

International Tax and Business Guide

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Norway





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Professionals of the member firms of Deloitte Touche Tohmatsu have created the Deloitte International Tax and Business Guides, an online series that provides information on investment conditions, tax regimes and regulatory requirements, along with information for executives working abroad. The Guides are supplemented by the Highlights series, an at-a-glance summary of basic information, including tax rates, for over 100 jurisdictions.

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1.0 The investment climate

Political background

Norway is a constitutional monarchy.

1.1 Economic structure

Norway has a large offshore oil and gas sector, although the country has become increasingly services oriented.

1.2 Banking and financing

Foreign companies have access to the same capital sources as their Norwegian counterparts. Most foreign companies prefer to work through foreign banks when raising capital. Foreign bankers normally have a representative office or branch in Norway.

Oslo, the capital, is Norway's major banking centre, but the large commercial banks have branches in other cities, especially Bergen and Stavanger, where the oil industry is based.

1.3 Foreign trade

Norway is a member of the European Free-Trade Association (EFTA) and has a free trade agreement with the EU that provides for zero tariffs on most manufactured goods. It is also a signatory to the EU–EFTA accord, which supplements the bilateral treaties between the EU and each of the EFTA countries.

2.0 Business regulations

2.1 Registration and licensing

There is no centralised licensing agency in Norway; prospective licence seekers or holders are advised to contact a local attorney. Licensing continues to increase in biotechnology and is fairly well established in software, chemicals and pharmaceuticals. However, licensing arrangements are found primarily in the oil industry, where they are still under government control.

2.2 Price controls

The government has authority to prohibit prices deemed unreasonable but there are no general price controls in the country. By adopting the EEA agreement, Norway has generally abandoned measures that impede free competition within the EEA.

2.3 Monopolies and restraint of trade

General provisions against harmful restrictive practices regulate monopolies in Norway. Market dominance is not formally prohibited, but abuse by one or more undertakings of a dominant position is prohibited. If a dominant enterprise affects prices in a manner not considered beneficial to the economy, the Competition Authority is authorised to act to remedy the situation.

2.4 Intellectual property

Patents, copyrights, trademarks and industrial designs and models are recognised in Norway.

Under the Patent Co-operation Treaty, patents may be sought either nationally or internationally. For the latter, applications go to the Norwegian Patent Office or another authorised international institution.

Norway's Copyright Act complies with the EEA agreement. In Norway, only the copyright owner may take copyright violations to court. If software is used illegally in an enterprise where the management has prior knowledge of its use but fails to prevent such usage, the management, as well as the users, can be sued.

Norwegian trademark registration protects a name automatically; the burden of proving prior common use falls on those contesting the claim. There are no restrictions on the sale of trademarks. Moreover, if a firm holding a trademark is sold, the buyer automatically becomes the trademark's owner, unless otherwise stipulated before the sale. A foreign company without a permanent establishment in Norway may, in certain cases, invoke the trademark protection

provided in its home country if that country accords the same privilege to Norwegian companies.

2.5 Mergers and acquisitions

Mergers come under general provisions against harmful restrictive practices. Concentrations where the undertakings concerned have a combined annual turnover in Norway exceeding NOK 50 million must be notified to the Competition Authority. If only one of the undertakings concerned has annual turnover in Norway exceeding NOK 20 million, notification is not required. The Competition Authority has power to intervene against a potential acquisition.

3.0 Foreign investment

3.1 Foreign investment incentives and restrictions

Norway encourages foreign investment and offers a wide range of official incentives for investment, research and development (R&D) and exports. Programmes include support to smaller municipalities and a variety of special financial aid to northern Norway.

Both Norwegian- and foreign-owned enterprises are eligible for various types of government support. When extending incentives, the government does not take into account the percentage of local ownership, the use of domestic materials or the percentage of production to be exported. Assistance may take the form of low-cost loans, grants, rationalisation financing or exemption from import duties.

Companies must apply to Innovation Norway, a government agency assisting businesses, for incentives. Innovation Norway also offers financing through Norwegian Industrial and Research Development Contracts, which match companies needing to develop products and services with partners that can provide such development.

A permit is compulsory if a foreign company wishes to acquire real property for agricultural purposes. There is also a special concession system for oil field development.

When an investment requires a permit, a prospective investor's application to the Ministry of Trade and Industry should contain all pertinent information about the proposed enterprise. This includes disclosure of the parent company, consolidated group accounts for the past five years, scope of the planned presence in Norway, amount of capital and investment outlay involved, type of production processes, plant size, management structure and number of jobs. The ministry will contact other relevant authorities (e.g. the Ministry of Finance, Norges Bank—the central bank—or local administrations), but it usually makes the final decision. Each application is judged on its merit and probable benefit to Norway. The time required to obtain authorisation depends on the type of concession, location of the plant or establishment, and the investment's importance to the country or community. Most permits are granted within a few months. The Ministry of Trade and Industry may reject an application if the proposed investment is deemed to conflict with Norway's industrial and economic policies.

3.2 Exchange controls

There are, in effect, no exchange controls in Norway. Nonresidents may hold term or demand deposits in local or foreign currency without restriction. Residents may freely set up bank accounts abroad, subject to providing the central bank with the account number and authorising the central bank to obtain account information from the relevant bank at any time.

4.0 Choice of business entity

4.1 Principal forms of doing business

The usual form of organisation for foreign investors in Norway is the limited liability company (public or private). Less often used are other types of firms, such as general and limited partnerships, individual enterprises and branches. The specific requirements of a limited liability company are outlined below.

Capital. Public: *Allmennaksjeselskap* (ASA), the shares of which are normally freely available to the investing public, whether Norwegian or foreign. For these companies, share capital is a minimum of NOK 1 million. Private: *Aksjeselskap* (AS), individual or family-owned companies and other small firms that do not go to the investing public to raise capital. The minimum share capital is NOK 100,000.

The capital must be paid in within three months of formation and notified to the Norwegian Register of Business Enterprises.

Limited liability companies must hold general meetings at least once a year, with shareholders approving the annual accounts and annual report.

Promoters, shareholders. There must be at least one promoter (the party or parties who are to subscribe for shares). Both physical and legal persons may act as promoters. There are no restrictions on foreign promoters.

Board of directors. The members of the board are elected by the general meeting. A minimum of three members is required if capital exceeds NOK 3 million in limited liability companies; three board members are required in all public limited liability companies, but at least five is required if the company holds "assemblies." In public limited liability companies, both sexes must be represented according to detailed rules based on the total number of board members. If the board of directors has one or two members, at least one alternate member must be elected. At least one-half of the directors must be resident in Norway, although exceptions are possible. The residence requirement does not apply to EEA citizens resident in an EEA member state.

Management. Public limited companies and private limited companies with a share capital of at least NOK 3 million are required to have a general manager. Private limited companies with a share capital of less than NOK 3 million may choose to have a general manager, but are not obliged to have one. The general manager is appointed by the board of directors. The general manager must reside in Norway, although exceptions are possible, and the residence requirement does not apply to EEA citizens resident in an EEA member state. The chairman of the board may not be elected as the general manager unless the company is a limited liability company with a share capital of less than NOK 3 million.

Labour requirements. In companies with 30-50 employees, a majority of the employees may demand that a member of the board and an observer with alternates are to be elected by the employees. In limited liability companies with 50-200 employees, a majority of the employees may demand that up to one-third of the board (a minimum of two board members) are elected by the employees. Companies with more than 200 employees must, unless otherwise is agreed with two-thirds of the employees or their labour unions, elect "corporate assemblies," with two-thirds of the representatives elected at the general meeting and the remaining one-third elected by the employees.

Disclosure. An annual balance sheet and profit-and-loss statement must be examined by one or more outside auditors. The company's annual accounts must be filed with the Norwegian Register of Company Accounts and are open to public inspection. Under the Accounting Act of 1998, which generally harmonises Norway's law with that of the EU, related firms must consolidate their accounts, file them within a month of completion and disclose details of how annual profits are used.

Taxes and fees. A registration fee is payable upon incorporation at a flat rate of NOK 6,000. A fee of NOK 2,500 is charged if there are changes to the registered company (new name, change of management or winding up for liquidation or merger).

Types of shares. All shares must be registered. Both common and preferred are permitted, with each share generally entitled to one vote. A company may not issue shares to itself nor may shares be issued to a subsidiary. Companies may, within certain limits, acquire up to 10% of the shares issued in the company.

Control. Resolutions may be passed by a simple majority of those present at the general meeting. Increases or reductions in share capital, decisions on changes in the corporate charter, mergers and liquidation resolutions must be approved at a general meeting by two-thirds of the shareholders, representing two-thirds of the capital, and by the corporate assembly as well.

4.2 Establishing a branch

For practical purposes, a branch of a foreign company is treated as a corporation and is subject to the same privileges and responsibilities, including compliance with tax regulations. However, the head office of a branch is liable for a branch's debts to the extent of the head office's assets.

Like a corporation, a branch must be registered at the Commercial Registry. The registration application must include proof that the foreign head office is legally established in its home

country and must indicate the type of business of the head office, the amount of capital and share distribution. A branch may have its own board of directors and its own general manager. A contact person for the branch is required unless the branch has its own general manager.

The activities of a branch must conform to those outlined in the bylaws of the head office, with all changes reported to the registry. Requirements to keep books and records are the same as those for Norwegian companies. Like a company, a branch must maintain a cashbook, a general ledger, and accounts-receivable and accounts-payable ledgers.

4.3 Setting up a company

Procedures for setting up and registering a local company in Norway are straightforward. All companies must register with the tax and customs authorities and with the Norwegian Register of Business Enterprises.

A limited liability company is formed by simultaneous formation, where the founders must draw up and sign a memorandum of association and subscribe for shares at the same time. The memorandum of association must contain the price of shares offered for subscription and a proposal for articles of association. In addition, the memorandum of association must include the elected board members and auditor of the company. If the company is to cover the formation costs, the shares must be subscribed for a premium. The company's articles of association should specify the name of the company, location, corporate objectives, signatory rights and amount of share capital.

A limited company, whether public or private, must be reported to the Norwegian Register of Business Enterprises no later than three months after the memorandum of association has been signed. The commercial registration can take up to four weeks. Registration also protects a firm's name. Until registration takes place, the promoters bear full legal responsibility for all transactions conducted in the name of the company. All listed companies must make information available to the public concerning shareholders. If a shareholder's or other person's stock in a listed company exceeds or falls below 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or the votes, the person concerned must notify the Oslo Stock Exchange about the disposal.

Filing with the Register of Business Enterprises is also required for liquidation of companies and for changes in company structure.

5.0 Business taxation

5.1 Overview

The main taxes relevant to companies are the national income tax and the value added tax. Withholding taxes do not play a prominent role in the Norwegian tax system, since Norway does not levy such tax on interest or royalty payments. Dividend withholding tax is imposed on distributions other than to corporate shareholders resident in the EEA that conduct a real business activity in the relevant jurisdiction (unless an exemption is provided under an applicable tax treaty).

Norway does not levy branch profit remittance tax or an alternative minimum tax.

5.2 Taxable income and rates

Corporations and branches of foreign companies pay a flat state (national) tax of 28% on net taxable income. Petroleum companies granted a licence to explore and exploit petroleum resources on the Norwegian Continental Shelf face an additional flat rate tax of 50% on income derived from the extraction and processing of petroleum resources and on pipeline transport.

Taxable income defined

Resident companies are taxed on worldwide income; nonresident companies are taxed only on Norwegian-source income. Residence is not defined in the tax legislation, but in practice, a company is regarded as resident if it is incorporated under Norwegian law. Foreign companies with their effective management and control in Norway also may be considered resident in Norway for tax purposes.

Taxable income includes ordinary business income, interest, gains on foreign currency and royalties. Dividends and capital gains derived from shares in resident companies are tax-exempt for Norwegian companies. Dividends and capital gains arising from participations in

companies resident in the EEA are also exempt. For dividends received from companies in a low-tax jurisdiction within the EEA, the exemption applies only if real business activities are conducted in that jurisdiction. If the participation is in a non-EEA country, an exemption is available only if the Norwegian recipient holds at least 10% of the share capital and at least 10% of the voting power for two consecutive years. If shares in non-EEA companies are sold leaving ownership at less than 10% before two years elapse, a distribution initially exempt will be recaptured.

Income from foreign sources is taxable, but foreign taxes paid are deductible (creditable) against Norwegian taxes on income from foreign sources if no other relief from double taxation is available under an applicable tax treaty. This deduction applies to foreign tax on the received income. A deduction for underlying foreign corporate tax relating to received dividends is available against Norwegian taxes on dividends received if the dividends are not exempt and the shareholder is a Norwegian company holding at least 10% of the shares for at least two consecutive years which comprises the period the dividends are received. (As noted below, dividends will, in most cases, be exempt in these situations.)

Branches of foreign corporations are taxed on Norwegian-source income, and deductions are the same as those for locally incorporated firms.

Deductions

Ordinary business expenses generally may be deducted in calculating taxable income. Allowable deductions include depreciation, social security payments, research expenditure, losses, and interest and royalty payments. Entertainment expenses are not deductible. As a general rule, anticipated losses (e.g. classification reserves for vessels, anticipated losses on contracts, reserves to meet expected declines in prices for inventory products, etc) may not be deducted, even if the company has accounted for the anticipated losses in its financial accounts.

Stock must be valued at cost price; the value may not be written down because of damage, low demand or risk of a fall in price. Unrealised losses from outstanding debt claims generally are not deductible. However, a standard deduction calculated under a special formula based on realised losses of the firm in the two previous years is allowed for customer debt. New enterprises may deduct 2% of the customers' debt in the year of establishment and in the following two years.

Depreciation

Permanent and high-cost business assets that are subject to a reduction in value for wear-and-tear are depreciable. These depreciable assets are defined as costing NOK 15,000 or more, with an estimated life of at least three years and the declining-balance method is mandatory for such assets. Assets not meeting the minimum standard may be deducted immediately. The depreciation schedule is not affected by when an asset is acquired during a year (thus, a purchase on 31 December may be depreciated over the full calendar year).

Hydroelectric power plants use straight-line depreciation for certain fixed-capital categories. Special provisions apply to assets transferred into or out of the Norwegian taxing jurisdiction. Tangible assets and acquired goodwill are divided into groups and then depreciated using a certain percentage of the book value of the balance.

Intangible assets, except for acquired goodwill, not limited in time are amortised if and to the extent the "fall in value is obvious". Intangibles limited in time are amortised using the straight-line method over the period the intangible is available to the taxpayer.

Losses

Losses may be carried forward without limit. The carryback of losses is generally not permitted, except in the case of losses arising in the year of liquidation of a business—such losses may be carried back for two years.

5.3 Capital gains taxation

Capital gains on the sale of depreciable and non-depreciable business assets, immovable property and securities are included in income for corporate tax purposes and taxed at a flat rate of 28%. There is a corresponding right to deduction for losses.

As noted above, capital gains on shares and dividends received by companies are often exempt from tax. Losses on shares are not deductible for tax purposes.

Nonresidents are generally not taxed on capital gains on shares in Norwegian companies.

5.4 Withholding tax

Dividends

No withholding tax is imposed on dividends paid to EEA resident corporate shareholders, provided the shareholder conducts a real business activity in the relevant jurisdiction. Otherwise, a relevant treaty rate will apply. Distributions to shareholders resident outside the EEA are subject to a 25% withholding tax unless the rate is reduced under an applicable tax treaty.

Interest

Interest received by a Norwegian recipient is included in taxable income. Norway has no withholding tax on interest payments to foreign recipients.

Royalties and fees

Royalty payments are included in a Norwegian recipient's taxable income and taxed at the normal corporate rate. There is no withholding tax on royalty payments made to foreign recipients.

5.5 Foreign income and tax treaties

Tax credits are granted for foreign tax paid, with the credits allocated to three baskets: low-tax, petroleum and other. The maximum credit within each basket is limited to the lower of the foreign tax paid or 28% of the foreign-source income. Credit for underlying tax is available if a dividend is taxable in Norway and the Norwegian limited company has held at least 10% of the shares in the foreign payer for at least two years.

Norway has signed tax treaties with more than 80 countries and is continuing to expand its treaty network. The five Nordic countries (i.e. Denmark, Finland, Iceland, Norway and Sweden) cooperate under a single multilateral pact.

The table below contains the withholding tax rates that apply to dividend payments by Norwegian companies to nonresidents under Norway's tax treaties. As noted above, Norway does not impose withholding tax on interest or royalties.

Withholding tax rates under Norway's tax treaties			
Treaty Partner	Dividends	Interest	Royalties
Australia	5/15	0	0
Austria	10/15	0	0
Belgium	0/5/15	0	0
Brazil	0	0	0
Canada	10/15	0	0
Chile	10/15	0	0
China	5/15	0	0
Czech Republic	0	0	0
Denmark	18	0	0
Ecuador	15	0	0
Finland	0	0	0

Withholding tax rates under Norway's tax treaties			
Treaty Partner	Dividends	Interest	Royalties
France	5/15	0	0
Germany	5/15	0	0
Greece	15	0	0
Indonesia	15	0	0
Ireland	0	0	0
Israel	0	0	0
Italy	0	0	0
Japan	15	0	0
Korea	0	0	0
Luxembourg	0	0	0
Netherlands	0	0	0
New Zealand	5/15	0	0
Norway	0	0	0
Poland	0	0	0
Portugal	5/15	0	0
Romania	0	0	0
Singapore	0	0	0
Slovakia	15/25	0	0
Spain	15	0	0
Sweden	0	0	0
Switzerland	5/15	0	0
UK	0	0	0
US	15	0	0
Venezuela	15	0	0
Vietnam	5/15	0	0
Zambia	5/15	0	0
Zimbabwe	15/25	0	0

5.6 Transactions between related parties

Transfer pricing

In principle, intercompany transactions are acceptable for tax purposes if the transactions have been carried out on arm's length terms and the taxpayer has maintained satisfactory documentation of the transactions. The arm's length standard is applied on the basis of the price-quality relationship of the goods and services and whether they benefit the Norwegian subsidiary.

The tax authorities intervene in many instances where they deem payments of interest and management fees to have been at unreasonable rates and in cases involving capitalisation in Norwegian subsidiaries. Moreover, they do so more frequently with respect to the pricing of goods. When the Norwegian tax authorities determine that a taxpayer has unreasonably reduced its reported income through dealings with a foreign affiliate, the authorities are authorised to adjust the taxpayer's income upwards. The resulting increase in the tax burden can be substantial.

Norway has introduced transfer pricing documentation rules and a separate tax return form to report related party transactions. The documentation rules applies to Norwegian entities (including transparent entities) that hold or control at least 50% of another entity, and to entities owned or controlled by at least 50% of an entity or person. The documentation requirements do not apply to enterprises which on a (worldwide) consolidated basis employ less than 250 people, and either have sales revenue not exceeding NOK 400 million or a balance sheet total not exceeding NOK 350 million. The documentation should, at a minimum, contain a description of the parties and the intercompany transactions, a functional analysis, a description of the transfer pricing method applied and a comparability analysis. Upon the request of the tax authorities, the taxpayer must submit the transfer pricing documentation within 45 days.

Thin capitalisation

Except for oil companies engaged in exploration and exploitation activities on the Norwegian continental shelf, Norway does not have thin capitalisation rules, although the tax authorities may take action where they deem a company to be thinly capitalised.

Controlled foreign companies (CFC)

A Norwegian resident is taxed on its proportional share of income earned by a non-Norwegian company if the foreign company is resident in a low-tax jurisdiction and the Norwegian resident shareholders directly or indirectly (e.g. via a high tax country) own or control in total at least 50%—both at year-end and at the beginning of the year—or at least 60% at the year-end (regardless of what is owned at the beginning of the year). If at least 60% is owned by Norwegian residents at the beginning of the year, the rules are also applicable as long as at least 40% is owned by such shareholders at year-end. The (Norwegian) shareholders at year-end will be apportioned the total income from a foreign company based on their shareholdings at year-end.

A jurisdiction is deemed to be a low-tax jurisdiction if the effective corporate tax rate is less than two-thirds of the Norwegian effective corporate tax rate. A "white" and "black" list of countries also applies. The list, however, only covers a few countries and a specific analysis must be made in other cases.

If Norway has entered into a tax treaty with the jurisdiction in question and the relevant non-Norwegian entity is covered by the treaty, the CFC rules apply only if the entity's income is primarily of a passive nature (interest income, royalties, etc).

Consolidation

Companies within a group are taxed in Norway as separate entities, and consolidated tax returns are not permitted. However, the Norwegian Tax Act does provide for a form of combined taxation for related companies. The rules apply when capital contributions are made from one Norwegian company to another Norwegian company in the same group, and the ultimate parent company owns directly or indirectly more than 90% of the voting shares in the transferor and transferee companies. The purpose of the rules is to enable a profit-making company to transfer a capital contribution to a loss-making company and to claim a deduction for the contribution. Although the contribution is taxable in the hands of the transferee company, losses may be offset against it. Both trading and capital losses may be used.

This system also applies to distributions between Norwegian companies and branches resident in an EEA country that are taxable in Norway on profits generated in Norway.

The ultimate parent company and other intervening group companies may be nonresident. The rules on consolidated taxation do not apply to oil and gas companies subject to the Petroleum Tax Act.

5.7 Turnover and other indirect taxes and duties

VAT

VAT applies at each stage of production and distribution to most goods and services, including royalties, advertising and hotel services. The standard VAT rate is 25% and a reduced rate of 13% applies to food. An 8% rate applies to passenger transport, hotel accommodation and cinema tickets. There are exemptions for exports, banking and insurance services, periodicals, books, entertainment costs and health expenses.

Customs duty

Customs duty is levied on agricultural products, meat, some textiles and clothing.

Excise taxes

Excise duties are levied on alcohol, tobacco, cars and other vehicles, all kind of mineral oil products, electric power, waste, dangerous chemicals, chocolate, sugar and sugar products, non-alcoholic beverages, beverage packaging and food production.

Stamp duty

A 2.5% stamp duty is levied on deeds of conveyance.

5.8 Other taxes

Environmental taxes

The government uses “green” taxes to steer environmental policy. For instance, vehicles operating on hydrogen, without greenhouse gas emissions, are exempt from motor vehicle registration tax and annual fees. A trading system for greenhouse gas emission rights for companies that do not pay carbon-dioxide tax also applies.

To reduce various types of greenhouse gas emissions and encourage recycling, taxes are levied on everything from diesel fuel to sulphur dioxide to pesticides. However, tax breaks may be given to encourage environmentally friendly activities.

Property tax

A property tax applies to the assessed value of real property, at rates ranging between 0.2% and 0.7%, depending on the location of the property.

Stock exchange tax

There is no stock exchange or similar tax in Norway.

National and municipal wealth tax

Companies with limited liability and unit trusts are exempt from national and municipal wealth tax.

5.9 Tax compliance and administration

The fiscal year is normally the calendar year. Subsidiaries and branches of non-Norwegian companies may apply the parent's fiscal year. Any taxes that apply are paid at the same time to the local tax office, which forwards the taxes to the proper authorities.

Advance payments of corporate taxes are due four times a year (15 February and 15 April in the year following the tax year). Any (remaining) shortfall is payable during the fall, normally in October and November. The tax authorities estimate the amount of the first two payments, based on the previous year's income. The last two payments are based on a tax return, which companies must file by 31 March if filed in hard copy. Resident companies are allowed to file tax returns electronically by 31 May.

6.0 Personal taxation

6.1 Residency

All persons domiciled or permanently resident in Norway are subject to Norwegian income tax on their worldwide income, although certain exemptions apply for foreign oil-industry workers. A person becomes permanently resident in Norway if present in Norway for a period exceeding 183 days during any 12-month period or if the stay exceeds 270 days during any 36-month period. Individuals do not become resident during the first calendar year if the stay in Norway that year is less than 183 days.

Nonresidents are taxed on income received from real and personal property in Norway and on directors' fees from Norwegian corporations. In addition, income from personal services carried out through private or public employment in Norway by nonresidents temporarily present in Norway, including persons sent to Norway by employment agencies, are taxable. However, an applicable tax treaty can limit Norway's right to tax.

6.2 Taxable income and rates

Individuals pay national and municipal taxes. The rates and brackets are adjusted annually by the Norwegian parliament.

A combined municipal and national tax of 28% applies on net income, except in Finnmark and Nord-Troms, where the combined rate is 24.5%. (Except for Finnmark and Nord-Troms, the national tax rate is 11.8% and the municipal tax rate the remainder.) To encourage residence in Finnmark and Nord-Troms, taxpayers in these areas are entitled to special deductions of NOK 15,000 for single taxpayers and NOK 30,000 for married taxpayers filing joint tax returns.

A marginal national tax (often referred to as a "top tax") of 9% (7% for Finnmark and Nord-Troms) applies on the portion of personal income between NOK 420,000 and NOK 682,500 for all taxpayers. A 12% marginal tax applies on the portion of personal income exceeding NOK 682,500 for all taxpayers.

Personal income comprises gross income from employment, compensation for work performed by partners in partnerships and an adjusted net profit earned by self-employed individuals.

The employee contribution to Norwegian social security is 7.8% of personal gross income and 11% of self-employment income, as well as compensation earned by partners in partnerships, except in farming, forestry and fishing, where it is 7.8%. (Pension and medical insurance are included in the social security tax.)

Determination of taxable income

Income tax is based on worldwide income, net of expenses (including interest paid) and foreign income taxes. Taxable income includes the following: salaries; dividends, interest and royalties; income from real property and other capital; industrial, commercial and agricultural profits; and shares of partnership net income, whether or not paid out. Gains on the sale of real property used as a permanent residence are taxable where the taxpayer owned the property for less than one year (or five years for a leisure residence).

Gains from the sale of securities are included in taxable income. Quoted shares are valued at 85% of the market value. Shares in unquoted companies are valued at 85% of the assumed fair market value or 85% of the company's net tax value. Losses incurred on the sale of securities may be fully deducted from taxable income. Dividends are taxed as ordinary income (with some minor adjustments).

A standard minimum deduction from ordinary income is available for incidental personal expenses of up to 36% of salary, to a minimum of NOK 4,000 and a maximum of NOK 67,000. The standard personal deductions are NOK 38,850 for single taxpayers and NOK 77,700 for married taxpayers filing jointly. Married taxpayers may choose to file jointly or separately to minimise their tax burden. A resident taxpayer is entitled to an unlimited deduction for interest paid on debts.

For individuals becoming or ceasing to be residents during a year, the standard deductions and the tax brackets for national tax levied on personal income are, as a rule, reduced proportionally.

A resident taxpayer is entitled to a deduction for supporting children who are younger than age 12 at year-end. The deduction is granted only for documented expenses, up to a maximum of NOK 25,000 for one child and a maximum of NOK 15,000 for each additional child. These limits are the same for married and single taxpayers.

There is also a special deduction for resident persons younger than age 34, who are saving to buy homes, which reduces taxes by 20%, with a maximum annual deduction of NOK 15,000 for unmarried and married taxpayers. In total, NOK 100,000 can be deducted.

Contributions to individual pension plans may be deducted up to a maximum of NOK 15,000 for both single and married taxpayers.

All financial instruments, including convertible bonds and equity options received by employees as perquisites, are subject to tax.

6.3 Special expatriate tax regime

Expatriates are entitled to choose a 10% deduction of gross remuneration with an upper limit of NOK 40,000 per annum. The deduction is available only in the first two tax assessments for individuals who are considered resident according to domestic law. There is no such limitation for expatriates who are nonresidents.

The standard deduction replaces certain itemized deductions.

An EEA resident individual with limited tax liability in Norway can choose to claim deductions as if the individual was resident in Norway during the entire year under the assumption that a substantial part (i.e. 90%) of the individual's income from employment is taxable in Norway. Interest on loans is deductible only in respect of investments subject to Norwegian tax (e.g. a house purchased in Norway). Nonresidents in other countries who are liable to Norwegian tax on Norwegian-source income may only claim a deduction for costs that relate to Norwegian-source income taxable in Norway (in practice, the standard deductions will be the only deductions available.)

6.4 Capital taxes

Individuals are subject to wealth tax on capital, which is payable to the state (at progressive rates) and the municipality (at a flat rate). The municipal wealth tax is 0% up to NOK 350,000 and 0.7% on the excess; the national wealth tax is 0.2% of the amount between NOK 350,000 and NOK 540,000, and 0.4% on the amount exceeding NOK 540,000.

7.0 Labour environment

7.1 Employees' rights and remuneration

Key Norwegian labour laws are as follows:

- Act 1 of 5 May 1927 (relating to labour disputes) and Act 2 of 18 July 1958 (on public-service disputes) contain rules of procedure for implementing collective bargaining in the private and municipal sectors (1927 Act) and in central government (1958).
- Act 19 of 28 February 1997 (relating to national social insurance) governs Norway's system of benefits for sickness, unemployment, rehabilitation, leaves of absence for pregnancy and confinement, and old-age pensions. The act covers all workers.
- Act 61 of 14 December 1973 establishes a state guarantee for wage claims in the event of employer insolvency. The act secures payment of privileged wage and similar claims for a prescribed period prior to the company's insolvency if payment cannot be made from the employer's assets.
- Act 44 of 13 June 1997 (Private Limited Liability Companies Act), Act 45 of 13 June 1997 (Public Limited Liability Companies Act) and Act 83 of June 21st 1985 (the Partnership Act) include provisions giving employees the right to participate in such entities' management.
- Act 45 of 9 June 1978 is intended to promote equal job opportunities for men and women; it aims particularly to improve the working status of women.
- Act 62 of 17 June 2005 sets standards for worker protection and the working environment applicable to all enterprises and every person engaged in paid labour on Norwegian territory. Its scope includes leaves of absence (for pregnancy or child or childminder's illness), maximum working hours, notice of leave, dismissal and other matters.

Working hours

The normal work week is 35.5 hours for shift workers and 37.5 hours for other workers. An employee is not permitted to work more than 200 hours of overtime per year, and overtime is limited to 10 hours per week and 25 hours during a four-week period. A work day may not exceed 13 hours. Applications for temporary exemption from the overtime rules are made to the Labour Directorate.

In a business where a collective or regional agreement is in effect, the trade union may, for a period of up to 12 weeks, agree to overtime of up to 15 hours per week and 40 hours during a four-week period. The total overtime may not exceed 300 hours per year. Extensions agreed by trade unions do not require an application to the Labour Directorate.

Compensation for overtime is an additional 40%. However, other rates may be in force through collective or regional agreements. Night shifts are not permitted unless required by the specific nature of the work.

7.2 Wages and benefits

There is no general national minimum wages, but foreign employees must earn tariff wages to obtain their work permit. Base wages are fixed in collective wage agreements every two years and are adjusted locally in interim years.

Mandatory occupational pensions

Employers are required to establish a defined contribution or a defined benefit pension scheme for their employees. Occupational pension schemes established before the Act entered into force must comply with prescribed minimum requirements.

Social security

Any person resident or working in Norway is a compulsory insured "member" under the Norwegian National Insurance Scheme (NI-scheme). There are exemptions, for example, for foreign citizens who are seconded to Norway and foreign citizens with short-term employment in Norway, as well as exemptions derived from social security agreements between Norway and other states, including the EEA agreement.

The NI-scheme is financed by contributions from its members, employers of members and the Norwegian state. Parliament sets the contribution rates annually.

The employee's contribution is 7.8% of gross income derived from employment. Specific rates (i.e. a maximum 10.7%) apply for income derived from self-employment and remuneration for work performed by partners in partnerships. The contribution for other types of personal income (e.g. pensions) is 3%. The employer's contribution is differentiated regionally and ranges between 0% and 14.1%.

The NI-scheme consists of a pension plan and a medical plan. Persons subject to the scheme are generally covered by both plans.

Other benefits

Mandatory fringe benefits include a vacation of four weeks and one day (five weeks for employees aged 60 years or older) in addition to public holidays. Workers receive vacation pay equal to 10.2% of their total annual monetary compensation, including wages and bonuses. (An additional 2.3% applies for employees aged 60 years or older.) Several collective tariff agreements ensure a vacation of five weeks per annum, with vacation pay calculated at the rate of 12%.

Employees are entitled to sick leave in accordance with specific rules.

7.3 Termination of employment

Workers are protected against "undue" dismissal. In the absence of a collective or other written agreement stating otherwise, the period of notice for termination of employment is at least one month. This is increased to two months for workers with more than five years of continuous service in the same enterprise, three months after ten years of service, four months after ten years for workers aged 50–54 years, five months for workers aged 55–59 and six months for those aged 60 years or older. The employee may terminate the employment by providing three months' notice. Managers usually have contracts that specify three months' notice, but the notification period can be longer.

7.4 Labour-management relations

Contracts accepted by the LO tend to set the standard for other labour settlements. Unions are organised by trade or craft and united under the LO. The largest LO union is that of municipal workers, followed by those of steel and ironworkers, and construction workers.

Although agreements on working conditions and wages in an industry are still negotiated between the LO and the NHO on a centralised basis, regional NHO branches may negotiate with their regional LO counterparts.

7.5 Employment of foreigners

Pursuant to the Immigration Act and regulations, work permits for foreigners from non-EU/EEA member states may only be granted for certain categories of employees, e.g. seasonal workers, trainees, au-pairs and “specialists”. In most cases, the application for a work permit must be submitted to the Norwegian Foreign Service Mission in the country in which the applicant resides and the employee may not enter Norway until a permit has been granted. Employees who are considered “specialists” may, in certain cases, apply for a work permit from within Norway. A “specialist” is a person who has a trade or holds special qualifications. To qualify as a specialist, the special expertise of the employee must be deemed absolutely necessary for the business enterprise and the individual must have a concrete offer of employment

Less restrictive provisions may apply for nationals of an EU/EEA member state. EU/EEA nationals enjoy an expanded and similar access to residence and employment in Norway. An EEA national may generally carry out work in Norway without prior approval of the authorities.

In cases where the employment and/or stay in Norway exceeds three months, the employee must apply for a resident permit through the local police. The application must have been filed within three months of arrival to Norway. Nordic nationals are exempt from this requirement and EEA nationals seeking work in Norway may stay for six months without a permit.

Norway has introduced transitional rules for 10 of the 12 countries that joined the EU since 2004 (i.e. Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, the Slovak Republic, Slovenia, Romania, and Bulgaria). Nationals of such states apply independently for an EU/EEA work and residence permit. These applicants cannot commence employment in Norway before a work/residence permit has been submitted.

8.0 Office locations

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