



Denmark - Legal Framework

When considering an energy efficiency retrofit within your national housing market, a wide plethora of consideration needs to be made. Below, we list key findings to facilitate your analysis of the retrofit investment. More details and backgrounds can be found on the website www.rentalcal.eu.

The analysis of rent regulations and modernisation cost recovery in Denmark show:

- Any landlord has the right to increase the rent in any rented house by an equivalent to the reduction in the energy bill caused by a given investment in energy conservation due to "the total economy neutrality" principle in Denmark.
- In houses built before 1991 it is also an option to increase the rent in accordance with "the value of a flat in this area". This means that if an investment increases the value of a flat in the area, where it is situated, the landlord has the right to increase the rent in accordance with this increase in value. What this exactly means is difficult to describe briefly, but we tend to assess that this mostly will not be a better option for the landlord than the "total economy estimation" option.
- Subsequent rent adjustments can be negotiated only for energy efficiency investments, but they are strictly regulated and temporary. It's more like an annex of the tenancy agreement. The corresponding amount is separated and set apart on the rent receipt.
- No particular price-reduction-clause is expected to be written in the contract. If the tenant cannot access what she/ he has the right to (civil code) according to the rent agreement and payment, then she/ he has to go to a civil court to get financial compensations. E.g. if there are building works in the common parts, which last for more than 60 days, he may ask for financial compensations as the right to use the common part was not actual during this period.
- A landlord can execute the refurbishment against the tenant will, especially for energy efficiency works. The tenant can't refuse the access to the private parts. After refurbishment works and with the official preliminary agreement of the tenant(s)'s the landlord can increase rent (not applicable to enforced refurbishment against tenant(s)'s will).

The analysis of taxation and depreciation rules in Denmark show:

- Landlords' yields are taxed more than the returns of property owners in other sectors. Landlords (private individuals or companies) pay income tax on their rental income, and can offset interest charges, maintenance and operation costs. The tax burden has been reduced by a property-tax freeze in 2006. As of 2002 there was no capital gains tax on the sale of owner-occupied properties.
- All the costs of running maintenance and operation (exploitation) including the personnel costs attached with all the consumables (including energy) have to be paid by the tenants.
- In general, all the costs of extraordinary maintenance to maintain or improve the performance of the investments (housing assets) including the personnel costs attached, have to be paid by the property owner. These costs are also considered as investments and are amortised.
- A tenant has the right to procure refurbishment elements but with the agreement of its property owner. The possibility to invest, to pay and to get tax bonuses and state aids exists both for the landlord and also for the tenant. Tenants and other market actors can credit from the so called "Håndværkerfradrag" - an amount of 2.000 EURO per person can be withdrawn from the personal tax, if expenses for improving the energy efficiency can be documented within the calendar year.

The analysis of building requirements in Denmark show:

- At present improvements in existing buildings are only required within the context of repair or modernisation decisions.
- Buildings' energy performance is regulated using the energy frame, which calculates the amount of primary energy that may be used in the building for building operations.