International Tax
Norway Highlights 2017

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 resident in Norway.

Basis – Norwegian residents are taxable on worldwide income (unless income is exempt under an applicable tax treaty). Nonresidents are taxed only on Norwegian-source income. Branches are taxed in a manner 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 a Norwegian resident limited company from another Norwegian limited company or a limited company resident in the European Economic Area (EEA) are 97% exempt from tax, with the remaining 3% taxed at the ordinary rate of 25%. For dividends received from a company 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 a Norwegian resident limited company from a limited company located in a non-EEA country are 97% exempt if the Norwegian company has held at least 10% of the shares for at least two 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 generally are taxable, subject to an exemption for capital gains on shares (see below under "Participation exemption").

Exit taxation applies when a company migrates out of Norway's taxing jurisdiction, subject to certain exemptions when migration is to another EEA jurisdiction. 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. When assets are migrated out of Norway, a built-in gain exceeding certain thresholds is taxable. With respect to assets owned by a taxpayer resident in an EEA country, the payment of the tax assessed may be deferred in certain cases. However, 1/7 of the original tax must be paid every income year from the year of the migration. The deferral is subject to an interest charge and if there is genuine risk that the tax may not be recovered, security must be provided.

Losses – Losses may be carried forward without limit. Liquidation losses may be carried back two years.

Rate – The standard corporate tax rate is 24% (reduced from 25% as from the fiscal year ending in 2017). Enterprises engaged in financial activities are, as a main rule, subject to corporate tax at a rate of 25%.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Tax credits for foreign tax paid are available in two baskets: either "low-tax" or "other." The maximum credit within each basket is limited to the lower of the foreign tax paid or 24% 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 two years.

Participation exemption – Capital gains derived by a Norwegian limited company on the disposal of shares in another Norwegian (or EEA resident) limited company 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 a Norwegian limited company on shares in a company resident in a non-EEA country are exempt from taxation if at least 10% of the shares have been held for at least two years and the foreign company is not resident in a low-tax jurisdiction.

Holding company regime – There is 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 and has an "actual establishment" 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 a tax 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 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 office.

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.

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.

Enterprises engaged in financial activities are, as a main rule, subject to an additional tax calculated as 5% of compensation paid to employees (the same compensation as is used for purposes of calculating the employer's social security contribution).

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 – Interest on related party debt generally may be deducted to the extent the interest does not exceed 25% of adjusted EBITDA.

Controlled foreign companies – If at least 50% of the shares in a foreign company resident outside the EEA 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. The same conditions apply to companies resident in an EEA country, except that the foreign company will not be considered a CFC if real business activities are carried out in the relevant jurisdiction.

Disclosure requirements – Norway introduced country-by country (CbC) reporting rules in December 2016. As a main rule, the reporting obligation, for entities other than Norwegian-based ultimate parents, will not be effective for accounting years starting before 1 January 2017. In connection with the tax return filing for 2016, however, Norwegian group companies must state which company within the group will perform the CbC reporting and the country where that entity is resident.

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.

Compliance for corporations:

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 may make group contributions.

Filing requirements – Advance payments of corporate taxes are due twice a year (on 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 two payments based on the previous year's income. The last payment is based on a tax return, which companies must file electronically by 31 May. Neither Norwegian nor non-Norwegian companies are allowed to file hard copy tax returns.

Penalties – Penalties normally are 20% 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 in that year is less than 183 days.

Filing status – While spouses generally are taxed as individual taxpayers, if each spouse derives income, a separate assessment may be claimed. Separate assessment also is 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 24%. Gains from the sale of real property used as a permanent residence are taxable if the taxpayer owned the property for less than one year (five 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 44% of salary, subject to a minimum of NOK 31,800 for employment income and a maximum of NOK 94,750. The standard personal deductions are NOK 53,150 for single taxpayers and NOK 78,300 for married taxpayers filing jointly. A resident taxpayer is entitled to an unlimited deduction for interest paid on debts. (For individuals investing via certain transparent partnerships, the limitations mentioned under "Thin capitalization" may apply.)

Rates – A combined municipal and national tax rate of 24% applies to net income. Income/loss due to ownership in companies and partnerships, such as gains on realization and distributions, is subject to a 1.24 multiplier before taxation; the effective tax rate is 29.76%

A progressive bracket tax also applies to personal income, with four thresholds. The marginal rates are 0.93%, 2.41%, 11.52% and 14.52%, and the corresponding thresholds are NOK 164,100, NOK 230,950, NOK 580,650 and NOK 934,050. The top marginal income tax rate is 38.52% (24% + 14.52%).

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 – No

Net wealth/net worth tax – Individuals are subject to wealth tax on capital exceeding NOK 1,480,000, at a flat rate of 0.85%.

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 8.2% of gross income derived from employment. The employer's contribution is differentiated regionally and ranges between 0% and 14.1%. Specific rates (a maximum of 11.4 %) apply to income from self-employment and remuneration for work performed by partners in partnerships. The contribution for other types of personal income (e.g. pensions) is 5.1%.

Compliance for individuals:

Tax year – Calendar year

Filing and payment – Tax payable on employment income is withheld at source by the employer. The deadline for tax return filing for individuals is 30 April following the year end.

Penalties – Penalties normally are 20 % 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%; a lower rate of 15% applies for food and a 10% rate applies for passenger transport, hotel accommodation, cinema tickets and admission to museums, amusement parks and sporting events. 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 six 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

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