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REPORT

From: General Secretariat of the Council
To: Delegations
Subject: Code of Conduct Group (Business Taxation)
- Report to the Council

STANDSTILL – Denmark (DK009)

Analysis – Temporary increase in the depreciation base for eligible investments into new operating assets

I. BACKGROUND:

1. The Danish authorities notified the tax measure – a temporary increase in the depreciation base for eligible investments into new operating assets – under the 2025 standstill exercise (DK009).

II. RELEVANT LEGAL FRAMEWORK

2. The legal basis for the temporary increase in the depreciation base is § 5 E of the Depreciation Act (afskrivningsloven) as introduced by § 1 of Law no. 752 of 20 June 2025 (Forslag til Lov om ændring af afskrivningsloven og pensionsafkastbeskatningsloven (Midlertidig forhøjelse af afskrivningsgrundlaget for nye driftsmidler)).¹
3. The measure entered into force on 22 June 2025 and has effects on investments made in the period 1 January 2025 to 31 December 2026.

III. PURPOSE OF THE MEASURE

4. The measure is intended to support the green transition by making it more attractive for companies to invest in new green operating assets.

IV. DESIGN OF THE MEASURE

a. Beneficiaries

5. The measure applies to taxpayers conducting business activities. It is available to all taxpayers who are taxable in Denmark, i.e., both resident and non-resident taxpayers regardless of their legal form, size, or type of business activity.

¹ [Lovforslag nr. L 195, Folketinget 2024-25, Forslag til Lov om ændring af afskrivningsloven og pensionsafkastbeskatningsloven \(Midlertidig forhøjelse af afskrivningsgrundlaget for nye driftsmidler\)](#).

b. Tax Advantage

6. According to the general rules, the depreciation rate for investments in operating assets is 25%. The depreciation is calculated annually on the basis of the depreciation base for investments which corresponds to the price paid for the asset upon acquisition, i.e., 100% of the value of the asset. The depreciation base decreases annually corresponding to the value which has already been depreciated.
7. The notified measure temporarily increases the depreciation base by 8%, i.e., to 108% of the value of the eligible operating assets.
8. A condition for entitlement to the benefits of the rule is that the depreciation of the operating asset is not subject to other available tax rules, e.g., immediate expensing under § 6(1) of the Depreciation Act.

c. Eligible Operating Assets

9. Eligible operating assets include normal machinery, vehicles, inventory, etc., provided that they are not driven by fossil fuels. It is a condition that the asset is ‘new’ meaning a brand-new asset (never used before) acquired by the taxpayer.
10. The measure is not applicable to investments made in passenger cars, vessels, software or other operating assets which are, or can be, driven on fossil fuels.

d. Duration

11. The measure is temporary and covers investments made in the period 1 January 2025 to 31 December 2026.

e. Budgetary Impact

12. The measure can be classified as an ‘expenditure-based incentive’ as it is directly linked to expenditure incurred by the taxpayer. Since the eligible assets are defined rather broadly, it is expected to raise total investments in Denmark in 2025 and 2026, in part due to investments of subsequent years which will be brought forward. The measure has no long-term impact on investments.

13. The measure is estimated to result in a permanent decrease in yearly revenue of approx. DKK 10 million, i.e., approx. EUR 1.34 million, after taking account of automatic and behavioural effects. The revenue effect is calculated as an annual permanent value, and will be larger in the first years, smaller in subsequent years and ending in zero in the medium, long-term.

V. CONCLUSION

14. In light of the aforementioned, it is the view of the Commission Services that the measure does not need to be assessed for the following reasons:
- a. The measure is based on expenditure incurred by the taxpayer.
 - b. The measure entails a tax advantage based on the value of eligible operating (tangible) assets.
 - c. The measure is capped by the annual depreciation rate of 25 per cent and, ultimately, by the increased value of the eligible operating asset.
 - d. The 8% increase of the depreciation base leads to a low budgetary impact of EUR 1.34 million per year calculated as an annual permanent value.
 - e. The measure is temporary and applies only to investments made in 2025 and 2026.
15. The Commission Services also note that, more generally, the measure pursues similar objectives to those laid down in the Commission Recommendation of 2 July 2025 on tax incentives to support the Clean Industrial Deal and in the Clean Industrial Deal State Aid Framework.²

VI. FOLLOW-UP

16. The Group agreed that the measure does not need to be assessed.

² C(2025) 4319 final; [f4718f39-19cc-42a4-9a9f-48acb824dc4f_en](#)