

Taxation and Investment in Norway 2011

Reach, relevance and reliability



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1.0 Investment climate

1.1 Business environment

Norway is a constitutional monarchy. It is a member of the European Free Trade Association (EFTA) and together with two other EFTA members, Iceland and Lichtenstein, has an agreement with the EU (Agreement on the European Economic Area (EEA)) that provides for zero tariffs on most goods and that effectively implies that Norway has adopted most of the EC articles and directives (but not tax directives).

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

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.

Intellectual property

Patents, copyrights, trademarks and industrial designs and models are recognized 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 authorized 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.

1.2 Currency

The currency of Norway is the Norwegian Krone (NOK).

1.3 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 center, but large commercial banks have branches in other cities, especially Bergen and Stavanger, where the oil industry is based.

1.4 Foreign investment

Norway encourages foreign investment. Companies (and other entities) do not need permits to acquire assets and conduct business activities in Norway. Concessions are needed, however, for the following:

- Exploration and exploitation of petroleum resources on the Norwegian continental shelf;
- Acquisition of land, which according to local plans is to be used for agricultural or leisure purposes;
- Built-up areas greater than 100 decares (100,000 square meters), as well as smaller built-up areas if the area comprises crop land greater than 25 decares;

- Acquisition of certain mines and mining activities; and
- Acquisition of most waterfalls to be used in connection with hydro power production in Norway. A concession is normally granted only to companies that are at least two-thirds owned directly or indirectly by the state, municipalities or counties; and
- Acquisition of most power plants and construction for the supply of (electrical) power and the sale of (electrical) power.

Applications for exploration and exploitation licenses on the Norwegian continental shelf, as well as applications for waterfalls and power plant acquisitions and operations, are submitted to with the Ministry of Oil and Energy. Mining applications are normally also dealt with by the Ministry of Oil and Energy, although the Ministry of Trade and Industry is involved with limestone extraction and quartz mines. Municipal bodies deal with (other) real estate permits.

1.5 Incentives

Norway offers a range of incentives for investment, research and development (R&D) and exports.

Grant and incentives that do not consist of tax credits for R&D are given on a discretionary basis (within guidelines from the authorities) upon application by a public entity, known as “Innovasjon Norge” (Innovation Norway), which is funded via the annual budget. Its main support is to small and medium-sized enterprises (as defined below) and consists of the following:

- Low risk loans;
- Innovation loans to enterprises that are presumed to be “socio-economic profitable,” but that face difficulties in obtaining loans from the private credit market;
- Guarantees and investment loans;
- R&D support in connection with agreements between a supplier (which must be a SME) and another party (customer) on the development of new products, processes or services that may benefit one or both of the parties; and
- Entrepreneur grants to individuals or enterprises in the idea generation phase.

In addition, Innovation Norway to the Research Council of Norway provides support for R&D and approves projects that qualify for tax credits.

A state-owned enterprise known as “SIVA” (the Industrial Development Corporation of Norway) contributes to the achievement of the Norwegian government’s policy goals in remote areas, and within this framework helps to unleash innovation capability and increase wealth creation in all parts of the country. SIVA’s main objective is to provide infrastructure typically in the form of buildings and to provide capital to new innovation enterprises via (minority) shareholdings.

Tax incentives may be granted in the form of tax credits for R&D costs provided the costs are linked to projects approved by the Research Council of Norway. The maximum cost is NOK 5.5 million for own costs and NOK 11 million for projects by research institutions approved by the Research Council. The (maximum) eligible costs give give rise to a tax credit of 18% if the enterprise is not defined as a SME and 20% if the enterprise is a SME. If a taxpayer is not in a “sufficient” tax position to utilize the credit, the excess will be paid out to the taxpayer. An enterprise is a SME if it (i) employs less than 250 persons; (ii) has annual sales that do not exceed EUR 50 million or its annual total balance sheet does not exceed EUR 43 million; and (iii) the enterprise is “independent” (i.e. no more than 25% of the enterprise can be owned by other enterprises that do not meet the requirements). The thresholds are based on the enterprise’s last adopted annual financial statement.

There are (detailed) rules based on the EFTA Surveillance Authority regulations which stipulate limits to the maximum public support (including tax credits) that may be given to R&D projects.

1.6 Exchange controls

There are 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 authorizing the central bank to obtain account information from the relevant bank at any time.

2.0 Setting up a business

2.1 Principal forms of business entity

The usual form of organization for foreign investors in Norway is the public (*Allmennaksjeselskap* (ASA)) or private (*Aksjeselskap* (AS)) limited liability company. Other types of firms, such as general and limited partnerships, individual enterprises and branches, are used less often by foreign investors.

Formalities for 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 the Register of Business Enterprises.

A limited liability company is formed when founders 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 the articles of association. The memorandum of association also 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, number of board members (or the minimum or maximum number) and the amount of share capital (including the par value of each share).

A limited company, whether public or private, must be reported to the 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 shareholder information available to the public. If a shareholder's participation 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 votes, the person concerned must notify the company and the Oslo stock exchange of the disposal. If a shareholder's participation in a listed company exceeds 1/3, 40% or 50% of the votes, a mandatory offer (to the remaining shareholders) generally will be triggered.

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

Forms of entity

Requirements of an LLC (public/private)

Capital. ASA: The shares of an ASA are normally freely available to the investing public, whether Norwegian or foreign; the share capital is a minimum of NOK 1 million. AS: An AS is an individual or family-owned company and other small firms that do not go to the investing public to raise capital; the minimum share capital is NOK 100,000. *Both:* 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. *Both:* There must be at least one promoter (the party or parties who are to subscribe for shares). Individuals and legal persons may act as promoters. There are no restrictions on foreign promoters.

Board of directors. *Both:* Members of the board are elected by the general meeting. A minimum of three members is required if the capital exceeds NOK 3 million in a limited liability company; three board members are required in all public limited liability companies, but at least five are required if the company holds "assemblies." In public limited liability companies, both sexes must be represented 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 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. *Both:* Public limited companies and private limited companies with share capital of at least NOK 3 million must have a general manager. Private limited companies with share capital of less than NOK 3 million may opt to have a general manager, but this is not mandatory. The general manager is appointed by the board of directors and must reside in Norway, although 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 share capital of less than NOK 3 million.

Labor requirements. *Both:* If a company has between 30 and 50 employees, a majority of the employees may demand that a member of the board and an observer with alternates be elected by the employees. In a limited liability company with 50-200 employees, a majority of the employees may demand that up to one-third of the board (at least two board members) be elected by the employees. Companies with more than 200 employees must, unless otherwise is agreed with two-thirds of the employees or their labor unions, elect "corporate assemblies," with two-thirds of the representatives elected at the general meeting and the remaining one-third elected by the employees.

Taxes and fees. *Both:* A registration fee of NOK 6,190 is payable upon incorporation. A fee of NOK 2,580 is often charged if there are changes to the registered company (i.e. new name, capital reductions or winding up in the case of a liquidation or merger).

Types of shares. *Both:* All shares must be registered. Both common and preferred shares are permitted. 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. *Both:* 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.

Branch of a foreign corporation

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 the tax law. However, the head office of a branch is liable for a branch's debts to the extent of the assets of the head office.

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 its 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 cash book, a general ledger, and accounts receivable and accounts payable ledgers.

2.2 Regulation of business

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.

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 authorized to act to remedy the situation.

2.3 Accounting, filing and auditing filing requirements

Norwegian companies and most other Norwegian entities engaged in business operations are obliged to prepare annual financial statements and annual reports regardless of the size of the entity. Norwegian branches of non-Norwegian entities generally are also obliged to prepare branch financial statements and branch annual reports. An exemption is available for non-Norwegian entities with Norwegian operating income less than NOK 5 million provided the entity does not have “permanent connection to Norway.”

Norwegian entities that qualify as “small entities” are subject to simplified requirements, such as exemption from preparing cash flow statements and simplified and less detailed disclosure requirements. Entities normally as defined as small if two out of the three requirements are met on balance sheet date: (1) sales revenue NOK 35 million or less; (2) balance sheet total NOK 70 million or less; and (3) average number of employees during the financial year not more than 50 man-labour years. For parent companies, the thresholds are measured on a consolidated basis.

Norwegian entities with securities listed on a regulated market must prepare consolidated financial statements based on IFRS. The separate (stand alone) financial statement does not have to be based on IFRS (except for certain financial service and insurance entities with separate regulations mainly based on IFRS), but could be prepared based on Norwegian GAAP or a simplified version of IFRS (mainly reduced disclosure requirements and certain exemptions from recognition and measurement requirements related to intragroup transactions). However, if the entity does not have any subsidiaries/affiliates (i.e. consolidated statements are not prepared), the entity (company) financial statement will have to be prepared according to IFRS.

Other Norwegian entities may basically choose whether they will apply IFRS, the simplified version of IFRS (see above) or Norwegian GAAP, both with respect to the separate financial statement and the consolidated statements.

Norwegian accounting standards basically are based more on historical cost than IFRS and the disclosure requirements are less challenging than under IFRS.

Entities with a statutory obligation to keep accounts must file a copy of the annual accounts, the director’s and the auditor’s report with the Norwegian Register of Company Accounts no later than one month after the adoption. Except for branch financial statements, these are public documents. Branches of foreign enterprises must file a copy of the entity’s annual accounts, the director’s report and the auditor’s report (for the enterprise of which the branch is a part). These documents are public documents.

All entities with statutory obligation to keep accounts generally must have the statements audited in Norway. Norwegian companies with operating income less than NOK 5 million, a balance sheet total less than NOK 20 million and an average number of employees of less than 10 man-labor years, may decide that the financial statement will not be audited.

3.0 Business taxation

3.1 Overview

The main taxes relevant to companies are the national income tax and value added tax (VAT). Withholding taxes do not play a prominent role in the Norwegian tax system, since Norway does not levy withholding 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 a tax treaty).

3.2 Residence

Residence is not defined in the tax law, although 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.

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

Taxable income includes ordinary business income, interest, royalties and gains on foreign currency. Ninety seven percent of dividends and capital gains derived from shares in resident companies are tax-exempt for Norwegian companies, as are dividends and capital gains arising from participations in companies that are resident in the EEA. However, dividends received and capital gains derived from shares in a company in a low-tax jurisdiction within the EEA are fully taxable if the company does not have an actual establishment or real business activities are not carried out in that jurisdiction. If the participation is in a non-EEA country, an exemption (of 97%) is available only if the Norwegian recipient holds at least 10% of the share capital and the voting power for two consecutive years and the company is not resident in a low-tax jurisdiction. 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 a tax treaty (see below).

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; the value may not be written down because of damage, low demand or risk of a fall in price. Unrealized losses from outstanding debt claims generally are not deductible. However, a standard deduction calculated under a special formula based on realized losses of the firm in the two previous years is allowed for customer debt. New enterprises may deduct 2% of customer 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 those costing NOK 15,000 or more, with

an estimated life of at least three years; 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 amortized if and to the extent the "fall in value is obvious". Intangibles limited in time are amortized 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 where losses may be carried back for two years.

3.4 Capital gains taxation

Capital gains derived from 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, 97% of capital gains on shares and dividends received by companies are often exempt from tax. Losses on shares are not deductible for tax purposes in such cases (not even 3%).

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

3.5 Double taxation relief

Unilateral relief

A tax credit is granted for foreign tax paid, with the credit 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. A credit for underlying foreign corporate tax relating to dividends received is available against Norwegian taxes on dividends received if the dividends are fully taxable and the shareholder is a Norwegian company holding at least 10% of the shares for at least two consecutive years. Note, however, that no credit is available for foreign taxes (withholding taxes, underlying foreign corporate taxes or taxes on gains on the realization of shares (in those cases, the gains are taxable in the jurisdiction in which the company is resident)) in cases where only 3% of the dividends received or capital gains are taxable.

Tax treaties

Norway has a broad tax treaty network, which aims to eliminate double taxation and provides for reduced rates of withholding tax on dividends, interest and royalties. The five Nordic countries (i.e. Denmark, Finland, Iceland, Norway and Sweden) cooperate under a single multilateral pact. Norway's treaties generally follow the OECD model treaty. Norway is a member of the Global Forum on Transparency and Exchange of Information for Tax purposes and has entered into a number of bilateral Tax Information Exchange Agreements

A nonresident generally can obtain benefits under Norway's treaties by applying the treaty directly, i.e. without an application/clearance procedure. Payments to a nonresident (for services rendered) are not subject to withholding tax until the recipient can prove that there is no tax liability to Norway or that a tax return has or will be filed. As for withholding taxes on dividend distributions where the beneficial owner is not known to the distributing company (typically distributions from listed companies) the non-treaty rate (25%) normally will be applied by the distributing company. Non-Norwegian custodians may obtain clearance from the tax authorities (the Central Office Foreign Tax Affairs) in advance to apply the treaty rate, but not the zero rate which maybe applicable to corporate and certain institutional shareholders resident in the EEA. If a rate higher than the correct rate is applied up-front, a refund application must be submitted to the Central Office.

Norway Tax Treaty Network			
Albania	Faroe Islands	Luxembourg	Slovakia
Algeria	Finland	Malaysia	Slovenia
Australia	France	Malawi	South Africa
Austria	Gambia	Malta	Spain
Azerbaijan	Germany	Mexico	Sri Lanka
Bangladesh	Greece	Morocco	Sweden
Barbados	Greenland	Netherlands	Switzerland
Belgium	Iceland	Netherlands Antilles	Tanzania
Benin	India	New Zealand	Thailand
Bosnia-Herzegovina	Indonesia	Pakistan	Trinidad & Tobago
Brazil	Ireland	Philippines	Tunisia
Bulgaria	Israel	Poland	Turkey
Canada	Italy	Portugal	Uganda
Chile	Ivory Coast	Qatar	Ukraine
China	Jamaica	Romania	United Kingdom
Croatia	Japan	Russia	United States
Cyprus	Kazakhstan	Senegal	Venezuela
Czech Republic	Kenya	Serbia	Vietnam
Denmark	Korea	Sierra Leone	Zambia
Egypt	Latvia	Singapore	Zimbabwe
Estonia	Lithuania		

3.6 Transactions between related parties

Transfer pricing

In principle, intercompany transactions are acceptable for tax purposes if the transactions are carried out on arm's length terms and the taxpayer maintains satisfactory documentation. 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 Norwegian tax authorities intervene in many instances where they deem payments of interest and management fees to be at unreasonable rates and in cases involving the capitalization of Norwegian subsidiaries. Moreover, they do so more frequently with respect to the pricing of goods. When the tax authorities determine that a taxpayer has unreasonably reduced its reported income through dealings with a foreign affiliate, the authorities are authorized to adjust the taxpayer's income upwards. The resulting increase in the tax burden can be substantial.

Norway has transfer pricing documentation rules and a separate tax return form is required to report related party transactions. The documentation rules apply to Norwegian entities (including transparent entities) that hold or control at least 50% of another entity, and to entities (including Norwegian branches) 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 persons, 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 its transfer pricing documentation within 45 days.

Thin capitalization

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

Controlled foreign companies

A Norwegian resident is taxed on its proportionate 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, but the list only covers a few countries and a specific analysis must be made in other cases.

If Norway has concluded a tax treaty with the jurisdiction in question and the 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.). Moreover, the rules do not apply to a company resident in an EEA country to the extent the company has an actual establishment and performs real business activities in that country.

3.7 Administration

Tax year

The fiscal year is normally the calendar year. Subsidiaries and branches of non-Norwegian companies may apply the fiscal year of the parent company.

Filing and payment

A tax assessment is made during the fall based on the tax return filed (if the figures in the return are accepted) normally during October. Any shortfall or overpayment compared to the advance payments is payable or refundable three weeks after the assessment is made.

Advance payment of corporate tax is due twice a year (15 February and 15 April in the year following the tax year). The tax authorities estimate the amount of the first two payments, based on the previous year's income.

Companies must file a tax return by 31 March in the year following the tax year if filed in hard copy. Resident companies are allowed to file tax returns electronically by 31 May.

Consolidated returns

Companies within a group are taxed in Norway as separate entities, and consolidated tax returns are not permitted. However, the Norwegian Tax Act provides 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 shares and votes 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.

Statute of limitations

The general statute of limitations period is 10 years after the end of the relevant fiscal year. If a potential adjustment relates to the tax authorities' interpretation of Norwegian tax law or their estimates, the limit is three years. If a potential amendment disadvantages the taxpayer and the taxpayer has provided complete information, the limit is two years. There is a three-year statute of limitations for the collection of taxes counted from the end of the year the payment fell due. Tax payments normally fall due three weeks after a decision made by the tax authorities even if the decision is appealed or the tax authorities are taken to court.

Tax authorities

The Norwegian Tax Administration is responsible for collecting income and wealth tax, national insurance contributions, VAT and inheritance tax.

Rulings

A taxpayer may request that the tax authorities issue a binding ruling on the tax consequences of a concrete, planned disposition before it is implemented in cases where it is essential to know the tax consequences before the disposition or if the question raised is presumed to be of general interest. The ruling scheme applies to direct taxes, social security contributions and VAT.

A ruling is binding on the tax authorities provided the disposition is implemented according to the facts and circumstances described in the ruling request. A ruling is not binding on the taxpayer, and an assessment based on a ruling may be appealed under the ordinary rules.

The tax authorities are not obliged to issue a ruling, and there are limitations on the issues that can be the subject of a ruling. For example, the tax authorities may not issue a ruling on whether an individual or a corporation is tax resident in Norway, whether an entity qualifies for the (97%) exemption on certain capital gains and dividend distributions or questions that are governed by Norway's tax treaties. Valuation and transfer pricing issues also are outside the scope of the ruling scheme.

3.8 Other taxes on business

Other taxes include petroleum revenue tax and tonnage tax.

4.0 Withholding taxes

4.1 Dividends

No withholding tax is imposed on dividends paid to corporate shareholders resident in the EEA, provided the shareholder conducts a real business activity in the relevant jurisdiction; otherwise, the applicable tax 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.

4.2 Interest

Norway does not levy withholding tax on interest payments to nonresidents.

4.3 Royalties

Norway does not levy withholding tax on royalty payments made to nonresidents.

4.4 Branch remittance tax

Norway does not levy a branch remittance tax.

4.5 Wage tax/social security contributions

To the extent an employee is subject to taxation in Norway (see below), the employer must withhold tax based on a tax deduction card issued by the Norwegian tax authorities and pay the tax withheld every two months. The tax withheld will be set off against the employee's final tax liability (which is based on the tax return filed).

Insofar as an employee is covered by the Norwegian National Insurance Scheme, a 7.8% social security contribution is levied the employee on the gross compensation. A preliminary payment is also made via withholding based on the tax deduction card. (Assessment of social security contributions is normally made by the tax authorities in Norway). Joint tax deduction cards covering both (assumed) taxes and social security contribution are issued

An employer also must contribute to the National Insurance Scheme contribution, which is differentiated regionally and ranges between 0% (some rural districts) and 14.1%. The basis is the same as for the social security contribution, and there is cap on the basis. The contribution is payable on the same dates as the tax/social security contribution withheld from an employee's compensation.

5.0 Indirect taxes

5.1 Value added tax

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%, with a reduced rate of 14% applying 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.

5.2 Capital tax

Norway does not levy capital duty.

5.3 Real estate tax

A municipal property tax applies to the assessed value of real property if the municipality where the real property is located has adopted such a tax. Rates range between 0.2% and 0.7.

5.4 Transfer tax

Only a stamp duty is levied on the transfer of real property.

5.5 Stamp duty

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

5.6 Customs and excise duties

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

5.7 Environmental taxes

“Green” taxes are used 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.

5.8 Other

None

6.0 Taxes on individuals

6.1 Residence

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.

6.2 Taxable income and rates

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. Individuals pay national and municipal taxes.

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.

The rates and brackets are adjusted annually by the Norwegian parliament.

Determination of taxable income

Taxable income includes: 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 from 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. Losses incurred on the sale of securities may be fully deducted from taxable income. Dividends are taxed as ordinary income (with some minor adjustments).

Deductions and reliefs

A standard minimum deduction from ordinary income is available for incidental personal expenses of up to 36% of salary, with a minimum of NOK 4,000 and a maximum of NOK 70,350. The standard personal deductions are NOK 43,600 for single taxpayers and NOK 87,200 for married taxpayers filing jointly. 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 tax brackets for national tax levied on personal income generally are reduced proportionally.

A resident taxpayer is entitled to a deduction for supporting dependent children (i.e. those who are younger than 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 both married and single taxpayers.

A savings scheme offering a specific tax relief is available to individuals under age 34 who are saving to buy a house. The current annual savings limit is NOK 20,000, which will result in an income tax relief at 20% of the annual amount saved. The upper limit for accumulated savings is NOK 150,000. 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.

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 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 presumption that a

substantial part (i.e. 90%) of the individual's income from employment is taxable in Norway. This also applies for deductions due to interest on loans. Nonresidents from countries outside the EEA 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.)

Rates

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 14.05% 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 of 9% (7% for Finnmark and Nord-Troms) applies on the portion of personal income between NOK 471,200 and NOK 765,800 for all taxpayers. A 12% marginal tax applies on the portion of personal income exceeding NOK 765,800 for all taxpayers.

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.)

6.3 Inheritance and gift tax

Inheritance and gift tax is levied on the heir or donee. The rates are progressive, ranging from 0% to 15% and depend on the relationship between the deceased

6.4 Net wealth tax

Individuals are subject to wealth tax on capital exceeding NOK 700,000 at a flat rate of 1.1%.

6.5 Capital taxes

Resident individuals are subject to national net wealth tax and municipal net wealth tax on their worldwide net wealth. The net wealth taxes are levied on the net value of the taxpayer's assets at the end of the tax year. The net wealth of married couples living together is aggregated for tax purposes. Municipal net wealth tax is only payable on net wealth in excess of NOK 700,000. The rate is currently 0.7 % in all municipalities. National net wealth tax also is only payable on net wealth in excess of NOK 700,000. The rate is 0.4%.

6.6 Real property tax

Some municipal authorities levy "rates" on the occupation of real property. 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.

6.7 Compliance

The taxable period for individuals is the calendar year.

Married taxpayers may choose to file jointly or separately to minimize their tax burden.

Tax payable on employment income is withheld at source by the employer. However, an individual with total annual household income of at least EUR 11,200 must file a tax declaration where income is paid by more than one employer. Individuals who are required to submit a tax return to the tax office must do so by 31 March following the year end. Most Norwegian residents will file a pre-completed return for which the deadline is 30 April following the year end.

7.0 Labor environment

7.1 Employee rights and remuneration

Key Norwegian labor laws are as follows:

- Act 1 of 5 May 1927 (relating to labor 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 21 June 1985 (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 and 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 labor on Norwegian territory. Its scope includes leaves of absence (e.g. pregnancy, ill child, etc.), maximum working hours, notice of leave, dismissal and other matters.
- Act 58 of 4 June 1993 and Regulations of 6 October 2008 makes collective Wage Agreement applicable for skilled and unskilled employees performing construction work construction sites in Norway.
- Act 124 of 21 December 2005 makes all employers obliged to establish and offer employees an occupational pension plan

Working hours

The normal work week is 36 hours for shift workers and 40 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 Labor 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 Labor 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 wage, 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. Within certain sectors, the minimum employee rights set out in collective wage agreement is made applicable also for other employers and employees than those who are the formal parties in the collective agreement.

Mandatory occupational pensions

An employer is required to establish a defined contribution or a defined benefit pension scheme for its 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 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 and the Norwegian state. Parliament sets the contribution rates on an annual basis. The employee’s contribution is 7.8% of gross income derived from employment. Specific rates (i.e. a maximum 11%) 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 and 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 and 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 10 years of service, four months after 10 years for workers aged 50-54, five months for workers aged 55-59 and six months for those aged 60 or older. An 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 Labor-management relations

Contracts accepted by the Confederation of Labor Unions (LO) tend to set the standard for other labor settlements. Unions are organized 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 centralized 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.

Where the employment and/or stay in Norway exceed three months, the employee must apply for a resident permit through the local police / immigration authorities. 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 still has transitional rules for Bulgaria and Romania: nationals of these countries must apply independently for an EU/EEA work and residence permit and may not commence employment in Norway before a permit has been issued.

8.0 Deloitte International Tax Source

Professionals of the member firms of Deloitte Touche Tohmatsu Limited have created the Deloitte International Tax Source (DITS), an online resource that assists multinational companies in operating globally, placing up-to-date worldwide tax rates and other crucial tax material within easy reach 24/7.

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9.0 Office locations

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