



Registration and risk-scoring models

Denmark

	<p>Summary</p> <p>Since 2021, the Danish Tax Agency worked to develop innovative registration and risk-scoring models, with the goal of enhancing the quality of companies' basic registrations. These efforts were aimed at facilitating targeted inspections of companies that violate tax compliance laws.¹ The agency recognised that the Danish economy was facing a growing number of irregularities at the cross-border level, along with an increased risk of under-declared work. However, it is worth noting that this project is no longer ongoing.</p>
<p>Title of the practice in original language</p>	<p><i>Analyseprojekt udenlandsk virksomhed</i></p>
<p>Name(s) of authorities/bodies/organisations involved</p>	<ul style="list-style-type: none"> ▶ The labour inspectorate (the Danish Working Environment Authority/DWEA, <i>Arbejdstilsynet</i>); ▶ The Danish Business Authority (<i>Erhvervsstyrelsen</i>); ▶ The Confederation of Danish Industry, (<i>DI - Danish Industr</i>); ▶ The Danish Chamber of Commerce (<i>Dansk Erhverv</i>); ▶ Danish Auditors (<i>FSR - Dansk Revisorer</i>); ▶ The Danish Tax Agency (<i>Skatta Styrelsen</i>); ▶ The Danish Federation of Small and Medium-Sized Enterprises (<i>SMEdenmark</i>).
<p>Sectors</p>	<p>All</p>
<p>Target groups</p>	<ul style="list-style-type: none"> ▶ Foreign businesses with activities in Denmark (directly targeted); ▶ Danish businesses with activities abroad (directly targeted).
<p>Purpose of measure</p>	<p>Deterrence: improve detection</p>

	<h3>Aims and objectives</h3> <p>To improve the quality of companies' basic registrations, the Danish Tax Agency introduced innovative registration and risk-scoring models.</p>
<h3>Background context</h3>	<ul style="list-style-type: none"> ▶ The tax control of companies has become more complex in Denmark in recent years as more and more companies operate across national borders and tax rulesⁱⁱ; ▶ Over the past years, many Danish companies have established themselves abroad, while foreign companies have done so in Denmark; ▶ The Danish Tax Agency therefore works to ensure that the necessary controls and guidance are in place in order to strengthen international corporate tax control and reduce instances of under-declared work; ▶ As part of this effort, the Agency worked to develop innovative registration and risk-scoring models to improve the quality of companies' basic registrations. The project began in July 2021 and concluded in 2024.
<h3>Key objectives of the measure</h3>	<p>General Objective:</p> <ul style="list-style-type: none"> ▶ To improve the control of international corporate tax, particularly in a cross-border context, and reduce under-declared work. <p>Specific Objectives:</p> <ul style="list-style-type: none"> ▶ To improve the quality of basic registrations for companies by introducing more IT support for the Danish Tax Agency to support new risk-scoring models; ▶ To improve initiatives that are more focused on guidance/information and audits/controls in all phases of the business model.
<h3>Main activities</h3>	<ul style="list-style-type: none"> ▶ The risk-scoring model targeted foreign businesses with activities in Denmark, as well as Danish companies with activities abroad (approximately 3 700).ⁱⁱⁱ ▶ The system of registration and risk-scoring had four phases: <ul style="list-style-type: none"> ▷ Registration phase: registration of all businesses and individuals regarding their tax obligations;

	<ul style="list-style-type: none"> ▷ Declaration phase: reporting and declaration (i.e. gathering information on income and tax deductions, including information from third parties); ▷ Payment phase: pay-outs, payments and collection (i.e. reconciliation and collection); ▷ Review phase: reviewing whether the previous phases resulted in correct tax payments, and reviewing the selected segments based on a risk assessment. <ul style="list-style-type: none"> ▶ Once the data was reviewed and the risk assessment was carried out, selected cases were identified for compliance checks.^{iv} As a first step, guidance/information activities aimed at the target groups are initiated. Targeted audits/inspections were also carried out and sanctions were applied for companies where violations were identified; ▶ The Danish Tax Agency and the Labour Inspectorate (DWEA) worked jointly on guidance/information initiatives through the press, and together also planned and conducted the joint audits/inspections of the selected cases, with each authority handling its own area of responsibility.
<p>Funding/organisational resources</p>	<p>The project was funded from the Danish Tax Agency budget for 3 years.</p>

	<p>Outcomes</p> <p>Risk scoring helped the Danish Tax Agency to recognise irregularities in companies more quickly and efficiently than through regular inspections alone. While the measure is not ongoing anymore, results were very promising.</p>
<p>Achievement of objectives</p>	<p>As the project is not ongoing anymore, no evaluations were undertaken on the new models. However, to date [January 2024], the findings were very promising; a combination of the new models of risk analysis and highly skilled data analysts and auditors helped to highlight cases for investigation and led to good results (audits).</p>
<p>Lessons learnt and success factors</p>	<p>Risk scoring helped the Danish Tax Agency to recognise irregularities in companies more quickly and efficiently than through regular inspections alone, increasing the efficiency of human resources due to better-targeted inspections.^v</p>

Transferability

This measure is transferrable. The political will of institutions to cooperate and exchange data is critical to its success.^{vi}

Further information

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Useful sources and resources

The Danish Tax Agency website

<https://sktst.dk/english>

ⁱ Sources: ELA (2022), 'Tackling under-declared employment through innovative approaches', Learning resource paper from thematic review workshop, 26-27 October 2022, Estonia and online, available at: <https://www.ela.europa.eu/sites/default/files/2023-02/Learning-resource-paper-tackling-under-declared-employment-through-innovative-approaches-%282023%29.pdf>, and Danish presentation 'Registration and risk scoring models – a new approach' at the Thematic Review Workshop on Tackling under-declared employment through innovative approaches, Tallinn, Estonia, 26-27 October 2022.

ⁱⁱ Information for this section has been sourced from the following press release: 'Significantly more companies operate across national borders and tax rules', a Danish Tax Agency press release, 11 December 2020. Available at: <https://sktst.dk/nyheder-og-pressemeddelelser/markant-flere-selskaber-opererer-paa-tvaers-af-landegraenser-og-skatteregler>

ⁱⁱⁱ ELA (2022), *op. cit.*

^{iv} Cases selected for these checks are based on their general behaviour and involve consideration of data including assessment patterns (tax, VAT etc.), payment patterns, debt, registration information (persons involved and changes made) as outlined in the four phases of the registration and risk-scoring system.

^v ELA (2022), *op. cit.*

^{vi} ELA (2022), *op. cit.*