

# NEW DANISH BOOKKEEPING ACT 2022

**On 19 May 2022, the Danish Parliament passed the bill to a new Danish Bookkeeping Act. It is a new act, which replaces the current Danish Bookkeeping Act.**

Partly, several provisions from the old bookkeeping act are kept, 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.

In the following, we will describe some of the most material changes in the new Danish Bookkeeping Act compared to the old bookkeeping act. Thus, this is not an exhaustive review of all changes and new provisions implemented in the new Danish Bookkeeping Act.

For most of the provisions concerned, the new Danish Bookkeeping Act will take effect 1 July 2022. Provisions regarding digital accounting systems will, however, not take effect until a later date.

*Adopted commencement of the main part of the new Danish Bookkeeping Act:*

Preparation and performance of the bookkeeping, including general bookkeeping requirements, record and reconciliation, storage, and scope and definitions.

Applicable to sections 1-14, 18, 21-23, 26, 28 and 30-35 of the Danish Bookkeeping Act.

**1. July 2022**

The expected schedule for commencement of the provisions regarding digital accounting systems is outlined as follows:

Existing providers of digital accounting systems are expected to meet the new requirements and be registered at the Danish Business Authority.	<b>1. July 2023</b>
Enterprises liable to present their annual report in accordance with the Danish Financial Statements Act and the rules of reporting class B – D. Requirement for application of a digital accounting system. *)	<b>Not earlier than 1. January 2024</b>
Other enterprises liable to keep accounts (e.g., reporting class A) with a net revenue of more than DKK 300,000. Requirement for application of a digital accounting system. **) The Minister of Business and Industry is authorised to potentially make effective the bill at different times, based on different limits on net revenue. Thus, commencement provisions may be introduced that are different dependent on whether the enterprise is above or below a certain revenue limit.	<b>Not earlier than 1. January 2026</b>

\*) For enterprises applying a non-registered (e.g., own developed) accounting system, the effective date will supposedly not be until 1 July 2024.

\*\*) For enterprises applying a non-registered (e.g., own developed) accounting system, the effective date will supposedly not be until 1 July 2026. This may depend on different limits of net revenue.

In a previous draft bill, provisions had been incorporated, after which requirements for digital bookkeeping and digital storage of records and vouchers were made with effect already from 1 January 2023. These provisions have been deleted in the now adopted Act and will not be applicable.

The new Danish Bookkeeping Act replaces in full the old Danish Bookkeeping Act, which originates from 1998. Several provisions from the old act

have been kept in the new Danish Bookkeeping Act, however with certain adjustments and updates to contemporary statutory provisions.

In the following, we will focus on several of the changes contained in the new Danish Bookkeeping Act compared to previous legislation on bookkeeping. This is not an exhaustive review of all changes.

## 1. Preparation and performance of the bookkeeping

The more general provisions of the Danish Bookkeeping Act deal with e.g., scope and definitions, the general requirements for the bookkeeping and provisions for records of transactions and storage of accounting records.

In the following, some of the most material changes of these provisions are reviewed.

### 1.1. Scope and definitions

The Danish Bookkeeping Act will unchanged apply to business enterprises, established in Denmark, of any type, irrespective of owner or nature of liabilities as well as business activities performed in Denmark by companies domiciled abroad.

Some of the new provisions will, however, not apply to small business enterprises not liable to present an annual report in accordance with the rules of reporting class B - D (e.g., reporting class A) with a net revenue of DKK 300,000 or below, when this has been the case for two consecutive years. Net revenue is defined according to the same definition as in the Danish Financial Statements Act. However, it is primarily relating to requirements for digital accounting, etc.

### 1.2. Accounting records

The provision of what is considered accounting records has been extended with several matters.

In accordance with the Danish Bookkeeping Act, accounting records must exist as documentation of information in the notes to the Financial Statements. For instance, it could be documentation of the calculation of the average number of employees, which should be disclosed in a note. But also, other disclosures in the notes should be documented, where the documentation is considered accounting records. It could be calculations of fair values of assets in the balance sheet, where such fair value calculations thereby are accounting records, subject to the Danish Bookkeeping Act and must be stored for 5 years.

Correspondingly, documentation of information in the Management Commentary and documentation of estimates and assessments made in connection with preparation of the annual report, must also be dealt with as accounting records, in accordance with the Danish Bookkeeping Act.

In connection with preparation of the annual report, several estimates and assessments are made, e.g., in connection with impairment of accounts receivable, assessment of amortisation periods for non-current assets, etc. Documentation of such matters must be considered accounting records, subject to the Danish Bookkeeping Act. This also applies for documentation of information in the Management Commentary, such as information about future expectations, which are disclosed with specifications of amounts. Sufficient documentation of information in the Management Commentary is the documentation that makes it possible to recalculate or recreate that information.

### 1.3. Descriptions of systems and processes

In the old bookkeeping act, there was a provision stating that enterprises should prepare a description of systems and processes, etc. for the performance of the bookkeeping. This provision has been changed significantly in the new Danish Bookkeeping Act.

According to the new Bookkeeping Act, enterprises are to prepare a description of the following:

- The enterprise's procedures to ensure that all transactions of the enterprise are recorded continuously,
- the enterprise's procedures to ensure that the enterprise's accounting records are stored satisfactorily, and
- which employees are responsible for the procedures, cf. above items.

This description is also part of the accounting records, subject to the Danish Bookkeeping Act.

However, the description is not to be prepared by small business enterprises not subject to reporting class B - D (e.g., reporting class A) with an annual net revenue of DKK 300,000 or below.

#### **1.4. Recording of transactions and reconciliation**

The Danish Bookkeeping Act stipulates that enterprises must record all transactions accurately and as soon as possible after the matters, which form basis for the recordings, are available. The frequency, whereby enterprises are to record transactions, depends on the complexity of the enterprise, the number of transactions, and the financial extent of the transactions.

As a new provision, a requirement has been introduced that companies must perform such reconciliation of the accounts, which are necessary to ensure that an updated basis is available for statutory reporting or statements on for instance VAT, tax as well as annual reports and interim financial reports.

The requirement for current reconciliation of the accounts is part of ensuring that sufficient and timely updated accounts are available continuously as basis for statutory reporting, as the requirement means that necessary reconciliation of the accounts must be performed no later than by the date of the deadline for reporting of for instance VAT.

Necessary reconciliation could be reconciliation of cash at bank and in hand, operating credit, amounts receivables, accounts payable, and other relevant matter in relation to the report in question. On the other hand, it would normally not be necessary in connection with a VAT return to reconcile for instance inventories or investment securities, etc.

#### **1.5. Storage of accounting records**

There is still a requirement for storing the accounting records for 5 years.

According to the old bookkeeping act, there were very specific provisions on how the accounting records should be stored, including whether it can be stored electronically, and whether it must be stored in the company, in Denmark, or other places.

The new Danish Bookkeeping Act is now more general in its provisions on storage. Now, the provisions specify that enterprises must store the accounting records securely and that the enterprise must guard against the accounting records being destroyed, removed, or corrupted, and that they are secured against errors and misuse.

As a result of the rules on digital accounting, which is described in the following, requirements arise for records of transactions and vouchers are stored digitally in the accounting system. Storage of other accounting records than vouchers may be digital as well as in any other form.

It is also required that as a minimum a complete backup copy of the digital accounting system is stored with a provider or another third party, i.e., externally in relation to the company.

#### **1.6. Effective date**

All of the above and new provisions will take effect 1 July 2022.

However, this is not applicable to the points in paragraph 2 on digital accounting.



## 2. Requirements for digital accounting

One of the new measures taken in the new Danish Bookkeeping Act is the requirement for digitalisation of an enterprise's bookkeeping. This means introduction of requirements for digital accounting of the enterprise's transactions and digital storage of records and vouchers as well as the requirement for application of a registered and approved digital accounting system.

### 2.1. Digital accounting system

It is now required that enterprises must apply a digital accounting system in the form of a digital service or software (bookkeeping programme), which meets several requirements, in accordance with provisions of the Danish Bookkeeping Act and subsequently issued executive orders. The digital accounting system comprises solely the accounting system, and no other systems, which are applied by the enterprise, and which deliver data to the accounting system. It could be an inventory module, or a staff and payroll system applied by the enterprise.

A provider of a digital accounting system must make sure that it is approved and registered by the Danish Business Authority for the accounting system to be published on a list of the systems approved to comply with the Danish Bookkeeping Act.

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. Existing providers of digital accounting systems must meet the new requirements and be registered with the Danish Business Authority by 1 July 2023.

Instead of applying a registered/approved system, enterprises may apply their own developed accounting system, or an accounting system applied in a group (e.g., a foreign parent company). Such own developed system is not to be registered with the Danish Business Authority, but 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.

### 2.2. Digital accounting

The new Danish Bookkeeping Act requires that enterprises must record transactions and store records and vouchers in a digital accounting system.

The enterprise must ensure that it applies a system either registered as approved 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.

The digital storage of records and vouchers may be either on a server within the enterprise or with an external provider or at 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.

In connection with submitting their annual report to the Danish Business Authority, the enterprise must report name and CVR no. 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 (e.g., own developed system), the system in question must be reported.

### 2.3. Small enterprises

#### **not subject to the duty to keep books**

The requirements for applying a digital accounting system and thereby the requirements for recording transactions and storing records and vouchers do not apply for small business enterprises not liable to present an annual report in accordance with the rules of reporting class B - D (e.g., reporting class A) with an annual net revenue of DKK 300,000 or below, when this has been the case for two consecutive years.



If the enterprise exceeds a net revenue of DKK 300,000 in two consecutive years, the enterprise will be liable to follow the rules of the Danish Bookkeeping Act on application of digital accounting systems, etc., in the following year.

The limit of DKK 300,000 may eventually be changed through political negotiations.

#### **2.4. E-invoicing**

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 to be applied according to legislation must support the use of e-invoicing.

#### **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 vouchers, when they perform bookkeeping engagements for other enterprises.

#### **2.6. Effective date**

The requirements for applying a digital accounting system, including recording of transactions digitally and digital storage of records and vouchers take effect at different times, dependent on the form of business enterprise. It has been incorporated in the commencement and transition provisions that different revenue limits may be significant for the commencement.

For enterprises liable to present annual reports, in accordance with section 3 (1) of the Danish Financial Statements Act, i.e., limited liability companies, private limited companies, partnerships, and limited partnerships, where the partners and general partners are limited liability companies, etc., the provisions on digitalisation of the bookkeeping will take effect 1 July 2024, at the earliest.

For enterprises not subject to the duty to keep books because their net revenue in two consecutive years does not exceed DKK 300,000, the provisions on digitalisation of the bookkeeping will take effect 1 July 2026, at the earliest. However, it has been incorporated via the commencement provisions that the provisions may take effect at different times, based on different revenue limits. Thus, commencement provisions that are different dependent on whether the enterprise is above or below a certain revenue limit may be introduced. At a later time, political negotiations should determine whether such revenue limit will be introduced and if so, where the limit will be.

Enterprises not subject to the duty to keep books are enterprises, which are not subject to section 3 (1) of the Danish Financial Statements Act and thereby not liable to present an annual report in accordance with the rules of reporting class B - D. It is for instance enterprises in reporting class A.



### 3. Other provisions

The new Danish Bookkeeping Act further enables the Danish Business Authority to perform their control of the enterprises and their accounting systems and accounting records, etc. In addition to the rules on the enterprises being liable to make available accounting records for the authorities to control, a provision has been introduced enabling the Danish Business Authority to complete a control, even though the enterprise has not yet submitted their first annual report.

In addition, there are new provisions enabling the Danish Business Authority to complete controls of the enterprises' applied digital accounting systems, including a control of digital accounting systems not registered with the Danish Business Authority. It will also be possible for the Danish Business Authority to control the providers of digital accounting systems.

Non-compliance with the Danish Bookkeeping Act provides the Danish Business Authority with new and more rigorous default powers, including the possibility of compulsory dissolution of enterprises and the possibility of issuing significantly higher fines.