



## International tax

# Norway Highlights 2012

### Investment basics:

**Currency** – Norwegian Krone (NOK)

**Foreign exchange control** – No

**Accounting principles/financial statements** – Norwegian GAAP and IFRS. Statutory accounts must be prepared annually.

**Principal business entities** – These are the public and private limited company (ASA/AS), limited partnership (KS), general partnership (ANS), branch of foreign company (NUF) and individual enterprise.

### Corporate taxation:

**Residence** – Limited companies incorporated in Norway and foreign companies with their effective management and control in Norway are treated as Norwegian resident. Foreign companies with business activities in Norway are subject to limited taxation in Norway on Norwegian-source income.

**Basis** – Norwegian taxable income is based on worldwide income (unless income is exempt under an applicable tax treaty). Nonresidents are taxed on Norwegian-source income. Branches are taxed similar to Norwegian limited companies but only on Norwegian-source income.

**Taxable income** – Corporate income tax is imposed on a company's profits, which consist of business/trading income, passive income and capital gains (subject to an exemption for capital gains on shares). Normal business expenses may be deducted in computing taxable income.

**Taxation of dividends** – Dividends received by Norwegian resident limited companies from Norwegian limited companies or limited companies resident in the EEA are 97% exempt from tax, with the remaining 3% taxed at the ordinary rate of 28%. For dividends received from companies in a low-tax jurisdiction within the EEA, the 97% exemption applies only if real business activities are conducted in that jurisdiction.

Dividends received by Norwegian resident limited companies from limited companies in non-EEA countries are 97% exempt if the Norwegian company has held at least 10% of the shares for a minimum of 2 years and the foreign country is not a low-tax country.

Intragroup dividends from Norwegian companies are 100% exempt from taxation provided the shareholder owns and controls more than 90% of the subsidiary or the ultimate parent (which need not be Norwegian) owns and controls directly or indirectly more than 90% of the shares of both companies. The exemption for intragroup dividends also applies if the distribution is from a limited company resident in the EEA provided the distribution would qualify for the 97% exemption had there not been an intragroup distribution.

**Capital gains** – Gains are generally taxable, subject to an exemption for capital gains on shares (see below under "Participation exemption").

Exit taxation rules apply when assets or companies are migrated out of Norway's tax jurisdiction. There are certain exemptions to the exit taxation rules when companies migrate to another jurisdiction within the EEA. If a company migrates to a low-tax jurisdiction within the EEA, the exemption is conditioned on the company conducting real business activities in the new jurisdiction.

**Losses** – Losses may be carried forward without limit. Liquidation losses only may be carried back 2 years.

**Rate** – 28%

**Surtax** – No

**Alternative minimum tax** – No

**Foreign tax credit** – Tax credits for foreign tax paid are available in 3 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 (fully) taxable in Norway and the Norwegian limited company

has held at least 10% of the shares in the foreign payer for at least 2 years.

**Participation exemption** – Capital gains derived by Norwegian limited companies on the disposal of shares in other Norwegian (or EEA resident) limited companies are exempt from taxation. For gains realized on the disposal of shares in a company in a low-tax jurisdiction within the EEA, the exemption applies only if real business activities are conducted in that jurisdiction. Capital gains realized by Norwegian limited companies from shares in companies resident in non-EEA countries are exempt from taxation if at least 10% of the shares have been held for at least 2 years and the foreign company is not resident in a low-tax jurisdiction.

**Holding company regime** – No special regime, but the participation exemption is available for some dividends and capital gains.

**Incentives** – Limited R&D credits are available.

### Withholding tax:

**Dividends** – No withholding tax is imposed on dividends paid by a Norwegian limited company to an EEA resident corporate shareholder, provided the shareholder conducts a real business activity in the relevant jurisdiction. Otherwise, an 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 a treaty.

**Interest** – Norway does not levy withholding tax on interest payments.

**Royalties** – Norway does not levy withholding tax on royalty payments.

**Technical service fees** – Norway does not levy withholding tax on technical service fees.

**Branch remittance tax** – No

**Other** – No

### Other taxes on corporations:

**Capital duty** – No

**Payroll tax** – There is no payroll tax. The employer must withhold tax on salary on behalf of its employees and remit that to the tax collection office.

**Real property tax** – Property tax applies on the assessed value of real property at rates ranging between 0.2% and 0.7%, depending on the location of the property. Some municipalities do not levy property tax.

**Social security** – The employer's contribution is differentiated regionally and ranges between 0% and 14.1%.

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

**Transfer tax** – Transfer tax generally is not levied, although there are some exceptions (e.g. registration fees on cars).

**Other** – Other taxes include petroleum revenue tax and tonnage tax.

#### **Anti-avoidance rules:**

**Transfer pricing** – In principle, intercompany transactions are acceptable for tax purposes if they are based on the arm's length principle. Documentation requirements apply.

**Thin capitalization** – There are no specific thin capitalization rules, but the arm's length principle applies.

**Controlled foreign companies** – With respect to foreign companies resident outside the EEA, if at least 50% of the shares in the foreign company are held (directly or indirectly) by Norwegian resident taxpayers and the foreign company is effectively subject to less than 2/3 of the Norwegian tax on the same income, the foreign company is treated as a CFC unless Norway has entered into a tax treaty with the relevant country and the income is not of a mainly passive nature. With respect to foreign companies resident within the EEA, the same conditions apply as for companies resident outside the EEA but, in addition, the foreign company cannot be a CFC if real business activities are carried out in the relevant jurisdiction.

**Other** – There is no general anti-avoidance provision in the legislation but a doctrine has developed under which a transaction may be disregarded for tax purposes if the transaction has no, or only minor, consequences other than the reduction of tax, and the result of respecting the transaction would be contrary to the basic policy of the tax provision in question.

**Disclosure requirements** – No

#### **Administration and compliance:**

**Tax year** – The tax year is the same as the accounting year, which normally is the calendar year.

**Consolidated returns** – There are no provisions for consolidated returns, but Norwegian group companies can enhance their overall tax position via group contributions.

**Filing requirements** – Advance payments of corporate taxes are due 2 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 November. The tax authorities estimate the amount of the first 2 payments based on the previous year's income. The last payment is 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.

**Penalties** – Penalties are normally 30% or up to 60% of the tax that is or could have been avoided. Interest also can be charged.

**Rulings** – The tax authorities may issue an advance ruling at the request of the taxpayer on the tax consequences of a specific future transaction.

#### **Personal taxation:**

**Basis** – All individuals domiciled or permanently resident in Norway are subject to Norwegian income tax on their worldwide income. 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, is taxable. Norway's right to tax may be limited under an applicable tax treaty.

**Residence** – An individual becomes a permanent resident in Norway if he/she is present in Norway for a period exceeding 183 days during any 12-month period or 270 days during any 36-month period. Individuals do not become resident during the first calendar year if the time spent in Norway that year is less than 183 days.

**Filing status** – While spouses generally are as taxed as a single taxpayer, if each spouse derives income, a separate assessment may

be claimed. Separate assessment is also used if this results in a lower tax burden.

**Taxable income** – Income tax liability is based on worldwide income, net of expenses (including interest paid) and foreign income taxes. 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 withdrawn from the partnership.

**Capital gains** – Capital gains are taxed at 28%. Gains from the sale of real property used as a permanent residence are taxable where the taxpayer owned the property for less than 1 year (5 years for a vacation home). Gains from the sale of securities are included in taxable income.

**Deductions and allowances** – Losses incurred on the sale of securities are fully deductible from taxable income. A standard deduction from ordinary income is available for incidental personal expenses of up to 38% of salary, subject to a minimum of NOK 4,000 and a maximum of NOK 78,150. The standard personal deductions are NOK 45,350 for single taxpayers and NOK 90,700 for married taxpayers filing jointly. A resident taxpayer is entitled to an unlimited deduction for interest paid on debts.

**Rates** – A combined municipal and national tax rate of 28% applies to net income. A marginal national tax of 9% (often referred to as "top tax") applies on the portion of personal income between NOK 490,000 and NOK 796,400, with a 12% marginal tax on the portion of personal income in excess of NOK 796,400.

#### **Other taxes on individuals:**

**Capital duty** – Generally none

**Stamp duty** – Stamp duty at 2.5% is levied on deeds of conveyance.

**Capital acquisitions tax** – Generally none

**Real property tax** – 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. Some municipalities do not levy the tax.

**Inheritance/estate tax** – Assets gifted to certain close relatives and individuals considered in the donor's will, as well as inheritance, are subject to inheritance/gift tax

if in excess of certain standard exemptions and thresholds. Progressive rates of up to 15% apply.

**Net wealth/net worth tax** – Individuals are subject to wealth tax on capital exceeding NOK 750,000 at a flat rate of 1.1%.

**Social security** – A person resident or working in Norway is a compulsory insured "member" under the Norwegian National Insurance Scheme (NI-scheme). 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. The employer's contribution is differentiated regionally and ranges between 0% and 14.1%. Specific rates (maximum 11 %) apply to 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 4.7%.

## Administration and compliance:

**Tax year** – Calendar year

**Filing and payment** – Tax payable on employment income is withheld at source by the employer. Individuals who are required to submit a tax return to the tax office for foreign tax affairs 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.

**Penalties** – Penalties are normally 30% or up to 60% of the tax that is or could have been avoided. Interest also can be charged.

## Value added tax:

**Taxable transactions** – VAT applies at each stage of production and distribution to most goods and services, including royalties, advertising and hotel services.

**Rates** – The standard rate is 25%; lower rates of 15% apply for food and 8% for passenger transport, hotel accommodation

and cinema tickets. Certain transactions are zero-rated or exempt.

**Registration** – Businesses with annual turnover above NOK 50,000 must register for VAT purposes.

**Filing and payment** – There are 6 filing and payment dates each year (every second month).

**Source of tax law:** Income Tax Act of 1999

**Tax treaties:** Norway has concluded more than 85 treaties.

**Tax authorities:** Norwegian Revenue Authorities

**International organizations:** OECD, WTO, EEA, EFTA

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