



# Guide on bookkeeping and digital bookkeeping systems

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# Introduction

The Danish Bookkeeping Act of 24 May 2022 sets out requirements as to which enterprises must bookkeep, and how they should bookkeep.

## Legal basis

[English translation: The Danish Bookkeeping Act \(pdf\)](#)

[English translation: Executive order on the entry into force of sections of the Act on bookkeeping \(pdf\)](#)

[English translation: Executive order on requirements for digital standard bookkeeping systems \(pdf\)](#)

[English translation: Order on notification and registration of digital standard bookkeeping systems \(pdf\)](#)

## Template and Virk Indberet

[Download 'Template for description of bookkeeping procedure' \(doc\)](#)

[Go to 'Notification of a digital standard bookkeeping system' on Virk](#)

[Go to 'Changes in registered details on the digital standard bookkeeping system' on Virk](#)

[Go to 'Deregistration of registered details on the digital standard bookkeeping system' on Virk](#)

# 1. About the bookkeeping guide

This bookkeeping guide aims to provide an understanding of the Danish Bookkeeping Act of 24 June 2022

## **The requirements for digital bookkeeping will be introduced step-by-step**

To increase the understanding of what a digital standard bookkeeping system has to live up to, the guide includes descriptions of requirements for digital bookkeeping for enterprises. However, these requirements have yet to come into effect.

The exact dates for mandatory use of digital bookkeeping by enterprises is not yet known. Enterprises that have to keep accounts will, however, have to bookkeep digitally as of 2024, and personally-owned enterprises, along with some clubs/associations, will have to bookkeep digitally no earlier than 2026.

The guide supplements the Danish Bookkeeping Act by explaining the framework of the Act in more detail. It does not describe every detail of the Act, but covers a number of problems at a general and subject-based level. It also includes interpretation of the Act's general terms to a certain extent.

The target group for the guide is primarily the personnel regularly engaged in bookkeeping, e.g. accountants, providers of digital bookkeeping systems, employees in the accounting department of enterprises and other accounting experts. In addition are a number of suppliers of modules for a digital bookkeeping system, e.g. a storage or electronic invoicing solution. When a tenderer relies on third-party programs covered by the requirements in its digital bookkeeping system, it must be able to prove that the requirements are fulfilled. The guide may also be useful to persons with less accounting experience or business owners.

## 2. Scope and definitions

This chapter describes which enterprises etc., along with commercial activities, that are covered by the Danish Bookkeeping Act. This chapter is also where you can find information on whether your enterprise or club/association must bookkeep. It also contains a number of definitions, such as 'voucher', 'accounting materials' and 'digital bookkeeping system'. Finally, enterprises can find more information on how to design their bookkeeping, and comply with general requirements for bookkeeping, e.g. ensuring a transaction trail.

The scope remains unchanged in relation to the previous Bookkeeping Act, cf. Consolidation Act no. 648 of 15 June 2006, with subsequent amendments. Enterprises that were subject to the previous

Bookkeeping Act before 1 July 2022, will also be subject to the Act now in force, cf. Act no. 700 of 24 May 2022.

The Danish Bookkeeping Act regulates the basic duties for bookkeeping and the storage of accounting materials, which often form the basis of duties according to other legislation, e.g. the preparation of annual accounts, subsidy accounts and tax/duty returns.

## 2.1. Who is subject to the Danish Bookkeeping Act?

The Danish Bookkeeping Act applies to:

- Commercial enterprises of any kind registered in Denmark, regardless of their ownership or liability status.
- Commercial activities conducted in Denmark by enterprises registered abroad (Chapter 1.2).
- Enterprises that are liable for duties or wholly/partially liable for tax in Denmark, and that do not fall under Items 1 or 2.
- Enterprises that have to submit accounting details as a condition for receiving subsidies from the Danish state or the EU, and that do not fall under Items 1, 2 or 3.

What is a 'commercial enterprise' according to the Danish Bookkeeping Act?

According to the Act, an enterprise is always regarded as being a commercial enterprise if subject to the Danish Companies Act, the Act on Commercial Foundations, the Act on Certain Commercial Enterprises or are engaged in commerce in any other manner according to the law. This applies regardless of whether enterprises etc., or wholly or partially exempt from the requirements in the Acts referred to.

Whether an enterprise is a physical or legal person is not decisive for being subject to the Act. The requirement to bookkeep rests on an individual legal or physical person regardless of ownership status or tax classification.

Running a business is not contingent on the enterprise earning a profit. Neither does how profit is used affect the assessment of whether a business is being run. An enterprise having to be run for the financial benefit of its owners is therefore not a condition for being classed as a business. But for those enterprises regarded as being commercial according to the Danish Bookkeeping Act because they are subject to the Danish Act on Certain Commercial Enterprises cf. the definition above, it will always be the case that the enterprise is run to the benefit of the owner's financial interests.

### **Enterprises regarded directly as being commercial enterprises, and therefore subject to the Danish Bookkeeping Act.**

According to the Act's definition of a 'commercial enterprise', an enterprise is always regarded as being a commercial enterprise if subject to the Danish Companies Act, the Act on Commercial Foundations, the Act on Certain Commercial Enterprises or engaged in commerce in any other manner according to the law. Therefore, a commercial enterprise evaluation will not be necessary for

enterprises covered by these laws to determine whether the enterprise is subject to the Danish Bookkeeping Act.

**The following enterprise types are always regarded as being subject to the Danish Bookkeeping Act from when they are founded until they cease trading:**

- Limited liability companies according to the Danish Companies Act, i.e.: companies limited by shares, private limited companies and partnerships
- 'SE' companies
- Commercial foundations (Act on Commercial Foundations)
- Commercial enterprises (Act on Certain Commercial Enterprises):
- Sole trader enterprises
- Partnerships
- Limited partnerships
- Cooperatives (cooperative societies)
- Cooperatives with limited liability (AMBA)
- Associations with limited liability (FMBA)
- Companies with limited liability (SMBA)
- 'SCE' companies
- Employee investment companies
- State-owned limited companies
- Housing cooperatives

Branches or subsidiaries of Danish companies abroad are considered a part of the Danish enterprise and are therefore subject to the Danish Bookkeeping Act through the Danish enterprise.

#### **Other commercial enterprises subject to the Danish Bookkeeping Act**

Other enterprises not subject to the Acts referred to above will be regarded as commercial enterprises and therefore subject to the Danish Bookkeeping Act if they sell goods, rights, payment service or other related services. Evaluation of a commercial enterprise must be specific to each enterprise.

#### **Examples of commercial enterprises include:**

- Property lets.
- Banks and insurance companies.
- Provision of guarantees and the like.
- Electricity and heating supply, regardless of whether supplied by public or private sector enterprises. Public sector enterprises can be excluded.
- Rights such as patents and film rights.
- Services such as consultancy, accounting, debt collection, security, dentistry, teaching, theatre, exhibitions, museums, repairs, storage and telecom services, etc.
- Cafés and cafeterias.

A commercial enterprise classification is not contingent on a legal person with a CVR number. A physical person can also be an enterprise according to the Act. For example, a person lending property and property services to a third-party, and therefore subject to the Danish Bookkeeping Act. The bookkeeping requirement rests on an individual legal or physical person regardless of ownership status or tax classification.



### **Clubs, associations and organisations**

Clubs, associations and organisations that do not generate income from commercial activities fall outside the Act's definition of a commercial enterprise. At the same time, if they are not wholly or partially taxable and do not have to provide accounts to receive subsidies, they fall completely outside the scope of the Danish Bookkeeping Act.

However, some clubs, associations etc., do sell goods, rights, monetary products, services or the like, for which they normally receive payment alongside their normal activities, and therefore are running a business and can be subject to the Act. To determine whether a business is being operated, a specific assessment of each club/association's activities has to be performed. A number of examples are provided below.

Given the Act's introduction of a digital bookkeeping obligation, it is essential whether clubs, associations or organisations are regarded as enterprises, as only commercial enterprises can be subject to the specific requirements of digital bookkeeping.

### **Housing cooperatives**

Housing cooperatives are always regarded being commercial enterprises, and therefore subject to the Danish Bookkeeping Act.

### **Associations**

Associations can be organised in different ways and have different names, e.g.: organisation, institution, group, community, company, entity, club, etc. Typical examples can be employer associations, trade unions, sports clubs, tenant associations, owner associations and religious groups.

Associations that only have a social, cultural, political, or humanitarian purpose and do not earn money through business activities are not commercial enterprises. Income from membership fees to cover their usual activities or charitable purposes is not considered commercial activities in principle.

If an association provides other services to its members or third parties in addition to their normal activities in the context of their actual objectives typically covered by membership dues. In that case, such activities will be regarded as commercial. These can include, for example, consultancy, courses, running a café or restaurant, letting property or premises, publishing and selling books, magazines, rights, advertising and merchandise, sales from second-hand shops, arranging travel, etc.

Examples include owner associations providing special services for their members, for which they charge. 'Special services' are defined as payment for products or services in addition to the owner association's usual activities, which normally consist of the payment of dues to cover the cost of repair, snow clearance and the like.

Another example of a commercial enterprise is a sports or scout club, letting out premises or running a café.

Membership activities in a political party, a trade organisation or a stakeholder organisation are not normally regarded as being commercial, whilst activities that are exclusively professionally or politically oriented, such as the publication of books, magazines, courses, legal services etc., are in principle commercial.

The relationship between commercial and non-profit activities is irrelevant to whether a club or association has to bookkeep. If the club or association operates with repetitive activities of a commercial nature, it will fall within the Danish Bookkeeping Act's definition of a commercial enterprise and will have to bookkeep. One-off commercial activities, such as running a flea market, charging for entry when holding one-off events, lotteries for a restricted group of persons, collections within a local area and subsidies donations from private individuals will not imply that a club or association is regarded as being a commercial enterprise.

If a commercial enterprise is run in an association, it will only have to bookkeep in principle for its commercial activities. If the club or association, according to any other act, is obliged to e.g. submit accounts for a charitable activity and a commercial activity, i.e. accounts for the whole legal entity. In that case, it will be correspondingly obliged to bookkeep for the entire legal entity, as bookkeeping is a precondition for being able to submit accounts etc. The obligation to write a description of the procedures for bookkeeping, cf. Section 6 of the Act and digital bookkeeping, cf. Section 16 of the Act shall only cover commercial activity.

The principle on how far the bookkeeping obligation extends in the event of mixed commercial and non-profit activities will also apply to other types of organisations etc., such as a non-commercial foundation.

### **The activities of foreign enterprises in Denmark.**

The Danish Bookkeeping Act covers activities in Denmark conducted by foreign enterprises.

The most common terms for such parts of foreign enterprises are subsidiaries, divisions, branches, fixed operating sites, hospitality or sales offices. The term used is irrelevant to the bookkeeping obligation, as the obligation is solely determined based on whether the Danish activities are commercial.

Such activities are not a separate commercial enterprise according to the Danish Bookkeeping Act, as the normal executive and commercial authority or independent legal basis is controlled by the foreign enterprise. The Danish part of the enterprise runs and administers the Danish activities only in accordance with the instructions of the foreign enterprise, and does not normally take part in the foreign enterprise's decision-making processes etc.

Bookkeeping of those activities will normally only concern the commercial activities performed in Denmark.

Bookkeeping can be performed as a separate entity under the foreign enterprise, or can be performed by and integrated into the general bookkeeping of the foreign enterprise. Regardless of how the foreign enterprise organises bookkeeping, it must fulfil the general requirements in the Act for registration, documentation and storage etc. for the Danish commercial activities.

The activities of some foreign enterprises in Denmark are not regarded as special entities in themselves, and are, in principle, not subject to the Danish Bookkeeping Act. For example: there can be representation offices when the activity does not generate transactions, e.g. sales that are covered by the requirements for registration according to Section of the Danish Bookkeeping Act.

It is not regarded as being a Danish commercial activity when a foreign enterprise performs an activity by recruiting agents with the sole remit of selling to customers in Denmark, but that do not otherwise have the authority or right to enter into agreements on behalf of the enterprise.

If the foreign enterprise performs multiple activities independent of each other and there is no single common Danish entity, e.g. a single subsidiary or single fixed operating site, the foreign enterprise can opt to bookkeep for each activity or for all activities. An example of multiple independent activities is the execution of multiple standalone construction contracts in Denmark at the same time.

### **Enterprises that are liable for duties or wholly/partially liable for tax in Denmark**

The Danish Bookkeeping Act also applies to enterprises liable for duties or wholly/partially liable for tax without being Danish commercial enterprises with Danish commercial activities.

The obligation to bookkeep according to Section (2), no. 1, will thus rest on a specific assessment of the tax and duty rules in effect for the area, including, for example, according to Sections 1 and 2 of the Corporate Tax Act or Section 1 of the Foundation Tax Act.

Assessment of when physical or legal persons are liable for duties or wholly/partially liable for tax belongs under the auspices of the Danish Tax Agency.

[Read about the practice for defining tax or duty liability at skat.dk](https://www.skat.dk/en/About-us/Read-about-the-practice-for-defining-tax-or-duty-liability-at-skat.dk)

### **Enterprises receiving subsidies**

Enterprises that are not regarded as being commercial, do not have activities in Denmark performed by foreign enterprises or that are not liable for duties, or wholly/partially liable for tax in Denmark, but that have to submit accounts as a condition for receiving subsidies from the Danish state or the EU are subject to the Danish Bookkeeping Act.

An enterprise that receives payment from the Danish state or the EU in return for an ordinary commercial product or service is not regarded as a recipient of subsidies.

A 'direct subsidy' is defined as a cash subsidy provided by or awarded to an individual recipient, such as funds for covering a deficit. Even though such subsidies may only be received for a limited period,

the recipient has a requirement to bookkeep subsidised activities for that period. The distribution of lottery funds can be an example.

If an enterprise received subsidies for a short period, it will be subject to the Danish Bookkeeping Act for that period, and has a duty to store its accounts for 5 years.

If an organisation receives indirect subsidies, e.g. via a national or principle organisation that received lottery funds, and that undertakes distribution to its sub-organisations, the individual sub-organisations will not be subject to the Danish Bookkeeping Act on the basis of that subsidy alone.

Neither are other subsidy schemes under which the enterprise does not directly receive cash, e.g. taking out low or interest free loans, tax breaks, user rights with or low or no rental etc., subject to the Danish Bookkeeping Act. The subsidy in such instances is classed as being indirect.

Subsidies from a region or municipality will not mean that an enterprise is directly subject to the Danish Bookkeeping Act.

The subsidising authority in the Danish state administration or the EU can provide exemption (wholly or partially) from the bookkeeping obligation occurring as a condition of being awarded a subsidy. If the enterprise is also liable for duties or wholly/partially liable for tax in Denmark, exemption can only be granted by agreement with the Danish tax authorities.

Enterprises that are not commercial, but only subject to the Danish Bookkeeping Act due to subsidies from the Danish state or the EU are not subject to the specific requirements of the Act on digital bookkeeping, nor do they have to write a description of their procedures for bookkeeping.

## **State, municipal and regional entities not subject to the Danish Bookkeeping Act**

The Act does not apply to enterprises:

- subject to the Act on State Accountancy, etc., or
- that are exclusively subject to accountancy rules set by or in accordance with the Act on Municipal Governance or the Regions Act.

State-owned limited companies are subject to the Danish Bookkeeping Act in line with other limited companies. The other part of the public administration, including state institutions, municipalities and regions, are not subject to the Act.

The reason why enterprises not subject to the Act on State Accountancy etc. are not subject to the Danish Bookkeeping Act is primarily relevant to certain self-governing institutions that receive subsidies from the Danish state.

The reason why enterprises are subject to accountancy rules set by or in accordance with the Act on Municipal Governance or the Regions Act, is to prevent conflict between the rules of the Danish Bookkeeping Act and rules laid down for municipalities, regions, municipal partnerships and other

entities subject to municipal budgets and finances and that are subject to budget, bookkeeping and accountancy rules in the Act on Municipal Governance or the Regions Act issued in pursuance of those two acts.

The exemption does not extend to enterprises which, according to the municipal or regional accountancy laws, only bookkeep activities run in partnership with a municipality or region (operating agreements), but follow the Danish Bookkeeping Act for the enterprise as a whole.

## 2.2. Definitions

The Danish Bookkeeping Act contains definitions for a number of common terms and lists what is regarded as accounting materials. The latter is significant for what is subject to the rules of the Act for storage for 5 years.

### Enterprises

When the Act uses the term "enterprises", it covers the following entities:

- Commercial enterprises
- The activities of foreign enterprises in Denmark
- Enterprises that are not commercial, but that are liable for duties or wholly/partially liable for tax in Denmark
- Enterprises, organisations and groups etc., that receive subsidies

There is no new definition of the term "enterprises", but a definition used in the Act for practical reasons as a catch-all term to cover all the entities that have to bookkeep, regardless of their type.

### Transaction

'Transactions' are defined as: An action or situation of financial importance to the enterprise.

Transaction is applied broadly. Pure accounting dispositions, such as depreciation and amortisation of assets and interest calculations are also regarded as transactions. Other examples of transactions are buying and selling, payroll payments, identified loss on debtors, liquidity movements, taking out loans and repayment of debt. Tax-related dispositions can also be transactions. In brief, transactions can be limited to factors incorporated in an income statement or balance sheet, such as operating accounts or tax accounts. On the other hand, such things as contingent liabilities and assets are not regarded as transactions according to the Act.

Registered data can form the basis for a transaction, but do not in themselves need to be a transaction. This applies for example to changes in master data, including e.g. employment contracts and credit ratings, accounts for CO2 emissions and number of employees.

However, such details will be part of the enterprise's accounts to the extent they document details in the notes and management's review in the annual report, or estimates and assessments made in the course of compiling the enterprise's annual report - and only to the extent the enterprise opts to compile such documentation.

## Transaction trail

A 'transaction trail' is defined as the relationship between individual registrations and the enterprise's accounts, tax or duty returns, subsidy accounts or equivalent accounts that have to be prepared according to the law, or the enterprise's voluntarily compiled accounts when not exclusively for the enterprise's own use.

'Equivalent account design' can be, e.g. company law balances (intercompany/opening/acquisition and conversion balance sheet and accounts compiled in the event of reconstruction and bankruptcy).

Transaction trail is an expression for the information that must ensure that it is possible to check whether all registrations are included in the accounts, and which registrations account entries are composed of. In this context, accounts can be, e.g. annual accounts, voluntarily presented accounts, tax returns, accounts prepared as the basis for applying for a subsidy or in connection with periodical tax and VAT returns.

The enterprise must ensure that the transaction trail exists, which implies that it has to document how the individual accounts in bookkeeping are gathered into entries in the accounts or return. An enterprise must also document the subsequent entries made when compiling the accounts, tax returns and other returns.

## Control trail

'Control trail' is defined as the information that prove the correctness of registrations.

Control trails is a catch-all expression for the information that must ensure that it is possible to verify the basis of registrations. That means that all registrations must be documented by a voucher. When making registrations during bookkeeping an enterprise must concurrently register information making it possible to produce the necessary documentation for the registration. Each voucher must be given clear and unique identification.

The presence of a transaction and control trail implies that all account entries can be traced from the accounts through bookkeeping and down to each voucher. Along with the transaction trail, there is also a link between the individual transaction, voucher and accounts that are the sum of the transactions in a given period.

## Voucher

'Voucher' is defined as any necessary documentation for transactions registered in bookkeeping. 'External voucher' is defined as documentation from outside the enterprise. Other vouchers are regarded as internal.

The definition of a voucher is broad, and covers digitally-stored data, including data sent or received digitally (e.g. in connection with e-invoices or electronic data interchange, EDI) or some other form of documentation. The term 'voucher' is therefore an expression for information received externally or from the enterprise itself. It therefore expresses no particular format or anything that has to be written down on paper. It is the underpinning information that expresses the voucher.

Even though most of the vouchers in bookkeeping can be expected to be in digital format, there can also be paper vouchers in some instances. Vouchers can be e.g. invoices, credit notes and advice notes when they are proof of registrations made.

Documentation proving registrations concerning depreciation and amortisation, and for taking out loans, ingoing and outgoing payments, is also a voucher.

Vouchers based on documentation from anywhere other than the enterprise that has to bookkeep is external. Consequently, invoices received by the enterprise when buying goods are regarded as external vouchers.

Vouchers that contain information on the bookkeeping company itself are considered to be internal vouchers. Vouchers that document automatically-generated registrations, such as interest charged by the enterprise's debtors, VAT calculations and the calculation of other duties, also belong here. Whether the enterprise issues a paper or digital invoice when it sells something, these are regarded as internal vouchers

## Digital bookkeeping system

According to the Danish Bookkeeping Act, a digital bookkeeping system is:

- a digital service or software,
- that contains functions via which enterprises can register transactions and store registrations and vouchers, or at least a complete backup copy of the same on a server at the provider or another third-party.

### Functions for registration and storage:

A digital bookkeeping system can contain many different functions and expansions. To be subject to the Danish Bookkeeping Act, it is therefore essential that the system includes functions for the registration of the enterprise's transactions and functions for digital storage of registrations and vouchers, or at least a complete backup copy of the same on a server either at the system provider, or another third-party related to the enterprise.

A digital bookkeeping system integrates digital services and software, marketed by a provider under a common name with regard to bookkeeping all an enterprise's transactions and for storage of related vouchers.

A specialized application that only includes bookkeeping of transactions and storage of associated documents in special areas such as project management is not a bookkeeping system according to the Bookkeeping Act. By posting in such a system, companies cannot fulfil the obligation for digital bookkeeping according to the Bookkeeping Act. Read more about modules and third-party systems in chapter 8.

How a bookkeeping system is built in terms of IT architecture, whether it has been developed as an integrated system, or it consists of various modules (e.g. for bookkeeping transactions, storing

vouchers, etc.) is irrelevant. Whether a module is supplied by a third-party under contract to the provider (e.g. a cloud module for storing vouchers) is also irrelevant.

### **Different types of digital bookkeeping systems**

The requirements according to the Danish Bookkeeping Act for digital bookkeeping systems do not apply to all systems, and are not the same for all systems. It is therefore important to differentiate between the following factors and situations:

#### **Which enterprises will the digital bookkeeping system be promoted to?**

The requirements for digital bookkeeping systems cover all digital bookkeeping systems marketed to enterprises with an obligation to perform digital bookkeeping. That primarily concerns all enterprises with the obligation to bookkeep. Secondly are personally-owned enterprises that have a net turnover exceeding DKK 300,000 in two consecutive fiscal years.

If a bookkeeping system is solely marketed for personally-owned enterprises with a turnover below DKK 300,000, it is not subject to the requirements for digital bookkeeping systems. In such instances, it must be clearly stated in the marketing of such a system. That makes it clear to enterprises that such bookkeeping systems do not fulfil the requirements according to the Danish Bookkeeping Act, and thereby differ clearly from bookkeeping systems that do.

#### **Example**

A provider of different digital bookkeeping systems primarily markets a digital standard bookkeeping system to enterprises with an obligation to perform digital bookkeeping according to the Danish Bookkeeping Act. The system is registered with the Danish Business Authority and therefore fulfils the requirements for digital standard bookkeeping systems.

The provider also wants to sell a bookkeeping system that is free to use, or at a very low subscription price to enterprises that are not subject to the obligation of digital bookkeeping. This is a system in which clubs, associations and hobby enterprises can register their transactions, but is not capable of storing vouchers and that does not support automation.

To avoid misunderstandings, the provider opts to call the first bookkeeping system "A registered bookkeeping system that fulfils the requirements of the Danish Bookkeeping Act" and the other "Bookkeeping systems that can only be used by enterprises not subject to the duty of digital bookkeeping according to the Danish Bookkeeping Act". The provider also provides more details on its website of which enterprises are subject to the duty according to the Danish Bookkeeping Act to use a registered bookkeeping system.

#### **Example**

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### **Is the bookkeeping system a standard system?**

According to the Danish Bookkeeping Act, a digital bookkeeping system is a standard system if marketed in Denmark on the same terms to an undefined range of enterprises.

Subscription or licensing terms in standard systems are general for all the enterprises that want to use them. They are not individually agreed with an individual enterprise. The system will be regarded as marketed on uniform terms, even though different subscription types are offered, for example to large and small enterprises, or different option modules or add-ons that enterprises can choose between, as long as those options are available to all enterprises that use the system.

According to the Danish Bookkeeping Act, the provider also has an obligation to report a digital standard bookkeeping system to the Danish Business Authority to be registered. The Danish Business Authority checks whether the obligation to report has been complied with. Digital standard bookkeeping systems must fulfil a range of technical requirements for registration and storage, IT security and automation.

### **Example**

A digital bookkeeping system is marketed as a basic pack that includes registration of transactions and storage of vouchers for transactions to a fixed monthly subscription price. Enterprises that use the system can add a range of other services as options, such as stock management, personnel and payroll management and tax calculations. A supplementary price is added to the basic subscription for each service.

Even though the enterprise can choose between a range of services, the system will still be regarded as a standard system, because all enterprises will be offered 1) the same basic pack, and 2) can choose the same add-on services. The system must therefore be reported to the Danish Business Authority, and the registration and voucher functions (i.e. the functions in the basic pack) must fulfil the requirements according to the Danish Bookkeeping Act and Executive Order on requirements.

On the other hand, the add-on services do not have to fulfil the requirements according to the Danish Bookkeeping Act and executive order on requirement if they do not include registration of transactions or storage of vouchers for transactions. The requirements according to the Danish Bookkeeping Act and executive order on requirement only apply to the bookkeeping of transactions and storage of vouchers for transactions.

### **Is the bookkeeping system a specially-developed system?**

According to the Danish Bookkeeping Act, a specially-developed bookkeeping system is characterised by it being developed to meet the needs of a specific enterprise according to an individual agreement between that enterprise and the developer of the system. The technical specifications for the bookkeeping system along with delivery and price terms are determined according to negotiations with the individual enterprise. It is usually large enterprises that opt for specially-developed bookkeeping systems that make it possible to take into account a range of special needs for that enterprise only.

Some enterprises use outdated bookkeeping systems that were originally marketed by a provider as a standard system, but which have subsequently been discontinued by the provider. Neither will the provider maintain such systems any longer. However, the enterprise has either upgraded the system itself or contracted a third-party to do so. According to the Danish Bookkeeping Act, such a system is specially-developed, even though it may have originally have been acquired as a standard system.

Digital standard bookkeeping systems must fulfil special technical requirements for registration and storage, IT security and automation. An executive order on requirement for specially-developed systems is expected to be formulated in the first half of 2023.

### **Example**

A large Danish enterprise with a number of subsidiaries in Denmark and abroad that manufacture a range of different products and services contracts a software company to develop a bookkeeping system able to handle bookkeeping for the whole group, along with a range of related functions to support corporate governance of the group. Given that the bookkeeping system is customised to the enterprise in question, i.e. with specifications and price agreed individually in a contract between the enterprise and the software company, this is not a standard system that must be reported to the Danish Business Authority.

The enterprise has a duty instead to ensure that the bookkeeping system fulfils the requirements according to the Danish Bookkeeping Act, and the special requirements in the executive order on requirement for bookkeeping systems that do not need to be registered. However, it is only functions that support registration of transactions and storage of vouchers that have to fulfil the requirements. In specially-developed digital bookkeeping systems, the enterprise usually stores registrations and vouchers itself on its servers.

According to the Danish Bookkeeping Act, this is legal if the enterprise ensures that:

- complete backup copies are taken of registrations and vouchers automatically and constantly,
- backup copies must be stored by a third-party, such as a Cloud provider, according to the rules in the Executive Order on bookkeeping systems that do not have to be registered.

### **Is it a foreign bookkeeping system?**

It is important here to differentiate between foreign bookkeeping systems marketed here in Denmark, and foreign systems not marketed in this country.

Foreign digital standard bookkeeping systems marketed in Denmark must be reported to the Danish Business Authority and fulfil the requirements for such systems in the same manner as Danish digital standard bookkeeping systems. 'Marketing' is defined in accordance with Danish Act no. 426 of 3 May 2017 on Marketing Practices.

In relation to digital bookkeeping systems, digital marketing will usually be involved, in which the provider sets up a website with details of the bookkeeping system, including basic and add-on services along with various subscription types and their price. When determining whether a foreign bookkeeping system is marketed in Denmark, whether the system is in Danish and sold via a Danish website will have significant importance.

If a Danish enterprise opts to use a foreign bookkeeping system not sold in Denmark, the enterprise has a duty to ensure itself that the bookkeeping system fulfils the special requirements for specially-developed and other bookkeeping systems that do not have to be registered with the Danish Business Authority. An executive order on requirement for such systems is expected to be formulated in the first half of 2023.

### **Example 1**

A French enterprise offers a digital bookkeeping system in a number of different EU states. The system is offered in a national language version in each country via a website in the relevant country in that country's language or in English. In this instance, the bookkeeping system is marketed in Denmark, and is therefore a standard system and must therefore be reported to the Danish Business Authority by the French provider with regard to registration.

### **Example 2**

A Danish-registered enterprise is a subsidiary of an Italian parent company. All group companies use an Italian digital bookkeeping system. The Danish enterprise can legally opt to use the Italian bookkeeping system. Because it is not marketed in Denmark at the moment, the Danish enterprise has the duty to ensure itself that the system fulfils the requirements for specially-developed and other bookkeeping systems that do not need to be registered with the Danish Business Authority. These requirements are expected to be formulated in the first half of in a special Executive Order on such systems.

### **Provider of a digital bookkeeping system**

A provider of a digital bookkeeping system is an enterprise that markets or intends to market a digital bookkeeping system in Denmark on the same terms to an undefined range of enterprises.

### **Data Controller**

A Data Controller according to the Danish Data Protection Regulation is a physical or legal person, a public authority, an institution or other body that determines on its own or with others to what purpose and with what means the processing of personal data can be done.

### **Data Processor**

A Data Processor according to the Danish Data Protection Regulation is a physical or legal person, a public authority, an institution or other body that processes personal data on behalf of the Data Controller

### **E-Invoice**

An 'e-Invoice' is defined as an invoice or credit note issued, sent and received in a structured, electronic format, making it possible to process it automatically and electronically.

The term electronic invoice is defined in accordance with the Electronic Invoicing Directive, i.e. as an invoice issued, sent and received in a structured, electronic format, making it possible to process it automatically and electronically.

Only machine-readable invoices the recipient can process automatically and digitally are regarded as being in accordance with the European Standard (EN) for electronic invoicing.

Graphic files, including PDFs are therefore not regarded as an electronic invoice. Examples of a structured electronic format for sending e-Invoices are the Danish OIOUBL standard and Peppol, developed as a European Standard for electronic invoicing.

### **E-document**

An 'e-document' is defined as a document that can be sent or received in a structured, electronic format.

E-documents can be electronic receipts, orders or similar documents, such as electronic invoices and credit notes.

## **2.3. Accounting material**

'Accounting material' is all the documents that comprise bookkeeping, including the individual registrations, vouchers and the data used as the basis of bookkeeping. It has to be stored securely for at least 5 years after the end of the accounting year it concerns.

The following are regarded as accounting material:

- Registrations, including the transaction trail
- Description of the enterprise's bookkeeping procedure.

- Vouchers.
- Other details necessary to the control trail.
- Documentation for information in notes and the management's review in the annual report, estimates and assessments made when compiling the enterprise's annual report.
- Accounts, statements and listings that have to be produced in accordance with the law, and voluntarily compiled accounts submitted according to the Financial Reports Act that are not exclusively for the enterprise's own use.
- Any audit protocols and other similar reporting.

## Registrations and transaction trails

A registration is the documentation of a transaction. That means an action or situation of a financial nature entered in the enterprise's bookkeeping. Registrations are also known as 'entries', because they appear as entries in the books to reflect actual financial events or situations.

A registration in the main or financial bookkeeping of an enterprise can consist of several individual registrations in other modules or sub-systems. If this is the case, individual registrations in sub-systems and the master registrations are regarded as being registrations in accordance with the Danish Bookkeeping Act. Both registration types are thus part of the transaction trail and accounting material.

## Description of bookkeeping procedures

If the enterprise is subject to the Act's requirement for written procedures for bookkeeping, this description is part of the full accounting material.

## Voucher

Vouchers are a key element for documentation of registering transactions. Vouchers must be able to prove the correctness of the registrations and make it possible to determine whether the transactions have been registered in the right period and for the correct amount.

Each registration of transactions and events must be documented by a voucher. Vouchers are not just paper documents, but any kind of documentation necessary with regard to the transaction or control trail is regarded as a voucher. See above for a more detailed definition.

## Other details necessary to the control trail

Other details necessary to verify the correctness of registrations are also part of the accounting material for an enterprise with a obligation to conduct bookkeeping

Notes from meetings with trading partners or telephone orders and mails can have much the same significance in some situations for the documentation of registrations and the control trail as actual vouchers. Records of decisions made, contracts, estimates, external valuations and correspondence can also have the same significance in some situations (depending on the nature of the transaction) for the documentation of registrations and the control trail as actual vouchers. Conditional agreements, declarations of intent and the like, contracts and agreements in effect on primary and derived financial instruments often comprise 'other information'.

This is information that cannot in itself be regarded as vouchers, but that still contains details necessary for the control trail.

### **Documentation for information in notes and the management's review in the annual report, estimates and assessments made when compiling the enterprise's annual report**

An enterprise must store documentation for information in notes and the management's review in the annual report, estimates and assessments made when compiling the enterprise's annual report, as they are part of the enterprise's accounting material. Estimates and assessments concerning possible liabilities, the inclusion of joint ventures, activation of development projects and accounting for indirect production costs for stock can be examples.

The provision does not contain any independent requirement for the production of documentation. The requirement for producing documentation is provisional on the legislation that regulates the production of annual reports, i.e. the Financial Statements Act, Executive Order on the production of financial reports for financial undertakings and any other legislation that contains requirements for the production of annual reports that have notes and a management's review.

The management is responsible for determining what is needed to adequately document information in the annual report, including the notes. The auditor will often ask for the documentation in question.

When information in the notes to an annual report are generated on the basis of registrations in the bookkeeping, the documentation for those registrations is already composed of 'vouchers' or 'other information necessary for the control trail'.

The Financial Statements Act also contains a requirement that enterprises must provide information in various notes not generated on the basis of registrations in the bookkeeping. They can, for example, be details on the number of full-time employees, information on the basis used for determining fair value and on the basis used for activating development projects and tax assets. Such information and the assessments, estimates etc., that the enterprise may have made to produce data for the annual report comprise its documentation for the notes, and are thus part of the enterprise's accounting material.

The scope of documentation for information in the management's review will be affected by the requirements in the Financial Statements Act pertinent to the management's review, which varies according to the accounting classes.

Estimates and assessments include the management's deliberations that can affect the accounts, and can include:

- The size of expected loss on receivables from the sale of goods and services.
- The size of expected loss from depreciation of stocks and other assets to net realisation value.
- Choice of depreciation method for tangible fixed assets and intangible fixed assets.
- Fair value calculation for the depreciation test.

- Management's expected outcome from court cases, environment cases, etc., that according to the circumstances must be classed as provisions, debt or possible liabilities

### **Accounts, statements and listings that have to be produced in accordance with the law, and voluntarily compiled accounts submitted according to the Financial Reports Act that are not exclusively for the enterprise's own use**

The requirement that accounts, statements and listings etc., are part of an enterprise's accounting material and therefore have to be stored for 5 years must be seen in the context of the requirement for a transaction trail. That all registrations in the bookkeeping must be traceable to the accounts, statements and listings that have to be compiled in accordance with the law, and voluntarily compiled accounts submitted according to the financial statements act, which are used exclusively for the enterprise's own purposes.

The term 'accounts' covers:

- Annual reports and interim accounts compiled according to the Financial Statements Act or equivalent legislation, such as the Executive Order on financial reports for mortgage credit institutions and stock-brokers etc.
- Tax accounts etc., necessary according to tax law.
- Separate subsidy accounts if required according to the law as a condition for the payment of subsidies.

Voluntarily compiled accounts submitted according to the provisions of the Financial Reports Act and that are not exclusively for the enterprise's own use, e.g. for the bank, are also regarded as accounting material. Accounts exclusively for the enterprise's internal use is not part of its accounting material.

### **Any audit protocols and other similar reporting**

Since 2016, an auditor is no longer required to write an audit report for most enterprises. When auditors conduct an audit in accordance with the international standard on auditing, ISA 260 (Communication with the senior management) and ISA 265 (Communication inadequacies in internal controls to the senior and general management), the auditor must continue to report to the senior management of the enterprise on a number of aspects that used to be included in the audit report.

The auditor gives a description in the audit report or other similar reporting of the execution, scope and result of the audit as a result of requirements in the law, articles of association or agreement with the auditor's employer. The audit report or similar reporting also has link to the management's administration of the bookkeeping and presentation of the accounts, and can often include important information for understanding the enterprise's annual accounts.

Enterprises of interest to the public, i.e. listed enterprises, banks, mortgage credit institutes and insurance companies, are still required to compile audit reports.

### 3. Organising bookkeeping

In this chapter, owners or representatives of an enterprise can obtain guidance on how to organise their bookkeeping. Subjects you can read include the importance of organising bookkeeping with regard to the complexity, number of transactions and the financial scope of transactions. How bookkeeping must be organised in practice therefore depends on the circumstances of any given enterprise.

The bookkeeping obligation broadly covers registration of the transactions of the enterprise, and storage of its accounting material.

The enterprise must therefore set up and maintain a satisfactory and secure bookkeeping environment, which includes:

- that the enterprise sets up the internal controls and procedures necessary to ensure that the enterprise registers all transactions accurately, and as soon as possible after the event that forms the basis for the registration has occurred,
- that the accounting material is not lost by deliberate or accidental actions, and,
- that security precautions are in place that will at least prevent damage, loss or distortion of the bookkeeping, and against error or misuse.

Bookkeeping must be organised and executed with regard to the complexity, number of transactions and the financial scope of transactions.

Complexity does not refer solely to the size of the enterprise. There are small enterprises with a complex business model, such as a wide range of products and a large number of customers, which can lead to an extensive chart of accounts, inventory system, debtor and creditor modules.

On the other hand, large enterprises can have a very simple business model, e.g. only selling a very limited range of products/services to the same customer group. One example of a large enterprise with few transactions could be holding or investment companies, with a passive investment in other enterprises and therefore few annual transactions.

A small enterprise with a simple business model is not obliged to organise its bookkeeping in the same systematic manner, or with the same degree of details as large enterprises with a complex business model. For example, a small enterprise will usually not have the same number of internal controls, and the descriptions of its bookkeeping procedures can often be kept to a minimum.

Based on the number of transactions and their financial scope for very small enterprises, nothing more is often required than the absolute necessary to be able to compile and document their tax returns and VAT account.

There are provisions in the Act, which by their nature are not dependent on the complexity of the enterprise, the number of transactions and the financial scope of transactions. For example: the



requirement for safe storage for 5 years must always be complied with, and all transactions registered in the bookkeeping must be documented, regardless of how few an enterprise may have.

## 4. Description of bookkeeping procedures

The Danish Bookkeeping Act requires enterprises to compile a description of their bookkeeping procedures. The requirement supersedes the earlier requirement on a description of IT systems used for bookkeeping and storage of accounting materials. In this chapter, owners, consultants or employees of an enterprise can obtain guidance on what to be aware of concerning the description of the bookkeeping procedure. There are also more details on which enterprises are required to describe their bookkeeping procedures. The requirement for a description of the bookkeeping procedure is in pursuance of Section 6 of the Danish Bookkeeping Act.

### 4.1. Which enterprises are required to describe their bookkeeping procedures?

According to Section of the Danish Bookkeeping Act, enterprises which, according to Section 3 (1) of the Financial Statements Act are required to present an annual report, or when net turnover in two successive financial years exceeds DKK 300,000, must compile a description of the following with regard to Section 5 (2):

- the enterprise's procedures for ensuring that all its transactions are continuously registered,
- the enterprise's procedures for ensuring that their accounting material is stored securely, according to Section 4, no. 2 and 4-7, and
- which employees are responsible for the procedure according to nos. 1 and 2.

All enterprises required to bookkeep subject to the criteria according to the provision in Section 6, no. 1, shall describe their procedures for registering their transactions, regardless of whether registration is done in a digital bookkeeping system or in another system. The description must show how the enterprise ensures that all transactions are registered accurately and as soon as possible, cf. Section 7 (1) of the Act.

On the other hand, with regard to secure storage of accounting material, the enterprise according to Section 6, no. 2 need only describe its procedures for storing accounting material that has to be stored in a digital bookkeeping system according to Section 16 81) of the Act. This covers the following accounting material according to Section 4, nos. 2 and 4-7:

- Description of the enterprise's bookkeeping procedure, cf. Section 6.
- Other details necessary to the control trail.
- Documentation for information in notes and the management's review in the annual report, estimates and assessments made when compiling the enterprise's annual report.

- Accounts, statements and setups that have to be produced in accordance with the law, and voluntarily compiled accounts submitted according to the Financial Reports Act that are not exclusively for the enterprise's own use.
- Any audit protocols or other similar reporting.

Until the provision in Section 16 (1), no. 2 on storing the enterprise's registrations and vouchers in a digital bookkeeping system comes into effect, the requirement in Section 6, no. 2, on the description of the enterprise's procedures for storing accounting material will apply to all accounting material according to Section 4 in the bookkeeping Act, i.e. including registrations and vouchers.

## 4.2. Description of the enterprise's bookkeeping procedures

Regardless of the size and complexity of an enterprise, the description of its bookkeeping procedures must at least contain details of how the enterprise ensures:

- that all its transactions are registered accurately and as soon as possible after completion of the transaction,
- that the enterprise's accounting material is stored securely for at least 5 years after the end of the accounting year it concerns, and
- which persons are responsible for the same.

The description does not need to be more extensive than necessary to fulfil the abovementioned purposes. The descriptions need only to be adequate enough to allow persons with reasonable knowledge of bookkeeping to understand how it is organized and to find and print all accounting material which is not in an easily readable format. The description must always be up to date.

The description must be in a language that is natural for the public authorities and in accordance with the use of common language and common specialist terminology within the field. In practice, the language can be Danish, Norwegian, Swedish or English.

### Template: The enterprise's bookkeeping procedure

[Download the template for description of bookkeeping procedure'\(doc\)](#)

To fulfil the Act's requirement for description of bookkeeping procedures, it will be sufficient for most small enterprises to fill in the Danish Business Authority's template for enterprise bookkeeping procedures.

Enterprises can voluntarily opt to use the template, and it should be regarded as an internal tool. Regardless of whether an enterprise opts to use the template or compiles its procedure description in some other manner, the description is a mandatory part of the enterprise's accounting material which must be stored in accordance with the Danish Bookkeeping Act, and can be requested in the event of an inspection by the authorities.

According to Section 5 (2) of the Danish Bookkeeping Act, bookkeeping must be organised and executed with regard to the complexity, number of transactions and the financial scope of transactions of the enterprise. These criteria are also a guideline for whether it will be sufficient for an enterprise to fill in the Danish Business Authority's template, or whether a more detailed description of its bookkeeping procedures is needed.

### **How can enterprises in Accounting Class B use the template?**

With regard to the criteria referred to (the complexity, number of transactions and the financial scope of an enterprise's transactions), it will be sufficient in principle for enterprises in Accounting Class B and enterprises not required to compile accounts that fulfil the same criteria to fill in the Danish Business Authority's template for bookkeeping procedures.

Enterprises in Accounting Class B are those that do not exceed two of the following in accordance with Section 7 (2) of the Financial Statements Act:

- A balance sheet total of DKK 44m.
- A net turnover of DKK 89m.
- An average number of full-time employees during the accounting year of 50.

### **How can enterprises in Accounting Class C and D use the template?**

Large enterprises in Accounting Classes C and D will usually have a complexity, number of transactions and financial scope of transactions that mean it will be inadequate to fill in the Danish Business Authority's template for bookkeeping procedures.

Such enterprises can opt to use the template as an overview of the main elements in their bookkeeping procedures, from where they can refer to more detailed descriptions in separate documents. The same will apply to other enterprises, which, due to their complexity, number of transactions and the financial scope of transactions will find the template inadequate. If there are more detailed descriptions of procedures, the description of bookkeeping in such enterprises can be written in the form of a general overview in the template with the most important details. For more details, refer to the specific sections in the more detailed descriptions in actual business procedure descriptions.

Large and/or complex enterprises may often use multiple modules or sub-systems for registering data and bookkeeping. For example: a module for timekeeping that sends data to the payroll system and receives information on the prices of subcontractors from the finance/creditor system, and in which sales invoices are generated and sent into the finance/debtor system. The template is sufficiently generic that it can cope with the special modules and sub-systems of enterprises if the enterprise opts to use it. Regardless of whether the enterprise uses the template, it is important that the description contains sufficient information on data capture, data processing and storage. This overview can be described in the template section 'Overview of transactions in key areas/types of transactions', where interaction between systems ought to be stated.

The individual modules/sub-systems must be referred to in the bookkeeping procedures, which can be done in the template section 'Bookkeeping system'.

If actual registrations of transactions subject to Section 7 of the Danish Bookkeeping Act are made in a module or sub-system, it is relevant to go into more depth in the section 'Procedure for registering transactions' and 'Procedure for storing and retrieval', to explain which registrations/data and vouchers are stored in the respective sub-systems in the main system/finance system respectively.

## **5. General requirements for bookkeeping: Registration, documentation, currency and reconciliations**

This chapter provides an overview of the general requirements for bookkeeping, registering, documentation, currency and reconciliations. For example, it covers where transactions must be registered in bookkeeping, total amounts, what to look out for to ensure the control and transaction trails, registrations in Danish and foreign currencies and reconciliations. It is particularly intended for the owner or employees in enterprises responsible for bookkeeping. Others who bookkeep for enterprises will also find the chapter relevant.

Registrations include the bookkeeping of transactions. In connection with the registration of transactions (bookkeeping), an enterprise must observe the following:

It must register all transactions accurately, and as soon as possible after the event that forms the basis for the registration has occurred, e.g. buying or selling.

As part of its bookkeeping, the enterprise must ensure a transaction trail from registering to accounts, and a control trail from registering to voucher.

The enterprise can bookkeep in another currency than Danish kroner, but if it does so, there are special requirements to be complied with.

The enterprise must ensure that there is always an updated basis for statutory reporting. This applies amongst other things to VAT, tax, duties and reporting annual and interim reports.

### **5.1. Registering transactions**

A transaction is an action of financial importance to the enterprise. It includes all normal transactions, such as buying and selling, payroll payments, identified loss on debtors, payments in and out, taking out loans and repayment of debt. It also includes accounting dispositions, such as depreciation and amortisation of assets and interest calculations and adjustment of deferred tax and tax due.

Transactions must be registered in bookkeeping as soon as possible after the event that forms the basis for the registration has occurred. This requirement must be seen in the context of the requirement on reconciliations in connection with statutory reporting, designed to ensure an updated basis for a given report concerning e.g. VAT or accounts. What it means in practice is that registrations must be made no later than the time at which reconciliation is made. However, bookkeeping must

always be organised and executed with regard to the complexity, number of transactions and the financial scope of transactions. An enterprise with many daily transactions can therefore not only register them quarterly for instance, when it has to report VAT.

The wording 'as soon as possible' means that it is not permitted to postpone registrations of transactions to, for instance, later payment dates. Each individual sale, purchase or allocation of cost etc., with subsequent related in- and outgoing payment transactions are separate individual transactions that must be registered individually and separately as transactions in bookkeeping.

But total amounts for several uniform transactions can be registered instead, if they refer to and are documented by compiled vouchers. Such vouchers include lists, statements, journals for example - in retail enterprises, they can also be checkout slips - which specify details from individual transactions and refer to the individual transactions, providing documentation of the total amount.

If the complexity, number of transactions and the financial scope of an enterprise's transactions means that it will be unable to register sales and purchase transactions individually, the Act allows grouped bookkeeping of daily purchases or sales, on the basis of daily cash balances. This is particularly relevant for retail sales from small stands etc., which cannot use cash registers or print out receipts. If the enterprise opts for this method, it must be used consistently to ensure that all transactions of the same nature are registered according to the same pattern.

## 5.2. Ensuring the transaction trail

A 'transaction trail' is defined as the relationship between individual registrations and the enterprise's accounts, tax or duty returns, subsidy accounts or equivalent accounts that have to be prepared according to the law, or the enterprise's voluntarily compiled accounts when not exclusively for the enterprise's own use.

That means all registrations can be followed via the relevant accounts in bookkeeping to the individual lines/entries in the accounts, tax returns or subsidy accounts etc., and the figures in the accounts, tax return or subsidy account can be read in the registrations they are composed of.

Documentation for registering to an account is usually performed in a bookkeeping system, whilst documentation from account to accounts is often made in an account module, where the individual accounts in a chart of accounts are grouped into entries in accounts.

## 5.3. Ensuring the control trail

The control trail contains the information that proves the correctness of registrations.

Enterprises are required to ensure a control trail by being able to document all registrations (bookkept transactions) by vouchers or some other documentation. For example, if a purchase is registered, a purchase invoice will often be the documentation providing the correctness of the transaction or financial event (the purchase).

## How much has to be stored as documentation material to ensure the control trail?

Any material necessary to document a registration must be stored. That means material that proves a transaction has actually been made and for the circumstances it then leads to, before, during and after execution of the transaction.

There is no requirement that all material generated prior to a registration has to be saved, but only what is necessary to be able to document the registration.

The control trail can change over time for an individual registration. What may have been necessary documentation early in the process for a registration does not have to be later on, where it can be replaced by new documentation material with greater evidential force.

An event often leads to an enterprise making notes on what has happened, e.g. by issuing order confirmations, or - when initiating the event itself - order form, acceptance of agreement, etc.

In this context, it is a question of when the documentation phase begins, so that information becomes documentation for a registration and thus part of the control trail.

In principle, the control trail begins when the enterprise becomes aware of a transaction or event with financial consequences, and that subsequently leads to a registration in bookkeeping. Achieving awareness of the basis for an event can occur in many ways, and arise from sources in or outside the enterprise. The basis can differ, depending on the individual type of transaction and from one enterprise to another.

Not all information on transactions or events have any evidential value that will make it relevant as documentation. If there is other material with other details better suited to document the transaction than the previous documentation, it will carry much more weight.

For example, the other or new information comes from the outside, whilst previous documentation was internal. It may also be that the previous documentation becomes superfluous, because later documentation with at least as much evidential value better describes the transaction. Or the previous documentation is too complicated without improving the evidential value of the newer documentation.

### **Example 1 - a sales transaction**

An enterprise notes a customer's order. Upon delivery and in the sales invoice sent subsequently, the order is referred to. Registration in bookkeeping is made on the basis of the details on the sales invoice, making it part of the control trail.

Until the customer has fully accepted the invoice and forfeited its right to complain (e.g. through passivity over a certain period after payment), the enterprise can document the sale in the form of e.g. customer order, order confirmation, advice note, warehouse delivery list, delivery notes, customer acceptance of delivery, etc.

When the customer has fully accepted the invoice and lost its right to complain, it will be sufficient in principle for the enterprise to document the sale in the form of the invoice issued, including documentation for its payment.

The customer's acceptance of the invoice, including by paying it, can therefore replace the previous internal voucher in the enterprise according to the Danish Bookkeeping Act.

Note that all the documents referred to in the example are in principle part of the control trail that proves the correctness of the registration. They must therefore in principle and as referred to in the example, be stored for a certain short period as part of the accounting material, i.e. until the customer has lost its right to complain.

The documents issued and received can carry attestations or notes from the internal controls made in the enterprise's business procedures. If such checks and approvals are made electronically on the voucher, registration must state which authorised personnel in the enterprise have made them.

For control or audit reasons and in other respects, the enterprise can opt to store all or parts of key internal documentation material, which otherwise according to the Act would usually have to be stored. In such instances, the enterprise must be aware of the possibility that special control requirements may arise from the tax authorities.

Emphasis has been placed on the customer at some point after delivery and payment losing the right to complain, and is thereby regarded as having accepted delivery and the invoice. No consideration has been given here to when such a loss will occur. That would require a specific legal consideration.

### **Example 2 - sale via a website**

A customer places an order via the enterprise's website for delivery of goods.

The customer's order means that the enterprise checks whether the goods are in stock. If they are, an order confirmation is sent to the customer. If they are not, the customer will be informed, with details of an expected delivery date for the goods not in stock.

If the customer accepts the order confirmation, the customer can progress to payment and complete the purchase.

The enterprise packs the goods based on the order confirmation, compiling a packing list and advice note, and sends the goods with a sales invoice with confirmation of payment.

The order confirmation documents that the enterprise and customer have an agreement. However, this will not lead to any registration in bookkeeping.

The invoice is registered in bookkeeping (credit sale and debit bank, equivalent to the customer's payment - if there are any discrepancies between payment received and invoice value, they must be registered separately). The invoice is raised based on the packing list from the warehouse. The packing list or sales invoice mean that the individual goods are credited to the warehouse and debited from the costs of raw materials and other materials account (often called cost of sales in the chart of accounts).

As in example 1, the advice note etc., are stored until the customer's right to complain and return has expired.

### **Example 3 - payroll payments based on hours**

Wages paid to hourly-paid workers are based on an account contingent on how many hours each employee has actually worked, their duties or type, agreed wage rate with supplements and deductions etc. Data for the account can come from daily or weekly timesheets or shift plans filled in and can be compiled manually or digitally.

Reporting will, in principle, be necessary documentation material for the registration of wage costs in bookkeeping.

The employee will usually receive a pay slip when wages are paid or transferred, stating the number of hours, rates, etc.

At some point after wages are paid, the employee loses their right to object to the payment, including the number of hours used. The enterprise's original material used to compile the pay slip will then no longer be necessary documentation material for the registration. The pay slip itself then becomes documentation for registration in bookkeeping.

As it applies for the previously mentioned complaint time limit for the examples on sales, the wage example also requires a specific legal consideration on when an employee can be said to have finally accepted their pay account, and thus lose their right to complain against errors or omissions in the accounting department

Note that if the timesheet for an individual employee is used on such an occasion - e.g. when compiling accounts for production or work in progress - the timesheet may also be necessary documentation material in that context. If so, it will often be used for invoicing the customer and must then be saved until expiry of the customer's right to complain against errors and omissions on the timesheet.



## Documentation for automatically generated registrations

In some instances, a bookkeeping system can automatically generate calculated entries. This can occur for example, when bookkeeping interest charges, VAT or discounts. For such registrations, an internal voucher must also be issued or compiled, but in many instances, the voucher details will be included in other accounting material. E.g.: fees and interest are often stated on a statement of account, so that there is no separate voucher for the individual registration. If no separate voucher is generated for each calculation, a separate journal must be generated each time registrations are made, and which must be stored electronically as a voucher.

There must be a detailed description of how automatically-generated registrations are made and calculated. Descriptions of any changes in the variables that go into automatically-generate registrations, such as changes in interest rates etc., and from when the changes in question take effect, are part of the necessary documentation.

## Details needed for the control trail - identification, date and amount

'Voucher' is defined as any necessary documentation for transactions registered in bookkeeping. Vouchers must bear a unique form of identification making it possible to retrieve the voucher based on registrations in bookkeeping. This is usually ensured using sequential numbering, but the Danish Bookkeeping Act does not stipulate numbering, only that unique identification is required.

Each registration must contain details of when it was entered in bookkeeping. In principle, this means that the bookkept entry must show the date a transaction was entered. The same applies to any subsequent corrections to registrations, when the date of the correction must be stated. In many situations and often in the event of the sale of goods, the registration date is the same as the transaction date (e.g. invoice date of a sale).

Vouchers must contain details necessary to identify the control trail, including clearly stating the transaction date and amount. If external vouchers form the basis of a registration, reference to the external voucher must be made.

'External voucher' is defined as documentation received from outside the enterprise. External vouchers are regarded as naturally being more reliable than vouchers issued by the enterprise with the requirement to bookkeep itself. But there can be situations where no external voucher is issued, because the enterprise issues a voucher itself to, for example, a supplier when receiving goods. This often occurs, for example, in agriculture, when an abattoir normally does not receive an invoice from the farmer, but issues a billing notification sent to the farmer. In some special instances, e.g. in connection with imports, it can be difficult and expensive to obtain an actual purchase invoice from the supplier. In such situations, the purchase has to be documented in some other way, e.g. a voucher from the order, or advice note, etc.

## Corrections to vouchers and registrations

If registrations already made are corrected, separate correction entries must be made, which means that enterprises cannot delete or correct a transaction already bookkept. Current practice in most digital bookkeeping systems is that the voucher number used cannot be reused. A correction entry

must be documented using an internal voucher, which must at least refer to the original incorrect entry, stating reason for the error and type.

If corrections are made to vouchers, the original content and details of the change must be clearly stated on the material. That means it must be possible to document any corrections made to vouchers, such as incorrectly bookkept cost vouchers are corrected on a new voucher with reference to the incorrect one.

## **Registering in Danish kroner and foreign currencies**

Registrations in bookkeeping must be made in Danish kroner, Euros or another relevant foreign currency.

If the enterprise registers in foreign currency, including Euros, the accounting material must contain details of the exchange rate on transaction day or similar conversion factors that make it possible to convert to Danish kroner at any time.

An enterprise can bookkeep in the currency relevant to its activities, which is usually determined according to the enterprise's transactions for buying and selling. The relevant currency for most enterprises will probably be Danish kroner, but for some it can be relevant to bookkeep in Euros due to trading abroad or due to corporate policy.

It is not necessary to demonstrate that the Euro is a relevant currency to be able to bookkeep in Euros. If another foreign currency is used, the enterprise must be able to demonstrate that it is relevant, which usually means that it must be the enterprise's functional currency, i.e. the currency it primarily uses.

A change in bookkeeping currency can occur if considered relevant, e.g. because the majority of transactions due to setting up a group switch to another currency.

Bookkeeping in a foreign currency is often relevant for enterprises that are members of a foreign group. That is due to such enterprises often incurring costs and earning revenues in foreign currencies.

The enterprise must ensure that the exchange rate for currency conversion is clearly stated in its bookkeeping, so that it can be calculated at any time. This presumes that enterprises bookkeep in a currency relevant to them, e.g. because they primarily trade in that currency.

It is possible to use a standard or average exchange rate if it only differs slightly from the transaction day exchange rate. This presumes that the enterprise organises its bookkeeping to ensure that the standard exchange rate is regularly updated.

Due to the requirement on transaction trail, enterprises that have to bookkeep must be able to document the necessary currency exchange rate calculations for use in their tax returns.

## Reconciliations

Enterprises must make the reconciliations necessary to ensure that an updated basis for statutory reporting or VAT, duty and tax returns plus annual and interim reports is available.

The requirement on reconciliations must be seen in the context of the requirement that transactions have to be registered in bookkeeping as soon as possible after the event that forms the basis for the registration has occurred, and must ensure that such reporting is accurate. Reconciliations must therefore be performed by the deadlines for statutory reporting and returns.

A specific reconciliation will depend on the nature of the report or return and the circumstances of the enterprise.

If the enterprise is subject to the requirement for written procedures for bookkeeping, the description must contain a description of which, how often and how reconciliations are performed.

Some enterprises perform reconciliations in predetermined periods, e.g. weekly, monthly or quarterly, by manually comparing printouts from bookkeeping with printouts from the bank and suppliers. Others use built-in functionality in their bookkeeping system that integrate with other systems, or by importing data from the bank. When an enterprise has to describe procedures for bookkeeping, the description must contain a description of those functionalities, and how they ensure that the necessary reconciliations are regularly performed.

Bank reconciliations help ensure that payments from customers and outgoing payments are regularly registered in the enterprise's bookkeeping. Bank reconciliations are particularly important for enterprises in which all payments for purchases and sales are made via their bank account, to ensure all vouchers have been bookkept.

### **Example 1 - reconciliation during compilation of an annual report**

For an enterprise obliged to present annual reports according to the rules of the Financial Statements Act, it will normally be necessary to perform reconciliation of registrations in the bookkeeping for, e.g. cash and cash at the bank, stock and other inventories, depending on the activities of the enterprise.

Reconciliations must be performed at the latest when compiling the annual report, i.e. before the annual report is approved by the enterprise's management, and they must be performed before the submission date for the annual report.

The need for physical reconciliations, including a complete stocktake, can vary according to the nature of the inventory, the circumstances and systems of the enterprise. In enterprises with strong internal controls and registration systems, it can be sufficient to perform stock-taking on a random sampling basis and at different times of the year, to regularly ensure that the registration system is reliable. On the other hand, if the enterprise does not have strong internal controls and registrations, a complete stocktake close to balance sheet day will usually be necessary.

### **Example 2 - reconciliation for VAT returns**

An enterprise required to be VAT-registered in accordance with the VAT Act must perform reconciliation of relevant registrations subject to VAT necessary to ensure an updated basis for VAT returns. Reconciliation must be performed before VAT returns are compiled, i.e. by the date for expiry of the deadline for returns to the Danish Customs and Tax Administration. It will not normally be necessary in connection with VAT returns to reconcile all the registrations in bookkeeping for the period.

On the other hand, it is important that the enterprise has procedures for ensuring that all its transactions with VAT have been registered. This includes ensuring that all receivables from debtors and all liabilities due to creditors are bookkept.

The requirement for detailed VAT reconciliations will depend on the systems and internal controls of the enterprise. An enterprise that always bookkeeps its vouchers in the correct accounts and always makes the correct VAT deductions, can relatively easily take a selection of the bookkept income and cost for the relevant period and project its VAT bill. Other enterprises with a mix of different VAT factors, such as having sales in Denmark (with Danish VAT), sales to enterprises in the EU (with zero VAT) and sales to consumers in the EU (with the relevant national VAT rate) will always have to perform a more detailed check of whether individual sales are registered with the correct VAT.

## **6. Storage of accounting material**

This chapter provides an overview of the requirements for storing accounting material for your enterprise. For example, the requirement that accounting material - with certain exceptions - must be kept for 5 years. Furthermore, an overview of the requirements for storage in a digital bookkeeping system is provided, e.g. how the rules on data protection will impact your storage duty. The data protection rules are also relevant for providers of digital bookkeeping systems, which in many instances will be the data processors for enterprises.

### **6.1. storage for 5 years**

Enterprises must store their accounting material securely for at least 5 years after the end of the accounting year it concerns.

The requirement for 5-year storage is that legal disputes, tax issues, criminal cases etc. in the vast majority of cases are started before the end of the 5-year deadline.

Accounting material concerning the accounting year 2023 must therefore be stored until the end of 2028. Until 1 July 2022, Paper-based accounting material had to be kept in Denmark or the Nordics. This is no longer a requirement.

There can be other rules on storage, e.g. in tax and duty legislation, which enterprises have to be aware of.

### **Exceptions for cash register slips and internal vouchers**

The cash register slips, till receipts and other internal sales vouchers produced by retailers need only to be stored for one year. Other internal sales vouchers include printed notes, bills or receipts and similar internal vouchers. Sales vouchers are documentation for the individual sale transactions of an enterprise's goods.

The exception for retail enterprises requiring them to store their internal sales vouchers is one year from the date of signing their annual accounts. The signing date is counted from the date on which the senior management or owners date and sign the annual accounts.

The retail trade of an enterprise can be run as a separate activity among other activities, but without such an enterprise being classified wholly as a retail enterprise as a result. If this is the case, a one-year storage period applies to cash register slips and similar internal vouchers concerning retail sales, because the activity of retail sales in this instance has to be compared to a retail enterprise.

The totals registered daily for retail sales continue to be part of the enterprise's bookkeeping, and the requirement for the transaction trail must be fulfilled

The reason for the exception from the 5-year storage period can be found in VAT legislation, which contains detailed provisions for the storage of accounting material of relevance to VAT returns.

## **6.2. storage of registrations and vouchers in digital standard bookkeeping systems**

According to Section 16 (1) of the Bookkeeping Act, enterprises that are (A) required to bookkeep according to the Bookkeeping Act, and (B) are required to present and annual report according to the Financial Statements Act, or (C) have had a net turnover of over DKK 300,000 for two consecutive years, are required to have a digital bookkeeping system, to:

- Register the enterprise's transactions according to Section (1) of the Financial Statements Act, and
- store registrations and the vouchers that document registrations according to Section 9 of the Danish Bookkeeping Act.

According to the Danish Bookkeeping Act, it is the enterprise that is required to ensure that vouchers that document its transactions are stored in a digital bookkeeping system. However, it is not all vouchers that have to be kept in a digital bookkeeping system, but those that are usually stored in a commonly available digital bookkeeping system. The Danish Business Authority lays down more detailed rules according to Section 16 (3) of the Danish Bookkeeping Act, in connection with the requirement for enterprises on digital bookkeeping according to Section 16 of the Danish Bookkeeping Act coming into effect.

The precondition for enterprises to store the relevant vouchers in a digital bookkeeping system is, however, that the system is technically capable of supporting it. The Danish Business Authority laid

down detailed rules in connection with the requirement for digital bookkeeping systems coming into effect on which vouchers have to be stored in a digital standard bookkeeping system, and how. Those rules are also expected to apply to the storage requirement for enterprises, and they are therefore described in more detail below. [See also the requirements for storing.](#)

### Which vouchers have to be stored in a digital bookkeeping system?

A detailed description of which vouchers have to be stored in a digital bookkeeping system is provided in Section 3 of the [executive order on requirement for digital standard bookkeeping systems \(danishbusinessauthority.dk\)](#), which have to be registered with the Danish Business Authority (i.e. the executive order on requirement). The provision therefore helps determine which requirements apply to a digital bookkeeping system in relation to the ways it can store documentation in the form of vouchers, and it stipulates which documentation is subject to the storage requirement in a digital bookkeeping system according to Section 16 (1) of the Danish Bookkeeping Act.

The term 'voucher' that can be stored in a digital bookkeeping system, is a catch-all term for the type of documentation that can be stored in a digital bookkeeping system. It concerns documentation for:

- Bookkept transactions concerning
- Purchase and sales

Apart from the two conditions above, the documentation that can be stored in a digital bookkeeping system must also contain details in the form of:

- Date issued
- Nature of supply
- Amount
- Sender and recipient, including:
  - Name
  - Address
  - CVR number or SE number etc.

If the documentation for a bookkept transaction concerning purchase and sales does not contain the above 4 types of details, it is not a voucher that can be stored in a digital bookkeeping system.

The fact that a document does not fulfil the requirements above in the executive order on requirement to be a voucher, e.g. because it does not contain the 4 types of detail, does not mean that an enterprise required to bookkeep is thereby relieved of the requirement to store that document. This is because the Danish Bookkeeping Act covers several different types of documents that can be necessary documentation for transactions that have to be registered in the bookkeeping, which is why not all relevant vouchers have to be stored in a digital standard bookkeeping system. When a voucher is not subject to the executive order on requirement' requirement for storage in a digital standard bookkeeping system, it only has to be stored as a minimum in its physical form. For a more detailed description of the term 'voucher', go to Chapter 2 in Danish Bookkeeping Act on 'Scope and definitions' above.

Providers must ensure that your bookkeeping system supports enterprises being able to store specific vouchers concerning purchase and sales digitally in relation to a bookkept transaction. The format can be in the form of a photo or scanned file, for example.

### **What details have to be linked to bookkept transactions?**

Sections 8-9 of the Danish Bookkeeping Act set out requirements for enterprises required to bookkeep that they must ensure there is a transaction trail and control trail when they bookkeep. This implies amongst other things that a number of details have to be included on the individual bookkept transaction, including a voucher that makes it possible to identify and document it.

Providers of digital bookkeeping systems are not responsible for their customers fulfilling the rules of the Danish Bookkeeping Act on a control and transaction trail, but must ensure that the bookkeeping system contains certain basic functionalities that support enterprises in fulfilling the rules of the Act in this area.

Annex 1, no. 1 of the executive order on requirement lists the fields for information a provider of digital standard bookkeeping systems must ensure is available to enterprises required to bookkeep when bookkeeping a single transaction. This includes fields for details of amount and voucher number. It is not a requirement that the details can be entered or read automatically from an invoice, for example.

Annex 1, no. 2 contains the requirements for the information a digital bookkeeping system must automatically generate on each transaction. They are, for example, details of registration date and sequential transaction number of ID.

The bookkeeping system must include functions that ensure it is possible to delete, change or back-date a transaction that has been fully bookkept. If the need to correct an existing bookkept transaction arises, correction must be implemented by a new entry. If the need arises to make a change on a voucher or link a new voucher to a bookkept transaction, the provider must ensure that the bookkeeping system logs the change, making it possible to find the original content of the voucher, and the content of the change must be clearly identifiable.

### **How long do bookkept transactions and their vouchers have to be stored in a digital bookkeeping system?**

According to Section 12 of the Danish Bookkeeping Act, enterprises required to bookkeep must store their accounting material for 5 years from the end of the accounting year it concerns. Accounting material includes registrations (bookkept transactions) and related vouchers.

The digital bookkeeping system must support enterprises required to bookkeep in fulfilling requirements for storage. That means that a digital bookkeeping system must store bookkept transactions in a structured and machine-readable format for 5 years from the end of the accounting year the bookkept transactions concern. The digital bookkeeping system must also store the related vouchers

concerning purchase and sales covered by the executive order on requirement' requirement for re-quirement for storage in a digital standard bookkeeping system for 5 years.

Bookkept transactions and vouchers for accounting year 202x must be stored until the end of 202x +5. The requirements for storing for 5 years also apply even if the enterprise required to bookkeep changes its bookkeeping system, goes bankrupt or is compulsorily liquidated.

The period of 5 years based on the fact that legal disputes, tax issues, criminal cases etc. are usually commenced after the end of the period.

It is permitted to store original bookkept transactions and related vouchers on a server belonging to an enterprise required to bookkeep when a hybrid digital bookkeeping system is used, as defined in Section 2 of the executive order on requirement, which is because the system is installed locally in the enterprise. For that reason, it is sufficient for the provider of a hybrid digital bookkeeping system to store a backup copy of the bookkept transactions and related vouchers for 5 years.

### **Digital bookkeeping systems and data protection**

If enterprises required to bookkeep according to the legislation are required to register and store relevant accounting material, they must be aware that this is done in accordance with the rules in the new Danish Bookkeeping Act. More details are available in the Danish Business Authority's guide to the Act, available [here](#).

If enterprises required to bookkeep register and store accounting material digitally, then apart from observing the rules on correct bookkeeping in the Danish Bookkeeping Act, they must also be aware that their bookkeeping complies with data protection rules. Because data protection rules can be relevant to enterprises required to bookkeep, regardless of whether they voluntarily opt to perform their bookkeeping digitally, they are subject to a requirement to run digital bookkeeping according to the rules in the Danish Bookkeeping Act. This is because when registering and storing accounting material digitally, they can be subject to data protection rules.

This guide provides more information on data protection law covers on registering and storing accounting material that contains personal data. The general data protection rules in relation to the Danish Bookkeeping Act are reviewed in the section below. These rules always apply to enterprises subject to the Danish Bookkeeping Act when data processing is performed digitally. Furthermore, additional data protection rules relevant to enterprises subject to digital bookkeeping are reviewed.

### **Data protection and bookkeeping**

According to the Danish Bookkeeping Act, accounting material can be vouchers necessary as documentation for transactions performed by enterprises required to bookkeep. A voucher can, for example, be an invoice an enterprise receives digitally in connection with a purchase. If the accounting material bookkept includes personal data that can identify a physical person (personal data), registration will be subject to the data protection rules in the General Data Protection Regulation (GDPR) and the Danish Data Protection Act. Personal data according to the GDPR and Data Protection Act can include name, CPR number, address and similar details that can identify a physical person. According to the data protection rules, anyone whose personal data is registered, e.g. in the course of



bookkeeping, has a number of rights in relation to the protection of their personal data. The Danish Data Protection Agency has written a number of guides that describe in detail the duties and rights that apply according to the data protection rules.

### **Why can rules on data protection be relevant to your bookkeeping?**

If your enterprise's accounting materials contain personal data, you will be classed as the Data Controller according to the data protection rules, in relation to the relevant personal data. That means you are responsible for your data processing fulfilling the rules of the GDPR. Things to bear in mind in this context:

- Draw up a Data Processing Agreement between your enterprise (the Data Controller) and the suppliers (Data Processors) who will process data on behalf of your enterprise. This may be the case, for instance, if a supplier of a digital bookkeeping system stores personal data from accounts of your enterprise. A Data Processing Agreement will, in this instance, set out the instructions from your enterprise to the supplier - in this instance of a digital bookkeeping system - on how personal data must be processed, and solely on behalf of your enterprise. The Danish Data Protection Agency has written a number of guides that describe the relationship between Data Controller and Data Processor. The Agency has also written a template that can be used for entering into Data Processing Agreements. Go to [datatilsynet.dk](https://datatilsynet.dk).
- That your enterprise has permission to process, including register and store, the personal data it (and any data processor used) possesses (legal grounds for processing). In relation to bookkeeping, the Danish Bookkeeping Act also states that enterprises required to bookkeep have a duty (and therefore also a right) to process personal data including in their accounting material. For instance, if your enterprise issues pay slips to its employees. In such an instance, it will be necessary to state the employee's name on the pay slip, so that the enterprise can always prove who wages paid on the basis of the pay slip's details belong to.
- That personal data is deleted when no longer necessary, i.e. when it no longer serves any purpose to store it. If your enterprise is required to bookkeep or stores backup copies of accounting material for other enterprises, it is bound according to the Danish Bookkeeping Act to store personal data included in e.g. the accounting material for 5 years from the end of the accounting year it concerns. In principle, the data must be erased after that time, unless the Data Controller can prove it is necessary to store for an extended period. Reasons can include tax legislation, for example.
- That your enterprise exercise suitable security for processing personal data. This means that you must store personal data in such a manner that prevents unauthorised access (confidentiality), that the data is correct and cannot be amended by anyone unauthorised to do so (integrity) and can be accessed when necessary (accessibility). As the Data Controller, your enterprise is also responsible for the security of your data processor(s) (suppliers and possible sub-suppliers) being adequate. Go to [datatilsynet.dk](https://datatilsynet.dk) for a series of guides that describe how security can be handled in practice. Similarly, a detailed guide can be found at [sikkerdigital.dk](https://sikkerdigital.dk), which can help your enterprise boost its digital security.

### **Data controllers and data processors**

The Danish Bookkeeping Act states that an enterprise required to bookkeep has a duty to:

- Register all transactions (Section 7),
- Ensure and document a transaction trail (Sections 8 and 9),
- store accounting material securely for at least 5 years after the end of the accounting year it concerns (Section 12).

- Ensure that the accounting material is not damaged, lost or corrupted,
- Protected against errors and misuse (Section 13), and
- Make accounting materials available to public authorities (Section 22).

To be able to comply with these rules, your enterprise may need to process personal data (e.g. when bookkeeping a purchase invoice) that contains identifiable details in the form of the names of physical persons etc. This means in practice, that your enterprise becomes the data controller for all the personal data in the bookkeeping system and accounting material. If your enterprise has bought or had its own bookkeeping system developed this applies. But it also applies if your enterprise has outsourced bookkeeping, system processing and/or storage of personal data to a third-party, such as a firm of accountants.

**Example 1 - Bookkeeping and storage provided by a third-party**

Your enterprise has contracted Accountancy Firm B to provide Enterprise A's bookkeeping to ensure compliance with the Danish Bookkeeping Act.

As part of the contract, Accountancy Firm B are also responsible for storing Enterprise A's accounting material digitally, which contains personal data in the form of pay slips, invoices, etc.

In the above example, Accountancy Firm B will normally be the Data Processor for Enterprise A, which is required to bookkeep. In this instance, Accountancy Firm B will process data on behalf of and under the instruction of Enterprise B.

It is not unusual that the Data Processor in such instances has one or more subcontractors, who will also process the relevant personal data in various contexts. Such subcontractors will usually be referred to as 'sub-data processors'.

**Example 2 - A third-party has contracted a subcontractor**

Accountancy Firm B, which has been contracted by Enterprise A to do its bookkeeping and storage of its accounting material, has entered into a subcontract with Provider C, as provider of a digital bookkeeping system. The subcontract between Accountancy Firm B and Provider C is based on Provider C storing Enterprise A's accounting material on behalf of Accountancy Firm B.

The reason Accountancy Firm B wants Provider C to be responsible for storing accounting material is that Accountancy Firm B has neither the technology nor the capacity to do so itself. According to the subcontract with Provider C, the Accountancy Firm will regularly send relevant accounting material to Provider C for storage.

If your enterprise is required in accordance with the Danish Bookkeeping Act to bookkeep digitally, and you contract with a provider to use a digital bookkeeping system, remember that the provider of that system must take backup copies of bookkept transactions and vouchers entered into the system. According to the rules, the provider can opt to store backup copies itself.

In this instance, the provider of the digital bookkeeping system used by your enterprise will be the Data Controller for the backup copy the provider takes of your accounting material. If the provider opts to store the backup copy with a third-party, it will still be the Data Controller for that backup copy, whilst the third-party in this instance will be the Data Processor for the backup copy it stores on behalf of the provider.

The user of bookkeeping systems can involve a number of different parties according to the circumstances, and it is important that any party involved is aware of and in what contexts it is Data Controller and/or Data Processor.

### **Digital bookkeeping and data protection**

It is not possible here to make an exhaustive list of the aspects of data protection law to be aware of when processing personal data in the context of bookkeeping. However, we have highlighted a few key factors below that are relevant to digital bookkeeping.

That it has full control over who has access to and processes personal data for which the company are data responsible.

An enterprise required to bookkeep must be particularly aware of:

- That it has full control over who has access to and processes personal data for which it is Data Controller.
- That a Data Processing Agreement has been concluded with enterprises that assist with bookkeeping, such as a system provider or an outsourced bookkeeping function.
- That the Data Processing Agreements also cover the activities of any sub-data processors.
- That personal data are processed securely in its own business and by any other enterprises that may assist with bookkeeping.
- That personal data are deleted when no longer necessary to store them.

Providers of a digital bookkeeping system must be particularly aware of:

- That Data Processing Agreements with enterprises required to bookkeep have been concluded
- That Data Processing Agreements concluded also cover the activities of any sub-data processors.
- That personal data are processed securely in its own business and by any other sub-data processors.
- That personal data are deleted when no longer necessary to store them.

Providers of special services for backing up data (backup solutions) must be particularly aware of:

- That they are the Data Controller for backup copies.
- That they are required to store backup copies of accounting material for 5 years from the end of the accounting year it concerns, regardless of whether there is an actual customer relationship with the enterprise required to bookkeep or not.

- That they are required to erase backup copies of accounting material 5 years after the end of the accounting year it concerns.

Providers of bookkeeping functions must be particularly aware of:

- That Data Processing Agreements with enterprises required to bookkeep have been concluded
- That Data Processing Agreements concluded also cover the activities of any sub-data processors.
- That personal data are processed securely in its own business and by any other sub-data processors.
- That personal data are deleted when no longer necessary to store them.

### 6.3. Protection of accounting material

An enterprise must ensure that the accounting material is not damaged, lost or corrupted, and protect against error and misuse.

Accounting material is:

- Registrations, including the transaction trail.
- Description of the enterprise's bookkeeping procedures.
- Vouchers.
- Other details necessary to the control trail.
- Documentation for information in notes and the management's review in the annual report, estimates and assessments made when compiling the enterprise's annual report.
- Accounts, statements and lists that have to be produced in accordance with the law, and voluntarily compiled accounts submitted according to the Financial Reports Act that are not exclusively for the enterprise's own use.
- Any audit protocols and other similar reporting.

Enterprises must physically protect themselves against stored accounting material being damaged or lost. The requirement states what an enterprise must do, what is regarded as reasonable to physically protect against, that accounting material is not exposed to e.g. fire, water or other damage that can cause its loss.

storage of accounting material by a provider of Cloud solutions must be perceived as implying a very high degree of security in most instances. Providers of such solutions typically offer regular security backups, and services can be selected in which the storage of original material and backup copies is done on servers located at different sites. This avoids the enterprise's original accounting material and backup copies being lost, if, for example, irrevocable damage is caused to data on the servers at one location.

If accounting material is stored digitally within the enterprise itself, a general recommendation is that the enterprise seeks to store the material on a limited number of digital media or devices, and takes a full backup copy of the entire enterprise's accounting material. If accounting material is stored on a local service, it should be located where there is no immediate risk of water damage or the like. A general requirement is that the enterprise takes the appropriate steps to protect the material against physical damage.

An enterprise is required to implement the necessary internal controls to prevent the accounting material being deliberately or accidentally damaged, lost or corrupted, and protect against error and misuse. The enterprise must ensure that, for example, only certain employees have access to the accounting material, and that processes are designed to ensure that only certain employees have access to editing registrations in bookkeeping, along with a possible requirement that any correction in the bookkeeping requires the approval of two employees.

The enterprise must set up reasonable IT security with regard to digitally-stored accounting material against, for example, hacker attacks.

A number of enterprises must compile a description of such things as their procedures for storing their accounting material. The description must also state which employees are responsible for the procedures for storing the enterprise's accounting material. The description must make it possible for anyone to track how the enterprise's accounting material is stored. Note that this description is also a part of the accounting material and must be kept for 5 years.

Enterprises required to use a digital bookkeeping system according to Section 16 of the Act must observe special rules for digital storage of the accounting material comprised of registrations and vouchers.

## 6.4. Description of the enterprise's bookkeeping procedures

The accounting material must be stored after the enterprise is no longer required to bookkeep, e.g. if it ceases trading, or is no longer liable for tax in Denmark, or if it no longer receives subsidies from the Danish state or the EU.

Once the requirement to bookkeep ceases, the last functioning management must ensure that the accounting material continues to be stored in accordance with the Act's rules on storage.

The requirement to store accounting material in enterprises with personal liability rests with the owner(s). The responsibility rests with the partners in a partnership. It rests with the partners in a limited partnership. In limited companies, the requirement rests with the management, i.e. board of directors, supervisory board (if any) and the executive management.

If a sole proprietor business is sold, it is regarded as a sale of activities and the seller remains responsible for storing accounting material from the activities. The same applies if a legal entity sells all or parts of its activities.

In the event of the death of the owner of a sole proprietor business, the probate court will take over the responsibility in the event of court administration. In the event of private administration, the heirs will take over the responsibility.

In a partnership, it will often be the actual management or administrator who will exercise the requirements to store. The same applies when partners are changed. In connection with winding up a partnership, the last functioning management or administrator will be responsible for accounting material being stored in accordance with the Danish Bookkeeping Act.

When limited companies are wound up, the last functioning management must ensure accounting material is stored. In companies wound up due to liquidation, compulsory winding up or bankruptcy, the last functioning management is the liquidator or receiver. If the probate court finds that the company is insolvent and there are no assets of a certain size, it will dissolve the company according to the rules of the Bankruptcy Act in practice. In such instances, the requirement to store the accounting material for the last 5 years is borne by the last registered management, which often consists of the board of directors, the executive board or the persons who have taken over the actual management of the company. Although if the company has been under administration prior to being wound up in accordance with the Bankruptcy Act, it will be the receiver or liquidator.

If a shareholder takes over the actual management responsibility, that person will be regarded as having taken over as management, regardless of whether the fact has yet been registered with the Danish Business Authority. Consequently, when the fact is reported to the Danish Business Authority is not the decisive issue, but when the actual management functions are taken over. Non-participants in the business can also take over as the actual management in a company.

That the responsibility rests with the last functional management can imply that the management opts to have an accountant or lawyer, for example, deal with the actual storage of accounting material. However, that will not relieve the management in question from responsibility for storage.

The responsible management must be aware that the storage requirement according to the Danish Bookkeeping Act can include data that can identify a person, when such data is part of accounting material, e.g. in the form of vouchers. In such instances, the rules of the GDPR and Data Protection Act can lay down requirements on the data processing of such data.

If the enterprise is wound up by the probate court, the court can decide that storage of accounting material should rest on someone other than the functioning or previous management, such as a sole shareholder. The person that takes over storage is expected to be able to cover the costs in whole or part by the enterprise.

## 6.5. Management changes and duties

In the event of management changes in an enterprise, e.g. if the management in a limited company resigns or is dismissed, the outgoing management has a duty to ensure that the accounting materials for the period up to them leaving office is securely stored until a new management has taken office. Storage must be in accordance with the rules of the Act on storage.

The duty to ensure security exists until the new management takes office or the probate court makes a different decision. The key point at which the duty transfers from the previous management to the new personnel is therefore the point of change of management functions, and the outgoing management must hand over the accounting material to the new management then.

The Companies Act and others require notification and registration of management and changes in management. It is important for legitimization in the eyes of the world at large, but not for when the duty to secure the accounting material ceases or commences.

The duty of the outgoing management to ensure secure storage of the accounting material can normally be fulfilled by ensuring that the material is securely stored in the enterprise, and by ensuring that the necessary routines and checks have been implemented.

The outgoing management thus has a duty to pass on the accounting material to the new management.

## 7. Notification and registration of digital standard bookkeeping systems

Providers of digital standard bookkeeping systems can gain an overview of the requirements for notification, revision and deregistration of the system from this chapter. If a provider of a digital standard bookkeeping system wants to get on the public list of approved digital standard bookkeeping systems, their system must meet a number of requirements, including IT security requirements, cf. Section of the Danish Bookkeeping Act. Additional requirements for providers of digital bookkeeping systems are stated in Sections 19, 20 and 21 of the Danish Bookkeeping Act and the Executive Order on notification and registration of digital standard bookkeeping systems.

### 7.1. Notification of a digital standard bookkeeping system

Providers of a digital standard bookkeeping system can report the system to the Danish Business Authority with regard to getting approved and registered on a list of registered digital standard bookkeeping systems.

The digital bookkeeping system must comply with the requirements in Section 15 of the Danish Bookkeeping Act:

- Support regular registration of the enterprise's transactions, stating vouchers for any registration and secure storage of registrations and vouchers for 5 years.
- Fulfil recognised standards for IT security, including user and access management, and ensuring automatic backup copying of registrations and vouchers.
- Support automation of administrative processes, including for the automatic sending and receipt of e-invoices and the option of making bookkeeping entries in accordance with the public standard chart of accounts in registered bookkeeping systems.

The list of registered bookkeeping systems is intended to make it easier for enterprises to navigate the range of digital standard bookkeeping systems on the market, as some enterprises have to use a digital bookkeeping system according to Section 16 of the Danish Bookkeeping Act.

Enterprises are not obliged to use one of the digital bookkeeping systems on the list. If an enterprise opts to use a system not on the list, it is the responsibility of the enterprise to document that the bookkeeping system fulfils the requirements according to Section 15 of the Danish Bookkeeping Act.

## Virk Self-service

[Go to 'Notification of a digital standard bookkeeping system' on Virk](#)

When notifying, a range of details must be provided on the digital standard bookkeeping system, including the attachment of a number of documents. Amongst other things, an explanation/documentation of how the requirements for IT security are fulfilled must be attached, cf. Section 15 of the Danish Bookkeeping Act, and Section 8 of the Executive Order on notification.

The Danish Business Authority will determine whether the notification contains the necessary details and documentation required. If we find that the notification is inadequate, you will be given a date by which to send further details or documentation. Failure to comply within a reasonable space of time can mean the Authority will reject the notification.

If the Authority finds that a notified digital standard bookkeeping system fulfils the requirements for a digital standard bookkeeping system, the system will be registered by the Authority by us issuing a certificate of registration to you. The system will then be included on our list of registered digital standard bookkeeping systems on the Authority's website.

Specially-developed bookkeeping systems must be notified to the Danish Business Authority. It is the enterprise that uses the system, not the supplier that has a duty to ensure that the system fulfils the special requirements for such systems according to the Danish Bookkeeping Act.

## Is it a foreign bookkeeping system?

It is important here to differentiate between foreign bookkeeping systems marketed here in Denmark, and foreign systems not marketed in this country.

Foreign digital standard bookkeeping systems marketed in Denmark must be reported to the Danish Business Authority and fulfil the requirements for such systems in the same manner as Danish digital standard bookkeeping systems. 'Marketing' is defined in accordance with Danish Act no. 426 of 3 May 2017 on Marketing Practices.

In relation to digital bookkeeping systems, digital marketing will usually be involved, in which the provider sets up a website with details of the bookkeeping system, including basic and add-on services along with various subscription types and their price. When determining whether a foreign bookkeeping system is marketed in Denmark, whether the system is in Danish and sold via a Danish website will have significant importance.

If a Danish enterprise opts to use a foreign bookkeeping system not sold in Denmark, the enterprise has a duty to ensure itself that the bookkeeping system fulfils the special requirements for specially-developed and other bookkeeping systems that do not have to be registered with the Danish Business Authority. An executive order on requirement for such systems is expected to be formulated in the first half of 2023.



## 7.2. Changes to registered details on a digital bookkeeping system

It is possible to change registered details on a digital bookkeeping system. Only changes to the system's name, contact person and details on provider can be changed.

Changes to the actual bookkeeping system do not have to be reported. The Danish Business Authority will regularly take random samples of digital standard bookkeeping systems to ensure they meet applicable legislation and requirements.

### Virk Self-service

[Go to 'Changes in registered details on the digital standard bookkeeping system' on Virk](#)

## 7.3. Deregistering a digital standard bookkeeping system

Providers of a digital standard bookkeeping system that want to deregister their system from the Danish Business Authority's list of registered digital standard bookkeeping systems can do so via self-service on Virk.dk

Be aware that after deregistration, it will no longer be legal to market that digital bookkeeping system as a registered system in Denmark. Furthermore, you will be obliged to inform those enterprises that use the system that it is no longer registered.

The Danish Business Authority will directly inform those enterprises that according to our information use the system in question, as enterprises required to bookkeep must state which system they use. Those enterprises will also be given a reasonable period time to switch to another system.

### Virk Self-service

[Go to 'Deregistration of registered details on the digital standard bookkeeping system' on Virk](#)

## 8. Requirement for digital bookkeeping systems and digital bookkeeping

This chapter provides information on why requirements are applied to digital bookkeeping systems, and to digital bookkeeping. It is aimed at providers of digital bookkeeping systems, and enterprises. It also contains information that can be relevant to suppliers of modules and third-party applications for digital standard bookkeeping systems. Providers of digital bookkeeping systems can find details of which requirements apply to such systems, such as which requirements apply to foreign systems and suppliers of external modules to bookkeeping systems. Enterprises can find details of how they can fulfil the

requirements for digital bookkeeping. Suppliers of modules and third-party applications will also be able to find details of the consequences that the requirements for digital standard bookkeeping systems may have on them.

## 8.1. Why are there requirements for digital bookkeeping systems?

The requirements of the Danish Bookkeeping Act for digital bookkeeping systems are the foundation of requirements for enterprises on digital bookkeeping. When enterprises bookkeep in digital bookkeeping systems that fulfil the requirements, they achieve considerable benefits that make it easier to meet legal requirements, and that make major savings possible.

It becomes easier for the enterprise to comply with bookkeeping and accounting requirements, and to make correct tax and duty returns. That's because bookkeeping systems that fulfil the requirements help the enterprise to provide the necessary information, document their bookkeeping, store accounting material securely and report their annual accounts and VAT correctly.

Enterprises gain the opportunity to make considerable savings in line with being able to automate reporting to the authorities, invoice processing and other processes. It has been estimated that enterprises can achieve an overall administrative annual saving of around DKK 2.9 billion net.

There are rules in the Danish Bookkeeping Act and related Executive Orders on

- requirements for digital bookkeeping and
- requirements for digital bookkeeping systems

The rules will create greater security for the storage of accounting materials, and make it possible to automate administrative processes for enterprises, giving them more time for their core business.

### Basic requirements for digital bookkeeping systems and digital bookkeeping

The basic requirements for digital bookkeeping systems are that they must:

- support correct bookkeeping of transactions and secure storage of the vouchers that document transactions for enterprises
- fulfil requirements for high IT security, including responsible data processing, and
- support automation of administrative processes for enterprises

The basic requirements for digital bookkeeping are that enterprises required to bookkeep must:

- bookkeep all transactions in a digital bookkeeping system
- store all bookkept transactions and related vouchers in a digital bookkeeping system

The digital bookkeeping system must either be registered with the Danish Business Authority (standard systems), or the enterprise must ensure itself that the bookkeeping system fulfils the basic requirements (e.g. for specially-developed and foreign or combined systems).

The requirements for digital bookkeeping systems are therefore aimed at:

- providers of digital bookkeeping systems, if those systems have to be registered with the Danish Business Authority, and
- enterprises that use digital bookkeeping systems that are not registered with the Danish Business Authority.

Even though the requirements for digital bookkeeping systems are directly aimed at providers or enterprises, the rules will have significant impact on a number of other groups, including especially suppliers of external modules and third-party applications.

Digital standard bookkeeping systems must be notified to the Danish Business Authority. The Authority will check that notified systems fulfil all the requirements for digital bookkeeping systems according to the Danish Bookkeeping Act and the technical requirements according to the Executive Order on requirements. If they do, they will be registered in a public list. The Danish Business Authority will also conduct a risk-based check on enterprises using bookkeeping systems that are not registered, to ensure they have ensured themselves that their system fulfils the relevant requirements. These requirements will be set out in a special Executive Order, expected to be written in early 2023.

It can be a major advantage for especially the many small and medium-sized enterprises to use a registered bookkeeping system, because they can be sure that the system fulfils all the requirements according to the Danish Bookkeeping Authority, and do not need to take the responsibility for ensuring that themselves.

## The rules on digital bookkeeping systems and digital bookkeeping

Requirement for digital standard bookkeeping systems (came into effect on 1 February 2023)

Requirement for providers of digital standard bookkeeping systems that have to be registered with the Danish Business Authority, including foreign systems marketed in Denmark:

- [The Danish Bookkeeping Act](#)
  - The basic requirements for the system: Section 15 (1).
  - Requirements for the provider of the system: Section 19
  - Control and registration: Sections 20 and 245
- Relevant Executive Orders:
  - [Technical requirements for standard bookkeeping systems: Executive Order on requirements for digital standard bookkeeping systems](#)
  - [Requirement for notification and registration: Executive Order on notification and registration of digital standard bookkeeping systems](#)

Requirement for enterprises using a digital bookkeeping system not registered in Denmark, such as specially-developed digital bookkeeping systems, foreign bookkeeping systems not registered in Denmark or combined bookkeeping systems:

- [The Danish Bookkeeping Act](#)
  - The basic requirements for the system: Section 15 (1).
  - Control of the enterprise: Section 24
- Relevant Executive Orders:
  - Technical requirements for digital bookkeeping systems that do not have to be registered with the Danish Business Authority: (expected to be written in the first half of 2023)

Requirement on digital bookkeeping (not yet come into effect)

- [The Danish Bookkeeping Act](#)
  - Requirements for enterprises on digital bookkeeping: Section 16
  - Requirement for bookkeepers, accountants and others performing bookkeeping for enterprises: Section 17

## 8.2. Who is subject to the requirements for digital bookkeeping systems?

The requirements for different digital bookkeeping systems apply directly to either providers of such systems, or to the enterprises using them, depending on which type of bookkeeping system is involved.

You can read more on the different types of bookkeeping systems in Chapter 2. The requirements may also have indirect consequences for a number of other groups, including especially suppliers of modules and third-party applications for digital bookkeeping systems.

- Providers of a digital standard bookkeeping system are obliged to notify their system to the Danish Business Authority before it can be marketed. If the Danish Business Authority finds that the system fulfils the requirements after checking it, the system will be registered. After registration, providers have a duty to ensure that their bookkeeping system continuously fulfils the requirements, for example in connection with updates and new versions. Enterprises using a registered bookkeeping system are not obliged to ensure that the system fulfils the requirements.
- If an enterprise is using a digital bookkeeping system that is not registered, it has a duty to ensure that the system fulfils the requirements for such systems. This is contingent on the enterprise being subject to the requirement for digital bookkeeping. It can be a system developed specially for your enterprise, or can be a foreign system not marketed in Denmark. It can also be combined systems that consist of a digital standard bookkeeping system for the general bookkeeping of the enterprise, and third-party applications for bookkeeping in special areas. The requirements for such systems are expected to be formulated in the first half of 2023.

The requirements for digital bookkeeping systems can also have consequences for others:

- If an enterprise is using a digital standard bookkeeping system, it must be aware of what the system supports and what it is responsible for itself. In principle, the enterprise will still be responsible for fulfilling the standard requirements for bookkeeping, i.e. that all transactions are bookkept with reference to relevant vouchers, but the requirements for a digital standard bookkeeping system will ensure that storage of bookkept transactions and related vouchers fulfils the requirements of the Danish Bookkeeping Act for secure storage. Enterprises that use registered bookkeeping systems do therefore not need to worry about this.
- Enterprises using specially-developed bookkeeping systems must expect that their customers will demand that the system fulfils the requirements for such systems moving forwards. It is therefore important that developers of such systems are aware of this during the development phase. The requirements for such systems are expected to be formulated in the first half of 2023.
- Suppliers of third-party modules, such as storage modules or e-invoicing solutions to be integrated into a digital bookkeeping system by agreement with a provider, must be aware that such products must fulfil the requirements for storage in accordance with Annex 1, items 3 and 4 to the executive order and the requirements for e-invoicing in Annex 2, items 1 and 2 to the executive order.
- Suppliers of third-party applications that include bookkeeping of transactions and linking of vouchers to the same that are integrated into combined bookkeeping systems must be aware that enterprises using such applications must ensure that they fulfil the requirements for combined bookkeeping systems expected to be laid down in early 2023.

### 8.3. What applies to providers of foreign digital bookkeeping systems?

Whether a digital bookkeeping system is regarded as Danish or foreign depends on the enterprise providing it. If it is a Danish-registered enterprise providing the digital bookkeeping system, it will be regarded as Danish. If it is an enterprise not registered in Denmark, it will be regarded as foreign. A bookkeeping system provided by a Danish-registered enterprise that is the subsidiary of a foreign-registered enterprise will be regarded as a Danish system.

- Providers of a foreign standard bookkeeping system that is being marketed in Denmark must notify it to the Danish Business Authority.
- Providers of a foreign standard bookkeeping that is not marketed in Denmark do not need to notify their system to the Danish Business Authority. Danish enterprises can legally use such a system, but have a duty to ensure that it fulfils the requirements for digital standard bookkeeping systems.
- Danish enterprises can legally use a foreign specially-developed bookkeeping system. But they do have a duty to ensure that it fulfils the requirements for digital specially-developed bookkeeping systems.

## 8.4. What applies to add-ons, modules and third-party applications?

In the following, we differentiate between add-ons or modules in a bookkeeping system and third-party solutions that support functions in it by agreement with the provider, and external third-party applications that the enterprise has entered into an agreement with.

### Add-ons

The Danish Bookkeeping Act regards a bookkeeping system as software that supports the bookkeeping of an enterprise's transactions and digital storage of bookkept transactions and the vouchers that document those transactions. Even the most comprehensive systems have such functions at their heart. However, some digital bookkeeping systems include add-ons such as accounting functions, tax-calculation functions, etc., that do not involve the bookkeeping of transactions or storage of vouchers.

### Modules linked to the bookkeeping system

There can be modules in a digital bookkeeping system supplied by a third-party by agreement with the provider, and which can facilitate bookkeeping of transactions or storage of vouchers.

### External third-party applications

In some instances, an enterprise can use an external third-party application by agreement between it and the supplier of the application.

#### **An example of a digital bookkeeping system that uses third-party applications**

A third-party application processes the sales transactions of an enterprise in an online store, and documents sales by raising an invoice. Even though the enterprise may have access to a third-party application from the digital bookkeeping system, e.g. via an app, it is not the provider who enters into an agreement with the supplier of the third-party system, but the enterprise. This is therefore an external application.

If an enterprise uses a third-party application for part of its bookkeeping (e.g. for sales transactions from an online store, or project/employee costs), the enterprise can opt to gather all its bookkeeping in a registered digital standard bookkeeping system. In such a solution, enterprises using third-party applications for part of their bookkeeping must ensure that bookkept transactions and vouchers are transferred from the third-party application to the digital standard bookkeeping system. It is the enterprise required to bookkeep that is responsible for this, and not the supplier of the third-party application or provider of the bookkeeping system. The enterprise can opt to use suppliers of third-party applications that support easy transfer of data to their digital bookkeeping system. This allows the enterprise to avoid taking responsibility for the application fulfilling the requirements of the Danish Bookkeeping Act, as would be the case using another option.

The enterprise can also opt to use a combination of a registered digital standard bookkeeping system and third-party applications for its bookkeeping as a whole, as a non-registered bookkeeping system. If it does so, the enterprise becomes responsible for fulfilment of the requirements for a bookkeeping system according to the Danish Bookkeeping Act. In this solution, the enterprise does not need to transfer bookkept transactions from the third-party application to its digital bookkeeping system. On the other hand, the enterprise has a duty instead to ensure that the third-party application fulfils the requirements expected in the forthcoming executive order on requirement for bookkeeping systems that are not registered. The supplier of the third-party application does not have a duty to fulfil these requirements. As previously stated, this is the responsibility of the enterprise.

### **Overview of the definition of and requirements for different types of add-ons and third-party applications for a digital standard bookkeeping system.**

1. Add-ons or modules in a digital bookkeeping system or that by agreement with the provider undertake functions the bookkeeping system has to support.

Add-ons that are part of a digital standard bookkeeping system used for functions other than bookkeeping of transactions and the storage of vouchers are not regarded as part of the system, and are therefore not covered by the requirements for digital standard bookkeeping systems, e.g. a tax calculation module.

Modules in a digital standard bookkeeping system by agreement with the provider and that undertake functions the bookkeeping system has to support according to the Danish Bookkeeping Act, are subject to the relevant requirements. For example: A third-party module for e-invoicing must fulfil the requirements for e-invoicing.

External third-party systems that by agreement with the provider undertake functions the bookkeeping system has to support according to the Danish Bookkeeping Act, are subject to the relevant requirements. However, it will be sufficient for such modules for the provider to enter into an agreement with the relevant third-party, obliging that party to fulfil the requirements. For example: an external third-party cloud storage solution used to store registrations and vouchers or backup copies of the same by agreement.

#### **2. External third-party applications**

third-party applications marketed in a digital standard bookkeeping system that can only be used by agreement between the enterprise and the third-party are not regarded as part of the system, and are therefore not covered by the requirements for digital standard bookkeeping systems. For example: third-party applications made available to enterprises if they opt to enter into an agreement with the relevant third-party via an Appstore.

If an enterprise uses third-party applications not linked to a digital standard bookkeeping system to bookkeep certain transactions and related vouchers, the enterprise can opt to transfer transactions and vouchers from the third-party application to a digital standard bookkeeping system. In such instances, the enterprise must ensure that all bookkept transactions and vouchers from third-party

applications are transferred to its digital standard bookkeeping system. On the other hand, the enterprise can be sure that the bookkeeping system fulfils the requirements, because it is registered.

**Example**

An enterprise uses a third-party application for administration of employee expenses, including bookkeeping expenses with vouchers in the form of receipts. The application can automatically transfer the bookkept expenses and receipts to the enterprise's digital standard bookkeeping system once the bookkeeping has been approved. Because the relevant data is transferred to the enterprise's registered bookkeeping system, it avoids the responsibility for the third-party application fulfilling the requirements for digital bookkeeping systems.

The enterprise can opt instead to use a combination of a digital standard bookkeeping system and third-party applications as a non-registered bookkeeping system. In such a combined bookkeeping system, the enterprise will not need to transfer bookkept transactions and/or vouchers from the third-party application to its digital standard bookkeeping system. In such instances, the enterprise is responsible itself for ensuring that the third-party application fulfils the requirements. More detailed rules on this will be provided in the executive order on requirement for non-registered bookkeeping systems. Finally, the enterprise must be particularly aware of observing basic requirements in the Danish Bookkeeping Act for control and transaction trails.

**Example**

An enterprise uses a third-party application for bookkeeping sales transactions from an online store, including generating vouchers in the form of sales invoices. It is difficult and time-consuming for the enterprise to transfer all the vouchers to its digital standard bookkeeping system. The enterprise therefore opts to regard the combination of its standard bookkeeping system and third-party application as a combined bookkeeping system that is non-registered. In such instances, the enterprise can avoid transferring the vouchers from the third-party application to the bookkeeping system but store the vouchers in the third-party application. On the other hand, the enterprise has a duty instead to ensure that the third-party application fulfils the special requirements for bookkeeping systems expected to be formulated in the first half of 2023.

## 9. IT security in digital standard bookkeeping systems

Providers of digital standard bookkeeping systems can gain an overview of the requirements for IT security in digital standard bookkeeping systems from this chapter. For example, the requirement that digital bookkeeping systems must have a high level of IT security with suitable technical and organisational IT security safeguards, the



requirement on risk assessment and for secure storage. There are also special requirements for digital standard bookkeeping systems. The requirements follow from Section 15 (1), no. 2, and the more specific requirements are set out in Sections 7, 8 and 10 of the executive order on requirement and Section 13 of the Executive Order on notification.

### 9.1. Requirement for a high level of IT security

A provider of a digital standard bookkeeping system must always apply suitable technical and organisational IT security safeguards, to ensure the system maintains a high level of IT security.

The term 'suitable' implies that the circumstances of the host enterprise must always provide the starting point. For example, whether the provider is a small company with few employees or a large company with several hundred will influence the need for organisational IT security safeguards. Another significant factor is whether bookkept transactions and related vouchers, plus backup copies of the same, are stored by the enterprise, the provider of the bookkeeping system or a third-party.

The safeguards can therefore vary in relation to the individual provider, but the provider must always ensure a high level of IT security that lives up to best practice in the field.

The provider must be aware of IT security safeguards in relation to the following requirements:

The requirements of the Danish Bookkeeping Act on fulfilment of recognised standards for IT security, including user and access management, and ensuring automatic backup copying of registrations and vouchers.

The requirement set out in the executive order on requirement for a digital standard bookkeeping system must ensure that the system automatically takes a full backup copy at least once a week of the enterprise's bookkept transactions and vouchers, and an incremental backup copy at least daily.

The provider must ensure that full and incremental backup copies be stored by the provider itself or a third-party, under suitable technical and organisational safeguards that fulfil the requirements for high IT security, and the requirements for the provision of data.

The provider of a digital standard bookkeeping system must ensure that the storage of bookkept transactions and vouchers is performed in a manner that allows accounting material to be restored and made readable before the deadline for provision of data to the authorities.

### 9.2. Requirement on technical and organisational IT security safeguards

The provider's suitable technical and organisational IT security safeguards must fulfil the following criteria at least:

- network security
- access control
- supplier management
- backup

- logging
- emergency response and restoration
- data protection

Which safeguards are specifically necessary to achieve a high level of IT security depend on the circumstances of the relevant provider, and assessment of risks for each of the areas listed. See below for details of risk assessment.

With regard to data protection, please refer to the section on data protection in digital bookkeeping systems in Chapter 3, on storage of accounting material.

### 9.3. Requirement for risk assessment

With regard to fulfilling the requirement for a high level of IT security, a provider of a digital standard bookkeeping system must perform a risk assessment. The following general requirements for risk assessment apply:

- It must cover the risk of loss of availability, authenticity, integrity and confidentiality in the digital standard bookkeeping system.
- It must take third parties into account.
- It must be regularly updated for changes in the threat profile.

Risk assessment must also include a consequence and vulnerability/probability assessment.

Changes in the threat profile will also include changes in the technical setup or organisational changes that can impact the bookkeeping system. Assessment should be revised at least once annually.

The primary purpose of setting requirements for high IT security is to create the framework for safe storage of the enterprise's bookkept transactions and related vouchers. Therefore there has to be focus on the risk of loss or corruption of data, where the tolerance level for possible risks should be very low. Because data will often be stored with a third-party, there must be focus on the requirements also apply to that third-party.

The aim of protecting data and ensuring correct processing of data implies that risk assessments must take into account the relevant risks of:

- Accidental or illegal destruction, loss or other forms of non-availability.
- Unauthorised changes, access to or misuse of data.
- Processing of personal data, including in the event of the provider entering into a Data Processing Agreement that fulfils the requirements of Art. 28 (3) of the GDPR before establishing a customer relationship.

The digital standard bookkeeping system must provide a high IT security level, which means the implementation of safeguards to ensure that the overall risk concerning all relevant factors is low. A risk assessment must be conducted, in which the IT environment and applications are described. Risks must be described and assessed as being major or not. Risks must be regularly re-assessed, especially in the event of changes in the IT environment or applications.

### Examples of areas where there can be relevant risks

- Policies for IT security
- IT security roles and responsibilities, including relevant employee skills
- IT security when using mobile devices
- Access control on networks and network services, including handling access management for employees and to systems and applications.
- The physical IT environment, including access control to the system and servers, which must be located in a secure room protected against natural disasters or other physical events.
- Protection against malware
- Backup copying
- Logging and monitoring
- System development and maintenance
- Supplier management
- Handling and monitoring IT security events
- Emergency response and restoration
- GDPR/personal data protection/Data Processing Agreements
- Cloud service, including access control to the enterprise's data in the cloud, and that the enterprise can monitor the specific areas in the cloud that concern it

When the Danish Business Authority determines whether the risk assessment of a provider has covered all relevant aspects, its evaluation will be based on the following questions. This is a list of questions that the provider ought to consider in connection with risk assessment. However, the list does not necessarily mean that a provider has to implement safeguards for all the areas listed. If a provider has not implemented safeguards for some of the areas listed, the explanation must lie in specific factors inherent to that provider that mean there is no need for implementing them.

### Questions that the provider ought to consider in connection with risk assessment

#### **Physical security, Business Continuity and Disaster Recovery**

- Have you ensured that backup copies are taken of the enterprise's registrations and vouchers automatically and constantly? Have you included a full backup at least once weekly and a daily incremental backup, in accordance with the executive order on requirements for digital standard bookkeeping systems?
- Will a backup copy be kept separately from the operating system (e.g. in the cloud or on a server physically separate from the operating system)?
- If backup copies are stored by a third-party, will the requirements for IT security and the provision of data be fulfilled according to the executive order on requirements?

- Are tests that backup copies are valid and can be restored performed regularly?
- Are backup copies kept confidentially and protected against unauthorised changes, damage and theft?

### **Roles and rights**

- Are there procedures in place to ensure segregation of duties?
- Does the bookkeeping system support two-factor approval for access to the system, including the system incorporating a backup copy?
- Is two-factor approval used to validate such things as the access of external developers and subcontractors to systems?
- Are there procedures in place to ensure revision of access for the setting up, change and deletion of users?
- Are there procedures in place to ensure review of user logs for the use of privileged rights?
- Are there training/awareness programmes for new employees?

### **Risks and contingency planning**

- Is a risk assessment of the bookkeeping system performed at least once annually?
- Has a contingency plan for the bookkeeping system been compiled to the relevant extent?
- Is the contingency plan tested at least once annually?
- Can an explanation be provided for how you work with security, risk and compliance with relevant rules within cyber and information security?

### **Network control, remote access, incident management and regular system updates (patching)**

- Do you regularly ensure that there is documentation of the way the network is constructed?
- Is there a regular and documented process for ensuring that the process has the latest updates (patches)?
- Is a completely readable copy of all bookkeeping entries and their related vouchers regularly saved at an independent third-party that fulfils the requirements for IT security?
- Has another form of secure storage of a completely readable copy of all bookkeeping entries and their related vouchers been used?
- Does your bookkeeping system register user activities in the system (log), to enable checking and documentation at a later date of who has access to what, when and how?
- Is deletion of a log in the bookkeeping system prevented?

### **Data protection**

- Have you ensured that there is a Data Processing Agreement in place that complies with Art. 28 (3) of the GDPR before establishing a customer relationship?

### **Development, system architecture and cyber security**

- Has a description been compiled of how to help with the protection of production code such that no unauthorised changes can be made to functionality, including logs and the data system?
- Has a description been compiled of how access to the source code of the bookkeeping system?

- Can an explanation be provided for how you worked with establishing Security-by-Design?
- Do you work constantly on creating the most secure solutions possible?
- Do you ensure that subcontractors comply with the same IT security requirements as you have imposed yourselves or are obliged to comply with?
- Do you ensure that physical assets that have contained customer data are correctly erased?
- Do you ensure that access to systems, solutions etc. is only provided to authorised personnel and enterprises?
- Can you describe how change requests and system changes are documented as part of the change management process?

## 9.4. Requirement for secure storage

The form below shows various scenarios, depending on which digital standard bookkeeping system the enterprise has. It shows where in the executive order on requirements for IT security appear.

If the enterprise has hybrid digital standard bookkeeping system, there are no requirements for IT security for the enterprise and its server. Providers of digital standard bookkeeping systems are still subject to the requirements for IT security according to the executive order on requirements.

### IT security requirements for different types of digital standard bookkeeping systems.

Type of digital bookkeeping system	Storage site original data	Storage site backup copy	Relevant requirements for IT security
Cloud-based	Server at provider	Server at provider in EU/EEA	Ex. order on req. Section 8 (1)-(4)
Cloud-based	Server at provider	Server at third-party in EU/EEA according to agreement with provider	Server at provider: ex. order on req. Section 8 (1)-(4) Server at third-party: ex. order on req. Section 8 (6)
Cloud-based	Server at third-party in EU/EEA according to agreement with provider	Server at third-party in EU/EEA according to agreement with provider	Ex. order on req. Section 8 (6)
Hybrid	Server at the enterprise	Server at provider	Server at the enterprise: No requirements for IT security

Type of digital bookkeeping system	Storage site original data	Storage site backup copy	Relevant requirements for IT security
			Server at provider: ex. order on req. Section 8 (1)-(4), cf. (5)
Hybrid	Server at the enterprise	Server at third-party in EU/EEA according to agreement with provider	Server at the enterprise: no requirements for IT security Server at third-party: ex. order on req. Section 8 (6)

### How often do backup copies of registrations and vouchers have to be made

A backup copy has to be made at least once a week of all the enterprise's bookkept transactions and vouchers subject to Section 3 of the executive order on requirements (full backup copy). Furthermore, a backup copy of the data changed since the last backup copy was made must be taken at least once daily (incremental backup copy).

### How long do backup copies of registrations and vouchers have to be stored

All registrations and vouchers must be stored for 5 years from the end of the accounting year they concern, regardless of whether the customer relationship with the enterprise may end, or the enterprise goes into bankruptcy or compulsory winding up.

The storage obligation also applies if the enterprise has switched to a new bookkeeping system from another provider, causing it to transfer all registrations and vouchers to the new provider.

If a provider of a cloud-based digital standard bookkeeping system:

- uses a third-party for storage of bookkept transactions and vouchers that document transactions for them, or
- uses a third-party for storage of backup copies of bookkept transactions and vouchers that document them,

the provider must to the relevant extent in the form of an agreement or documentation from the third part ensure that suitable technical and organisational IT security safeguards are implemented, cf. (1) at the respective third parties.

## 9.5. Requirement for documentation of the provider's IT security level

Upon notification of a digital standard bookkeeping system, the provider must explain how the bookkeeping system ensures that:

- the requirements for a high IT security level are fulfilled,
- suitable technical and organisational IT security safeguards have been implemented, and
- the required risk assessment has been performed.

There is no requirement that the provider can present an auditor's declaration of certificate to prove the provider's IT security level. However, if the provider has opted to obtain a declaration from an approved auditor on IT security according to ISAE 3402 or ISAE 3000, or the system in question is subject to an IT security certification according to ISO/IEC 27001, then the bookkeeping system will be regarded as fulfilling the requirements for IT security according to the executive order on requirements.

If the provider has obtained other forms of declarations from an approved auditor or certifications according to other standards, or has obtained a label according to a labelling scheme such as the D-label, it will also be included in assessment of whether the requirements for high IT security are fulfilled, but will not necessarily be sufficient documentation in itself.

If providers have not obtained such forms of documentation for IT security, the provider must be able to document in some other manner how it ensures a high level of IT security. Examples include an explanation of what risk assessment has been performed, and which technical and organisational security safeguards the provider has implemented as a result, and why the provider believes that the safeguards implemented are adequate to ensure a high IT security level.

## 9.6. Special requirements for hybrid digital bookkeeping systems

In hybrid bookkeeping systems, the system is installed locally on the enterprise's own server, and the enterprise's bookkept transactions and related vouchers are therefore also stored locally on the enterprise's server. The Danish Bookkeeping Act does not lay down requirements for IT security in enterprises using such systems. In principle, neither is it relevant to lay down requirements for IT security level at the provider of a hybrid bookkeeping system, as the provider does not store the original bookkept transactions and related vouchers, and the purpose of laying down requirements for IT security is to protect such data.

The security for storing data if the enterprise's bookkept transactions and related vouchers is stored in a hybrid bookkeeping system lies in the requirement that system must ensure automatic and regular backup copies of such data. According to the executive order on requirements, the bookkeeping system must take a full backup copy at least once a week of the enterprise's bookkept transactions and vouchers, and an incremental backup copy at least daily. The provider must also ensure that full and incremental backup copies must be stored by the provider itself or a third-party, under suitable technical and organisational safeguards that fulfil the requirements for high IT security, and the requirements for the provision of data according to the executive order on requirements. At least one full and incremental backup copy must be stored on a server in an EU or EEA state.

The requirement on high IT security therefore applies correspondingly to a provider of a hybrid digital standard bookkeeping system, if the backup copy of the enterprise's bookkept transactions and vouchers is stored by the provider. However, not all areas will in such an instance be relevant, only those that are key to secure storage of the backup copy. The provider's risk assessment does not

have to cover only those areas, but the provider must only take suitable technical and organisational IT security safeguards that are relevant in relation to storage of the backup copy. The following areas are deemed to be relevant in relation to providers who store a backup copy:

- network security - the network is secure to ensure the customer's data is securely stored and not exposed to accidental events or unauthorised access.
- access control - only relevant personnel/departments – who are working on the customer – have access to the customer's backup copy
- supplier management - if the provider uses the supplier – must be done correctly and securely
- backup - backup is taken regularly
- logging - logging is performed to ensure that only relevant personnel have access to the customer's data
- emergency response and restoration - restoration in the case of breakdown or the like.
- data protection – data protection of personal data.

If the provider of a hybrid bookkeeping system does not keep a backup copy itself, but it is stored by a third-party, e.g. a supplier of cloud storage solutions, the provider must ensure via an agreement or documentation from the third-party to the relevant extent that suitable technical and organisational IT security safeguards are in place at the third-party, cf. the list in the text box above. And the provider must, to the relevant extent, regularly ensure that the third-party in question complies with the security requirements laid down. Upon notification of a digital bookkeeping system, a copy of an agreement with the third-party in question or other documentation of its IT security level must accompany the notification.

#### **Find the detailed rules on the requirement for IT security:**

- Section 15 (1), no. 2 of the Danish Bookkeeping Act

#### [Read 'The Danish Bookkeeping Act'](#)

- Section 8 of the executive order on requirements for IT security
- Section 7 of the executive order on requirements for backup copies
- Section 10 of the executive order on requirements for storage

#### [Read 'Executive order on requirements for digital standard bookkeeping systems'](#)

- Section 13 of the executive order on requirements for documentation of IT security

#### [Read 'Executive order on notification and registration of digital standard bookkeeping systems'](#)



## 10. Support and automation in digital standard bookkeeping systems

Providers of digital standard bookkeeping systems can gain an overview of the requirements for automation in digital standard bookkeeping systems from this chapter. For example the requirements on digital bookkeeping systems having to support automation of the administrative processes, e-invoices and the use of the public standard chart of accounts by enterprises. The requirements follow from Section 15 (3), and the more specific requirements are set out in Section 8 executive order on requirements.

### 10.1. Automatic sending and receiving of e-invoices

Providers of a digital standard bookkeeping system are obliged to offer their users the use of e-invoicing directly in the bookkeeping system. This chapter describes how providers of digital standard bookkeeping systems can support the requirement on being able to send and receive e-invoices and credit notes with related vouchers in OIOUBL and Peppol BIS formats. The purpose is to support the automation of bookkeeping and thus to reduce manual and time-consuming processes, and to avoid errors in bookkeeping (Section 8 (1) of the executive order on requirements).

#### What is an e-invoice?

An e-invoice is defined in the Danish Bookkeeping Act as an invoice or credit note issued, sent and received in a structured, electronic format, making it possible to process it digitally in a finance or bookkeeping system (Section 1 (8)). Invoicing using PDF, e-mails, JPEG and other formats that require scanning software to make it readable is not regarded as e-invoicing.

#### How to support automatic sending and receiving of e-invoices

The common public digital infrastructure for e-invoicing, NemHandel can be used to send and receive two types of document standards for various needs that fulfil the definition of an e-invoice:

- The OIOUBL standard supports national trade
- The Peppol BIS standard supports international trade across borders

Remember that providers of digital standard bookkeeping systems already supporting e-invoices must ensure that they can send to all types of recipient addresses. That means: CVR number, P number, SE number, GLN/EAN number. If your system has a fixed field definition for e.g. 13 numerical characters, it must be changed to include the above number types, e.g. DK12345678, which is the correct syntax for the Danish CVR number.

Providers of digital standard bookkeeping systems can either implement the function for e-invoicing themselves, or give their customers access to it via an external supplier. Regardless of the choice of solution, they must ensure that their document standards for e-invoices and credit notes comply with OIOUBL and Peppol BIS.

Please note that the OIOUBL and Peppol BIS standards can be implemented independently of each other. Providers of digital standard bookkeeping systems can implement the one standard themselves and have the other implemented by a third-party.

### How to support use of e-invoicing as suppliers (access point)

- Order MitID signature for businesses by logging on to the Agency for Digital Government using your MitID
- Set up a digital signature from OpenPeppol AISBL. Please note that membership of Peppol is needed to be able to set up a digital Peppol signature. Registering for the "2A Post-award Procurement Service Domain" is sufficient.
- Once you have set up digital signatures, you can download NemHandel eDelivery reference implementation from NemHandel. NemHandel eDelivery reference implementation includes a software code that shows how to create a sender and receiver service for e-invoices supported by OIOUBL and Peppol BIS certificates. NemHandel eDelivery reference implementation is an example of how sending and receiving e-invoicing can be implemented, but it is not mandatory to use it as a basis. Neither is NemHandel eDelivery reference implementation a standalone software product: NemHandel eDelivery reference implementation cannot be used as a client independent of another bookkeeping and system software. OpenPeppol also has specifications and documentation that support implementation of Peppol solutions. The Danish Business Authority regularly releases components and codes to support connection to NemHandel on [NemHandel.dk](https://nemhandel.dk).
- When a bookkeeping system has e-invoicing functionality, suppliers must register their users on the NemHandel register. When a bookkeeping system has e-invoicing functionality, suppliers must register their users on the NemHandel register. This can either be done manually by entering user data in the NemHandel register or by using an API that automatically transfers the customer's data to the register.

### How to support use of e-invoicing using an external supplier (third-party)

- Start by concluding a service agreement with a supplier of an e-invoicing module that supports the format requirements OIOUBL and Peppol BIS, and that can be integrated directly into your system.
- The provider's sender function then has to be configured to send the data the supplier needs to create and send the e-invoice. This integration depends on the supplier. Providers must therefore ask their supplier for more details on what they need to do as providers of digital bookkeeping systems.
- Providers should then configure their system to be able to send and receive data from the supplier. This integration also depends on the supplier. Providers of NemHandel solutions can usually help with integration.
- Delegation of responsibility for setting up and making changes in the NemHandel register should be clearly stated in a service agreement with the supplier.

### How to integrate NemHandel in a bookkeeping system

The Danish Business Authority provides a NemHandel eDelivery reference implementation sender and recipient service, which suppliers of e-invoices can use to implement the OIOUBL and Peppol BIS standards. Software documentation, including user and maintenance manual will be released along with the NemHandel eDelivery reference implementation. NemHandel eDelivery reference implementation is an example of how it can be implemented, but is not complete, installation-ready software. It is the responsibility of the individual bookkeeping system provider to put NemHandel eDelivery reference implementation into production.

NemHandel eDelivery reference implementation includes a code that can support sending and receiving OIOUBL or Peppol documents, but does not write or read them. As such, it is the provider's responsibility to ensure their system is able to write valid OIOUBL and Peppol documents for despatch, and to extract relevant data from OIOUBL and Peppol documents received.

The NemHandel eDelivery reference implementation uses an MitID certificate to send and receive NemHandel documents, and a Peppol certificate to send and receive Peppol documents. These belong to the provider of a digital standard bookkeeping system, and must therefore be obtained and installed separately.

The bookkeeping system must also support the customer being able to respond to invoices with an application response/level response/invoice response when receiving an e-invoice. These documents contain the customer's confirmation or rejection of the invoice content.

### More on NemHandel

[NemHandel](#)

[NemHandelsRegistret](#)

[OIOUBL](#)

[PEPPOL](#)

## 10.2. Reconciliation with an enterprise's bank account

This chapter concerns requirements on digital standard bookkeeping systems being able to support reconciliation of customer bookkeeping with their bank account. The purpose of the rule is to support correct bookkeeping and ensure that enterprises, clubs and association can produce correct accounts in their bookkeeping system (Section 8, Annex 2 of the executive order on requirements)

### How a bookkeeping system supports bank reconciliation

To make it easy for enterprises to reconcile their bookkeeping, they must be able to obtain their bank data direct from their bookkeeping system. That requires the digital standard bookkeeping system to be able to import data from the enterprise's bank. The banks provide various solutions for the exchange of account data, of which some support access to multiple banks or payment services, while others are linked to a specific bank service.

Importing bank data to a digital standard bookkeeping system can be achieved using a CSV file or by an API provided by the banks. A CSV file is a file that only contains text and numbers. It is a 'comma separated' file used when data has to be exported from one system to another. E.g. from a bank to digital bookkeeping system. An API allows a software program to 'talk' to another software program. An API can be used to make use of functions in other programs, such as transferring bank data in a bookkeeping system.

## How to transfer user bank data using a CSV file

- The bank provides a CSV file with bank entries to the customer (e.g. an enterprise)
- Providers of a digital standard bookkeeping system ask enterprises to provide details of their bank accounts in the bookkeeping system linked to their chart of accounts
- The enterprise registers its relevant bank accounts for reconciliation in the bookkeeping system.
- The enterprise obtains a CSV file with bank entries from its online bank
- The enterprise imports the CSV file from its bookkeeping system
- Providers of a digital standard bookkeeping system must ensure that a CSV file can be imported into the bookkeeping system and matches the enterprise's chart of accounts
- Providers of a digital standard bookkeeping system must ensure that discrepancies in entries are clearly indicated in the bookkeeping system.

## How to transfer user bank data using an API solution

- The bank provides an API to its customers so they can export entry data from their bank to the customer's bookkeeping system
- The enterprise registers its relevant bank accounts for reconciliation in the bookkeeping system.
- Providers of a digital standard bookkeeping system must support direct and automatic import of bank entry data from the enterprise's bank accounts
- Providers of a digital standard bookkeeping system must ensure that discrepancies in entries are clearly indicated in the bookkeeping system.

## Common responsibility for supporting bank reconciliation

To support correct, secure bank reconciliation, it is important that banks, system providers and enterprises/clubs and associations fulfil their obligations and join forces to contribute to smooth data exchange.

- The bank ensures that bank entry data can be exchanged from the customer's online bank (either via CSV file or an API). As far as possible in machine-readable format to make it easy for users to receive and use data in their bookkeeping system
- The bank has to advise customers and third parties on data exchange, e.g. the use of API, and provides or refers to technical support
- Enterprises and clubs/associations register relevant bank accounts in their bookkeeping system
- System providers ensure that incoming entry data from the banks can be matched with the enterprise's charter of accounts and that discrepancies are clearly indicated to users of the bookkeeping system
- Enterprises, clubs and associations perform bank reconciliation in their bookkeeping system and are responsible for ensuring that their bookkeeping is correct.

## 10.3. Bookkeeping with the help of the public standard chart of accounts

Standardised bookkeeping is a key precondition for being able to automate bookkeeping and make it easier for enterprises to exchange bookkeeping data with an authority or third-party. That is the purpose of the public standard chart of accounts.

This chapter concerns a guide to Section 8, Annex 2 (4) of the executive order on requirements, which sets out requirements for a digital standard bookkeeping system being able to support bookkeeping in accordance with the public standard chart of accounts.

## How a bookkeeping system support use of the public standard chart of accounts

Providers of a digital bookkeeping system have three ways of ensuring that their system can support use of the standard chart of accounts.

- Providers of digital standard bookkeeping systems implement the standard chart of accounts, including standard VAT codes, in their bookkeeping systems and offer customers use of the public standard chart of accounts directly, e.g. as a one solution out of several.
- Providers of digital standard bookkeeping systems offer customers use of their own chart of accounts mapped to the public standard chart of accounts, including standard VAT codes.
- The bookkeeping system provides a tool making it possible for the customer to map its own chart of accounts to the common public standard chart of accounts and making it possible for the customer to simply map standard VAT codes.

It is up to the providers of a digital standard bookkeeping to choose which of the three models they want to offer their users. If they choose to offer several charts of accounts, the bookkeeping system must clearly indicate which model has been chosen, and how the requirements in the executive order can be met (cf. Section 8, Annex 2 (4)).

If a provider of a digital standard bookkeeping system chooses to offer model 1 or 2, it is their responsibility to ensure that the chart of accounts in their system is adapted to the latest version of the standard chart of accounts. Providers are therefore obliged to keep themselves informed of regular updates to the standard chart of accounts. See the link below.

If a system offers model 3, the provider of a digital standard bookkeeping system is only obliged to provide one tool for mapping to the standard chart of accounts. In this instance, the enterprise is obliged to keep itself informed of regular updates to the standard chart of accounts, and ensure that it is mapped to the latest version of the standard chart of accounts.

Please note that enterprises, clubs and associations are not obliged to use all the accounts and VAT codes in the standard chart of accounts. It is up to the individual enterprise, club or association to decide which accounts and VAT codes in the chart of accounts are relevant to use in their bookkeeping.

[Read more about the standard chart of accounts](#)

## 10.4. Bookkeeping using digital bookkeeping guide or entering guide

To support the correct entry of transactions, providers of a digital standard bookkeeping system must provide a bookkeeping or entering guide to users. This section concerns guidance to Section 8 Annex 2 (5) of the executive order on requirements on requirements for bookkeeping or entering guides.

### How to support bookkeeping using a digital bookkeeping guide

A digital bookkeeping guide can be set up as a questionnaire for example, which answers a number of questions on transactions and vouchers and ends with suggestions on how to correctly bookkeep vouchers in a chart of account. There can be questions on the purpose of a purchase or service relevant in relation to making entries. For example, running costs for a car or the purchase of catering,

where a bookkeeping guide can help with the correct calculation of deductions and VAT. The user/enterprise can then transfer the suggestions to its bookkeeping system.

[Go to the bookkeeping guide at skat.dk](https://www.skat.dk)

### **How to support bookkeeping using a digital bookkeeping assistant**

Providers of digital standard bookkeeping systems can also opt to provide a digital bookkeeping assistant for bookkeeping. The assistant shows all tasks involved in accounting that are not yet completed, and helps place costs in the right account, allowing enterprises to book their costs as correctly as possible. In addition to guidance, a bookkeeping assistant also helps users with the actual entries, where an enterprise only has to approve the suggestions the assistant has made for example.

### **How to support bookkeeping using an entry guide**

Finally, providers of digital standard bookkeeping systems can opt to only provide an entry guide for bookkeeping. Such a guide can, for example, include a description of the purpose and examples of vouchers on the individual accounts in the chart of accounts. The guide can thus help make correct entries according to the bookkeeping systems chart of accounts.

Please note that the bookkeeping guide, the bookkeeping assistant and entry guide are only aids to make bookkeeping easier. Providers of bookkeeping systems are only obliged to support correct bookkeeping. It is the duty of the enterprises, clubs and associations to bookkeep correctly in accordance with the provisions of the Danish Bookkeeping Act.

If an enterprise opts to use its own chart of accounts for bookkeeping, it must support bookkeeping with an entry guide accessible in the bookkeeping system.

## **10.5. Sharing bookkeeping data**

To make it simple and secure for enterprises to share their bookkeeping data and change bookkeeping system, the Danish Bookkeeping Act lays down requirements for bookkeeping systems to support the standard file format SAF-T. This section concerns guidance to Section 8 Annex 2 (6) of the executive order on requirements on requirements to support data sharing.

### **How to support data sharing with SAF-T**

SAF-T Accounting/Financial is a European OECD standard for reading data from an accounting system in the XML file format. SAF-T is generated direct from bookkeeping systems and the content is directly based on online entries in the accounts through bookkeeping performed by the enterprise itself.

Providers of a digital bookkeeping system must support the sharing of enterprise bookkeeping data, by

- the bookkeeping system makes it possible to generate an SAF-T-file that is defined by the authorities, and
- the bookkeeping system can export an SAF-T-file that is defined by the authorities, to another provider of bookkeeping systems, and

- the bookkeeping system can import an SAF-T-file that is defined by the authorities, and the system can store the file so that it is accessible to the customer.

### More on SAF-T

Read more on which data must be included in the SAF-T file and which fields are mandatory.

[Find a standard file for data sharing \(SAF-T\) and technical guide here](#)

## 10.6. Reporting annual reports and VAT

To make it easier for enterprises and associations to submit annual reports to the Danish Business Authority, providers of digital bookkeeping systems must support simple exchange of bookkeeping data with Regnskab Basis and Regnskab Special.

The bookkeeping system must support the submission of the annual report and VAT returns by

- Generating a CSV-file with bookkeeping data which is accepted for upload in Regnskab Basis or to generate the data in XBRL-/ iXBRL-format, which accepted for upload in Regnskab Special
- Facilitating submission of VAT returns through the Danish Tax Agency's VAT API.

This section concerns guidance to Section 9 and Annex 2 (7) of the executive order on requirements on supporting submission of an annual report.

### How a bookkeeping system supports submission of annual reports

Regnskab Basis and Regnskab Special are tools for compiling and submitting annual reports for small enterprises. Regnskab Basis can only be used by enterprises in Accounting Class B. Enterprises in Accounting Classes C and D and enterprises subject to accounting rules for financial companies must use Regnskab Special.

Annual reports must be submitted before the deadline, which for non-listed enterprises is 6 months after the end of the accounting year.

[Read more on the requirements for annual reporting and what an annual report must contain in the enterprise guide](#)

When submitting an annual report to the Danish Business Authority, enterprises should use the self-service solution on Virk. What is required:

- Accounting material from a bookkeeping system
- Available figures and wording
- MitID privat or employee signature
- If submitting via Regnskab Special, file format XBRL must be installed on the bookkeeping system.

Submission step-by-step:

Go to Regnskab Basis/Regnskab Special on Virk

- Log in and click 'Start'
- Enter all accounting details or import data from the bookkeeping system
- If submitting in Regnskab Basis, data can be transferred using a CSV file from the bookkeeping system
- If submitting in Regnskab Special, data can be transferred using an XBRL file from the bookkeeping system
- Print the PDF version of the annual report for the general meeting. Get the annual report approved and signed.
- Log in to Regnskab Basis/Regnskab Special again at Virk and click 'Submit approved annual report'
- Save a receipt and a copy of the final signed annual report.

Providers of digital standard bookkeeping systems must ensure that their system supports submission of annual reports using either CSV or XBRL file formats.

[Read more on valid file formats and technical standards for annual reports](#)

## How a bookkeeping system supports VAT returns

To make it easier for enterprises, clubs and associations to submit VAT returns to the tax authorities, the bookkeeping system must support simple exchange of bookkeeping data using the Danish Tax Agency's VAT API, also called NemVirksomhed.

Providers of digital standard bookkeeping systems must support correct submission of VAT returns directly from the bookkeeping system, so that users can fill in all the fields on their VAT returns.

5 steps to support secure and correct VAT returns:

- To support VAT returns, providers must implement SKAT's VAT API in their bookkeeping system. [Read how to download API at skat.dk](#). System providers using the API solution must also register with the Danish Tax Agency.
- For enterprises, clubs and associations to use the solution, providers of bookkeeping systems must obtain the permission of users to submit their VAT returns.
- When an enterprise has programmed its bookkeeping system to transfer data, it will receive a link to VAT return in TastSelv Erhverv.
- All the enterprise then has to do is check the completed return for errors and approve it. A receipt for submission will be sent to the bookkeeping system.
- To reassure enterprises, clubs and associations that the correct data has been submitted, the Danish Business Authority recommends that the bookkeeping system enables users to be able to sign the document, e.g. in the form of a system certificate.

Remember that it is the responsibility of the enterprise to ensure that a VAT return is submitted correctly. Enterprises must therefore always approve the final VAT return themselves. Providers are solely responsible for supporting the submission of VAT returns by their system being able to extract the correct VAT amount from the bookkeeping system.

## For more information on the API solution for VAT returns

Providers of digital standard bookkeeping systems can learn more about how to support submitting VAT returns directly from the bookkeeping system at skat.dk. More information is also available there on the Danish Tax Agency's VAT API and the technical specifications.



[Read more on the API solution for VAT returns at skat.dk](#)

## 10.7. Supporting entry in the NemHandel register

### New recipient entry in the NemHandel register

Enterprises can register as recipient of e-invoices via the NemHandel register with their correct CVR number and GLN number (if relevant). An enterprise is correctly registered when the profile pack and recipient access point are correctly marked.

### Change of recipient

Providers must change recipient details on behalf of their customers if:

- the enterprise changes its digital bookkeeping system, in which case the access point must be changed to the new access point. Other details such as profile pack are not affected in principle.
- the enterprise wants to register for e-orders and e-catalogue. In this instance, providers must add the relevant profile packs for e-orders and e-catalogues as part of recipient details. Access point is not affected in principle.
- the enterprise stops trading and has to be deleted as a recipient in the NemHandel register.

### How to set up an access point in the NemHandel register

Follow the step-by-step instructions at [NemHandelreg.dk](#)

### Notification of entry in the NemHandel register

Providers of digital standard bookkeeping systems must send notification to their existing customers on the opportunity to be registered in the NemHandel register.

Upon setting up a system or via direct notification to existing customers, the system must be able to show details on registration functionality for the NemHandel register. Customers must be able indicate that they want to be registered on the NemHandel register, and give their acceptance, after which they will be registered. After registration with the Danish Business Authority, providers of digital standard bookkeeping systems have to handle registration of their customers in the NemHandel register based on the standard functions, terms and conditions for NemHandel applicable at any time.

### Useful links

[Read how to get MitID Erhverv](#)

[Read how to set up a Peppol signature](#)

[Read about manual user setup in the NemHandel register](#)

[Read about user setup in the NemHandel register using API](#)

[Find technical details on OIOUBL](#)

[Find technical details on Peppol invoices and credit notes](#)

[Find technical documentation for other Peppol documents, including invoice confirmation](#)

[Read the technical guide to SAF-T \(PDF\)](#)

[Read SKAT's bookkeeping guide to VAT returns](#)

[Read what an annual report is and what it must contain in Virksomhedguiden](#)

[Read on technical requirements for annual reports](#)

[Read about the API solution for VAT returns at skat.dk](#)

## 11. Provision of data from a digital standard bookkeeping system

This chapter provides information for providers of digital standard bookkeeping systems on the details on the bookkept transactions and related vouchers for an enterprise that providers are obligated to hand over to the authorities, and under what conditions. Under certain circumstances, providers of digital standard bookkeeping systems have a duty to provide details on an enterprise's bookkept transactions and related vouchers to the authorities. The rules are set out in the executive order on requirements.

### 11.1. Background for the duty to provide

According to the Danish Bookkeeping Act, an enterprise is required to provide accounting material stored in a digital bookkeeping system to the authorities in the event of an inspection. However, in some instances, it can be difficult for the authorities to gain access to the accounting material stored

in the enterprise's digital bookkeeping system. This can be due to the fact that the management of the enterprise cannot be contacted, the enterprise is in the process of bankruptcy or compulsory winding up and refuses to give access to the material.

In such instances, providers of digital standard bookkeeping systems have a duty to provide details on an enterprise's bookkept transactions and vouchers to certain public authorities. The background to this duty to provide is that such data is of paramount importance to the controls conducted by several authorities to ensure enterprises comply with key legal requirements.

The duty solely concerns details of bookkept transactions and the vouchers that have to be retained in a digital bookkeeping system. Other details, registrations and documents stored by the enterprise in a digital standard bookkeeping system are therefore not subject to the duty to provide.

According to the Danish Bookkeeping Act, the authorities can only demand the provision of data from providers if it has not been possible to get it from the enterprise itself.

The requirement for provision of details on the enterprise's bookkept transactions and related vouchers applies to both cloud-based and hybrid bookkeeping systems. In cloud-based systems, the data is either stored at the provider itself or a third-party contracted by the provider. In hybrid systems, the data is stored on the enterprise's computers, but full backups are taken automatically and regularly of the data, which is stored by the provider or a third-party contracted by the provider.

If details of the enterprise's bookkept transactions and related vouchers are stored by a third-party, providers of a bookkeeping system must ensure that they can fulfil the duty to provide in accordance with the Danish Bookkeeping Act.

The duty to provide extends to data in a backup copy if the original data is lost.

#### **Example – Original data is deleted by a hacker attack**

The original data on the enterprise's transactions and vouchers in a hybrid system has been deleted by a hacker attack. The provider of the bookkeeping system is obliged to provide the data from the backup copy, whether it is stored by the provider or a third-party the provider has contracted.

## **11.2. Which authorities etc., are entitled to provision of data?**

According to the Danish Bookkeeping Act, authorities are entitled to demand the provision of data from the provider of a digital standard bookkeeping system to the extent they may be entitled to according to this or other acts, to conduct inspections of the enterprise.

Providers of digital standard bookkeeping systems are not required to verify that an authority requesting provision of data is entitled to conduct an inspection of the enterprise in question. The authority itself is responsible for ensuring that it has the necessary legal right to request the data.

Among the authorities, the Danish Customs and Tax Administration and Danish Business Administration use details on an enterprise's bookkeeping when making an inspection.

Apart from the authorities:

- a liquidator of a company under liquidation,
- an administrator who has taken over the management of an enterprise, and
- the receiver in a bankruptcy estate,

are all entitled to request the provision of data on an enterprise's bookkept transactions and related vouchers. While investigating the financial status of an enterprise in the event of compulsory winding up or bankruptcy, the liquidator or receiver will often need such data. The same may be the case in connection with reconstruction of an enterprise.

### **11.3. Requirements for the request from the authorities for data**

In accordance with the Danish Bookkeeping Act, the authorities must first attempt to get the enterprise to provide the data they need under the terms of the duty they have according to the Danish Bookkeeping Act.

They must then advise the provider of a digital standard bookkeeping system that it has not been possible to obtain the enterprise's bookkept transactions and vouchers by the deadline the authority has set. However, the authority is not obliged to explain why it has not been possible to get the data from the enterprise when it requests it from the bookkeeping system.

Based on such information, providers must presume that the authority has failed to obtain the data it wants from the enterprise.

### **11.4. What material is subject to the duty to provide?**

The duty to provide solely concerns the enterprise's bookkept transactions and vouchers that document them. More detailed rules have been issued on which vouchers are subject to the requirement in Section 3 of the executive order on requirements for digital standard bookkeeping systems. If an enterprise stores other material in a digital standard bookkeeping system, i.e. other accounting material according to the Danish Bookkeeping Act and non-accounting material, it is not covered by the provider's duty to provide such data.

### **11.5. Data must be provided in readable format**

The authorities can only use data from a digital bookkeeping system on an enterprise's bookkeeping if such data are in readable format. It is not a requirement that bookkept transactions and vouchers must be stored in a format that is directly readable. On the other hand, providers of a digital standard bookkeeping system must ensure that the details of the bookkept transactions and vouchers of an

enterprise can be restored and made readable within 4 weeks of an authority submitting a request for provision of such details.

It must be possible to provide bookkept transactions in a machine-readable format and vouchers in a readable format.

The requirement to be able to provide data on the enterprise's bookkept transactions and related vouchers in readable format also applies to material that is encrypted or locked in some other manner. Providers of digital standard bookkeeping systems must therefore be in possession of the necessary keys to be able to unlock encrypted or locked material.

## 11.6. Time-related requirements for the provision of data

Providers of a digital standard bookkeeping system must comply with a request for provision of data on an enterprise's bookkept transactions and related vouchers within 4 weeks of the date on which an authority has made a request.

Bookkept transactions and vouchers for a given period concerning an enterprise must be made available to a public authority. This implies that the authority must state for which period it wants the bookkept transactions and vouchers provided. That period cannot exceed the 5-year period during which providers are obliged to store the material.

## 11.7. Covering the costs of the duty to provide

Because providers of digital standard bookkeeping systems have a duty to provide details on an enterprise's bookkept transactions and related vouchers, the authority does not need to pay for provision of those details in principle. A provider can opt to charge the enterprise in question, or incorporate the costs of that duty into its pricing of its digital bookkeeping system.

If, however, an authority requests that such data has to be searched for according to other criteria than periodical, the authority must cover the costs incurred by the provider. The background for such an exception is that searching according to other criteria than periodical must be regarded as going beyond the duty to provide according to the Danish Bookkeeping Act, and furthermore, depending on the circumstances, may incur significant costs.

## 11.8. The duty to provide data stored by a third-party

According to the Danish Bookkeeping Act, there is no requirement for a provider of a hybrid digital standard bookkeeping system to store the enterprise's bookkept transactions and related vouchers on one of its servers. According to the Act, storage can also be done on a server at a third-party, e.g. a provider of a cloud storage solution.

### Example - Storage solution

A hybrid bookkeeping system in which the enterprise's bookkept transactions and related vouchers can be stored on the enterprise's computers, if the provider ensures full backup copies are taken automatically and regularly. In such instances, the provider will usually use a third-party solution for storing backup copies.

The duty to provide covers bookkept transactions and vouchers that are part of the digital bookkeeping system, including in add-ons and modules included in the bookkeeping system by agreement with the provider, e.g. a module with an e-invoicing solution. The duty to provide also applies to providers storing bookkept transactions and vouchers on a server at a third-party. Providers must therefore ensure that their agreement with the supplier of a -third-party storage solution make it possible for them to fulfil the duty to provide the data required in readable format.

The duty to provide for providers of a digital standard bookkeeping system does not apply to bookkept transactions and vouchers stored in an external third-party application which is part of a combined bookkeeping system. In such instances, it is the enterprise that has a duty to ensure that transactions and vouchers stored in such a third-party application can be provided according to the rules expected to be set out in a future executive order for bookkeeping systems that are not registered. However, providers of digital standard bookkeeping systems still have a duty to provide the bookkept transactions and vouchers the enterprise stores in the bookkeeping system according to the guidelines above. Please refer to the section on add-ons, modules and third-party applications.

**Where to find the rules on a provider's duty to provide:**

- [Section 19 \(2\) of the Danish Bookkeeping Act](#)
- [Section 11 of the executive order on requirements for digital standard bookkeeping systems'](#)

## 12. Inspections, responses and sanctions

In the previous bookkeeping act, there were no provisions on inspections made to check that enterprises comply with their bookkeeping duties. There was only one provision that obliged enterprises to provide their accounting material to the authorities in connection with an inspection, e.g. tax inspection or an inspection of the enterprise's annual accounts. The Danish Bookkeeping Act of 24 May 2022 introduced a significant change in this area in the form of provisions on general bookkeeping inspections, and special provisions on checks on compliance with the new provisions on a requirement for digital bookkeeping systems and digital bookkeeping. There are more details in this chapter.

## 12.1. New provisions on inspections along with responses and sanctions in the event of infringement

In addition to the provisions on general bookkeeping inspections and inspections of compliance with the provisions on requirements for digital bookkeeping systems and digital bookkeeping, new forms of responses have also been introduced in the event of infringements, including the option of compulsory winding up of an enterprise, or deletion of a digital standard bookkeeping system. Finally, a new provision on sanctions has been introduced with a significantly higher level of fines. With these changes, legislators want to highlight the importance to society that significant requirements for bookkeeping by enterprises are observed, and that more extensive infringements of the Danish Bookkeeping Act can imply a serious fine.

But it will still be important to emphasise that the new provisions on inspection, responses and sanctions are based on principles of significance, proportionality and risk-based inspections. The provisions also aim at major, more extensive infringements, responses must be applied proportional to the infringement involved and inspections are in response to an indication of a serious infringement of the law.

The norm will therefore be that any infringement will imply an order that the enterprise or the provider of a bookkeeping system must desist with the infringement. Providing an order is complied with, no further action will be taken. In some instances however, an infringement may be so serious that such a response will not be deemed as sufficient, and that a fine may be required for example. And particularly if an enterprise fails to respond to an order on correction of an infringement that can lead to serious responses and sanctions.

## 12.2. Different forms of inspections

Enterprises and providers of digital bookkeeping systems can find information in this section on which forms of inspection can be involved, and the kind of responses they can lead to. The possibility of a fine is described as whole in a subsequent section. You can read about the following four different forms of inspection for compliance with the Danish Bookkeeping Act that the Danish Business Authority must conduct:

- Inspection of newly-started enterprises that have not yet issued their first annual report, and enterprises that have opted out of auditing to ensure they meet the requirements for bookkeeping.
- Checking that providers observe the requirements for digital standard bookkeeping systems.
- Checking enterprises that use digital bookkeeping systems that are not registered.
- Checking that enterprises observe the requirements for digital bookkeeping.

In several of the areas, the Danish Business Authority's inspections are still in a preliminary phase or the rules do not come into effect until later. The guide on inspections and responses will therefore be regularly added to. At this time, the guide primarily covers checking that providers observe the requirements for digital standard bookkeeping systems.

### **12.3. Controlling newly-started enterprises that have not yet issued their first annual report, and enterprises that have opted out of auditing to ensure they meet the requirements for bookkeeping.**

The guide on bookkeeping inspections will be included at a later date, when the Danish Business Authority has gained experience with the new form of inspection.

### **12.4. Controlling that providers observe the requirements for digital standard bookkeeping systems.**

The Danish Business Authority's checks that providers observe the requirements for digital standard bookkeeping systems covers three different aspects:

#### **Controlling that providers observe the duty to notify digital standard bookkeeping systems.**

Providers of digital standard bookkeeping systems are obliged to notify their system to the Danish Business Authority before it can be marketed. The Danish Business Authority performs risk-based checks on all bookkeeping systems that require registration that they have been notified. The Authority can use data from enterprises that need to keep accounts on which bookkeeping system they are using.

#### **Controlling that digital standard bookkeeping systems fulfil the requirements**

Digital standard bookkeeping systems must fulfil the requirements for booking transactions and storage, IT security and automation to be registered. The Danish Business Authority checks that notified bookkeeping systems fulfil the requirements. If they do not, the system will not be registered.

Read more about the Danish Business Authority's checks on notification of a digital standard bookkeeping system in chapter 7 of the guide.

#### **Controlling that providers continue to ensure after registration that digital standard bookkeeping systems continue to fulfil the requirements**

When a digital standard bookkeeping system is registered, the provider has a duty to ensure that it continuously fulfils the requirements, including in connection with updates and changes. The Danish Business Authority performs risk-based control on this. The Authority can use data obtained from our bookkeeping and accounting control, which indicate whether a bookkeeping system does not fulfil the requirements. Risk-based control mean that the check is aimed at providers or enterprises where there are indications of enhanced risk that legal requirements are not being observed.

Upon the request of the Danish Business Authority, providers of digital standard bookkeeping systems have a duty to provide all the details we need to conduct the check that the requirements for such systems are being observed. The Authority can use external help to conduct a check of a provider's bookkeeping system. The costs will be borne by the Authority.



If the Authority finds as a result of a check that a provider has failed to observe one or more requirements, we can use a number of different reactions, depending on the actual circumstances of the matter. Responses can be divided into three groups:

- the standard responses
- special responses
- deleting a bookkeeping system

### Standard responses

The Danish Business Authority can give a provider different forms of orders or reprimands in connection with a check. Providers have a duty to comply with an order, and failure to do so can lead to a fine in accordance with the Danish Act on Bookkeeping.

Order to correct errors within a deadline. We can issue such orders if we as a result of a check of a provider find that one or more requirements for a digital bookkeeping system has not been fulfilled. Such an order will be the standard response in connection with a check in which we find an infringement of a requirement.

Orders on ceasing an infringement and that the provider confirms compliance in the form of a declaration given by an authorised auditor. We issue such an order if there is an infringement of particularly important requirements or more extensive infringements.

Reprimands concerning a bookkeeping system has not fulfilled the relevant requirements for a given period. We can issue a reprimand concerning a matter if it involves an infringement that the provider has subsequently corrected itself.

### Special responses

Ban continued marketing of a digital bookkeeping system until the provider complies with an order to correct infringements found. We can give such an order if the provider of a digital standard bookkeeping system fails to comply with an order to notify a bookkeeping system, or to change the system to comply with the requirements.

We can ban continued marketing of a digital standard bookkeeping system if a provider fails to provide the information we have requested. If a provider continues to fail to comply with our request for information despite a ban on marketing, the Danish Business Authority can delete the system from the list of registered digital standard bookkeeping systems, for more details, see [here](#).

Order the provider to warn enterprises using the relevant bookkeeping system of risks as a result of infringements found. We can give such an order if there are errors or omissions in a digital standard bookkeeping systems that can cause significant risks to the security of an enterprise's bookkeeping.

### Deleting a bookkeeping system

In accordance with the Danish Bookkeeping Act, the Danish Business Authority can delete a digital standard bookkeeping system from the list of registered bookkeeping systems. This is the most severe response in connection with our checks of registered digital standard bookkeeping systems. The

consequence of a deletion is that the enterprises who are customers of the provider cannot legally use the system for their bookkeeping any longer. It is therefore a response with serious consequences for provider and the affected enterprises.

We can delete a digital standard bookkeeping system from the list of registered bookkeeping systems if two conditions are fulfilled:

- if we find that a registered digital standard bookkeeping systems fails to fulfil the requirements as part of our checks, and
- if the provider fails to make the system legal despite being ordered to do so.

With regard to the serious consequences, we will however only consider deleting a system when it has so many serious errors and omissions that it can cause a serious security risk in relation to secure storage of registrations and vouchers, or in relation to IT security. In other instances, we will use the other response options instead, which we can use according to the Danish Bookkeeping Act, and can report the matter to the police with regard to a fine for failing to comply with an order.

When the Danish Business Authority has informed a provider about deletion, the provider has a duty to inform the enterprises using its system that it is no longer registered. We will also directly inform those enterprises that according to our information use the system in question, as enterprises required to bookkeep must state which system they use. Those enterprises will also be given a reasonable time period to switch to another system.

Deletion will cause considerable inconvenience for a large number of enterprises which have organised themselves around using that system for bookkeeping. We will therefore seek to avoid as far as possible when administering this provision that it becomes necessary to delete a system from the list of registered systems.

The Danish Business Authority will send an order to the provider to change the factors causing a digital bookkeeping system to no longer fulfil the legal requirements. If we have not been informed after a reasonable period of time that the matter has been corrected and the system is now legal, we will send a reminder. A final warning will be sent to the provider, setting out the consequences of failure to comply with the legal requirement.

The provider will thus always receive a reminder to correct the situation before deletion occurs. If the provider indicates willingness to change the situation that fails to fulfil the requirements, we will take it into account and may allow an extended deadline for correction.

A provider that wants to restart marketing a digital standard bookkeeping system that has been deleted must notify its system again.

## **12.5. Controlling enterprises that use digital bookkeeping systems that are not registered.**

Specially-developed bookkeeping systems, foreign bookkeeping systems not registered in Denmark and combined bookkeeping system for which an enterprise uses third-party applications for part of

its bookkeeping need not register with the Danish Business Authority. If an enterprise uses such a system, it has a duty to ensure that the system fulfils the requirements for such systems according to the Danish Bookkeeping Act. These requirements are expected to be formulated in a special executive order in the first half of 2023. We will conduct risk-based checks in accordance with the Danish Bookkeeping Act.

Control will only be initiated if there are indications that there is a significant risk of a bookkeeping system failing to comply with the requirements for such systems. This will apply in instances when there are already indications of enhanced risk of significant infringements of the Act in general.

Upon a request from us, an enterprise has a duty to provide us with details and accounting material necessary for us to conduct a check that the enterprise's bookkeeping system fulfils the requirements. The same applies to the enterprise's existing management or accountant or its previous management or accountant.

The Danish Business Authority can demand that an enterprise submits a declaration from an authorised auditor that its bookkeeping system fulfils the requirements. We will advise the enterprise of the factors an auditor's declaration must cover. The enterprise must bear the costs of the auditor's declaration.

The Authority can order the enterprise to change their bookkeeping system and use a digital bookkeeping system that is registered with the Danish Business Authority. We can give an enterprise such an order if it uses a digital bookkeeping system that is not registered, and it fails to comply with an order to comply with our requirement to make the system legal, or change to a legal system.

## **12.6. Controlling enterprises observe the duty for digital bookkeeping.**

The Danish Bookkeeping Act introduces a duty for all enterprises that need to keep accounts and others with a net turnover in two successive years exceeding DKK 300,000 to bookkeep digitally. The same applies to enterprises that perform bookkeeping for other enterprises. The Danish Bookkeeping Act contains no special provisions on inspections made to check that enterprises comply with the duty to bookkeep digitally. Checks will instead be included in the Authority's standard bookkeeping and accounting inspection. A special duty to inform when submitting annual reports has been introduced for enterprises that need to keep accounts, in which they have to state which digital bookkeeping system they use. The duty to inform comes into effect at the same time as the requirement for digital bookkeeping. Such information will be used by the Authority when conducting checks in this area.

## **12.7. Fines**

According to the Danish Bookkeeping Act, enterprises that need to keep books can be fined for infringement of the Act's requirements for bookkeeping. Furthermore, the provider of a digital bookkeeping system and enterprises using specially-developed or foreign digital bookkeeping systems can be fined for infringement of the requirements for digital bookkeeping systems.

## Fines for infringing general bookkeeping duties

An enterprise can be fined for infringing the following duties concerning bookkeeping:

- The duty to register as soon as possible all the enterprise's transactions accurately
- The duty to ensure transaction and control trails
- The duty to store accounting material securely for 5 years
- The duty to ensure that the accounting material is not damaged, lost or corrupted
- The management's duty to ensure storage of accounting material upon cessation of the duty to keep books, or changes in the management

## Fines for infringing duties concerning digital bookkeeping systems

The provider of a digital standard bookkeeping system can be fined for infringing the following duties:

- The provider's duty to ensure that the system fulfils the requirements for digital bookkeeping systems.
- The provider's duty to notify digital standard bookkeeping systems to the Danish Business Authority before it can be marketed for the purpose of registration.
- The provider's duty to provide the enterprise's registrations and vouchers stored in the bookkeeping system to the authorities, and to a liquidator, receiver or administrator.
- The provider's duty to ensure that a registered digital standard bookkeeping system continuously fulfils the requirements, including in connection with updates and changes to the system.
- The provider's duty to comply with the Danish Business Authority's order on making a digital standard bookkeeping system legal.

If an enterprise uses a digital bookkeeping system not registered with the Danish Business Authority, and breaches the duty to ensure that the system fulfils the requirements for such systems, the enterprise can also be fined.

## Fines for infringing duties concerning digital bookkeeping

An enterprise can be fined for infringing the duty to

- register all the enterprise's transactions in a digital bookkeeping system, and
- store registrations and related vouchers in a digital bookkeeping system.

An enterprise using a bookkeeping system that is not registered can also be fined if the system does not fulfil the requirements for digital bookkeeping systems according to the Danish Bookkeeping Act.

The same applies to enterprises that perform bookkeeping for other enterprises, such as bookkeepers and accountants.

Please note that the provisions on digital bookkeeping at this time are not in effect.

## Determining fines

Fines can run up to DKK 1.5m. When determining fines, the enterprise's turnover, extension and duration of the infringement and whether it recurred will be taken into account. In the event of very

serious infringements of a number of provisions on duties concerning bookkeeping, digital bookkeeping systems and digital bookkeeping, a more severe fine can be levied. Fines will be determined by the courts after evaluation of the circumstances of each case, based on the following guideline fine table:

Schematic overview of fine levels for infringing the Danish Bookkeeping Act			
Degree of infringement	Fine level for an enterprise with a net turnover of less than DKK 10m.	Fine level for an enterprise with a net turnover of between DKK 1-100m.	Fine level for an enterprise with a net turnover of over DKK 10m.
<b>Less extensive infringements</b>	DKK 10,000-25,000.	DKK 25,000-100,000.	DKK 100,000-250,000.
<b>More extensive infringements</b>	DKK 25,000-100,000.	DKK 100,000-250,000.	DKK 250,000-1,000,000.
<b>Very extensive infringements (tougher fine)</b>	DKK 100,000-250,000.	DKK 250,000-1,000,000.	DKK 1,000,000-1,500,000.

To follow is a description of less extensive more extensive and very extensive infringements, including typical examples. Please note that the list is not exhaustive, and it is up to the courts to determine the character of infringement in each case.

- 'Less extensive infringements' are defined as an enterprise having partially fulfilled its basic bookkeeping duty, but where some significant omissions were found that can cause uncertainty about certain entries in the enterprise's accounts and VAT/tax returns. A lesser infringement could be an enterprise that fails to consistently register transactions.
- A 'more extensive infringement' is defined as the enterprise's bookkeeping and stored accounting materials being so inadequate that it is impossible to compile accounts that can be audited, and the auditor has to comment during his review that it was impossible to complete as a result of missing bookkeeping, or it has not been possible for the authorities to determine whether the enterprise has e.g. submitted its VAT or duty returns correctly correct. The enterprise may have failed to register its transactions for extended periods or for a certain type of transaction. It may also have registered transactions in a digital bookkeeping system, but failed to store the registrations and vouchers in a bookkeeping system.
- 'Very extensive infringements' are defined as when all or the majority of the enterprise's transactions are not registered, or that transactions of special financial importance to the enterprise have not been registered and documented. The enterprise may also not have registered transactions or not stored registrations and vouchers in a digital bookkeeping

system, and there are other major omissions in manual bookkeeping, if used. If the enterprise fails to comply with an order to correct the infringement of the Danish Bookkeeping Act, it will also be regarded as a very extensive infringement.

One-off or occasional infringements are also punishable by fines, depending on their significance. This applies if such an infringement has significant or decisive financial importance, e.g. failure to register or store accounting materials concerning a contract, that comprises a large part of the enterprise's turnover.

### **To follow are the rules on inspections and responses**

Checking enterprises observe the standard bookkeeping requirements:

- Checking enterprises: Section 23 of the Danish Bookkeeping Act
- responses to bookkeeping checks: Sections 26 and 28 of the Danish Bookkeeping Act

Checking providers of digital standard bookkeeping systems:

- Checking providers: Section 25 of the Danish Bookkeeping Act
- Responses to checking providers: Sections 26, 27 (2)-(4) and 29 of the Danish Bookkeeping Act

Checking digital standard bookkeeping systems:

- Checking notified systems: Section 20 (1) of the Danish Bookkeeping Act
- Responses to checking notified systems: Section 20 (3) of the Danish Bookkeeping Act

Checking enterprises that use digital bookkeeping systems that are not registered

- Checking enterprises: Section 24 of the Danish Bookkeeping Act
- Responses to checking enterprises: Sections 26 and 27 (1) of the Danish Bookkeeping Act

Fines for infringement: Section 33 of the Danish Bookkeeping Act

[Read 'The Danish Bookkeeping Act' at Retsinformation](#)



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