

CAKI miniguide

Business forms

STARTING UP: BUSINESS & COMPANY FORMS IN DENMARK

Registering a business with the Danish Business Authority and getting a CVR number is very easy. It is done online and takes about 15 minutes, given that you know which type of business you want to register. If you are starting a company (and not a personally owned business) you also need to have the necessary documents ready.

CVR-number

As an individual, you have a CPR-number (Civic Registration Number). When you register a business, your business will receive a CVR-number (Central Virksomhed (company) Registration number), which is the number your business will be using as identification.

These are the business forms most often used for start-ups in Denmark:

Business forms for private ownership:

- Sole Proprietor (*Danish: Enkelmandsvirksomhed*)
- Sole Proprietor – small business (*Danish: Personligt ejet mindre virksomhed*)
- General Partnership (*Danish: Interessentskab – I/S*)

Business forms for companies:

- Private Limited Company (*Danish: Anpartsselskab – ApS*)
- Public Limited Company (*Danish: Aktieselskab – A/S*)

Other types of business

- Foundations (*Danish: Fonde*)
- Association / cooperations (*Danish: Foreninger*)

This document was made in May 2019. If you are using at a later point in time, make sure that the rules have not changed in the meantime, and check if any new business forms have been legalised.

Pernille Skov, CAKI

SOLE PROPRIETOR / ENKELTMANDSVIRKSOMHED

A Sole Proprietorship is one individual in business alone.

You must have a Danish CPR-number in order to register a personally owned business. This type of business is simple to form and operate and may enjoy greater flexibility of management and fewer legal controls.

However, the business owner is personally liable for all debts incurred by the business.

OWNERSHIP	Only 1 owner
DECISIONS	The owner decides alone
MANAGEMENT	No legal requirement. Can hire employees
LIABILITY	Personal and unlimited
START-UP CAPITAL	Free to register
ACCOUNTING	Yes - (Bogføringsloven)
ANNUAL REPORT	No
TAX	The expenses and the income from the business are included on your personal income tax return. <i>Personskattereglerne, virksomhedsordningen or kapitalafkastordningen.</i>
LAWS & REGULATIONS	General Laws and Regulations - e.g. the Accounting Act (Bogføringsloven) and the Companies Tax Act (Virksomhedsskatteloven).

SOLE PROPRIETOR / ENKELTMANDSVIRKSOMHED

A few words on sole proprietorship as business form

The simplest business structure is the sole proprietorship, which is a privately-owned business type, involving just one individual who owns and operates the enterprise.

The expenses and your income from the business are included on your personal income tax return. Therefore, business losses you suffer in your business may offset the income you have earned from other sources of income.

The government permits you to pay estimated taxes in ten equal amounts throughout the year, with July and January as the exceptions. With a sole proprietorship, your business earnings are taxed only once.

Another big plus is that you will have complete control over your business - you make all the decisions.

There are a few disadvantages to consider, however. Selecting the sole proprietorship business structure means you are personally responsible for your business' liabilities. As a result, you are placing your assets at risk, and they could be seized to satisfy a business debt or a legal claim filed against you.

Therefore, it is important that you have taken out the necessary business insurances, according to the line of work that you are in, so that if something happens, you are insured. Your private insurance does not cover your business activities, even though it is a privately-owned business.

Banks and other financing sources may be reluctant to make business loans to sole proprietorships, so raising seed money for a sole proprietorship can be difficult. In most cases, you will have to depend on financing sources such as savings or family loans.

Learn more about this business type (in Danish):

<https://startvaekst.virk.dk/bliv-klar-til-start/vaelg-virksomhedsform/enkeltmandsvirksomhed>

SOLE PROPRIETOR – SMALL BUSINESS / PERSONLIGT EJET MINDRE VIRKSOMHED (PMV)

A Sole Proprietorship – Small Business is one individual in business alone.

This type of business is for those who wish to run a part-time small business with the aim of gaining a profit. You must have a yearly turnover of less than 50.000 DKK of VAT-free services.

A PMV does not pay VAT or other business charges – and therefore you cannot deduct them either.

You must have a Danish CPR-number to register a personally owned business, and registration of a small business must be renewed every third year.

You can only register one PMV. The business owner is personally liable for all debts incurred by the business.

OWNERSHIP	Only 1 owner
DECISIONS	The owner decides alone
MANAGEMENT	No legal requirements. Cannot hire employees
LIABILITY	Personal and unlimited
START-UP CAPITAL	Free to register
ACCOUNTING	Yes - (Bogføringsloven)
ANNUAL REPORT	No
TAX	Personskattereglerne, virksomhedsordningen eller kapitalafkastordningen.
LAWS & REGULATIONS	General Laws and Rules for Private Businesses

SOLE PROPRIETOR – SMALL BUSINESS / PERSONLIGT EJET MINDRE VIRKSOMHED (PMV)

A few words on sole proprietorship – small business as business form

This business form is mainly for those who are running the business on a hobby level, since you are not allowed to neither charge nor deduct VAT.

You must have a yearly turnover of less than 50.000 DKK, and you cannot have any employees. You must renew your registration as small business every third year.

The sole proprietorship – small business, is a privately owned business type, involving just one individual who owns and operates the business.

The expenses and your income from the business are included on your personal income tax return. Therefore, business losses you suffer may offset the income you have earned from your other sources.

The government permits you to pay estimated taxes in ten equal amounts throughout the year, except July and January. With a sole proprietorship, your business earnings are taxed only once.

Selecting the sole proprietorship – small business structure means you are personally responsible for your company's liabilities. As a result, you are placing your assets at risk, and they could be seized to satisfy a business debt or a legal claim filed against you.

Therefore, it is important that you have taken out the necessary business insurances, according to the line of work that you are in, so that if something happens, you will be insured. Your private insurance does not cover your business activities, even though it is a privately owned business.

Raising money for a sole proprietorship – small business can be difficult. Banks and other financing sources will probably not want to fund or make business loans to sole proprietorships, so if you are looking to raise money for a small business, you will have to depend on other sources of financing, such as savings, or family loans.

Learn more about this business type (in Danish):

<https://startvaekst.virk.dk/bliv-klar-til-start/vaelg-virksomhedsform/personligt-ejet-mindre-virksomhed-pmv>

GENERAL PARTNERSHIP/ INTERESSENTSKAB I/S

A General Partnership is when two or more persons agree to contribute money, labour, or skill to a business.

Each partner shares the profits, losses, and management of the business, and each partner is personally and equally liable for debts of the partnership. Formal terms of the partnership are usually contained in a written partnership agreement.

OWNERSHIP	Minimum 2 owners, called stakeholders (<i>'interessenter'</i>)
DECISIONS	The owners decide. Essential decisions require consensus.
MANAGEMENT	No legal requirements.
LIABILITY	Personal, unlimited and in solidarity.
START CAPITAL	No legal requirements. Free to register.
ACCOUNTING	Yes (<i>Bogføringsloven</i>)
ANNUAL REPORT	No, if at least 1 stakeholder is a physical person. If all stakeholders are companies, an annual report must be send to The Danish Business Authority (<i>Erhvervsstyrelsen</i>). All general partnerships must make an annual tax account.
TAX	The expenses and the income from the business are included on your personal income tax return. <i>Personskattereglerne, virksomhedsordningen or kapitalafkastordningen.</i>
LAWS & REGULATIONS	General Laws and Regulations - e.g. the Accounting Act (<i>Bogføringsloven</i>) and the Companies Tax Act (<i>Virksomhedsskatteloven</i>).

GENERAL PARTNERSHIP/ INTERESSENTSKAB I/S

A few words on the general partnership as business form

A general partnership is a privately owned business form, involving two or more individuals or companies, who own and operate the enterprise. A general partnership is the simplest business structure, if you want to start a shared business.

Formal terms of the partnership are usually contained in a written partnership agreement.

Each partner shares the profits, losses and management of the business, and each partner is personally and equally liable for debts of the partnership.

The expenses and your income from the business are included on your personal income tax return. Therefore, business losses you suffer may offset the income you have earned from your other sources.

The government permits you to pay estimated taxes in ten equal amounts throughout the year, except July and January. With a general partnership, your business earnings are taxed only once.

There are a few matters to consider before you enter into a general partnership. Selecting the general partnership business structure means you are personally responsible for your company's liabilities in full solidarity with your co-stakeholders. As a result, you are placing your assets at risk, and they could be seized to satisfy a business debt or a legal claim filed against you or one of your partners. This means that you could end up paying for your business partner's mistakes.

Therefore, it is important that you have written a partnership contract as well as have taken out the necessary business insurances, according to the line of work that you are in, so that if something happens, you will have the insurance to cover you. Your private insurance does not cover your business activities, even though it is a privately owned business.

Raising money for a general partnership can be problematic. Banks and other financing sources may be reluctant to make business loans to privately owned businesses. In most cases, you will have to depend on other financing sources such as savings or family loans.

Learn more about this business type (in Danish):

<https://startvaekst.virk.dk/bliv-klar-til-start/vaelg-virksomhedsform/interessentskab-is>

PRIVATE LIMITED COMPANY (Ltd.) / ANPARTSELSKAB (ApS)

A Private Limited Company (Ltd.) is a legal business entity that you or more people can own and perform your business activities from. As the owner you are not personally liable for the company's debts and other liabilities in the company. You might own all the shares in the company (*anparter*), but the company has its own life and you will be an employee. There are no restrictions on foreign shareholders and directors. The company value is divided into shares with nominal value, which are not freely transferrable. An auditor to perform the audit of the accounts is required by law, as well as are annual financial statements.

OWNERSHIP	Minimum 1 owner. An owner can be a person or a company, e.g. a holding company.
DECISIONS	As a general rule, the owners decide with more than half of the votes or 2/3 majority.
MANAGEMENT	A minimum of one manager/director as well as an executive board or a supervisory board and management. The owner (e.g. you) can be hired as director.
LIABILITY	Limited to the invested capital. However, if you on purpose are sinking the company, you will be held responsible.
CAPITAL	Minimum share capital of an Aps is 50.000 DKK (or the equivalent amount in Euro €7.000).
ACCOUNTING	Yes. The annual report and financial statement of the company must be audited and approved by a chartered accountant. Exemption from audit of annual report is possible for small companies.
ANNUAL REPORT	Yes, and published by The Danish Business Authority (<i>Erhvervsstyrelsen</i>). If the IVS fails to deliver an annual report the authorities will dissolve the company.
TAX	Corporate tax rules.
LAWS & RULES	Companies Act + General Laws and Rules - e.g. the Accounting Act and the Companies Tax Act.

PRIVATE LIMITED COMPANY (Ltd.) / ANPARTSELSKAB (ApS)

A few words on private limited company as business form

An ApS is a company, which means that the business is a legal entity in itself, as opposed to the privately owned business.

You are not liable for losses, and one of the advantages of a limited company compared to a privately owned business is that if your ApS accidentally owe the supplier money, the supplier can go for all the values in the company, but she cannot demand your house and personal assets as payment for her loss in your limited company.

As the owner you are not personally liable for the company's debts and other liabilities in the company. However, if the company has borrowed money in the bank, the bank will probably require you personally to stand liable for the amount. If you do, you will personally lose the amount guaranteed if things go wrong.

If you have an ApS, you cannot deduct losses from your personal income as you can with a privately owned business. Also, you cannot borrow money from the company, and even though you are the owner of the company, all money transactions in operation must be handled as if you are an employee. Also, all assets of the limited company are the company's assets and not the owners - it is forbidden to borrow money from your company.

The company must be registered at the Danish Business Authority and there must be at least 50,000 DKK in the company account to make the registration (cash money or other assets). Before registration, you must have prepared a foundation document as well as a set of statutes.

Setting up an ApS is more complicated than setting up a privately owned business, and it can be a bit difficult to keep track of the various steps in registering an ApS. Therefore, you should buy help setting up the formalities. Either an accountant or a corporate lawyer will do the job.

The price for registering an ApS with the Business Authorities is 670 DKK.

Learn more about this business type (in Danish):

<https://startvaekst.virk.dk/bliv-klar-til-start/vaelg-virksomhedsform/anpartsselskab-aps>

PUBLIC LIMITED COMPANY (Ltd.) / AKTIESELSKAB (A/S)

A Public Limited Company is a legal business entity that you or more people can own and perform your business activities from. As the owner you are not personally liable for the company's debts and other liabilities in the company. You might own all the shares in the company (*aktier*), but it has its own life and you will be an employee in the company. There are no restrictions on foreign shareholders and directors. The company value is divided into shares with nominal value, which are not freely transferrable. An auditor to perform the audit of the accounts is required by law, as well as are annual financial statements.

OWNERSHIP	Minimum 1 owner. The owner can be a person or a company (e.g. a holding company). Shares can be sold to the public as well as to other companies.
DECISIONS	As a general rule, the owners decide with more than half of the votes or 2/3 majority.
MANAGEMENT	Management and executive board <i>or</i> management and supervisory board. The owner can be hired as director.
LIABILITY	Limited to the invested capital. However, if you on purpose are sinking the company, you will be held responsible.
CAPITAL	Minimum share capital of a Danish A/S is 500,000 DKK or the equivalent amount in Euro €67,000 which must be contributed in either cash or assets. If you start the company using only cash money, you have the option to only pay 125.000 DKK, which is then called 'partially paid capital'.
ACCOUNTING	Yes. The annual report and financial statement of the company must be audited and approved by a chartered accountant. Exemption from audit of annual report is possible for small companies.
ANNUAL REPORT	Yes, and published by The Danish Business Authority (<i>Erhvervsstyrelsen</i>). If the IVS fails to deliver an annual report the authorities will dissolve the company.
TAX	Corporate tax rules.
LAWS & RULES	Companies Act + General Laws and Rules - e.g. the Accounting Act and the Companies Tax Act.

PUBLIC LIMITED COMPANY (Ltd.) / AKTIESELSKAB (A/S)

A few words on public limited company as business form

An A/S is a company, which means that the business is a legal entity in itself, as opposed to the privately owned business.

You are not liable for losses, and one of the advantages of a limited company compared to a privately owned business is that if your A/S accidentally owe the supplier money, the supplier can only go for all the values in the company but she cannot claim your house and personal assets as payment for her loss in your limited company.

As the owner you are not personally liable for the company's debts and other liabilities in the company. However, if the company has borrowed money in the bank, the bank will probably require you personally to stand liable for the amount. If you do, you will personally lose the amount guaranteed if things go wrong.

If you have an A/S, you cannot deduct losses from your personal income as you can with a privately owned business. Also, you cannot borrow money from the company, and even though you are the owner of the company, all money transactions in operation must be handled as if you are an employee. Also, all assets of the limited company are the company's assets and not the owners - it is forbidden to borrow money from your company.

In a limited liability company, the tax is paid by the company. The tax is calculated according to the corporate tax rules. If you receive paid salary from the company, you must pay personal income tax well as AM-contribution in the same way as other employees, and if you receive dividends from your ownership, you will pay dividend tax.

The company must be registered at the Danish Business Authority and there must be at least 500,000 DKK in cash or assets to make the registration. Before registration, you must have prepared a foundation document as well as a set of statutes.

Setting up an A/S is more complicated than setting up a privately owned business, and it can be a bit difficult to keep track of the various steps in registering an A/S. Therefore, you should buy help setting up the formalities. Either an accountant or a corporate lawyer will do the job.

The price for registering an A/S with the Business Authorities is 670 DKK.

Learn more about this business type (in Danish):

<https://startvaekst.virk.dk/bliv-klar-til-start/vaelg-virksomhedsform/aktieselskab-as>

ASSOCIATION / COOPERATION

An association or cooperation (Danish: *Forening*) is a purpose - and membership - based organization with a democratic and flat structure. The form demands that you are a group of people who gather for a common goal. One can, but do not always have to, register an association with the business authorities.

Benefits of organizing as an association include strengthening a common purpose by forming a formal framework for a goal and intention. The purpose of an association can be non-profit, such as cultural, social or charitable associations, sports associations and civic associations, or it may have an economic purpose such as cooperatives.

You can, but do not always have to, register an association and have a CVR number for operations. If the association receives a subsidy from a public authority or have employees, it needs to have a CVR number. However, limited liability associations (F.M.B.A) must always be registered. It is the association's purpose and actual activities that determines whether it should be registered and, if so, how.

There are different types of associations, but a common feature of them is that there is no requirement for start-up capital, and that the association's members are not liable personally, unless it is written into the association's statutes. There are the following 5 types of associations:

- **Voluntary associations** that can but are not obliged to register. Landowner association or a cultural association can be this type of association.
- **Common associations** (also called non-business associations) which can but do not have a to register. It can be, for example, a non-profit organization.
- **Housing cooperatives** are obliged to register, because they are generally liable to corporation taxes.
- **Special associations** that can, but do not have a duty to register. An example of this could be a purchasing cooperation.
- **Associations with limited liability** (F.M.B.A.), which must be registered with CVR number.

An association must be registered if it:

- are trading and the members have limited liability (F.M.B.A)
- has employees and must pay wages (e.g. to a caretaker)
- must receive subsidies from public authorities (these are registered as voluntary associations)
- must carry on business (e.g. in the form of a kiosk in a sports association) and possibly be registered for VAT.
- must import or export (e.g. a purchasing association)

There are a number of legal regulations regarding the start-up and operation of associations. One of them being that the association must always be set up around a set of statutes that describe the association's purpose and activities. The association's founders and members can themselves design their own statutes, which are the only "laws" that regulate the association's own internal affairs.

At a founding general meeting, the members of the association must appoint a board consisting of a chairman, a deputy chairman and a cashier. In addition, the association can also choose to appoint responsible persons for e.g. public relations, artistic management and production, or whatever may be relevant to the association.

If you plan to have the association operating for profit, you should carefully consider the composition and decision-making between the General Assembly, its members and the Board of Directors. Taxation of the association's profits can be avoided if the profits are distributed for non-profit purposes.

Organisation and management

Common to all associations is that they have more than one member, and the members have entered into an agreement on a purpose for the association, which is usually expressed in the form of the statutes of the association. The member circle alternates from time to time, and members pay the membership fee to fund the association's activities.

The association's supreme body is a general meeting or a representative board, which also has the right to change the association's statutes. If the association owns something, it is the general meeting or the Board of Representatives that exercises the ownership rights.

Associations have an independent management elected by the members at a general meeting. Associations need not have any fortune.

An association acts as a legal body in the same way as a person or company. This means that the association can enter into agreements and assume obligations, and it is the association that buys, sells and hires.

As with business types, it is important to familiarize yourself with rules and legal requirements regarding associations. Both Skat and the Danish Business Authority have information about associations, just as many banks and municipalities have association manuals available on their websites.

Learn more about the different types of associations from the Danish Business Authority's website: <https://erhvervsstyrelsen.dk/foreninger>

SOCIAL ECONOMIC ENTERPRISE (RSV)

An RSV (registered social economic enterprise) is not a corporate form in itself – it is a designation a business or company can use to send a signal of cultural or social sustainability. All forms of business and foundations with the exception of the sole proprietorship can be registered as a social economic enterprise.

A social economic enterprise is a company that works and earns money on market conditions, but which uses the company's profits to solve social challenges or meet social - including cultural - needs. If your company works to promote art and culture, and you do not need to pay out or distribute the profits, then you have the opportunity to register your company as a social economic enterprise.

'Social economic' is not a protected title, but if you register your business as a social economic enterprise with the Danish Business Authority, the title Registered Social Economic Enterprise (RSV) is protected. An RSV is controlled by the Danish Business Authority, which must receive a class B account and annual report from the company. Here, the payment of wages and profits, agreements with related parties and how to comply with the requirements for independence of the public and the social purposes with involvement and accountability must be accounted for.

The five criteria for registering as social economic enterprise are.

Social purpose

The company's primary purpose is socially beneficial with a purpose to increase or promote social or health issues, employment, environmental or cultural purpose, which also promotes active citizenship

Significant business operations

The company has an essential element of business operations when selling services or products that make up a significant part of its turnover.

Independence of the public funding

The company operates without significant public influence on the management and operation of the company.

Involving and responsible management

The company involves employees, customers, business partners and stakeholders and has an ethically sound management.

Social management of profits

The company primarily uses its profits to promote social purposes, reinvest in its own company or in other social economic enterprises. A limited share of the profits can be paid out as dividends to investors. The total annual disbursement may be equivalent to originally deposited capital plus a reasonable annual rate of return, and may not exceed more than 35% of the company's profit after tax.

For more information about social economic enterprises, visit:

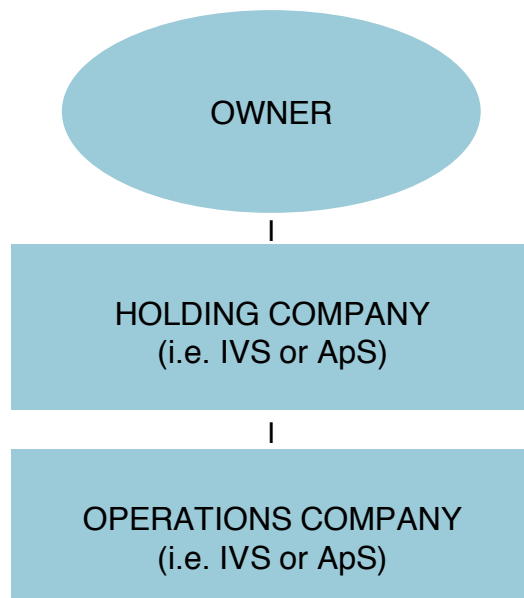
[Lov om registrerede socialøkonomiske virksomheder](#)

HOLDING COMPANY

A holding company is not a business form as such – rather it is a company, which ‘holds’ one or more other companies. You can use companies as a holding company. You cannot use a personally owned business such as sole proprietorship or general partnership as a holding company.

A holding company usually does not produce goods or services itself; rather, its purpose is to own shares of one or more other companies. These other companies are called operating companies, since this is where the operations of producing goods or services are taking place.

The most common reasons to use a holding company is to reduce the risk for the owners, allow ownership and control of a number of different companies, and to protect the financial profits from the operating companies. It is a quite simple company structure, which in its most basic structure looks like this:



In a situation where there is just one owner, the person therefore owns the holding company, and the holding company owns the operating company. The sole purpose of the holding company is to own the shares in the operating company. There are several advantages of a corporate structure such as this:

- The profit earned in the operating company can be transferred to the holding company without it being taxed.
- The holding company is not liable for the company's debt. That is, if it goes wrong in the operating company, you will not lose the money that is placed to the holding company.
- The holding company may sell its shares in the operating company so that the profits obtained from the sale are not taxed until the profits are distributed from the holding company to the owner or owners.