



SKAT



# Starting your own business

DECEMBER 2014

## Contents

---

- 3 Dear business owner
- 4 When are you running a business?
- 10 When is an activity subject to VAT?
- 11 What taxes and duties should your business be registered for?
- 18 When you start your own business, you need to change your preliminary income assessment
- 22 Extended tax return
- 23 Tax accounts, VAT accounts and annual accounts
- 27 Your sales records must meet certain requirements
- 28 Bills of DKK 10,000 or above must be paid digitally
- 29 VAT deductions
- 33 VAT when trading with customers abroad
- 34 Deduction for business expenses
- 39 Your business has a tax account
- 40 SKAT sends letters to your business via Digital Post
- 41 Payment and deadlines
- 42 More information

## Dear business owner

---

Congratulations on starting your own business.

When you have just started up your own business, there is a lot of information you need to get familiar with and there are a lot of decisions to be made. There are rules to be followed and taxes and duties to be paid. Running your own business is challenging and we would like to help you get off to a good start.

In this guide you will find answers to the most frequent questions about tax, VAT and duties. Please note that the guide highlights the most important aspects of running a business but is not an exhaustive description of the rules.

To ensure that your business sets off on the right footing, we offer free information meetings where we will go through the steps that are necessary to follow when starting your own business.

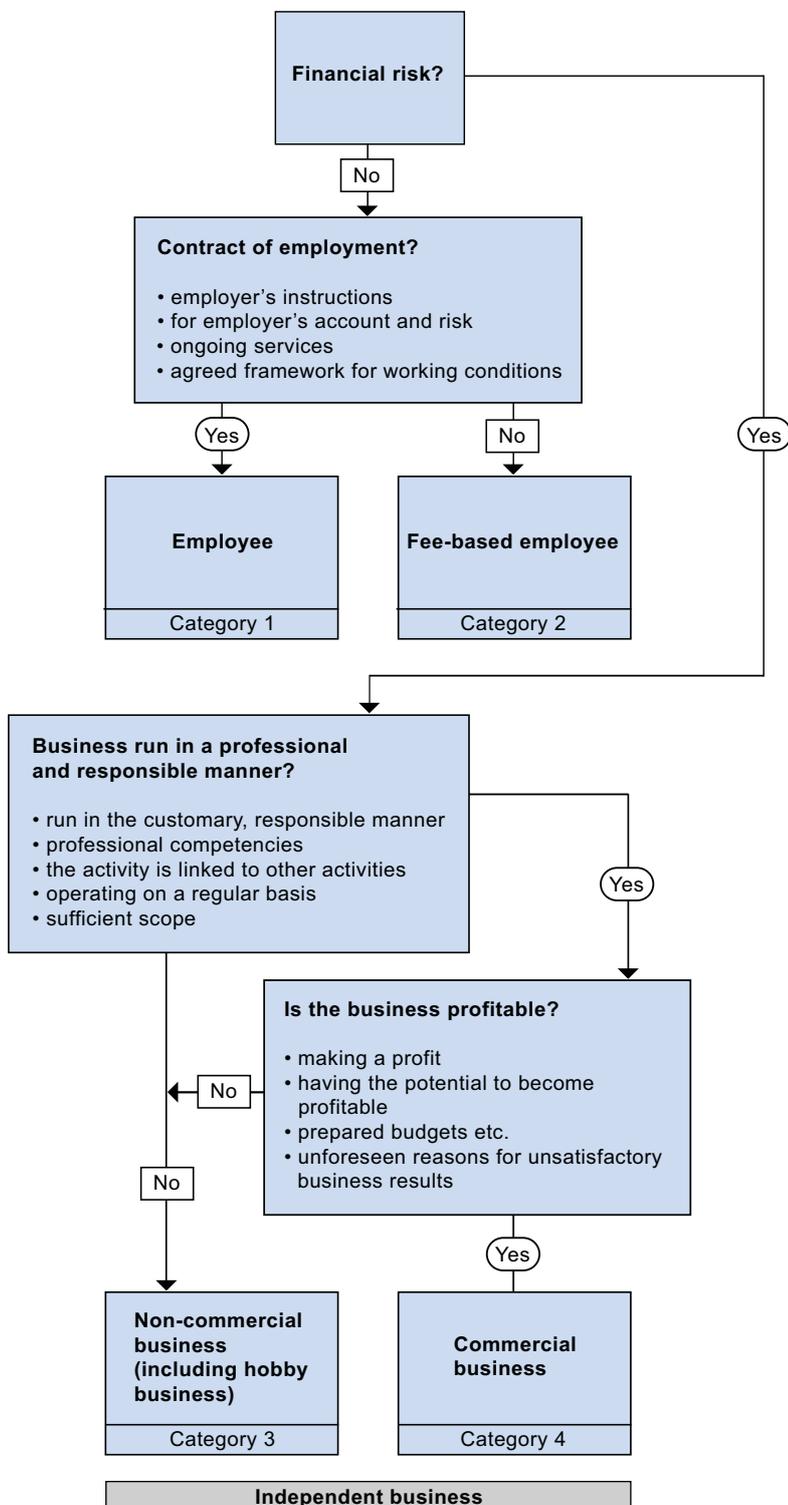
You can read more about the information meetings and other activities offered to you as a business owner in the section *More information*.

Good luck with your business!

Yours sincerely

SKAT

# When are you running a business?



When you start your own business, you will be classified into one of four categories for tax purposes:

1. employee
2. fee-based employee
3. non-commercial business or
4. commercial business

The category is key in determining the deduction value of your expenses, whether you have to pay labour market contributions (AM-bidrag) and whether loss is deductible.

### Assessment of activity

If you have several activities, each one is assessed separately. For example, you may be an employee with one activity and at the same time be a fee-based employee or run your own business in relation to your other activities.

In each case, the actual conditions form the basis of SKAT's assessment. An employee, for example, is not self-employed simply by issuing an invoice instead of receiving a payslip

The diagram below shows the key factors used by SKAT to determine the category of a given activity.

### QUESTION 1: (see the diagram)

Are you running a financial risk?

Generally speaking, you are categorised

according to whether your activity involves a financial risk.

Financial risk is taken to mean the risk of incurring a loss from the activity because your expenses outweigh your income - including expenses as a result of liability for damages. The time you invest in the business does not constitute a financial risk even though you may not be paid for it.

A financial risk may, for example, result from selling goods whose purchase or manufacture incurs expenses, which may not be reimbursed. Your product liability may also result in a liability for damages. You may be forced to exchange the product, take it back, repair any damage to the product and bear the cost of this or pay compensation to your customer.

If you sell a service, for example if you are a lawyer assisting with a sales contract and preparing a deed in connection with the sale of a house, your work expenses are usually limited. However, you risk being liable for damages if, for example, the seller of the property is not registered in the Land Register as the owner of the property.

## Employee

As an employee you are employed by somebody to do a job. Typically, you perform your job according to your employer's instructions, at his risk and as part of a contractual agreement.

- Employees may be, for example, freelancers and consultants.
- It is irrelevant whether you issue invoices instead of receiving a payslip or are registered for VAT.
- As an employee you need to deduct your expenses from your taxable income.

### QUESTION 2: (see the diagram)

*What determines whether you are an employee?*

Three conditions must be met in order for SKAT to consider you an employee:

1. You do your job according to your employer's instructions.
2. You do your job at the risk of your employer.
3. You do your job as part of an agreement.

It will always be an overall assessment.

Conditions	Explanation
<b>You do your job according to your employer's instructions</b>	There are set rules as to how and when you do the job, and your work is checked and supervised. You cannot decide which tools and materials to use to do the job. Typically, you cannot hire labour.
<b>You do the job at the risk of your employer</b>	You do not bear the costs associated with the job. You bear no real financial risk. The income is mainly net income, i.e. there are no costs associated with purchases and advertising your services, for example.
<b>You do your job as part of an agreement</b>	You have entered into an agreement regarding ongoing services. You are considered an employee under labour market legislation, for example the Danish Holiday Act (Ferie-loven) and the Danish Employers' and Salaried Employees' Act (Funktionærloven). You receive a fixed sum for each hour, week or month you work. Payment of bonuses, piece rates, etc. is agreed beforehand. You mainly work for one principal. You are entitled to a given period of notice. Your working hours, the number of working hours and when to take your holidays are agreed with or decided by the principal.

#### *Flexible working hours*

Freelancers and consultants often enjoy flexible working conditions, for example flexible working hours with the option of working from home, but that does not change the fact that they are employees or fee-based employees if they do not bear a financial risk. Usually, IT consultants do not bear a financial risk and will therefore be either employees or fee-based employees, depending on whether they have an employment contract.

#### *Example 1: Part-time farmer (employee and non-commercial business)*

Martin runs a small farm of 11 hectares. He grew up on the farm, and its location is key to him and his family. Martin grows crops and breeds pigs and he has a part-time job. His business operates at a loss.

*SKAT's assessment:* Martin's business is a non-commercial business. Despite being run in a technically/agriculturally proficient and responsible manner, the farm is unlikely to generate a profit.

#### *Example 2: Self-employed and teacher (employee and non-commercial business)*

David owns and runs a hunting and fishing shop with four employees. He has been contacted by the local evening school, which wants him to teach students seeking a hunting licence. He will have to teach one or two groups of students. Each group is expected to need eight to ten evenings of instruction in order to qualify for a hunting licence, which comprises a practical and a theoretical test. David is paid DKK 1,250 per evening class. David has to prepare teaching materials, whereas advertising and teaching facilities will be provided by the evening school.

*SKAT's assessment:* David is taxed as self-employed on the income he derives from his hunting and fishing shop, as he runs this shop at his own risk.

To David, the income from the evening classes represents salary/wages. He receives a fixed fee per evening class, irrespective of the number of students. David does not run a financial risk because he receives a fixed fee. Furthermore, David has no operating expenses exceeding what is considered normal for an employee.

#### **Fee-based employee**

If you do not do your job as part of an agreement and do not run a financial risk, you will be considered a fee-based employee.

- You are considered a fee-based employee if, for example, you perform a service in your spare time for which you are paid a fee or a one-off payment, even if you are primarily an employee or self-employed.
- The fee is typically agreed in advance, for example a set fee for each job or hour, and all your expenses are usually covered by the fee.
- Some fee-based employees may be liable to register for VAT if their annual revenue exceeds DKK 50,000 over a 12-month period. Some forms of fee-based activities are VAT exempt, including lectures and literary activities. Read more in the section *When is an activity subject to VAT?*

#### *Tax on fees*

Although you are paid a fee without a tax deduction, the fee must be declared as personal income. You must check to see whether the fee is declared on your tax assessment notice (årsopgørelse). If not, you must declare it on your tax assessment notice.

#### *Deductions for expenses*

You can deduct the expenses associated with the earning of the fee, but the expenses must not exceed the fee itself (the gross fee calculated after deduction of labour market contributions).

The expenses are deducted from personal income. If you receive fees which constitute B-income, you cannot get a tax-free travel allowance. Instead you can deduct your documented, actual travel costs. You can deduct these from your personal income.

*Example: Surveying tasks*

Robert is a salaried architect. He has a VAT-registered firm through which Robert, among other things, carries out individual surveying assignments in his spare time. Robert writes out an invoice with VAT plus a mileage allowance based on the state rates. The parties have agreed that Robert cannot be held liable for damages.

*SKAT's assessment:* It is the individual activity that is assessed. As Robert does not run a financial risk in connection with his surveying assignment, he cannot be considered self-employed. He is a fee-based employee, as he does not receive a salary from the party requesting the assignment and he plans the task as he sees fit.

**Commercial business**

SKAT considers a business to be commercial when it is operated at the owner's risk with a view to making a profit. This does not mean that your business is only considered a commercial business if you make a profit, but that it must be planned and run in such a way that it is likely to become profitable. With regard to the size of the profit, work effort and method of management, for example, the requirement will depend on the type of business you operate.

When assessing your business, SKAT considers two central conditions:

- 1) operation of the business
- 2) business profitability

If your business does not meet these two conditions, we regard it as a non-commercial.

QUESTION 3: (see the diagram) Is the business run professionally and responsibly? When SKAT assesses your business, focus will be given to whether the business is run professionally and responsibly:

Conditions	Explanation
<b>Is the business run customarily and responsibly?</b>	In other words, is the business sufficiently stocked, have opening hours been properly advertised, is the necessary level of financial investments in place and are such investments likely to be recouped by the business?
<b>Have you acquired the necessary professional skills to run the business?</b>	In other words, have you taken courses or do you have the necessary training in the relevant line of business?
<b>Have you operated your business regularly over an extended period and does it have a certain scope?</b>	The scope of the business is assessed according to the size of the production machinery and the revenue of the business.
<b>Do you run an agricultural business?</b>	To determine whether a farm is run in a technically/agriculturally proficient manner, SKAT assesses whether the farm is run professionally in terms of its type, location and size.  SKAT also assesses whether the purpose of the business is to generate a reasonable operating profit, unless the business even over an extended period would be unable to generate a profit.  However, there may be cases where deductions are not granted for a loss even if the business is considered sound from a technical/agricultural standpoint.

## Starting your own business

When are you running a business?

**QUESTION 4:** (see the diagram) *Is the business making a profit?*

When SKAT considers the profitability of your business, the primary focus is on whether your business makes a profit or shows the potential to do so.

Typically, a business is considered profitable when it generates sufficient profit to accommodate accounting depreciation and amortisation (deduction for actual impairment), return on investment and remuneration for your work effort.

Conditions	Explanation
Past/present	<p><b>Is the business showing a profit?</b></p> <p>SKAT assesses your profit or loss over time and the profit or loss in relation to your accounting depreciation and amortisation, your financial investment and your work effort. Your business must have existed for a certain period before SKAT can assess whether it is commercial.</p>
Future	<p><b>Does the business have the potential to become profitable?</b></p> <p>It is not uncommon for a business to make a loss at the outset, as there are special start-up costs and it takes time to build up a customer base. It is impossible to establish a set time frame for a business to become profitable, as it will always depend on the type of business.</p> <p>A newsagent, for example, would be expected to become profitable quicker than a specialist shop, which is unlikely to have a sufficient number of customers in the immediate local community</p>
Expectation and expectation adjustment	<p>Have you done market surveys prior to business start-up and have you prepared realistic budgets? Have you tried to adjust the budgets if they have proved unrealistic?</p> <p>Realistic budgets are taken to mean that your expectations in terms of income and expenses are based on market surveys and industry knowledge. You must be able to explain budget deviations, and it may be necessary to change the way you run the business to achieve potential profit.</p>
Causal explanation	<p>Are there any particular reasons why your budgeted results have not been achieved?</p> <p>Water damage to stock, for example.</p> <p>As a general rule, SKAT does not take personal reasons into account such as a lack of access to loans, family illness, etc.</p>

### Example 1: Painter

Harry starts his own painting firm after being away from the painting industry for several years. He purchases a commercial van and hires an assistant and an apprentice. Harry has not prepared budgets, but there is plenty of work and he makes good money.

*SKAT's assessment:* As the business is profitable and Harry has incurred a financial risk by investing in a commercial van and hiring staff, his painting firm, for tax purposes, is considered a commercial business. SKAT's assessment ignores the fact that Harry has not prepared budgets, partly because the firm generates a profit and partly because the lack of budgets is out-weighed by the risk incurred by hiring staff.

### Example 2: Part-time farmer

Peter runs a small farm of 7 hectares. It is a cattle farm producing beef. Peter also has a full-time job, but has taken an agricultural exam. The farm generates a modest profit.

*SKAT's assessment:* Peter operates a commercial business. Based on a technical/agricultural assessment, the business operations are considered customary and responsible and Peter aims to make a profit.

## Non-commercial business

When you are self-employed and your business does not qualify as a commercial business, SKAT considers it to be non-commercial.

- Your business is non-commercial when its primary aim is not to make a profit but to pursue a hobby such as painting or horse riding.
- Non-commercial businesses that incur a financial risk must pay VAT if the activity is subject to VAT. Read more in the section *When is an activity subject to VAT?*

*Non-commercial business, even where the aim is to generate a profit*

Even if the aim of your business is to make a profit, it is not certain that it is considered a commercial business. If you do not run your business customarily and responsibly, or if it has a limited scope, it is considered non-commercial. You may incur a financial risk but the manner in which you run the business means that it is considered non-commercial.

### *Example 1: Jewellery maker and dealer*

For some time Caroline has made jewellery and sold it from her home. Sales are good and the materials take up a lot of space, so Caroline rents premises in town and opens a shop where she makes and sells her jewellery. Caroline still has her full-time job on the side and can therefore only stay open between 4.00 and 6.30 pm four days a week. Despite advertising in the local newspaper once a month and taking part in local markets, Caroline's income is insufficient to cover her costs.

*SKAT's assessment:* Caroline's business is non-commercial. Caroline incurs a financial risk, but she does not put a great deal of effort into running the shop. Staying open for a few hours four times a week is not enough to generate sufficient revenue to cover her expenses. Nor is there a prospect of the business making a profit.

### *Example 2: Visual artist*

Charlotte is a well-known, professionally qualified artist. Over the years, Charlotte has nearly always filed a loss on her income tax return, but the year before last she made a profit of DKK 25,317. Despite exhibiting her work since 2007, Charlotte has only made a modest income.

*SKAT's assessment:* Charlotte's business is non-commercial. The business does not meet the usual criteria for an independent commercial business. The business is of limited scope and was not set up with a view to making a profit capable of offsetting the efforts and capital Charlotte invests in her business.

## Obtain a binding ruling before starting your business

You can request SKAT for a binding ruling if you are uncertain whether your business is considered a commercial business. A binding ruling from SKAT gives you certainty as to whether SKAT considers your business commercial.

The application fee for a binding ruling is DKK 400. Please make sure that the information you provide about your business is sufficiently specific and precise. This may be information such as:

- budgets
- documentation of budget figures, from your industry association, for example
- business plan
- documentation of industry knowledge, such as certificates, diplomas, etc.

More information about how to request a binding ruling is available in Danish at [www.skat.dk/bindendesvar](http://www.skat.dk/bindendesvar)

## When is an activity subject to VAT?

---

If you supply goods or services against payment as a taxable person, the supply is subject to VAT. If you supply goods or services as a private person, the supply is not subject to VAT.

Taxable person is taken to mean any person who, independently, carries out in any place any commercial/financial activity, whatever the purpose or results of that activity.

This means that a financial activity can only be carried out independently. Employees and other persons bound to an employer by a contract of employment or by other legal ties are not subject to the rules on VAT.

A contract of employment etc. means that a relationship of employer and employee has been created as regards working conditions, remuneration and the employer's liability. Read more in the section *Employee*.

Even if you are carrying out an independent financial activity, it does not necessarily mean that it is approved as a financial activity for tax purposes.



# What taxes and duties should your business be registered for?

When starting up your own business, you need to ensure that the business is registered for the correct taxes and duties.

- As a general rule, you must register your business no later than eight days before it begins trading.
- In general, if your business is exempt from VAT, you need to register for payroll tax (lønsafgift) instead of VAT.
- If your business imports or exports goods to and from other countries outside the EU, you need to register as an importer/exporter.
- If your business imports, manufactures or sells goods subject to excise duties, you need to register for excise duties.
- If you register as an employer at the same time as registering your business, the deadline is eight days before your business begins trading.
- If you employ staff a few months after your business has begun trading and you need to register as an employer, the deadline is eight days after you have paid a salary for the first time.

Master data for all businesses is registered with the Danish Business Authority (Erhvervsstyrelsen).

## *How to register your business*

You register your business at [www.virk.dk](http://www.virk.dk). As a sole proprietorship, you can log on to [www.virk.dk](http://www.virk.dk) using your NemID. Once you have registered your business, you will receive a registration certificate via E-tax for businesses (TastSelv Erhverv).

## **VAT**

As a general rule, you must register for VAT when you sell goods and services. VAT is a 25% tax which must be added to the price of the goods and services you sell. You must file your VAT return and pay your VAT on certain dates.

- You must register for VAT when you sell goods and services and your business's annual sales exceed DKK 50,000 before

VAT. If your sales are less than DKK 50,000, registering for VAT is optional.

- If you know from the start that your business's sales will exceed DKK 50,000, you must register your business for VAT no later than eight days before establishing it. You must pay VAT when you sell goods and services.
- You must charge, declare and pay VAT from the date you register for VAT.
- Once you have registered for VAT, you must prepare VAT accounts, and you can deduct VAT on most of the goods and services purchased for your business subject to VAT.
- As a general rule, if you sell services that are exempt from VAT, you must pay payroll tax instead of VAT. Services that are exempt from VAT include certain types of healthcare treatment services or teaching services.

## *If your sales are less than DKK 50,000*

If you are self-employed and your business sales subject to VAT are less than DKK 50,000 over a 12-month period, it is up to you if you want to register for VAT. If you register for VAT, the registration is valid for at least two years. The same rules apply as if the sales exceeded DKK 50,000.

## *Sales subject to VAT and sales exempt from VAT*

It is possible to have both sales that are subject to VAT and sales that are exempt from VAT, for example if you sell goods such as lotions and provide VAT-exempt healthcare treatment services.

If your business sales subject to VAT exceed DKK 50,000 over a 12-month period, you are required to register for VAT. VAT-exempt sales should not be included when registering.

You are only required to pay VAT on sales subject to VAT and not on sales exempt from VAT. However, as a general rule, you must register for and pay payroll tax on sales that are exempt from VAT.

#### *Special registrations*

Be aware that in some cases your business needs a special registration in addition to the ordinary VAT registration. This applies, for example, when:

- Your business imports goods from countries outside the EU. In that case, you must register as an importer at [virksomhed.virk.dk](http://virksomhed.virk.dk).
- Your business exports goods to countries outside the EU. In that case, you must register as an exporter at [virksomhed.virk.dk](http://virksomhed.virk.dk).
- Your business rents out commercial property. Renting out commercial property is exempt from VAT. However, you can apply for voluntary registration of VAT for commercial renting out, although not for residential purposes. If you are voluntarily registered for VAT, you must charge VAT on the rent, and you can then deduct the VAT from the expenses related to the property according to the general rules of the law.

#### *Special registration thresholds*

There are special registration thresholds for artists' first sales of own works of art, blind people's sales of goods, and for foreign businesses' sales of goods in Denmark. For more information about these rules, please contact SKAT.

#### **Services exempt from VAT**

If you are self-employed and sell certain types of services, these services may be exempt from VAT. This means that you do not have to register for and pay VAT when selling such services. Services that are exempt from VAT include healthcare treatment services, passenger transport services, social services or artistic services. As a general rule, if you sell services that are exempt from VAT, you must pay payroll tax instead of VAT.

- There are several conditions you must meet in order to be exempt from VAT. The conditions depend on the services you sell.
- If, for example, you provide healthcare treatment services or passenger transport services that are exempt from VAT, you must pay payroll tax.

- If, for example, you provide social services or artistic services that are exempt from VAT, you are neither required to pay VAT nor payroll tax.

#### *Conditions for VAT-exempt services*

Below you can read more about which conditions must be met in order for a service to be exempt from VAT. The services mentioned in the examples by no means include all VAT-exempt services.

#### *Healthcare sector*

Hospital treatment and medical services, including chiropractic, physiotherapy, other actual healthcare and dental services are exempt from VAT. In addition to hospital and medical treatment, treatments provided by alternative therapists and other healthcare professionals are also exempt from VAT.

#### *Conditions relevant to alternative therapists and other healthcare professionals*

In order for a service to be exempt from VAT, you need to, as an alternative therapist or other healthcare professional, meet the below conditions:

- You need to carry out your treatment with a view to cure illnesses or health issues, or you need to perform prophylactic treatment with a view to preventing illness or health issues.
- You need certain and sufficient training in order to carry out the treatments.

#### *Social services*

Social services are exempt from VAT. This also applies if you provide goods or services that are closely linked to social services.

A number of services are exempt from VAT as long as certain conditions are met:

- The service must be characterised as a social service or be closely linked to a social service. For example, this may include services provided by child and youth institutions and senior citizens' institutions, services provided by residential rehabilitation centres for drug users, or services provided by socio-educational residential institutions.

- The service must be provided by public bodies or other organisations recognised as charitable. The service may also be provided by private businesses, such as businesses working for the municipalities according to the Danish Act on Social Services.

If you provide VAT-exempt social services, you are not required to pay payroll tax.

### Teaching and course activity

#### *School teaching and teaching on higher education programmes*

School teaching and teaching on higher education programmes are exempt from VAT. This covers teaching in primary and lower secondary schools, in upper secondary schools, etc.

#### *Professional training*

Generally, professional training, including retraining and other training of an educational or vocational nature, is exempt from VAT. Such training is required to supplement or maintain the occupational skills of the participant.

#### *Professional training may include:*

- training of professional astrologers
- training of homeopathic/non-medical practitioners
- training of commercial pilots
- training for a commercial driving licence
- physical training such as gymnastics or yoga
- evening classes such as language or drawing

#### *Professional training does not include:*

- training for a driving licence for category A, B and B/E (ordinary car with a large trailer)
- hairdressing correspondence course
- kinesiology guidance, self-development, healing, dream interpretation, personal development, etc.
- audio clinic's treatment of dyslexia
- instruction on how to use your business's products
- cooking course in private home
- first aid course.

#### *Qualifying professional training*

Professional training that is directly providing qualifications are exempt from VAT.

By using the term qualifying training SKAT means professional basic education and other qualifying education intended to qualify the student for a certain job after having obtained the exams. SKAT considers professional training that is not directly providing qualifications as course activities.

#### *Course activity*

Generally, course activities are exempt from VAT if it is in fact professional training of individuals. On the contrary, course activities aimed at businesses and institutions and provided for a profit are always subject to VAT.

If you sell goods or services that are closely related to VAT-exempt teaching, they may also be exempt from VAT.

Generally, if you provide training exempt from VAT, you need to pay payroll tax.

#### *Artistic activities*

Payment for literary or composer activities or other artistic activities is exempt from VAT.

This applies to for example:

- payments for services performed by actors and musicians
- payments for speaker activities
- payments for certain journalistic activities

VAT exemption does not apply to:

- sales of goods such as art objects etc.
- events such as concerts where the artist charges an entrance fee

If you perform artistic activities exempt from VAT, you do not need to pay payroll tax.

## Starting your own business

What taxes and duties should your business be registered for?



### *Passenger transport*

Passenger transport is exempt from VAT. For buses, the exemption only applies to regular service. Tourist buses are, however, subject to VAT. Generally, the VAT exemption for passenger transport comprises passenger transport using any means of transport, or for example:

- ambulance services
- transport by plane
- ferry services
- regular bus services
- taxi services
- train transport services

If you provide passenger transport services that are exempt from VAT, you must pay payroll tax.

### **Payroll tax**

As a general rule, when you sell VAT-exempt services, you must pay payroll tax instead of VAT. This type of service includes services provided by physiotherapists, alternative therapists, taxi drivers and teachers.

- You need to register your business for payroll tax if the basis for calculating payroll tax exceeds DKK 80,000 annually.
- If you have just set up your business, it is likely that you will not exceed the threshold. Therefore, you do not always need to register your business for payroll tax immediately.
- Organisations, foundations, associations, lodges, businesses providing VAT-exempt gaming activities, and businesses with financial principal activities should only register if they have employees.
- You declare payroll tax via E-tax for businesses (TastSelv Erhverv). The payroll tax should be paid after you have declared it.
- You must declare payroll tax for each declaration period, even if the basis for calculating your payroll tax is '0' (also referred to as a '0' declaration).

*How to declare payroll tax*

Go to [www.skat.dk/english](http://www.skat.dk/english) and click 'Log on' in the top right-hand corner.

1. Click 'Log på med NemID eller medarbejdersignatur' (Log on with NemID or employee signature) or 'Log på med TastSelv-kode' (Log on with E-tax password).

2. Click 'Indberet lønsumsafgift' (Declare payroll tax).

3. Click 'Indberet' (Declare) next to the period for which you would like to declare. Click 'Nul indberet' ('0' declaration) if there have been no activities, i.e. purchases or sales, in the period selected.

**Businesses subject to payroll tax**

<b>Healthcare sector</b>	For example, doctors, dentists and dental technicians, physiotherapists, physio-therapists with provider number, opticians, chiropractors and alternative therapists meeting SKAT's education and treatment requirements.
<b>Passenger transport</b>	Businesses involved in passenger transport in Denmark, including taxi drivers and operators providing regular, timetabled passenger transport. Tourist bus services are subject to VAT.
<b>Financial activities</b>	Businesses in the financial sector such as banks, savings banks, credit and finance companies, including pension funds, investment funds, mortgage banks, stockbrokers, insurance companies, including insurance brokers.
<b>Teaching and course activities</b>	Businesses selling VAT-exempt teaching.
<b>Cultural activities</b>	Businesses selling cultural services.
<b>Undertakers and related activities</b>	
<b>Businesses publishing and importing newspapers</b>	Newsagents and other retailers selling newspapers need not register for payroll tax.
<b>Sports activities and sports events</b>	Businesses providing goods and services in relation to sport or physical education (except when provided voluntarily by associations for public education purposes, or by sports associations, sports clubs and sports unions, etc. promoting amateur sport).
<b>Self-employed groups of people</b>	Such as taxi dispatch offices.
<b>Businesses with other financial activity providing VAT-exempt services against payment</b>	These include organisations, foundations, associations, etc. which, in return for a membership subscription or other type of payment, safeguard administrative or common financial tasks for members. For example trade unions, employers' associations and caretaker services for homeowners' associations, etc.

## Starting your own business

What taxes and duties should your business be registered for?

### *Businesses not subject to payroll tax*

Businesses only selling services relating to for example:

- social services
- work provided voluntarily by associations for public education purposes, or by sports associations, sports clubs and sports unions, etc. promoting amateur sport
- museum services
- non-profit second-hand shops
- goods and services provided by charitable or otherwise non-profit associations in connection with the organisation of activities
- communication activities at knowledge and educational activity centres
- author and composer activities and other artistic activities
- passenger transport services directly to and from abroad
- charity events
- religious communities, such as recognised religious communities and organisations belonging to the established church or a free church are not subject to payroll tax on the activities relating to the safeguarding of members' religious interests
- some primary and secondary education programmes, and adult and higher education programmes

### **Calculation of payroll tax**

There are four methods to calculate payroll tax. The method you need to use depends on the activities of your business and type of organisation. Most businesses need to use method 4 to calculate payroll tax.

- Your registration certificate, which you can find in E-tax for businesses (TastSelv Erhverv), will tell you which method you should use to calculate payroll tax.
- The payroll tax is calculated by determining the tax basis and multiplying it by the tax rate.
- Calculation using method 4: (total staff salaries +/- taxable profit or loss excluding financial income and expenses, with certain adjustments) multiplied by the tax rate.

More information about payroll tax is available in Danish at [www.skat.dk/lønsum](http://www.skat.dk/lønsum).

### **Excise duties**

Excise duties are levied on the import, manufacture and sale of certain goods such as spirits and mineral waters. Some excise duties are also called environmental and energy taxes, such as tax on electricity and oil. Businesses importing or manufacturing goods subject to excise duties must register with the Danish Business Authority (Erhvervsstyrelsen).

- The individual excise duty laws indicate who must register.
- You must keep accounts.
- You must declare and pay your excise duties.

### *Registration*

As a general rule, you must register for excise duties regardless of whether you manufacture goods in Denmark or buy goods abroad which are subject to excise duty. You must also register if, for example, you burn biogas in large plants. There are several types of registration depending on whether you are a warehouse keeper, consignee, temporary consignee, consigner or are engaged in distance selling. The type of registration depends on the individual excise duty laws.

### *Other excise duties*

According to the Danish Act on Tobacco Duties, excise duties are payable on cigarettes, smoking tobacco, cigars, cheroots and cigarillos. According to the Danish Act on Registration Tax on Motor Vehicles, tax is payable on vehicles which must be registered according to the Road Traffic Act. Excise duties are also levied on some types of insurances.

### **If you have employees**

If you have employees in your business, you must be registered as an employer. You must, among other things, withhold A-tax (tax deducted from income at source), labour market contributions (AM-bidrag) and possibly labour market supplementary pension fund contributions (ATP) from your employees' salary/wages. And you must also withhold A-tax and labour market contributions from remuneration, gifts, bonuses, compensation and payment for non-competition clauses.

- You must withhold A-tax at the withholding rate indicated in the employee's tax card.
- You must withhold 8% of the employee's salary/wages for labour market contributions
- You must report and pay the amounts to SKAT each month.

#### *E-income*

You must report employment and salary/wage information to E-income (eIndkomst) in E-tax for businesses (TastSelv Erhverv). E-income contains the income information appearing from payslips and other statements showing income disbursements. All businesses and public authorities etc. disbursing salary/wages, pension, daily benefits in the case of unemployment, sickness or maternity/ paternity leave (dagpenge), social assistance benefits (kontanthjælp), state education grants (SU) etc. must report to E-income.

#### *E-income calculator (LetLøn)*

You can report to E-income via the E-income calculator (LetLøn). The calculator is an optional add-on module to E-income. Here you can see how to calculate your employees' A-tax, labour market contributions (AM-bidrag), labour market supplementary pension fund contributions (ATP) and holiday pay. More information in Danish is available at [skat.dk/letlon](http://skat.dk/letlon).



# When you start your own business, you need to change your preliminary income assessment

As a self-employed person, you yourself are responsible for paying tax and labour market contributions (AM-bidrag). You do so by changing your preliminary income assessment (forskudsopgørelse). Your taxable income is called B-income and therefore you must pay B-tax (tax deducted from income not taxed at source). You pay tax on your business profit by entering the amount you expect to earn in your preliminary income assessment.

- You are responsible for calculating your business profit and entering the amount in your preliminary income assessment in E-tax for individuals (TastSelv Borger).
- SKAT will then calculate your provisional tax and send you giro transfer forms for payment of your B-tax, spread over 10 months.

How to change your preliminary income assessment:

Go to [www.skat.dk/english](http://www.skat.dk/english) and click 'Log on' in the top right-hand corner.

1. Under 'Log on for individuals', click 'Log on with NemID' or 'Log on with E-tax password'
2. Click 'Ret forskudsopgørelsen' (Change your preliminary income assessment).

As a self-employed person, you need to fill in special boxes in the preliminary income assessment. You will find the boxes under the heading 'Selvstændigt erhvervsdrivende og udligningsordning for kunstnere' (Self-employed and income equalisation scheme for artists) in the preliminary income assessment. There you will find a number of boxes. As a new business owner you will typically need to fill in one of the two boxes below:

- box 221 if you expect a profit
- box 435 if you expect a loss

*SKAT calculates your provisional tax and sends you giro transfer forms for the tax payable*

When you have calculated your expected business profit for the year, enter the amount

in your preliminary income assessment in E-tax for individuals (TastSelv Borger). SKAT will then calculate your provisional tax and send you giro transfer forms for payment of your B-tax, which is payable over 10 months. There are no payments in June and December, *see example 1*.

If you have paid employment in addition to your business income, the tax will not always be collected separately, but will be incorporated in your ordinary tax card, *see example 2*.

You can always change your income in your preliminary income assessment if you expect your business profit or loss to change.

Knowing how much you are going to earn is particularly difficult for newly started businesses. Therefore it may help you to make a budget to estimate your income and expenses.

*In which year is the tax payable?*

You must pay income tax and labour market contributions on the income generated by the business during the year. You must also pay tax on income which you have not yet received, but to which you have acquired the right. This means, for example, that revenue from a sale must be included in your income from the time when you issue an invoice, even if it is a sale on credit. It also means that you can deduct expenses in the year in which you have received a bill, regardless of whether you have paid it.

*Example 1:* How the tax is calculated if you only have income from your business.

You have made a budget showing an expected business profit of DKK 200,000 in 2015. The total calculated provisional tax including labour market contributions is DKK 65,878, which is payable in ten instalments. SKAT will therefore send you nine giro transfer forms of DKK 6,587, which is payable by the 20th day of the following months: January, February, March, April, May, July, August, September, October and November.

*Example 1*



2015

Mr Eriksen

### Preliminary Income Assessment

Spouse's CPR no. (civil reg. no.)		CPR no. (civil reg. no.)	
		000000-0000	
Municipality where registered for tax purposes			
Lolland Kommune			
Tax rate	Health contributions	Municipal tax rate	Church tax rate
	4.00%	26.70%	1.23%
Personal allowance		Processing date	
43,400		3 December 2014	
SKAT's phone number		Contact	
+45 72 22 18 18		www.skat.dk/contact	
		Website	
		www.skat.dk/english	

### Result of preliminary income assessment

Total provisional tax after deduction of compensation for higher green taxes (the "green cheque")					65,878.33
B-tax (tax not deducted from income at source) etc.	Total amount to be withheld annually	Instalments	Amount payable per instalment	Amount due	Processing date
	65,870	1-10	6,587		3 December 2014

Giro transfer forms for the payment of B-tax etc. with regard to instalments 1 to 10 will be forwarded.

Previous giro transfer forms for the payment of B-tax etc. with regard to instalments 1 to 10 will be cancelled.

### Income assessment

Personal income	Before deduction of labour market contributions	Labour market contributions	After deduction of labour market contributions	
Profit from business or renting out of property	200,000			
Result	200,000	16,000	184,000	
Earned income, employer-paid phone and company car, etc.	0	0	0	184,000
<b>Assessment deductions</b>				
Employment allowance				-16,100
Taxable income				167,900

## Starting your own business

When you start your own business, you need to change your preliminary income assessment

*Example 2:* How the tax is calculated if you have income from both your business and paid employment.

You start up your own business in addition to receiving income from paid employment. You have made a budget showing an expected business profit of DKK 50,000 in 2015. The total provisional tax (i.e. tax on

earned income, business profit and labour market contributions) is DKK 87,277. In this case, tax on the income from your business will not be collected separately but will be incorporated in your ordinary tax card. Your monthly deductions and allowances will be adjusted, ensuring that you pay the right amount of tax each month.

### Example 2



# 2015

Mr Eriksen

## Preliminary Income Assessment

Spouse's CPR no. (civil reg. no.)		CPR no. (civil reg. no.)	
		000000-0000	
Municipality where registered for tax purposes			
Lolland Kommune			
Tax rate	Health contributions	Municipal tax rate	Church tax rate
	4.00%	26.70%	1.23%
Personal allowance		Processing date	
43,400		3 December 2014	
SKAT's phone number		Contact	
+45 72 22 18 18		www.skat.dk/contact	
		Website	
		www.skat.dk/english	

### Result of preliminary income assessment

Total provisional tax after deduction of compensation for higher green taxes (the "green cheque")						87,277.74	
Primary/ secondary tax card	Tax-free deductions and allowances	Per day	Per weeks	Per two weeks	Per month	Valid from	Deduction rate
		16	112	224	487	1 January 2015	41

Previous giro transfer forms for the payment of B-tax etc. with regard to instalments 1 to 10 will be cancelled.

### Income assessment

Personal income	Before deduction of labour market contributions	Labour market contributions	After deduction of labour market contributions	
#Profit from business or renting out of property	50,000			
Result	50,000	4,000	46,000	
#Earned income, employer-paid phone and company car, etc.	200,000	16,000	184,000	230,000
<b>Assessed deductions</b>				
Employment allowance				-20,125
Taxable income				209,875

### Different methods for paying business tax

You can choose to calculate tax on income from self-employment according to the general personal tax rules or according to the business tax scheme (special arrangement which includes the possibility of deferring tax payments on income retained within your business against payment of provisional tax at the business tax rate) or the return on capital tax scheme. In addition, there is an income equalisation scheme for artists. This scheme gives artists the same opportunities of equalising income as the self-employed.

- You decide which scheme you would like to use for each accounting period when you complete your tax return. To use the business tax scheme, you need to keep your business finances separate from your personal finances from the start of the accounting period.
- When you run a personally owned business, you can use the business tax scheme or the return on capital tax scheme. In other words, it is a requirement that you run a business at your own risk for the purpose of making a profit.

- You cannot use the business tax scheme or the return on capital tax scheme if you run a hobby business or similar non-commercial business.
- The tax schemes cannot be used by private limited companies and public limited companies. However, purchasers of shares may calculate their capital gains on shares if a number of requirements have been fulfilled.
- If you choose to calculate tax according to the general tax rules, this corresponds to having income from paid work, and your business profit is taxed correspondingly.

#### *Business tax scheme*

The business tax scheme allows you to deduct your business interest expenses from your personal income. You can also save up in your business, provided you pay provisional tax on the money. In this way, you can smooth your income for tax purposes by saving up in your high-earning years and withdrawing money from your accumulated profit in your low-earning years.

- If you save up in your business, that part of the profit you are saving up is taxed at 23.5% in 2015. The rate is reduced to 22% for the accounting period 2016 and the following accounting periods. The tax is provisional. If the accumulated profit is withdrawn from the business at a later date, it will be taxed as personal income, with a credit for the provisional tax already paid.

#### *Return on capital tax scheme*

The return on capital is that part of your profit which you can move from personal income to income from capital. If the profit is lower than the return on capital, you may move an amount corresponding to the profit.

- You do not pay labour market contributions on that part of the business profit which you move to income from capital.
- When you declare the return on capital in your preliminary income assessment, it will automatically be deducted from your personal income and added to your income from capital.

#### *How to choose between the business tax scheme and the return on capital tax scheme*

It is up to you to decide which scheme is most beneficial for you, considering the tax benefits and administrative requirements. You can choose the type of scheme already when you change your preliminary income assessment, but the final choice is made when you complete your final tax return. You can change your choice up to 18 months after end of the accounting period.

Being taxed according to one of these schemes requires more accounting work from you and in many cases it is advisable that you hire an accountant to do your accounts.

#### **Corporate form**

If you set up your business as a company, the company must withhold A-tax from your pay on the basis of your tax card. If you receive dividends from the company, it must withhold dividend tax in advance.

In addition to the tax payable, you must pay 23.5% (2015) corporation tax on the profit. The tax rate is reduced to 22% for the accounting period 2016 and the following accounting periods.

Corporation tax is collected twice a year as instalments on account. The instalments are payable on 20 March and 20 November. For newly started businesses, the first instalment on account will typically be DKK 0.

The company will automatically be registered for corporation tax with the Danish tax authorities, SKAT, based on the information you provide to the Danish Business Authority (Erhvervsstyrelsen). However, you yourself are responsible for the VAT registration.

If you are in doubt about which corporate form is most beneficial to you from a tax standpoint, you should contact an accountant, a lawyer or business consultant.

More information about the rules for companies is available in Danish at [www.skat.dk/selskaber](http://www.skat.dk/selskaber).

## Extended tax return

---

You will find your extended tax return and service letter in E-tax for individuals (TastSelv Borger). If you are registered for VAT or payroll tax, your tax return must be filed via E-tax. You still have to file a tax return even if you have no information over and above what appears in your service letter.

You need to prepare accounts to complete and file your tax return by 1 July at the latest after the year end. You need to keep accounts as often as is necessary during the year.

- Tax accounts need to be prepared for each year you run your business, regardless of the size of business.
- If the business revenue exceeds DKK 300,000, you must report accounting information to SKAT. If the business revenue is less than DKK 300,000, it is sufficient to complete and file your extended tax return.
- You only need to send your tax accounts to SKAT if your revenue exceeds DKK 25 million.

### *How to complete your tax return*

Go to [www.skat.dk/english](http://www.skat.dk/english) and click 'Log on' in the top right-hand corner.

1. Under 'Log on for individuals', click 'Log on with NemID' or 'Log on with E-tax password'.
2. Click 'Ret årsopgørelsen/selvangivelsen' (Change your tax assessment notice/tax return).

Here you can see the information that SKAT holds about you. Tick the amounts that are correct and enter any missing amounts. Click 'Godkend' (Accept) and in most cases you will get a tax assessment notice immediately. Please note that you cannot change all the amounts as some of the boxes are locked. Click the box description if you need help to change the locked boxes. As a minimum you have to complete box 111 or 112 and provide accounting information according to the size of your business (boxes 300-380).

If your business has stopped trading, you must complete box 71 and cancel its CVR number (business reg. no.) at [www.virk.dk](http://www.virk.dk).

### *E-mail notification from SKAT*

SKAT recommends that you enter your e-mail address under 'Ret kontaktoplysninger' (Change contact information). We will use your e-mail address to send you service information, such as telling you when you can enter information in your tax return or when your tax assessment notice has been generated.

### *If you file your tax return late*

If you miss the deadline for filing your tax return, you can still file it by using E-tax for individuals.

If you are late in filing your tax return, you will be charged a penalty of DKK 200 for each day by which the deadline is exceeded, up to a maximum of DKK 5,000 in total.

If your taxable income does not exceed the basic allowance limit for top-bracket tax, the penalty is DKK 100 for every day by which the deadline is exceeded, but no more than DKK 2,500 in total.

The penalty is calculated automatically and appears on your tax assessment notice under 'Skatteberegning og opgørelse' (Tax calculation and assessment).

# Tax accounts, VAT accounts and annual accounts

---

## Accounts and bookkeeping

You must keep balanced cash accounts of the business income and expenses. This means that if there are daily purchases or sales, you must enter a daily record of these.

- Bookkeeping enables you to prepare VAT and annual accounts, for example.
- You are required by law to keep all your business receipts for five years after the end of the income year.
- Regardless of who performs the bookkeeping, as the business owner you are responsible for the bookkeeping.

## Cash accounts

- You must keep daily cash accounts (cash statement). This is where you record all your payments received and made.
- You can enter payments received and made as a total amount if you can account for the total in the form of a cash register printout, a separate list or similar.
- Cash in hand must be reconciled with the cash accounts, and any cash differences must be entered immediately.
- Amounts withdrawn for private purposes or private funds paid into the cash account must be shown in the daily cash accounts.
- You must be able to produce receipts documenting all income and expenses.

## Who should do the bookkeeping?

There are no requirements as to who should perform the bookkeeping. For example, you can maintain the cash accounts and leave all or part of the bookkeeping to an accountant or a bookkeeping agency. You can also decide to do all the bookkeeping yourself or let an employee, your spouse or cohabiting partner do it.

If you do the bookkeeping yourself, it may be a good idea to buy or lease simple bookkeeping software. Typically, such software can also be used for stock management, price lists and customer databases.

## How to maintain bookkeeping records

In practice, bookkeeping is done with the help of double entry bookkeeping, i.e. using a cash or bank account to enter all in and outgoing payments and using another account for the sale of goods or purchases for the same amount, for example.

You must therefore create a chart of accounts for the business. The chart of accounts is an overview of how to separate your income and expenses, and each account has its own name. The same type of income and expenses must be entered in the same account every time.

A new business can usually manage with a single chart of accounts with clear descriptive names for the individual accounts such as:

- accounts for daily operations – income and expenses (such as sale of goods, purchases, office supplies and car operating expenses)
- accounts for business assets – showing the value of the business (such as accounts for bank, cash and/or giro accounts)
- accounts for business liabilities – how much your business owes (such as accounts for VAT and A-tax)

SKAT must be able to trace your bookkeeping records and all entries in your accounts must be documented by means of vouchers. We therefore recommend that you give your vouchers numbers to document your bookkeeping.

- Use sequential numbers on your vouchers, for example 103, 104, 105, etc.
- Use a ring binder to file your paper vouchers in numerical order.

*Bookkeeping example*

You bought goods for your inventory costing DKK 12,500 including VAT for the purpose of resale. You used your bank account to pay for the goods.

Date	Voucher no.	Text	Bank		Inventories		Input VAT	
			Paid	Disbursed				
15. january 2015	103	Paid, Dan-gros		12,500	10,000		2,500	

More information on how to go about bookkeeping is available in Danish at [www.startvaekst.dk](http://www.startvaekst.dk).

At [www.skat.dk/regnskab](http://www.skat.dk/regnskab) there is a video in Danish on bookkeeping.

**Annual accounts**

You must be able to produce the business accounts to SKAT on request.

- You are required to enter the business's income and expenses and prepare accounts, which you can produce and submit to SKAT on request.
- The annual accounts consist of an income statement (profit and loss account), a balance sheet (status) and movements in equity.

*What do the annual accounts show?*

The annual accounts/the income statement shows how much money the business has made during the period (income less expenses) and whether the business has made a profit or loss. The balance sheet shows the value of the business assets or what the business owes at a given point in time. The difference between what the business owns and what it owes is known as equity.

*Example of annual accounts*

Income statement			Balance sheet	
Note	Net revenue	210,000	Bank deposit	27,000
1	Cost of goods sold	100,000	Inventories	10,000
	<b>Gross profit</b>	<b>110,000</b>	Trade receivables	5,500
	Expenses		Operating equipment	10,750
2	Rent	12,000	<b>Assets</b>	<b>53,250</b>
	Accounting expenses	6,000	Equity at the begining	
3	Depreciation and amortisation	2,000	of the year	0
	Mintor assets	6,250	Net profit for the year	72,750
4	Car expenses	10,000	Withdrawals for the year	31,000
5	Telephone expenses	1,500	<b>Equity at the end of the year</b>	<b>41,750</b>
	<b>Net profit for the year</b>	<b>72,250</b>	Trade payables	8,000
			VAT payment	3,500
			<b>Liabilities</b>	<b>53,250</b>

*If you are the owner of the business*

If you run a personally owned business, you must keep your annual accounts and tax information, but under normal circumstances you are not required to submit these with your tax return. At the end of the financial year, you must take stock and make lists of debtors and creditors. You must also keep these business statements.

*Companies*

If your business is a company, you are required to prepare an annual report (i.e. annual accounts prepared in accordance with rules in the Danish Financial Statements Act (Årsregnskabsloven)), which must reach the Danish Business Authority (Erhvervsstyrelsen) no later than five months after the end of the financial year. More information about the rules is available at [ww.erhvervsstyrelsen.dk](http://ww.erhvervsstyrelsen.dk).

Companies and foundations must report financial information directly in their tax returns. The deadline is six months at the latest after the end of the accounting period. The tax accounts and other accounting records should only be submitted to SKAT on request. More information about the company tax return form is available in Danish at [www.skat.dk/selskaber](http://www.skat.dk/selskaber).

**VAT accounts**

If your business is registered for VAT, you must keep accounts which can serve as a basis for calculating the VAT to be declared to SKAT. Your business accounts must contain a number of VAT accounts in order to make your VAT accounts an integral part of your business accounts.

- You must keep accounts of goods and services purchased and sold, allowing you to calculate the figures to be declared to SKAT at the end of each VAT period.
- Your business accounts must contain special accounts for recording VAT and trade with customers abroad.
- All entries in your accounts must be documented by means of vouchers. Your sales and purchase vouchers must contain the information required by the VAT rules on invoicing.

- You must keep all accounting records for five years.

*More about vat accounts*

As the owner of a business registered for VAT, you must keep VAT accounts showing the VAT amounts to be declared and paid by you. When a VAT period ends, you must declare the output VAT and input VAT for the period in E-tax for businesses (TastSelv Erhverv).

The VAT accounts must be an integral part of your business accounts. You may want to use bookkeeping software which can also handle your VAT accounts.

As a minimum, your business accounts must contain the following VAT accounts:

- account for input VAT (this is where you record VAT on goods purchased)
- account for output VAT (this is where you record VAT on goods sold)

If you do business with customers abroad, your business accounts must also contain the following accounts:

- account for VAT on goods purchased abroad
- account for VAT on services purchased abroad subject to a reverse charge
- account for goods purchased in other EU countries (box A - goods in the VAT return)
- account for services purchased in other EU countries subject to a reverse charge (box A - services in the VAT return)
- account for goods sold to other EU countries (two B boxes - goods in the VAT return)
- account for services sold in other EU countries subject to a reverse charge (box B - services in the VAT return)
- account for exports to countries outside the EU etc. (box C in the VAT return).

*Basis for VAT accounts*

The amount to be declared in the VAT return appears from your ordinary business accounts. To make sure that your business accounts include all relevant vouchers, you must regularly reconcile the balance of cash on hand and at bank, for example, shown in

the business accounts to the actual balance (for example in bank statements or by counting the money in the till). As a business registered for VAT you are subject to the Danish Bookkeeping Act (Bogføringsloven).

*Pay attention to the VAT period*

Your business accounts must be up-to-date before you declare VAT. You must include all vouchers dated in the VAT period declared. This also applies even if the amount in the purchase or sales invoice has not been paid.

How to file your VAT return

Go to [skat.dk/english](http://skat.dk/english) and click 'Log on' in the top right-hand corner.

1. Select 'Log on for businesses' and then 'Log on with NemID or employee signature' or 'Log on with 'E-tax password'
2. Click 'Indberet moms' (File VAT return)
3. Click 'Indberet' for the relevant period.

Click 'Nul indberet' (0 declaration) if your business has neither purchased nor sold goods or services in the period.

You must file your VAT return via E-tax for businesses (TastSelv Erhverv). Once you have logged on, you can see for which periods VAT can be declared. You must declare VAT for all periods. In E-tax for businesses you can also correct previous VAT returns.



- If your business has neither purchased nor sold goods or services in the period, you must declare '0' for both input VAT and output VAT.
- If you discover errors in the VAT return, you must correct the VAT amounts for each period.
- You must always file a VAT return, even if your business cannot afford to pay the VAT.
- If you do not file your VAT return on time, interest and fees will be charged.

*Register for e-mail notification about VAT deadlines*

We can help you remember the deadlines for filing your VAT return and paying VAT. If we have your e-mail address, you will receive an e-mail approx. ten days before the deadline expires. You can enter your contact information in E-tax for businesses (TastSelv Erhverv) under 'Profil' (Profile) – 'Profiloplysninger' (Profile information).

*If you do not observe the deadlines*

If you do not file your VAT return on time, SKAT may determine your VAT based on an estimate. For doing so, SKAT charges a fee of DKK 800. Despite the estimate, you will always have to declare the actual VAT amount for the period. If you do not pay on time, SKAT will charge interest and fees for late payment.

*Authorise others to file your VAT return*

You may authorise your accountant or others to file your VAT return in E-tax for businesses. It is always your responsibility to ensure that your VAT return is correct and filed on time and the VAT due is paid on time.

*Documentation – vouchers*

All entries in your accounts must be documented by means of vouchers. Your sales and purchase vouchers must contain the information required by the VAT rules on invoices. If a voucher does not meet the requirements, you may lose the right to deduct VAT on the voucher.

# Your sales records must meet certain requirements

---

Whenever you sell goods or services, you must be able to document the sale in your accounts. As a general rule, this is done by issuing a sales invoice. If you mostly sell to private customers, the invoice may in some cases be replaced by a till receipt.

The invoice should contain the following:

- invoice date
- sequential invoice number
- seller's VAT registration number (CVR no./SE no.)
- sellers' name and address
- buyer's name and address
- quantity and nature of the goods or services supplied
- delivery date if it differs from the invoice date
- price of the goods/services exclusive of VAT, possible discounts, bonuses or rebates, unless these are included in the unit price
- current VAT rate
- VAT amount

If you have sales that are subject to VAT and sales that are exempt from VAT in respect of the same customer, the invoice must clearly state for which amount VAT is calculated.

If you sell to customers abroad, there are additional invoicing requirements. More information about special invoice requirements is available in Danish at [skat.dk/momsudland](http://skat.dk/momsudland).

## *Till receipts*

If you use a till, it must be auditable. This means that the till must be a double roll model as it must contain an audit roll in addition to the till receipt.

As a minimum, the till receipt must include the following information:

- business name or registration number (CVR/SE no.)
- date of issue
- type of goods
- the VAT amount or information that the amount is inclusive of 25% VAT

## *Simplified invoice*

You may make out a simplified invoice instead of an ordinary invoice when you sell goods or services, if the selling amount does not exceed DKK 3,000. If you mostly sell to private customers, you may also make out a simplified invoice if you do not use a sales registration system, such as a cash register, which prints till receipts for the buyer. However, a VAT-registered buyer can always ask for an ordinary invoice.

A simplified invoice must contain the following information:

- business name and CVR/SE no.
- sequential invoice number
- invoice date
- quantity and nature of the goods/services
- VAT amount

Information about the VAT amount is provided by stating that VAT accounts for 20% of the total price including VAT (i.e. 25% of the price excluding VAT).

It is important that you comply with these invoicing requirements as the buyer's right to deduct VAT (deduction right) is conditional, among other things, on the vouchers complying with the rules.

## Bills of DKK 10,000 or above must be paid digitally

When, as a business owner, you buy goods or services of DKK 10,000 or more, including VAT, you are required to:

- pay your bills digitally, or
- pay cash and send a message to SKAT via E-tax for businesses (TastSelv Erhverv) no later than two weeks after the payment has been made and no later than a month after you received the invoice.

If you pay a bill of DKK 10,000 or more, including VAT, in cash and fail to send us a message, you will not be entitled to deduct your expenses for tax purposes. If your supplier is cheating, you may also end up paying the VAT which should have been paid by your supplier.

### *How to inform SKAT about cash transactions*

Go [www.skat.dk/english](http://www.skat.dk/english) and click 'Log on' in the top right-hand corner.

1. Click 'Log on with NemID or employee signature' or 'Log on with E-tax password' under 'Businesses'.
2. Click the 'Kontakt' (Contact) tab.
3. Click 'Send besked til SKAT' (Send message to SKAT) in the left-hand menu.
4. Click 'Skatteforhold – selvstændigt erhvervsdrivende' (Tax matters – self-employed).
5. Click 'Indberet kontanthandel' (Report cash transaction).
6. Click 'Mail'.

### *Regular payments totaling DKK 10,000 or more per year*

If you have regular bills to pay (such as phone and cleaning bills), and each bill is less than DKK 10,000, you must also pay these bills digitally or send a message to SKAT via E-tax for businesses if the bills to the individual supplier total together at least DKK 10,000 including VAT over a one-year period.

### *Example:*

If you pay DKK 1,000 a month for cleaning services, this corresponds to DKK 12,000 per year. You therefore need to make sure you make the payment digitally so you do not lose your right to deduct expenses for tax purposes, and you do not risk having to pay if your supplier evades tax and VAT.

Digital payment includes:

- payment from one account to another
- payment in another way to the recipient's account (for example by payment cards), ensuring clear digital identification of payer and payee
- payment by means of giro transfer forms at the post office or bank
- payment made in full by means of barter trade, set-off or elimination of inter-firm accounts. If the payment is not for the full amount due, it is considered a cash payment.

### *If you have deducted expenses paid for in cash and the payment was not reported to SKAT*

If you have deducted expenses of more than DKK 10,000 including VAT, and you paid for these expenses in cash but did not report this to SKAT within the deadline, you need to do the following:

- adjust the amount deducted so no deduction is made. This applies if the payment was made in the current year.
- recognise the previously deducted amount as income in the accounting period the payment was made. This applies if the payment was made after the end of the accounting period.

# VAT deductions

---

As a general rule, if your business is registered for VAT, you may deduct VAT when purchasing goods or services for resale or for use in the operation of your business.

When assessing if VAT may be deducted from an expense (VAT deduction), you must determine the type of expense and what the purchase is going to be used for.

In other words, if the purchase is going to be used in your business activities, whether subject to VAT or exempt from VAT, or if it is going to be used for private purposes. You may only deduct VAT from expenses incurred in respect of your business activities subject to VAT.

## *Full VAT deduction for goods for business use*

You are entitled to a full VAT deduction for goods purchased for resale or for use in your production. The goods may not be used for private purposes.

- It is a condition for the VAT deduction that the goods were purchased from another business registered for VAT.
- In order to deduct VAT, you must be able to document your purchase, for example by means of an invoice or till receipt. The invoice must be issued to your business and show that VAT has been charged.
- You may deduct the VAT at the time of purchase.

## *You are entitled to a full deduction for goods such as:*

- goods purchased for resale or renting out
- materials for the production of goods
- goods used for repairs
- transport of your goods
- packaging for your goods

## *VAT deductions for fixed costs*

You may deduct VAT from expenses incurred on a regular basis by your business subject to VAT (fixed costs). The deduction is made by declaring it as input VAT in your VAT return. Special rules apply to items that you use for both private purposes and business purposes as well as to vehicle expenses, hotel accommodation and meals.

- A full VAT deduction is possible for expenses that only relate to your business subject to VAT.
- The right to deduct VAT is limited for certain fixed costs, and VAT is only partially deductible.
- You may not deduct VAT for certain expenses.
- If you have both revenue that is subject to VAT and revenue that is exempt from VAT, it is your responsibility to distribute the expenses.
- If you purchase goods you also use for private purposes, you must estimate the extent to which the goods are used for private purposes and business purposes, respectively.

## *Deductible expenses*

Deductible expenses include:

- rent (if VAT has been added to the invoice)
- purchase of and expenses for repair and maintenance of operating equipment, e.g. machinery, tools, fittings and furniture in factory, shop or office
- workwear and uniforms belonging to the business and which the staff wear at work
- mobile phones if the phone can be regarded as operating equipment in relation to the business's sale of goods and services subject to VAT
- magazines, trade journals, technical literature, staff and customer magazines, including periodicals, weekly magazines and periodicals provided by the business as part of its customer service
- flowers for decorating restaurants and hair salons, among other things
- heating, electricity, gas and water for the business
- advertising items and printed advertising material
- cleaning
- safety equipment
- telephone (landline)
- office supplies
- accountant

Special rules also apply if the expenses relate to acquisition or renovation of real property, and in relation to purchases of for example machines and other operating fixture and equipment (assets) of more than DKK 100,000. More information about VAT

deductions is available at [www.skat.dk/english](http://www.skat.dk/english).

*If your purchases also concern VAT-exempt business activities*

If you have both revenue that is subject to VAT and revenue that is exempt from VAT, you must distribute the VAT on the expenses which concern both revenue subject to VAT and revenue exempt from VAT (partial deduction). These may be expenses relating to rent, lighting, water, heating or audit services.

*How to calculate the partial deduction rate*

The deduction rate to be calculated by you indicates the amount of VAT you may deduct from your rent, for example.

You will need the sales figures from the preceding financial year when calculating the deduction rate for a VAT period. When the financial year has ended, you must adjust the deduction claimed during the year to make sure there is agreement between your final VAT deduction and the relationship between the year's sales subject to VAT and total sales.

*Example of calculation of partial VAT deduction (in DKK)*

Total sale of goods and services: 300,000  
Sale of goods and services subject to VAT: 100,000

Sale of goods and services exempt from VAT: 200,000

Calculation of deduction rate:  
 $(100,000/300,000) \times 100 = 33.3\%$   
Deduction rate is rounded up: 34%

Total sales are the sales subject to VAT and the sales exempt from VAT. VAT should not be included in the sales subject to VAT.

*If you purchase goods you also use for private purposes*

If you purchase goods you also use for private purposes, for example a computer, you must estimate the extent to which the goods are used for private purposes and business purposes, respectively. SKAT will normally accept your estimate, but it is

important that you can explain how you arrived at the distinction between private and business use.

If you have an asset (for example a printer) which you use for activities subject to VAT and activities exempt from VAT in the business and for private purposes, you must first estimate its use for private purposes. You must then distribute the remaining amount based on your business revenue (as shown above).

*Example (in DKK):*

You purchase various computer equipment, which you also intend to use for private purposes. You estimate that the private share of the use of the equipment is 25%, while the computer is used in your business the rest of the time (activities subject to VAT and activities exempt from VAT).

Purchase of computer with miscellaneous equipment:	20,000
VAT rate 25%:	
$20,000 \times 0.25$	= 5,000
Total price:	25,000

When calculating the amount of deductible VAT, you must first deduct the private share.

Total VAT amount: 5,000	
Private share 25%:	
$5,000 \times 0.25$	= 1,250

The remaining VAT amount to be distributed between the business's share subject to VAT and exempt from VAT:	
$5,000 - 1,250$	= 3,750

The share subject to VAT is: 34%	
(from previous example above):	
$3,750 \times 0.34$	= 1,275

In this example, the deductible VAT amount is DKK 1,275.

*Deduction for hotel expenses and restaurant visits*

Businesses registered for VAT may be entitled to full deduction for hotel accommodation. However, they may only deduct 25% of the VAT on restaurant expenses, even if the expense only concerns business activities subject to VAT.

The hotel invoice must clearly state the price of the room and the restaurant service (for example breakfast). This VAT may only be deducted if the expenses relate to the business activities subject to VAT. The expenses must also be strictly business related. This means that hotel accommodation and restaurant expenses of a partially private nature are not deductible.

*Restaurant expenses*

You may deduct 25% of the VAT on restaurant expenses incurred by the business for travelling salesmen in connection with their travel activities. You may also deduct 25% of the VAT on restaurant expenses incurred by the business as a result of its attendance at congresses, conferences, etc. The deduction right comprises expenses incurred by the business for both its employees, its owner and any business associates.

If the business holds meetings for its own employees at an external venue, the same rules apply to deductions as described above.

*Expenses for which no VAT deduction is granted*

You may not deduct VAT for the following expenses:

- the owner's private use of the products sold or manufactured by the business
- food (coffee and tea etc.) or other staff payment in kind
- construction, operation and maintenance of premises used as a private residence by the owner or staff
- construction and operation of day nurseries, kindergartens, youth centres, holiday homes, etc. for the business's staff

- maintenance of roads that are only used as residential access roads
- prizes, for example trophies, which are given to sports clubs etc. for advertising purposes

*VAT on vehicle expenses*

If you have a business, you may in some cases deduct VAT from your vehicle expenses depending on what you use the vehicle for and the type of vehicle. Special rules apply to private use of specially fitted vans and trucks up to four tonnes from which VAT was deducted at the time of purchase. Contact SKAT for more information about these rules.



## Starting your own business

### VAT deductions

#### Overview of VAT rules for vehicles.

Deduction right, purchase	Deduction right, rental	Deduction right, operation	VAT, sale
<b>Cars and motorbikes</b>			
No deduction	No deduction. See note 1	No deduction	You are not required to charge VAT on a sale
<b>Vans and trucks up to three tonnes</b>			
<i>You only use the vehicle for business purposes that are subject to VAT:</i>			
Full deduction	Full deduction	Full deduction	You must charge VAT on the full selling price
<i>You use the vehicle for both private purposes and purposes subject to VAT and exempt from VAT:</i>			
No deduction	34% deduction. See note 2	Full deduction. See note 2	You are not required to charge VAT on a sale
<b>Vans and trucks with yellow plates as well as buses over three tonnes</b>			
<i>You only use the vehicle for purposes that are subject to VAT:</i>			
Full deduction	Full deduction	Full deduction	You must charge VAT on the full selling price
<i>You only use the vehicle for business purposes subject to VAT and business purposes exempt from VAT (and never for private purposes):</i>			
A partial VAT deduction is possible*	A partial deduction is possible at the rate used in the business*	A partial deduction is possible at the rate used in the business*	You must charge VAT on the full selling price
<i>You use the vehicle for both private purposes and purposes that are subject to VAT</i>			
A partial VAT deduction is possible**	A partial deduction is possible for the share of the VAT which is estimated to concern your business activities subject to VAT**	A partial deduction is possible for the share of the VAT which is estimated to concern your business activities subject to VAT**	You must charge VAT on the full selling price

\* The relationship between your business revenue subject to VAT and exempt from VAT determines the size of the deductible amount (deduction rate). See an example in the section *VAT deductions for fixed costs*.

\*\* You must be able to document how you arrived at the estimate, for example by keeping a daily logbook. You can read more about the logbook in the section *Deduction for business expenses*.

Note 1. If the rental period is more than six months and at least 10% of the vehicle's use relates to business activities subject to VAT, a limited deduction is possible. The size of the deduction is stated in the invoice issued to you by the rental company.

Note 2. A partial VAT deduction is possible if your business's annual sales of goods and services subject to VAT exceed DKK 50,000.

#### *Tax on private use*

You have to pay tax on the private use of the vehicle if it weighs four tonnes or less, and if it is used for private purposes by you or your staff. Therefore, the general rules on company cars apply.

If the vehicle is used for private purposes and purposes subject to VAT, you must pay half of the tax.

If the vehicle is leased, you must pay tax on the private use according to the same rules.

#### *Special information on bridge tolls*

You may deduct VAT from bridge tolls according to the general rules on operation of vehicles.

You may also deduct VAT from the Øresund Bridge toll if you use a passenger car for business purposes.

# VAT when trading with customers abroad

---

If you do business with customers abroad, special VAT rules apply. Among other things, the rules depend on whether you are trading in goods or services, whether you are trading with businesses or private individuals, and whether you are trading with other EU countries or countries outside the EU (third countries).

- If you are selling goods or services to customers abroad, as a general rule you should not charge Danish VAT. If, on the other hand, you are selling to private individuals in other EU countries, you should usually charge VAT.
- When you are buying goods or services from abroad, as a general rule you are responsible for calculating and paying Danish VAT.
- You must report certain information to SKAT about your trade with customers abroad.

More information about the special rules is available in Danish at [www.skat.dk/momsudland](http://www.skat.dk/momsudland).



# Deduction for business expenses

You can deduct your business expenses from your business's taxable income according to various rules. Here are some of the most important deduction rules and examples of deductible expenses.

- As a self-employed person, you can deduct your business expenses.
- The expenses are deducted in your tax accounts, which you must prepare yourself or with help from an accountant or bookkeeper.
- Expenses which are not related to your business are not deductible.
- You must be able to document (prove) that your business has incurred the expenses that you deduct.
- Some of your business expenses can be depreciated or amortised for tax purposes. These are expenses and investments that are so large that they must be deducted for tax purposes over several years.

## *Starting a business*

When you start up a business, you can deduct your development costs. In most cases, you can deduct costs incurred during the six months prior to starting your business. This may be costs in connection with renting property on a commercial basis, phone, salaries/wages or advertising. The closer the costs incurred are to the start-up of your business, the greater the likelihood that these costs will be deductible for tax purposes.

Start-up costs or costs incurred in expanding ongoing business activities are not deductible. In other words, costs of accountants, lawyers and market surveys, for example, are not deductible.

## *When the business is up and running*

Once your business is up and running, the following expenses are deductible:

- purchased goods, i.e. expenses for goods that you have sold in your business
- rent of business premises
- electricity and heating for the business
- repairs and maintenance of business premises
- machinery, tools and equipment for the business. Large expenses must be deducted over several years (this is referred to as depreciation)

- operation and maintenance of cars (the part used for business purposes)
- business insurance
- expenses for accountants and lawyers
- phone and network expenses for the business

You cannot deduct supplies for private use.

## *Private expenses are not deductible*

You can only deduct expenses related to your business. In other words, you cannot deduct private expenses from your business profit. If the expenses are for both private and business purposes, you can only deduct the part for business purposes. If, for example, you use your car for both private and business purposes, you can only deduct a proportion of the total car expenses.

## *Deduction for operating expenses and capital expenditure*

Business expenses can be divided into operating expenses and capital expenditure.

Operating expenses are costs related to the ordinary activities of a business. Capital expenditure is purchase of machinery, tools and equipment, for example, which is not deductible at the time of purchase. However, you will usually be able to depreciate the expenditure, enabling you to get tax relief on the capital expenditure over a number of years.

## *Depreciation of operating expenses for tax purposes*

Some of the business expenses are so large that they cannot be deducted straight away. Instead these expenses must be depreciated. This means that the deduction must be spread over a number of years, and the rules for this are laid down by law. This spreading out is called depreciation.

- When calculating your tax profit, you can deduct most of your business expenses.
- Some of your business expenses may be depreciated for tax purposes. These are expenses and investments that are so large that they must be deducted for tax purposes over several years.

*Operating equipment with a short useful life, and minor assets*

In the year the operating equipment is acquired, you can choose to fully deduct the acquisition cost for operating equipment with a useful life of no more than three years or a price of maximum DKK 12,800 (2015). If the balance on the operating equipment account is below the threshold of DKK 12,800 before depreciation, you may also fully deduct the total balance. The DKK 12,800 threshold is adjusted every year. You can also choose to include the expense for minor assets with a short useful life in the ordinary balance on the operating equipment account (see below) and depreciate it over a number of years using the diminishing-balance method (see below).

*Operating equipment, tools and equipment, and ships (ordinary balance on the operating equipment account)*

Depreciation is calculated using the diminishing-balance method. This means that the total acquisition costs are added to one balance and then you can depreciate 25% of the balance per year. You are not bound to depreciate by 25%. It is possible to depreciate by a lower percentage if, for example, your income is so low that you do not need a depreciation deduction. Later, you can then depreciate against the higher balance.

*Depreciation example*

If you purchase a machine of DKK 100,000 you can choose to depreciate 25% in the first year. This means that you can deduct an expense of DKK 25,000 for tax purposes. Next year you can depreciate 25% of the balance, which is now DKK 75,000. This results in a deductible amount of DKK 18,750.

*Buildings*

As a general rule, buildings used for business purposes are depreciable. However, you cannot depreciate office buildings or buildings used for residential purposes. You may depreciate by up to 4% annually of the acquisition cost translated into cash. Under certain conditions, you are only entitled to

depreciate the business part of buildings used for both residential and business purposes.

*Fitting out rented rooms etc.*

Expenses incurred in fitting out rented rooms are not deductible at once but must be depreciated by up to 20% of the acquisition cost annually.

*Miscellaneous operating equipment*

If you are using operating equipment, such as a car, for both business and private purposes, you need to depreciate it separately. You may do the depreciation according to the diminishing-balance method from one year to the next, but only the part used for business purposes is deductible for tax purposes.

*Cars*

If you are running a personally owned business and you have chosen to be taxed according to the business tax scheme (i.e. the car is part of the business), as a general rule you will be taxable on the value of a company car at your disposal for private purposes. On the other hand, you may deduct all the car running expenses.

When the car is part of the business, you can choose to be reimbursed by the business for using the car for business purposes according to:

- a calculated 'rent' corresponding to the actual business expenses (i.e. the business part of the operating expenses and depreciation), or
- the Danish Tax Assessment Council's rates for using a private car for business purposes

In both cases, the reimbursement is deducted from the business income.

*Overview of rules about mixed private and business use*

The table below shows the tax treatment of cars for mixed private and business use when included and excluded, respectively, in the business tax scheme.

<b>Car is part of the business</b>	<b>Car is not part of the business</b>	
The self-employed person is taxed on the private use of a company car according to the rules on company cars.	The business reimburses the actual expenses for using a car for business purposes. See <i>example 1</i> below.	The business reimburses the expenses for using a company car. The expenses are reimbursed according to the Tax Assessment Council's rates for using a private car for business purposes. See <i>example 2</i> below.
A) All expenses, including the full depreciation are deducted when calculating the business profit.	A) That part of the total operating expenses, including depreciation, corresponding to the business use of the total use, is excluded when calculating the business profit.	A) An amount corresponding to the value of the business use calculated according to the Tax Assessment Council's rates for using a private car for business purposes is deducted when calculating the business profit.
B) An amount corresponding to the value of the company car is included when calculating the business profit.	B) The amounts are reimbursed free of tax to the self-employed person. The amounts are transferred in line with the other amounts the self-employed person has paid on behalf of the business.	B) The amount is transferred free of tax to the self-employed person.
C) The amount is considered transferred from the business to the self-employed person.		

*Logbook*

To avoid SKAT questioning the number of kilometres you used your car for private purposes and business purposes, you should keep a logbook. This applies regardless of whether you rent or own the car.

However, you do not need to keep a logbook if you are driving a car with yellow number plates, and if you have deducted the VAT when you bought the car, as you are not allowed to use this type of car for private purposes (or for VAT-exempt purposes). The logbook must be kept daily and show:

- date the journey began and ended
- business purpose of the journey
- final destination and stops
- odometer readings at the start and end of the journey
- number of kilometres travelled
- number of business kilometres and private kilometres

To be able to document your number of business kilometres, you need to enter the point of departure, destination and the reason for the journey. It is important that your entries are accurate, as inaccuracies may lead to the logbook not being accepted as valid documentation.

*Example 1: If you choose to be reimbursed the actual expenses for using the car for business purposes*

According to the logbook, you have travelled 20,000 km of which 8,000 km (i.e. 40%) are business kilometres. Total car operating expenses (petrol, insurance, repairs, etc.) amount to DKK 24,500.

The number of business kilometres amount to 40% of DKK 24,500 = DKK 9,800.

The taxable value of the car is DKK 150,000.

Depreciation amounts to DKK 15,000 (DKK 150,000 x 0.25 = DKK 37,500 x 40%).

The actual deductible business expenses (i.e. the business part of operating expenses and depreciation) are DKK 24,800 (9,800 + 15,000).

*Example 2: If you choose to be reimbursed according to the Tax Assessment Council's rates*

According to the logbook, you travelled 20,000 km of which 8,000 (40%) are business kilometres.

According to the Tax Assessment Council's rates, deductible expenses in connection with transport for business purposes are 8,000 km x DKK 3.70 (2015) = DKK 29,600.

The method you choose to calculate your reimbursement can only be changed once for the same car. If you change the method by which you calculate the reimbursement, you must do so at the beginning of an accounting period.

#### *Deduction for loans and debt*

If you have loans or debt in your business, you may deduct interest expenses in the year in which they are added to your loans and debt.

- Interest expenses are only deductible if you are liable for the loan.
- SKAT is automatically notified of debt and interest expenses. You can see the information under 'Skatteoplysninger' (Tax information) in E-tax for individuals (TastSelv Borger).
- If there is debt or interest of which SKAT has not been notified, you must inform SKAT yourself via E-tax for individuals.
- If you are using the business tax scheme, the interest expenses will be deducted automatically from your personal income.

#### *Business from home address*

In order to deduct the expenses incurred in constructing, repairing and using rooms which form part of your private home, the rooms must be converted. This means that you will no longer be allowed to use the rooms for private purposes. It is not enough

that the rooms are actually not used privately. If it is still possible they can be used for private purposes, they cannot be deducted. A room converted into an office, for example, could almost always be used privately.

Your desk, filing cabinet and other office furniture are fully or partially deductible if you are able to document and prove that they are used in your business. The deduction is made on the basis of a specific assessment.

#### *Entertainment*

Entertainment expenses include expenses incurred in closing a deal or establishing and maintaining business relations.

Typical entertainment expenses include expenses for meals, restaurant visits, drinks, gifts, expenses in connection with anniversaries, birthdays, journeys, trips, etc. To document the expenses, it is important that you save the receipts and note on what occasion the specific expense was paid.

25% of the entertainment expenses are deductible for tax purposes. However, advertising expenses are fully deductible. Advertising expenses are expenses incurred in promoting your business to an indefinite number of people.

#### *Tax on phone, computer and internet connection when you are self-employed*

If you are running a personally owned business and are using your work phone for private calls, you will be taxed on DKK 2,600 per year. If you have to pay tax on an employer-paid phone (free phone) and free internet connection, you will still only be taxed on a total of DKK 2,600 per year.

- You will be taxed on a free phone even if you only take your work phone home once.
- You will be taxed on free phone if you are running your business from your private home.
- You do not pay tax on the private use of your workplace computer.
- Special rules apply to taxation on the private use of the internet.

*Computer*

If you have accessories installed on your computer enabling you to work from home, you are not taxed on the use of the computer, even if you use it for private purposes.

*Employer-paid phone (free phone)*

If you have a free phone at your disposal, you should enter DKK 2,600 in box 462 on your tax return in E-tax (TastSelv). In your business tax accounts you then deduct DKK 2,600 from the phone cost.

*Internet*

You do not have to pay tax on an internet connection if you are running your business from home, or if the connection via the computer gives you access to the workplace network (i.e. access to basically the same functions and documents as when you are at work).

If your internet connection does not meet the one of the two conditions, you will be taxed on DKK 2,600 annually.

You then have to enter DKK 2,600 in box 462 on your tax return in E-tax. In your business tax accounts you deduct DKK 2,600 from the internet cost.

If you have to pay tax on both free phone and internet connection, you only need to deduct a total of DKK 2,600 from the phone and internet costs in your business tax accounts.



# Your business has a tax account

---

Your tax account shows a statement of your business declarations and payments to and from SKAT.

- You find your tax account in E-tax for businesses (TastSelv Erhverv)
- You have one tax account per CVR no. (business registration number) or SE no. (VAT registration number). If your business has more than one SE number, you have a tax account for each SE number.

### *What is included in your tax account*

Your tax account gives you a total overview of what you have declared and paid, and what you owe, for example, VAT, payroll tax, A-tax (tax deducted from income at source) and labour market contributions, corporation tax, corporation tax on account, tax on dividends, excise duties, environmental tax, other duties and taxes as well as charges and interest. You can also see any possible debt which we have referred to the debt-collection department at SKAT.

If you have a personally owned business, your B-tax (tax not deducted from income at source) is not included in the tax account. You still need to settle your B-tax via your preliminary income assessment in E-tax for individuals (TastSelv Borger).

### *Do not pay until five days before the final due date*

SKAT recommends that you pay on time and at the earliest five business days before the final due date. If you pay any sooner than that, it will appear as if you are entitled to a refund. As a result, you may be refunded the payment, provided your business does not owe money to SKAT or any other public authorities.

If you decide to pay sooner than five business days before the final due date and want to avoid a refund, you can increase the refund limit in your tax account. You will need to readjust your disbursement limit back to its original level afterwards.

Your payment is timely if:

- You pay by means of online banking and the payment is withdrawn from your account no later than the final due date, and if the payment is made according to the bank's terms and conditions for transfers.
- You pay by means of giro transfer forms no later than the final due date.
- You pay by means of 'Nets LeverandørService' (Supplier Service) and have approved the payment transfer via E-tax for businesses no later than 4 p.m. (16.00) on the banking day before the final due date.
- You pay by requesting your bank to make a transfer from your account to SKAT's account no later than the day before the final due date.

Read more about the tax account at [skat.dk/taxaccount](http://skat.dk/taxaccount).

# SKAT sends letters to your business via Digital Post

---

All businesses with a CVR number (central business reg. no.) must have a digital mailbox at [www.virk.dk](http://www.virk.dk) where they will receive letters from the public authorities, including SKAT. You may also choose to receive these letters in your business's eBoks. Please note that not all letters are sent via Digital Post which is why you also need to check your physical mailbox and e-mails in your ordinary inbox.

To activate and access the digital mailbox, businesses need to use a NemID employee signature. You cannot use your private NemID (even if you own the business).

Please note that your preliminary income assessment (forskudsopgørelse), extended tax return and tax assessment notice (årsopgørelse) will not be sent to you via Digital Post. To see these, you still need to log on to E-tax for individuals (TastSelv Borger).

## **More information**

More information about Digital Post and NemID is available at [www.virk.dk](http://www.virk.dk).

Information in Danish about letters from SKAT via Digital Post is available at [www.skat.dk/digitalpost](http://www.skat.dk/digitalpost).

# Payment and deadlines

---

To get an overview of the deadlines your business must meet, please go to [skat.dk/betalingvirksomhed](https://skat.dk/betalingvirksomhed) (only available in Danish).

## *Declaration and payment deadlines for newly started businesses*

---

### **Must be declared and paid no later than**

---

<b>VAT</b>	1 June, for the period 1 January – 31 March 1 September, for the period 1 April – 30 June 1 December, for the period 1 July – 30 September 1 March, for the period 1 July – 31 December
<b>Payroll tax</b>	According to method 1: 15 days after the end of the quarter According to method 2: 15 days after the end of the month According to method 3: 15 days after the end of the quarter  According to method 4: 15 days after the end of the quarter, for businesses with staff, and a final statement of payroll tax payable for the year must be submitted on 15 August in the following year. Businesses with no staff need only submit a final statement on 15 August the following year
<b>Excise duties</b>	As a general rule, 15 days after the end of the month
<b>Employment and income information, including A-tax and contributions</b>	As a general rule, the 10th of each month for small and medium-sized businesses
<b>Imports</b>	16 days after the end of the month in which the goods have been imported if security has been provided for the customs credit. If no security has been provided, the deadline is five days after the goods have been customs cleared

---

If the declaration and payment deadlines are a Saturday, Sunday or holiday, the deadlines are moved to the following working day.

## More information

---



### *Contact SKAT*

You are always welcome to contact SKAT on +45 72 22 18 18 or by e-mail. Read more at [www.skat.dk/contact](http://www.skat.dk/contact).

### *Courses and information meetings*

SKAT offers regular business courses and information meetings. See all SKAT's current courses and information meetings at [www.skat.dk/kursus](http://www.skat.dk/kursus) (in Danish).

### *Guidance meeting*

You can book a guidance meeting with SKAT if you have just started up your own business, if you have questions about tax, VAT, duties or customs duties, or if you have already set up your business and would like to get more familiar with the rules. Read more at [www.skat.dk/vejledningssmøde](http://www.skat.dk/vejledningssmøde) (in Danish).

### *Useful information*

There is a lot of help and useful information at [www.skat.dk/virksomhed](http://www.skat.dk/virksomhed) (in Danish). For information in English, please visit [www.skat.dk/english](http://www.skat.dk/english). Please note that not all Danish information has been translated into English.

Useful information in Danish is also available at the following websites:

[www.startvaekst.dk](http://www.startvaekst.dk) is a portal for entrepreneurs and newly started businesses. The portal is run by the Danish Business Authority in cooperation with the Vaeksthuset.

[www.vaekstguiden.dk](http://www.vaekstguiden.dk) provides information on where to find help if you need advice on setting up your business and how to finance it.

[www.virk.dk](http://www.virk.dk) is the official business internet portal providing a single entrance to the public sector.

---

---

# Starting your own business

---

In this guide you will find answers to the most frequently asked questions about tax, VAT and duties. Please note that the guide does not provide an exhaustive description of the rules related to tax, VAT and duties but is intended to give you an overview.

More information is available in Danish at [skat.dk/iværksætter](https://skat.dk/iværksætter)

**skat.dk**

---

Published by **SKAT**



**SKAT**