Requirements of the Danish Bookkeeping Act for companies

2025

CONTENTS

PREFACE

The new Danish Bookkeeping Act (hereinafter the “Bookkeeping Act”) determines which companies are obligated to record their transactions in their bookkeeping records, how the recording must be made and how the documentation of the company's recordings must be stored. The Bookkeeping Act also describes the authorities’ control and penalty provisions for non-compliance.

The Bookkeeping Act took effect on 1 July 2022, and it replaces the old bookkeeping act entirely.

Partly, several provisions from the old bookkeeping act are carried on, however, with an updated and more contemporary wording and with certain material changes, and partly, some completely new elements, such as requirements for digitalisation of the bookkeeping records.

The transition from the old bookkeeping act to the new Bookkeeping Act is characterised by a number of provisions, which must be completed by guidelines and executive orders from the Danish Business Authority. These were not available at 1 July 2022 when the Bookkeeping Act took effect and a few are still in the process of being prepared by the Danish Business Authority, at the date of this publication.

This publication will be updated concurrently with the preparation of the lacking executive orders and guidelines from the authorities. It will appear from the publication if it is a matter that awaits clarification from the Danish Business Authority.

The purpose of this publication is to provide a simple and clear overview of the many requirements and duties imposed on the companies by the Bookkeeping Act. The publication does not describe the special requirements for providers of digital accounting systems.

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BDO
Statsautoriseret revisionsaktieselskab

1. BOOKKEEPING DUTY

Bookkeeping duty in accordance with the Bookkeeping Act includes requirement for recording of the company's transactions and storage of the company's accounting records.

All Danish commercial enterprises, irrespective of ownership or nature of liability, are subject to the bookkeeping duty.

A company is a commercial enterprise, when it carries out business activities or is considered to be a commercial enterprise by law. Limited liability companies and private limited companies, commercial foundations, sole proprietorships, and partnerships are examples of this. Accordingly, holding companies, of which the only activity is to own equity investments in other companies, are also commercial enterprises.

Foreign operations with business activities in Denmark are also subject to the bookkeeping duty. For instance, the business activity may be practiced via a permanent establishment, a Danish branch, or a representative office.

Companies, organisations, etc., which are not commercial enterprises, will be subject to the bookkeeping duty if they are liable to pay tax in Denmark. This does not apply to non-commercial foundations. Finally, companies, etc. may be subject to the bookkeeping duty if they receive government grants.

Associations, which solely have a social, cultural, political, or humanitarian purpose and do not make money to this purpose with any business activities, are not subject to the bookkeeping duty. However, if the association does have business activities - it could be lease out of premises or cafeteria operations - it will be liable to keep accounts. One-off business activities, e.g., arranging a flea market, do not entail that an association is considered to be a commercial enterprise. Cooperative housing associations are considered to be commercial enterprises and are thereby liable to keep accounts.

The responsibility for organising the company's bookkeeping in accordance with the Bookkeeping Act rest with the management of the company, for instance the board of directors and the executive board in a limited liability company/private limited company or the owner of a sole proprietorship.

2. GENERAL REQUIREMENTS FOR BOOKKEEPING

2.1 PRINCIPLES FOR GOOD BOOKKEEPING

The bookkeeping must be organised and effected with due consideration for the company's complexity, the number of transactions and the financial scope of the transactions. This criterion must be met for the company to comply with the principles for good bookkeeping of the Bookkeeping Act.

The size of the company is not a stand-alone criterion, as this will often be reflected in the complexity of the company. However, there may be smaller companies with a complex business model, for instance with many different services and many different clients, just as there may be bigger companies with a very simple business model, for instance sale of few services to the same category of clients.

The provisions of the Bookkeeping Act are an expression of what is required as a minimum to live up to the principles for good bookkeeping of the Bookkeeping Act. Thereby, the requirements for the company's bookkeeping are made more rigorous over time without amendments to the Bookkeeping Act.

In good bookkeeping practice, several specific criteria[1] are included; it is required, inter alia, that:

- All transactions must be recorded accurately and as quickly as possible (part 3.2).
- The transaction trail must exist, that is connection between the individual records and the financial statements (part 3.2).
- The audit trail must exist, that is documentation for the correctness of the records (part 3.3).
- All records must be documented with a receipt (part 3.3).
- Necessary reconciliation must be made (part 3.4).
- Accounting records must be stored safely and for a certain period (part 5)
- A description of the company's bookkeeping procedures must exist (part 6).
- A digital accounting system must be applied (part 7).

Small enterprises are exempted from the requirement for applying a digital accounting system and the requirement for a description of the companies' procedures for bookkeeping, please refer to part 2.2.

In the following, the above-mentioned requirements are elaborated.

2.2 SMALL ENTERPRISES

As defined in the Bookkeeping Act, small enterprises are companies, which:

1) are not liable to present their annual report in accordance with the Danish Financial Statements Act; and
2) whose revenue in two consecutive accounting periods does not exceed DKK 300,000.

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[1]Se overview of the different effective dates of the Bookkeeping Act at the end of this publication.

Therefore, small enterprises will include companies with personal liability, i.e., sole proprietorships as well as partnerships and limited partnerships, in which one or more partners, respectively general partners, are personally liable.

Companies, which are not liable to present their annual report in accordance with the Danish Financial Statements Act

Companies, which are obligated to present the annual report according to the Danish Financial Statements Act, primarily include limited liability companies, private limited companies and limited partnership companies. In addition, limited partnerships, and partnerships (where all partners and general partners are companies with limited liability), are companies with limited liability falling within the act on certain commercial enterprises, and commercial foundations are also falling within the act. A company with the obligation to present the annual report according to the Danish Financial Statements Act, e.g., a company in reporting class B, is not to be considered a small enterprise, regardless of the size of the net revenue.

Companies, which are not obligated to present their annual report in accordance with the Danish Financial Statements Act is only to be considered small enterprises, if the revenue does not exceed DKK 300,000 in two consecutive accounting periods. The concept of accounting period is equal to the concept of financial year but is used when a company is not obligated to present the annual report according to the Danish Financial Statements Act.

Revenue

The revenue is defined as the selling price of products and services, etc., with deductions of price concessions, value added tax and other tax, which is directly connected to the selling price. It is the same definition, which is used in the Danish Financial Statements Act.

A company, which is not obligated to present the annual report according to the Danish Financial Statements Act, must comply with the requirement of preparing a description of the company's bookkeeping procedures, when the company has had a revenue exceeding DKK 300,000 for two consecutive years.

The requirement must be complied with going forward, when the company becomes aware that the revenue has exceeded DKK 300,000. It is to be expected that a company, which does not record transactions in a digital accounting system on an ongoing basis, , becomes aware of the fact that the revenue has exceeded DKK 300,000 not later than at the first statutory reporting of e.g. VAT or taxes after the end of an accounting period.

A company, which in two consecutive years has had a revenue exceeding DKK 300,000, will fall under the requirement for using a digital accounting system. Once a company uses a digital accounting system, it is to be expected that it will currently have an overview of the revenue, and therefore, already at the end of an accounting period will know whether the company will be subject to the requirement for description of procedure and use of a digital accounting system, in the subsequent accounting period.

3. RECORDING, DOCUMENTATION AND RECONCILIATION

3.1 INTRODUCTION

The Bookkeeping Act includes provisions for how the company must record its transactions in the bookkeeping, and how the records must be documented. The Bookkeeping Act also includes a minimum requirement for current reconciliation of the company's holdings.

In general, the following is applicable:

- A transaction must be recorded accurately and as soon as possible after its occurrence.
- It must be ensured that all records can be tracked from the bookkeeping to the financial statements, etc., and that all numbers herein can be resolved in the records from which they are compiled (the transaction trail).
- Any record must be documented by receipts and include references to said receipts (the audit trail).
- Receipts must include information necessary for the audit trail, including transaction date and amount.

The bookkeeping must be organised with due consideration for the company's complexity, the number of transactions and the financial scope of the transactions, cf. part 2.1. Therefore, it will also be different how much is required of each company to comply with the requirements for recording, documentation, and reconciliation.

3.2 RECORDING OF TRANSACTIONS

3.2.1 Transactions

A transaction is an action or a relationship of financial importance to the company, for instance purchase and sale, payment of wages and salaries, recognised bad debts, raising of loans and debt repayment. Amortisations, impairments, and revaluations of assets as well as interest calculations are considered transactions. Tax decisions may also be transactions.

As a general rule, each transaction must be recorded. Companies which are not in a position to record all individual purchases or sales (e.g., small stands in a marketplace, retailing from a truck, etc.), due to the company's complexity, the number of transactions or the financial scope of the transactions, may instead record aggregated purchases or sales on the basis of daily cash statements.

The recording must be accurate as regards correct entering into accounts, date, account text and amount. In companies, where there is a short time between purchase/sale and the actual payment, the purchase and sale transaction can be recorded at the time of payment. If this method is selected, it must be applied consequently to ensure that all transactions of the same nature are recorded uniformly.

The requirement that transactions are to be recorded in the bookkeeping as soon as possible, see below, will ensure a certain chronology in practice. In cases where a company for instance records transactions based on incoming receipts, the order will depend on the time of receipt of these.

Changes to master data

Changes to master data, e.g., the conditions of employment for employees, creditor information, etc., determination of CO2 emissions and number of employees are not considered transactions per se. However, such information would be part of the company's accounting records to the extent that they would document information in the notes and the management commentary of the annual report or estimates and assessments made in connection with the preparation of the company's annual report.

Currency

The company may record in any currency relevant for the company's activities. Thus, it is not a requirement to record in Danish kroner and the company is not obligated to demonstrate the relevance of the currency applied. The measurement currency may be changed, should another currency become more relevant. This could be the case, if the main part of the transactions changes to a foreign currency due to group establishment.

When recording in a foreign currency, other than Danish kroner, the accounting records must contain information, including about the exchange rate prevailing on the day of the transaction or similar conversion factors, which makes it possible to convert to Danish kroner at any time.

For the purpose of ensuring correct translation of foreign currency transactions to Danish kroner, the company's documentation must include information about the exchange rate prevailing on the day of transaction. It is possible to apply a standard exchange rate/average price, if it only deviates insignificantly from the exchange rate prevailing on the day of the transaction. However, this requires that the rate is updated currently.

As a result of the requirement for the transaction trail, the one liable to keep accounts must be able to document the foreign currency translations necessary for the tax statement.

Recording as soon as possible

Transactions must be recorded in the bookkeeping as soon as possible once the conditions that form the basis for the records are in place. When a transaction must be recorded in the bookkeeping records cannot be determined without ambiguity but must be assessed in consideration of the complexity of the company, number of transactions and the financial scope of the transactions.

For a company with many daily transactions, the recording of transactions must be more frequent than for a company, which typically does not have daily transactions or only has quite few daily transactions which are uniform and simple. A company with several hundred daily transactions should record these on a daily basis to ensure that the bookkeeping is always correct and satisfactory.

Reconciliation

The company must prepare reconciliation on an ongoing basis (please refer to part 3.4). As the reconciliation must be performed no later than the date of expiry of the deadline for reporting or stating the reconciliation, it is required that the relevant transactions are recorded before this deadline.

3.2.2 Transaction trail

It must be ensured that all records can be tracked from the bookkeeping to the relevant accounts, statement or register, and the numbers herein can be resolved in the records from which they are compiled. This is called the transaction trail.

The company is obligated to secure the transaction trail so that it is always possible to control whether all records have been included in for instance the financial statements and which records from which the items of the financial statements are compiled. Thus, the company must accurately document how the accounts in the bookkeeping are compiled in e.g. the financial statements, including the post-entries made in connection with the preparation of the financial statements.

The requirement for securing the transaction trail does not only apply to the company's financial statements, but also to the tax statements, financial reports on grants from government agencies, foundations, corporations and other sources, or similar reporting formats, which must be prepared according to legislation. The transaction trail must also be secured when the company voluntarily prepares financial statements according to the provisions of the Danish Financial Statements Act and the company provides a third party with the financial statements.

3.3 DOCUMENTATION OF RECORDS

3.3.1 Records

Recording is defined as that adherence to a transaction - action or matter of financial character - which takes place at entry in the company's bookkeeping. Records are also described as entries, because items are created in the bookkeeping to reflect the actual financial events or matters.

3.3.2 Audit trail

The audit trail is the information which document the correctness of the records and thereby ensures that it is always possible to verify the basis for each record. The audit trail is necessary for public authorities and auditor to be able to conduct a subsequent control of the performed records, and the company is obligated to ensure that the audit trail always exists.

Requirements for the audit trail:

- The record must include information which makes it possible to identify and retrieve the basis for this, i.e., reference to receipts, any sub-receipts as well as other relevant and necessary material.
- The bookkeeping and documentation material is provided with the same clear and precise identification of the audit trail which appears of the record, e.g., receipt number, account number, date, attestations, supplementary text, etc.

Delimitation of the audit trail can be difficult but should always be based on the conditions of each company. An assessment of the company's financial statements and/or tax and VAT accounts as well as the data, etc., which are included herein, can be a good approach to establish the frame of the audit trail. Typically, the following are included in the audit trail as documentation for creation, control and change of transactions as well as change of master data and performed data processing:

- External and internal receipts with account entries, attestation or other control measure
- Reconciliation of items, etc., for example cash and cash equivalents
- Chart of accounts and journal for changes therein
- Entry lists and journals showing which receipts are booked and how these are recorded
- Master data and changes thereto, including indication of who made the changes, what they include and when they were made
- Routines and internal controls as well as description, if any, of the bookkeeping procedures

- Notes on meetings, notes from telephone conversations, etc.
- Agreements between the company and suppliers/customers

All material included in the audit trail must be present in the entire retention period of 5 years.

3.3.3 Receipts

Any recording must be documented with a receipt. This applies whether the receipt is subject to the requirement for digital storage (part 7.2.3) or not (part 5.3.2). Receipts are taken to mean any necessary documentation of transactions recorded in the bookkeeping.

Internal receipts

Internal receipts only include information from the company itself, e.g., post-entries at the end of the financial year, reclassification, job cards, inventories, and similar. Receipts, which automatically document generated records, e.g., accrual of interest on the company's debtors, are also internal. Whether the company issues a paper invoice or a digital invoice in connection with sale of goods, these are considered internal receipts.

External receipts

External receipts are taken to mean documentation deriving from sources other than the company itself. Examples of this are received invoices, credit notes and delivery notes, to the extent that these prove records as well as loan agreements and contracts made. External receipts are generally considered more reliable than internal receipts and should be used, wherever possible.

Content and subsequent changes

Receipts must contain all information required necessary to identify the audit trail, including indicate clearly the transaction date and amount. According to other legislation, there may be requirements for additional content; for instance the company's CVR number must be stated on sales invoices.

If corrections are made to receipt material, the original content and content of the change must be clear from the material. If records already made are corrected, these corrections must be made by separate adjusting entries. The adjusting entry must be made in such a way that both the transaction trail and the audit trail are intact, i.a. by referencing the adjusting entry to the original entry.

Changes to master data, which is the basis for records, must be made not later than the time of the relevant record, otherwise the audit trail will not exist. Descriptions of any changes to the variables, which are included in the automatically generated records, for instance changes to interest rates, etc. and from when said changes have taken effect, are considered necessary documentation.

There may be cases, where it could be difficult to determine whether documentation, e.g., a contract, is to be considered a receipt or solely information, which is necessary for the audit trail. The decisive part is whether the documentation serves as the basis for a record in the bookkeeping. A contract which solely regulates a collaboration, but does not regulate each transaction within this collaboration, e.g., a tenancy agreement or a lease agreement will not be receipts but will be considered part of the audit trail and thereby also bookkeeping material.

Digitally stored data

Receipts also include digitally stored data, including digitally sent or received data (e.g., in connection with e-invoice or electronic data exchange, EDI) or another form of documentation.

E-documents are other documents sent or received in a structured, electronic format. Automatically generated order confirmations when ordering goods with a supplier is an example of this.

Please refer to part 5 on storage of receipts.

3.4 RECONCILIATION WITH HOLDINGS

The company must carry out reconciliations as necessary to ensure that there is an updated basis for statutory reports or declarations relating to VAT, taxes, duty, and annual and interim reports. Reconciliation must take place no later than the date of expiry of the deadlines for the statutory reports and declarations.

It is a matter of minimum requirements with the primary purpose to ensure correct statutory reports. However, for most companies it will be relevant to perform one or more reconciliations more often during an accounting period or financial year. Thereby, the company achieves a financial overview to use for financial decisions.

Holdings
The term “holdings” is to be understood widely, in this connection, and it includes most items, which may exist in the company’s balance sheet, especially on the assets side. Thus, holdings include for example both the company’s bank deposits, securities, inventories, debtors, machinery and tools and equipment as well as debt to creditors and credit institutions.

Reconciliation
The concept “reconciliation” is not defined in the Bookkeeping Act, but in the explanatory notes and the Danish Business Authority’s guide to the description of bookkeeping procedures expressions such as “examination” of relevant accounts are used as example of reconciliation. Based on this, “reconciliation” may be interpreted more widely as the internal control actions implemented by the company for the purpose of ensuring the correctness of the records, including probability, account skimming and the like.

Necessary reconciliation
Which reconciliations are necessary for a given report or statement depend on the character of these and the company's conditions.

When presenting the annual report in accordance with the Danish Financial Statements Act, it would normally be necessary to reconcile records in the bookkeeping with the majority of the company’s holdings. This will often include reconciliation of cash at bank and in hand, bank overdrafts, inventories as well as debtors and creditors. Reconciliation must be prepared before the annual report is approved by the company's management and before the statutory deadline for submitting the annual report to the Danish Business Authority. The deadlines for reconciliation in connection with an annual report do differ from the general requirement that reconciliation must be made not later than the deadline for reporting. The same is assumed to be applicable for other types of accounts, etc. with similar approval process.

For example, for a company with obligation to register for VAT according to the Danish Value Added Tax Act, it means that the company must perform reconciliation of the relevant records taxable for VAT, which is necessary to ensure an updated basis for the VAT return. Reconciliation must be performed before the preparation of the VAT return, i.e., the date for the expiry of the deadline for declaration. Cash and cash equivalents and operational credits should always be reconciled in connection with statutory VAT returns and most companies should also perform reconciliation of amounts receivable and accounts payable.

Even if reconciliation of other investment securities, e.g., securities are not relevant at VAT declarations, the company must be aware of records in the balance sheet, which impact the input VAT, for instance on additions of machinery and inventory.

The Bookkeeping Act and the explanatory notes do not require preparation of a VAT probability statement. However, a VAT probability statement is an efficient control to identify errors, both in the system with regard to the set-up of the correct VAT rate on relevant accounts and in the performed records. Therefore, BDO recommends that the company as a minimum applies a VAT probability statement when preparing the annual report.

The need for physical reconciliation, e.g., stock-taking, may vary according to the character of the holding and the conditions of the company. The frequency and extent of such stocktakings should therefore depend on a specific assessment based on the general principles of the Bookkeeping Act.

The cash and cash equivalents and the operational credits should generally always be reconciled in connection with statutory reports and declarations. However, it is important for the company’s financial overview that the cash and cash equivalents and the operational credits are reconciled currently. For a smaller company it may often be sufficient a couple of times a week, while a large company with many daily transactions should perform daily reconciliation.

Reconciliation as receipt or part of the audit trail
Reconciliation may fall under the definition of an internal receipt. This is the case when the reconciliation is applied as basis for records in the bookkeeping, for instance reconciliation of tangible assets which are the basis of the calculation of the amortisation for year. Other reconciliation is subject to the information necessary for the audit trail, as the purpose of the reconciliation is to control the correctness of the records.

Documentation and storage
In connection with bookkeeping control (see part 8.2), the company must be able to document that the requirement for current reconciliation of the Bookkeeping Act has been complied with. Therefore, the current reconciliation must be documented and considered as part of the company's accounting records (see part 4).

4. ACCOUNTING RECORDS

4.1 INTRODUCTION

The accounting records are the accumulated material, which document the correctness and accuracy of the bookkeeping.

Among other things, the delimitation affects which material is subject to the rules on storage of the Bookkeeping Act (part 5).

In accordance with the Bookkeeping Act, the definition of accounting records includes:

- Records, including the transaction trail (part 3.2).
- Description of the company's bookkeeping procedures (part 6).
- Receipts (part 3.3.3).
- Other information which is necessary for the audit trail.
- Documentation of information in the notes and the management commentary in the annual report and of estimates and assessments performed in connection with the preparation of the company's annual report (part 4.2).
- Accounts, statements, and registers which are required to be prepared in accordance with legislation.
- Voluntarily prepared accounts which have been presented in accordance with the Danish Financial Statements Act, and which are not solely applied for the company's own use.
- Any audit reports or other equivalent reporting.

The description of the company's bookkeeping procedures subrogates the old requirement for a systems specification. Even if the definition of accounting records does not state specifically agreements on electronic data exchange anymore, such agreements will still fall under the definition, as they will be included as a receipt for the company's description of bookkeeping procedures.

The audit trail is the information which documents the accuracy of the records (see part 3.3.2). Other information necessary for the audit trail may consist of resolution minutes, contracts, calculations and external assessment. In some cases, correspondence may also be included, for instance if it contains agreements on prices, terms, etc.

During the last decade, the Danish Financial Statements Act has been extended with a number of disclosure requirements for especially large companies. This is the background for extending the definition of accounting records to also include documentation for information in notes and management commentary in the company's annual report and for estimates and assessments made in connection with the preparation of the company's annual report. Se details below.

4.2 INFORMATION IN NOTES, MANAGEMENT COMMENTARY AND ESTIMATES AND ASSESSMENTS IN CONNECTION WITH THE ANNUAL REPORT

The Bookkeeping Act does not include an independent requirement for the company to prepare documentation for information in notes and the management commentary in the company's annual report or for the estimates and assessments made in this connection. The requirements for documentation follow the legislation which regulates the preparation of the company's annual report. The documentation which might exist is subject to the definition of accounting records.

It is the management's responsibility to assess what is required to sufficiently document information in the annual report. Sufficient documentation is understood to be the information which makes it possible to recalculate or recreate that information. To the extent the information has been generated based on records in the bookkeeping, the documentation for these records is subject to the audit trail (see part 3.3.2).

An example of a disclosure in the notes of the annual report is information about the average number of employees in the company. This information and the calculations, etc. which the company might have performed to generate the information in the annual report, comprise the company's documentation for the information in the notes and thereby comprise a part of the company's accounting records.

Information in the management commentary may be the description of the company's expected financial development, including statement of expectations to the net profit or loss for the year. The documentation for this description may consist of the budget prepared by management as well as the underlying material.

In connection with the preparation of the annual report the management makes a number of estimates and assessments, of which some will form the basis of records in the bookkeeping, e.g., provision for loss on debtors, while others only form the basis for information in the annual report, e.g., information about contingent liabilities.

If a company in connection with an estimate or an assessment prepares several calculations or estimates, it is only the final calculation or final estimate which needs to be documented. The final calculation or the final estimate must however be documented, regardless of this shows that there is no basis for performing a record in the bookkeeping. An example of this is an impairment test which shows that there is no basis for impairment of said asset.

5. STORAGE OF ACCOUNTING RECORDS

5.1 INTRODUCTION

The provisions of the Bookkeeping Act on storage of accounting records not only have a function in relation to tax assessment, regulatory control and audit, but also a business interest with the company as documentation and evidence of the transactions performed, etc.

Companies obligated to use a digital accounting system must store records and some of the receipts, which document the records, herein. The requirements for the digital accounting systems are to ensure that the records are stored securely (see part 6.3).

The company must ensure that the other accounting records are not destroyed, disposed of, tampered with, misused or do not contain any errors. There are no formal requirements for storage of the other accounting records. All accounting records must be stored for a period determined in more details (see part 5.3) and always satisfactorily.

The accounting records must be stored in such a way that it can always be made available for a public authority in Denmark within a specified time limit, regardless of how and where the accounting records are stored. Thus, there is no longer any geographical limitation for storage of accounting records in paper format, and digital/electronic accounting records do not need to exist in readable format at any time.

The company’s management holds the responsibility for the storage during the entire period, just as the management currently must control that the storage is secure and that the accounting records may be obtained within reasonable time. Special rules for storage apply at change in management and termination of duty to keep accounts (see part 5.6).

5.2 RETENTION PERIOD

The accounting records must be stored for 5 years from the end of the financial year, with which the records are concerned. Thus, accounting records from financial year 0 must be stored until and including year 5. The accounting records for an irregular financial year, for instance 1 July year 0 to 30 June year 1 must be stored up until 30 June year 6.

Retail companies only need to store cash register lists and corresponding internal receipts concerning records of sale of goods for 1 year from the date of the management's signature on the financial statements. Other legislation may however require storage for a longer period, e.g., the tax authorities require storage for 5 years, unless separate permission for storage for 1 year has been obtained. Except the exemption regarding storage, retail companies are subject to the other provisions of the Bookkeeping Act.

Other acts may require storage of accounting records or parts thereof for a longer period than the 5 years prescribed by the Bookkeeping Act. In other cases, a longer retention period may be necessary for the company, even if it is not a requirement. For example, it will often be necessary to keep receipts relating to real estate investments for up to 10 years for the purpose of being able to determine the VAT adjustment liability at a potential sale of the property.

5.3 RETENTION APPROACH

5.3.1 Duty of digital storage

Companies subject to the requirement for application of a digital accounting system must store records and some of the receipts which document the records in the applied digital accounting system (see part 7.2.3).

The requirement for duty of digital storage takes effect at the same time as the requirement for application of a digital accounting system. The Executive Order on the Duty to Store Vouchers in a Digital Bookkeeping System (no. 1383) defines which receipts (vouchers) are subject to the duty of digital storage. This comprises sales vouchers and purchase receipts which include the following information:

1) date of issue
2) type of supply
3) amount
4) sender and recipient, including name, address and CVR number and/or SE number
5) VAT amount
6) payment details

The duty of digital storage does not apply to till rolls nor to invoices relating to purchase or sale of goods and services abroad.

The rules on storage of other accounting records apply to all other receipts and all other accounting records, irrespective of whether they are stored in an accounting system or not.

5.3.2 Storage of other accounting records

The Bookkeeping Act does not set requirements for retention approach for the accounting records which are not subject to the digital duty of storage. However, storage must always be conducted safely. Moreover, the company is obligated to ensure that the accounting records are not destroyed intentionally or unintentionally, tampered with or disappear, just as they must be protected against errors and misuse.

The company may freely choose to store accounting records in paper format or in electronic format. For example, agreements and contracts, which are signed digitally or scanned with physical signatures, may be stored in an electronic archive on the company server, an external hard drive, USB key, or similar.

The procedures and internal controls, which must be established to protect the accounting records, depend on the format, in which the accounting records exist.

Accounting records in paper format

Protection against destruction and disposal of the accounting records in paper format sets requirements for the physical storage place. Paper documents will typically only exist in one copy, and paper per se is more exposed as material. For example, storage of paper documents in a damp basement is not appropriate. The physical storage place should be protected as far as possible against fire and water damage, and the place should be protected against access for unauthorised persons. The company should also establish procedures for how the accounting records should be filed so that it is possible to retrieve documentation for a given record, etc.

Accounting records in electronic format

Electronic documents are naturally easier to protect than paper documents, when it comes to destruction and disposal. They can easily be copied, and the company may store back-up copies in fireproof archives with the company itself or with an external party or in the cloud. The same is the case for the company's accounting system.

In relation to protecting electronic material against distortion as well as errors and misuse, this necessitate that the company establishes procedures and internal controls for IT security, including application of passwords, segregation of duties relating to systems, protection against hacker attacks, virus, etc.

Some receipts, e.g., e-invoices are born directly in a digital system and the original receipt is therefore of electronic format. The company may also receive or send, e.g., purchase or sales invoices as attachments to e-mails, which the company subsequently print out. There are systems for digital signatures so that for instance the company's financial statements may be approved by the management and auditor, if necessary, without any physical signatures. On the other hand, a company may also choose to scan paper documents and file them electronically.

Regardless of which method the company uses as to electronic/paper-based accounting records, it must be ensured that all information appearing from the original accounting records is kept. This applies to both scanning a paper invoice and signing a received e-mail with attached invoice.

Back-up

The Bookkeeping Act does not set requirements for back-up of the accounting records, which are not subject to the digital duty of storage. Application of back-ups is, however, the most efficient method for ensuring recovery of electronic accounting records, which have been lost because of a virus.

Back-ups may be expected to exist increasingly in electronic format (contrary to an USB key, for instance) and the protection hereof is therefore also a question of whether the company has placed the copy on its own servers placed at the company, and in that case, how the company protects the servers against fire, water damage, malicious damage, unauthorised access, etc.

Back-up copies should be placed so that they are not destroyed, stolen, etc., with the original material. In general, it is recommended that the accounting records are stored on a small number of digital media or devices.

Storage of accounting records with a provider

Storage of accounting records with a provider of cloud solutions may be considered to involve high security for safe storage, in most cases. According to the Danish Business Authority's executive order on requirements for digital standard accounting systems, providers of such solutions must ensure current back-up, just as services must be available to select, where the storage of the original material and the back-up take place on servers placed on different physical locations. Thereby, it is avoided that both the company's original accounting records and the back-up copy are lost, should irreparable damage to data occur on the servers at one location.

5.4 STORAGE AT CHANGE IN MANAGEMENT AND TERMINATION OF DUTY TO KEEP ACCOUNTS

The company's management is obligated to ensure that the company's accounting records are stored in accordance with the Bookkeeping Act.

In limited liability companies and private limited companies, the management is comprised of the board of directors and/or supervisory board or executive board. In sole proprietorships and partnerships, the management consist of the owner/partners, while the duty to store accounting records at a limited partnership lies with the general partner.

When a company is no longer subject to the bookkeeping duty (see part 1), the most recent functioning management must ensure that the accounting records are still stored in accordance with the Bookkeeping Act. Functioning management is understood to be the management with the actual managerial responsibilities. In companies where changes in management are to be registered with the Danish Business Authority, it is without significance, if the registration has not yet been made.

The management may not pass on the responsibility for storage of accounting records, even if the task in practice has been passed on to an auditor or an attorney. However, the Danish Business Authority has stated that when it comes to partnerships, which have used an administrator, the responsibility may lie with that administrator. In such cases, it is to be assumed that it is because the administrator has handled the actual managerial responsibility.

If the management of limited liability companies or private limited companies, etc., resigns, the resigning management is responsible for storing the accounting records until the date of resignation, just as it must pass on the accounting records to the new management. There are no requirements for the form or the documentation for the transfer, but BDO recommends that the transfer be documented in writing. If the management resigns as a result of the company's dissolution through the intervention of the bankruptcy court, the bankruptcy court can decide that parties other than the most recent functioning management must store the accounting records.

Insofar as sole proprietorships or partnerships, which are either sold or terminated, the owner/partners are obligated to store the accounting records for the sold or terminated activities, in accordance with the Bookkeeping Act. In case of death, either the bankruptcy court or the private beneficiaries will take over the storage duty.

6. DESCRIPTION OF BOOKKEEPING PROCEDURES

6.1 INTRODUCTION

Companies liable to keep accounts, except small enterprises (see part 2.2), must prepare a description of the company's bookkeeping procedures. The companies subject to the requirement for description of bookkeeping procedures are thus the same companies, which are subject to the requirement for application of a digital accounting system. The old requirement for systems specification has lapsed, as the Bookkeeping Act instead set several general requirements for digital accounting systems.

Companies, which uses an accounting system not registered with the Danish Business Authority, must be able to document that the system complies with the requirements of the Bookkeeping Act, in connection with control by the authorities. The Danish Business Authority has determined specific rules for this in the executive order. BDO recommends that these companies do not get rid of the current systems specification and that they perform the necessary updates to this, until further rules have been determined.

The company's procedures must be described to

1) ensure that all transactions of the enterprise are recorded continuously; and
2) ensure that the enterprise's accounting records are stored satisfactorily.

In addition, it should appear which employees at the company are responsible for these procedures.

The description should be prepared in such a way that makes it possible at any time to follow how the records are made and how the accounting records are stored. The description is part of the company's accounting records.

As the requirement for applying a digital accounting system has a later effective date than the requirement for description of the company's bookkeeping procedures, the description is also to include the accounting records, which are stored in the accounting system until the provisions of mandatory application of a digital accounting system have taken effect.

6.2 GENERAL REQUIREMENTS

The general principles of the Bookkeeping Act that the bookkeeping must be organised and performed taking into account the complexity of the company, the number of transactions and the extent of the transactions are also applicable to the description of the company's bookkeeping procedures.

The description must be sufficient for people with reasonable knowledge of bookkeeping to figure out how the bookkeeping has been organised as well as to retrieve and print out all accounting records which are not immediately readable.
It is material that the description is framed as systematic, precise and clear as possible using layman terms and regular technical terms. The description may be drafted in another language than Danish. However, the company may not choose just any language. The daily users must be able to understand

and use the descriptions, and the authorities must without any noticeable difficulties be able to understand the language used. This requirement is expected to be met by applying Danish, English or another Scandinavian language.

The description must be updated when there are material changes to the company's procedures for bookkeeping of transactions and storage of accounting records, including who are responsible for this.

6.3 THE CONTENT OF THE DESCRIPTION

The Danish Business Authority has published a template and guidance notes to use for the description of primarily less complex enterprises' bookkeeping procedures. The material will be updated currently and be available on the Danish Business Authority's website[4].

It is the Business Authority's opinion that it will be sufficient to fill out that template for companies in reporting class B and companies non-liable to keep books. It is optional for the company to use the template, but BDO recommends especially less complex companies to use it to ensure that all statutory information is included.

The description of the company's procedures for bookkeeping is not only to use for the authorities' control, but also an important tool for the company itself. For instance, the description may provide an overview for the management and make organisational changes easier, including employment of new employees. Besides, the auditor's examination of business procedures, etc., is made easier. Therefore, BDO recommends that the company includes additional areas in its description, if these are considered material and relevant for the company, even if an area is not subject to the minimum requirements.

If the company has organised its bookkeeping in a way that entails requirements for one or more data processing agreements, such agreements are to be included as appendices to the company's description of bookkeeping procedures.

It appears from the Danish Business Authority's guidelines that companies, which are in reporting classes C and D in accordance with the Danish Financial Statements Act, will typically have a complexity, a number of transactions and a financial degree of transactions which entail that it will not be sufficient to just fill out the Danish Business Authority's template. The template may for these companies be used as an overview of which main elements must be included in the description and from there, references to more detailed descriptions in separate documents may be made.

As a consequence of the increased requirements for digitalisation of the bookkeeping, BDO recommends that the company be especially aware of IT security, including threats both internally in the company and externally in the form of hacker attacks, virus, etc. The Danish Agency for Digitalisation and the Danish Business Authority have created the website www.sikkerdigital.dk, which contains the authorities' guide on how to carry out a risk-based approach to information security.

According to the Danish Business Authority's template, the description of the company's bookkeeping procedures must include as a minimum the below main elements:

1) General information

[4] https://erhvervsstyrelsen.dk/vejledning-om-bogforing.

2) Responsible persons
3) External handling of bookkeeping tasks
4) Accounting system
5) Chart of accounts
6) Overview of transactions in material areas/types of transactions
7) Procedures for recording of transactions
8) Reconciliation of the bookkeeping
9) Storage of accounting records
10) Safe storage
11) Retrieval of accounting records

Ad 1. General information
It must be stated clearly which company the description is concerned by specifying the company name and CVR number. In addition, the date for preparing the description and the time of the most recent update must be stated.

BDO recommends that it appears who is responsible for preparing the description, including any approval and date for this.

Ad 2. Responsible persons
It must be stated who or which roles are responsible for how the company's bookkeeping is organised. This could be a controller, chief financial controller, or the like. If the company does not have any employees except the owner, it will be the owner, who is responsible. There is no requirement to disclose who actually carries out the bookkeeping, but dependent on the company's size and organisation there may be coincidence between the person carrying out the actual bookkeeping and the one responsible for this.

BDO recommends that companies with a bookkeeping function or accounting department, which consist of several employees, supplement with a description of how the bookkeeping/accounting department is organised, including allocation of responsibilities for each area, e.g., debtors' ledger and accounts payable.

Ad 3. External handling of bookkeeping tasks
If the company has entered an agreement with an external bookkeeper or accountant on handling all bookkeeping, this should be stated, including name and CVR number of the bookkeeper's or accountant's company. If the agreement only includes certain tasks related to bookkeeping, e.g., only recording of transactions (purchase, sale, payment of salary, calculation of interest, etc.) but not storage of receipts, reconciliation in connection with VAT declaration, etc., the specific tasks performed by the bookkeeper or accountant should be described.

BDO draws attention to the fact that when the company outsources their bookkeeping and thereby does not use a digital accounting system in the company, it rests with the external party to ensure that the requirements for application of digital accounting systems are complied with. However, it will always be the management's responsibility to comply with the Bookkeeping Act.

Ad 4. Accounting system
If the company uses a digital accounting system, it must appear which system it is. If the system is comprised of several combined systems or modules, this is to be described.

BDO recommends that it is stated whether the company uses a system, which is approved by the Danish Business Authority. If this is the case, BDO recommends that the company encloses documentation for this approval, for instance in the form of a printout of the Danish Business Authority's list of approved systems.

The description of the company's accounting system is expected to be more comprehensive when the company uses a non-approved system. Whether there will be a requirement for a proper systems specification in conformity with the old rules, has yet to be settled by the Danish Business Authority. Therefore, BDO recommends that the company as a minimum discloses that it uses a non-approved system and encloses the systems specifications prepared by the company in accordance with the old bookkeeping act.

Ad 5. Chart of accounts
A chart of accounts provides an overview of a company's financial activities and is a list of the accounts which a company may use for bookkeeping, e.g., sale of goods, cost of sales, rent, office supplies, telephone, trade receivables, bank, VAT/tax payable, etc. If the company uses a public standard chart of accounts, for instance the one published by the Danish Business Authority, this should be stated. If the company uses a chart of accounts from a provider of an accounting system, it should be stated which system. If the company uses its own chart of accounts, this is to be stated, and the chart of accounts to be enclosed as part of the description.

BDO notes that in the draft executive order on requirements for accounting systems to be registered with the Danish Business Authority, it is considered that these systems should contain a guide on entering into accounts or a bookkeeping guide. For large and complex companies such system-related guide will often not be sufficient and BDO recommends the company to consider supplementing with their own prepared instructions on entering into accounts or an accounting manual. An example of this is recording on several dimensions for the use of management control of the company's different departments. If there is an instruction on entering into accounts or an accounting manual, these are also seen as part of the company's bookkeeping procedures.

Ad 6. Overview of transactions in material areas/types of transactions
The company must describe the procedures, which ensures that all the company's transactions are recorded currently. For the use hereof, the company needs an overview of the transactions existing in the company. It is not the intention that the company is to describe all transaction types of the company, but only the most material areas/types of transactions, i.e., the areas/types which occur most frequently and are recurrent in the company's bookkeeping. Frequent and recurrent shall be seen in connection with the company's business model and should reflect the primary operation.

Ad 7. Procedures for recording of transactions
The company must describe the procedures for bookkeeping for each of the company's most material areas/types of transactions, cf. above. If purchased supplies is one of the company's frequent and recurrent transactions, it should be described which routines the company has to book purchased supplies. It could be each time the company receives an invoice or once a week.

BDO recommends that the description also includes application of automatic entries, if relevant. An example would be automatic foreign currency translation, including procedures for updating the exchange rate which is applied in the system. There may also by automatic transfers from other systems, e.g., a storage module or payroll runs, where the entry journal is created directly in the payroll system and thereafter is recorded in the bookkeeping.

Ad 8. Procedures for reconciliation of the bookkeeping
It is to be described how the company reconciles the current bookkeeping (records) as well as which items and holdings are included in the reconciliation. Most companies will as a minimum have the

need to perform bank reconciliations. In that case, it is described which accounts in the bookkeeping are reconciled with bank accounts, and how often it occurs.

Companies with inventory must describe how often physical counting is performed, including whether it is a matter of counting the entire or parts of the inventory. Moreover, the company must describe which accounts of the bookkeeping are part of the reconciliation.

BDO notes that if the company uses a digital accounting system approved by the Danish Business Authority, there will be certain reconciliations which the system must be able to support digitally. BDO recommends that the company discloses whether such functions are applied and, if not, discloses the reason behind this. If the company applies other built-in functions of the accounting system used, BDO recommends that the company describes these functions, including how they ensure that the necessary reconciliations are performed currently.

BDO recommends that the company uses the statutory reports, to which the company is subject, in the description of the company's procedures for reconciliations, and describes which reconciliations the company performs in connection with each type of report. In addition, there may be reconciliations which the company performs currently of other reasons, e.g., as a part of the company's internal controls.

The Danish Business Authority mentions in its guide that the company must state how often the company's debtors, creditors, accruals, and accounts payable are examined. It is BDO's opinion that an examination of an account may not be equated with a reconciliation. In BDO's opinion, reconciliation of creditors and debtors may occur by comparing accounts payable/trade receivables according to the bookkeeping with statements of account from creditors/confirmation of receivables from debtors, respectively.

As the concept "reconciliation" has not been defined in the act or in the explanatory notes, BDO recommends that the companies describe all control actions, which the company has initiated for the purpose of ensuring the correctness of the records, also including probability, account skimming, and the like.

Ad 9. Storage of accounting records

The company must disclose the physical location (address) for storage of accounting records in physical format, that is paper-based receipts, etc. For receipts in digital format, it is to be stated whether the receipts are stored locally on a server or a computer, or whether the receipts are stored in a cloud solution. If they are stored locally, the physical location (address) must be stated. If they are stored via a cloud solution, it must be stated who hosts this solution. If the receipts are stored on a mobile device, e.g., USB key, the name of the person responsible for storing the device securely must be stated.

Basically, the description of the company's procedures relating to storage of accounting records only includes the part of the accounting records, which is not subject to the duty of digital storage (see part 7.3). Until the requirements for application of digital accounting systems take effect[5], the description should include all accounting records.

Ad 10. Safe storage

[5]Please refer to the overview of the different effective dates of the Bookkeeping Act at the end of this publication.

It must be described how the company ensures safe storage of the accounting records. Among other things, this includes implemented measures for hindrance of unauthorised access to and protection against disposal and destruction of the accounting records as well as protection against unintentional deletion or change of digital accounting records. For instance, it could be measures such as access control, logging, and back-up.

BDO recommends that companies, which store accounting records either physically or digitally with an external party, ensure that it appears from the entered agreement how the external party is to ensure that the accounting records are stored safely.

In general, BDO recommends that considerations regarding IT security are included as part of the company's business risks.

Ad 11. Retrieval of accounting records
The company must describe how the accounting records can be retrieved and made available for authorities, among others, in connection with a control. It must be described how digital accounting records may be converted to a readable format, for instance by extracting a PDF format. Especially companies, which store receipts on several different devices, e.g., a hard drive, server, USB key, etc., must describe how it is ensured that it is possible to quickly create an overview and extract from these devices. If the accounting records are stored with encryption, it may be described here how they may be decrypted.

In connection with retrieval of accounting records, BDO recommends that the company which store accounting records with an external party incorporates procedures and allocation of responsibilities in the entered agreement.

7. DIGITALISATION

7.1 INTRODUCTION

The Bookkeeping Act includes requirements for digitalisation of the company's bookkeeping, including duty to keep digital accounts of the company's transactions, digital storage of records and receipts as well as the requirement for application of a registered and approved digital accounting system. However, small enterprises, see part 2.2, are exempted from these provisions.

The requirements for applying a digital accounting system, including digital recording of transactions and digital storage of records and receipts take effect at different times*.

Several of the provisions of the Bookkeeping Act regarding digital bookkeeping are also to be filled of more detailed rules determined by the Danish Business Authority.

7.2 DIGITAL BOOKKEEPING

7.2.1 Requirements for companies' use of digital accounting systems

Companies liable to keep accounts, except small enterprises, see part 2.2, must record transactions and store records and selected receipts in a digital accounting system.

A digital accounting system is a digital service or software (bookkeeping program) which contains functions making it possible for the company to record transactions and store records and receipts or, as a minimum, a complete backup thereof on a server hosted by a provider or another third party.

The digital accounting system also includes the modules and extensions to systems applied for digital storage of records and receipts as well as back-up copies of such documents. Separate modules, such as wages and salaries and inventory, are considered as only a part of the accounting system, if there are recordings and storing of receipts herein. Such modules are only part of the requirements for digital storage and not the other requirements for digital accounting systems.

The enterprise must ensure that it applies a system either registered with the Danish Business Authority or a system (e.g., own developed), which meets the requirements of the Danish Bookkeeping Act for a digital accounting system.

In connection with submitting their annual report to the Danish Business Authority, the enterprise must report the name and CVR number of the provider of the digital accounting system, which is applied by the enterprise. If the enterprise applies a system not registered with the Danish Business Authority, the system in question must be reported.

7.2.1.1 Registered systems

Only standard systems may be registered with the Danish Business Authority.

The standard systems include both cloud-based and hybrid digital accounting systems. It is decisive that it is a system which is provided on equal terms to unspecified enterprises. Systems with different modules and add-ons, which each company may select on their own, are also considered to be a standard system.

Most enterprises either uses a subscription-based accounting system, where the enterprise pays on an ongoing basis for being able to use the bookkeeping features made available by a provider (cloud-based systems), or a licence-based system, where an enterprise acquires a licence to an accounting system which is installed and run locally in the company (hybrid systems).

A cloud-based digital accounting system is an accounting system, which is provided as a service on the internet, and where the company both records transactions and store records and receipts on a server hosted by the provider of the system or its cloud supplier.

A hybrid digital accounting system is an accounting system which is installed locally at a company, but complete back-up copies of records and receipts are automatically and currently performed and stored with a third party.

Providers of standardised digital accounting systems must make sure that it is approved by and registered with the Danish Business Authority. The Danish Business Authority's list of registered accounting systems is available here. The providers of the accounting systems have a duty to ensure that the IT systems provided comply with the requirements imposed by legislation for the accounting system.

7.2.1.2 Non-registered systems

The enterprise is not obligated to use a registered system. Thus, the enterprise may use their own developed accounting system, or the accounting system used by the group (e.g., a foreign parent company). Such other systems are not to be registered with the Danish Business Authority, but they must meet the requirements imposed by the Danish Bookkeeping Act for a digital accounting system. In these cases, the enterprise is independently responsible for meeting the requirements imposed by the Danish Bookkeeping Act for the digital accounting systems.

7.2.2 Requirements for digital accounting systems

The requirements of the Bookkeeping Act for digital accounting systems are applicable for all types of systems. However, the standard systems must be registered with the Danish Business Authority after a preceding control, while the company itself must ensure that a specially developed accounting system or a system from a group meet the requirements.

All systems must

1) support current recording of the company's transactions with an indication of receipts for each record and secure storage of records and receipts for 5 years.
2) meet recognised standards for IT security, including user and access management, and ensure automatic backup of records and receipts.
3) support the automation of administrative processes, including automatic distribution and receipt of e-invoices and the option of accounting in accordance with a public standard chart of accounts in registered accounting systems.

The Danish Business Authority has specified the requirements for digital accounting systems which are to be registered on the Danish Business Authority's list of approved systems.

It appears from the executive order on standard systems that the receipts, which must be stored digitally by the system, include any documentation for transactions relating to purchase and sale which meet the requirements of the Executive Order on the Duty to Store Vouchers in a Digital Bookkeeping System, as previously described (see part 5.3.1).

The requirements do not apply to printed till receipts or in relation to documentation of transactions which do not exist in digital format and which are received regarding purchase and sale of goods and services outside the borders of the country.

The requirements for managing the IT security of the accounting systems have been elaborated in the executive order and are based on the principles of other regulation of IT security. This means that the Bookkeeping Act actually does not introduce new requirements for managing IT security. However, the digitalisation of the bookkeeping will still be new to especially many smaller enterprises and will still require that these enterprises manage IT security far more actively than previously.

In the executive order, it appears that the system must ensure that complete back-up is performed weekly of the company's records and receipts, and at least one daily back-up of performed changes (incremental).

The administrative processes, which a standard system must be able to support, include according to the executive order the following:

1) Automatic submission and reception of e-invoices
2) Possibility of reconciliation of the company's bookkeeping with the company's bank account
3) Possibility of entering into accounts according to a public standard chart of accounts, which covers financial statements and VAT
4) Correct bookkeeping via a bookkeeping guide or guide on entering into accounts
5) Sharing of the company's bookkeeping data
6) Reporting of the financial statements and VAT declaration
7) Communication on the possibility of creation in the NemHandel register
8) Feedback feature to the NemHandel register

A more detailed examination of the requirements for digital accounting systems is out of scope for this publication and will therefore not be commented on any further. Please refer to the Danish Business Authority's website for more information for providers of digital accounting systems.

7.2.3 Digital storage

Small enterprises which are subject to the requirement for applying a digital accounting system must store records and some of the receipts, which document the records, in the applied digital accounting system.

In relation to digital storage, this solely includes the storage, which occur directly in the digital accounting system. The company may store electronically other accounting records, for instance on the company server, but the rules on storage of other accounting records will apply, see part 5.4.

The digital duty of storage only includes the receipts which at any time are considered usual to store in the most common digital accounting systems. In the Executive Order on the Duty to Store Vouchers in a Digital Bookkeeping System, the Danish Business Authority has defined which receipts (vouchers) are subject to the duty of digital storage (see section 5.3.1) In line with the development of the digital accounting systems, BDO expects that several types of receipts will be included.

It is not required that the digitally stored accounting records must be readable at any time. The accounting records must merely be retrievable and made readable within a reasonable time in connection with the authorities' control (see part 8).

The digital storage may be either on a server within the company or with an external provider or a third party. However, it is a requirement to store, as a minimum, one complete backup copy externally on a server with either a provider or another third party. By third party is understood a party, which is not close to the company or to the one performing the bookkeeping for the company.

The requirements imposed on accounting systems will help ensure that the digital storage of accounting records occurs securely. By meeting the requirements, the accounting system will help ensure that the accounting records are not destroyed, disposed of or tampered with, and protect the accounting records against errors and misuse.

7.2.4 E-invoicing

An e-invoice is an invoice or credit note that is issued, sent and received in a structured, electronic format which enables it to be processed automatically and electronically. There is a European standard, according to which only machine-readable invoices or credit notes, which the recipient may process automatically and digitally, may be considered electronic invoicing. An invoice, which is sent to a customer as an attached document, for instance in an e-mail, or where the invoice text appears directly from the e-mail, is not considered electronic invoicing, even though the invoice is not printed on paper, neither at the company nor at the recipient.

Over time, it is the intention that it will be required for enterprises to make use of e-invoicing regarding purchase and sale. A provision has been introduced to the Danish Bookkeeping Act, which means that the Minister of Business and Industry, in collaboration with the Minister of Taxation, may, at a later time, determine rules that require use of e-invoicing within the enterprises. This is not currently a requirement. However, it is already a requirement that the digital accounting systems be applied according to legislation must support the use of e-invoicing.

7.2.5 Outsourcing of accounting

Enterprises performing bookkeeping for other enterprises, for instance bookkeeping agencies or audit firms, etc., must also comply with the requirements for application of approved digital accounting systems, including digital recording of transactions and digital storage of records and receipts, when they perform bookkeeping engagements for other enterprises.

8. REGULATORY CONTROL AND REACTIONS

8.1 INTRODUCTION

The Bookkeeping Act provides public authorities with an independent right to get access to the accounting records in connection with bookkeeping control and control with companies which uses digital accounting systems. The access right may also be in accordance with other legislation or court order, e.g., tax legislation, but may in all cases only be used according to the more specific provisions of the Public Administration Act, including justification, reference to legislation, etc.

The company is obligated to make available the according records free of charge within the time limit determined by the authority. On the other hand, the authorities are obligated to define which parts of the accounting records the company must make available.

The authorities may require that the accounting records are made available in a recognised format, e.g., XML, CSV or similar and without the need to use passwords, decryption keys or similar.

If the accounting records are in foreign currency or in other languages than Danish or English, the authorities may require that all records are translated to Danish kroner and that the accounting records are translated to Danish or English. However, the last mentioned does not apply to external receipts.

If the accounting records are stored with a third party, the authorities may make the same claim to have the accounting records handed over or submitted. Storage with a third party can be in cases where the company has outsourced the bookkeeping or uses a hosting solution.

8.2 BOOKKEEPING SUPERVISION

The Danish Business Authority may supervise that the company complies with the Bookkeeping Act. However, the supervision is limited to companies, which are subject to the Danish Financial Statements Act, but have not yet submitted the company's first annual report or have opted out of audit.

When the company has submitted its first annual report, the Danish Business Authority may still supervise the company’s compliance with the Bookkeeping Act. The difference is just that the supervision is performed in accordance with the Danish Financial Statements Act.

Bookkeeping supervision may be completed even though the company submits its first annual report while the supervision is ongoing. However, the Danish Business Authority will from a specific assessment choose whether to complete or continue the supervision. For instance, it speaks in favour of completing the supervision, if the annual report has been audited and the auditor has not stated any matters relating to non-compliance with the Bookkeeping Act.

For companies which have opted out of audit according to the provisions of the Danish Financial Statements Act, the bookkeeping supervision may be performed from the time the Danish Business Authority becomes aware of the opting out.

The bookkeeping supervision is risk-based, which means that the Danish Business Authority's commencement of the supervision assumes an increased risk of failure to comply with the Bookkeeping Act, and therefore, it must be a matter of risk of material non-compliance. The Danish Business Authority will make this assessment.

The supervision also includes the company's obligation to use a digital accounting system, including the requirements for digital storage. However, the supervision does not include whether the digital accounting system meets the requirements hereto, for the companies which uses a system not registered with the Danish Business Authority.

The company is obligated to provide the information and make available the accounting records to the Danish Business Authority, which are necessary for the Business Authority to complete the supervision. The Danish Business Authority may only require that the company provides relevant accounting records, but it is the Business Authority, which determines, which records are relevant.

If the Danish Business Authority assesses that there is an increased risk of significant failure to comply with the Bookkeeping Act and the company has not provided the necessary information, the Business Authority may require that the company submit a report issued by an approved auditor.

The report must be prepared according to specific guidelines from the Danish Business Authority. The Business Authority may require that the report includes the company's compliance with requirements for the bookkeeping, but that it also include the correctness of the company's own information, if the Danish Business Authority has required information from the company.

For example, the Danish Business Authority may require that the auditor ensures that

- the bookkeeping can be reconciled with the most recent financial statements, if they have been presented, and any other reports to the public authorities,
- the company complies with the rules on storage of accounting records, see part 5,
- the company has prepared a description of the company's bookkeeping procedures, see part 6.
- the company's response to any questions raised corresponds to the actual conditions of the company.

The company itself is to find an auditor who may issue the report and the company is to pay the audit fee. The selected auditor must be approved and independent of the company.

The company must submit the material, including any report, in accordance with the time limit determined by the Danish Business Authority. The submission deadline will be determined individually. If the company does not meet the deadline, the Danish Business Authority may refer the company for compulsory dissolution or delete the company from the Danish Business Authority's IT system or register.

The Danish Business Authority's decision to require the company to submit their accounting records or a request for a declaration by auditor may not be brought before the Danish Commerce and Companies Appeals Board.

8.3 CONTROL RELATING TO DIGITAL ACCOUNTING SYSTEMS

When the company chooses to apply an accounting system, which is registered with the Danish Business Authority, the company has sufficiently ensured that the system complies with the requirements set for digital accounting systems. This is due to the fact that an accounting system may only be registered with the Danish Business Authority, when the Business Authority has controlled that the system complies with the requirements.

The Danish Business Authority supervises the providers of digital accounting systems. If defects in the system are detected in this connection, which may entail material risks for the security of the companies' bookkeeping, the provider will be imposed to warn the users about these risks. Should a provider not comply with the order from the Danish Business Authority on repairing errors, etc., the Business Authority may delete the accounting system from the list of approved systems. Then, the provider is obligated to inform their users that the accounting system is no longer registered with the Danish Business Authority.

Thus, the company may assume that if it does not receive any notification from the provider about the digital accounting system no longer being registered with the Danish Business Authority, then the system may still be used. Contrary to expectations, should the users not have been notified, the company will discover this not later than in connection with the submission of the company's annual report as a result of the compulsory disclosure of which accounting system the company uses.

The Danish Business Authority also supervises that companies using a digital accounting system which is not registered with the Business Authority comply with the requirements for digital accounting systems. If the company does not comply with the requirements for digital accounting systems and omit to take remedial actions, the Danish Business Authority may impose on the company to use a registered system instead.

9. PENALTY PROVISIONS

The company's management (the owner or a company's executive board and board of directors, etc.) is responsible for compliance with the Bookkeeping Act. Employee-elected board members in limited liability companies and private limited companies, etc. will due to this status be held liable on equal terms with the rest of the management.

Employees are not directly responsible under the Bookkeeping Act, but the one physically in charge of the bookkeeping will of course be responsible for compliance with the requirements of the Bookkeeping Act, and that the bookkeeping is in accordance with the chart of accounts and instruction on entering into accounts, etc.

Non-compliance with the Bookkeeping Act will be fined, unless a stricter penalty may be imposed by other legislation. When imposing fines, the company's revenue, the severity, and duration of the non-compliance, and whether it is a matter of subsequent cases, will be taken into consideration.

Overview of intervals for normal fines:

	Company with a revenue under DKK 10 m	Company with a revenue between DKK 10-100 m	Company with a revenue over DKK 100 m
Less comprehensive non-compliance	DKK 10,000-25,000	DKK 25,000-100,000	DKK 100,000-250,000
More comprehensive non-compliance	DKK 25,000-100,000	DKK 100,000-250,000	DKK 250,000-1,000,000
Special comprehensive non-compliance (increased fine)	DKK 100,000-250,000	DKK 250,000-1,000,000	DKK 1,000,000-1,500,000

The limitation period for criminal liability according to the Bookkeeping Act is 5 years.