

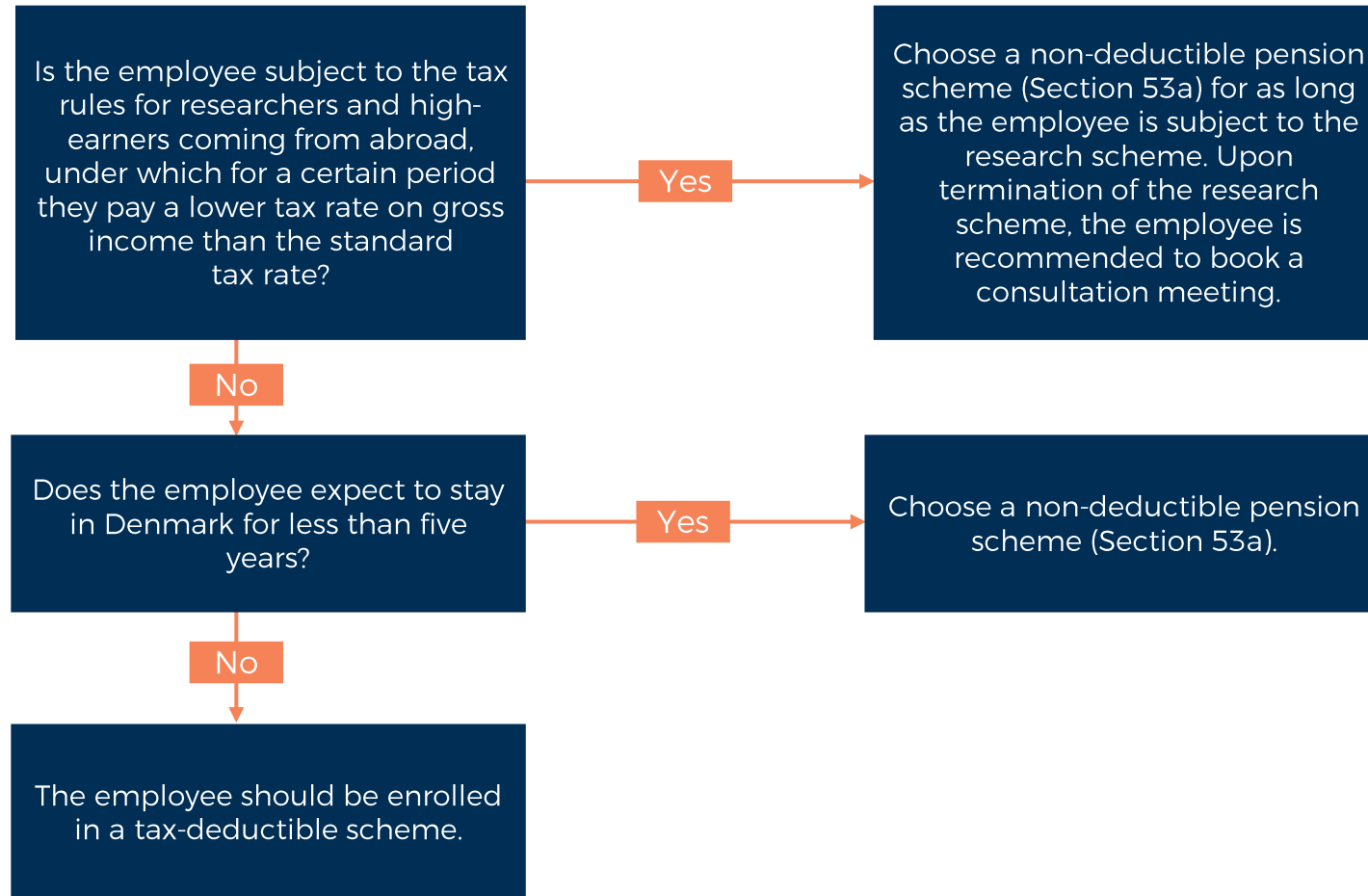
Guidance on choosing a pension scheme

Review of advantages and disadvantages

Tax-deductible and non-tax-deductible pensions: How they differ

Non-deductible pension scheme (Section 53a)	Deductible pension scheme
Contributions	
Non-deductible: Income tax is paid on the full contribution.	Fully deductible and option for extraordinary deduction: Pension contributions are not included in taxable income.
Returns	
<ul style="list-style-type: none"> Returns are included as capital income on the annual statement from the Danish Tax Agency. Up to 42 per cent is paid in capital income. The tax is paid from personal income. 	<ul style="list-style-type: none"> Returns are taxed at a pension returns tax rate of 15.3 per cent. The tax is settled by the pension company and paid from the return.
Disbursement and tax	
<ul style="list-style-type: none"> Disbursement is untaxed. 	<ul style="list-style-type: none"> Ongoing benefits are taxable at the time of disbursement.
Redemption before retirement age	
<ul style="list-style-type: none"> Collective agreement employees may have restrictions No taxation. 	<ul style="list-style-type: none"> Collective agreement employees may have restrictions 60 per cent tax.
Example of the effect of deductibility: Salary after labour market contributions: 100 kroner. Employer contributions: 10 kroner. Employee contributions: 5 kroner. Salary paid before tax: 95 kroner.	
Tax basis of salary per Section 53a: $100 + 10 = 110$ kroner.	Tax basis of salary with deductible pension: $100 - 5 = 95$ kroner.

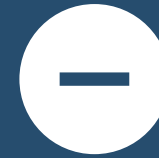
Which pension plan should you choose?



Advantages and disadvantages of choosing the standard scheme



- Low taxation of returns that do not affect income.
- Deduction for contributions means higher disposable income.
- Option to claim any top-rate tax deductions now and have the amount taxed at the basic rate upon disbursement.
- Possibly lower taxation upon return to the country of origin (depending on double taxation).



- Inflexible when moving away from Denmark (high tax on redemption)
- Risk of higher taxation upon disbursement, if you are covered by tax rules for researchers and high-paid individuals, who for a period pay a lower tax rate on gross income than the standard tax rate.
- Tax upon disbursement may be higher than the deduction when making contributions.

Advantages and disadvantages of choosing a 53a scheme



- No fee on redemption
- Tax-free disbursement from Denmark.
- No impact on public services.



- No deduction on contributions means lower disposable salary.
- Ongoing and higher taxation of returns, which is paid from income.
- No possibility of utilising any deductions in top tax rate now and taxation at basic tax rate upon disbursement.
- Upon later switching to a deductible plan scheme, the need for higher insurance cover may be contingent upon satisfactory health information.