



SKAT

Starting your own business – know the rules

MAY 2006

Dear business owner

Congratulations on having started your own business. We hope that you will benefit from it and we are pleased that you in this way are able to contribute to Danish society. The money that you pay in tax via your business is, among other things, used for schools, hospitals, roads and centres for the elderly – all the things that the Danish Parliament and the local authorities decide that we need.

When you have your own business, there are certain rules that you have to observe and certain taxes and duties that you have to pay. You also need to keep accounts. There are many things to learn, and we would like to help you get off to a good start.

Therefore, we have made this leaflet which informs you about the most important rules in a clear and comprehensible manner. The leaflet uses a greengrocer as its starting point and shows examples from this shop, but the rules that are described apply to most businesses.

When we visit your business, the purpose is to help you understand the rules or to check your accounts. We would like to guide you, so that you can keep your accounts in order and benefit from the advantages of following the rules.

You can read more in other leaflets from SKAT and at www.skat.dk. You are always welcome to contact SKAT on tel. 72 22 18 18, by e-mail: skat@skat.dk or in person at your local tax centre. Visit www.skat.dk to see our addresses and opening hours.

The leaflet is available in Danish, Danish/English, Danish/Arabic and Danish/Turkish. The leaflets are available at www.skat.dk – select *Virksomhed* and then *Vejledning*. You can also get a printed version from the tax centres – free of charge. For addresses and more information, visit

www.skat.dk

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You need to keep accounts

When running your own business, you need to keep accounts that show all the income and expenses of your business, what your business has invested, what your business is owed and amounts due.

The accounts are necessary for you and SKAT to know how much tax you have to pay. The advantage of keeping accounts is that you can always see how your business is doing and how much money there is for yourself. You will also need the accounts to document the financial situation of your business to your bank if you are applying for a loan.

Every time you sell an item, you must record the sale on the cash register, and the customer must be given a sales ticket. You must keep the audit roll yourself as a voucher. The sales ticket must show the date of the sale, the price of the individual item, which items are sold, the total amount of sale and how much the VAT is. The sales ticket must also show the name of your business and your CVR number.

When you sell items that are not paid on delivery, you must issue a bill/an invoice. When you buy goods that you do not pay for on delivery, you receive a bill/an invoice.

You must keep vouchers for your accounts for at least five years. Vouchers include all documents related to your accounts, e.g. bills/invoices, bank statements, cash statements, inventory records and bills for the goods and services that you buy. Special rules apply to vouchers when you sell soft drinks, sweets, chocolate, beer, wine and tobacco. Read more in the section *You must pay duties when you sell certain items*.

What the accounts must include

You must keep accounts that include:

- **Cash statements and bookkeeping:**
Every day, you must count the cash and keep a record of incoming and outgoing payments. In addition, you must record the amounts from the cash statement of the day together with all other vouchers for purchases and sales to the business, e.g. unpaid invoices from your suppliers or outstanding balances owed by your customers. Together with your bookkeeping, your cash statements form the basis for the settlement of VAT, duties and A tax and are thus the basis for preparing the annual accounts of the business. See the section *Example of cash statement*.

- **Annual accounts:**

At the end of the year, you must prepare a statement of the total income and expenses for the year. Read more in the section *You must pay tax*.

Many businesses hire an accountant to handle all the figures, do the bookkeeping and prepare the annual accounts. You will have to do the daily cash statement yourself.

The cash statement has many names

In Danish, cash statement (*kasseopgørelse*) has many names: *kasserapport*, *kassekladde* and *kasseregnskab*, but they all have the same meaning: the statement of incoming and outgoing payments that you must prepare every day.

According to law, you must count the cash every day. In this way, you can check that everything is recorded on the cash register, that you do not give your customers too much or too little change and that your employees do not embezzle you.

Important note in connection with accounts

- Record all sales on the cash register, balance the cash every day, and make a cash statement of incoming and outgoing payments.
- Your customers must be given a sales ticket.
- You must not take cash from the cash register without recording it on the cash register.
- Make annual accounts that show your income and expenses.
- Remember to keep all accounting documents on file for at least five years.
- If you have employees, you must keep all payslips and payroll accounts for at least five years.
- You must show SKAT all your accounting material/documents if we ask you to do so.

You may be fined if your accounts are messy, and SKAT may reject your accounts and instead make an estimate of your income. You have to pay charges and interest on any overdue VAT and tax payments.

You can read more about accounting in the bookkeeping guide (*Bogføringsvejledningen*) on the website of the Danish Commerce and Companies Agency (*Erhvervs- og Selskabsstyrelsen*) at www.eogs.dk.

Example of a cash statement

You can buy cashbooks intended for cash statements from bookshops and other shops selling stationery. Here is an example of how a cash statement for a greengrocer may look:

Date	Voucher no.	Text	CASH		BANK	
			Incoming	Outgoing	Incoming	Outgoing
17.05.06	93	Today's incoming payments according to sales ticket	31,494			
17.05.06	94	Of which paid by Dankort		10,237	10,237	
17.05.06	95	Paid, fruit from Olsen Frugt (Dankort)				10,675
17.05.06	96	Paid, vegetables from Grønt & Godt		1,476		
17.05.06	97	Repair work, fridge		989		
17.05.06	98	Paid, postage		400		
17.05.06	99	Withdrawn for private consumption		300		
Today's transactions			31,494	13,402	10,237	10,675
Cash in hand, counted morning			1,500			
Cash in hand, counted night				19,563		
Cash difference in rel. to cash count, Voucher 100				29		
<i>Balance</i>			32,994	32,994		

The cash accounts show a cash difference of DKK 29. It is important that you count the money in the cash register every night and compare the amount with the amount that your cash accounts show. If your cash accounts show that you should have DKK 19,592 (DKK 31,494 minus DKK 13,402 plus DKK 1,500), but your count shows that in reality you only have DKK 19,563,

you are DKK 29 short. In this situation, the cash difference is negative, and it must be recorded as an expense in the cash accounts. If the cash difference is positive, you must record it as income. You must be able to document how you arrived at the cash balance by means of a cash register tape or a voucher.

You must pay tax

When you have your own business, you are taxed on the profit it makes (B tax). Your tax will be paid as a provisional tax, 10 times a year. The final tax is not calculated until you have submitted your income tax return and your annual accounts.

Before starting your own business, you must contact SKAT to have your preliminary income assessment changed. You can call us on tel. 72 22 18 18, send an e-mail to skat@skat.dk or apply in person at your local tax centre. When you change your preliminary income assessment, you will receive a special income tax return for self-employed people – an extended income tax return – at the end of the tax year. You will also receive a number of giro transfer forms that you must use when paying your B tax. It is important that you pay your B tax, otherwise you may end up having to pay a large amount of outstanding tax at the end of the year, which may be difficult.

Deduct your expenses

You will be taxed on the profit of your business. The taxable amount is thus the income of your business less the expenses of your business.

Many of the expenses related to starting and running your own business are deductible. According to law, you can deduct expenses spent on acquiring, securing and maintaining the income of your business. This means that you will pay less tax. Note that you will only be able to deduct expenses related to your business, not your private expenses. If, e.g., you use a car both for business and privately, you will only be able to deduct some of the expenses. If 50 per cent of your use of the car is related to your business, you can deduct 50 per cent of the car-related expenses.

It is important that you keep bills etc., so that you can document your expenses.

Examples of deductible expenses

- Expenses for items sold by your business
- Rent for your business
- Electricity and heating for your business
- Repair work on and maintenance of your business premises
- Purchase of furniture and equipment for your business (expenses relating to major investments must be deducted over a number of years – this is called “depreciation”)
- Running and maintaining a van, for example
- Expenses for a telephone for business use.

You are not entitled to deduct expenses which relate to items that you take from your business for your private use. If you take items from your business for your private use, you must either keep records of your private consumption or enter such private consumption in the accounts using fixed rates which SKAT can inform you about.

Annual accounts

Each year, you must submit your annual accounts to SKAT together with your income tax return. The income tax return is a statement of your taxable income. On the income tax return, you must enter the result of your business activities as shown in the annual accounts, i.e. your profit or loss for the year – and this figure will be used to calculate your tax.

You must submit your income tax return and your annual accounts to SKAT by 1 July in the following year.

As of the 2006 year of taxation, you are no longer required to submit your annual accounts, but you must show your accounts to SKAT if we ask you to do so.

Unless your accounts are very uncomplicated, it will be a good idea to hire an accountant to help you draw up your annual accounts. In order for the accountant to be able to help you, you must keep a check on your incoming and outgoing payments and make a cash statement every day.



You must pay VAT (*moms*)

VAT is a special tax which you must collect from your customers and pay to the state.

You must register for VAT with the Danish Commerce and Companies Agency (*Erhvervs- og Selskabsstyrelsen*). Read how to do so in the section *More information*.

You must collect VAT from your customers on the products and services you sell to them. This means that the sales price must include 25% VAT every time you sell a product or a service. In return, you can deduct the VAT payments you have made on purchases for your business. The figure you must report is the difference between the input VAT and the output VAT. If your input VAT exceeds your output VAT, you will be paid the negative amount (e.g. at the beginning where your expenses may exceed your income).

You calculate your VAT on the basis of the purchases and sales of goods and services that your cash statement and your book-keeping show. You must calculate VAT for every single purchase and sale based on the invoice date. If, e.g., it is time to pay the VAT for the period, and you have issued an invoice that your customer has not paid yet, you still have to pay the VAT

to SKAT. On the other hand, you are also entitled to deduct VAT from the unpaid purchases made by your business.

You must report and pay the VAT to SKAT. If your business is newly established, you will automatically be registered with the self-key business service (TastSelv Erhverv) on the Internet. If you prefer to use giro transfer forms for your VAT payments, SKAT will send you some.

You must always report VAT, even if you have made no sales or purchases in the period in question.

Input VAT and output VAT

Output VAT

(VAT payable / udgående moms)

is the VAT you collect when you sell goods and services.

The input VAT

(VAT receivable / indgående moms)

is the VAT you pay when you buy goods and services.

Example of VAT calculation

A greengrocer buys 10 boxes of apples. The apples cost DKK 500 + 25% VAT, a total of DKK 625. He sells the apples for DKK 1,100 + 25% VAT, a total of DKK 1,375.

- His profit is: $1,100 - 500 = 600$.
- The input VAT is DKK 125, and the output VAT is DKK 275.
- The amount the greengrocer has to record in his VAT accounts and pay to the state is: $275 - 125 = \text{DKK } 150$.

The greengrocer has just opened his shop and must pay VAT quarterly. When it is time to report and pay VAT, the greengrocer checks his cash statement to see how much he has bought and sold for during the period. He adds up the input VAT for all the fruit and vegetables bought in the period and adds up the output VAT for all the goods he has sold in the period. The greengrocer must both report input VAT and output VAT to SKAT, and the VAT payable is the difference between the total input VAT and the total output VAT.



You must pay duties when you sell certain goods

Duties (excise duties / punktafgifter) are a type of consumption tax or environmental tax imposed on certain products. When your business produces or is a wholesaler with dutiable goods or buys such goods abroad, you must collect and pay duties to SKAT on behalf of the state. You can contact SKAT on tel. 72 22 18 18 to hear whether your business is liable to pay duties.

Examples of dutiable goods

- soft drinks
- beer, wine and spirits
- sweets, chocolate
- tobacco products, e.g. cigarettes, cigars, water pipe tobacco and cigarette paper
- tea and coffee
- packaging (glass, plastics, containers etc.)

If you buy goods from a wholesaler in Denmark, it is the wholesaler who must pay duties, and you must keep the invoice which serves as your documentation that the duties have been paid.

There are a number of different duties, so if you want to buy goods abroad, it is a good idea to contact SKAT beforehand to

hear whether the goods are dutiable.

If you are liable to pay duties, you must be registered with the Danish Commerce and Companies Agency (*Erhvervs- og Selskabsstyrelsen*) (see the section *More information*). When your business is registered for duties, you must keep special accounts and check the goods. In general, special rules apply to businesses that are liable to collect and pay duties. For advice and guidance, contact SKAT on tel. 72 22 18 18.

As a starting point, you must pay duties to SKAT once a month via the self-key Internet business service (TastSelv Erhverv) or by using a giro transfer form that is available from SKAT.

You can find the different excise duty rates at www.skat.dk under *Vejledninger* and *Punktafgifter ved erhvervsmæssig køb af varer i udlandet*.

Delivery notes, receipts and invoices

Always keep all accounting documents. You must always keep receipts and bills/invoices for purchases of soft drinks, sweets, chocolate, beer, wine etc. in your shop for at least three months – it is not enough to keep them at home or at your accountant. You may be fined if SKAT carries out a check and you do not have your papers at the shop.

Do not throw away bills/invoices after this three-month period, as you are required to keep them on file with your accounts for at least five years and you must make your accounts available within five working days if SKAT asks you to do so.

Deposit labels

You must ensure that there are deposit labels on beer and soft drink bottles. If you want to buy beer and soft drinks abroad, you must register as an importer with Dansk Retursystem, Baldersbuen 1, 2640 Hedehusene. This entitles you to sell beverages that are included in the deposit and recycling system on the Danish market. You may be fined if you sell beer and soft drinks without deposit labels. Read more at www.danskretursystem.dk

When doing business with countries outside the EU

If your business is doing business with countries outside the EU, you must register as an importer and/or exporter with the Danish Commerce and Companies Agency (*Erhvervs- og Selskabsstyrelsen*) (see the section *More information*).

As a general rule, you must pay VAT on goods bought in countries outside the EU. In addition, you must always pay import VAT and any duties.

You must complete some special import and export declarations when buying goods from or selling goods to countries outside the EU. For more information, contact SKAT on tel. 72 22 18 18.

When you have employees

If you have employees, you must register as an employer with the Danish Commerce and Companies Agency (*Erhvervs- og Selskabsstyrelsen*) (see the section *More information*). An employee is a person who works for you in your business – and is paid. If you are the only person working in your business, you are not considered an employee. Special rules apply for assisting spouses. For more information, contact SKAT on tel. 72 22 18 18.

As an employer, you must:

- Calculate tax (A tax), labour market contribution (AM), special pension savings contribution (SP) and Labour Market Supplementary Pension Fund contribution (ATP). You must deduct the amounts from the pay before your employee(s) are paid. Every month, you must report and pay the amounts deducted to SKAT. ATP contributions must be paid to ATP.
- Report personal identification numbers (CPR numbers) every month for the persons who have been employed in your business in the previous calendar month.

- Submit a withholding statement to SKAT at the end of the year. On the withholding statement, you must write how much you have paid in pay etc., how much you have paid in A tax, AM and SP contributions etc. during the year for each individual employee and for the business as a whole.

Special rules apply if you have given your employees fringe benefits. For more information, contact SKAT on tel. 72 22 18 18. You can both pay A tax and submit withholding statements via the self-key Internet business service (TastSelv Erhverv).

If you find it difficult to figure out what you are required to report and pay to public authorities, it may be an advantage for you to do so via the LetLøn system. LetLøn calculates the A tax, AM, SP and ATP contributions, holiday allowances etc. of your employees and submits the information to SKAT, ATP and Feriekonto. LetLøn can also report personal identification numbers (CPR numbers) for your employees to SKAT, submit withholding statements to SKAT and send you new and changed tax cards for your employees. Read more and register with LetLøn at www.skat.dk, select *Virksomhed* and then *LetLøn*.

When selling food

All businesses that sell food to consumers for more than DKK 50,000 annually must register in a special register called Næringsbasen. In this context, food is seen as food of any kind, beer, wine, soft drinks and other food, irrespective of whether such food is sold in sealed packaging.

To be registered in Næringsbasen, you must either pass a test or have a relevant education. Read more at www.naeringsbasen.dk where you, among other things, can find information about the test and where the tests are held. You can also test yourself to find out whether you already have enough knowledge to pass the test.

How to report and pay

Remember to report and pay

- VAT four times annually (if your business is newly established) – 1 month and 10 days after the expiry of the quarter – in August, however, on 17 August
- duties twelve times annually – 15 days after the expiry of the month
- A tax 12 times annually – by the 10th day of the month at the latest – in January, however, by 17 January
- B tax 10 times annually.

Reporting and paying via the Internet – use TastSelv Erhverv

As a starting point, new businesses are registered with the self-key Internet business service (TastSelv Erhverv). In addition to VAT, you can also report and pay duties and A tax etc. via TastSelv Erhverv. If you have not registered already, you can register at www.skat.dk by selecting *Virksomhed, Gå til TastSelv Erhverv* and *Bestil eller genbestil TastSelv-kode* (Ordering or Re-ordering of PIN code). If you have a digital signature, you can log directly onto TastSelv Erhverv without ordering a TastSelv PIN code. If you are in doubt, please do not hesitate to contact SKAT on tel. 72 22 18 18. We will be happy to help you get started.

If you do not pay or follow the rules

If you do not pay the correct tax, VAT or duties, this will of course improve your cash flow in the short term, but in the long term we will all lose out. As long as there are tax evaders, society will have to tax law-abiding citizens even harder or neglect some of the tasks normally undertaken by society, e.g. operating and maintaining schools, hospitals, kindergartens, nursing homes etc.

The same applies to moonlighting, i.e. if you do not notify SKAT of your employees and their pay. Society loses money and both you and your employees may lose some of the rights that you have. Nor are you allowed to employ persons on transfer income, i.e. persons receiving daily benefits or cash benefits.

It will distort competition between you and your competitors, if more and more shops buy and sell goods on the black market and let their employees moonlight. If, however, everyone follows the rules, market conditions will be better and more equal for everyone.

So remember to pay on time – in this way, you can also avoid fines and unnecessary charges. If you do not report VAT, A tax and duties on time and do not submit your income tax return on time, SKAT will fix

a preliminary amount. You will be charged DKK 800 if you exceed the deadline for reporting e.g. VAT and A tax, and you will have to pay interest on overdue payments.

When you have your own business, you will occasionally be visited by inspectors. Every year, SKAT will review the accounts of different businesses. It means that we may visit your business to review your accounting documents. In case of fraud, you will be fined. In more serious cases, you may be imprisoned.



More information

Contact SKAT

You are always welcome to contact SKAT on tel 72 22 18 18 or by e-mail: skat@skat.dk. See our opening hours for telephone enquiries at www.skat.dk, select *Kontakt*.

Apply in person at your local tax centre

SKAT has 30 tax centres all over the country. Here you can get help and advice. You can see the addresses of the tax centres and their opening hours at www.skat.dk, select *Kontakt*.

Information meetings

The tax centres hold information meetings for newly established businesses. You can see when and where at www.skat.dk, select *Virksomhed* and *Særlig iværksætterside*. You are also welcome to contact us on tel. 72 22 18 18.

Service calls

A service call is a service to anybody who has just started their own business. If you accept the offer, a SKAT employee will pay you a visit and answer any questions you may have in relation to tax, VAT, duties and customs duties. A service call will typically take about an hour.

You can ask for a service call on tel. 72 22 18 18, by e-mail: skat@skat.dk or apply in person at your local tax centre.

Registration

If you want to register your business or have any changes to your registration, you must always contact the Danish Commerce and Companies Agency, *Erhvervs- og Selskabsstyrelsen*. You can also register online at www.webreg.dk or submit the registration form to Erhvervs- og Selskabsstyrelsen, Kampmannsgade 1, 1780 København V.

The number of the registration form is 40.001, and it are available at www.skat.dk (select *Virksomhed* and *Blanketter*) and from the tax centres. To register online at www.webreg.dk, you must have a digital signature.

Useful information

You can find a lot of useful information at www.skat.dk. On the *Iværksætter* page, you can find information that is specifically addressed to people who want to start or have recently started their own business. You can also obtain a free start guide including relevant leaflets etc. from your local tax centre and from the business service centres. The telephone number of the business service centres is 70 20 10 15, and you can find the addresses at www.virk.dk.

You can find useful information at the following websites:

- www.startguiden.dk
(from the National Agency for Enterprise and Construction (*Erhvervs- og Byggestyrelsen*)).
- www.virk.dk
(a collaboration between the state and Krak)
- www.100svar.dk
(content in Danish, English and Arabic)
- www.webreg.dk
(the Danish Commerce and Companies Agency (*Erhvervs- og Selskabsstyrelsen*))

Kind regards

– and good luck with your business

SKAT

