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INCENTIVES

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Introduction

This document gives an overview of the various economic incentives that are provided for companies planning to set-up in Greater Copenhagen, some of which are:

- Possibilities for tax deductions for R&D expenses
- Funding for projects within advanced technological research
- Attractive tax regime for foreign key personnel

This fact sheet provides information in regard to:

- Business and R&D incentives
- Labour market related incentives

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BUSINESS AND R&D INCENTIVES

Industrial PhD Programme (ErhvervsPh.D.)

Companies located in Denmark can obtain a grant to employ a PhD. The company must be professionally and economically capable of supporting a three-year focused research and development project. The university can be non-Danish but it must have an officially approved PhD programme.

The grant from the Danish state amounts to 50% of the salary of the employee (but no higher than EUR 60,400 over a three-year period). Furthermore contributions to expenses such as conferences, courses and travel activity can be granted. There are no requirements regarding nationality.

For more information please contact the Ministry of Science Technology and Innovation
www.videnskabsministeriet.dk

Deduction of R&D expenses

R&D expenses are normally fully tax deductible. The company can choose to either deduct the full amount the year the expenses has been held alternatively amortisation may be apportioned in equal instalments over a period of the year the expenses has been held and the four following years.

Typically the deductible expenses are related to salaries, raw material, and premises. But also expenses related to R&D carried out by other organizations and expenses related to acquiring intellectual property rights are deductible. Capital expenditure related to machinery and equipment used exclusively for research and development purposes, can be fully deducted in the year in which it is acquired

For more information please contact the Ministry of Taxation
www.skm.dk

Danish National Advanced Technology Foundation

As a part of the Danish government's goal to make Denmark one of the world's leading advanced-technological societies the project with the Danish National Advanced Technology Foundation (Højteknologifonden) was established in December 2004. In 2006 the foundation supported projects with a total of € 54 mio.

The objective of the foundation is to strengthen the cooperation between companies and public research institutions in the development of high technology and to stimulate the general research and innovation effort in Denmark. All projects which are relevant to advanced technological research and/or innovation may apply for grants. The foundation pays special attention to applications which fall within the areas of nano-, bio-, and/or information and communication technology.

To receive support the projects have to live up to three criteria. The project has to have noticeable commercial potential, it must contain technology transfer, and the project has to be a public-private partnership. Grants may be received for expenses to personnel, equipment and instruments, consultants, direct overheads and operating expenses. Congresses, communication activities, travel expenses etc. do not fall under the aim of the foundation.

For more information please contact the Danish National Advanced Technology Foundation
www.hoejteknologifonden.dk

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EUREKA

Danish companies participating in EUREKA-projects can apply for venture capital at VaekstFonden. EUREKA-projects are cross-border collaborations between companies in EU countries or other EUREKA countries including Iceland, Norway, Russia and Turkey. EUREKA-projects must be aimed at developing high-tech products; processes, systems or services and involve companies from at least two different EU or EUREKA participating countries.

*For more information please contact Vaekstfonden www.vf.dk
or visit The Danish Agency for Science Technology and Innovation website at www.fist.dk*

Incentives from the European Union

The *European Union's Seventh Framework Programme (FP7)*, effective from January 1st 2007, for Research and Technological Development funds collaborative research, technological development and demonstration activities designed to improve the competitiveness of European industry. The overall goal of FP7 is to contribute to making EU the world's leading research area, and the program is designed to respond to the competitiveness and employment needs of the EU. The programme is structured via four specific programs: Cooperation, Ideas, People, and Capacities and will give € 54 billion in the period 2007-2013. The projects must be related to research and development and involve European-based companies and/or research institutions.

Cooperation

The objective of this specific programme is to gain European leadership in key areas through cooperation of industry and research institutions. The program will be carried out through nine themes such as health; food, agriculture and biotechnology; ICT, nanoscience and –technologies; energy, environment, transport, socio-economic sciences; and security and space.

Ideas

This specific programme is designed to support basic research and other world class high risk research regardless of theme. The new autonomous European Research Council is created to support and manage the program.

People

The aim of this specific programme is to strengthen the human resources within research and technological development through greater focus on the researcher's education and career possibilities and through increasing mobility across countries and between the public and the private sector.

Capacities

This program is aimed at strengthen the capacity and utilization of research and innovation through coordination and improvement of the research infrastructures across Europe, Strengthen research in favour of SMEs, support to regional research clusters, closer relationship between science and society, and better cooperation with countries outside EU.

Besides the four specific programmes about € 400 million are earmarked for non-nuclear research in EU's Common Research Centre.

Compared to the previous programs FP7 is aiming at more simple procedures for financing and participation – especially as regards SMEs.

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Another incentive from the European Union is EU's support to a number of activities through the Regional Structural Fund. In short, support is granted to activities related to the improvement of employment situations securing equal access to the labour market.

For more information, please contact EuroCenter Info at the Ministry of Science, Technology and Innovation. www.eurocenter.info or visit The European Commission website at <http://ec.europa.eu>.

Support for innovation in the food sector

The Danish Innovation Law offers possibilities for granting financial support to the development of ideas, research and product development in the fisheries and agricultural sectors, and for the processing and refinement of agricultural and fishery products. So far, a variety of projects ranging from organic chips to robots that improve the working environment in food production have received financial support.

The purpose of the Danish Innovation Law is to strengthen the development and research within the fisheries and agricultural sectors through support to pioneering projects.

The Innovation Law is aimed at small and medium sized enterprises, SMEs, which are defined as companies with no more than 250 employees. Larger companies can also apply for support if the projects are carried out in collaboration with research institutions or other companies qualifying as SMEs. SMEs are eligible for a subsidy of up to 50 per cent of project costs and larger enterprises are eligible for a subsidy of up to 40 per cent.

Common for all projects receiving support is that projects have to be beneficial to the society. For major projects, the support must be returned if the outcome of the project is exploited commercially with a net profit within three years, this however do not apply for loans smaller than DKK 100,000.

For more information please see the section on the food sector in the Øresund Region on Copenhagen Capacity's web pages www.copcap.com

For more information on the Danish Innovation Law please contact the Directorate for Food, Fisheries and Agri Business www.fvm.dk

Pre Project Capital

In the Greater Copenhagen area there are several so called incubators that administrate a pre-project capital programme initiated by the Ministry of Science Technology and Innovation. Under this programme the incubators can invest up to DKK 750,000 in ventures that are in a pre-project phase. The grants are most often made in the form of capital investments in start-up companies.

The incubators have different competencies and are directed towards different business fields and industries, and apart from capital they offer services designed to help the companies perform business functions that may else require resources not available.

For more information please contact CAT Symbion A/S (www.catscience.dk), DTU Innovation A/S (www.dtu-innovation.dk) or Teknologisk Innovation A/S (www.tekinno.dk).

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LABOUR MARKET

Special tax regime for foreign key personnel

A special taxation scheme applies for researchers and key employees (specialists and top management) who are recruited abroad and are employed by a Danish company or research institution.

The scheme implies that highly paid employees and researchers recruited abroad may, subject to a number of conditions, choose – for a period of not more than 36 months – to be taxed at the rate of 25 per cent of their remuneration with no allowances – instead of paying normal income tax.

The general requirements for eligibility to the 25 per cent tax scheme for foreign employees are the following:

- The foreign employee must be residing in Denmark. In general the resident status must start at the same time as the assignment
- The work must be carried out in Denmark. The employee can perform business travelling but as a general rule not less than two thirds of the work must be carried out in Denmark.
- The total period of the special taxation scheme must not exceed 36 months. The employee may choose to be subject to 25% taxation during one or more periods which in total do not exceed 36 months. The 36 months must have been spent within a period of ten years counting from the time of the start of the employee's first employment
- The remuneration amount must be no less than DKK 60,100 before tax but after deducting mandatory social contributions
- The employee must enter full tax liability and must not have been liable to Danish tax within the past three years
- The employee must not at any time during the last five years have been owner/co-owner of the company

It should be noticed that the above-mentioned criteria are eased for approved researchers:

- The universities, government research laboratories and Danish Research Councils decide on the basis of application whether a given employee can be approved as researcher. The application form can be downloaded at the Danish Agency for Science Technology and Innovation (www.fist.dk)
- Approved researchers need not be fully tax liable in Denmark. If the work is continued beyond the initial three years regular Danish taxes must be paid. There is no limit as to how long the researcher can stay in Denmark.
- Approved researchers are not as other foreign key employees on the special tax scheme required to comply with remuneration requirements.

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- Approved researchers are not required to start the assignment at the same time as the special tax rate applies.

For more information please contact The Danish Research Agency
www.fist.dk

Special labour programmes

When establishing a new company or a branch office in the Greater Copenhagen area, the Public Employment Service and the local Jobcentres can assist in:

- Searching for qualified personnel with specific qualifications
- Selection of qualified personnel
- Development of training programmes in order to obtain specific qualifications
- Training of personnel in specific job functions

Assistance to search and selection of qualified personnel is normally free of charge.

In collaboration with the company, the local Jobcentre can put together tailor-made training programmes to provide unemployed people with the qualifications needed in specific job functions. The specific requirements of the company are taken into consideration as well as the company can decide on the specific job profiles when selecting people.

For instance, a programme put together for a pharmaceutical company could e.g. consist of courses in quality assurance, measuring techniques and written and verbal communication in Danish and English as well as a general introduction to the pharmaceutical industry.

Companies can also get subsidies when employing an unemployed person in job training or when employees are participating in job rotation. Job rotation means that the position of an employee who is temporary absent can be replaced (job rotation) by a substitute registered by the local job centre (maximum grant: EUR 8 per hour for a maximum of one year).