
Change of government shapes Danish pension reform

By Editor Test Wed, Sep 21, 2011

Danish political factions are debating limits on early retirement, a ceiling on tax-deferred plan contributions, and a tax on stock transactions to offset the impact of an aging society.

Denmark's new left-leaning Social Democrat-led government is expected to let the retirement reform measures of its more conservative predecessor pass through parliament, including an increase in the retirement age.

But the new coalition is expected to make its own changes to the pension laws, notably by limiting tax-favored contributions to plans, *IPE.com* reported.

One retirement reform proposal already in the works would shorten the period during which people could take their early-retirement pension to three years from five, said a statement from Danica Pension, a unit of Danske Bank and Denmark's leading life and pension company.

Both the Social Democrats and the Socialist People's Party have pledged to limit tax-free pension contributions to DKK100,000 (€13,000) a year, while the Social-Liberal Party favored a higher limit of DKK150,000. No ceiling currently exists.

Danica Pension told its customers that 2011 could therefore be the final year before their contribution allowance was reduced.

The Social Democrats and Socialist People's Party may also introduce a 0.25% tax on stock transactions. Members of the Social Democrat-led coalition have also discussed allowing Danish pensions institutions to become commercial lenders.

Meanwhile, the Danish Insurance Association (Forsikring & Pension) objected to the projected changes.

"A new pension ceiling will create insecurity and a lack of transparency. It will dent the incentive to save, without seriously ensuring more money for the state," managing director Per Bremer Rasmussen said.

The incoming coalition government, the so-called 'red bloc', includes the Social Democrats, the Socialist People's Party, the centrist Social-Liberal Party and the left-wing Red-Green Alliance.

The outgoing 'blue bloc' in the Danish parliament includes the Liberal Party of former prime minister Lars Løkke Rasmussen and the Danish People's Party.