

# Taxation rules

## Private insurance plans

In the policy or quotation, you can see the distribution of premiums/single payments on pension with regular disbursements except for temporary annuity (tax code 1), temporary annuity (tax code 9), instalment pension (tax code 2) and any life insurance without tax deductibility (tax code 5).

In the below table, it is stated how you can get tax deduction for the pension payments and how the pension will be taxed on disbursement.

	On payment	On disbursement
<b>Pension with regular disbursements except for temporary annuity (tax code 1)</b>	Full tax deductibility 1)	Subject to income tax 3)
<b>Temporary annuity (tax code 9)</b>	The tax deductibility is limited to DKK 58,500 in total per year (2021) 2)	Subject to income tax 3)
<b>Instalment pension (tax code 2)</b>	The tax deductibility is limited to DKK 58,500 in total per year (2021) 2)	As a rule, subject to income tax 3)
<b>Life insurance without tax deductibility (tax code 5) 4)</b>	No tax deductibility for payments	The disbursements are tax-free 5)

The rules concerning taxation of pension plans are outlined in the Danish Pension Taxation Act (Consolidated Act no. 310 of 9 June 1971 and subsequent amendments).

**Note 1)** If it has been agreed that the premium should be paid for **a minimum of 10 years**, the due premium will be fully deductible - regardless of the amount. If the premium is paid for **less than 10 years**, the deduction for the total paid premium, will be distributed in equal deductions over a period of 10 years.

**Single payments** are deductible by 1/10 per year.

If your total 1/10-deduction for premiums and single payments to tax code 1 amounts to less than DKK 53,800 in 2021, you can choose to make a supplementary deduction (deduction of top-up pension payments) so that your total deduction for 2021 will amount to DKK 53,800. However, you cannot deduct more than what has actually fallen due within one year.

If you are self-employed, you may choose a supplementary deduction of top-up pension payments of 30 % of the profit instead of the DKK 53,800 in 2021. Special rules apply to a specific type of pension plan which may be established in the event of divestment.

**Note 2)** The total deduction of DKK 58,500 applicable in 2021 to temporary annuities and instalment pension comprises all your payments during the income year (both private payments and payments made through employer) to temporary annuities and instalment insurance in life insurance companies and to instalment pension plans in banks and savings banks.

Special rules apply to a specific type of pension plan which can be established in the event of divestment.

**Note 3)** PFA Pension is liable to withhold taxes to the Danish State before disbursement of the pension benefits. Disbursement of pension benefits is not subject to labour market contribution (LMC).

**Note 4)** This concerns risk insurance without savings and tax deductibility.

**Note 5)** Regular disbursements from insurance plans established before 18 February 1992 may, however, be subject to income tax.