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The Danish Bookkeeping Act

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Introduction

The Danish Bookkeeping Act

Pursuant to the Danish Bookkeeping Act, all enterprises carrying on business for profit, foreign enterprises carrying on business activities in Denmark, all organisations which are subject to duties or liable to full or limited taxation in Denmark, and organisations receiving subsidies from the Danish government or the EU shall keep accounting records.

Additional requirements may apply pursuant to other legislation caused by specific industry considerations or special requirements, e.g. computation of taxable income.

Purpose

The purpose of the accounting records is identified via the transaction trail. In general, all accounting entries shall be traceable to the financial statements or other statements forming the basis of the accounting entries. If an enterprise does not prepare financial statements or other statements required by the tax authorities or public authorities granting subsidies, transactions need not be booked.

The bookkeeping procedures shall be planned and carried out in accordance with good bookkeeping practice having regard to the size and nature of the enterprise. Furthermore, the bookkeeping procedures shall secure the records against destruction, removal or distortion and against errors and misuse.

Accounting entries

Accounting entries shall be made in Danish kroner, euro or another relevant foreign currency.

Accounting entries may only be made in foreign currencies if a.o. the accounting records contain information, including exchange rates, which makes it possible to translate into Danish kroner at any time.

Accounting records

A complete definition of accounting records is provided in section 3 of the Act.

Agreements entered into by an enterprise with customers and suppliers in connection with electronic exchange of data also form part of the required accounting records. Further, accounting records comprise long-form audit reports, as long-form audit reports contain information on uncertainties, errors or omissions in respect of an enterprise's bookkeeping, accounting systems or internal controls.

If the accounting records, except for external vouchers, are drafted in languages other than Danish, the authorities may require the enterprise under a duty to keep accounting records to translate these into Danish free of charge.

Preservation of accounting records

The requirements for preservation of accounting records apply irrespective of technology and preservation form. However, part of the system description must always be preserved in hard copy.

In addition to preservation in Denmark, accounting records may be preserved in Finland, Iceland, Norway or Sweden provided that the accounting records are preserved in accordance with the Danish Bookkeeping Act, that it is possible at any time to retrieve the records and that any description of systems etc. and passwords etc. are preserved in Denmark, which will enable public authorities' access to the accounting records at any time. This exemption is laid down in a Statutory Order, a translation of which is provided in this publication.

For countries other than the above, accounting records may be preserved abroad for a 1-2-month period. If an enterprise carries out activities abroad, accounting records in respect of these activities may be preserved abroad for a 3-4-month period. Internal and external vouchers for the foreign activities may, however, be

preserved abroad for the entire preservation period of five years plus the current year.

Under special circumstances, the Danish Commerce and Companies Agency may grant permission to preserve accounting records in other countries than the above five countries. However, permission is seldom granted.

The Act allows for preservation of vouchers in electronic form only.

Change in management and discontinuation of activities

In case of a change in management, the resigning management is responsible for the preservation of the accounting records until the new management is appointed.

If an enterprise discontinues its activities/ if the duty to keep accounting records terminates, the most recent management shall ensure that the accounting records remain correctly preserved for the entire preservation period.

System description

A description shall be available of the bookkeeping procedures and accounting systems, which will enable a third party with reasonable knowledge of accounting and the technology used to identify entries and accounting records.

The description shall include an outline of how the systems ensure completeness and accuracy of accounting records, how automatically generated entries are made, the methods used for the preservation of accounting records, and how accounting records are retrieved.

The requirements for such a description are tailored to the nature and scope of the enterprise's activities.

Public authorities' access to accounting records

If, pursuant to other Danish legislation or court order, a public authority is entitled to request accounting records from an enterprise under a duty to keep accounting records, the enterprise must produce such records free of charge.

The public authority may also require that accounting entries denominated in foreign currencies be translated into Danish kroner and that the system description be translated into Danish.

Consolidation Act No. 648 of 15 June 2006

The Danish Bookkeeping Act Part 1 Duty to keep accounting records

1.-(1) The Bookkeeping Act shall extend to enterprises carrying on business for profit of any kind established in Denmark notwithstanding ownership and liability as well as business activities carried out in Denmark by enterprises domiciled abroad.

(2). The Act shall furthermore extend to the following enterprises, organisations and associations etc. (enterprises etc.):

- i) Enterprises etc. which are subject to duties or liable to full or limited taxation in Denmark in as far as they are not subject to subsection (1). The Danish customs and tax authorities may in whole or in part exempt individual enterprises etc. from this Act. If the enterprise etc. is also subject to paragraph (ii) below, exemption may only be granted by agreement with the relevant authority.
- ii) Enterprises etc. which as a condition for granting of direct subsidies from the Danish government or the European Union are to provide financial information, in as far as they are not subject to subsection (1). The authority granting subsidies may in whole or in part exempt individual enterprises etc. from this Act. If the enterprise etc. is also subject to paragraph (i), exemption may only be granted by agreement with the Danish customs and tax authorities.

(3). The Act shall not extend to the following enterprises, organisations and associations etc.:

- i) Enterprises etc. which are subject to the Danish Act on Central Government Accounting.
- ii) Enterprises etc. which are solely subject to accounting provisions laid down in or pursuant to the Danish Local Government Act.

Part 2 Definitions

2.-(1) An enterprise is considered to carry on business for profit or other business activities if it offers goods, rights, money, services or the like for which it normally receives consideration.

(2). Notwithstanding subsection (1) an enterprise is considered to carry on business for profit or other business activities if it is subject to the Danish Public Companies Act, the Private Companies Act, the Act on Foundations Carrying on Business for Profit, the Act on Enterprises Carrying on Business for Profit or is otherwise carrying on business for profit under Danish law. This shall apply notwithstanding the enterprises are exempt in whole or in part from the provisions of said Acts.

3.-(1) Accounting records shall comprise the following:

- i) accounting entries, including the transaction trail, cf. section 4(1);
- ii) any descriptions of accounting systems, including agreements on electronic exchange of data, cf. section 14(2);
- iii) any descriptions of systems designed to preserve and retrieve preserved accounting records, cf. section 14(3);
- iv) vouchers and other documents, cf. section 5;
- v) other information necessary for the control trail, cf. section 4(2);
- vi) statutory financial statements; and
- vii) any long-form audit reports.

(2). Unless otherwise provided by legislation, the financial statements, cf. subsection (1)(vi), also comprise management's review and similar disclosures related to the financial statements.
4. -(1) The transaction trail shall be taken to mean the interrelationship between the accounting entries and the statutory financial statements, tax or duty computations, statements for subsidy purposes or equivalent financial statements to be prepared under Danish law.
(2). The control trail shall be taken to mean the information that documents the correctness of the entries.
5. -(1) Vouchers shall be taken to mean any necessary documentation for transactions entered into the accounting system whether in electronic form, on microfilm, hard copy or other media. External vouchers shall be taken to mean documentation originating from other enterprises than the enterprise etc. under a duty to keep accounting records. Other vouchers shall be considered internal.
Part 3 General bookkeeping requirements
6. -(1) The bookkeeping procedures shall be planned and carried out in accordance with good bookkeeping practice having regard to the size and nature of the enterprise. Furthermore, the bookkeeping procedures shall secure the records against destruction, removal or distortion and against errors and misuse.
(2). If the accounting records are changed, the original contents as well as the change shall explicitly appear from the records.
Part 4 Accounting entries and documentation
7. -(1) All transactions shall be entered accurately having regard to the nature and size of the enterprise. The transactions shall be entered as soon as possible following the events which form the basis for the entries. An enterprise which due to its nature and size cannot make entries relating to purchases or sales may make the entries on the basis of daily cash statements.
(2). In as far as it is possible, entries shall be made in the order in which the transactions are made. The entries shall refer to the relating vouchers and contain information to determine the chronological order of the individual entries in the accounting records.
(3). The entries shall, in as far as necessary having regard to the nature and size of the enterprise, be reconciled with relevant balances, including the cash at bank and in hand.
(4). The entries shall be made in Danish kroner, euro or a relevant foreign currency. An enterprise may only change its functional currency at the beginning of the financial year if the other currency has become relevant before the beginning of the financial year in question.
(5). If the functional currency is a foreign currency, including euro, the accounting records shall contain information, including the exchange rates at the transaction date or equivalent translation rates, which makes it possible to translate into Danish kroner at any time. The Danish Commerce and Companies Agency may by statutory order stipulate further regulations pertaining to the translation rates mentioned in the first sentence of this subsection.
8. -(1) All entries shall be traceable to the financial statements or other statements mentioned in section 4(1). It shall be possible to break down the figures in said statements into the underlying entries.
9. -(1) All entries shall be documented by vouchers. If external vouchers have been issued, these shall be used in as far as possible. Vouchers shall contain the information necessary to identify the control trail and shall clearly indicate the transaction date and amount.
(2). If entries are made on the basis of electronically transferred data, the enterprise under a duty to keep accounting records shall furthermore document the individual transfer and its chronological order.

Part 5
Preservation of accounting records

10.-(1) The enterprise under a duty to keep accounting records shall preserve the accounting records appropriately for five years from the end of the relevant financial year. The accounting records shall be preserved in such a way that it is possible independently and precisely to retrieve the relevant accounting records during the entire preservation period.

(2). If the accounting records are preserved in electronic form, on microfilm or the like, it shall be possible at any time to print them in hard copy without any processing.

(3). The description of the systems used to retrieve and print the accounting records in hard copy, cf. section 14(3)(ii), shall be preserved in hard copy.

(4). The provisions in subsections (1) to (3) shall not apply to retail enterprises' cash register tapes and equivalent internal vouchers.

11. (Repealed)

12.-(1) The accounting records shall be preserved in Denmark, cf., however, subsections (2) to (5).

(2). Accounting records for the current and previous month may be preserved abroad provided that the enterprise under a duty to keep accounting records

i) preserves the accounting records pursuant to this Act;

ii) at any time is able to retrieve the records; and

iii) preserves any descriptions of systems etc. used and any necessary passwords etc. in Denmark in a way that enables public authorities to gain access to the records at any given time, cf. section 15.

(3). Internal and external vouchers relating to activities abroad of the enterprise under a duty to keep accounting records may be preserved in the relevant country during the entire preservation period, cf. section 10. Other accounting records relating to the activities abroad of the enterprise under a duty to keep accounting records may under the same conditions be preserved abroad for the current and the previous three months. The provisions of subsection (2) paragraphs (i) to (iii) shall also apply.

(4). In certain cases the Danish Commerce and Companies Agency may upon prior application allow enterprises to derogate in whole or in part from the provisions of subsections (1) to (3).

(5). Notwithstanding subsections (1) to (4) the Danish Commerce and Companies Agency may lay down rules to the effect that accounting records may be preserved abroad without prior application.

(6). Decisions made by the Danish Commerce and Companies Agency in pursuance of subsection (4) may be brought before the Danish Enterprise Appeals Board within four weeks of notice of the decision having been given to the enterprise concerned.

13.-(1) If the duty to keep accounting records terminates, the most recent management shall ensure that the accounting records remain preserved pursuant to this Act. If an enterprise is dissolved by order of the bankruptcy court, the bankruptcy court may decide that a party other than the most recent management shall preserve the accounting records.

(2). In other cases where the management resigns, members of the resigning management shall ensure that the accounting records are preserved pursuant to this Act for the period up to the time of resigning. When a new management replaces a resigning management, its members shall pass on the accounting records to the new management.

Part 6 Description of systems for entries and preservation of accounting records etc.
14. -(1) The enterprise under a duty to keep accounting records shall prepare a description of the entry of transactions and of the preservation of accounting records having regard to the nature and scope of the activities. The description shall, at any time, enable a third party with reasonable knowledge of accounting and the technology used to identify how entries are made and how accounting records are retrieved and printed in hard copy. The description shall be drafted in a language appropriate to public authorities using the language and technical terms customary in the field.
(2). The description of transaction entries shall at least contain sufficient information on
i) how the systems ensure completeness and accuracy of the material that forms the basis for the entries, including agreements in connection with electronic exchange of data which forms the basis for entries;
ii) how the systems ensure complete and accurate entry of transactions, including entry instructions, computer systems, manual routines etc.; and
iii) how automatically generated entries are made, including basis of calculation and calculation formula.
(3). The description of the preservation of accounting records shall at least contain adequate information on
i) the methods used for the preservation of accounting records;
ii) how accounting records are retrieved and printed in hard copy, including information on passwords etc., how to decode encrypted data; and
iii) how entries denominated in foreign currencies are translated into Danish kroner.
(4). Notwithstanding subsections (1) to (3) the enterprise under a duty to keep accounting records may, provided this enterprise uses a standard system for entries and preservation of accounting records, omit to prepare the said descriptions. The omission under the first sentence is subject to
i) the non-existence of significant changes to the standard system; and
ii) the preparation by the supplier of the standard system of such descriptions kept by the enterprise.
Part 7 Public authorities' access to accounting records
15. -(1) A public authority may, in as far as it is entitled pursuant to other Danish legislation to request inspection of the accounting records of the enterprise under a duty to keep accounting records, demand that the enterprise, free of charge, makes available everything necessary for retrieving and reading the accounting records. The public authority may also require the accounting records, free of charge, to be printed in hard copy, including the translation into Danish kroner of entries denominated in foreign currencies, including Euro. If the accounting records, except for external vouchers, are drafted in languages other than Danish, the authorities may require the enterprise under a duty to keep accounting records to translate these into Danish free of charge.
(2). The enterprise under a duty to keep accounting records shall comply with the request of a public authority pursuant to subsection (1) as soon as possible. If the request concerns accounting records for activities abroad, the enterprise under a duty to keep accounting records shall comply with such a request made by the relevant authority.

Part 8
Penalty and commencement provisions

16.-(1) Unless a more severe penalty is provided by other legislation, any violation of the provisions under sections 6 to 10, section 12 (1) to (3), and sections 13 to 15 shall carry a fine.

(2). Rules and regulations laid down pursuant to this Act may provide for fines to be imposed on any violation of those rules and regulations.

(3). Pursuant to the rules laid down in part 5 of the Danish Criminal Code, companies etc. (legal persons) may incur criminal liability.

(4). The limitation period in respect of criminal liability shall be five years.

17.-(1) If the accounting records are not preserved pursuant to section 12, cf. section 15, and should this constitute a risk of misuse, the enterprise under a duty to keep accounting records may, where convicted of a criminal offence, be disqualified from preserving accounting records abroad. The duration of the disqualification shall be from 1 to 5 years as from the final and conclusive judgment. During the hearing of the case, the court may by order disqualify the enterprise under a duty to keep accounting records from preserving the accounting records abroad until a final and conclusive judgment has been delivered. The court may order that appeal will not act as a stay of the execution.

18.-(1) The Danish Commerce and Companies Agency shall stipulate provisions in respect of the opening balance sheet and financial statements of the enterprises carrying on business for profit comprised by this Act which are not already subject to provisions laid down in or pursuant to other legislation.

19.-(1) The Act shall come into force on 1 July 1999. The provisions laid down in section 7(4) and (5) shall, however, come into force on 1 January 1999.

(2). The Bookkeeping Act, cf. Consolidation Act No. 60 of 19 February 1986, shall be repealed on 1 July 1999.

(3). The Act shall be effective for financial years beginning on or after 1 July 1999. The provisions laid down in section 7(4) and (5) shall, however, be effective for financial years beginning on or after 1 January 1999. For financial years beginning before 1 July 1999, the provisions in force till now shall apply.

(4). Vouchers concerning entries made prior to 1 July 1999 may be preserved pursuant to the provisions laid down in section 21 of Statutory Order No. 598 of 21 August 1990 pertaining to the bookkeeping, financial statements and preservation of accounting records of enterprises carrying on business for profit. Violation of the rules is penalised pursuant to the rules in force till now.

(5). For enterprises etc. which were not under a duty to keep accounting records on 1 July 1999 pursuant to the rules in force till now, the duty to keep accounting records shall apply pursuant to section 1(1) of this Act for financial years beginning on or after 1 January 2001. Until 1 January 2001, the rules in force till now shall apply.

(6). The duty to keep accounting records pursuant to section 1(1) of the Act shall not extend to persons who before 1 July 1999 have established an enterprise which in pursuance of section 1 paragraph (c) subparagraphs 35-37 of the Bookkeeping Act in force till now, cf. subsections (2) and (3) of the Act, was not under any duty to keep accounting records and which does not carry on other business activities. If the enterprise is transferred to another owner, the duty to keep accounting records shall apply pursuant to section 1(1).

20.-(1) This Act shall not extend to the Faeroe Islands and Greenland except that all or any of the provisions hereof may be brought into force by Order in Council for Greenland subject to any variations necessitated by the specific conditions prevailing in Greenland.

Statutory Order on Preservation of Accounting Records Abroad
Statutory Order No. 250 of 23 March 2006 (in force)
Consolidation Act No. 648 of 15 June 2006

Statutory Order on Preservation of Accounting Records Abroad

The following shall be laid down pursuant to section 12(5) of the Danish Bookkeeping Act, see Act No. 1006 of 23 December 1998, as amended by section 2 of Act No. 245 of 27 March 2006:

1. Notwithstanding the provisions in section 12(1)-(4) of the Danish Bookkeeping Act, enterprises under a duty to keep accounting records pursuant to section 1 of the Act may preserve accounting records abroad without the approval by the Danish Commerce and Companies Agency provided the enterprise is in compliance with the conditions stated in subsections 2 and 3.

(2). The accounting records shall be preserved in one of the following countries:

- a) Finland;
- b) Iceland;
- c) Norway; or
- d) Sweden.

(3). The enterprise under a duty to keep accounting records shall ensure that:

- 1) accounting records are preserved pursuant to the Danish Bookkeeping Act;
- 2) it is possible to retrieve the records at any time; and
- 3) any descriptions of systems etc. used and any necessary passwords etc. are preserved in Denmark in a way that enables public authorities to gain access to the records at any given time, see section 15 of the Act.

2. The Statutory Order shall come into force on 1 April 2006.

Danish Commerce and Companies Agency, 23 March 2006

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