of these rules may have an effect on the precise percentage of the reduction.

The accurate model of the initiative will be known when the Danish government proposes the bill within the first six months of 2016, but the possibilities of succession should be given consideration already now.

Moalem Weitemeyer Bendtsen's attorneys have considerable experience in corporate transactions and regularly assist businesses in all types of corporate transactions, including assistance in planning, managing and execution of succession.

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