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The Danish Tonnage Tax System

The Danish Parliament has passed the Danish Tonnage Taxation Act that implements a relatively low level of taxation, based on the total tonnage a shipowner operates. The Danish tonnage tax regime – including the level of taxation – is competitive and similar to the regimes already incorporated in the Netherlands, the United Kingdom, Germany etc.

1. Which companies are included?

The tonnage taxation regime can be used by limited shipping companies registered in Denmark, EU shipping companies with a permanent establishment in Denmark and all companies where the management is located in Denmark provided that the company is liable to company taxation in Denmark.

Shipping companies can choose to be taxed on the basis of the total actual tonnage they operate, or alternatively the ordinary income taxation.

2. Window and limitation

The tonnage taxation is optional, and the choice made by the shipping company will be binding for a period of 10 years. This will apply to companies that choose tonnage taxation, but also to companies that are under the ordinary corporate taxation.

Qualified companies are obliged to choose either corporate taxation or tonnage taxation before they file their income tax for the year in which they qualify for tonnage taxation.

All qualifying shipping companies within a group have to choose a similar taxation. However, individual companies with separate and independent management and clearly different business activities can apply for separate taxation.

3. Income Subject to Tonnage Taxation

Transport of goods and passengers and related activities are considered as shipping business. Only income deriving from the shipping business and associated activities can be subject to the tonnage taxation. Associated business is for example pool administration fees, leasing of space on board passenger vessels, the operation and maintenance of dockyards, passenger terminals, containers, ticket offices and other related office facilities. The total income from sublicensed transport services is included.

Activities not qualifying under the tonnage taxation include activities concerning i.e. extraction of hydrocarbons, fishing and dredging – and engineering ships.



The tonnage income is derived from the company's own fleet, ships on bareboat and time-charter of 20 GT or more. Bareboat leasing out of ships is not considered shipping business and can only incidentally be covered. The business has to be operated from Denmark for both business and strategic purposes.

Time-chartered tonnage can be included in a 10:1 ratio for own tonnage including bareboat chartered ships vs. time chartered vessels. If the total gross tonnage moved by chartered ships exceeds the total gross tonnage moved by the company's own ships with more than 10:1 ratio, this income will be taxed as ordinary income.

3. Tonnage income

The tonnage income is calculated per 100 Net Ton (NT) per 24 hours regardless of operating status as follows (1 DKK approximately 0,18 USD):

Net ton per day	Calculated income in DKK per 100 Net Ton operated
< 1,000 NT	DKK 7,8
1,000 NT > 10,000 NT	DKK 5,6
10,000 NT > 25,000 NT	DKK 3,35
25,000 NT >	DKK 2,2

All expenses concerning the tonnage income are non-deductible, and assets included in the tonnage tax can not be depreciated. However, profits from the sale of vessels are included in the tonnage tax and therefore not taxed separately.

The tonnage income and other taxable income including financial income (see point 4 below) are taxed with the ordinary company taxation rate which is presently 25 per cent per year.

4. Financial income

If the company's financial net income is positive, this income will be taxed according to the normal account. If the net financial income is negative, the financial expenses are allocated with regard to the ratio of the book value of the shipping companies' assets which are inside or outside the tonnage tax system.

Gains and losses related to currency fluctuations are independently of the net result always allocated between either tonnage tax activities or ordinary taxation.



Gains and losses from futures related to the business are diverted to the account for which they are issued.

5. Deferred taxes

In the Danish tonnage tax system the existing deferred taxes will not be abolished after a period of time as in the United Kingdom for example. The shipping companies which choose the tonnage tax after they have been using depreciations in the ordinary tax system in Denmark will have to keep a special system of accounts related to the ships, which have been depreciated in the ordinary tax system and ships acquired later. As long as the shipping companies do not change the shipping activity level significantly, no deferred taxes will actually be taxed.

New shipping companies can choose the tonnage tax without keeping this special system of accounts due to the fact that they have never used depreciations in the ordinary tax system. If such companies may choose to opt out of shipping, the tonnage taxation is final for the period under the tonnage tax system.

6. Flag requirement

The Danish tonnage tax system is flag blind and includes as such all a company's vessels. However, in line with EC-regulations the shipping company must maintain the relative share of EU tonnage it had when entering the system.

For further information please contact the Danish Shipowners' Association,
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