

The relationship between the different income and deduction concepts

Since the tax reform in 1987, the personal income taxation have been calculated from the relationship between the different income and deduction concepts. The computation is displayed in below figure:

Income:	Wages (subtracted ATP), fees, remuneration Social transfer in kind Surplus on self-employment Alimony, allowance	}	A
	Interest received	}	B
	Dividends Surplus from sale of shares after 3 years	}	C
Deductions:	Mileage allowance Unemployment fund, early retirement, and labour union Job allowance (calculated) Underholdsydelser og -bidrag	}	D
	Bidrag og præmier til pensionsordninger Deficit on self-employment Labour market contribution	}	E
	Interest paid	}	F

This gives

Personal income	=	A		÷	E					
Capital income	=		B		F					
Share income	=			C						
Income deductions	=			D						
Taxable income	=	A	+	B	÷	D	÷	E	÷	F